

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 COMPANIES

The Board hereby announces that on 20 April 2021, Hong Life Property Management (an indirect wholly-owned subsidiary of the Company), Gaoli Holdings and the Target Companies entered into the Equity Transfer Agreement, pursuant to which Hong Life Property Management has agreed to acquire, and Gaoli Holdings has agreed to dispose of, 80% of the equity interest in each of Gaoli Property and Jiangsu Gaoli Meijia (being the Target Companies).

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 20 April 2021, Hong Life Property Management (an indirect wholly-owned subsidiary of the Company), Gaoli Holdings and the Target Companies entered into the Equity Transfer Agreement, pursuant to which Hong Life Property Management has agreed to acquire, and Gaoli Holdings has agreed to dispose of, 80% of the equity interest in each of Gaoli Property and Jiangsu Gaoli Meijia (being the Target Companies).

EQUITY TRANSFER AGREEMENT

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

Date

20 April 2021

Parties

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

Subject Matter

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

Consideration

The consideration for the Acquisition shall be RMB73,536,000.

The consideration was determined after arm's length negotiations between Hong Life Property Management and Gaoli Holdings with reference to (i) the unaudited combined financial information of the Target Companies as at 31 December 2020 and for the year ended 31 December 2020 (including but not limited to its assets and liabilities as at 31 December 2020 and profit for the year ended 31 December 2020); (ii) the properties currently under management of the Target Companies and their future prospects; and (iii) a price earnings ratio of approximately 10.4 times based on the guaranteed minimum net profit of the Target Companies 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 of RMB73,536,000 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 Hong Life Property Management in the following manner:

- (i) first installment: 20% of the Consideration, being the amount of RMB14,707,200, shall be paid within seven business days after the entering into of the Equity Transfer Agreement;
- (ii) second installment: 20% of the Consideration, being the amount of RMB14,707,200, shall be paid within seven business days after (a) the seal and financial seal and data of the Target Companies having been delivered to the joint possession of Hong Life Property Management and Gaoli Holdings; and (b) Hong Life Property Management having appointed a financial officer to take over the financial operation of the Target Companies;
- (iii) third installment: 50% of the Consideration, being the amount of RMB36,768,000, 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 Companies within 30 days from the date of the Equity Transfer Agreement;
 - (b) Gaoli Holdings having pledged its remaining 20% of the equity interest in the Target Companies 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 10% of the Consideration, being the amount of RMB7,353,600, shall be paid upon three months after the completion of industrial and commercial registration in respect of the Acquisition by Gaoli Holdings provided that there having been no breach of the Equity Transfer Agreement by Gaoli Holdings.

Completion

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

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

Board Composition, Supervisor and Management of the Target Companies

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

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

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

Performance Guarantees

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

	For the year ending 31 December 2021 RMB	For the year ending 31 December 2022 RMB	For the year ending 31 December 2023 RMB
Guaranteed minimum Operating Revenue for the year (the “ Guaranteed Operating Revenue ”)	42,400,000	48,760,000	56,070,000
Guaranteed minimum Net Profit for the year (the “ Guaranteed Net Profit ”)	8,810,000	10,130,000	11,650,000

In the event the Target Companies fail to achieve the Guaranteed Operating Revenue and/or the Guaranteed Net Profit for any financial year during the Performance Guarantee Period, Gaoli Holdings shall compensate to the Company in cash each year in accordance with the followings:

- (i) If the Target Companies fail to achieve either the Guaranteed Operating Revenue or the Guaranteed Net Profit for any financial year during the Performance Guarantee Period, Gaoli Holdings shall compensate to the Company in cash each year for the value of “A” (if fail to achieve Guaranteed Operating Revenue) or “B” (if fail to achieve Guaranteed Net Profit):

A = (Guaranteed Operating Revenue – audited Operating Revenue) (being the “**Operating Revenue Shortfall**”) x 20.8% x 12 x 80%;

B = (Guaranteed Net Profit – audited Net Profit) (being the “**Net Profit Shortfall**”) x 12 x 80%; or

- (ii) If the Target Companies fail to achieve both the Guaranteed Operating Revenue and the Guaranteed Net Profit for any financial year during the Performance Guarantee Period, Gaoli Holdings shall compensate to the Company in cash each year for the sum of the value of (a) the higher of “A” and “B”; and (b) the Operating Revenue Shortfall (if the value of “B” is higher) or Net Profit Shortfall (if the value of “A” is higher).

In the event that the Target Companies on a combined basis record a loss for any financial year during the Performance Guarantee Period, the “audited Net Profit” in the formula above means the audited net profit (after deduction of extraordinary items) of the Target Companies (where the Target Companies record a net profit for the relevant period) or the value of the audited net loss of the Target Companies (as expressed in negative figures, where the Target Companies record a loss for the relevant period).

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

The Target Companies have adopted the Chinese Accounting Standards for Enterprises in determining their audited Operating Revenue and audited Net Profit. The combined audited accounts of the Target Companies for each financial year during the Performance Guarantee Period would be available by the end of March of the following financial year for ascertaining their audited Operating Revenue and audited Net Profit. The relevant compensation payable by Gaoli Holdings to Hong Life Property Management in relation to the Target Companies' failure to meet the Performance Guarantees (if necessary) will be paid by the end of June of the following financial year.

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

INFORMATION ON THE TARGET COMPANIES

Each of the Target Companies is a company established under the laws of the PRC with limited liability and is headquartered in Nanjing. The Target Companies provide services covering, among others, the full entrustment of property management services, property project planning services, security services, cleaning services, repair and maintenance services, gardening and greening services, domestic services and commercial services, to home fittings ports (家居港), automobile display venues (汽博城), apartments and residential buildings. The Target Companies firmly uphold the philosophy of "creating good life" (創造美好生活), delivering holistic living solutions to property owners by means of joint development and by integrating community resources of the best quality. As at the date of this announcement, the Target Companies had a total of 12 property management service projects, with total contracted GFA of approximately 1,194,659 sq.m., and shared the same management team for all their contracted projects.

As at the date of this announcement, each of the Target Companies is wholly-owned by Gaoli Holdings, which is in turn owned by Mr. Gao Li (高力) as to 51% and Mr. Gao Shijun (高仕軍) as to 49%, respectively. Upon completion of the Acquisition, each of the Target Companies will be held by Hong Life Property Management (an indirect wholly-owned subsidiary of the Company) as to 80% and by Gaoli Holdings as to 20%.

Financial information of the Target Companies

Set out below is the unaudited combined financial information of the Target Companies and the subsidiaries of Gaoli Property (prepared in accordance with the Generally Accepted Accounting Principles of the PRC) for the financial years ended 31 December 2018, 2019 and 2020:

	For the year ended 31 December 2018 RMB (unaudited)	For the year ended 31 December 2019 RMB (unaudited)	For the year ended 31 December 2020 RMB (unaudited)
Operating revenue	24,632,768.22	27,270,592.33	36,518,129.14
Gross profit	6,897,175.10	7,635,765.85	11,169,602.13
Profit before taxation	3,930,414.91	4,951,868.87	7,427,527.76
Profit after taxation	3,852,378.83	4,658,428.20	7,301,366.80

The unaudited combined net asset value of the Target Companies and the subsidiaries of Gaoli Property as at 31 December 2020 was approximately RMB22,020,913.19.

Upon completion of the Acquisition, the Target Companies and the subsidiaries of Gaoli Property will become subsidiaries of the Company and the financial information of the Target Companies and the subsidiaries of Gaoli Property 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.

Gaoli Holdings

Gaoli Holdings is a company established under the laws of the PRC with limited liability. Established in 1995, it is headquartered in Nanjing, with primary business coverage of, among others, interior decoration, building materials, furniture, automotive accessories. The Target Companies are property management companies under Gaoli Group with a focus on property management services relating to home fittings ports (家居港) and automobile display venues (汽博城). As at the date of this announcement, Gaoli Holdings is owned by Mr. Gao Li (高力) as to 51% and Mr. Gao Shijun (高仕軍) as to 49%.

The Target Companies

Each of the Target Companies is a company established under the laws of the PRC with limited liability and is principally engaged in the business of property management. As at the date of this announcement, each of the Target Companies is held by Gaoli Holdings as to 100%, which is in turn owned by Mr. Gao Li (高力) as to 51% and Mr. Gao Shijun (高仕軍) as to 49%, respectively.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Gaoli 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 Companies are property management companies under Gaoli Group with a focus on property management services relating to home fittings ports (家居港) and automobile display venues (汽博城). The Acquisition will fill up the gap of the Group in the niche market of property management in the automobile display venue industry. Against the backdrop of the revival of the macro-economy in a post-COVID period, the industry of property development in respect of automobile industrial parks and automobile display venues will enjoy tremendous growth potential. The Company will be well-positioned to achieve breakthroughs in this niche market.

As the Target Companies are property management companies headquartered in Nanjing, the Acquisition will be favorable to the Group in achieving economies of scale in the region, and expand the Group's business scope and coverage in regions including Jiangsu Province, Jilin Province and Hunan Province, foster the development of the Company's value-added services and other businesses, and in turn bring new opportunities for the growth of the Company.

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:

“4S”	sales, spare parts, service and survey
“Acquisition”	the acquisition of 80% of the equity interest in the each of the Target Companies by Hong Life Property Management under the Equity Transfer Agreement
“Board”	the board of Directors
“Consideration”	the consideration of RMB73,536,000 for the Acquisition
“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 each of the Target Companies 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 20 April 2021 entered into among Gaoli Holdings, Hong Life Property Management and the Target Companies in respect of the Acquisition
“Gaoli Holdings”	Gaoli Holdings Group Co., Ltd.* (高力控股集團有限公司), a company established under the laws of the PRC with limited liability
“Gaoli Holdings Group”	Gaoli Holdings and its subsidiaries

“Gaoli Property”	Gaoli Property Services Co., Ltd.* (高力物業服務有限公司), a company established under the laws of the PRC with limited liability
“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
“Jiangsu Gaoli Meijia”	Jiangsu Gaoli Meijia Property Co., Ltd.* (江蘇高力美家物業有限公司), a company established under the laws of the PRC with limited liability
“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 Companies in aggregate for that period
“Net Profit Shortfall”	has the meaning ascribed to it under the section headed “Equity Transfer Agreement — Performance Guarantees” in this announcement
“Operating Revenue”	in respect of any period, the audited operating revenue of the Target Companies in aggregate for that period
“Operating Revenue Shortfall”	has the meaning ascribed to it under the section headed “Equity Transfer Agreement — Performance Guarantees” in this announcement

“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 Companies”	Gaoli Property and Jiangsu Gaoli Meijia, each a “Target Company”
“%”	per cent

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

Hong Kong, 20 April 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 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*