

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)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO ACQUISITIONS OF (1) THE TARGET PARKING SPACES; AND (2) EQUITY INTERESTS IN TARGET COMPANIES

PARKING SPACES TRANSFER FRAMEWORK AGREEMENT

On February 17, 2025 (after trading hours), the Company and the Seller entered into the Parking Spaces Transfer Framework Agreement, pursuant to which the Company conditionally agreed to purchase and the Seller conditionally agreed to sell the property right or the right of use (as the case may be) of the Target Parking Spaces at a total consideration of approximately RMB230.92 million, subject to the terms and conditions of the Parking Spaces Transfer Framework Agreement.

EQUITY TRANSFER AGREEMENTS

On the same day (after trading hours), Nanjing Hong Life (an indirect wholly-owned subsidiary of the Company) and each of Chengdu Hong Yang Jin Xing, Xuzhou Hong Qi and Nanjing Hong Tai Pu Yang (all being indirect wholly-owned subsidiaries of the Seller) entered into the respective Equity Transfer Agreements, pursuant to which Nanjing Hong Life conditionally agreed to purchase, and each of Chengdu Hong Yang Jin Xing, Xuzhou Hong Qi and Nanjing Hong Tai Pu Yang conditionally agreed to sell (a) 70% of the equity interests in Target Company A held by Chengdu Hong Yang Jin Xing; (b) 20% of the equity interests in Target Company B held by Xuzhou Hong Qi; and (c) 19% of the equity interests in Target Company C held by Nanjing Hong Tai Pu Yang, together with all other assets, liabilities and owners' equity attached to the equity interests abovementioned at a consideration of approximately RMB142.4 million, RMB73.95 million and RMB41.34 million, respectively. Each of the Equity Transfer Agreements stipulates the terms and conditions of Equity Transfer of each Target Company. The considerations of the Equity Transfer Agreements shall be offset against an equal amount of the Outstanding Receivables on a dollar-for-dollar basis, subject to the terms and conditions of the respective Equity Transfer Agreements. No separate cash payment will be made to the Seller Group by the Group under the Equity Transfer Agreements.

Upon completion of the Equity Transfer, Target Company A will become an indirect non-wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

Given that the transactions under the Parking Spaces Transfer Framework Agreement and the Equity Transfer Agreements were entered into between the Group and the Seller Group within 12 months and are of a same nature, the Acquisitions constitute a series of transactions which are required to be aggregated pursuant to the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisitions exceeds 100%, the Acquisitions constitute a very substantial acquisition for the Company pursuant to Rule 14.06(5) of the Listing Rules and are therefore subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As of the date of this announcement, the Seller is indirectly held as to 71.88% by Mr. Zeng Huansha, a Controlling Shareholder. Accordingly, the Seller is an associate of Mr. Zeng Huansha and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Acquisitions also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

The Company will convene an EGM to approve the Parking Spaces Transfer Agreements and the Equity Transfer Agreement and the transactions contemplated thereunder. An Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to consider the Parking Spaces Transfer Framework Agreement and the Equity Transfer Agreements and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the Parking Spaces Transfer Framework Agreement and the Equity Transfer Agreements and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable, and in the interests of the Company and the Shareholders as a whole. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder.

A circular containing, among other things, details of the Parking Spaces Transfer Framework Agreement and the Equity Transfer Agreements and the transactions contemplated thereunder, a letter from the Independent Board Committee, the recommendations of the Independent Financial Adviser, the property valuation report prepared by the Independent Valuer, together with a notice of EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before March 28, 2025, which is over 15 business days from the date of this announcement under Rule 14.60(7) of the Listing Rules, as additional time is required to compile the aforesaid information and prepare the circular.

Completion of the Acquisitions is conditional upon the satisfaction of the conditions precedent set out below in this announcement. Accordingly, the Acquisitions may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the shares of the Company.

THE PARKING SPACES TRANSFER FRAMEWORK AGREEMENT

Principal terms

Principal terms of the Parking Spaces Transfer Framework Agreement are summarized below:

Date: February 17, 2025

Parties: The Company, as the purchaser; and
The Seller, as the seller

Subject Matter: Pursuant to the Parking Spaces Transfer Framework Agreement, the Company has conditionally agreed to purchase, and Seller has conditionally agreed to sell the property right or the right of use (as the case may be) of the Target Parking Spaces owned by the Seller Group, subject to the terms and conditions of the Parking Spaces Transfer Framework Agreement.

In case where the Seller Group has the real estate right certificate (the “**Certification**”) of the relevant Target Parking Spaces (and in such case the Seller Group has the title of property such as the right of ownership, possession, use, transfer and income), the property right of such Target Parking Spaces will be transferred as contemplated under the Parking Spaces Transfer Framework Agreement.

Where the Certification of the relevant Target Parking Spaces cannot be applied for or obtained, only the right of use (instead of the property right) of such Target Parking Spaces will be transferred as contemplated under the Parking Spaces Transfer Framework Agreement. Such right of use includes, without limitations, right of possession, transfer, lease, operation and management, income, advertising income, etc. The respective term of the right of use of such Target Parking Spaces is up to the expiration date of the term of the right of use of the land on which such Target Parking Spaces are located, so that the entire potential economic benefits of such Target Parking Spaces will be transferred to the Company. As advised by the Company’s PRC legal adviser, this constitutes a valid transfer of the right of use of these Target Parking Spaces to the Group, which is permitted under the applicable PRC law.

Separate transfer agreements

The Parking Spaces Transfer Framework Agreement is a framework agreement. Subject to the compliance with the Listing Rules (including but not limited to obtaining the approval from the Independent Shareholders at the EGM for the transaction contemplated under the Parking Spaces Transfer Framework Agreement) and the satisfaction of the conditions precedents as set out below, the Group and the Seller Group shall enter into separate transfer agreements for the transfer of the property right or the right of use (as the case may be) of the Target Parking Spaces.

The Company and the Seller must enter into separate transfer agreements by each project concerning the Target Parking Space because each project may involve different counterparties, specifically the respective members of the Group and the Seller's Group responsible for such project. Furthermore, under the applicable PRC law, property title transfer would be subject to registration with the relevant local authorities in the PRC. Considering that the Target Parking Spaces are located at different provinces, having separate transfer agreements is essential for such registration process.

Therefore, the key difference between the Parking Spaces Transfer Framework Agreement and the separate transfer agreements will be the counterparties, as the transfer agreements for each project shall be entered into by different members of the Group and the Seller's Group, in accordance with the existing ownership of the relevant Target Parking Spaces and the intended entities of the Group that will purchase the same. Except for the counterparties, the separate transfer agreements will adhere to the terms and conditions of the Parking Spaces Transfer Framework Agreement, including the price cap, payment terms, and delivery methods for the Target Parking Spaces. Hence, the separate transfer agreements do not constitute new notifiable or connected transactions under the Listing Rules.

Consideration:

The total consideration is expected to be approximately RMB230.92 million and will be settled by cash.

Such consideration is subject to adjustments (“**Adjustments**”) based on the final valuation assessed by the Independent Valuer, in the event that any Target Parking Space is subject to ownership disputes. In such cases, the Company may elect to replace these Target Parking Spaces with comparable parking spaces as agreed upon by the parties. As a result, the final valuation of the Target Parking Spaces could differ from the preliminary estimate, which will, in turn, affect the final consideration. Details of valuation and the considerations of parking spaces by project are set out in the paragraphs headed “Valuation of the Target Parking Spaces” and “Information on the Target Parking Spaces” below.

The final consideration is not expected to exceed the aforementioned figure. The final consideration and scope of the Target Parking Spaces will be disclosed in the circular regarding the Parking Spaces Transfer Framework Agreement to be despatched to the Shareholders. In the event that (i) the final consideration exceeds the aforementioned figure, or (ii) there is a change in the final scope of the Target Parking Spaces after obtaining the Shareholders' approval for the Parking Spaces Transfer Framework Agreement, the Company shall re-comply with the reporting, announcement and independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules as and when required.

The Group intends to use its internal resources to settle the cash consideration payable under the Parking Spaces Transfer Framework Agreement.

Payment Schedule:

The consideration for each project will be paid in three installments:

Initial payment: the Company shall pay 50% of the consideration to the Seller within seven (7) business days after the execution of the separate transfer agreements;

Second payment: the Company shall pay an additional 40% of the consideration to the Seller within seven (7) business days following the completion of property right or the right of use (as the case may be) transfer registration and the handover of relevant documentation; and

Final payment: the remaining 10% of the consideration shall be paid to the Seller within twelve (12) months after the execution of the separate transfer agreement.

Basis of the Consideration:

The consideration was determined after arm's length negotiations between the parties with reference to:

- (i) the book value of the Target Parking Spaces as at December 31, 2024 of RMB238.07 million;

- (ii) the market value of the Target Parking Spaces as at December 31, 2024 of no more than RMB230.92 million, as preliminarily valued by the Independent Valuer, subject to possible adjustments as detailed in the paragraphs headed “Consideration” under this table;
- (iii) the prevailing property market conditions;
- (iv) the expected administrative cost of the Company to realize the acquired assets; and
- (v) the reasons and benefits as particularized in the paragraphs headed “Reasons for and Benefits of the Acquisitions” below.

Conditions Precedent:

Completion is conditional upon fulfillment of the following conditions:

- (i) both parties have obtained the approval of their respective independent shareholders at the general meeting of both parties in respect of the Parking Spaces Transfer Framework Agreement and the transactions contemplated thereunder; and
- (ii) the satisfaction of all the applicable requirements under the Listing Rules.

Completion:

The Parking Spaces Transfer Framework Agreement is a framework agreement. Subject to the compliance with the Listing Rules (including but not limited to obtaining the approval from the Independent Shareholders at the EGM for the transaction contemplated under the Parking Spaces Transfer Framework Agreement) and the satisfaction of the conditions precedents as set out above, the Group and the Seller Group shall enter into separate transfer agreements for the transfer of the property right or the right of use (as the case may be) of the Target Parking Spaces.

Details of the transfers, including the final transfer price and the number of parking spaces to be transferred for each project will be subject to the separate transfer agreements for each project, provided that the clauses in the separate transfer agreements shall be in compliance with the requirements of the Listing Rules and shall not be in conflict with the terms of the Parking Spaces Transfer Framework Agreement.

Long Stop Date:

Unless terminated earlier by either party in accordance with its provisions, this agreement shall remain in effect for a period of 12 months from the date of the Parking Spaces Transfer Framework Agreement.

The Directors consider that the 12-month period is justifiable because both parties will require sufficient time to implement the sale and purchase for each Target Parking Space, including entering into separate transfer agreements and conducting the necessary registration of titles and taking into account the circular and Independent Shareholders' approval requirements applicable to the transactions contemplated under the Parking Spaces Transfer Framework Agreement in accordance with the Listing Rules.

Valuation of the Target Parking Spaces

The Company has appointed the Independent Valuer to conduct an independent valuation on the fair market value of the Target Parking Spaces as at December 31, 2024.

Methodology

The Independent Valuer adopted the market comparison approach as the valuation approach for the Target Parking Spaces with Certifications or those without Certifications but with documented use of right transactions. This approach assumes sale of each Target Parking Space in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the market, with appropriate adjustments made for factors such as age, location, transaction timing, and other relevant attributes.

For the Target Parking Spaces without Certifications or documented use of right transactions, the income capitalization approach is used for valuation. This approach capitalizes the forecasted rental income at the market rate over the remaining use term of the Target Parking Spaces as at the valuation date under used assumption.

Key assumptions

The Independent Valuer's valuation excludes an estimated price inflated or deflated by circumstances such as atypical financing, special concessions, or any element of value unique to a specific owner or purchaser. It presumes all necessary consents, approvals, and licenses from relevant government authorities are assumed to have been obtained without onerous conditions or delays, and the properties are considered compliant with local planning and other relevant regulations and have been approved by the relevant authorities. In addition, the properties are assumed to be free from encumbrances, restrictions, or obligations that could impact their value, with no allowances made for charges, mortgages or amounts owing on the properties nor any expenses or taxation related to sales.

Further information on the valuation of the Target Parking Spaces will be disclosed in the circular regarding the Parking Spaces Transfer Framework Agreement to be despatched to the Shareholders.

THE EQUITY TRANSFER AGREEMENTS

Background

As of December 31, 2024, the Outstanding Receivables due from the Seller mainly consist of three components: (i) approximately RMB90 million for pre-delivery management services for the Seller's unsold units and services provided to property sales venues, such as display units and sales offices; (ii) approximately RMB83 million for commercial property management services; and (iii) approximately RMB286 million for refundable deposits related to parking space sales agency services. These Outstanding Receivables reflect the nature of ongoing operational and contractual relationships between the Seller and the Group.

The following table sets forth an aging analysis of the Outstanding Receivables (based on the invoice date) as at the date of this announcement:

	Component (i)		Component (ii)		Component (iii)	
	Amount		Amount		Amount	
	(Unaudited)		(Unaudited)		(Unaudited)	
	(RMB million)	%	(RMB million)	%	(RMB million)	%
Within 1 year	38	42.2	36	43.4	21	7.3
1-2 years	52	57.8	47	56.6	265	92.7
Total	<u>90</u>	<u>100</u>	<u>83</u>	<u>100</u>	<u>286</u>	<u>100</u>

Given the amount of outstanding balance of each of these receivables due from the Seller to the Group, particularly the refundable deposits related to parking spaces sales agency services that mostly consist of receivables aged at least one year, the Company sought to expedite the recovery of these selected Outstanding Receivables by entering into the Equity Transfer Agreements.

Principal terms

Principal terms of the Equity Transfer Agreements are summarized below:

Date: February 17, 2025

Parties: Nanjing Hong Life, as the purchaser of each of the Equity Transfer Agreements;

Chengdu Hong Yang Jin Xing, as the seller in respect of the Equity Transfer of Target Company A;

Xuzhou Hong Qi, as the seller in respect of the Equity Transfer of Target Company B;

Nanjing Hong Tai Pu Yang, as the seller in respect of the Equity Transfer of Target Company C.

Subject Matter: Nanjing Hong Life has conditionally agreed to purchase, and each of Chengdu Hong Yang Jin Xing, Xuzhou Hong Qi and Nanjing Hong Tai Pu Yang has conditionally agreed to sell (i) 70% of the equity interests in Target Company A held by Chengdu Hong Yang Jin Xing; (ii) 20% of the equity interests in Target Company B held by Xuzhou Hong Qi; and (iii) 19% of the equity interests in Target Company C held by Nanjing Hong Tai Pu Yang, together with all other assets, liabilities and owners' equity attached to the equity interests abovementioned, subject to the terms and conditions of the respective Equity Transfer Agreements. Each of the Equity Transfer Agreements stipulates the terms and conditions of Equity Transfer of each Target Company.

Consideration:

The respective consideration under the Equity Transfer Agreements is approximately RMB142.4 million for Target Company A, RMB73.95 million for Target Company B and RMB41.34 million for Target Company C. Such considerations shall be offset against an equal amount of Outstanding Receivables from refundable deposits related to parking spaces sales agency services on a dollar-for-dollar basis, with older balances being settled first. No separate cash payment will be made by the Group to the Seller Group.

Such considerations are subject to adjustments upon completion of the relevant audit of the accounts of the Target Companies, as agreed upon by the parties in writing. The final considerations are not expected to exceed the aforementioned amount and will be disclosed in the circular regarding the Equity Transfer Agreements to be despatched to the Shareholders. In the event that the final considerations exceed the aforementioned amount, the Company shall re-comply with the reporting, announcement and independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules as and when required.

Basis of the Consideration:

Such considerations were determined after arm's length negotiations between the parties with reference to:

- (i) the net asset value in the respective management accounts of Target Company A, Target Company B and Target Company C as at December 31, 2024, amounted to RMB223.98 million, RMB233.28 million and negative RMB103.86 million, respectively;
- (ii) the outstanding payables due to Target Company A from the Seller Group as recorded in the management accounts of Target Company A as at December 31, 2024, amounted to RMB14.39 million;
- (iii) the outstanding receivables due from Target Company B and Target Company C to the Seller Group, as recorded in their respective management accounts as at December 31, 2024, amounted to RMB27.29 million and RMB61.07 million, respectively;

- (iv) the expected administrative cost of the Group to realize the acquired assets; and
- (v) the reasons and benefits as particularized in the paragraphs headed “Reasons for and Benefits of the Acquisitions” below.

In particular, the consideration was arrived taking into account of the following:

Target Company A

The net asset value of Target Company A as at December 31, 2024 was RMB223.98 million. With a 70% equity interest being acquired, this amounts to RMB156.79 million. After deducting RMB14.39 million in payables owed to Target Company A by the Seller Group, the obligations of which will be transferred to and assumed by Nanjing Hong Life in their entirety upon completion of the Equity Transfer, the net consideration for the 70% equity interest in Target Company A shall be RMB142.4 million.

Target Company B

The net asset value of Target Company B as at December 31, 2024 was RMB233.28 million. With a 20% equity interest being acquired, this amounts to RMB46.66 million. Adding RMB27.29 million in receivables owed to the Seller Group by Target Company B, the rights to which will be transferred to and acquired by Nanjing Hong Life in their entirety upon completion of the Equity Transfer, the net consideration for the 20% equity interest in Target Company B is RMB73.95 million.

Target Company C

The net asset value of Target Company C as at December 31, 2024 was negative RMB103.86 million. With a 19% equity interest being acquired, this amounts to negative RMB19.73 million. Adding RMB61.07 million in receivables owed to the Seller Group by Target Company C, the rights to which will be transferred to and acquired by Nanjing Hong Life in their entirety upon completion of the Equity Transfer, the net consideration for the 19% equity interest in Target Company C is RMB41.34 million.

Conditions Precedent:

Completion is conditional upon fulfillment of the following conditions:

- (i) the transfer of the equity interests of Target Company A, Target Company B and Target Company C contemplated hereunder comply with the articles of association of Target Company A, Target Company B and Target Company C, respectively and having obtained the consent and waiver of the first refusal right from the respective remaining shareholders of Target Company A, Target Company B and Target Company C, respectively;
- (ii) both parties have obtained the approval of their respective independent shareholders at the general meeting of both parties in respect of the agreement and the transactions contemplated thereunder; and
- (iii) the satisfaction of all the applicable requirements under the Listing Rules.

Completion:

Upon completion of the Equity Transfer:

- (i) Target Company A will become an indirect non-wholly-owned subsidiary of the Company and its financial results will be consolidated into the Company's consolidated financial statements; and
- (ii) Target Company B and Target Company C will be accounted for as an associate and a joint venture of the Company, respectively. Therefore, their financial results will not be consolidated into the Company's consolidated financial statement but both will be accounted for under the equity method.

Long Stop Date:

Unless terminated earlier by either party in accordance with their respective provisions, each of these agreements shall remain in effect for a period of 12 months from the date of the respective Equity Transfer Agreements.

The Directors consider that the 12-month period is reasonable because both parties will require sufficient time to implement the sale and purchase for each of the Target Companies, including completing the industrial and commercial registration for the equity transfer of each Target Company and taking into account the circular and Independent Shareholders' approval requirements applicable to the transactions contemplated under the Equity Transfer Agreements in accordance with the Listing Rules.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Company provides a wide range of property management services to property owners, residents and tenants, value-added services to non-property owners, primarily property developers, and other property management companies, and community value-added services to residential property owners and residents. As at June 30, 2024, 33.4% of our projects under management were properties developed by the Seller and 17.7% of our projects under management were properties developed by property developers which are joint ventures and associates of the Seller in which the Seller does not hold a controlling interest. The Company has maintained long track record of business relationship and deep cooperation with the Seller.

The Acquisitions allow the Company to (i) enhance of its revenue stream by receiving income generated from parking spaces sales and lease business; and (ii) to recover the Outstanding Receivables from the Seller based on the circumstances as detailed below.

Target Parking Spaces

The Target Parking Spaces have not generated any revenue in previous years, as they have not yet been made available for sale or lease. After the Company acquires them, the Company will offer both leasing and sales services for the Target Parking Spaces. Particularly, the Company will primarily focus on sale, and those unsold ones will be leased. This includes actively identifying potential customers with parking space needs, conducting regular promotional activities, and leveraging the Company's core property management business to facilitate parking space sales. Meanwhile, the temporary parking spaces will generate revenue through short-term parking fees. The Company has extensive experience in managing and leasing parking spaces as part of its community value-added services, which comprise, among others, property brokerage services and assets management services. It has established marketing channels and operational expertise to effectively promote, sell and lease parking spaces to individual users.

In addition to these efforts, the Company may also explore additional revenue opportunities, such as generating advertising income from the Target Parking Spaces. The Company intends to utilize certain parking lot areas, such as walls and ground surfaces, for advertising displays, which may generate additional advertising income for the Company from potential customers with advertising needs.

These strategies will help the Company create a sustainable and diversified income streams from the Target Parking Spaces, both through leasing, sales, and potential advertising revenue.

Target Companies

The Company views the acquisitions of equity interests in Target Companies as strategic equity investments rather than a shift of its business to real estate development.

The Company's primary focus remains on property management services, and the Acquisitions provide an opportunity to enhance its service offerings, recover the Outstanding Receivables, and potentially realize returns from the Target Companies' assets without the intention of becoming directly involved in property development activities. Among other things, even if Target Company A becomes the Company's subsidiary upon completion of the Equity Transfer, the Company will not be involved in any property development activities as its project is in the final phase of sale. The Company's role will thus be limited to selling the remaining inventory units, leveraging its expertise to efficiently manage the final sales process and integrate property management services.

Additionally, the Company may eventually sell its equity interests in the Target Companies, should suitable buyers be identified with favorable terms, allowing the Company to realize a return on its equity investment. This strategy aligns with the Company's ongoing commitment to managing its portfolio with a long-term, value-driven approach, focusing on generating sustainable income from its core property management business while maintaining flexibility to divest non-core assets if beneficial.

The Company has considered various methods for recovering the Outstanding Receivables from the Seller. However, due to the Seller's current liquidity position, the likelihood of recovering the receivables in cash could be limited. Alternative assets, including real estate, are subject to high taxes and transaction costs, rendering them less efficient for recovery. By contrast, the Equity Transfer presents a more advantageous solution, offering lower transaction costs and the potential for future returns. The equity interests in the Target Companies are considered to be quality assets which may provide a more effective and strategic means of recovering the Outstanding Receivables.

Acquisitions

The Acquisitions align with the Company's strategic objectives by diversifying its revenue streams without deviating from its asset-light business model. While the Company is focused on property management services, the acquisition of equity interests in the Target Companies represent an easy and reliable opportunity to recover the Outstanding Receivables and the acquisition of the Target Parking Spaces provides additional sources of income from parking space sales, leasing, and advertising. The Acquisitions are designed to enhance cash flow, recover outstanding receivables, and create long-term value, all while maintaining the Company's core focus on delivering quality property management services.

The Target Parking Spaces and the Target Companies have not previously been managed by the Company. Upon completion of the Acquisitions, the Company will integrate these assets into its existing property management operations.

Despite the fact that the Target Parking Spaces have not generated any revenue or profit and Target Company C has nil revenue and profit, and has net liabilities, the Company has considered the Acquisitions fair and reasonable for the following reasons: (i) the Acquisitions provide the Company with strategic assets that are expected to generate future income through parking space sales, leasing, and advertising opportunities, which align with the Company's long-term revenue diversification strategy; (ii) the Acquisitions allow the Company to recover Outstanding Receivables from the Seller, enhancing cash flow and improving the Company's financial position; and (iii) the equity interests in the Target Companies are viewed as quality assets with future growth potential. Therefore, the Company believes the Acquisitions represent a sound investment given the potential for future returns, despite the current financial status of the Target Companies.

In view of the above, the Board (including the independent non-executive Directors) is of the view that, for the reasons for and benefits of the Acquisitions and the basis of determination of the consideration for the Acquisitions set out above, despite the Agreements and the Acquisitions were not entered into in the ordinary and usual course of business of the Group, the terms of the Agreements (including the respective considerations) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Company

The Company is a well-recognized comprehensive community service provider in Jiangsu province, China, with balanced property management abilities in the management of residential and commercial properties. The Company provides a wide range of property management services to property owners, residents and tenants, value-added services to non-property owners, primarily property developers, and other property management companies, and community value-added services to residential property owners and residents. The Company is indirectly controlled by Mr. Zeng Huansha.

Nanjing Hong Life

Nanjing Hong Life is a company established under the PRC laws with limited liability and an indirect wholly-owned subsidiary of the Company. Nanjing Hong Life is principally engaged in the business of real estate consulting, sales and leasing agency services.

The Seller

The Seller is a leading comprehensive property developer established in the Yangtze River Delta region and operating in the PRC, focusing on the development of residential properties and the development, operation and management of commercial and comprehensive properties. As of the date of this announcement, the Seller is indirectly held as to 71.88% by Mr. Zeng Huansha, a Controlling Shareholder.

Chengdu Hong Yang Jin Xing

Chengdu Hong Yang Jin Xing is a company established under the PRC laws with limited liability and an indirect wholly-owned subsidiary of the Seller. Chengdu Hong Yang Jin Xing is principally engaged in the business of real estate development, operation and brokerage. As of the date of this announcement and immediately before the completion of the Equity Transfer, it is interested in 70% of equity interest in Target Company A.

Xuzhou Hong Qi

Xuzhou Hong Qi is a company established under the PRC laws with limited liability and an indirect wholly-owned subsidiary of the Seller. Xuzhou Hong Qi is principally engaged in the business of real estate development and sales, housing rental and business information consulting services. As of the date of this announcement and immediately before the completion of the Equity Transfer, it is interested in 20% of equity interest in Target Company B.

Nanjing Hong Tai Pu Yang

Nanjing Hong Tai Pu Yang is a company established under the PRC laws with limited liability and an indirect wholly-owned subsidiary of the Seller. Nanjing Hong Tai Pu Yang is principally engaged in the business of real estate development, operation and sales and business management services. As of the date of this announcement and immediately before the completion of the Equity Transfer, it is interested in 19% of equity interest in Target Company C.

Target Company A

Target Company A was established in the PRC in 2020 and an indirect non-wholly-owned subsidiary of the Seller. Target Company A principally engages in property development. As at the date of this announcement and immediately before the completion of the Equity Transfer, Target Company A is owned by Chengdu Hong Yang Jin Xing and Sichuan Esheng as to 70% and 30% respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Chengdu Hong Yang Jin Xing is an indirect wholly-owned subsidiary of the Seller; and (ii) Sichuan Esheng is ultimately controlled by Mr. Xiong Jianhua (熊建華), who is an independent third party of the Company.

Set out below are the financial information of Target Company A for the years ended December 31, 2024 and 2023 in the unaudited management accounts of Target Company A for the same years:

	For the year ended December 31, 2024 RMB'000 (unaudited)	For the year ended December 31, 2023 RMB'000 (unaudited)
Revenue	469,397	617,491
Net profit/(loss) before taxation and extraordinary items	4,961	16,200
Net profit/(loss) after taxation and extraordinary items	3,720	(34,098)

The unaudited net asset value and the unaudited total asset value of Target Company A as at December 31, 2024 were approximately RMB223.98 million and RMB580.12 million respectively.

Details of property projects held by Target Company A

Details of property projects held by Target Company A as at December 31, 2024 are set out as below:

Location	Latest development stage	Land use	Total gross floor areas (sq.m.)
Pengzhou City, Sichuan Province	Final phase of sale	Residential and commercial	213,560.43

Target Company B

Target Company B was established in the PRC in 2020 and an associate of the Seller. Target Company B principally engages in property development. As at the date of this announcement and immediately before the completion of the Equity Transfer, Target Company B is owned by Yancheng Tongjia, Wuxi Hengyuan and Xuzhou Hong Qi as to 60%, 20% and 20% respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Yancheng Tongjia is ultimately controlled by Mr. Shi Weiwei (施為偉), who is an independent third party of the Company; (ii) Wuxi Hengyuan is a subsidiary of Jinke Property Group Co., Ltd. (金科地產集團股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: SZ.000656), an independent third party of the Company; and (iii) Xuzhou Hong Qi is an indirect wholly-owned subsidiary of the Seller.

Set out below are the financial information of Target Company B for the years ended December 31, 2024 and 2023 in the unaudited management accounts of Target Company B for the same years:

	For the year ended December 31, 2024	For the year ended December 31, 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Revenue	752,830	977,915
Net profit/(loss) before taxation and extraordinary items	19,890	127,949
Net profit/(loss) after taxation and extraordinary items	26,996	89,417

The unaudited net asset value and the unaudited total asset value of Target Company B as at December 31, 2024 were approximately RMB233.28 million and RMB1,421.80 million respectively.

Details of property project held by Target Company B

Target Company B recorded revenue and net profit in 2023 and 2024 as a result of phased project deliveries. While some properties remain under construction, a portion has been completed and delivered, generating revenue and profit accordingly. As at the date of this announcement, Target Company B held one property project with total gross floor areas of 434,029.89 sq.m. Details of this property project held by Target Company B as at date of this announcement are set out as below:

Location	Land use	Latest development stage	Total gross floor areas (sq.m.)	Expected completion time
Suqian City, Jiangsu Province	Residential and commercial	Delivered	267,654.99	/
		Under construction	32,084.98	Year end of 2025
			134,289.92	Year end of 2026

Target Company C

Target Company C was established in the PRC in 2018 and a joint venture of the Seller. Target Company C principally engages in property development. As at the date of this announcement and immediately before the completion of the Equity Transfer, Target Company C is owned by Nanjing Qicheng, Nanjing Jinyao, Jurong Yifeng, Nanjing Yuyang and Nanjing Hong Tai Pu Yang as to 23%, 20%, 19%, 19% and 19% respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Nanjing Qicheng is controlled by Shanghai Yinyi Construction Management Co., Ltd.* (上海垠壹建設管理有限公司), which is owned equally by Shanghai Yuantongkai Enterprise Management Service Co., Ltd.* (上海沅通凱企業管理服務有限公司) (ultimately wholly-owned by Shanghai Xiba Enterprise Management Service Co., Ltd.* (上海曦霸企管理服務有限公司)) and Shanghai Weihai Enterprise Development Co., Ltd.* (上海維哈企業發展有限公司) (ultimately wholly-owned by Nanjing Changshenghe Enterprise Management Co., Ltd.* (南京昌勝和企業管理有限公司)) as to 50% each, and all of these entities are independent third parties of the Company; (ii) Nanjing Jinyao is controlled by Gemdale Corporation (金地(集團)股份有限公司), whose shares are listing on the Shanghai Stock Exchange (stock code: SH.600383), an independent third party of the Company; (iii) Jurong Yifeng is a subsidiary of Jinke Property Group Co., Ltd., an independent third party of the Company; (iv) Nanjing Yuyang is a subsidiary of Yango Group Co., Ltd. (陽光城集團股份有限公司), whose shares were previously listed on the Shenzhen Stock Exchange (previous stock code: 000671) but subsequently delisted in August 2023, which is ultimately controlled by Ms. Wu Jie (吳潔), an independent third party of the Company; and (v) Nanjing Hong Tai Pu Yang is an indirect wholly-owned subsidiary of the Seller.

Set out below are the financial information of Target Company C for the years ended December 31, 2024 and 2023 in the unaudited management accounts of Target Company C for the same years:

	For the year ended December 31, 2024 RMB'000 (unaudited)	For the year ended December 31, 2023 RMB'000 (unaudited)
Revenue	—	—
Net profit/(loss) before taxation and extraordinary items	—	—
Net profit/(loss) after taxation and extraordinary items	—	—

The unaudited net asset value and the unaudited total asset value of Target Company C as at December 31, 2024 were approximately negative RMB103.86 million and RMB204.46 million respectively.

As at the date of this announcement, Target Company C held a land with total areas of 38,731 sq.m. for both residential and commercial use, which was planned for future development in Jurong City, Jiangsu Province. As at the date of this announcement, Target Company C has no concrete development plan for this land, and the final decision will depend on the prevailing market conditions and industry trends. Alternatively, the land may be considered for sale when a suitable opportunity arises.

INFORMATION ON THE TARGET PARKING SPACES

The Target Parking Spaces are a total of 6,258 parking spaces located in Jiangsu, Anhui, Sichuan, Jiangxi, Henan, Guangdong and Hubei Province in the PRC, subject to entering into of separate transfer agreements for each project upon completion. As at the date of this announcement, the Target Parking Spaces are held by the Seller Group. There is no original acquisition cost for the Target Parking Spaces as they form part of the property project developed by the Seller.

As at December 31, 2024, the book value of the Target Parking Spaces is RMB238.07 million. The net profits attributable to the Target Parking Spaces for the years ended December 31, 2023 and 2024 are nil, as the Target Parking Spaces have not yet been put up for sale or lease.

Details of the Target Parking Spaces are set out as below:

Property Project	Province	Project nature	Total number of parking spaces [#]	Number of parking spaces with Certifications [#]	Number of parking spaces without Certifications [#]	Total consideration of the project [#] (RMB)	Consideration of parking spaces with Certifications [#] (RMB)	Consideration of parking spaces without Certifications [#] (RMB)
Project A	Anhui	Residential and commercial	247	167	–	9,991,000	9,991,000	–
Project B	Anhui	Residential and commercial	489	354	135	11,601,200	10,379,000	1,222,200
Project C	Anhui	Residential and commercial	607	607	–	17,809,200	17,809,200	–
Project D	Guangdong	Residential and commercial	34	28	6	2,541,400	2,289,200	252,200
Project E	Guangdong	Residential and commercial	156	49	107	5,024,600	1,901,200	3,123,400
Project F	Guangdong	Residential and commercial	26	26	–	1,843,000	1,843,000	–
Project G	Henan	Residential and commercial	169	–	169	3,732,075	–	6,903,975

Property Project	Province	Project nature	Total number of parking spaces [#]	Number of parking spaces with Certifications [#]	Number of parking spaces without Certifications [#]	Total consideration of the project [#] (RMB)	Consideration of parking spaces with Certifications [#] (RMB)	Consideration of parking spaces without Certifications [#] (RMB)
Project H	Hubei	Residential and commercial	529	-	529	16,674,300	-	16,674,300
Project I	Jiangsu	Residential and commercial	23	-	23	7,827,900	-	7,827,900
Project J	Jiangsu	Residential and commercial	382	-	382	12,871,900	-	12,871,900
Project K	Jiangsu	Residential and commercial	397	-	397	10,922,200	-	10,922,200
Project L	Jiangsu	Residential and commercial	67	67	-	3,404,700	3,404,700	-
Project M	Jiangsu	Residential and commercial	305	305	-	15,500,600	15,500,600	-
Project N	Jiangsu	Residential and commercial	373	373	-	24,444,000	24,444,000	-
Project O	Jiangsu	Residential and commercial	88	88	-	4,122,500	4,122,500	-
Project P	Jiangsu	Residential and commercial	265	-	265	4,646,300	-	4,646,300
Project Q	Jiangsu	Residential and commercial	247	247	-	5,538,700	5,538,700	-
Project R	Jiangsu	Residential and commercial	111	-	111	3,802,400	-	3,802,400
Project S	Jiangsu	Residential and commercial	217	-	217	7,536,900	-	7,536,900
Project T	Jiangxi	Residential and commercial	297	-	297	17,964,400	-	17,964,400
Project U	Jiangxi	Residential and commercial	186	-	186	5,878,200	-	5,878,200
Project V	Sichuan	Residential and commercial	469	469	-	19,623,100	19,623,100	-
Project W	Sichuan	Residential and commercial	574	299	275	17,624,900	13,162,900	4,462,000
Total			<u>6,258</u>	<u>3,079</u>	<u>3,179</u>	<u>230,925,475</u>	<u>130,009,100</u>	<u>104,088,275</u>

[#] Note: These figures are subject to Adjustments.

LISTING RULES IMPLICATIONS

Given that the transactions under the Parking Spaces Transfer Framework Agreement and the Equity Transfer Agreements were entered into between the Group and the Seller Group within 12 months and are of a same nature, the Acquisitions constitute a series of transactions which are required to be aggregated pursuant to the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisitions exceeds 100%, the Acquisitions constitute a very substantial acquisition for the Company pursuant to Rule 14.06(5) of the Listing Rules and are therefore subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As of the date of this announcement, the Seller is indirectly held as to 71.88% by Mr. Zeng Huansha, a Controlling Shareholder. Accordingly, the Seller is an associate of Mr. Zeng Huansha and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Acquisitions also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

The Company will convene an EGM to approve the Parking Spaces Transfer Framework Agreement and the Equity Transfer Agreements and the transactions contemplated thereunder. An Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to consider the Parking Spaces Transfer Framework Agreement and the Equity Transfer Agreements and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the Parking Spaces Transfer Framework Agreement and the Equity Transfer Agreements and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable, and in the interests of the Company and the Shareholders as a whole. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder.

A circular containing, among other things, details of the Parking Spaces Transfer Framework Agreement and the Equity Transfer Agreements and the transactions contemplated thereunder, a letter from the Independent Board Committee, the recommendations of the Independent Financial Adviser, the property valuation report prepared by the Independent Valuer, together with a notice of EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before March 28, 2025, which is over 15 business days from the date of this announcement under Rule 14.60(7) of the Listing Rules, as additional time is required to compile the aforesaid information and prepare the circular.

Completion of the Acquisitions is conditional upon the satisfaction of the conditions precedent set out below in this announcement. Accordingly, the Acquisitions may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“Acquisitions”	the acquisitions contemplated under the Parking Spaces Transfer Framework Agreement and the Equity Transfer Agreements
“Agreements”	the Parking Spaces Transfer Framework Agreement and the Equity Transfer Agreements
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“China” or “the PRC”	the People’s Republic of China
“Chengdu Hong Yang Jin Xing”	Chengdu Hong Yang Jin Xing Real Estate Development Co., Ltd.* (成都弘陽錦興房地產開發有限公司), a company established under the PRC laws with limited liability and an indirect wholly-owned subsidiary of the Seller, which is interested in 70% of equity interest in Target Company A as of the date of this announcement and immediately before the completion of the Equity Transfer
“Company”	Redsun Services Group Limited (弘陽服務集團有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on December 12, 2019
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules

“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to Mr. Zeng Huansha (曾煥沙), Redsun Services Group (Holdings) Limited, Hong Yang Group (Holdings) Limited, Hong Yang International Limited and Hong Yang Group Company Limited
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to approve the Agreements and the transactions contemplated thereunder
“Equity Transfer”	the equity transfer of the Target Companies contemplated under the Equity Transfer Agreements
“Equity Transfer Agreements”	the equity transfer agreements entered by Nanjing Hong Life and each of Chengdu Hong Yang Jin Xing, Xuzhou Hong Qi and Nanjing Hong Tai Pu Yang, after trading hours on February 17, 2025
“Group”	the Company and its subsidiaries
“Independent Board Committee”	a committee of the Board comprising Ms. Wang Fen, Mr. Li Xiaohang and Mr. Zhao Xianbo
“Independent Financial Adviser”	Ignite Capital (Asia Pacific) Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder
“Independent Shareholders”	shareholders who do not have any material interest in the transaction under the Agreements, namely the Shareholders other than Mr. Zeng Huansha and his associates
“independent third party(ies)”	an individual(s) or a company(ies) who or which is/are not a connected person(s) of the Company within the meaning of the Listing Rules

“Independent Valuer”	Colliers Appraisal and Advisory Services Co., Ltd., an independent professional valuer to appointed to appraise the valuation of the Target Parking Spaces and properties of Target Companies
“Jurong Yifeng”	Jurong Yifeng Real Estate Development Co., Ltd.* (句容億豐房地產開發有限公司), a company established under the PRC laws with limited liability, which is interested in 19% of equity interest in Target Company C as of the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Nanjing Hong Life”	Nanjing Hong Life Real Estate Consulting Co., Ltd.* (南京弘生活置業顧問有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Nanjing Hong Tai Pu Yang”	Nanjing Hong Tai Pu Yang Property Co., Ltd.* (南京鴻泰浦陽置業有限公司), a company established under the PRC laws with limited liability and an indirect wholly-owned subsidiary of the Seller, which is interested in 19% of equity interest in Target Company C as of the date of this announcement
“Nanjing Jinyao”	Nanjing Jinyao Enterprise Management Co., Ltd.* (南京金瑤企業管理有限公司), a company established under the PRC laws with limited liability, which is interested in 20% of equity interest in Target Company C as of the date of this announcement
“Nanjing Qicheng”	Nanjing Qicheng Property Co., Ltd.* (南京齊城置業有限公司), a company established under the PRC laws with limited liability, which is interested in 23% of equity interest in Target Company C as of the date of this announcement
“Nanjing Yuyang”	Nanjing Yuyang Real Estate Development Co., Ltd.* (南京煜陽房地產開發有限公司), a company established under the PRC laws with limited liability, which is interested in 19% of equity interest in Target Company C as of the date of this announcement

“Outstanding Receivables”	the outstanding receivables due from the Seller to the Group
“Parking Spaces Transfer Framework Agreement”	the parking spaces transfer framework agreement entered into by the Company and the Seller after trading hours on February 17, 2025
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Redsun Properties Group Limited (弘陽地產集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on December 21, 2017, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1996)
“Seller Group”	the Seller and its subsidiaries
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Sichuan Esheng”	Sichuan Esheng Shuini Group* (四川峨勝水泥集團股份有限公司), a company established under the PRC laws with joint stock limited liability, which is interested in 30% of equity interest in Target Company A as of the date of this announcement
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Target Assets”	The assets to be acquired by the Group under the Agreements, including the property right/right of use of the Target Parking Spaces and 70% of the equity interests in Target Company A held by Chengdu Hong Yang Jin Xing, 20% of the equity interests in Target Company B held by Xuzhou Hong Qi, and 19% of the equity interests in Target Company C held by Nanjing Hong Tai Pu Yang, together with all other assets, liabilities and owners’ equity attached to the equity interests abovementioned

“Target Companies”	collectively, Target Company A, Target Company B and Target Company C
“Target Company A”	Chengdu Hong Sheng He Ding Real Estate Development Co., Ltd.* (成都弘勝和鼎房地產開發有限公司), a company established under the PRC laws with limited liability and an indirect non-wholly-owned subsidiary of the Seller
“Target Company B”	Suqian Tong Jin Hong Real Estate Co., Ltd.* (宿遷市通金弘置業有限公司), a company established under the PRC laws with limited liability and an associate of the Seller
“Target Company C”	Jurong Jin Jia Run Real Estate Development Co., Ltd.* (句容金嘉潤房地產開發有限公司), a company established under the PRC laws with limited liability and a joint venture of the Seller
“Target Parking Space(s)”	the parking space(s) to be acquired by the Company under the Parking Spaces Transfer Framework Agreement
“Wuxi Hengyuan”	Wuxi Hengyuan Real Estate Co., Ltd.* (無錫恒遠地產有限公司), a company established under the PRC laws with limited liability, which is interested in 20% of equity interest in Target Company B as of the date of this announcement
“Xuzhou Hong Qi”	Xuzhou Hongqi Real Estate Development Co., Ltd.* (徐州弘琪房地產開發有限公司), a company established under the PRC laws with limited liability and an indirect wholly-owned subsidiary of the Seller, which is interested in 20% of equity interest in Target Company B as of the date of this announcement and immediately before the completion of the Equity Transfer

“Yancheng Tongjia”

Yancheng Tongjia Enterprise Management Co., Ltd.* (鹽城通佳企業管理有限公司), a company established under the PRC laws with limited liability, which is interested in 60% of equity interest in Target Company B as of the date of this announcement

“%”

per cent

* *For identification purpose only*

For and on behalf of the Board
Redsun Services Group Limited
Zeng Junkai
Chairman

Hong Kong, February 17, 2025

As at the date of this announcement, Mr. Zeng Junkai is the non-executive Director; Mr. Chen Yichun is the executive Director; and Ms. Wang Fen, Mr. Li Xiaohang and Mr. Zhao Xianbo are the independent non-executive Directors.