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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)

**(1) CONNECTED TRANSACTION ON ACQUISITION OF
49% EQUITY INTEREST IN CHUZHOU YURUN;
AND
(2) DISCLOSEABLE AND CONNECTED TRANSACTION
ON DISPOSAL OF 51% EQUITY INTEREST IN
NANJING YADONG**

BACKGROUND

The Board hereby announces that on 5 November 2021, (i) Nanjing Hong Yang Property Management (an indirect wholly-owned subsidiary of the Company) and Anhui Yuhua entered into the First Equity Transfer Agreement, pursuant to which, Nanjing Hong Yang Property Management has agreed to acquire, and Anhui Yuhua has agreed to dispose of, 49% equity interest in Chuzhou Yurun; and (ii) Nanjing Hong Life Investment Management (an indirect wholly-owned subsidiary of the Company), the Disposal Purchasers and Nanjing Yadong entered into the Second Equity Transfer Agreement, pursuant to which, Nanjing Hong Life Investment Management has agreed to dispose of, and the Disposal Purchasers have agreed to acquire, an aggregate of 51% equity interest in Nanjing Yadong.

IMPLICATIONS UNDER THE LISTING RULES

The Acquisition

As Anhui Yuhua is a substantial shareholder of Chuzhou Yurun (an indirect non-wholly owned subsidiary of the Company as at the date of this announcement), Anhui Yuhua is a connected person of the Company at the subsidiary level. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 0.1% but less than 5%, the Acquisition is subject to the announcement and reporting requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Disposal

As one or more of the applicable percentage ratios in respect of the Disposal exceed 5% but are all below 25%, the Disposal 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.

As Jiangsu Ya Dong is a substantial shareholder of Nanjing Yadong (an indirect non-wholly owned subsidiary of the Company as at the date of this announcement), Jiangsu Ya Dong is a connected person of the Company at the subsidiary level. As such, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As (i) the Board has approved the Disposal; and (ii) the Directors (including the independent non-executive Directors) have confirmed that the terms of the Disposal are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

INTRODUCTION

The Board hereby announces that on 5 November 2021, (i) Nanjing Hong Yang Property Management (an indirect wholly-owned subsidiary of the Company) and Anhui Yuhua entered into the First Equity Transfer Agreement, pursuant to which, Nanjing Hong Yang Property Management has agreed to acquire, and Anhui Yuhua has agreed to dispose of, 49% equity interest in Chuzhou Yurun; and (ii) Nanjing Hong Life

Investment Management (an indirect wholly-owned subsidiary of the Company), the Disposal Purchasers and Nanjing Yadong entered into the Second Equity Transfer Agreement, pursuant to which, Nanjing Hong Life Investment Management has agreed to dispose of, and the Disposal Purchasers have agreed to acquire, an aggregate of 51% equity interest in Nanjing Yadong.

THE FIRST EQUITY TRANSFER AGREEMENT

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

Date

5 November 2021

Parties

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

Subject Matter

Nanjing Hong Yang Property Management has agreed to acquire, and Anhui Yuhua has agreed to dispose of, 49% equity interest in Chuzhou Yurun.

Consideration

The consideration for the Acquisition shall be RMB34,300,000.

The consideration was determined after arm's length negotiations between Nanjing Hong Yang Property Management and Anhui Yuhua, with reference to (i) the unaudited financial information of the Chuzhou Yurun Group as at 30 September 2021 and for the nine months ended 30 September 2021 (including but not limited to its assets and liabilities as at 30 September 2021 and profit for the nine months ended 30 September 2021); (ii) the properties currently under management by and future prospects of Chuzhou Yurun Group; and (iii) the P/E ratio of approximately 9.6 based on the unaudited net profit of the Chuzhou Yurun Group for the year ended 31 December 2020 which was determined with reference to other merger and acquisition cases in the same industry in the market.

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

Payment Terms

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

- (i) first installment: 30% of the consideration, being the amount of RMB10,290,000, shall be paid within seven business days after the entering into of the First Equity Transfer Agreement;
- (ii) second installment: 50% of the consideration, being the amount of RMB17,150,000, shall be paid within seven business days after (a) the completion of the delivery of the corporate documents of Chuzhou Yurun, its branches and its direct and indirect subsidiaries; (b) approvals of the resolution(s) at shareholders' meeting of Chuzhou Yurun and board resolution(s) of Chuzhou Yurun in respect of Nanjing Hong Yang Property Management becoming its sole shareholder; and (c) the approval of the new articles of association by Chuzhou Yurun; and
- (iii) third installment: the remaining 20% of the consideration, being the amount of RMB6,860,000, shall be paid within seven business days after the completion of industrial and commercial registration in respect of the Acquisition.

Completion

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

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

INFORMATION ON CHUZHOU YURUN

Chuzhou Yurun is a company established under the laws of the PRC with limited liability. The Chuzhou Yurun Group is 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 Chuzhou Yurun Group is approximately 5.04 million sq.m..

As at the date of this announcement, Chuzhou Yurun is held by Nanjing Hong Yang Property Management as to 51% and Anhui Yuhua as to 49%.

Financial information of the Chuzhou Yurun Group

Set out below is the unaudited consolidated financial information of Chuzhou Yurun Group (prepared in accordance with the Generally Accepted Accounting Principles of the PRC) for the nine months ended 30 September 2021 and the financial years ended 31 December 2019 and 31 December 2020:

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the nine months ended 30 September 2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)	(unaudited)
Profit before taxation	3,222,981.14	9,543,322.07	7,607,647.66
Profit after taxation	2,743,921.69	7,293,881.96	6,116,549.38

The unaudited consolidated net asset value of the Chuzhou Yurun Group as at 30 September 2021 was approximately RMB19,383,182.95.

Upon completion of the Acquisition, Chuzhou Yurun will be 100% held by Nanjing Hong Yang Property Management (a wholly-owned subsidiary of the Company), and therefore Chuzhou Yurun will become an indirectly wholly-owned subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As the projects managed by Chuzhou Yurun are located in the same area as certain projects managed by the Group, the business scope of Chuzhou Yurun has been in line with that of the Company since the acquisition of 51% equity interest in Chuzhou Yurun by the Company in September 2020. The operating performance of Chuzhou Yurun has steadily improved and strong synergy has realized with the existing property management projects of the Company in relevant areas.

Therefore, the Company intends to acquire the remaining 49% equity interest in Chuzhou Yurun. Upon the completion of the Acquisition, Chuzhou Yurun will become an indirect wholly-owned subsidiary of the Company, which will enable the Company to strengthen the management control of the projects under management by Chuzhou Yurun and enjoy the entire economic benefit brought along by Chuzhou Yurun to the Group and help to further reduce the management costs and improve management efficiency of the Group in the future.

The Directors (including the independent non-executive Directors) are of the view that the First Equity Transfer Agreement and the Acquisition contemplated thereunder are conducted in the ordinary and usual course of business of the Group, the terms of which 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.

THE SECOND EQUITY TRANSFER AGREEMENT

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

Date

5 November 2021

Parties

- (a) Nanjing Hong Life Investment Management, as the vendor;
- (b) Nanjing Ya Dong International, as the purchaser for 1% equity interest in Nanjing Yadong;
- (c) Jiangsu Ya Dong, as the purchaser for 50% equity interest in Nanjing Yadong; and
- (d) Nanjing Yadong, as the target company of the Disposal.

Subject Matter

Nanjing Hong Life Investment Management has agreed to dispose of, and the Disposal Purchasers have agreed to acquire, an aggregate of 51% equity interest in Nanjing Yadong.

Consideration

The consideration for the Disposal shall be RMB23,000,000.

The consideration was determined after arm's length negotiations between Nanjing Hong Life Investment Management and the Disposal Purchasers with reference to (i) the unaudited financial information of the Nanjing Yadong Group as at 30 September 2021 and for the nine months ended 30 September 2021 (including but not limited to its assets and liabilities as at 30 September 2021 and profit for the nine months ended 30 September 2021); (ii) historical financial performance of the Nanjing Yadong Group; and (iii) the P/E ratio of approximately 18.6 based on the unaudited net profit of the Nanjing Yadong Group for the year ended 31 December 2020 after deducting the non-recurring profit and loss.

Payment Terms

Pursuant to the Second Equity Transfer Agreement, the consideration shall be paid by the Disposal Purchasers within seven business days after the entering into of the Second Equity Transfer Agreement.

Completion

Nanjing Hong Life Investment Management and the Disposal Purchasers, within 10 business days after receipt of the consideration, shall sign and prepare all relevant documents in relation to the Disposal, including but not limited to (a) approvals of the resolution(s) at shareholders' meeting of Nanjing Yadong and board resolution(s) of Nanjing Yadong; (b) new articles of association of Nanjing Yadong; and (c) documents required for industrial and commercial registration in respect of the change of the equity interest in Nanjing Yadong.

Pursuant to the terms of the Second Equity Transfer Agreement, the industrial and commercial registration in respect of the change of the equity interest in the Nanjing Yadong shall be completed within 30 days after the entering into of the Second Equity Transfer Agreement. Prior to the completion of the Disposal, the undistributed profit of Nanjing Yadong shall be distributed to the parties according to their respective capital contribution.

INFORMATION ON NANJING YADONG

Nanjing Yadong is a company established under the laws of the PRC with limited liability, which operates local property management in Nanjing. As at the date of this announcement, the aggregate GFA of properties under management by the Nanjing Yadong Group is approximately 1.63 million sq.m..

As at the date of this announcement, Nanjing Yadong is held by Nanjing Hong Life Investment Management as to 51% and Nanjing Ya Dong International as to 49%. No original acquisition cost of the 49% equity interest in Nanjing Yadong of Nanjing Ya Dong International was involved as Nanjing Ya Dong International established Nanjing Yadong and did not acquire it from a third party.

Financial information of the Nanjing Yadong Group

Set out below is the consolidated financial information of the Nanjing Yadong Group (prepared in accordance with the Generally Accepted Accounting Principles of the PRC) for the nine months ended 30 September 2021 and the financial years ended 31 December 2019 and 31 December 2020:

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the nine months ended 30 September 2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)	(unaudited)
Profit/(Loss) before taxation	(5,179,657.09)	6,911,628.18	1,190,973.62
Profit/(Loss) after taxation	(3,884,742.82)	5,076,146.15	893,230.22

The unaudited consolidated net asset value of the Nanjing Yadong Group as at 30 September 2021 was approximately RMB18,113,741.78.

Upon completion of the Disposal, Nanjing Yadong and its subsidiary will cease to be subsidiaries of the Company and the financial information of the Nanjing Yadong Group will no longer be consolidated into the financial statements of the Group.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon completion of the Disposal, it is estimated that the Company would record a loss on the Disposal before taxation of approximately RMB150,000.00, being the difference between the total consideration for the 51% equity interest in Nanjing Yadong of RMB23,000,000.00 and the sum of the net carrying value of the net assets of Nanjing Yadong attributable to 51% equity interest in Nanjing Yadong of approximately RMB23,150,000.00 as at 30 September 2021. The actual loss as a result of the Disposal to be recorded by the Group shall be subject to final audit to be performed by the Company's auditors.

The Group intends to apply the sale proceeds for general working capital and potential acquisitions and investments as and when opportunities arise.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As the Company intends to focus on the “residential + commercial” dual-driven model and continue to improve its profitability in the future, the Company has expanded a number of high-quality commercial properties and public construction properties with high management fees and high gross profit margin through acquisitions and bidding in the market this year. As the current projects under management by Nanjing Yadong are mainly residential projects that were delivered more than 10 years ago, the average property management fees and gross profit margin are relatively low, and do not meet the standards for properties under the Company's future strategic plan. Therefore, the Company has decided to dispose of its 51% equity interest in Nanjing Yadong. Upon the completion of the Disposal, the cash inflow of the Company will increase, which will be beneficial for the Company to further develop high-quality property projects and concentrate resources to strengthen the competitiveness of the Company to expand its market.

The Directors (including the independent non-executive Directors) are of the view that the Second Equity Transfer Agreement and the Disposal contemplated thereunder are conducted in the ordinary and usual course of business of the Group, the terms of which 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.

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.

Anhui Yuhua

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).

Nanjing Ya Dong International

Nanjing Ya Dong International is a company established in the PRC with limited liability and is principally engaged in the provision of property management services. As at the date of this announcement, Nanjing Ya Dong International is wholly-owned by Jiangsu Ya Dong.

Jiangsu Ya Dong

Jiangsu Ya Dong is a company established in the PRC with limited liability and is principally engaged in real estates, tourism, commerce, education and capital operation. As at the date of this announcement, Jiangsu Ya Dong is held by Nie Zhumei (聶築梅), Gao Zeyang (高澤揚), Gao Feng (高峰), Liu Chenggang (劉成剛), Dai Ying (戴螢), Zong Hongtao (宗洪濤), Gao Zehao (高澤昊), Cai Yicai (蔡宜才), Ni Ni (倪霓) as to approximately 29.7%, 21%, 12%, 10.2%, 6.5%, 6.2%, 5%, 4.8% and 4.6% respectively.

IMPLICATIONS UNDER THE LISTING RULES

The Acquisition

As Anhui Yuhua is a substantial shareholder of Chuzhou Yurun (an indirect non-wholly owned subsidiary of the Company as at the date of this announcement), Anhui Yuhua is a connected person of the Company at the subsidiary level. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 0.1% but less than 5%, the Acquisition is subject to the announcement and reporting requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Disposal

As one or more of the applicable percentage ratios in respect of the Disposal exceed 5% but are all below 25%, the Disposal 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.

As Jiangsu Ya Dong is a substantial shareholder of Nanjing Yadong (an indirect non-wholly owned subsidiary of the Company as at the date of this announcement), Jiangsu Ya Dong is a connected person of the Company at the subsidiary level. As such, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As (i) the Board has approved the Disposal; and (ii) the Directors (including the independent non-executive Directors) have confirmed that the terms of the Disposal are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

None of the Directors has any material interest in, or was required to abstain from voting on the resolutions passed by the Board to approve the First Equity Transfer Agreement, the Second Equity Transfer Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“Acquisition”	the acquisition of 49% equity interest in Chuzhou Yurun by the Company under the First 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
“Chuzhou Yurun”	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
“Chuzhou Yurun Group”	Chuzhou Yurun and its subsidiaries
“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
“Disposal”	the disposal of 51% equity interest in Nanjing Yadong by the Company under the Second Equity Transfer Agreement
“Disposal Purchasers”	Nanjing Ya Dong International and Jiangsu Ya Dong
“First Equity Transfer Agreement”	the equity transfer agreement dated 5 November 2021 entered into between Nanjing Hong Yang Property Management and Anhui Yuhua 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

“Jiangsu Ya Dong”	Jiangsu Ya Dong Construction Development Group Co., Ltd. (江蘇亞東建設發展集團有限公司), 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
“Nanjing Hong Life Investment Management”	Nanjing Hong Life Investment Management Co., Ltd. (南京弘生活投資管理有限公司), a limited liability company established in the PRC on 29 June 2015, and an indirect wholly-owned subsidiary of our Company
“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 Yadong”	Nanjing Yadong Property Management Co., Ltd.* (南京亞東物業管理有限公司), a company established under the laws of the PRC with limited liability and a non-wholly owned subsidiary of the Company as at the date of this announcement
“Nanjing Yadong Group”	Nanjing Yadong and its subsidiary
“Nanjing Ya Dong International”	Nanjing Ya Dong International Industrial Co., Ltd.* (南京亞東國際實業有限公司), 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
“Second Equity Transfer Agreement”	the equity transfer agreement dated 5 November 2021 entered into among Nanjing Hong Life Investment Management, the Disposal Purchasers and Nanjing Yadong in respect of the Disposal
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq.m.”	square meter

“%”

per cent

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

Hong Kong, 5 November 2021

As at the date of this announcement, the executive Directors are Mr. Yang Guang and Ms. Zeng Zixi; the non-executive Director is Mr. He Jie; and the independent non-executive Directors are Ms. Wang Fen, Mr. Yim Kai Pung and Mr. Li Xiaohang.

* *For identification purpose only*