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Redsun Services Group Limited

弘陽服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1971)

DISCLOSEABLE TRANSACTION

ACQUISITION OF 51% OF EQUITY INTEREST IN THE TARGET COMPANY

The Board hereby announces that on 7 September 2020, Nanjing Hong Yang Property Management (an indirect wholly-owned subsidiary of the Company) and Nanjing Chengrui entered into the Equity Transfer Agreement, pursuant to which Nanjing Hong Yang Property Management has agreed to acquire, and Nanjing Chengrui has agreed to dispose of, 51% equity interest in the Target Company.

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 5% but all are below 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board hereby announces that on 7 September 2020, Nanjing Hong Yang Property Management (an indirect wholly-owned subsidiary of the Company) and Nanjing Chengrui entered into the Equity Transfer Agreement, pursuant to which Nanjing Hong Yang Property Management has agreed to acquire, and Nanjing Chengrui has agreed to dispose of, 51% equity interest in the Target Company.

THE EQUITY TRANSFER AGREEMENT

The following sets forth a summary of the principal terms of the Equity Transfer Agreement:

Date

7 September 2020

Parties

- (a) Nanjing Hong Yang Property Management, as the purchaser; and
- (b) Nanjing Chengrui, as the vendor.

Subject Matter

Nanjing Hong Yang Property Management has agreed to acquire, and Nanjing Chengrui has agreed to dispose of, 51% equity interest in the Target Company.

Consideration

The consideration for the Acquisition shall be RMB36,720,000.

The consideration was determined after arm's length negotiations between Nanjing Hong Yang Property Management and Nanjing Chengrui, with reference to (i) the unaudited financial information of the Target Group as at 30 June 2020 and for the six months ended 30 June 2020 (including but not limited to its assets and liabilities as at 30 June 2020 and profit for the six months ended 30 June 2020); and (ii) the properties currently under management of the Target Group and future prospects of the Target Group; and (iii) the valuation of 100% of equity interest in the Target Company as at 30 June 2020 based on the market approach prepared by DTZ Debenham Tie Leung International Property Advisers (Shanghai) Co., Ltd. (an independent valuer), being RMB75,300,000.

The consideration for the Acquisition will be financed by the internal resources of the Group.

Payment Terms

Pursuant to the Equity Transfer Agreement, the consideration shall be payable by Nanjing Hong Yang Property Management in the following manner:

- (i) first installment: 30% of the consideration, being the amount of RMB11,016,000, shall be paid within seven business days after the entering into of the Equity Transfer Agreement;

- (ii) second installment: 50% of the consideration, being the amount of RMB18,360,000, shall be paid within seven business days after (a) the completion of the delivery of the corporate documents of the Target Company, its branches and its direct and indirect subsidiaries, (b) approvals of the resolution(s) at shareholders' meeting of the Target Company and board resolution(s) of the Target Company in respect of Nanjing Hong Yang Property Management becoming its new shareholder and (c) the adoption of the new articles of association by the Target Company; and
- (iii) third installment: the remaining 20% of the consideration, being the amount of RMB7,344,000, shall be paid within seven business days after the completion of industrial and commercial registration in respect of the Acquisition.

Completion

Nanjing Chengrui, within 10 days after receipt of first installment of the consideration, shall deliver the assets and corporate documents as required under the Equity Transfer Agreement, including but not limited to financial statements, books of accounts, seals, certificates, licenses and contracts of the Target Company and the branches and direct and indirect subsidiaries of the Target Company to the new management team of the Target Company.

Pursuant to the terms of the Equity Transfer Agreement, the date of completion shall be the date of completion of the delivery of such assets and corporate documents of the Target Company, its branches and its direct and indirect subsidiaries to the new management team of the Target Company.

Board Composition of the Target Company

Pursuant to the new articles of association of the Target Company, which will take effect after completion of the Acquisition and upon approval by the shareholders of the Target Company at its shareholders' meeting, the board of directors of the Target Company shall comprise three directors, of which two directors shall be nominated by Nanjing Hong Yang Property Management and one director shall be nominated by Anhui Yuhua.

Waiver in respect of the Right of First Refusal

On 7 September 2020, Anhui Yuhua has signed a waiver in respect of the right of first refusal, pursuant to which Anhui Yuhua (an existing shareholder of the Target Company) has undertaken to Nanjing Hong Yang Property Management to waive its right of first refusal in respect the 51% equity interest to be disposed of by Nanjing Chengrui under the Equity Transfer Agreement.

INFORMATION ON THE TARGET GROUP

The Target Company is a company established under the laws of the PRC with limited liability. The Target Company and its subsidiaries are principally engaged in the provision of property management services in Jiangsu Province, Anhui Province and Hunan Province in the PRC. As at the date of this announcement, the aggregate GFA of properties under management by the Target Group is approximately 4.23 million sq.m.

As at the date of this announcement, the Target Company is held by Nanjing Chengrui as to 51% and Anhui Yuhua as to 49%. Upon completion of the Acquisition, the Target Company will be held by Nanjing Hong Yang Property Management (a wholly-owned subsidiary of the Company) as to 51% and by Anhui Yuhua as to 49%. Anhui Yuhua is a company established in the PRC with limited liability and is principally engaged in the provision of assets operation and management, financial advisory and investment consulting services. As at the date of this announcement, Anhui Yuhua is indirectly wholly owned by Mr. Zhou Xuzhou (周旭洲).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Anhui Yuhua and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company.

Financial information of the Target Company

Set out below is the unaudited consolidated financial information of Target Group (prepared in accordance with the Generally Accepted Accounting Principles of the PRC) for the six months ended 30 June 2020 and the financial years ended 31 December 2018 and 31 December 2019:

| | For the year ended 31 December 2018 RMB (unaudited) | For the year ended 31 December 2019 RMB (unaudited) | For the six months ended 30 June 2020 RMB (unaudited) |
|------------------------|--|--|--|
| Profit before taxation | 6,836,612.43 | 3,222,981.14 | 4,474,674.89 |
| Profit after taxation | 5,169,308.44 | 2,743,921.69 | 3,356,006.17 |

The unaudited consolidated net asset value of the Target Group as at 30 June 2020 was approximately RMB1,168,846.90.

Upon completion of the Acquisition, the Target Group will become subsidiaries of the Company and the financial information of the Target Group will be consolidated into the financial statements of the Group.

INFORMATION ON THE PARTIES INVOLVED

The Group

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

Nanjing Hong Yang Property Management

Nanjing Hong Yang Property 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 engagement in provision of property management services.

Nanjing Chengrui

Nanjing Chengrui is a company established under the laws of the PRC with limited liability and is principally engaged in the provision of property management services. As at the date of this announcement, it is held by Nanjing Shengqian Corporate Management Consultation Company Limited* (南京昇謙企業管理諮詢有限公司) as to 100%, which is owned by Mr. Yang Jianchi (楊堅持) as to 90% and Nanjing Quanwen as to 10%. Nanjing Quanwen is owned by Mr. Cai Wenquan (蔡文全) as to 100%.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Nanjing Chengrui and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As the Target Company's projects are mainly located in Jiangsu Province, Anhui Province and Hunan Province in the PRC, the Acquisition will allow the Group to further expand the scale of its operations in such areas. In addition, certain projects that are currently under management by the Group are also located in the aforementioned areas, which will facilitate the Group to reduce management costs, improve management efficiency and achieve economies of scale in the future. The Group can further expand its scale and business scope, and also increase its market influence and competitiveness.

The Directors are of the view that the terms of the Equity Transfer Agreement and the Acquisition were arrived at after arm's length negotiations among the parties, and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 5% but all are below 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

| | |
|-----------------------------|---|
| “Acquisition” | the acquisition of 51% equity interest in the Target Company by the Company under the Equity Transfer Agreement |
| “Anhui Yuhua” | Anhui Yuhua Industrial Company Limited* (安徽宇華實業有限公司), a company established under the laws of the PRC with limited liability |
| “Board” | the board of Directors |
| “Company” | Redsun Services Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1971) |
| “Director(s)” | director(s) of the Company |
| “Equity Transfer Agreement” | the equity transfer agreement dated 7 September 2020 entered into between Nanjing Hong Yang Property Management and Nanjing Chengrui in respect of the Acquisition |
| “GFA” | gross floor area |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |

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|---|--|
| “Nanjing Chengrui” | Nanjing Chengrui Jiayuan Property Management Company Limited* (南京誠瑞佳元物業管理有限公司), a company established under the laws of the PRC with limited liability |
| “Nanjing Hong Yang Property Management” | Nanjing Hong Yang Property Management Co., Ltd.* (南京弘陽物業管理有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| “Nanjing Quanwen” | Nanjing Quanwen Corporate Management Consultation Company Limited* (南京全文企業管理諮詢有限公司), a company established under the laws of the PRC with limited liability |
| “PRC” | the People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Share(s)” | ordinary share(s) in the capital of the Company with a par value of HK\$0.01 each |
| “Shareholder(s)” | shareholder(s) of the Company |
| “sq.m.” | square meter |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Chuzhou Yurun Property Management Company Limited* (滁州宇潤物業管理有限公司), a company established under the laws of the PRC with limited liability |
| “Target Group” | the Target Company and its subsidiaries |
| “%” | per cent |

By Order of the Board
Redsun Services Group Limited
He Jie
Chairman

Hong Kong, 7 September 2020

As at the date of this announcement, the executive Directors are Mr. Yang Guang and Ms. Zeng Zixi; the non-executive Directors are Mr. He Jie, Mr. Jiang Daqiang and Mr. Luo Yanbing; and the independent non-executive Directors are Mr. Jing Zhishan, Ms. Wang Fen and Mr. Yim Kai Pung.

** For identification purpose only*