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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) CONNECTED TRANSACTIONS — THE CONSULTANCY AGREEMENTS**

**AND**

#### **(2) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS — THE NEW FRAMEWORK PURCHASE AGREEMENTS**

**AND**

#### **(3) REVISION AND RENEWAL OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS — THE SUPPLEMENTAL LEASING AGREEMENT**

##### **THE CONSULTANCY AGREEMENTS**

The Company hereby announces that, on 9 November 2020, Nanjing Hong Yang Business Management, Changzhou Hong Yang Business Management and Hong Yang Land (each a wholly-owned subsidiary of the Company) entered into the following Consultancy Agreements respectively:

- (1) the First Consultancy Agreement with Jiangsu Redsun Household in relation to the provision of preliminary business solicitation and exclusive business solicitation agency consultancy services by Nanjing Hong Yang Business Management to Jiangsu Redsun Household;
- (2) the Second Consultancy Agreement with Nanjing Hong Yang Life Commercial in relation to the provision of preliminary business solicitation and exclusive business solicitation agency consultancy services by Nanjing Hong Yang Business Management to Nanjing Hong Yang Life Commercial;

- (3) the Third Consultancy Agreement with Jiangsu Redsun Materials City in relation to the provision of preliminary business solicitation and exclusive business solicitation agency consultancy services by Changzhou Hong Yang Business Management to Jiangsu Redsun Materials City; and
- (4) the Fourth Consultancy Agreement with Jiangsu Redsun Materials City in relation to the provision of core market resources consultancy services by Hong Yang Land to Jiangsu Redsun Materials City.

## **THE NEW FRAMEWORK PURCHASE AGREEMENTS AND THE SUPPLEMENTAL LEASING AGREEMENT**

Reference is made to the section headed “Continuing Connected Transactions — Non-exempt Continuing Connected Transactions” in the Prospectus and the announcement of the Company dated 22 November 2019 in relation to, among other things, the Existing Framework Purchase Agreements which are due to expire on 31 December 2020 and the Lease. On 9 November 2020, the Company entered into the New Framework Purchase Agreements and the Supplemental Leasing Agreement to renew the Existing Framework Purchase Agreements and to revise the rent under the Lease, respectively.

## **IMPLICATIONS UNDER THE LISTING RULES**

### **The Consultancy Agreements**

As at the date of this announcement, Mr. Zeng is an executive Director and a controlling Shareholder. Each of Jiangsu Redsun Household, Nanjing Hong Yang Life Commercial and Jiangsu Redsun Materials City is indirectly wholly-owned by Mr. Zeng, and is therefore each an associate of Mr. Zeng and in turn a connected person of the Company. The entering into of the Consultancy Agreements constitute connected transactions of the Company.

As the entering into of the Consultancy Agreements constitutes a series of connected transactions entered into with associates of Mr. Zeng within a 12-month period, the transactions contemplated under the Consultancy Agreements shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Consultancy Agreements, when aggregated, are more than 0.1% but are all less than 5%, the transactions contemplated under the Consultancy Agreements are subject to the announcement and reporting requirements but are exempt from circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

### **The New Framework Purchase Agreements**

As at the date of this announcement, (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 Baoshen, 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.

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 2023 exceed 0.1% but are all less than 5%, the entering into of the New Framework Purchase Agreements and the transactions contemplated thereunder will be subject to the reporting, annual review and announcement requirements but are exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **The Supplemental Leasing Agreement**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) of the Revised Annual Cap and the Proposed Annual Caps in respect of the Lease exceed 0.1% but are less than 5% on an annual basis, the transaction under the Lease (as supplemented by the Supplemental Leasing Agreement) will be subject to the reporting, annual review and announcement requirements but are exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## A. THE CONSULTANCY AGREEMENTS

The principal terms of the Consultancy Agreements are set out as follows:

### (1) The First Consultancy Agreement

Date: 9 November 2020

Parties: (a) Nanjing Hong Yang Business Management (as services provider); and  
(b) Jiangsu Redsun Household (as services recipient).

Scope of Services: **(i) Preliminary business solicitation consultancy services**

Nanjing Hong Yang Business Management will provide preliminary business solicitation consultancy services to Jiangsu Redsun Household, including but not limited to consultation with respect to projects positioning, business planning, business solicitation strategies and financial forecasts

**(ii) Exclusive business solicitation agency consultancy services**

Nanjing Hong Yang Business Management will provide exclusive business solicitation agency consultancy services to Jiangsu Redsun Household, including but not limited to preparation and follow up on leases, analysis of competitors' leasing and promotion strategies and provision of corresponding suggestions

Term of services: **(i) Preliminary business solicitation consultancy services**

for 12 weeks from the date of receipt of the first instalment payable by Jiangsu Redsun Household pursuant to the First Consultancy Agreement

**(ii) Exclusive business solicitation agency consultancy services**

for six months from the date of issuance of the notification letter of service commencement by Jiangsu Redsun Household to Nanjing Hong Yang Business Management

Consideration and payment terms:

The total consideration under the First Consultancy Agreement shall be RMB3,500,000, comprising:

- (i) RMB1,700,000 for the preliminary business solicitation consultancy services; and
- (ii) RMB1,800,000 (being the monthly fee of RMB300,000 for six months) for the exclusive business solicitation agency consultancy services.

The total consideration shall be payable by Jiangsu Redsun Household to Nanjing Hong Yang Business Management by bank transfer in the following manner:

- (i) RMB700,000 shall be paid by Jiangsu Redsun Household within three business days upon the date of the First Consultancy Agreement;
- (ii) RMB1,000,000 shall be paid by Jiangsu Redsun Household prior to the expiry of the First Consultancy Agreement and within three business days upon the date of submission of the phase two service report by Nanjing Hong Yang Business Management; and
- (iii) RMB1,800,000 shall be paid by Jiangsu Redsun Household to Nanjing Hong Yang Business Management within 30 business days upon the expiry of the First Consultancy Agreement.

## **(2) The Second Consultancy Agreement**

On the same date, Nanjing Hong Yang Business Management and Nanjing Hong Yang Life Commercial entered into the Second Consultancy Agreement, pursuant to which Nanjing Hong Yang Business Management shall provide preliminary business solicitation consultancy services and exclusive business solicitation agency consultancy services to Nanjing Hong Yang Life Commercial.

Save for the identity of the parties thereto as disclosed above, the remaining principal terms of the Second Consultancy Agreement are identical to the First Consultancy Agreement.

## **(3) The Third Consultancy Agreement**

On the same date, Changzhou Hong Yang Business Management and Jiangsu Redsun Materials City entered into the Third Consultancy Agreement, pursuant to which Changzhou Hong Yang Business Management shall provide preliminary business solicitation consultancy services and exclusive business solicitation agency consultancy services to Jiangsu Redsun Materials City.

The total consideration under the Third Consultancy Agreement shall be RMB4,000,000, comprising:

- (i) RMB2,200,000 for the preliminary business solicitation consultancy services; and
- (ii) RMB1,800,000 (being the monthly fee of RMB300,000 for six months) for the exclusive business solicitation agency consultancy services.

The total consideration shall be payable by Jiangsu Redsun Materials City by bank transfer to Changzhou Hong Yang Business Management in the following manner:

- (i) RMB700,000 shall be paid by Jiangsu Redsun Materials City within three business days upon the date of the Third Consultancy Agreement;
- (ii) RMB1,500,000 shall be paid by Jiangsu Redsun Materials City prior to the expiry of the Third Consultancy Agreement and within three business days upon the date of submission of the phase two service report by Changzhou Hong Yang Business Management; and
- (iii) RMB1,800,000 shall be paid by Jiangsu Redsun Materials City within 30 business days upon the expiry of the Third Consultancy Agreement.

Save for the identity of the parties thereto and the consideration of such consultancy services as disclosed above, the remaining principal terms of the Third Consultancy Agreement are identical to the First Consultancy Agreement.

**(4) The Fourth Consultancy Agreement**

Date: 9 November 2020

Parties: (a) Hong Yang Land (as services provider); and  
(b) Jiangsu Redsun Materials City (as services recipient).

Scope of Service: Hong Yang Land will provide core market resources consultancy services to Jiangsu Redsun Materials City, including but not limited to, provision of in-depth research on cities, regional markets by property types, analysis on land acquisition by benchmark enterprise and investment strategies.

Consideration and payment terms: RMB20,000,000

The consideration shall be paid by Jiangsu Redsun Materials City to Hong Yang Land by bank transfer within 30 business days after the effective date of the Fourth Consultancy Agreement and upon the production of receipt(s) by Hong Yang Land.

***Reasons for and benefits of entering into the Consultancy Agreements***

The Directors consider that the entering into of the Consultancy Agreements will allow the Group to leverage on its expertise in business solicitation and commercial operation market research, to provide business solicitation and business operation consultancy services to other commercial sectors related to the Group, and at the same time increase the revenue and diversify the revenue base of the Group.

## **B. THE NEW FRAMEWORK PURCHASE AGREEMENTS AND THE SUPPLEMENTAL LEASING AGREEMENT**

Reference is made to the section headed “Continuing Connected Transactions — Non-exempt Continuing Connected Transactions” in the Prospectus and the announcement of the Company dated 22 November 2019 in relation to, among other things, the Existing Framework Purchase Agreements which are due to expire on 31 December 2020 and the Lease. On 9 November 2020, the Company entered into the New Framework Purchase Agreements and the Supplemental Leasing Agreement to renew the Existing Framework Purchase Agreements and to revise the rent under the Lease, respectively.

### **I. The New Framework Purchase Agreements**

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

#### ***(1) The New Zeng Suqing Framework Purchase Agreement***

Date:	9 November 2020
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 2021 to 31 December 2023, 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.
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 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 favourable than those offered by Independent Third Party services providers, please refer to the sub-section headed “Tender Process for Connected Family Suppliers” in this announcement 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 2018		Year ended 31 December 2019		Year ending 31 December 2020		Year ending 31 December 2021	Year ending 31 December 2022	Year ending 31 December 2023
					Actual amount (up to 30 September 2020)	Proposed annual cap	Proposed annual cap	Proposed annual cap
Annual cap (RMB'000)	Actual amount (RMB'000)	Annual cap (RMB'000)	Actual amount (RMB'000)	Annual cap (RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<u>45,000</u>	<u>37,657</u>	<u>80,000</u>	<u>62,697</u>	<u>80,000</u>	<u>29,079</u>	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>

The Proposed Annual Caps under the New Zeng Suqing Framework Purchase Agreement are determined with reference to, among other things, (i) the 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 two years ended 31 December 2019 and the nine months ended 30 September 2020; (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 growth between Nanjing Guangde and the Group.

***(2) The New Zeng Huandong Framework Purchase Agreement***

Date: 9 November 2020

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 2021 to 31 December 2023, 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.

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 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 favourable than those offered by Independent Third Party services providers, please refer to the sub-section headed “Tender Process for Connected Family Suppliers” in this announcement 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 Huandong Framework Purchase Agreement:

	Year ended 31 December 2018		Year ended 31 December 2019		Year ending 31 December 2020		Year ending 31 December 2021	Year ending 31 December 2022	Year ending 31 December 2023
	Annual cap (RMB'000)	Actual amount (RMB'000)	Annual cap (RMB'000)	Actual amount (RMB'000)	Annual cap (RMB'000)	September 2020 (RMB'000)	Proposed annual cap (RMB'000)	Proposed annual cap (RMB'000)	Proposed annual cap (RMB'000)
Nanjing Houning	<u>7,000</u>	<u>3,464</u>	<u>30,000</u>	<u>11,139</u>	<u>30,000</u>	<u>0</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
Nanjing Randong	<u>2,000</u>	<u>171</u>	<u>2,000</u>	<u>0</u>	<u>2,000</u>	<u>0</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
Total	<u>9,000</u>	<u>3,635</u>	<u>32,000</u>	<u>11,139</u>	<u>32,000</u>	<u>0</u>	<u>32,000</u>	<u>32,000</u>	<u>32,000</u>

The Proposed Annual Caps under the New Zeng Huandong Framework Purchase Agreement are determined with reference to, among other things: (i) the historical transaction amounts for the provision of raw materials including building stones, sanitary wares and bricks and/or the related supplementary installation services by each of Nanjing Houning and Nanjing Randong to the Group during the two years ended 31 December 2019 and the nine months ended 30 September 2020; (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 and Nanjing Randong; and (iii) the amount of estimated additional business based on the expected business growth among Nanjing Houning, Nanjing Randong and the Group.

***(3) The New Chen Baoshan Framework Purchase Agreement***

Date: 9 November 2020

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 2021 to 31 December 2023, subject to renewal by mutual agreement of the parties thereto

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.

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 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 favourable than those offered by Independent Third Party services providers, please refer to the sub-section headed “Tender Process for Connected Family Suppliers” in this announcement 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 31 December 2018		Year ended 31 December 2019		Year ending 31 December 2020		Year ending 31 December 2021	Year ending 31 December 2022	Year ending 31 December 2023
Annual cap (RMB'000)	Actual amount (RMB'000)	Annual cap (RMB'000)	Actual amount (RMB'000)	Annual cap (RMB'000)	Actual amount (up to 30 September 2020) (RMB'000)	Proposed annual cap (RMB'000)	Proposed annual cap (RMB'000)	Proposed annual cap (RMB'000)
1,315	766	20,000	17,105	20,000	2,787	20,000	20,000	20,000

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 two years ended 31 December 2019 and the nine months ended 30 September 2020; (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 growth between Nanjing Baohong and the Group.

### **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 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.

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;
- the evaluation assessment 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.

### **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.

As the Group is at the stage of rapid development, the number of development projects is on the rise year after year. 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 increasing demand in the case that the Group plans to expand its project portfolios; (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.

## **II. The Supplemental Leasing Agreement**

As disclosed in the Prospectus, Hong Yang Land (as landlord) previously entered into the Lease with Nanjing Home Furnishing (as tenant) in relation to the Premise. Due to the increase in rental payment following the renovation of the Premise, the Board expects that the existing annual cap for the year ending 31 December 2020 under the Lease as disclosed in the Prospectus would not be sufficient. Also, as the term of the Lease lasts until 1 October 2027, the Board proposed to revise the relevant annual cap for the year ending 31 December 2020 from RMB213,456,070 to RMB249,556,000 and to renew the Proposed Annual Caps for the three years ending 31 December 2023.

On 9 November 2020, Hong Yang Land entered into the Supplemental Leasing Agreement with Nanjing Home Furnishing, pursuant to which, the monthly rent per square meter of the Premise has been revised as follows:

- (i) RMB124.2 for the period from 1 October 2020 to 31 October 2020;
- (ii) RMB237.9 for the period from 1 November 2020 to 31 December 2020;
- (iii) RMB137.55 for the period from 1 January 2021 to 31 December 2021;
- (iv) RMB144.43 for the period from 1 January 2022 to 31 December 2022; and
- (v) RMB151.65 for the period from 1 January 2023 to 31 December 2023.

Accordingly, the annual rent for the Premise payable by Nanjing Home Furnishing for each of the year ending 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 shall be RMB249,556,000, RMB262,033,800, RMB275,140,200 and RMB288,894,400, respectively. The rent for the first six months of each year shall be paid on or before 31 August of the same year, and the rent for the second half of each year shall be paid on or before 30 April of the following year to the designated bank account of Hong

Yang Land. Hong Yang Land shall issue special value-added tax invoice(s) to Nanjing Home Furnishing pursuant to the terms of the Supplemental Leasing Agreement.

Saved as disclosed above, all the terms and conditions of the Lease shall remain unchanged and in full force and effect and binding on the parties. In case of any conflict or inconsistency between the terms of the Lease and the Supplemental Leasing Agreement, the terms of the Supplemental Leasing Agreement shall prevail.

***Historical figures, existing and/or revised annual caps and Proposed Annual Caps***

The table below sets out the historical figures, existing and/or revised annual caps and Proposed Annual Caps for the Lease:

Year ended 31 December 2018		Year ended 31 December 2019		Year ending 31 December 2020		Year ending 31 December 2021	Year ending 31 December 2022	Year ending 31 December 2023
Annual cap (RMB)		Annual cap (RMB)		Annual cap (revised) (RMB)		Proposed annual cap (RMB)	Proposed annual cap (RMB)	Proposed annual cap (RMB)
205,741,791	205,081,000	205,741,791	205,246,000	249,556,000	154,305,593	262,033,800	275,140,200	288,894,400

The above Revised Annual Cap and the Proposed Annual Caps have been determined based on the rental fees payable by Nanjing Home Furnishing as agreed under the Lease (as supplemented by the Supplemental 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 Supplemental Leasing Agreement, revising and renewing the annual caps of the Lease***

The Premise was previously already leased by the Group to Nanjing Home Furnishing 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 Home Furnishing, such continuing relationships are expected to bring synergies to the parties and improve customers' satisfaction.

### 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 Lease (as supplemented by the Supplemental 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 Lease (as supplemented by the Supplemental Leasing Agreement) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **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.

##### **Nanjing Hong Yang Business Management**

Nanjing Hong Yang Business Management 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 commercial property management.

##### **Changzhou Hong Yang Business Management**

Changzhou Hong Yang Business Management 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 commercial property management.

##### **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.

##### **Jiangsu Redsun Household**

Jiangsu Redsun Household is a company established under the laws of the PRC with limited liability and indirect wholly-owned by Mr. Zeng. It is principally engaged in sales of furniture and building materials and commercial management.

##### **Nanjing Hong Yang Life Commercial**

Nanjing Hong Yang Life Commercial is a company established under the laws of the PRC with limited liability and indirect wholly-owned by Mr. Zeng. It is principally engaged in sales of furniture and building materials and commercial management.

### **Jiangsu Redsun Materials City**

Jiangsu Redsun Materials City is a company established under the laws of the PRC with limited liability and indirect wholly-owned by Mr. Zeng. It is principally engaged in research and development and production of new building materials, sales of furniture and building materials and commercial management.

### **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.

### **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.

### **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.

### **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 Home Furnishing**

Nanjing Home Furnishing 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.

## **E. DIRECTORS' CONFIRMATION**

The Directors (including the independent non-executive Directors) are of the view that the terms of each of the Consultancy Agreements, the New Framework Purchase Agreements and the Supplemental 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 Consultancy Agreements, the New Framework Purchase Agreements and the Supplemental Leasing Agreement is in the ordinary and usual course of business of the Group, and together with the Revised Annual Cap and the Proposed Annual Caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Since Jiangsu Redsun Household, Nanjing Hong Yang Life Commercial, Jiangsu Redsun Materials City, the Connected Family Suppliers and Nanjing Home Furnishing are associates of Mr. Zeng, Mr. Zeng was deemed to have material interests in, and has abstained from voting on, the resolutions passed by the Board to approve the Consultancy Agreements, the New Framework Purchase Agreements, the Supplemental Leasing Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has any material interest in, or was required to abstain from voting on the resolutions passed by the Board to approve the Consultancy Agreements, the New Framework Purchase Agreements, the Supplemental Leasing Agreement, the Revised Annual Cap and the Proposed Annual Caps.

## **F. IMPLICATIONS UNDER THE LISTING RULES**

### **The Consultancy Agreements**

As at the date of this announcement, Mr. Zeng is an executive Director and a controlling Shareholder. Each of Jiangsu Redsun Household, Nanjing Hong Yang Life Commercial and Jiangsu Redsun Materials City is indirectly wholly-owned by Mr. Zeng, and is therefore each an associate of Mr. Zeng and in turn a connected person of the Company. The entering into of the Consultancy Agreements constitute connected transactions of the Company.

As the entering into of the Consultancy Agreements constitutes a series of connected transactions entered into with associates of Mr. Zeng within a 12-month period, the transactions contemplated under the Consultancy Agreements shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Consultancy Agreements, when aggregated, are more than 0.1% but are all less than 5%, the transactions contemplated under the Consultancy

Agreements are subject to the announcement and reporting requirements but are exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **The New Framework Purchase Agreements**

As at the date of this announcement, (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 Baoshen, 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.

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 2023, respectively, are as follows:

	<b>For the year ending 31 December 2021 (RMB'000)</b>	<b>For the year ending 31 December 2022 (RMB'000)</b>	<b>For the year ending 31 December 2023 (RMB'000)</b>
Aggregated annual caps	132,000	132,000	132,000

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 2023 exceed 0.1% but are all less than 5%, the entering into of the New Framework Purchase Agreements and the transactions contemplated thereunder will be subject to the reporting, annual review and announcement requirements but are exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **The Supplemental Leasing Agreement**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) of the Revised Annual Cap and the Proposed Annual Caps in respect of the Lease exceed 0.1% but are less than 5% on an annual basis, the transaction under the Lease (as supplemented by the Supplemental Leasing Agreement) will be subject to the reporting, annual review and announcement requirements but are exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Changzhou Hong Yang Business Management”	Changzhou Hong Yang Business Management Co., Ltd. (常州弘陽商業管理有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“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
“Connected Family Suppliers”	collectively, Nanjing Baohong, Nanjing Guangde, Nanjing Houning and Nanjing Randong
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consultancy Agreements”	collectively, the First Consultancy Agreement, the Second Consultancy Agreement, the Third Consultancy Agreement and the Fourth Consultancy Agreement
“Director(s)”	the directors of the Company
“Existing Chen Baoshan Framework Purchase Agreement”	the existing framework purchase agreement dated 25 June 2018 (as amended by the supplemental agreement dated 22 November 2019) 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
“Existing Zeng Huandong Framework Purchase Agreement”	the existing framework purchase agreement dated 25 June 2018 (as amended by the supplemental agreement dated 22 November 2019) 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 25 June 2018 (as amended by the supplemental agreement dated 22 November 2019) entered into between the Company and Nanjing Guangde in relation to the provision of construction services by Nanjing Guangde to the Group
“First Consultancy Agreement”	the preliminary business solicitation and exclusive business solicitation agency consultancy services agreement dated 9 November 2020 entered into between Nanjing Hong Yang Business Management and Jiangsu Redsun Household
“Fourth Consultancy Agreement”	the core market resources consultancy services agreement dated 9 November 2020 entered into between Hong Yang Land and Jiangsu Redsun Materials City
“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 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
“Jiangsu Redsun Household”	Jiangsu Redsun Household Co., Ltd (江蘇弘陽家居有限公司), a company established under the laws of the PRC with limited liability and indirect wholly-owned by Mr. Zeng

“Jiangsu Redsun Materials City”	Jiangsu Redsun Materials City (Group) Co., Ltd. (江蘇紅太陽工業原料城(集團)有限公司), a company established under the laws of the PRC with limited liability and indirect wholly-owned by Mr. Zeng
“Lease”	the lease entered into between Hong Yang Land (as landlord) and Nanjing Hong Furnishing (as tenant) on 1 October 2017 (as amended by a supplemental agreement dated 30 December 2017), further details of which were disclosed in the Prospectus
“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 Home Furnishing”	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 Hong Yang Business Management”	Nanjing Hong Yang Business Management Co., Ltd (南京弘陽商業管理有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Nanjing Hong Yang Life Commercial”	Nanjing Hong Yang Life Commercial Management Co., Ltd. (南京弘陽全生活商業管理有限公司), a company established under the laws of 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 Chen Baoshan Framework Purchase Agreement”	the new 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
“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 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
“New Zeng Suqing Framework Purchase Agreement”	the new 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
“PRC”	the People’s Republic of China, which, for the purposes of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Premise”	the aggregate lettable floor area of 158,750.61 square meters in Area A Nanjing Hong Yang Plaza, No. 48 Daqiao Road North, Pukou District, Nanjing, the PRC
“Proposed Annual Caps”	the proposed annual caps for each of the three years ending 31 December 2023
“Prospectus”	the prospectus of the Company dated 29 June 2018
“Revised Annual Cap”	the revised annual cap in relation to the Lease for the year ending 31 December 2020

“RMB”	Renminbi, the lawful currency of the PRC
“Second Consultancy Agreement”	the preliminary business solicitation and exclusive business solicitation agency consultancy services agreement dated 9 November 2020 entered into between Nanjing Hong Yang Business Management and Nanjing Hong Yang Life Commercial
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Leasing Agreement”	the supplemental leasing agreement dated 9 November 2020 entered into between Hong Yang Land and Nanjing Home Furnishing in relation to the revision of the rent for the Premise
“Third Consultancy Agreement”	the preliminary business solicitation and exclusive business solicitation agency consultancy services agreement dated 9 November 2020 entered into between Changzhou Hong Yang Business Management and Jiangsu Redsun Materials City
“%”	per cent

On behalf of the Board  
**Redsun Properties Group Limited**  
**Zeng Huansha**  
*Chairman*

Hong Kong, 9 November 2020

*As of the date of this announcement, the executive Directors are Mr. Zeng Huansha, Mr. He Jie and Mr. Lui Wai Pang; the non-executive Directors are Mr. Jiang Daqiang and Mr. Zhang Liang; and the independent non-executive Directors are Mr. Lee Kwok Tung Louis, Mr. Leung Yau Wan John and Mr. Au Yeung Po Fung.*