



MERDEKA CORPORATE FINANCE LIMITED

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20 March 2026

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

Dear Sirs/Madams,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the non-exempt continuing connected transactions (the “**Non-exempt Continuing Connected Transactions**”) regarding the property management services (the “**Property Management Services**”) to be provided by the Redsun Services Group to the Group under the New Property Management Services Master Framework Agreement, and the proposed annual caps (the “**Proposed Annual Caps**”) of the Property Management Services for the three years ending 31 December 2028, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular issued by the Company to its Shareholders dated 20 March 2026 (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.

References are made to the announcements of the Company dated 8 December 2022 and 7 June 2023 respectively in relation to (i) the Existing Parking Space Sales and Leasing Agency Services Framework Agreement; (ii) the Existing Property Management Services Master Framework Agreement; and (iii) the Existing Supplemental Parking Space Sales and Leasing Agency Services Framework Agreement entered into between the Company and Redsun Services for a term from 1 January 2023 to 31 December 2025.

As mentioned in the Board Letter, it is expected that the Group will, from time to time, continue to enter into transactions of a nature similar to the Existing Continuing Connected Transactions after the expiry of the agreements to which the Existing Continuing Connected Transactions relate. Accordingly, the Group now seeks to enter into relevant new agreements on substantially the same terms and has entered into (i) the New Parking Space Sales and Leasing Agency Services Framework Agreement; and (ii) the New Property Management Services Master Framework Agreement on 8 December 2025 (after trading hours). However, having taken into full consideration the overall business planning and other commercial factors, including potential gains from the business contemplated under the New Parking Space Sales and Leasing Agency Services Framework Agreement, and having taken into account the complexity of the actual operations and that of obtaining the required approvals under the New Parking Space Sales and Leasing Agency Services Framework Agreement, on 4 February 2026, the Company and Redsun Services mutually agreed and entered into a Termination Agreement, pursuant to which the New Parking Space Sales and Leasing Agency Services Framework Agreement shall terminate (the “**Termination**”), with effect from 4 February 2026. Following the Termination, Redsun Services shall cease to act as an agent for the sale of the parking spaces of the Company. Accordingly, the New Property Management Services Master Framework Agreement is the only New Continuing Connected Transactions of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Redsun Services is indirectly held as to 72.77% by Mr. Zeng, a controlling Shareholder and an executive Director of the Company. Accordingly, Redsun Services is an associate of Mr. Zeng and therefore a connected person of the Company under Chapter 14A of the Listing Rules.

Accordingly, the transactions contemplated under the New Property Management Services Master Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios in respect of the proposed annual caps in respect of the Property Management Services under the New Property Management Services Master Framework Agreement for the three years ending 31 December 2028 exceed 25% but are less than 100%, the transactions contemplated under the New Property Management Services Master Framework Agreement constitutes continuing connected transactions of the Company and are subject to the reporting, annual review, announcement, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

In order to ensure the compliance of the requirements of Chapter 14A of the Listing Rules, during the period from 1 January 2026 to the date when the Independent Shareholders’ approval is obtained, the amount payable by the parties pursuant to the Non-exempt Continuing Connected Transactions is expected to fall below the de minimis threshold as stipulated under Rule 14A.76(2) of the Listing Rules, therefore such transactions will be exempted from the independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules for continuing connected transactions and such information will be disclosed in the poll results announcement to be published for the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Lee Kwok Tung Louis, Mr. Leung Yau Wan John and Mr. Au Yeung Po Fung, all being independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions. We, Merdeka Corporate Finance Limited, 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.

In the last two years from the date of our appointment, we acted as the independent financial adviser to the then independent board committee of the Company and issued opinion letters relating to (i) the renewal of the continuing connected transactions, details of which are set out in the circular of the Company dated 29 April 2024; and (ii) the very substantial disposal and connected transactions, details of which are set out in the circular of the Company dated 30 April 2025 (collectively, the “**Previous Engagements**”). The professional fees in connection with the Previous Engagements 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 Previous Engagements give rise to any conflict of interest for Merdeka Corporate Finance Limited in respect of the Non-exempt Continuing Connected Transactions. 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 Rule 13.84 of 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 management of the Company (the “**Management**”) and the representatives of the Company (the “**Representatives**”) and the Directors. 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.

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 Non-exempt Continuing Connected Transactions. 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 Non-exempt Continuing Connected Transactions and the Proposed Annual Caps, we have taken into account the principal factors and reasons set out below.

I. Background information of the relevant parties involved in the Non-exempt Continuing Connected Transactions

a. Information on the Company and the Group

The Company, through its subsidiaries, is a 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.

We set out below a summary of the key financial information of the Group for the years ended 31 December 2023 (the “FY2023”) and 2024 (the “FY2024”) and six months ended 30 June 2024 (the “HY2024”) and 2025 (the “HY2025”) as extracted from the annual report of the Company for FY2024 (the “2024 Annual Report”) and the interim report of the Company for HY2025 (the “2025 Interim Report”), respectively.

	For the six months ended		For the year ended	
	30 June		31 December	
	2025	2024	2024	2023
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (audited)	RMB'000 (audited)
Revenue	2,712,287	6,006,436	11,305,674	19,794,695
– Property development and management services	2,545,316	5,723,157	10,894,774	19,198,937
– Commercial property investment and operations	166,971	270,104	395,241	560,068
– Hotel operations	–	13,175	15,659	35,690
Gross (loss)/profit	(222,115)	532,026	(177,074)	(669,717)
Loss before tax for the period/year	(1,975,604)	(1,584,868)	(5,099,215)	(6,942,880)
Loss and total comprehensive loss for the period/year	(2,320,581)	(1,710,314)	(5,525,561)	(7,739,675)

FY2023 and FY2024

During FY2024, the Group’s revenue amounted to approximately RMB11,305.7 million, representing a decrease of 42.9% from approximately RMB19,794.7 million for FY2023. The revenue mainly included income generated from property sales, commercial operations and hotel operations, of which income generated from: (i) property sales, which decreased by 43.3% to approximately RMB10,894.8 million for FY2024 as compared to FY2023, accounting for 96.4% of the total recognised revenue for FY2024; (ii) commercial operations, which decreased by 29.4% to approximately RMB395.2 million for FY2024 as compared to FY2023; and (iii) hotel operations, which decreased by 56.1% to approximately RMB15.7 million for FY2024 as compared to FY2023.

During FY2024, the cost of sales of the Group was approximately RMB11,482.7 million, representing a decrease of 43.9% as compared to that of approximately RMB20,464.4 million for FY2023. The decrease was primarily due to the decrease in impairment recognised for properties under development and completed properties held for sale for FY2024 as compared with FY2023. The number of projects delivered within FY2024 decreased as compared to the corresponding period in 2023. Several projects delivered during FY2024 included Fengdeng Road Jinyuefu (豐登路金樾府) project in Huai’an, Cixi Chengdong Shangdongchen Residence (慈溪城東上東辰府) project in Ningbo, Damiao Heping Gongguan (大廟和平公館) project in Xuzhou, Xiangcheng Shangchen View Mansion (相城天境上辰) project in Suzhou.

During FY2024, the Group's gross loss was approximately RMB177.1 million, representing a decrease from the gross loss of approximately RMB669.7 million for FY2023. The gross loss margin was 1.6% for FY2024, as compared to the gross loss margin of 3.4% for FY2023. The decrease in gross loss margin was mainly due to the decrease in impairment recognised for properties under development and completed properties held for sale for FY2024 as compared with FY2023.

For FY2024, the Group recorded a loss before tax was approximately RMB5,099.2 million, representing a decrease of 26.6% from approximately RMB6,942.9 million for the corresponding period last year. During FY2024, the net loss was RMB5,525.6 million, representing a decrease of 28.6% as compared with the corresponding period last year.

HY2024 and HY2025

For HY2025, the Group's revenue amounted to approximately RMB2,712.3 million, representing a decrease of 54.8% from approximately RMB6,006.4 million for HY2024. The revenue mainly included income generated from property sales and commercial operations, of which income generated from: (i) property sales decreased by 55.5% to approximately RMB2,545.3 million for HY2025 as compared to HY2024, accounting for 93.8% of the total recognized revenue; and (ii) commercial operations decreased by 38.2% to approximately RMB167.0 million for HY2025 as compared to HY2024.

For HY2025, the cost of sales of the Group was approximately RMB2,934.4 million, representing a decrease of 46.4% as compared to that of approximately RMB5,474.4 million for HY2024. The decrease was primarily due to the decrease in the number of projects delivered during the period as compared with the corresponding period last year. Several projects delivered during the period included Suzhou Lumu Heaven Billow Project (蘇州陸慕天境瀾庭項目), Weifang Kuiwen North District Project (濰坊奎文北項目), Changzhou Hong Yang 1936 Project (常州弘陽1936項目), Taoloushan Land Lot Project B (陶樓山B地塊項目) and Cixi Chengdong Shangdongchen Residence Project (慈溪城東上東辰府項目).

For HY2025, the Group's gross loss was approximately RMB222.1 million, as compared with a gross profit of approximately RMB532.0 million for HY2024, turning from gross profit to gross loss. For HY2025, the gross loss margin was 8.2%, compared with a gross profit margin of 8.9% for HY2024, turning from profit to loss. The increase in gross loss and the turning from profit to loss are mainly due to market factors causing a decline in selling prices.

For HY2025, the Group recorded loss before taxation was approximately RMB1,975.6 million, in comparison to approximately RMB1,584.9 million for HY2024. As advised by the Management, the increase in loss was mainly attributable to the combined effect of the following factors (i) the decrease in the revenue from property sales and commercial operations; (ii) the decrease in the number of projects delivered for HY2025; (iii) the decrease in the launch of new property projects of the Group for HY2025; (iv) the Group's further development in major metropolitan areas and core cities, and the strengthened control in administrative expenses and costs; (v) the increase in losses incurred by the joint ventures and associates held by the Group; and (vi) the decrease in financial costs.

	As at	As at	As at
	30 June 2025	31 December 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total assets	54,304,091	60,005,374	74,906,438
Non-current assets	17,764,215	19,394,843	22,669,524
Current assets	36,539,876	40,610,531	52,236,914
Total liabilities	49,510,106	52,831,660	60,082,607
Non-current liabilities	6,199,127	5,965,534	6,862,328
Current liabilities	43,310,979	46,866,126	53,220,279
Net asset value	4,793,985	7,173,714	14,823,831

The Group's total assets declined by 19.9% from approximately RMB74,906.4 million as at 31 December 2023 to approximately RMB60,005.4 million as at 31 December 2024, which further dropped by approximately 9.5% to approximately RMB54,304.1 million as at 30 June 2025. During the same period, the Group's total liabilities also decreased, from approximately RMB60,082.6 million as at 31 December 2023 to approximately RMB52,831.7 million as at 31 December 2024, and subsequently to approximately RMB49,510.1 million as at 30 June 2025, representing decreases of approximately 12.1% and approximately 6.3%, respectively. The Group's net assets fell from approximately RMB14,823.8 million as at 31 December 2023 to approximately RMB7,173.7 million as at 31 December 2024, and further to approximately RMB4,794.0 million as at 30 June 2025, representing an overall decrease of approximately 51.6% and approximately 33.2%, respectively.

b. Information on Redsun Services

As disclosed in the Board Letter, Redsun Services is a company incorporated in the Cayman Islands and is principally engaged in the provision of property management services and parking space sales and leasing agency services. As at the Latest Practicable Date, it is indirectly held as to 72.77% by Mr. Zeng (a controlling Shareholder and an executive Director).

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

As referred to the Board Letter, in view of (i) the long-established relationship between Redsun Services Group and the Group; (ii) the Redsun Services Group's broad business coverage and strong customer loyalty built on its quality services for a large resident base; (iii) Redsun Services Group's prudent track record of providing reliable, efficient and satisfactory services to the Group; (iv) more efficient communications between Redsun Services Group and the Group compared to other independent services providers; and (v) Redsun Service Group's better understanding and familiarity on the standards and conditions of the Group's property projects as well as the Group's requirements of the services needed, the Board considers the entering into of the Non-exempt Continuing Connected Transactions and the terms and conditions thereof are in line with the business needs and commercial objectives of the Group.

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) Redsun Services Group provides the stability and reliability of the supply of the services to the Group due to their long established relationship; and (iii) the New Property Management Services Master Framework Agreement offers the Group an option, but not an obligation, to procure Redsun Services Group to provide the Property Management Services, we concur with the Directors' view that the entering into of the Non-exempt Continuing Connected Transactions 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.

III. The New Property Management Services Master Framework Agreement

(a) Principal terms

The following principal terms of the New Property Management Services Master Framework Agreement are extracted from the Board Letter:

Date:	8 December 2025 (after trading hours)
Parties:	(a) Redsun Services (as service provider) (b) The Company (as service recipient)
Term:	From 1 January 2026 to 31 December 2028, subject to renewal by mutual agreement of the parties thereto and compliance with the requirements of the Listing Rules and all other applicable laws and regulations.
Scope of services:	The Property Management Services include:

- (a) Pre-delivery property management and related services (the “**Type A Services**”);
- (b) Display units and property sales venues management services (the “**Type B Services**”);
- (c) Pre-delivery property management services for unsold properties (the “**Type C Services**”); and
- (d) Housing repair management services (the “**Type D Services**”)

Pricing policy

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

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

Furthermore, the Company has adopted an internal assessment and approval process to determine the management fees payable to Redsun Services. Before entering into definitive agreements, the Company requires the business department to estimate the personnel, materials and other service costs involved, while the human resources, procurement and finance departments review the underlying salary assumptions, material pricing and the accuracy of the cost calculations. Based on this assessment, the parties would negotiate an appropriate mark up rate, and the Company will only proceed where the expected profit margin for Redsun Services is considered reasonable and within the industry range. During the approval stage, the proposed pricing and settlement terms are further reviewed by the business department, the cost and procurement department and the finance department. This process ensures that the management fees agreed with Redsun Services are reasonable, commercially justifiable and no less favourable to the Company.

In particular, for adhering to the pricing policy set out above, for those services which are comparable, the Company will make reference to the prices charged by at least two other medium to large scale property management companies listed on the Stock Exchange for similar projects, which are obtained from industry experts and the business development department of the Company, the number of staff members required to complete the projects as well as the facilities required to be inspected.

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

Payment Terms:

There are different payment terms for different kinds of Property Management Services, namely,

- (a) For pre-delivery property management and related services: Payments will be made in accordance with the terms of the definitive agreements to be entered into and the fees are generally settled based on service quality the following month after the relevant services are provided;
- (b) For showroom and property sales office management services: Payments will be made pursuant to the terms of the definitive agreements to be entered into and the fees are generally settled based on service quality the following month after the relevant services are provided;
- (c) For pre-delivery property management services for unsold properties: Service fees will be charged in accordance with the definitive agreements to be entered into and the fees are generally settled on a quarterly basis; and
- (d) For property repair and maintenance management services: Payments will be settled in accordance with the definitive agreements to be entered into and the fees are generally settled based on service quality the following month after the relevant services are provided.

(b) Our analysis of the pricing policy

We obtained and reviewed the Existing Property Management Services Master Framework Agreement and noted no material differences between its principal terms and those of the New Property Management Services Master Framework Agreement.

In assessing the fairness and reasonableness of pricing policies under the Existing Property Management Services Master Framework Agreement, we have requested the Group for the connected contracts contemplated under the Existing Property Management Services Master Framework Agreement and randomly selected a total of 21 connected contracts, which were effective during the Review Period, covering Type A Services, Type B Services, Type C Services and Type D Services, respectively (collectively, the “**Connected Property Management Services Contracts**”). Given that (i) the Connected Property Management Services Contracts were selected on a random selection basis; (ii) such contracts covered all four types of services to be contemplated under the New Property Management Services Master Framework Agreement; and (iii) such contracts were effective during the three years ended 31 December 2025 (the “**Review Period**”), we consider the Connected Property Management Services Contracts to be sufficient and representative for us to assess the terms of the New Property Management Services Master Framework Agreement.

In addition, we requested the Group to provide sample contracts entered into between the Group and independent third-party service providers during each financial year under the Review Period in respect of services comparable to those contemplated under the Existing Property Management Services Master Framework Agreement. However, as advised by the Management, other than the Type B Services, the Group did not obtain other types of services from independent third-party service providers during the Review Period and, accordingly, no comparable independent contracts in respect of such services were available for our review.

As a result, for the purpose of our assessment, we obtained a total of three sample independent contacts comprising: (i) one independent contract entered into between the Group and independent third-party service providers in respect of the Type B Services during the Review Period; and (ii) one independent sample contract for each of Type A Services and Type D Services, which were entered into during the preceding three-year period and remained effective during the Review Period (collectively, the “**Independent Property Management Services Contracts**”). As confirmed by the Management, the three Independent Property Management Services Contracts represent all independent contracts comparable to services contemplated under the Existing Property Management Services Master Framework Agreement during the Review Period. Accordingly, we consider that the three Independent Property Management Services Contracts are sufficient and representative for our assessment.

Based on our review of the Connected Property Management Services Contracts and our discussions with the Management, we noted that, in respect of the Type A Services, Type B Services and Type C Services, the service fees were determined with reference to the gross floor area and the applicable service fee per square metre, and were set by reference to prevailing market rates.

With regards to the Type A Services, based on our review of the independent contract and the Connected Property Management Services Contracts in respect of the Type A Services, we noted that the service fees charged by the Redsun Services Group for the Type A Services were generally comparable to prevailing market levels.

With regards to the Type B Services, we compared the commission rates charged by the Redsun Services Group to the Group under the Connected Property Management Services Contracts with the commission rates charged to the Group by the independent services provider, and noted that the commission rates charged by the Redsun Services Group were no less favourable than those charged by independent service providers.

As for the Type C Services, as confirmed by the Management, the Group did not receive pre-delivery property management services for unsold units from independent service providers, we requested and obtained a summary list of transactions for similar services provided by Redsun Services Group to independent property owners. Based on our review of the summary list, we noted that the service fees charged by the Redsun Services Group under the Connected Property Management Services Contracts for the Type C Services were comparable to those charged to independent customers by Redsun Services Group.

As for the Type D Services, we compared the unit rate charged by the Redsun Services Group to the Group under the Connected Property Management Services Contracts with the unit rate charged by independent third party to the Group under the sample independent contract that was entered into during the preceding three-year period and remained effective during the Review Period, and noted that the service fees charged by the Redsun Services Group under the Connected Property Management Services Contracts for the Type D Services were comparable to those charged by the independent services provider.

As referred in the Board Letter and our discussion with the Management, we noted that the payment terms for the services contemplated under the Existing Property Management Services Framework Agreement were made in accordance with the nature and types of service to be provided and were set out in the respective agreements entered into between the parties. In general, the service fees were settled on the following months or on a quarterly basis (subject to service quality assessment, where applicable).

In assessing the pricing policies and the payment terms, we also obtained the announcements of the two Hong Kong-listed companies principally engaged in a similar industry as Redsun Services Group, which were referred to by the Company as references for determining the pricing policies under the New Property Management Services Master Framework Agreement. We reviewed the relevant terms and noted that the pricing terms under the New Property Management Services Master Framework Agreement are similar to those offered by the two listed companies for similar services. In addition, based on our review, we also noted that the payment terms adopted by one of the listed companies for the property management services (i.e. the fees are generally payable on an annual, semi-annual, quarterly or monthly basis) are generally in line with those to be contemplated under the New Property Management Services Master Framework Agreement. Further, based on our review of the Independent Property Management Services Contracts, we noted that the payment terms offered by the Group to an independent service provider is on monthly basis. Accordingly, we consider that the payment terms under the New Property Management Services Master Framework Agreement are consistent with the prevailing market practice.

In view of the above and having also considered (i) the terms of the New Property Management Services Master Framework Agreement are substantially the same as the Existing Property Management Services Master Framework Agreement; (ii) the service fees for all types of services charged by Redsun Services Group to the Group are not less favourable than those of similar services charged by the independent third parties or the fees charged by Redsun Services Group to independent third parties; (iii) the payment terms for the Non-exempt Continuing Connected Transactions are in line with market practice; and (iv) our review on the internal control procedures which are set out in the subsection headed “VI. Internal control measures” in this letter below showing that the internal control policy are in place to monitor the transactions under the Existing Property Management Services Master Framework Agreement, we consider the terms of the New Property Management Services Master Framework Agreement (including the payment terms) are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

IV. The Proposed Annual Caps

a. Historical transactions amount, the existing annual caps and the Proposed Annual Caps

The table below sets out the historical figures, existing annual caps and the Proposed Annual Caps:

	Year ended 31 December 2023		Year ended 31 December 2024		For the period from 1 January 2025 to 31 October 2025		Year ending 31 December 2026	Year ending 31 December 2027	Year ending 31 December 2028
	Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual amount	Proposed annual caps	Proposed annual caps	Proposed annual caps
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The New Property Management Services Master Framework Agreement	232,919	159,131	214,734	79,756	183,323	56,705	102,051	96,598	95,029

As mentioned in the Board Letter, the actual amount for the year ended 31 December 2025 did not exceed the annual cap under the Existing Property Management Services Master Framework Agreement. As far as the Directors are aware, the transaction amount from 1 January 2026 to the Latest Practicable Date fell below the de minimis threshold as stipulated under Rule 14A.76(2) of the Listing Rules.

b. Proposed Annual Caps

As illustrated above, the utilization rates of the Existing Property Management Services for the historical annual caps for the financial year ended 31 December 2023 and 2024 were approximately 68.3% and 37.1%, respectively. The historical transaction amount for the 10 months ended 31 October 2025 amounted to approximately RMB56.7 million, which, on an annualised basis, would be equivalent to approximately RMB68.0 million, representing a utilisation rate of approximately 37.1% for the financial year ended 31 December 2025. As advised by the Management, the decreasing utilization rate of the existing annual caps was mainly attributable to the changes in the development plan of the Redsun Services Group, pursuant to which the Redsun Services Group has gradually scaled down its provision of property management services to the Group.

As set out in the Board Letter, the Proposed Annual Caps are determined with reference to: (i) the historical transaction amounts in respect of the Property Management Services between the Group and the Redsun Services Group; (ii) the total GFA of properties developed by the Group under the management of the Redsun Services Group and the properties under development held by the Group to be managed by the Redsun Services Group based on existing service contracts as at 31 December 2025; (iii) the land bank held by the Group as at 31 December 2025 and its projected change for the next three years based on publicly available information; (iv) the estimated service fee to be charged by the Redsun Services Group in respect of pre-delivery property management and related services, display units and property sales venues management services and pre-delivery property management services for unsold properties based on historical amount and existing contracts; and (v) the expected unoccupied rate for property units and car parking spaces under the management of the Redsun Services Group based on historical amount.

In assessing the reasonableness of the Proposed Annual Caps, we have discussed with the Management the basis and underlying assumptions for the purpose of setting the Proposed Property Management Services Annual Caps. We have also obtained and reviewed from the Management the computation worksheets for the Proposed Property Management Services Annual Caps, which are mainly based on the following:

- i. As advised by the Management, the Proposed Annual Caps are mainly driven by the progress, development and delivery timetable of the Group's relevant property projects from time to time. In this connection, we have conducted research on information relating to the Group's property projects. With reference to the 2025 Interim Report, the aggregate land bank area of the Group amounted to approximately 7.5 million square metres, comprising completed properties with a total gross floor area ("GFA") of approximately 2.5 million square metres, rentable properties held for investment with a total GFA of approximately 1.0 million square metres, and properties under development with a total GFA of approximately 3.9 million square metres. We also referred to the Group's annual report for the year ended 31 December 2022, being the commencement of the term of the Existing Property Management Services Master Framework Agreement, and noted that the Group's total land bank had an aggregate GFA of approximately 12.1 million square metres, comprising completed properties with a total GFA of approximately 0.5 million square metres, rentable properties held for investment with a total GFA of approximately 0.8 million square metres, and properties under development with a total GFA of approximately 10.8 million square metres. Based on the foregoing comparison between the position as at 31 December 2022 and that as at 30 June 2025, we noted that the total GFA of the Group decreased substantially during the intervening period; and

- ii. based on our discussion with the Management and our review of the computation, we understood that the Proposed Annual Caps were principally determined as follows:
 - a. (i) the GFA of properties held or developed by the Group that have being or will be managed by Redsun Services Group under the Existing Property Management Services Master Framework Agreement as of 31 December 2025; (ii) the expected service fees referring to the prevailing market rate for similar services; (iii) the expected time of completion and delivery of the property according to the best estimates from the Board; and (iv) the Group's future property development plan;
 - b. for Type A Services and Type B Services, the estimated transaction amounts were made principally reference to (i) the historical transaction amounts for the underlying services; (ii) the future potential investment in property development according to the development plan of the Group; and (iii) the prevailing market rate for similar services;
 - c. for the Type C Services, the transaction amounts were estimated based on (i) the estimated vacancy rate based on the historical figures and current market condition; and (ii) applicable rates recommended by the relevant government authorities or prevailing market rate for similar services; and
 - d. for the Type D Services, the estimated transaction amounts were made principally reference to the historical transaction amounts for the underlying services.

Having considered that (i) the Proposed Property Management Services Annual Caps were determined primarily based on historical transaction amount between the Group and Redsun Services Group; (ii) the basis on which the Proposed Property Management Services Annual Caps were determined as described above; and (iii) the Group has the right but not the obligation to procure Redsun Services Group for the Property Management Services, we are of the view that Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

V. Internal control measures

The Company has implemented the following internal control measures for monitoring the pricing and other terms of the Non-exempt Continuing Connected Transactions:

- (i) Before entering into the continuing connected transactions of the Group, the procurement department of the Group will review and verify whether the price is fair and reasonable. In addition, if the pricing terms in respect of the relevant agreement are applied for the first time or the pricing terms are different from those applied previously, the cost management department of the Group also reviews the above works conducted by the procurement department when settling the agreements.

- (ii) The financial management department of the Group is mainly responsible for reviewing and monitoring the continuing connected transactions to ensure that the annual caps of the relevant continuing connected transactions would not be exceeded and are implemented pursuant to the pricing policy or mechanism under the respective framework agreements. The financial management department of the Group will consult the internal control units of the Group, external lawyers and compliance adviser regarding compliance issues of the continuing connected transactions.
- (iii) The financial management department of the Group will prepare an annual report to the supervisor of the financial management department of the Group. The supervisor of the financial management department will report to the audit committee of the Group and submit a confirmation letter to the audit committee, confirming the continuing connected transactions of the Group (which are subject to the annual review and disclosure requirements under the Listing Rules) are all (a) entered into in the ordinary and usual course of business of the Group; (b) 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.

In addition, the Company has implemented enhanced internal control measures to ensure that the pricing and payment arrangements under the New Continuing Connected Transactions remain fair, reasonable and aligned with the Company's repayment capability. At the contract approval stage, the Company's finance, operations and cost departments, together with senior management would jointly review and assess the payment capability of the relevant project companies, and the Company will not proceed with or renew service arrangements where repayment risks are assessed to be high. During the service period, the Company conducts monthly confirmations with Redsun Services on the services rendered, provides supporting documentation for completed work, and from the following month follows up on reimbursement procedures and funding plans to ensure timely settlement. The Company also acknowledges that, under the agreed arrangements, Redsun Services may scale down service personnel if no repayment is made for more than three months, and may suspend or terminate services if prolonged non-payment persists.

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.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the Non-exempt Continuing Connected Transactions are in the ordinary and usual course of business of the Group; and (ii) the terms of Non-exempt Continuing Connected Transactions contemplated under the New Property Management Services Master Framework 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 licensed person registered with the Securities and Futures Commission of Hong Kong, a responsible officer of Merdeka Corporate Finance Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and a licensed representative of Merdeka Investment Management Limited to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. Mr. Wallace So has over 13 years of experience in corporate finance industry.