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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)

DISCLOSEABLE TRANSACTION

DISPOSAL OF EQUITY INTERESTS IN XUZHOU HONGYANG

EQUITY TRANSFER AGREEMENT

Reference is made to the Announcement in relation to, among other things, the acquisition of 60% equity interest in the Target Company by Xuzhou Hongyao (an indirect wholly-owned subsidiary of the Company).

The Board hereby announces that on 20 December 2019, Xuzhou Hongyao, Suzhou Lihe, Xuzhou Honghou and the Target Company entered into the Equity Transfer Agreement, pursuant to which Xuzhou Hongyao has agreed to sell and Suzhou Lihe has agreed to purchase the Target Equity Interest, being 30% equity interest in the Target Company, and the rights attached thereto at the total consideration of RMB585,620,000.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% but are all below 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the acquisition of 60% equity interest in the Target Company by Xuzhou Hongyao (an indirect wholly-owned subsidiary of the Company).

The Board hereby announces that on 20 December 2019, Xuzhou Hongyao, Suzhou Lihe, Xuzhou Honghou and the Target Company entered into the Equity Transfer Agreement, pursuant to which Xuzhou Hongyao has agreed to sell and Suzhou Lihe has agreed to purchase the Target Equity Interest, being 30% equity interest in the Target Company, and the rights attached thereto at the total consideration of RMB585,620,000.

EQUITY TRANSFER AGREEMENT

The summary of the principal terms of the Equity Transfer Agreement are set out as follows:

Date

20 December 2019

Parties

- (a) Xuzhou Hongyao (as vendor);
- (b) Suzhou Lihe (as purchaser);
- (c) Xuzhou Honghou (as the other shareholder of the Target Company); and
- (d) the Target Company.

Subject Matter

Pursuant to the Equity Transfer Agreement, Xuzhou Hongyao has agreed to sell and Suzhou Lihe has agreed to purchase the Target Equity Interest, being 30% equity interest in the Target Company, and the rights attached thereto at the total consideration of RMB585,620,000.

As at the date of this announcement, the Target Company has a registered capital of RMB913,000,000 and is directly held by Xuzhou Hongyao and Xuzhou Honghou as to 60% and 40%, respectively. Upon completion of the Disposal, the Target Company will be held by Xuzhou Hongyao, Suzhou Lihe and Xuzhou Honghou as to 30%, 30% and 40%, respectively, and will cease to be a subsidiary of the Company.

Consideration

The total consideration for the Target Equity Interest and the rights attached thereto under the Equity Transfer Agreement shall be RMB585,620,000.

The consideration was arrived at normal commercial terms and after arm's length negotiations between Xuzhou Hongyao and Suzhou Lihe, with reference to (i) the average market price of comparable land parcels in the vicinity in recent years; and (ii) the recent average market price of residential properties in the vicinity.

Payment Terms

Prior to 31 December 2019, Xuzhou Hongyao and Suzhou Lihe shall open the Escrow Account, and Suzhou Lihe shall deposit the total consideration for the Target Equity Interest and the rights attached thereto, being RMB585,620,000, to the Escrow Account on the same day upon the opening of the Escrow Account (or, if for the reasons of the bank or relevant institution, the date for the deposit of the said consideration could be postponed to the next working day). Within two working days following the receipt of the aforementioned deposit of consideration in the Escrow Account, Xuzhou Hongyao, Suzhou Lihe and Xuzhou Honghou shall cooperate and carry out the relevant industrial and business registration(s) regarding the transfer of the Target Equity Interest. The funds in the Escrow Account shall be released to the designated bank account of Xuzhou Hongyao on the date of completion of the relevant industrial and business registration(s) of the transfer of the Target Equity Interest and the obtaining of a new business license by the Target Company.

Completion

Pursuant to the Equity Transfer Agreement, completion of the Equity Transfer Agreement shall take place on the date of the completion of all relevant registrations of the transfer of the Target Equity Interest from Xuzhou Hongyao to Suzhou Lihe.

Waiver of Pre-emption Right by Xuzhou Honghou

Pursuant to the Equity Transfer Agreement, Xuzhou Honghou agreed to (i) waive its pre-emption right over the Target Equity Interest; and (ii) the transfer of Target Equity Interest by Xuzhou Hongyao to Suzhou Lihe.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established under the laws of the PRC with limited liability. It is principally engaged in real estate development. The principal assets of the Target Company are set out as follows:

- (i) the land use right of a piece of land with an area of 56,939.01 sq.m. designated for residential uses;
- (ii) the land use right of a piece of land with an area of 26,806.46 sq.m. designated for residential uses; and
- (iii) the land use right of a piece of land with an area of 6,490.82 sq.m. designated for education uses,

all of which are located at Xinyuandadao, New City District, Xuzhou City, Jiangsu Province, the PRC. They have an expected aggregate GFA of 280,000 sq.m.

As at the date of this announcement, the Target Company has acquired the relevant land use right certificates of the abovementioned land parcels.

As at the date of this announcement, the Target Company is held by Xuzhou Hongyao as to 60% and Xuzhou Honghou as to 40% respectively.

Based on the unaudited consolidated financial statements of the Target Company prepared in accordance with the PRC Accounting Standards, the unaudited loss before taxation and loss after taxation of the Target Company for the period from 10 April 2019 (being the date of the establishment of the Target Company) to 31 October 2019 were approximately as follows:

	<i>(RMB)</i>
	(unaudited)
Loss before taxation	1,977,465.07
Loss after taxation	1,594,896.35

The unaudited consolidated net asset value of the Target Company as at 31 October 2019 was approximately RMB911,405,103.65.

Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company and will be accounted for as an associated company which is indirectly held as to 40% by the Company through Xuzhou Hongyao and Xuzhou Honghou.

EXPECTED GAIN FROM THE DISPOSAL

Upon completion of the Disposal, it is estimated that the Company would record a gain on the Disposal before taxation of approximately RMB6,745,000, being the difference between the total consideration for the Target Equity Interest and the rights attached thereto of RMB585,620,000 and the carrying amount of the Target Equity Interest of approximately RMB578,875,000. The actual gain 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.

INFORMATION ON THE PARTIES TO THE EQUITY TRANSFER AGREEMENT

The Group

The Group 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.

Xuzhou Hongyao

Xuzhou Hongshuo is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in real estate development.

Xuzhou Honghou

Xuzhou Honghou is a company established under the laws of the PRC with limited liability. It is principally engaged in real estate development. As at the date of this announcement, Xuzhou Honghou is indirectly owned by the Company as to 25% and is accounted for as an associated company of the Company.

Suzhou Lihe

Suzhou Lihe is a company established under the laws of the PRC with limited liability. It is principally engaged in real estate development. It is an indirect wholly-owned subsidiary of Sinic Holdings (Group) Company Limited, a company listed on the Main Board of the Stock Exchange, the principal business of which includes the development of residential and commercial properties.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Xuzhou Honghou, Suzhou Lihe and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER AGREEMENT

The Company is a comprehensive property enterprise with established presence in the Yangtze River Delta region, which is keen on the expansion nationwide. The Company has adopted the regional strategy of “deeper development in Jiangsu, established presence in the Yangtze River Delta region and expanded coverage in metropolitan areas” (「做透大江蘇、深耕長三角、布局都市圈」), focusing on key hub cities including Xuzhou.

The Company is of the view that introducing the Sinic Group, which the Company has developed sound strategic cooperative relationship with, to the Target Company for collaborative development of projects will be conducive to leveraging the respective brand effect of the parties and will facilitate the cooperation between the Group and the Sinic Group. Such commercial collaboration in project development will effectively raise the sustainability and competitiveness of the Group. The Group is committed to strive for win-win cooperation with high-quality enterprises. This cooperation will help both parties to realize the optimisation of resources allocation as well as synergetic development, which are in line with the development strategies of the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement and the Disposal thereunder were determined through arm’s length negotiations, and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% but are all below 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Announcement” the announcement of the Company dated 26 July 2019 in relation to, among other things, the acquisition of 60% equity interest in the Target Company by Xuzhou Hongyao

“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)
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Target Equity Interest and the rights attached thereto pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 20 December 2019 entered into among Xuzhou Hongyao (an indirect wholly-owned subsidiary of the Company), Suzhou Lihe, Xuzhou Honghou and the Target Company in respect of, among other things, the disposal of the Target Equity Interest and the rights attached thereto by Xuzhou Hongyao
“Escrow Account”	a joint escrow account to be opened by Xuzhou Hongyao and Suzhou Lihe in the name of Suzhou Lihe, for the purpose of the settlement of the consideration under the Equity Transfer Agreement
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Sinic Group”	Sinic Holdings (Group) Company 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: 2103), and its subsidiaries
“sq.m.”	square meter

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suzhou Lihe”	Suzhou Lihe Property Development Company Limited* (蘇州力和房地產開發有限公司), a company established under the laws of the PRC with limited liability
“Target Company” or “Xuzhou Hongyang”	Xuzhou Xincheng Hongyang Property Development Company Limited* (徐州新城弘陽房地產開發有限公司), a company established under the laws of the PRC with limited liability
“Target Equity Interest”	30% equity interest in the Target Company
“Xuzhou Honghou”	Xuzhou Honghou Property Development Company Limited* (徐州泓厚房地產開發有限公司), a company established under the laws of the PRC with limited liability and indirectly owned by the Company as to 25% as at the date of this announcement
“Xuzhou Hongyao”	Xuzhou Hongyao Property Development Company Limited* (徐州弘耀房地產開發有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

* *for identification purposes only*

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

Hong Kong, 20 December 2019

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