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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)

FURTHER INFORMATION ON DISCLOSEABLE TRANSACTION ACQUISITION OF 80% OF EQUITY INTEREST IN THE TARGET COMPANY

Reference is made to the announcement of Redsun Services Group Limited (the “**Company**”) dated 31 December 2020 in relation to the acquisition of 80% of the equity interest in the Target Company (the “**Announcement**”). Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement. The Company would like to provide further information in relation to the Acquisition:

Performance Guarantees

The Target Company has adopted the Chinese Accounting Standards for Enterprises in determining its audited Operating Revenue and audited Net Profit.

The audited accounts of the Target Company for each financial year during the Performance Guarantee Period would be available by the end of March of the following financial year for ascertaining its audited Operating Revenue and audited Net Profit. The relevant compensation payable by Huidehang Property Holdings to Hong Life Property Management in relation to the Target Company’s failure to meet the Performance Guarantees (if necessary) will be paid by the end of June of the following financial year.

The Company wishes to clarify that in the event that the Target Company records a loss for any financial year during the Performance Guarantee Period, Huidehang Property Holdings shall compensate to Hong Life Property Management in cash each year for the value of “B” as disclosed on page 5 of the Announcement, which shall be calculated as follows:

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

where the “audited Net Profit” in the formula above means the audited net profit (after deduction of extraordinary items) of the Target Company (where the Target Company records a net profit for the relevant period) or the value of the audited net loss of the Target Company (as expressed in negative figures, where the Target Company records a loss for the relevant period).

The “CE”, being the compensation coefficient for the calculation of the values of “A” and “B”, for each of the years ending 31 December 2021, 2022 and 2023 is approximately 13.04, 11.34 and 9.86, respectively, which is calculated as follows:

CE = RMB270,000,000 (being the total consideration if the Group were to acquire 100% of the equity interests in the Target Company) ÷ the Guaranteed Net Profit for the relevant year

The CE is determined after arm’s length negotiations between Hong Life Property Management and Huidehang Property Holdings with reference to recent market mergers and acquisitions of similar nature.

Consideration

The consideration for the Acquisition (the “**Consideration**”) will be financed by (i) the proceeds from the Listing as to approximately RMB129,600,000 (being the third installment of the Consideration); and (ii) the internal resources of the Group as to approximately RMB86,400,000 (being the first, second and fourth installments of the Consideration).

Use of proceeds from the Listing

The net proceeds from the Listing amounted to approximately HK\$460 million (including the net proceeds of HK\$62.1 million from the full exercise of over-allotment option).

The following table sets forth a breakdown of the proposed and actual utilization of net proceeds as at 31 December 2020 and the balance of the net proceeds before and after the settlement of the Consideration:

No.	Planned Use of Net Proceeds	Planned use of net proceeds from the Listing as stated in the interim report of the Company in 2020		Actual use of net proceeds up to 31 December 2020	Balance as at 31 December 2020 and before settlement of the Consideration	Expected balance after settlement of the Consideration
		Percentage as to the Net Proceeds (%)	Amount (HK\$ million)	Amount (HK\$ million)	Amount (HK\$ million)	Amount (HK\$ million)
1.	selective strategic investment and acquisition opportunities and to further expand the scale of the property management business	40	184	0	184	30 ¹
2.	enhance research and development and upgrade intelligent system	30	138	12	126	126
3.	improve our service quality to ensure the delivery of high-end services to the customers	10	46	9	37	37
4.	recruit talents and improve employee trainings and employee benefit system	10	46	19	27	27
5.	working capital and general corporate purposes	10	46	34	12	12
TOTAL		100	460	74	386	202

¹ Approximately RMB129.6 million of the Consideration, equivalent to approximately HK\$154 million based on the exchange rate of HKD1 to RMB0.84164 as published by the People's Bank of China on 31 December 2020, will be settled by the proceeds from the Listing.

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

Hong Kong, 6 January 2021

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.