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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 80% OF EQUITY INTEREST IN THE TARGET COMPANY**

The Board hereby announces that on 31 December 2020, Hong Life Property Management (an indirect wholly-owned subsidiary of the Company), Huidehang Property Holdings and the Target Company entered into the Equity Transfer Agreement, pursuant to which Hong Life Property Management has agreed to acquire, and Huidehang Property Holdings has agreed to dispose of, 80% of the 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 31 December 2020, Hong Life Property Management (an indirect wholly-owned subsidiary of the Company), Huidehang Property Holdings and the Target Company entered into the Equity Transfer Agreement, pursuant to which Hong Life Property Management has agreed to acquire, and Huidehang Property Holdings has agreed to dispose of, 80% of the equity interest in the Target Company.

## **EQUITY TRANSFER AGREEMENT**

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

### **Date**

31 December 2020

### **Parties**

- (a) Hong Life Property Management, as the purchaser;
- (b) Huidehang Property Holdings, as the vendor; and
- (c) the Target Company.

### **Subject Matter**

Hong Life Property Management has agreed to acquire, and Huidehang Property Holdings has agreed to dispose of, 80% of the equity interest in the Target Company.

### **Consideration**

The consideration for the Acquisition shall be RMB216,000,000.

The consideration was determined after arm's length negotiations between Hong Life Property Management and Huidehang Property Holdings with reference to (i) the unaudited financial information of the Target Group as at 31 October 2020 and for the ten months ended 31 October 2020 (including but not limited to its assets and liabilities as at 31 October 2020 and profit for the ten months ended 31 October 2020); (ii) the properties currently under management of the Target Group and future prospects of the Target Group; and (iii) a price earnings ratio of approximately 13.0 times based on the guaranteed minimum net profit of the Target Company for the year ending 31 December 2021 as set out in the Equity Transfer Agreement, and was determined with reference to the merger and acquisition cases in the same industry in the market.

The consideration for the Acquisition will be financed by the proceeds from the Listing and the internal resources of the Group.

## **Payment Terms**

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

- (i) first installment: 10% of the consideration, being the amount of RMB21,600,000, shall be paid within seven business days after the entering into of the Equity Transfer Agreement;
- (ii) second installment: 23% of the consideration, being the amount of RMB49,680,000, shall be paid within seven business days after (a) the seal and financial seal and data of the Target Company having been delivered to the joint possession of Hong Life Property Management and Huidehang Property Holdings; and (b) Hong Life Property Management having appointed a financial officer to take over the financial operation of the Target Company;
- (iii) third installment: 60% of the consideration, being the amount of RMB129,600,000, shall be paid within seven business days upon the fulfillment of the following condition precedents:
  - (a) having completed the industrial and commercial registration in respect of the change of the equity interest in the Target Company within 30 days from the date of the Equity Transfer Agreement;
  - (b) Huidehang Property Holdings having pledged its remaining 20% of the equity interest in the Target Company and the corresponding income and dividend to Hong Life Property Management for its performance under the Equity Transfer Agreement and having completed the registration for such equity pledge; and
  - (c) on the Completion Date, having completed the transfer of (1) the seal and financial seal to Hong Life Property Management for its management; and (2) the operational, personnel and financial related information; and
- (iv) fourth installment: the remaining 7% of the consideration, being the amount of RMB15,120,000, shall be paid within seven business days after the completion of industrial and commercial registration in respect of the Acquisition by Huidehang Property Holdings.

## **Completion**

On the Completion Date, Huidehang Property Holdings shall transfer (i) the seal and financial seal of the Target Company to Hong Life Property Management for its management; and (ii) the operational, personnel and financial related information of the Target Company to the new management team of the Target Company.

The Completion Date shall be the date of completion of the registration procedure for the transfer of the 80% of the equity interest in the Target Company to Hong Life Property Management with the relevant PRC government authorities.

### **Board Composition, Supervisor and Management of the Target Company**

The board of directors of the Target Company shall comprise three directors, of which two directors shall be nominated by Hong Life Property Management and one director shall be nominated by Huidehang Property Holdings. The chairman of the board of the Target Company shall be one of the directors nominated by Hong Life Property Management.

The sole supervisor of the Target Company shall be nominated by Hong Life Property Management.

The general manager of the Target Company shall be nominated by Huidehang Property Holdings and appointed by the board of directors of the Target Company. The deputy general manager and the operational and financial officer of the Target Company shall be appointed by Hong Life Property Management.

### **Performance Guarantees**

Pursuant to the Equity Transfer Agreement, Huidehang Property Holdings has undertaken to Hong Life Property Management that the Operating Revenue and Net Profit of the Target Company for each financial year during the Performance Guarantee Period will not be less than the respective amounts as follows (the “**Performance Guarantees**”):

	<b>For the year ending 31 December 2021 RMB</b>	<b>For the year ending 31 December 2022 RMB</b>	<b>For the year ending 31 December 2023 RMB</b>
Guaranteed minimum Operating Revenue for the year (the “ <b>Guaranteed Operating Revenue</b> ”)	86,250,000	99,190,000	114,070,000
Guaranteed minimum Net Profit for the year (the “ <b>Guaranteed Net Profit</b> ”)	20,700,000	23,810,000	27,380,000

If the Target Company fails to achieve the Guaranteed Operating Revenue and the Guaranteed Net Profit for any financial year during the Performance Guarantee Period, Huidehang Property Holdings shall compensate to the Company in cash each year for the value of “A” and “B” calculated as follows respectively:

$$A = (\text{Guaranteed Operating Revenue} - \text{audited Operating Revenue}) \times \text{CE} \times 80\%;$$

$$B = (\text{Guaranteed Net Profit} - \text{audited Net Profit}) \times \text{CE} \times 80\%;$$

where CE is the compensation coefficient to be negotiated and determined by Huidehang Property Holdings and Hong Life Property Management based on the specific completion of the results of the Target Company for the relevant financial year.

Hong Life Property Management shall be entitled to deduct such amount of compensation from the amount payable to Huidehang Property Holdings, and may request Huidehang Property Holdings to pay the compensation within 15 days upon receiving notice from the Company. Huidehang Property Holdings shall provide a pledge guarantee for all of its obligations under the Equity Transfer Agreement with its remaining 20% of equity interests in the Target Company and the corresponding income and dividends and be responsible for the registration of such equity pledge.

For the avoidance of doubt, the Performance Guarantee made by Huidehang Property Holdings does not represent the expected level of future profits of the Target Company, neither do they constitute a profit forecast under Rule 14.61 of the Listing Rules.

## **INFORMATION ON THE TARGET GROUP**

The Target Company is a company established under the laws of the PRC with limited liability. The Target Group is principally engaged in the provision of property management services in Hubei Province in the PRC. As at the date of this announcement, the aggregate GFA of properties under management by the Target Group is approximately 1.77 million sq.m.

As at the date of this announcement, the Target Company is wholly-owned by Huidehang Property Holdings, which is in turn wholly-owned by Huidehang (China) Group. Upon completion of the Acquisition, the Target Company will be held by Hong Life Property Management (an indirect wholly-owned subsidiary of the Company) as to 80% and by Huidehang Property Holdings as to 20%.

## Financial information of the Target Group

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 ten months ended 31 October 2020 and the financial years ended 31 December 2018 and 31 December 2019:

	<b>For the year ended 31 December 2018 RMB (unaudited)</b>	<b>For the year ended 31 December 2019 RMB (unaudited)</b>	<b>For the ten months ended 31 October 2020 RMB (unaudited)</b>
Operating revenue	53,700,096.96	54,639,182.69	60,530,126.57
Gross profit	21,801,770.41	20,797,202.46	22,929,147.57
Profit before taxation	14,513,497.24	15,423,594.85	19,316,554.67
Profit after taxation	10,829,776.76	11,775,370.52	14,810,671.43

The unaudited consolidated net asset value of the Target Group as at 31 October 2020 was approximately RMB27,509,115.67.

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.

### Hong Life Property Management

Hong Life 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 engaged in the provision of property management services.

## **Huidehang Property Holdings**

Huidehang Property Holdings is a company established under the laws of the PRC with limited liability and is principally engaged in the business of property management and corporate management consultancy. As at the date of this announcement, it is held by Huidehang (China) Group as to 100%, which is owned by Mr. Zhang Weiwei (張衛衛) as to 98.0392% and Mr. Wang Qi (王琦) as to 1.9608%, respectively.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Huidehang Property Holdings 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**

The Target Company is a wholly-owned subsidiary of Huideng Property Holdings, which is ranked in the top 30 of Top 100 Property Management Companies of China, principally operates in central China regions and has for years focused on properties such as commercial and office buildings, public buildings and shopping malls. The gross profit margin of the Target Company is relatively high and it meets the selection criteria of the Group for its business acquisition. The Acquisition will facilitate the implementation of "dual-driven" strategy of the Company in central China regions, and the enhancement of gross profit margin and net profit margin of the Group to maintain its competitive advantages.

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 80% of the equity interest in the Target Company by Hong Life Property Management under the Equity Transfer Agreement
“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)
“Completion Date”	the date on which the registration procedure for the transfer of the 80% of the equity interest in the Target Company to Hong Life Property Management is completed in accordance with the relevant PRC government authorities
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 31 December 2020 entered into among Huidehang Property Holdings, Hong Life Property Management and the Target Company in respect of the Acquisition
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Guaranteed Net Profit”	has the meaning ascribed to it under the section headed “Equity Transfer Agreement — Performance Guarantees” in this announcement
“Guaranteed Operating Revenue”	has the meaning ascribed to it under the section headed “Equity Transfer Agreement — Performance Guarantees” in this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Hong Life Property Management”	Hong Life Property Services Management Co., Ltd. (弘生活物業服務管理有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Huidehang (China) Group”	Huidehang (China) Group Co., Ltd.* (匯得行(中國)集團有限公司), a company established under the laws of the PRC with limited liability
“Huidehang Property Holdings”	Huidehang Property Holdings Hubei Co., Ltd.* (匯得行物業控股湖北有限公司), a company established under the laws of the PRC with limited liability
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on 7 July 2020
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Net Profit”	in respect of any period, the audited net profit (after deduction of extraordinary items) of the Target Company for that period
“Operating Revenue”	in respect of any period, the audited operating revenue of the Target Company for that period
“Performance Guarantee Period”	the financial years ending 31 December 2021, 2022 and 2023
“Performance Guarantees”	has the meaning ascribed to it under the section headed “Equity Transfer Agreement — Performance Guarantees” in this announcement
“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”	Wuhan Huidehang Elite Property Service Co., Ltd.* (武漢匯得行精英物業服務有限公司), a company established under the laws of the PRC with limited liability
“Target Group”	the Target Company and its subsidiary
“Top 100 Property Management Companies”	an annual ranking of China-based property management companies by overall competitiveness published by China Index Academy based on a number of key indicators, including management scale, operational performance, service quality, growth potential and social responsibility
“%”	per cent

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

Hong Kong, 31 December 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*