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YING HAI GROUP HOLDINGS COMPANY LIMITED

瀛海集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8668)

SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF A PRC TRAVEL AGENCY COMPANY

INTRODUCTION

Reference is made to the Announcement of the Company dated 8 June 2021 in relation to the MOU entered into between the Company and the Vendors for acquisition of entire equity interest in the Target Company. Unless otherwise defined, the capitalised terms used herein shall have the same meaning as defined in the Announcement.

The Board is pleased to announce that on 24 August 2021 (after trading hours), the Purchaser, as purchaser and nominee of the Company, entered into the Equity Transfer Agreements with each of the Vendors to acquire their respective equity interest in the Target Company at the total consideration of RMB1,551,641 (equivalent to approximately HK\$1,861,969). Upon completion of the Acquisitions, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Company. The Equity Transfer Agreements shall replace and supersede the MOU. The First Equity Transfer Agreement and the Second Equity Transfer Agreement shall be inter-conditional upon each other.

EQUITY TRANSFER AGREEMENTS

The principal terms of the First Equity Transfer Agreement

- (1) Date: 24 August 2021
- (2) Vendor: the Vendor I
- (3) Purchaser: the Purchaser

(4) The Acquisition

The Purchaser will acquire the Vendor I's entire interest (i.e. 50% equity interest) in the Target Company.

(5) The Consideration

The Purchaser agrees to pay RMB775,820.5 (equivalent to approximately HK\$930,985) to the Vendor I for the acquisition of the Vendor I's entire interest (i.e. 50% equity interest) in the Target Company, which shall be paid by the Purchaser into the designated bank account in the following manner:

- (i) a refundable earnest money of RMB200,000, which was already paid on 15 June 2021 according to the MOU;
- (ii) RMB200,000 shall be paid within five business days upon receiving the approval of change of business registration issued by the relevant PRC authority by the Purchaser;
- (iii) RMB309,825.5, representing the 50% of the cash and cash equivalent of the Target Company, 50% of the guarantee fund paid by the Target Company and 50% of the deposits paid by the Target Company, shall be paid within five business days upon receiving the approval of change of business registration issued by the relevant PRC authority by the Purchaser; and
- (iv) RMB65,995 shall be paid within five business days after receiving the receivables of the Target Company of RMB65,995 from the designated airlines.

The principal terms of the Second Equity Transfer Agreement

(1) Date: 24 August 2021

(2) Vendor: Vendor II

(3) Purchaser: The Purchaser

(4) The Acquisition

The Purchaser will acquire the Vendor II's entire interest (i.e. 50% equity interest) in the Target Company.

(5) The Consideration

The Purchaser agrees to pay RMB775,820.5 (equivalent to approximately HK\$930,985) to the Vendor II for the acquisition of the Vendor II's entire interest (i.e. 50% equity interest) in the Target Company, which shall be paid by the Purchaser into the designated bank account in the following manner:

- (i) a refundable earnest money of RMB200,000, which was already paid on 15 June 2021 according to the MOU;
- (ii) RMB200,000 shall be paid within five business days upon receiving the approval of change of business registration issued by the relevant PRC authority by the Purchaser;
- (iii) RMB309,825.5, representing 50% of the cash and cash equivalent of the Target Company, 50% of the guarantee fund paid by the Target Company and 50% of the deposits paid by the Target Company, shall be paid within five business days upon receiving the approval of change of business registration issued by the relevant PRC authority by the Purchaser; and
- (iv) RMB65,995 shall be paid within five business days after receiving the receivables of the Target Company of RMB65,995 from the designated airlines.

Conditions Precedent

The completion of the Acquisitions is subject to fulfillment of, among others, the following principal conditions precedent set out in both the First Equity Transfer Agreement and the Second Equity Transfer Agreement:

- (i) all existing employment contracts entered into by the Target Company being terminated and the subsidiaries of the Target Company being deregistered;
- (ii) all debt and liabilities of the Target Company and its subsidiaries and all undertakings and legal dispute of the Target Company having been settled;
- (iii) a complete financial statement, business report and bank statement of the Target Company from the date of its incorporation to the date of receipt of refundable earnest money by the Vendors, a tax report certified by a tax agent accepted by the Purchaser in relation to settlement and payment of enterprise income tax and the financial statement certified by an accounting firm accepted by the Purchaser having been provided to the Purchaser;

- (iv) there being no material adverse change in the Target Company's business, operations or financial conditions;
- (v) the Target Company having all the requisite qualification or permits to carry on the business as a tourism company in the PRC, which allows the transfer of the equity interest in the Target Company for the Acquisitions; and
- (vi) approval in relation the transfer of equity interest being obtained from the relevant government authority (if necessary).

THE CONSIDERATION

As disclosed in the Announcement, the consideration agreed in the MOU was RMB800,000. Upon conducting further due diligence on the Target Company, the Group learned that it is necessary for the Target Company to maintain certain contract deposits in order to maintain its operation as travel agency. As such, the Purchaser and the Vendors, after arm's length negotiation, agreed to upwardly adjust the total consideration payable to the Vendors from RMB800,000 to RMB1,551,641, which reflects the cash or cash equivalent, the additional value of the contract deposits and the receivables of approximately RMB751,641. The total consideration of RMB1,551,641 shall be payable to the Vendor I and Vendor II in equal shares according to the Equity Transfer Agreements as First Purchase Price and Second Purchase Price.

The Directors are of the view that the entering into of the Equity Transfer Agreements and the transactions contemplated thereunder (including the terms and conditions of the Equity Transfer Agreements, in particular the consideration and the payment terms) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. As the principal terms of the Equity Transfer Agreements reflect the terms of the MOU, please refer to the Announcement for the reasons for the Acquisitions and other information in relation to the Acquisitions.

GEM LISTING RULES IMPLICATIONS

With the total consideration being upwardly adjusted to RMB1,551,641, as one or more applicable percentage ratios in respect of the Acquisitions exceed 5% but all applicable percentage ratios are less than 25%, the Acquisitions, which shall be aggregated according to rule 19.22 of the GEM Listing Rules, constitute a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the announcement requirement but is exempted from the circular and Shareholders' approval requirements.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 8 June 2021 in relation to the MOU entered into between the Company and the Vendors;
“Acquisitions”	the acquisition of the Vendor I and the Vendor II’s respective 50% equity interest in the Target Company pursuant to the Equity Transfer Agreements;
“Company”	Ying Hai Group Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on GEM (Stock Code: 8668);
“Equity Transfer Agreements”	the First Equity Transfer Agreement and the Second Equity Transfer Agreement;
“First Equity Transfer Agreement”	the equity transfer agreement entered into between the Purchaser and the Vendor I to acquire the Vendor I’s entire interest (i.e. 50% equity interest) in the Target Company;
“First Purchase Price”	RMB775,820.5, being the purchase price paid by the Purchaser to the Vendor I for the acquisition of the Vendor I’s entire interest (i.e. 50% equity interest) in the Target Company;
“MOU”	a legally binding memorandum of understanding dated 7 June 2021 entered into between the Company and the Vendors in relation to the Acquisitions;
“Purchaser”	Mr. Huang Jiajun (黃嘉俊), who is the nominee of the Company for entering into the Equity Transfer Agreements on behalf of the Company and an employee of the Group;
“Second Equity Transfer Agreement”	the equity transfer agreement entered into between the Purchaser and the Vendor II to acquire the Vendor II’s entire interest (i.e. 50% equity interest) in the Target Company;

“Second Purchase Price”	RMB775,820.5, being the purchase price paid by the Purchaser to the Vendor II for the acquisition of Vendor II entire interest (i.e. 50% equity interest) in the Target Company; and
“Vendor I”	Mr. Cao Yongfeng (曹永峰), who is the shareholder of the Target Company holding 50% equity interest in the Target Company and is an Independent Third Party as at the date of this announcement;
“Vendor II”	Ms. Huang Zimin (黃姿敏), who is the shareholder of the Target Company holding 50% equity interest in the Target Company and is an Independent Third Party as at the date of this announcement;
“Vendors”	the Vendor I and the Vendor II.

For the purpose of this announcement, unless the context otherwise requires, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1 to HK\$1.2. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or RMB have been, could have been or may be converted at such or any other rate or at all.

** For identification purposes only*

By order of the Board
Ying Hai Group Holdings Company Limited
Choi Wai Chan
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 24 August 2021

As at the date of this announcement, the executive Directors are Mr. Choi Wai Chan and Mr. Leong Tat Meng; and the independent non-executive Directors are Mr. Sou Sio Kei, Mr. Rodrigues Cesar Ernesto and Mr. Hu Chung Ming.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM’s website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.yinghaiholding.com.