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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 INVESTMENT IN THE TARGET COMPANY

THE CAPITAL INCREASE AGREEMENT

The Board hereby announces that on 11 September 2019, Anhui Honghan (an indirect wholly-owned subsidiary of the Company) entered into the Capital Increase Agreement with Xinli Real Estate, the Target Company (Anhui Xinchuang Real Estate Development Co., Ltd.*) and the Project Company (Hefei Xincheng Yuehong Real Estate Development Co., Ltd.*), pursuant to which Anhui Honghan agreed (i) to subscribe for the increased registered capital of the Target Company of RMB200,000,000; and (ii) to provide the Shareholder's Loan to the Target Company in the principal amount of RMB570,575,052.27 at an interest rate of 8% per annum with no fixed maturity date. The Shareholder's Loan shall be used for the partial repayment of the existing shareholder's loan provided by Xinli Real Estate to the Target Company. Upon completion of the abovementioned proposed investment, each of Anhui Honghan and Xinli Real Estate will hold 50% of the equity interest in the Target Company.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio exceeds 5% but is less than 25%, the entering into of the Capital Increase Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board hereby announces that on 11 September 2019, Anhui Honghan (an indirect wholly-owned subsidiary of the Company) entered into the Capital Increase Agreement with Xinli Real Estate, the Target Company (Anhui Xinchuang Real Estate Development Co., Ltd.*) and the Project Company (Hefei Xincheng Yuehong Real Estate Development Co., Ltd.*), pursuant to which Anhui Honghan agreed (i) to subscribe for the increased registered capital of the Target Company of RMB200,000,000; and (ii) to provide the Shareholder's Loan to the Target Company in the principal amount of RMB570,575,052.27 at an interest rate of 8% per annum with no fixed maturity date. The Shareholder's Loan shall be used for the partial repayment of the existing shareholder's loan provided by Xinli Real Estate to the Target Company. Upon completion of the abovementioned proposed investment, each of Anhui Honghan and Xinli Real Estate will hold 50% of the equity interest in the Target Company.

THE CAPITAL INCREASE AGREEMENT

The principal terms of the Capital Increase Agreement are set out below:

Date

11 September 2019

Parties

- (1) Anhui Honghan;
- (2) Xinli Real Estate;
- (3) the Target Company; and
- (4) the Project Company.

Subject matter

Pursuant to the Capital Increase Agreement, Anhui Honghan agreed (i) to subscribe for the increased registered capital of the Target Company of RMB200,000,000; and (ii) to provide the Shareholder's Loan to the Target Company in the principal amount of RMB570,575,052.27 at an interest rate of 8% per annum with no fixed maturity date. The Shareholder's Loan shall be used for the partial repayment of the existing shareholder's loan provided by Xinli Real Estate to the Target Company.

As at the date of this announcement, Xinli Real Estate directly holds the entire equity interest in the Target Company, which in turn holds the entire equity interest in the Project Company. Upon completion of the abovementioned proposed investment by Anhui Honghan, the Target Company will be held as to 50% by Anhui Honghan and 50% by Xinli Real Estate, respectively.

Consideration

Pursuant to the Capital Increase Agreement, the total consideration comprises (i) the subscription price for the increased registered capital of the Target Company in the amount of RMB200,000,000; and (ii) the provision of the Shareholder's Loan to the Target Company in the principal amount of RMB570,575,052.27 at an interest rate of 8% per annum with no fixed maturity date. As at the date of this announcement, the subscription price for the increased registered capital of the Target Company in the amount of RMB200,000,000 has not been settled, and Anhui Honghan will settle such subscription price in due course pursuant to applicable laws and regulations.

The total consideration under the Capital Increase Agreement was based on normal commercial terms and after arm's length negotiations amongst parties thereto, with reference to, among other things, (i) 50% of the amount of the existing shareholder's loan provided by Xinli Real Estate to the Target Company of approximately RMB1,141,150,104.54; (ii) the prevailing market prices of the comparable land parcels and residential properties in the proximity in the recent years; and (iii) the anticipated economic benefits that would be brought to the Group by the proposed investment by Anhui Honghan.

The Group intends to finance the aforementioned total consideration with the internal resources of the Group and external financings.

Payment terms

Within five business days prior to 30 November 2019, Anhui Honghan and Xinli Real Estate shall establish a commonly managed bank account in the name of Anhui Honghan, and the amount representing the Shareholder's Loan shall be paid by Anhui Honghan to the commonly managed account on the same day. The amount representing the Shareholder's Loan shall be transferred to the designated bank account of Xinli Real Estate after the completion of the business registration of the increase in the registered capital of the Target Company.

Completion

Pursuant to the Capital Increase Agreement, completion under the Capital Increase Agreement shall take place upon completion of the following matters:

- (i) the completion of all relevant procedures in relation to the increase in the registered capital of the Target Company and the business registration of the 50% equity interest to be held by Anhui Honghan; and
- (ii) the register of members, the articles of association and the business registration of the Target Company having stated the amount of equity interest to be held by Anhui Honghan.

INFORMATION OF THE TARGET COMPANY AND THE PROJECT COMPANY

The Target Company is a company established under the laws of the PRC with limited liability on 22 May 2019 and a wholly-owned subsidiary of Xinli Real Estate. Its principal business activity is property investment.

As at the date of this announcement, the Target Company holds the entire equity interest in the Project Company. The Project Company is a company established under the laws of the PRC with limited liability and is principally engaged in property development. The principal assets of the Project Company are the land use rights of two pieces of land located in Lujiang County, Hefei City, Anhui Province, the PRC. Each of them has an expected aggregate GFA of approximately 135,203 sq.m. and 187,339 sq.m., respectively. As at the date of this announcement, the Project Company has acquired the relevant land use right certificates of the aforementioned two pieces of land.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Based on the financial statements of the Target Company prepared in accordance with PRC Accounting Standards, the unaudited loss before tax and loss after tax of the Target Company for the period from 22 May 2019 (being the date of the establishment of the Target Company) to 31 August 2019 were approximately as follows:

	<i>(RMB)</i>
	(unaudited)
Loss before taxation	528.40
Loss after taxation	528.40

The unaudited net liabilities value of the Target Company as at 31 August 2019 was approximately RMB528.40.

Upon completion of the proposed investment by Anhui Honghan under the Capital Increase Agreement, the Target Company will remain a subsidiary of Xinli Real Estate, and the financial information of the Target Company will remain to be consolidated into the consolidated financial statements of Xinli Real Estate.

INFORMATION OF XINLI REAL ESTATE

Xinli Real Estate is a company established under the laws of the PRC with limited liability and is principally engaged in property development.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Xinli Real Estate and its respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

INFORMATION OF 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.

As at the date of this announcement, Anhui Honghan is an indirect wholly-owned subsidiary of the Company, which is principally engaged in property development.

REASONS FOR AND BENEFITS OF THE INVESTMENT

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 Hefei City. The proposed investment by Anhui Honghan under the Capital Increase Agreement is in line with the regional strategic layout of the Company.

The Company is of the view that such investment is an appropriate opportunity for further expansion of the Group in Hefei City and its affiliated counties. Such investment is expected to increase the market share of the Group in Hefei City and strengthen the national layout of the Group, which in turn will enhance the competitiveness of the Group in the property market in the PRC, in particular the Anhui Province.

The Directors (including the independent non-executive Directors) are of the view that the terms of Capital Increase Agreement and the proposed investment by Anhui Honghan thereunder were determined through arm's length negotiations amongst the parties to the Capital Increase Agreement and are based 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 the highest applicable percentage ratio exceeds 5% but is less than 25%, the entering into of the Capital Increase Agreement 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:

“Anhui Honghan”	Anhui Honghan Real Estate Development Co., Ltd* (安徽弘瀚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
“Board”	the board of Directors
“Capital Increase Agreement”	the capital increase and share expansion agreement dated 11 September 2019 entered into among Anhui Honghan, Xinli Real Estate, the Target Company and the Project Company in relation to the proposed investment by Anhui Honghan in the Target Company
“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 of Hong Kong Limited (stock code: 1996)
“Director(s)”	director(s) of the Company
“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
“Project Company”	Hefei Xincheng Yuehong Real Estate Development Co., Ltd.* (合肥新城悦弘房地產開發有限公司), a project company established under the laws of the PRC with limited liability and directly held as to 100% by the Target Company as at the date of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Shareholder’s Loan”	the shareholder’s loan to be provided by Anhui Honghan to the Target Company in an aggregate amount of RMB570,575,052.27 pursuant to the Capital Increase Agreement
“sq.m.”	square meter
“Target Company”	Anhui Xinchuang Real Estate Development Co., Ltd.* (安徽新創房地產開發有限公司), a company established under the laws of the PRC with limited liability and directly held as to 100% by Xinli Real Estate as at the date of this announcement
“Xinli Real Estate”	Xinli Real Estate Group Limited* (新力地產集團有限公司), a company established under the laws of the PRC with limited liability
“%”	per cent

* *for identification purposes only*

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

Hong Kong, 11 September 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.