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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)**

### **DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION**

### **DISPOSAL OF 80% OF EQUITY INTEREST IN THE TARGET COMPANIES**

#### **THE DISPOSAL**

Reference is made to the announcements of the Company dated 20 April 2021 and 22 April 2021 in relation to the acquisition of 80% of the equity interest in the Target Companies. The Board hereby announces that on 25 July 2022, Hong Life Property Management (an indirect wholly-owned subsidiary of the Company), Gaoli Holdings and the Target Companies entered into the Equity Transfer Agreement, pursuant to which Gaoli Holdings has agreed to acquire, and Hong Life Property Management has agreed to dispose of, 80% of the equity interest in each of Gaoli Property and Jiangsu Gaoli Meijia (being the Target Companies) for a consideration of RMB73,536,000 subject to the terms and conditions of the Equity Transfer Agreement.

Upon completion of the Disposal, the Target Companies will cease to be subsidiaries of the Company and the financial results of the Target Companies will no longer be consolidated with the results of the Group.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% but all are 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.

Further, as at the date of the Equity Transfer Agreement, Gaoli Holdings is a substantial shareholder of the Target Companies, being non-wholly owned subsidiaries of the Company, and hence a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As (i) Gaoli Holdings is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Disposal; and (iii) the independent non-executive Directors have confirmed that the Disposal is on normal commercial terms and its terms are 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, and is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

## **THE DISPOSAL**

Reference is made to the announcements of the Company dated 20 April 2021 and 22 April 2021 in relation to the acquisition of 80% of the equity interest in the Target Companies. The Board hereby announces that on 25 July 2022, Hong Life Property Management (an indirect wholly-owned subsidiary of the Company), Gaoli Holdings and the Target Companies entered into the Equity Transfer Agreement, pursuant to which Gaoli Holdings has agreed to acquire, and Hong Life Property Management has agreed to dispose of, 80% of the equity interest in each of Gaoli Property and Jiangsu Gaoli Meijia (being the Target Companies) for a consideration of RMB73,536,000 subject to the terms and conditions of the Equity Transfer Agreement.

## **EQUITY TRANSFER AGREEMENT**

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

### **Date**

25 July 2022

### **Parties**

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

## **Subject Matter**

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

## **Consideration**

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

The consideration was determined after arm's length negotiations between Hong Life Property Management and Gaoli Holdings with reference to (i) the unaudited combined financial information of the Target Companies as at 31 December 2021 and for the year ended 31 December 2021 (including but not limited to its assets and liabilities as at 31 December 2021 and profit for the year ended 31 December 2021); (ii) the original acquisition costs, being RMB73,536,000, for the 80% equity interests of the Target Companies in April 2021; (iii) the price-to-earnings ratio of approximately 7.6 times for the Target Companies based on their profit for the year ended 31 December 2021, which is comparable to the price-to-earnings ratio of the Company; and (iv) the properties currently under management of the Target Companies and their future prospects, and was determined with reference to the merger and acquisition cases in the same industry in the market.

## **Payment Terms**

Pursuant to the Equity Transfer Agreement, the Consideration, being the amount of RMB73,536,000, shall be paid by Gaoli Holdings to the designated bank account of Hong Life Property Management in the following manner:

- (i) first instalment: RMB36,000,000, shall be paid within 30 days from the date of the Equity Transfer Agreement; and
- (ii) second instalment: the remaining portion of the Consideration, being the amount of RMB37,536,000, shall be paid as a one-time payment before 18 January 2023.

## **Completion**

Pursuant to the Equity Transfer Agreement, the parties shall cooperate in signing all the documents in relation to the Disposal including but not limited to the resolutions of shareholders' meetings and board meetings, the articles of associations of the Target Companies and other documents necessary for the registration of industrial and commercial changes and complete the registration of industrial and commercial changes of the Target Companies within 15 working days from the date of the Equity Transfer Agreement.

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

Prior to the completion of the Disposal, the profit of the Target Companies shall be distributed to Hong Life Property Management and Gaoli Holdings according to their respective capital contribution in the Target Companies (i.e. 80% to Hong Life Property Management and 20% to Gaoli Holdings).

After the Completion Date, among others, (i) the personnel arrangement of the Target Companies shall be decided by the Target Companies and Gaoli Holdings; (ii) the Target Companies shall cease to use the finance and operation unified systems of the Group; and (iii) the Target Companies shall cease to use the brands such as “Hongyang” of Hong Life Property Management as Gaoli Holdings and the Target Companies shall complete the renaming of the properties currently under management with the brand of “Hongyang” and remove any other logos related to “Hongyang” prior to the Completion Date.

#### **FINANCIAL EFFECT OF THE DISPOSAL**

Upon completion of the Disposal, it is estimated that the Company would record a gain on the Disposal before taxation of approximately RMB15,000,000, being the difference between the total consideration for the 80% equity interest in the Target Companies of RMB73,536,000 and the Company’s projected sum of the net carrying value of the consolidated assets attributable to 80% equity interest in the Target Companies of approximately RMB58,536,000 as at 31 July 2022. 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.

#### **USE OF PROCEEDS**

The Company intends to use the proceeds from the Disposal for further development of high-quality property projects and the concentration of resources for enhancing the competitiveness of the Company to expand the urban service sector.

## Financial information of the Target Companies

Set out below is the unaudited combined financial information of the Target Companies and the subsidiaries of Gaoli Property (prepared in accordance with the Generally Accepted Accounting Principles of the PRC) for the financial years ended 31 December 2020 and 2021:

	<b>For the year ended 31 December 2020 RMB (unaudited)</b>	<b>For the year ended 31 December 2021 RMB (unaudited)</b>
Operating revenue	36,518,129.14	57,217,214.42
Profit before taxation	7,427,527.76	15,958,963.65
Profit after taxation	7,301,366.80	12,034,204.48

The unaudited combined net asset value of the Target Companies and the subsidiaries of Gaoli Property as at 30 June 2022 was approximately RMB41,716,679.61.

Upon completion of the Disposal, the Target Companies will cease to be subsidiaries of the Company and the financial results of the Target Companies will no longer be consolidated with the results of the Group.

## INFORMATION ON THE PARTIES INVOLVED

### The Group

The Group is a well-recognized comprehensive community service provider in Jiangsu Province, the PRC. It is principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services.

### Hong Life Property Management

Hong Life Property Management is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the provision of property management services.

## **Gaoli Holdings**

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

## **The Target Companies**

Each of the Target Companies is a company established under the laws of the PRC with limited liability and is headquartered in Nanjing and principally engaged in the business of property management. The Target Companies provide services covering, among others, the full entrustment of property management services, property project planning services, security services, cleaning services, repair and maintenance services, gardening and greening services, domestic services and commercial services, to home fittings ports (家居港), automobile display venues (汽博城), apartments and residential buildings. The Target Companies firmly uphold the philosophy of “creating good life” (創造美好生活), delivering holistic living solutions to property owners by means of joint development and by integrating community resources of the best quality. As at the date of this announcement, the Target Companies had a total of 12 property management service projects, with total contracted GFA of approximately 1,250,000 sq.m., and shared the same management team for all their contracted projects.

As at the date of this announcement, each of the Target Companies is held by Hong Life Property Management as to 80% and by Gaoli Holdings as to 20%, which is in turn owned by Mr. Gao Li (高力) as to 51% and Ms. He Hong (何虹) as to 49%, respectively.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

As the Company intends to focus on the layout strategy of “penetrating the Greater Jiangsu Region, strengthening foothold in the Yangtze River Delta Region and expanding into core cities (做透大江蘇、深耕長三角、做強中心城)”, the Company continuously penetrated deeply into the urban service sector in the first half of 2022. The Company has expanded several street and town service projects through bidding on the market, and will constantly enhance its profitability in the future. As the Target Companies have been affected by the combined effect of various factors such as the epidemic and the slowdown in growth of the real estate industry, the collection rate of property fees of their projects under management is relatively low and the sustainable profitability is weak, and they do not conform with the long-term development strategy of the Company. Therefore, the Company decides to dispose of 80% of the equity



“Company”	Redsun Services Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1971)
“Completion Date”	the date on which the registration procedure for the transfer of the 80% of the equity interest in each of the Target Companies to Gaoli Holdings is completed with the relevant PRC government authorities
“Consideration”	the consideration of RMB73,536,000 for the Disposal
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of 80% of the equity interest in the each of the Target Companies by Hong Life Property Management under the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 25 July 2022 entered into among Gaoli Holdings, Hong Life Property Management and the Target Companies in respect of the Disposal
“Gaoli Holdings”	Gaoli Holdings Group Co., Ltd.* (高力控股集團有限公司), a company established under the laws of the PRC with limited liability
“Gaoli Property”	Nanjing Gaoli Property Management Co., Ltd.* (南京高力物業管理有限公司) (previously known as Gaoli Property Services Co., Ltd.* 高力物業服務有限公司), a company established under the laws of the PRC with limited liability
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Life Property Management”	Hong Life Property Services Management Co., Ltd. (弘生活物業服務管理有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“Jiangsu Gaoli Meijia”	Jiangsu Gaoli Meijia Property Co., Ltd.* (江蘇高力美家物業有限公司), a company established under the laws of the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Gaoli Property and Jiangsu Gaoli Meijia, each a “Target Company”
“%”	per cent

By Order of the Board  
**Redsun Services Group Limited**  
**Zeng Junkai**  
*Chairman*

Hong Kong, 25 July 2022

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

\* *For identification purpose only*