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Hailan Holdings Limited

海藍控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 2278)

UPDATE ON DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION IN RELATION TO THE 2019 RENEWAL FRAMEWORK AGREEMENT

INTRODUCTION

References are made to the announcement of the Company dated 25 January 2019 (the “**Announcement**”), the circular of the Company dated 26 March 2019 (the “**Circular**”) and the polls results announcement of the Company dated 29 April 2019 in relation to the entering into and approval of the 2019 Renewal Framework Agreement which extended the Construction Cooperation Framework Agreement for three financial years commencing from 1 January 2019 to 31 December 2021. Unless otherwise specified herein, capitalized terms shall have the meanings as ascribed to them in the Circular.

UPDATE ON THE 2019 RENEWAL FRAMEWORK AGREEMENT

Under the 2019 Renewal Framework Agreement, Nanjing Huizhi acts as the subcontractor which provides construction services to the Group according to the construction contracts to be entered into between Nanjing Huizhi and the Group from time to time.

The Supplemental Agreement

Due to plans of disposal of Nanjing Huizhi by Mr. Yeung, a controlling Shareholder, to independent third parties as part of consolidation and restructuring of the companies indirectly owned by, Mr. Yeung, the parties to the 2019 Renewal Framework Agreement, as well as Zhonghui (Jiangsu) and Nanjing Zhonghui entered into the Supplemental Agreement to the 2019 Renewal Framework Agreement (together, the “**Revised Framework Agreement**”) on 28 October 2020 which transferred the rights and obligations of Nanjing Huizhi under the 2019 Renewal Framework Agreement to Zhonghui (Jiangsu) and Nanjing Zhonghui for providing construction services to the Group.

As Mr. Yeung controls the exercise of 100% of the voting power in general meetings of Nanjing Huizhi, Nanjing Huizhi is a connected person of the Company. Prior to the Disposal and Capital Reduction in relation to Mr. Yeung's indirect interest in Zhonghui (Jiangsu) and Nanjing Zhonghui, Mr. Yeung controlled the exercise of 100% of the voting power at general meetings of Zhonghui (Jiangsu) and Nanjing Zhonghui, which were connected persons of the Company under Chapter 14A of the Listing Rules.

Pursuant to the Revised Framework Agreement, Nanjing Huizhi's rights and obligations have been transferred to Zhonghui (Jiangsu) and Nanjing Zhonghui after the effective date of the Supplemental Agreement, but no change is to be made to other terms of the 2019 Renewal Framework Agreement including the date of termination of the agreements and the existing annual caps in respect of the transactions contemplated under the Revised Framework Agreement.

For further details of the terms of the 2019 Renewal Framework Agreement, please refer to the Circular.

The Directors are of the view that the change in the parties is fair and reasonable and in the interests of the Shareholders as a whole for the following reasons:

- (i) even though the management of the subcontractor, Nanjing Huizhi, will be different after the disposal by Mr. Yeung, the management of Nanjing Huizhi will join Zhonghui (Jiangsu) and Nanjing Zhonghui so that the projects will be managed by substantially the same management even though the parties to carry out the projects are different;
- (ii) both Zhonghui (Jiangsu) and Nanjing Zhonghui possess equal licences and qualifications of Nanjing Huizhi; and
- (iii) both Zhonghui (Jiangsu) and Nanjing Zhonghui possess more financial resources than those of Nanjing Huizhi.

The Disposal and the Capital Reduction

On 1 April 2021, a company owned by Mr. Yeung, carried out the Disposal, pursuant to which Mr. Yeung indirectly disposed of his shareholding interests in Chung Wai International, which was the sole shareholder of Chung Wai Hong Kong, to a company owned by Mr. Shao Jiajun.

Then on 2 June 2021, Zhonghui (Jiangsu) underwent the Capital Reduction which reduced Rongquan Nanjing's equity interest in Zhonghui (Jiangsu) from 51.79% to 28%. Rongquan Nanjing is indirectly wholly-owned by Mr. Yeung. The Capital Reduction was completed on 8 June 2021.

As a result of the Disposal and the Capital Reduction, Mr. Yeung controls the exercise of less than 30% of the voting power in general meetings of Zhonghui (Jiangsu) and Nanjing Zhonghui. As such, Zhonghui (Jiangsu) and Nanjing Zhonghui ceased to be connected persons of the Company.

LISTING RULES IMPLICATIONS

As Mr. Yeung controls the exercise of less than 30% of the voting power in general meetings of Zhonghui (Jiangsu) and Nanjing Zhonghui, Zhonghui (Jiangsu) and Nanjing Zhonghui ceased to be associates of Mr. Yeung and connected persons of the Company. Furthermore, the continuing connected transactions under the Revised Framework Agreement ceased to be continuing connected transactions of the Company.

INFORMATION ON THE GROUP

The Group is principally engaged in investment holding, properties development and sales and rental of developed properties.

INFORMATION ON SANYA FENGHUANG XINCHENG

Sanya Fenghuang Xincheng is a company established under the laws of the PRC with limited liability. Sanya Fenghuang Xincheng is principally engaged in real estate development and operation.

Sanya Fenghuang Xincheng is an indirect wholly-owned subsidiary of the Company.

INFORMATION ON SANYA FENGHUANG SHUIYUN

Sanya Fenghuang Shuiyun is a company established under the laws of the PRC with limited liability. Sanya Fenghuang Shuiyun is principally engaged in real estate development.

Sanya Fenghuang Shuiyun is an indirect non-wholly owned subsidiary of the Company.

INFORMATION ON HAINAN NANHAI XIANG LONG

Hainan Nanhai Xiang Long is a company established under the laws of the PRC with limited liability. Hainan Nanhai Xiang Long is principally engaged in real estate development.

Hainan Nanhai Xiang Long is an indirect wholly-owned subsidiary of the Company.

INFORMATION ON DANZHOU SHUANGLIAN

Danzhou Shuanglian is a company established under the laws of the PRC with limited liability. Danzhou Shuanglian is principally engaged in property development, sales and rental of developed properties.

Danzhou Shuanglian is an indirect non-wholly owned subsidiary of the Company. It is owned as to 9.7% by Hailan Shiye (Guangzhou) Co., Ltd. (海藍實業(廣州)有限公司) (a non-wholly owned subsidiary of the Company), as to 1.092% by Ms. Zhao Xia (趙霞女士), as to 29.208% by Guangdong Jinzhong Hongpeng Zhiye Co., Ltd. (廣東金鐘鴻鵬置業有限公司) and as to 60% by Sanya Zhongzekai Shiye Co., Ltd. (三亞中澤凱實業有限公司).

INFORMATION ON NANJING HUIZHI

Nanjing Huizhi is a company established under the laws of the PRC with limited liability. It is principally engaged in real estate development and construction.

Nanjing Huizhi is indirectly owned as to 100% by Mr. Yeung and is a connected person of the Company.

INFORMATION ON ZHONGHUI (JIANGSU)

Zhonghui (Jiangsu) is a company established under the laws of the PRC with limited liability. It is principally engaged in real estate development.

After the Disposal and the Capital Reduction, Zhonghui (Jiangsu) is owned as to 28% by Rongquan Nanjing and 72% by Chung Wai Hong Kong. Its ultimate beneficial owners include Mr. Yeung and Mr. Shao Jiajun. As Mr. Yeung controls the exercise of less than 30% of its voting power in general meeting, Zhonghui (Jiangsu) is not a connected person of the Company.

INFORMATION ON NANJING ZHONGHUI

Nanjing Zhonghui is a company established under the laws of the PRC with limited liability. It is principally engaged in real estate development.

After the Disposal and the Capital Reduction, Nanjing Zhonghui is owned as to 14.28% by Rongquan Nanjing, 21.43% by Zhonghui (Jiangsu) and 64.29% by Chung Wai Hong Kong. Its ultimate beneficial owners include Mr. Yeung and Mr. Shao Jiajun. As Mr. Yeung controls the exercise of less than 30% of its voting power in general meeting, Nanjing Zhonghui is not a connected person of the Company.

DEFINITIONS

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

“Capital Reduction”	the reduction of registered capital in Zhonghui (Jiangsu) by Rongquan Nanjing, a company indirectly owned by Mr. Yeung, which reduced its equity interest to 28% of the equity interest in Zhonghui (Jiangsu)
“Chung Wai Hong Kong”	Chung Wai (Hong Kong) Construction Company Limited (中惠(香港)建設有限公司), a company incorporated under the laws of Hong Kong which was owned as to 100% by Chung Wai International
“Chung Wai International”	Chung Wai (International) Construction Group Company Limited (中惠(國際)建設集團有限公司), a company incorporated under the laws of the British Virgin Islands which was indirectly owned as to 100% by Mr. Yeung prior to the Disposal

“Danzhou Shuanglian”	Danzhou City Shuanglian Property Development Co., Ltd. (儋州市雙聯房地產開發有限公司), a company established under the laws of the PRC with limited liability which is owned as to 9.7% by Hailan Shiye (Guangzhou) Co., Ltd. (海藍實業(廣州)有限公司) (a non-wholly owned subsidiary of the Company), as to 1.092% by Ms. Zhao Xia (趙霞女士), as to 29.208% by Guangdong Jinzhong Hongpeng Zhiye Co., Ltd. (廣東金鐘鴻鵬置業有限公司) and as to 60% by Sanya Zhongzekai Shiye Co., Ltd. (三亞中澤凱實業有限公司)
“Disposal”	the disposal of the entire shareholding interests in Chung Wai International by a company owned as to 100% by Mr. Yeung, to an Independent Third Party owned by Mr. Shao Jiajun
“Independent Third Party”	an individual, company or party who/which is independent from or not connected (within the meaning of the Listing Rules) with the connected persons of the Company
“Mr. Yeung”	Mr. Yeung Man (楊敏先生), one of the controlling Shareholders
“Nanjing Zhonghui”	Nanjing Zhonghui Construction Project Co. Ltd. (南京中惠建築工程有限公司), a company established under the laws of the PRC with limited liability
“Revised Framework Agreement”	the 2019 Renewal Framework Agreement as supplemented by the Supplemental Agreement
“Rongquan Nanjing”	Rongquan (Nanjing) Property Development Co., Ltd. (榕泉(南京)房地產開發有限公司), a company established under the laws of the PRC which is indirectly owned as to 100% by Mr. Yeung
“Supplemental Agreement”	the supplemental agreement to the 2019 Renewal Framework Agreement dated 28 October 2021 between the Company, Sanya Fenghuang Xincheng, Sanya Fenghuang Shuiyun, Hainan Nanhai Xiang Long, Danzhou Shuanglian, Nanjing Huizhi, Zhonghui (Jiangsu) and Nanjing Zhonghui

“Zhonghui (Jiangsu)”

Zhonghui (Jiangsu) Decoration Park Project Co., Ltd. (中惠(江蘇)裝飾園林工程有限公司), a company established under the laws of the PRC with limited liability

By order of the Board
Hailan Holdings Limited
Chairperson
Zhou Li

The PRC, 8 June 2021

As at the date of this announcement, the executive Directors are Ms. Zhou Li, Ms. Fan Wenyi and Mr. Chen Xiang; and the independent non-executive Directors are Mr. Li Yong, Dr. Zhao Guoqing and Prof. Fan Conglai.