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Redsun Properties Group Limited

弘陽地產集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1996)

MAJOR TRANSACTION

DISPOSAL OF 34% EQUITY INTERESTS IN PROJECT COMPANY

EQUITY AND DEBT TRANSFER AGREEMENT

On 9 August 2023, Hongzong Real Estate (an indirect non-wholly-owned subsidiary of the Company), PRI Real Estate and the Project Company entered into the Equity and Debt Transfer Agreement, pursuant to which Hongzong Real Estate agreed to sell and PRI Real Estate agreed to purchase the Sale Shares and the Sale Loan for an aggregate consideration of RMB295 million. Upon completion of the Disposal, the Group will cease to hold any interest in the Project Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 25% but are less than 75%, the entering into of the Equity and Debt Transfer Agreement and the transactions contemplated thereunder constitute a major transaction of the Company under the Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Shareholders have any material interest in the Equity and Debt Transfer Agreement and the transactions contemplated thereunder. Accordingly, none of the Shareholders are required to abstain from voting if the Company were to convene a general meeting for approving the Equity and Debt Transfer Agreement and the transactions contemplated thereunder.

GENERAL

The Company will obtain written shareholders' approval from its controlling shareholder (i.e. Redsun Properties Group (Holdings)) in respect of the Disposal, for approving the Equity and Debt Transfer Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules, in lieu of convening a general meeting of the Company. As at the date of this announcement, Redsun Properties Group (Holdings) directly holds 2,400,000,000 Shares, representing approximately 71.88% of the issued share capital of the Company. Accordingly, no general meeting will be held for approving the Equity and Debt Transfer Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, (i) details of the Disposal; (ii) a property valuation report on the Project Company; and (iii) other information as required under the Listing Rules shall be despatched within 15 business days after publication of this announcement, i.e. on or before 30 August 2023. As more time is required to prepare the financial information to be included in the circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules, so that the date of despatch of the circular can be postponed to a date more than 15 business days after publication of this announcement, and the Company will make a further announcement of the expected despatch date of the circular in due course.

Shareholders and potential investors of the Company are reminded that completion is subject to the fulfillment or waiver, as the case may be, of the conditions precedent to the Equity and Debt Transfer Agreement and therefore it may or may not take place. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and other securities of the Company.

EQUITY AND DEBT TRANSFER AGREEMENT

On 9 August 2023, Hongzong Real Estate (an indirect non-wholly-owned subsidiary of the Company), PRI Real Estate and the Project Company entered into the Equity and Debt Transfer Agreement, pursuant to which Hongzong Real Estate agreed to sell and PRI Real Estate agreed to purchase the Sale Shares and the Sale Loan for an aggregate consideration of RMB295 million. The principal terms of the Equity and Debt Transfer Agreement are set out below:

Date: 9 August 2023

- Parties:
- (a) Hongzong Real Estate, an indirect non-wholly-owned subsidiary of the Company;
 - (b) PRI Real Estate, a company established in the PRC with limited liability; and
 - (c) the Project Company, a company established in the PRC with limited liability which is held as to 66% by PRI Real Estate and 34% by Hongzong Real Estate respectively as at the date of this announcement.

SUBJECT MATTER

Pursuant to the Equity and Debt Transfer Agreement, Hongzong Real Estate agreed to sell the Sale Shares, representing 34% equity interests in the Project Company, and the Sale Loan, representing the shareholder's loan owed by the Project Company to Hongzong Real Estate; and PRI Real Estate agreed to purchase the Sale Shares and the Sale Loan. Upon completion of the Disposal, the Group will cease to hold any interest in the Project Company.

CONSIDERATION

Pursuant to the Equity and Debt Transfer Agreement, the consideration payable by PRI Real Estate shall be RMB295 million, which consists of:

- (a) the consideration for the transfer of the Sale Shares, representing 34% equity interests in the Project Company, in the amount of RMB0; and
- (b) the consideration for the assignment of the Sale Loan in the amount of RMB295 million,

and accordingly, the aggregate consideration of the Disposal shall be RMB295 million.

PRI Real Estate shall deposit the aggregate consideration to an escrow account to be opened in the name of Hongzong Real Estate with a financial seal reserved by Hongzong Real Estate and a personal seal reserved by PRI Real Estate (the “**Escrow Account**”), within five working days after the signing of the Equity and Debt Transfer Agreement.

In view of the fact that as at 31 December 2022, the net assets of the Project Company amount to RMB–83.21 million and the equity value calculated on the basis of net assets is RMB0; based on the current project sales of the Project Company and the expected arrangements for collection of sales proceeds; and taking into account the time value of the repatriation of funds and the expected losses on the Project Company's current projects, the Company considers that the investment made by the shareholder(s) of the

Project Company would not be able to be fully recovered. Therefore, there is a discount in the consideration for the Sale Loan. Accordingly, the consideration has been determined on the basis of normal commercial terms and after arm's length negotiations with reference to, among others, (i) the estimated valuation of the Project Company's equity and the amount of the Sale Loan; and (ii) the valuation of the properties of the Project Company.

COMPLETION

Completion of the Disposal shall take place on the day on which the local market supervision and administration authority issues the notice of registration of approval for the Disposal or the Project Company obtains the new business licence. Within two working days upon completion of the Disposal, PRI Real Estate shall arrange for full release of the consideration in the Escrow Account to an account designated by Hongzong Real Estate.

Among others, within three working days from the date of completion of the registration of the change of shareholding pursuant to the Equity and Debt Transfer Agreement, the Project Company shall cease the use of all the brands related to "Hongyang" and complete the renaming of the projects accordingly.

INFORMATION OF THE PARTIES

Hongzong Real Estate, a company established in the PRC with limited liability, is principally engaged in real estate consultation; property leasing; and real estate development and operation. As at the date of this announcement, Hongzong Real Estate is held as to 51% indirectly by the Company and 49% by Ningxia Dingxin Zhiying Equity Investment Management Company Limited* (寧夏鼎信智贏股權投資管理有限公司), which is in turn indirectly wholly-owned by Guo Ning* (郭寧).

PRI Real Estate, a company established in the PRC with limited liability, is principally engaged in household leasing, property management and real estate development and operation. As at the date of this announcement, PRI Real Estate is directly held as to 100% by Guangzhou Pearl River Industrial Group Company Limited, and Guangzhou Pearl River Industrial Group Company Limited is held as to 10% by the Department of Finance of Guangdong Province and 90% by the People's Government of Guangzhou, respectively.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, PRI Real Estate and its ultimate beneficial owners are Independent Third Parties independent of the Company and its connected persons.

INFORMATION OF THE PROJECT COMPANY

The Project Company is a company established in the PRC with limited liability on 22 September 2020 which is principally engaged in real estate development and operation. As at the date of this announcement, the Project Company is held as to 66% by PRI Real Estate and 34% by Hongzong Real Estate, respectively.

The table below sets forth the unaudited consolidated financial information of the Project Company (prepared in accordance with the applicable financial reporting standards in the PRC) for the two financial years ended 31 December 2022:

	For the year ended 31 December 2021 (unaudited) RMB'000	For the year ended 31 December 2022 (unaudited) RMB'000
Net loss before taxation	11,837	76,666
Net loss after taxation	8,889	83,704

The unaudited net asset value of the Project Company as at 31 December 2022 was approximately RMB–83.21 million.

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 RMB31 million, being the difference between the balance of the debt of the Company, taking into account the accounting adjustment for the excessive losses, of approximately RMB326 million and the aggregate consideration for the Disposal of RMB295 million. 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.

USE OF PROCEEDS

The Company intends to use the proceeds from the Disposal as general working capital for the business operation of the Company such that resources can be concentrated and strengthened for the Company's development and enhancement of the Company's competitiveness or other appropriate investment opportunities as and when appropriate.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Upon completion of the Disposal, it will be beneficial for the Company to strengthen its cash flow, which can facilitate further development of guaranteed delivery and guaranteed operation.

The terms of the Equity and Debt Transfer Agreement have been arrived at after arm's length negotiations among the parties. The Directors (including the independent non-executive Directors) have confirmed that the terms of the Equity and Debt Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole. None of the Directors have any material interest in the Equity and Debt Transfer Agreement and the transactions contemplated thereunder. Accordingly, none of the Directors are required to abstain from voting on the Board resolutions approving the Equity and Debt Transfer Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 25% but are less than 75%, the entering into of the Equity and Debt Transfer Agreement and the transactions contemplated thereunder constitute a major transaction of the Company under the Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Shareholders have any material interest in the Equity and Debt Transfer Agreement and the transactions contemplated thereunder. Accordingly, none of the Shareholders are required to abstain from voting if the Company were to convene a general meeting for approving the Equity and Debt Transfer Agreement and the transactions contemplated thereunder.

GENERAL

The Company will obtain written shareholders' approval from its controlling shareholder (i.e. Redsun Properties Group (Holdings)) in respect of the Disposal, for approving the Equity and Debt Transfer Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules, in lieu of convening a general meeting of the Company. As at the date of this announcement, Redsun Properties Group (Holdings) directly holds 2,400,000,000 Shares, representing approximately 71.88% of the issued share capital of the Company. Accordingly, no general meeting will be held for approving the Equity and Debt Transfer Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, (i) details of the Disposal; (ii) a property valuation report on the Project Company; and (iii) other information as required under the Listing Rules shall be despatched within 15 business days after publication of this announcement, i.e. on or before 30 August 2023. As more time is required to prepare the financial information to be included in the circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules, so that the date of despatch of the circular can be postponed to a date more than 15 business days after publication of this announcement, and the Company will make a further announcement of the expected despatch date of the circular in due course.

Shareholders and potential investors of the Company are reminded that completion is subject to the fulfillment or waiver, as the case may be, of the conditions precedent to the Equity and Debt Transfer Agreement and therefore it may or may not take place. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and other securities of the Company.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Redsun Properties 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: 1996)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan pursuant to the terms and conditions of the Equity and Debt Transfer Agreement
“Equity and Debt Transfer Agreement”	the equity and debt transfer agreement dated 9 August 2023 entered into among PRI Real Estate, Hongzong Real Estate and the Project Company in respect of the Disposal

“Escrow Account”	the meaning ascribed under the paragraph headed “CONSIDERATION” of this announcement
“Group”	the Company and its subsidiaries
“Hongzong Real Estate”	Guangzhou Hongzong Real Estate Development Company Limited* (廣州市弘宗房地產開發有限公司), a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company
“Independent Third Party(ies)”	independent third party(ies) not connected with the Company and its subsidiaries, their respective directors, chief executives and substantial shareholders and any of their associates within the meaning of the Listing Rules
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“PRC”	the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan)
“PRI Real Estate”	Guangzhou Pearl River Industrial Real Estate Company Limited* (廣州珠實地產有限公司), a company established in the PRC with limited liability and a party to the Equity and Debt Transfer Agreement
“Project Company”	Guangzhou Jingrun Real Estate Development Company Limited* (廣州璟潤房地產開發有限公司), a company established in the PRC with limited liability on 22 September 2020 which is beneficially held as to 66% by PRI Real Estate and 34% by Hongzong Real Estate respectively as at the date of this announcement
“Redsun Properties Group (Holdings)”	Redsun Properties Group (Holdings) Limited, a company established in the PRC with limited liability. As at the date of this announcement, Redsun Properties Group (Holdings) is wholly owned by Hong Yang Group Company Limited, which in turn is wholly owned by Hong Yang International Limited, which in turn is owned as to 50% and 50% by Hong Yang Group (Holdings) Limited (a company wholly owned by Mr. Zeng Huansha) and Mr. Zeng Huansha (the chairman of the Company and an executive Director), respectively

“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	the shareholder’s loan owed by the Project Company to Hongzong Real Estate in the amount of RMB479.3885 million as at the date of this announcement
“Sale Shares”	the 34% equity interests in the Project Company held by Hongzong Real Estate as at the date of this announcement
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“%”	per cent

On behalf of the Board
Redsun Properties Group Limited
Zeng Huansha
Chairman

Hong Kong, 9 August 2023

As of the date of this announcement, the executive Directors are Mr. Zeng Huansha, Mr. Zeng Junkai and Mr. Lui Wai Pang; and the independent non-executive Directors are Mr. Lee Kwok Tung Louis, Mr. Leung Yau Wan John and Mr. Au Yeung Po Fung.

** for identification purposes only*