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HAICHANG OCEAN PARK HOLDINGS LTD.

海昌海洋公園控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 2255)

(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE PROPOSED DISPOSAL OF SUBSIDIARIES AND (2) RESUMPTION OF TRADING

Financial adviser to the Company



AGREEMENT

The Board is pleased to announce that on 13 October 2021, the Agreement was entered into by, among others, the Purchaser and the Vendors.

Pursuant to the Agreement, the parties have agreed, among other things, that:

- 1) the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Target Interests, comprising (i) 100% equity interest in each of the Wuhan Company, the Chengdu Company, the Tianjin Company and the Qingdao Company and (ii) 66% equity interest in the Zhengzhou Project Company, free from all encumbrances;
- 2) the Target Interests will be disposed of in two tranches through the Dalian Disposal and the Zhengzhou Disposal;
- 3) the Dalian Completion and the Zhengzhou Completion are subject to fulfilment (or waiver as the case may be) of the Dalian Conditions and the Zhengzhou Conditions, respectively;
- 4) upon fulfilment (or waiver as the case may be) of the Conditions, the Dalian Consideration and Zhengzhou Consideration shall be payable to the Vendors pursuant to the terms of the Agreement, respectively; and
- 5) the Dalian Consideration and the Zhengzhou Consideration shall be subject to the Dalian Adjustment and the Zhengzhou Adjustment, respectively.

The Dalian Consideration is RMB6.08 billion (subject to the Dalian Adjustment) and the Zhengzhou Consideration is RMB450 million (subject to the Zhengzhou Adjustment). Hence, the Consideration is RMB6.53 billion.

LISTING RULES IMPLICATIONS

As the relevant percentage ratio (as defined in the Listing Rules) applicable to the Company in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal to the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules. The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder, including the Disposal.

DESPATCH OF CIRCULAR

A circular containing, among others, (i) information on the Agreement and the Transactions; (ii) the financial information of the Group; (iii) the unaudited pro forma financial information of the Group; (iv) the recommendation of the Board; (v) the Valuation Report; (vi) the notice of the EGM; and (vii) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 8 November 2021.

GENERAL

Completions are subject to the satisfaction and/or waiver of the Conditions and therefore, may or may not take place. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been halted from 9:00 a.m. on 15 October 2021 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares from 9:00 a.m. on 18 October 2021.

INTRODUCTION

The Board is pleased to announce that on 13 October 2021, the Agreement was entered into by, among others, the Purchaser and the Vendors.

Pursuant to the Agreement, the parties have agreed, among other things, that:

- 1) the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Target Interests, comprising (i) 100% equity interest in each of the Wuhan Company, the Chengdu Company, the Tianjin Company and the Qingdao Company and (ii) 66% equity interest in the Zhengzhou Project Company;
- 2) the Target Interests will be disposed of in two tranches through the Dalian Disposal and the Zhengzhou Disposal;
- 3) the Dalian Completion and the Zhengzhou Completion are subject to fulfilment (or waiver as the case may be) of the Dalian Conditions and the Zhengzhou Conditions, respectively;
- 4) upon fulfilment (or waiver as the case may be) of the Conditions, the Dalian Consideration and Zhengzhou Consideration shall be payable to the Vendors pursuant to the terms of the Agreement, respectively; and
- 5) the Dalian Consideration and the Zhengzhou Consideration shall be subject to the Dalian Adjustment and the Zhengzhou Adjustment, respectively.

Details of the Agreement are set out as below.

THE AGREEMENT

Date

13 October 2021

Parties

Vendors: the Company, HKHC, DLHC and ZZHC

Purchaser: Aquaman Hong Kong Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly owned subsidiary of MBK Partners Fund V, L.P.

To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons

Other parties: Dalian WFOE1, Dalian WFOE2, the Chengdu Company, the Tianjin Company, the Qingdao Company, the Wuhan Company and the Zhengzhou Project Company

Assets to be disposed of

The Target Interests comprise (i) 100% equity interests in each of the Four Theme Parks Companies and (ii) 66% equity interests in the Zhengzhou Project Company.

Consideration and payment

The Consideration was determined after arm's length negotiations between the Vendors and the Purchaser, and taking into consideration of, among other things, the Target Companies' operation profitability and future prospect, with reference to the Valuation Report regarding the value of the commercial properties and the landed properties owned by the Target Companies and the unaudited net asset value of the Target Companies as at 30 June 2021. The Board considers the Consideration to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration is RMB6.53 billion, comprising the Dalian Consideration and the Zhengzhou Consideration.

The Dalian Consideration

The Dalian Consideration shall be RMB6.08 billion consisting of (i) the consideration of the Four Theme Parks Companies of RMB6.05 billion which was derived with reference to the EV/EBITDA multiple¹ of the comparable companies in the industry and the 2019 EBITDA of the Four Theme Parks Companies; and (ii) the consideration of animal lease option of RMB30 million.

- (1) approximately RMB2.54 billion of initial consideration (“**Initial Consideration**”) was derived from deducting the agreed amount (set out in (2) to (5) below) pursuant to specific purpose from the Dalian Consideration, which may be adjusted with reference to the Dalian Adjustment;
- (2) payables of RMB1.15 billion of Dalian WFOE1 to be assumed by the Purchaser;
- (3) no more than RMB2.21 billion of financing loans owed by the Four Theme Parks Companies to be repaid by the Purchaser;
- (4) no more than RMB145 million of debt-like liability to be assumed by the Purchaser; and
- (5) the consideration of RMB30 million for the animal lease option granted to the Purchaser by the Vendors, under which if any of the animals to be transferred under the Transactions die within two years, the Purchaser has the right to request the Group to lease to the Purchaser with an animal of the same species at fair market price.

Note: The Company selected seven comparable companies (the “**Comparable Companies**”) listed on the Hong Kong Stock Exchange, Shenzhen Stock Exchange and Shanghai Stock Exchange under the Wind segments of (i) hotels, resorts and luxury cruises; and (ii) leisure facilities after considering the criteria including (a) principally engaged in operating scenic spots or parks and (b) market capitalization of more than RMB3 billion.

The average of EV/EBITDA multiple of the Comparable Companies is 9.3x, and the mean EV/EBITDA multiple is 7.3X. (Source: the EBITDA were extracted from the 2019 annual reports of the Comparable Companies and the enterprise value were quoted from Wind as of 30 June 2021)

The Dalian Consideration is payable in the following manner:

- (1) on the date of the Dalian Completion, the Purchaser shall pay approximately RMB1.30 billion to HKHC (the “**Dalian First Offshore Consideration**”) for the repayment of financing loans and the release of guarantees in relation to financing loans which are secured by the Group with the assets of the Four Theme Parks Companies;
- (2) on the date of the Dalian Completion, the Purchaser shall pay RMB30 million to HKHC for the animal lease option;
- (3) on the date of the Dalian Completion, the Purchaser shall contribute RMB1.15 billion of capital to Dalian WFOE1, and shall procure Dalian WFOE1 to pay off the payables owed to DLHC within 2 Business Days after the date of the Dalian Completion;
- (4) on the date of the Dalian Completion, the Purchaser shall repay the financing loans owed by the Four Theme Parks Companies with an amount not exceeding RMB2.21 billion. The Purchaser shall assume the debt-like liability due with an amount not exceeding RMB145 million;
- (5) within 1 Business Day after the completion of the full repayment of the financing loans set out in paragraph (1) above and the provision of written repayment confirmations by HKHC to the Purchaser, the Purchaser shall pay approximately RMB1.08 billion to HKHC (the “**Dalian Second Offshore Consideration**”), which is subject to the Dalian Adjustment. The specific calculation is: Initial Consideration (subject to the Dalian Adjustment) - RMB1.30 billion - RMB100 million - RMB57 million;
- (6) within 1 Business Day after the release of guarantees set out in paragraph (1) above and obtaining all the property ownership certificates of the Chengdu properties, the Purchaser shall pay RMB100 million to HKHC (the “**Dalian Third Offshore Consideration**”); and
- (7) the Purchaser shall (i) pay an amount equal to RMB37 million (which shall be deposited to the Escrow Account) minus the amount that the Vendors shall pay its suppliers but fail to pay during the period of entrusted sales service pursuant to the entrusted sales service agreement to the Vendors on the date of termination of the entrusted sales service agreement of the Wuhan Company; (ii) pay an amount equal to RMB20 million minus the real estate land tax and agreed compensation that the Target Companies shall assume to the Vendors on the date of expiry of two (2) years from the date of the Dalian Completion.

The Dalian Adjustment consists of:

- (1) Adjustment to the Initial Consideration based on the pre-closing estimate of Dalian Adjustment Items (as defined below) by the Company after the fulfilment of certain Dalian Conditions but before the Dalian Completion (the “**Base Date before Dalian Completion**”), in respect of Dalian WFOE1, the Four Theme Parks Companies, and their subsidiaries (the “**Dalian Adjustment Entities**”) regarding their financial position as at Dalian Completion.

The Initial Consideration may be adjusted pursuant to such pre-closing estimate of the Company (subject to further adjustment pursuant to the post-closing completion accounts described below), or may not be so adjusted but rather adjusted pursuant to the post-closing adjustment described below, at the option of the Purchaser.

- (2) Adjustment after Dalian Completion on the Dalian Consideration based on the Dalian Adjustment Items as appeared on the completion accounts in respect of the financial position as at Dalian Completion of the Dalian Adjustment Entities to be prepared by one of the “Big Four” accounting firms designated by the Purchaser within 90 days of the Dalian Completion. Any amount payable pursuant to this post-completion adjustment should be settled within five business days after the presentation of such completion accounts.
- (3) The Dalian Adjustment includes the items as set out below (the “**Dalian Adjustment Items**”) and the figures mentioned in each item are estimated on a best effort basis by the Directors regarding the management account as at the Base Date before Dalian Completion:
 - (a) Net working capital: if this item is above -RMB5 million (e.g. -RMB4 million), the Dalian Consideration will increase by the amount equal to the difference, and vice versa. For the purpose of this item, net working capital shall be the difference between the operation related current asset and the operation related current liability (excluding cash, debts owed to independent third parties, debt-like items, and receivables from the Company, its affiliates and any of their related parties as at the Base Date before the Dalian Completion);

- (b) Cash amount: if this item exceeds RMB10 million, the Dalian Consideration will increase by the amount equal to the difference, and vice versa;
- (c) Financing loan: if this item exceeds RMB2.21 billion, the Dalian Consideration will decrease by the amount equal to the difference, and vice versa; and
- (d) Debt-like liability: if this item exceeds RMB145 million, the Dalian Consideration will decrease by the amount equal to the difference, and vice versa.

Dalian Consideration Floor

The Agreement has not specified the minimum amount of the Dalian Consideration after taking into account the Dalian Adjustment. The Directors are of the view that the possibility of adjusting the Dalian Consideration is remote. Referring to the adjustment method mentioned above, the Directors estimate that the lowest amount of Dalian Consideration, based on the current estimation of the Dalian Adjustment Items as at the Base Date before Dalian Completion, would be RMB6.03 billion, which is RMB6.08 billion – RMB(22.5 + 10 + 20) million, breakdown of which is set out below:

- (1) Net working capital: RMB-5 million. The threshold of RMB-5 million, which was agreed between the Company and the Purchaser, is the estimated net working capital position as of the Based Date before the Dalian Completion, which is calculated based on estimated difference between the balances of operation related current asset items and the balances of operation related current liability items with reference to the management account figures as of the previous year/period end, whichever are more relevant, and estimated subsequent changes up to the Base Date before Dalian Completion (if applicable), and the basis of estimation of major items are set out below:
 - (i) items such as trade receivables, advances from customers, accrued payroll, inventories, tax payable, other receivables and other payables were estimated with reference to their historical figures in the management account as at the previous year/period end, as these items are not expected to fluctuate materially; and
 - (ii) items such as account payables and prepayments were derived using their figures in the management account as at the previous year/period end as a starting point, and their estimated subsequent changes to the Base Date before Dalian Completion.

Due to the impact of the pandemic, the net cash inflow from operating activities of the Target Companies in FY2020 has been significantly decreased. The net working capital as of 31 December 2020 is RMB-27.5 million, which is at a relatively low level in history. As a result of the forgoing, it is expected that the net operating amount of the Target Companies on the date of the Dalian Completion will not be lower than the level of 31 December 2020. Therefore, assuming that the Target Companies maintain their net working capital level in 2020 on the date of the Dalian Completion, it is expected that this adjustment will decrease the Dalian Consideration by up to RMB22.5 million.

- (2) Cash amount: the maximum difference of cash amount is RMB10 million between RMB0 (as the minimum cash amount) and RMB10 million, this adjustment will decrease the Dalian Consideration by up to RMB10 million;

- (3) Financing loan: since it has been stipulated in the Agreement that the Four Theme Parks can no longer increase their debts before the Dalian Completion, this adjustment will not reduce the Dalian Consideration; and
- (4) Debt-like liability: According to the agreement, the factor that may lead to the increase in debt-like liabilities is only the capital expenditure of the Four Theme Parks and the amount of capital expenditure cannot exceed RMB20 million at most. This adjustment will decrease Dalian Consideration by up to RMB20 million.

The Zhengzhou Consideration

The Zhengzhou Consideration shall be RMB450 million and subject to the Zhengzhou Adjustment.

On the date of the Zhengzhou Completion, the Purchaser shall pay an amount equal to the Zhengzhou Consideration to Dalian WFOE2, and procure Dalian WFOE2 to make payment within 2 Business Days after the date of the Zhengzhou Completion.

Details of the Zhengzhou Adjustment

The Zhengzhou Adjustment involves the adjustment to the Zhengzhou Consideration paid on Zhengzhou Completion based on the Zhengzhou Adjustment Items set out in the completion accounts in respect of the financial position of the Zhengzhou Target Group as at the date of Zhengzhou Completion to be prepared by one of the “Big Four” accounting firms designated by the Purchaser within 90 days of the Zhengzhou Completion. Any amount payable pursuant to the Zhengzhou Adjustment should be settled within five business days after the presentation of such completion accounts.

The Zhengzhou Adjustment includes the items (the “**Zhengzhou Adjustment items**”) as set out below and the figures mentioned in each item are estimated on a best effort basis by the Directors regarding the management account as at the date of Zhengzhou Completion:

- (1) Net working capital: if this item is positive, the Zhengzhou Consideration will increase by 66% of that amount, and vice versa;
- (2) Net liabilities: if this item exceeds RMB143 million, the Zhengzhou Consideration will decrease by 66% of the difference, and vice versa;
- (3) Payables to related parties: if this item is positive, the Zhengzhou Consideration will decrease by 66% of that amount; and
- (4) Net asset and government subsidies recorded as deferred income: if the sum of these two items is less than RMB670 million, the Zhengzhou Consideration will decrease by 66% of the difference.

Zhengzhou Consideration Floor

The Agreement has not specified the minimum amount of the Zhengzhou Consideration after taking into account the Zhengzhou Adjustment. The Directors are of the view that the possibility of adjusting the Zhengzhou Consideration is remote. Referring to the adjustment method mentioned above, the Directors estimate that the lowest amount of Zhengzhou Consideration, based on the current estimation of the Zhengzhou Adjustment Items as at the date of Zhengzhou Completion, would be RMB450 million, and the adjustments are set out below:

- (1) Net working capital: since the Zhengzhou Park is still under construction and is not yet open, both parties reasonably expected the target net working capital on the date of the Zhengzhou Completion is zero.
- (2) Net liabilities: as it is stipulated in the Agreement that the Zhengzhou Park can no longer increase its debt before the Zhengzhou Completion, this adjustment will not reduce the Zhengzhou Consideration.
- (3) As at the date of this announcement, there is no payables from Zhengzhou Target Group to related parties. Based on the construction and capital plan of Zhengzhou Target Group, it is expected that there will be no additional payables to related parties on the date of the Zhengzhou Completion.
- (4) As at the date of 30 September 2021, the net asset was RMB646 million, while the government subsidies recorded as deferred income was RMB50 million. The sum of net asset and government subsidies was RMB696 million. Since the Zhengzhou Park is still under construction and is not yet open, the Directors are of the view that the possibility that the sum of net asset and government subsidies would fall below RMB670 million as at the Zhengzhou Completion is remote.

Incentive Fee and Performance Targets

The Disposal are expected to be completed by the end of 2021.

In addition to the Consideration, the Purchaser may pay the Vendors incentive fee under the terms of the Agreement (the “**Incentive Fee**”) if the Target Companies achieve the following performance targets.

(1) For the Four Theme Parks:

- (a) if 2021 EBITDA is less than RMB360 million, the Purchaser shall not be required to pay any Incentive Fee;
- (b) if 2021 EBITDA is equal to or exceeds RMB400 million, the Purchaser shall be required to pay RMB100 million as the Incentive Fee;
- (c) if 2021 EBITDA exceeds RMB360 million but less than RMB400 million, the Incentive Fee that shall be paid by the Purchaser will be: $(2021 \text{ EBITDA} - \text{RMB}360 \text{ million}) \div (\text{RMB}400 \text{ million} - \text{RMB}360 \text{ million}) \times \text{RMB}100 \text{ million}$.

After the Completions, the Vendors will continue to provide transitional consulting services to the Target Companies for the Four Theme Parks and the Zhengzhou Park, and the Vendors will cooperate with the Purchaser to procure the Target Companies to achieve the following performance targets.

(2) For the Four Theme Parks:

- (a) if 2022 EBITDA is less than RMB500 million, the Purchaser shall not be required to pay the Incentive Fee;
- (b) if 2022 EBITDA is equal to RMB500 million, the Purchaser shall be required to pay RMB150 million as the Incentive Fee;
- (c) if 2022 EBITDA exceeds RMB500 million but less than RMB580 million, the Incentive Fee that shall be paid by the Purchaser will be: $\text{RMB}150 \text{ million} + (2022 \text{ EBITDA} - \text{RMB}500 \text{ million}) \div (\text{RMB}580 \text{ million} - \text{RMB}500 \text{ million}) \times (\text{RMB}300 \text{ million} - \text{RMB}150 \text{ million})$; and
- (d) if 2022 EBITDA is equal to or more than RMB580 million, the Purchaser shall be required to pay RMB300 million as the Incentive Fee.

(3) The Purchaser and the Company shall jointly work towards the target of opening and commencement of operation of the Zhengzhou Park by 31 December 2023. If this target is achieved, the Purchaser will pay the Incentive Fee of RMB300 million to the Company. However, if the Zhengzhou Park opens and commences operation after 31 December 2023, the Purchaser has no obligation to pay the Incentive Fee.

Pre-completion Undertaking by the Vendors

From the date of the Agreement to the date of Completions, the Vendors shall not only ensure that all theme parks operated by the Target Companies will maintain daily business operations, but also perform its undertakings under the Agreement to facilitate the Completions.

Conditions Precedent

The Completions are conditional, among other things, upon the fulfilment (or waiver in writing where applicable) of the Conditions summarised below:

The Dalian Conditions

The Dalian Completion is conditional upon fulfilment of following the Dalian Conditions (or obtaining a waiver in writing from the party entitled to grant waiver):

- (a) the Transactions having approved by the relevant regulatory authorities, including the approvals from the Stock Exchange;
- (b) the Company having convened an EGM as required by all applicable laws and regulations (including but not limited to the Listing Rules), and having resolved to approve the Transactions therein;
- (c) Ernst & Young, as the auditor of the Company, having prepared the report on the financial information of the Target Companies as at 30 June 2021 for the relevant circular;
- (d) after entering into the Agreement, no event or situation taking place having a material adverse impact on the capability of any Target Companies or the Vendors to consummate the Transactions;
- (e) there not having occurred any material breach of the representations and warranties, nor having occurred any breach of any commitments made by the Vendors in respect of the Agreement;
- (f) the Dalian Pre-Completion Restructuring having been completed;
- (g) no authorities having enacted, issued, announced, implemented and formally promulgated any new laws after entering into the Agreement, which will result in the Transactions illegal or prohibition of its completion;
- (h) the Target Companies having settled or dealt with the relevant related party transactions in a manner that is satisfactory to the Purchaser;
- (i) Dalian WFOE1 has completed the changes to be filed with the authority for market regulation and the Four Theme Parks Companies have submitted all properly executed application documents to and accepted by the competent authority for market regulation;
- (j) the Vendors or its related parties having signed the Transitional Service Agreement, Brand Licensing Agreement and Escrow Account Agreement;
- (k) the Vendors having provided the Purchaser with the details of loans to be taken up by the Purchaser;
- (l) the Purchaser actually receives loans provided by relevant banks for the Transactions in accordance with the terms and conditions agreed with the Purchaser; and
- (m) the Purchaser having signed the loan agreements related to the loans as provided in item (1) above;
- (n) there not having occurred any material breach of warranties by the Purchaser;
- (o) any other conditions set out below.

The Zhengzhou Conditions

The Zhengzhou Completion is conditional upon fulfilment of the following Zhengzhou Conditions (or obtaining a waiver in written from the party entitled to grant waiver):

- a. the Dalian Completion having been completed in accordance with the provisions of the Agreement;
- b. after entering into the Agreement, no event or situation taking place having a material adverse impact on the capability of any member of Zhengzhou Target Group or the Vendors to consummate the Transactions;
- c. there not having occurred any material breach of the representations and warranties, nor having occurred any breach of commitments made by the Vendors and the Target Companies in respect the Agreement;
- d. no authorities having enacted, issued, announced, implemented and formally promulgated any new laws upon the signing of the Agreement, which will result in Transactions illegal or prohibition of its completion;
- e. ZZHC and Dalian WFOE2 having signed the Shareholders' Agreement;
- f. the Zhengzhou Project Company having obtained project financing loans that are reasonably satisfactory to the parties from relevant banks;
- g. the contractor for the construction of the Zhengzhou Park has resumed the construction work after signing a supplemental agreement with the Zhengzhou Project Company under the terms that are reasonably satisfactory to the Purchaser;
- h. the Zhengzhou Project Company having obtained a construction permit issued by the Zhengzhou Urban and Rural Construction Bureau for the construction of Zhengzhou Park in accordance with the applicable laws;
- i. the Zhengzhou Project Company having signed a Letter of Non-competition Undertaking with its general managers in agreed form;
- j. Dalian WFOE2 has completed the changes to be filed with the Zhengzhou Administration for Market Regulation and the Zhengzhou Project Company has submitted all properly executed application documents to and accepted by the competent authority for market regulation; and
- k. the Company and the Zhengzhou Project Company have agreed on a commercial plan.

Other Conditions

Other conditions include:

1. the Purchaser having received confirmations from relevant creditor banks of the Vendors that early payment of all the debts is permitted;
2. the Vendors and their affiliated companies having obtained and completed all the relevant government approvals and renewal of licenses in respect of the relevant animals;

3. the cooperation agreements signed by relevant online travel agency partners and the Vendors having been modified or performed in fact or terminated and these agreements no longer involving any business of the Four Theme Parks and the Zhengzhou Park;
4. the general managers or their successors of Target Companies having signed non-competition undertakings and such general managers having signed transfer agreements to dispose of their equity interests in certain subsidiaries of the Target Companies;
5. the Founder having delivered a Letter of Non-competition Undertaking to the Purchaser; and
6. the Vendors and their affiliated companies having signed an entrusted sales service agreement in relation to the commercial properties for sale.

Each of the Purchaser and the Vendors shall complete the conditions which they are in charge of based on the above Conditions, and the other party should provide reasonable cooperation. The specific obligations are stipulated in the Agreement.

TERMINATION OF THE TRANSACTIONS

The Agreement is subject to termination in the following circumstances:

- 1) a written consent by the Purchaser and the Company at any time prior to the Completions;
- 2) in the event that not all the Dalian Conditions have been fulfilled by the Long Stop Date or waived in writing by the party having the right to do so, either the Purchaser or the Company may issue a written notice to the other party to terminate the Agreement. However, in the event that any Dalian Conditions have not been completed by the Long Stop Date due to default by either the Vendors or the Target Companies, the Company shall not be entitled to terminate the Agreement. The Long Stop Date is 31 December 2021. However, in the event that all the other conditions precedent other than the regulatory conditions precedent and the conditions precedent to the date of the Completions have been fulfilled by 31 December 2021, or waived in writing by the party having the right to do so, but not all the regulatory conditions precedent have been fulfilled by 31 December 2021, the Purchaser and the Company shall negotiate in good faith an appropriate extension of the Long Stop Date in accordance with the actual progress of the regulatory conditions precedent, in which case the “**Long Stop Date**” refers to the date which the Purchaser and the Company agree to extend to after good faith negotiation; and
- 3) other customary reasons for termination in the Agreement.

The Zhengzhou Disposal is subject to termination in the following circumstances:

- 1) a written consent by the Purchaser and the Company at any time prior to the Zhengzhou Completion;
- 2) in the event that not all Zhengzhou Conditions have been completed prior to the Long Stop Date or waived in writing by the party having the right to do so, either the Vendors or the Company may issue a written notice to the other party to terminate the Zhengzhou Disposal. However, in the event that any of the Zhengzhou Conditions are not completed prior to the Long Stop Date due to default by either the Vendors or the Target Companies, the Company shall not be entitled to terminate the Zhengzhou Disposal. However, if the Zhengzhou Project Company did not obtain project loan as described in item (f) of the Zhengzhou Conditions, and therefore did not meet the requirements of item (g) and (h) of the Zhengzhou Conditions, then such circumstance shall not be deemed default of the Vendors under item (g) and (h) of the Zhengzhou Conditions; and
- 3) other customary reasons for termination in the Agreement.

THE COMPLETIONS

The Completions comprise the Dalian Completion and the Zhengzhou Completion.

The Dalian Completion

- 1) on the later of (i) the fifteenth (15) Business Day after all of the Dalian Conditions (excluding the approval at the EGM and the conditions precedent to be fulfilled on the date of the Dalian Completion) have been fulfilled or waived in writing by the party having the right to do so; or (ii) the third (3) Business Day after all of the Dalian Conditions including the approval at the EGM (excluding the Dalian Conditions to be fulfilled on the date of the Dalian Completion) have been fulfilled, or such other date as may be otherwise agreed in writing between the Company and the Purchaser, and provided that all the following conditions have been fulfilled:
 - (a) the Dalian Conditions on the date of the Dalian Completion other than registration of change with the relevant authority for market regulation having been fulfilled or waived in writing by the party having the right to do so;
 - (b) Dalian WFOE1 having completed the registration of changes with the authority for market regulation prior to 11:00 a.m. (Beijing time) on the date of the Dalian Completion, and obtained a new business license and notice on approval/filing of changes;
 - (c) other members of the Four Theme Parks Companies having properly signed all application documents required for the registration of changes with the authority for market regulation and submitted them to the competent authority for market regulation and the application being accepted prior to 11:00 a.m. (Beijing time) on the date of the Dalian Completion; and
 - (d) the Company having convened the EGM in accordance with all applicable laws and regulations (including but not limited to the relevant listing rules of the Hong Kong Stock Exchange), and approved the Transactions.
- 2) At the time of the Dalian Completion:
 - a. the Vendors and the Purchaser shall complete and deliver the required items and delivery contents as specified in the Agreement;
 - b. the Vendors shall place the company chops of the Four Theme Parks Companies in escrow and procure the delivery of such chops to the Purchaser after the Purchaser has paid the Dalian Second Offshore Consideration to the Vendors; and
 - c. the Purchaser shall pay the Dalian First Offshore Consideration.

The Zhengzhou Completion

- 1) On the fifteenth (15) Business Day after all the Zhengzhou Conditions (excluding the completion of the registration of changes with the Zhengzhou Administration for Market Regulation and the Zhengzhou Conditions that can only be fulfilled on the date of the Zhengzhou Completion) have been fulfilled or waived in writing by the party having the right to do so, or such other date as may be otherwise agreed in writing between the Company and the Purchaser, upon the registration of change of Dalian WFOE2 with the authority for market regulation having been fulfilled on the date of the Zhengzhou Completion, and all application documents required for the change of filing with the authority for market regulation of the Zhengzhou Target Group have been properly executed and accepted, the Zhengzhou Completion shall be carried out at the Purchaser's Shanghai office.
- 2) At the time of the Zhengzhou Completion:
 - a. the Vendors and the Purchaser shall complete or procure the fulfilment of obligations pursuant to the Agreement; and
 - b. the Purchaser shall settle in full the Zhengzhou Consideration.

WARRANTIES FROM THE VENDORS

Each of the Vendors has individually and jointly provided representations and warranties which are customary for other similar transactions and certain specific warranties for the Disposal to the Purchaser.

THE VENDORS' COMPENSATION RESPONSIBILITIES

The Vendors shall compensate the Purchaser and its related parties for any losses thereof, liabilities and expenses directly or indirectly suffered or incurred by the Purchaser and its related parties as a result of any of the following matters:

- a. any default of the Vendors' representation and warranties in the Agreement;
- b. any default by the Vendors in respect of any other commitments in the Agreement;
- c. any taxes that are unpaid by any of the Four Theme Parks Companies (including withholding tax and payment on behalf of others) which have not been paid prior to the Dalian Completion, or taxes (whether or not shall be paid before the Dalian Completion) caused or occurred as a result of any act within the time period before the Dalian Completion, including but not limited to any fines, penalties or interest related to such taxes and fees;
- d. taxes and fees related to Dalian Pre-Completion Restructuring and Zhengzhou Pre-Completion Restructuring, including but not limited to any fines, penalties or interest related to such taxes and fees;
- e. the taxes and fees which should be paid by Dalian WFOE1 and Dalian WFOE2 in relation to restructuring as provided in the Agreement;
- f. the Vendors failing to file tax declarations and pay taxes for the Transactions in accordance with relevant laws and regulations;

- g. the members of the Target Companies currently enjoying the VAT exemption being required to pay VAT in relation to any act before the Completions by the relevant government authorities within the 24 months after the Completions;
- h. any taxes that are unpaid by any members of the Zhengzhou Target Group which should be payable but have not been paid before the Zhengzhou Completion, or taxes caused or occurred as a result of any act within the time period before the Zhengzhou Completion (regardless of whether it should be paid before the Zhengzhou Completion or not), including but not limited to any fines, penalties or interest related to such taxes and fees; and
- i. any one of the Target Companies failing to enter into a written labour contract with its current or ex-employees (including temporary workers) in accordance with the requirements of applicable laws prior to the Completions, to contribute to statutory social contribution in full accordingly in a timely manner;

The Vendors' liability to pay compensation is subject to certain time limit and amount as provided under the Agreement.

Upon Completions, the Vendors will transfer the Target Interests to the Purchaser and the Group will hold 34% equity interest in the Zhengzhou Project Company and no equity interest in the Four Theme Parks Companies thereafter. None of the Target Companies will remain as a subsidiary of the Group. Financial results of the Target Companies will cease to be consolidated into the financial accounts of the Group after the Completions.

POST-COMPLETION UNDERTAKING

The Vendors should resolve certain issues of the Target Companies as set out in the Agreement. The Purchaser shall provide reasonable cooperation in this regard.

If the RMB110 million fund under the relevant Governmental Fund Support Agreement signed by the Zhengzhou International Cultural and Creative Industry Park Management Committee in March 2019 is not in place prior to the opening of the Zhengzhou Park or 31 December 2023, whichever is earlier, the Vendors shall pay the same amount as compensation to the Zhengzhou Project Company.

If the relevant subsidiaries of the Four Theme Parks Companies do not actually receive any of the accounts receivable and part of other receivables which has been recorded in the respective net working capital when the Dalian Consideration was determined within the 24 months after the date of the Dalian Completion, the Vendors shall pay the amount of such accounts receivable to the relevant members of the Four Theme Parks Companies within five Business Days upon receipt of the relevant written notice from the Purchaser, provided that the Purchaser shall cause the relevant members of the Four Theme Parks Companies to assign the right of recourse against such receivables and part of other receivables to the Vendors upon the expiry of the 24 months from the date of the Dalian Completion and the Purchaser shall cause the relevant members of the Four Theme Parks Companies not to carry out any act intended to negatively affect the validity of such accounts receivable.

NON-COMPETITION UNDERTAKING

Each of the Vendors separately and jointly undertakes to the Purchaser that, without the Purchaser's prior written consent, the Vendors will not and procure any of their related parties not to, alone or jointly with others, or on behalf of any other person, whether as client, shareholder, director, employee, agent, consultant, partner or in other capacities, directly or indirectly:

- (a) during the periods when the Purchaser directly or indirectly holds more than 51% equity interest in any of the Four Theme Parks Companies and within 2 years after the end of such periods (such periods are referred to as the **"Restriction Periods of the Four Theme Parks Companies"**; for the avoidance of doubt, the restriction periods of each of the Four Theme Parks Companies are independent of each other):
 - (i) construct, develop, operate and invest in any business that is the same as or in competition with the Four Theme Parks in any city where the Four Theme Parks are located (i.e. Wuhan, Chengdu, Tianjin, Qingdao), the provinces of such cities, or Hebei (limited to marine theme parks), or provide any consulting, advisory services, technical support for such business, or hold any interest in such business, except the following activities: (x) the above activities carried out by a joint venture established by the Group and the Purchaser, (y) to manage commercial properties which are not theme parks operated by the Group in such cities, provinces or regions, (z) the above activities carried out by the Group in designated areas in Yantai or Chongqing;
 - (ii) interfere with or attempt to interfere with any suppliers which had provided goods or services to any Group company for any period of time during the 12 months before the Dalian Completion to continue to provide goods or services to any Group company, or employ or recruit employees of department head or above level which had been employed by members of the Four Theme Parks Companies for any period of time during the 12 months before the Completions, or try to induce such persons to leave any of the Four Theme Parks Companies;
- (b) after the Restriction Periods of the Four Theme Parks Companies of the relevant Four Theme Parks Companies, construct, develop, operate and invest in any business that is the same as or in competition with the Four Theme Parks Companies in the city where the Four Theme Parks are located (i.e. Wuhan, Chengdu, Tianjin or Qingdao) (limited to marine theme parks), or provide any consulting, advisory services, technical support for such business, or hold any interest in such business, except the following activities: (x) the above activities carried out by a joint venture established by the Group and the Purchaser, (y) to manage commercial properties which are not theme parks operated by the Group in such cities, (z) the above activities carried out by the Group in the designated areas in Yantai or Chongqing;
- (c) during the period when the Purchaser directly or indirectly holds more than 51% equity interest in the Zhengzhou Project Company and within 2 years after the end of such period (the **"Zhengzhou Restriction Period"**):
 - (i) construct, develop, operate and invest in any business that is the same as or in competition with the Zhengzhou Park located in Zhengzhou or other regions in Henan (limited to marine theme parks), provide any consulting, advisory services, technical support for such business, or hold any interest in such business (other than the above activities carried out by a joint venture established by the Group and the Purchaser and the equity interests in the Zhengzhou Park held by the Group and commercial properties which are not theme parks operated by the Group in such cities, provinces or regions);

- (ii) interfere with or attempt to interfere with any suppliers which had provided goods or services to any Group company for any period of time during the 12 months before the Zhengzhou Completion to continue to provide goods or services to any Group company, or employ or recruit employees of department head or above level which had been employed by members of the Four Theme Parks Companies for any period of time during the 12 months before the Zhengzhou Completion, or try to induce such persons to leave any of the Four Theme Parks Companies;
- (d) after the end of the Zhengzhou Restriction Period, construct, develop, operate and invest in any business (limited to marine theme parks) that is the same as or in competition with the Zhengzhou Park, or provide any consulting, advisory services, technical support for such business, or hold any interest in such business (other than the above activities carried out by a joint venture established by the Group and the Purchaser, the equity interests in the Zhengzhou Park held by the Group and commercial properties which are not theme parks operated by the Group in Zhengzhou).

Each of the Vendors separately and jointly undertakes to the Purchaser that, the Vendors will procure the Founder to fulfil the Founder's Letter of Non-Competition Undertaking.

THE STRATEGIC COOPERATION AGREEMENT

The Company and the Purchaser entered into the Strategic Cooperation Agreement on the same date as the Agreement pursuant to which the parties shall strengthen the cooperation in relation to business activities in areas which mainly include the promotion of the "Haichang" brand, development of intellectual properties, biological technology, construction and expansion of new theme parks and upgrading of existing theme parks, and asset-light business cooperation.

Currently, the Company has no intention to sell further assets or business of the Remaining Group. When there is an upgrading and expansion of the theme park located in Shanghai operated by the Group in future, the parties shall explore the possible involvement on equity investment by the Purchaser.

THE TRANSITIONAL SERVICE AGREEMENT

Pursuant to the Agreement, the Vendors, the Purchaser and the Target Companies will enter into the Transitional Service Agreement by the date of Completions pursuant to which the Vendors will provide or cause to provide various transitional services to the Purchaser such as (a) the ticket sales and brand marketing of the Target Companies; (b) property sales project of the Wuhan Company; (c) animal leasing and animal breeding support; (d) management on the construction of the Zhengzhou Park and (e) other support services in the area of human resources, property management and financial system management; for a period of up to five years, two years, 20 years, until the completion of construction of the Zhengzhou Park and one year, as the case may be, respectively.

Through the above services and support during the transition period, the parties work together to achieve the performance targets of the Four Theme Parks in 2022 and put the Zhengzhou Park into operation by the end of 2023, and obtain the corresponding Incentive Fee.

THE SHAREHOLDERS' AGREEMENT

Pursuant to the Agreement, ZZHC and Dalian WFOE2 shall enter into the Shareholders' Agreement which governs the matters of the Zhengzhou Project Company by the date of Completions. Set out below is the summary of some of the proposed principal terms of the Shareholders' Agreement:

Construction of the Zhengzhou Park

If the board of directors of the Zhengzhou Project Company (the “**Zhengzhou Board**”) is of the view that the Zhengzhou Project Company cannot obtain the outstanding capital required for the construction of the Zhengzhou Park in time or in sufficient amount via external financing, ZZHC and Dalian WFOE2 shall provide shareholders’ loan as per the shareholding percentage.

Shareholders’ meeting

All shareholders of the Zhengzhou Project Company exercise their voting rights in accordance with the proportion of the subscribed capital in the shareholders’ meeting. Save for matters requiring at least 2/3 of the votes under the Shareholders’ Agreement (including but not limited to approval of investment(s) with aggregate value exceeding RMB30 million; approval or amendment of financial budget before the opening of the Zhengzhou Park; approval of debt financing or equity financing of more than RMB50 million, and decision-making on related party transactions with a single amount or a total of RMB5 million and approval of assets acquisition or disposal with value exceeding 50% of the total assets of the Zhengzhou Project Company), resolutions are to be decided by a simple majority of votes.

Board composition

Unless otherwise agreed with all the shareholders of the Zhengzhou Project Company, the Zhengzhou Board shall comprise three directors, of whom two directors shall be appointed or removed at the request of Dalian WFOE2 and one director shall be appointed or removed at the request of ZZHC when ZZHC holds not less than 10% of the equity interest of the Zhengzhou Project Company.

Restriction on transfer

Prior to opening of the Zhengzhou Park, shareholders of the Zhengzhou Project Company are prohibited to transfer any shares of the Zhengzhou Project Company. Upon the opening of the Zhengzhou Park, if any of the shareholders of the Zhengzhou Project Company proposes to transfer any shares of the Zhengzhou Project Company, the other shareholder(s) of the Zhengzhou Project Company shall have the right of first offer to purchase such shares. If the Purchaser (as the controlling shareholder of the Zhengzhou Project Company) intends to transfer any shares of the Zhengzhou Project Company, ZZHC (as the minority shareholder of the Zhengzhou Project Company) and the Purchaser shall be entitled to the customary tag-along right and drag-along right, respectively.

BRAND LICENSING AGREEMENT

Based on the principle of fairness and reasonableness, the Vendors and the Company’s wholly-owned subsidiaries will enter into a Brand Licensing Agreement with the Purchaser. Subject to license areas, categories and content, as well as online and offline areas, and under the premise of the Company’s conditional prior consent, the Company authorises the Purchaser to use the “Haichang” brand, the proprietary brands and the dedicated intellectual property owned by the Group.

The Board considers that the cooperation with the Purchaser under the Strategic Cooperation Agreement, the Transitional Service Agreement, the Shareholders’ Agreement and the Brand Licensing Agreement above is an important step in the Group’s business development, in particular its asset-light business, and will create business opportunities to the Group.

The terms of each of the above agreements were determined by the parties after arm's length negotiations and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

UNDERTAKING FROM SHAREHOLDERS

In respect of the Transactions, (i) the controlling shareholders of the Company (as defined in the Listing Rules) entitled to exercise approximately 45.64% of the voting rights of the Company; and (ii) Time Dynasty entitled to exercise approximately 4.59% of the voting rights of the Company have separately provided written undertaking that each of them will vote in favour of the resolutions in relation to the Agreement and the transactions contemplated thereunder to be proposed at EGM.

INFORMATION OF THE PURCHASER

The Purchaser is a limited company incorporated under the laws of Hong Kong. It is wholly owned by MBK Partners Fund V, L.P. as its indirect subsidiary.

MBK Partners Fund V, L.P. is an exempted limited partnership established under the laws of the Cayman Islands. The general partner of MBK Partners Fund V, L.P. is MBK Partners GP V, L.P., and the general partner of MBK Partners GP V, L.P. is MBK GP V, Inc., affiliates of one of Asia's largest private equity sponsors, MBK Partners.

Founded in 2005, MBK Partners is one of the largest private equity funds in Asia with over US\$25.4 billion of capital under management. MBK Partners focuses on North Asia and has developed expertise in various industries, including consumer and retail, telecommunications and media, financial services, healthcare, logistics and industrials. The aggregate revenues of MBK Partners' 48 portfolio companies exceed US\$49.5 billion. MBK Partners has 77 investment professionals across five offices in North Asia.

INFORMATION OF THE GROUP

The Vendors consist of the Company and some of its indirect wholly owned subsidiaries. The Group is principally engaged in the development, construction and operation of theme parks, property development and investment, hotel operations and provision of consultancy and management services in the PRC.

INFORMATION OF THE TARGET COMPANIES

Business of the Target Companies

The Target Companies are principally engaged in the construction, operation and management of the self-owned ocean themed parks in Wuhan, Chengdu, Tianjin, Qingdao and Zhengzhou, the PRC.

Financial information of the Target Companies

Set out below is the financial information of the Target Companies as extracted from their respective unaudited management accounts prepared in accordance with the Hong Kong Financial Reporting Standards for the two financial years ended 31 December 2019 and 2020, and the six months ended 30 June 2021.

	Year ended 31 December 2019 RMB'000	Year ended 31 December 2020 RMB'000	Six months ended 30 June 2021 RMB'000
Revenue	1,163,049	437,322	794,128 ¹
Net profit (before taxation)	442,512	(117,758)	272,796
Net profit (after taxation)	339,395	(92,358)	158,779

The unaudited net assets of the Target Companies amounted to approximately RMB3,208 million on 30 June 2021.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Four Theme Parks are all ocean parks located in urban districts and have been in operation for over 10 years and are relatively mature among the Company's existing theme parks. The Four Theme Parks had been generating stable cash flows every year up to and including 2019. However, as China's tourism industry has developed, competitive alternatives have emerged in respective markets covered by the Four Theme Parks, indicating a need for even more investment and improvement.

Since the outbreak of COVID-19 in early 2020, the Company has been suffering from high debt levels and increasing losses. The Directors believe that the sale of the Target Companies at a relatively favorable market price would generate a considerable sum of cash which could be directed toward repayment of a certain amount of debt that should reduce the Remaining Group's asset-liability ratio and sustain the Remaining Group's operations.

Upon the Completions, the Target Companies shall no longer be the Company's subsidiaries. The Group will then operate six theme parks in five core cities, i.e. Shanghai, Sanya, Chongqing, Dalian, Yantai, and other theme park related businesses, property development and investment, hotel operations, operational consulting and management, collectively covering an estimated area of about 1.2 million square meters including marine theme parks, hotels, hot spring resorts and ancillary commercial properties. The Group has an adequate reserve for biological resources and its brand IP, information system and management team will remain stable, with approximately 4,000 employees.

The remaining theme parks in Shanghai, Sanya, Chongqing, Yantai and Dalian (Discoveryland and Laohutan Ocean Park) of the Group have been developed as leisure resorts and are located outside the developed areas of the relevant cities. There are still usable land parcels for further growth and development adjacent to these theme parks in the future, enabling them to adapt to and meet the higher demands for travel, leisure and vacation.

Note: Revenue for six months ended 30 June 2021 includes RMB410 million from the sales of Kara Mansion (克拉公館), a commercial property project.

As a planned large-scale marine cultural theme park of the Company, the Zhengzhou Park has been under construction since 2018. However, due to the adverse impact of COVID-19, the development of the Zhengzhou Park has been challenging. The Directors believe that they would at least need another 18 months and a capital investment of over RMB1.2 billion to complete all the construction works of the Zhengzhou Park before formal opening. Through the Disposal, the Company would not only receive cash from the proceeds of sale, but also significantly reduce the pressure of capital investment and debt financing. At the same time, the Company, as an important shareholder in the Zhengzhou Project Company, can continue to participate in its subsequent development and construction, as well as operation management.

In the future, the Company will focus on upgrading the second phase of Shanghai theme park and the supporting facilities of Sanya theme park to bolster income and profitability of key projects. Such projects cover the economically developed areas of the Yangtze River Delta as well as Hainan Island, the only domestic free trade port in the PRC.

In particular, the Shanghai theme park is located in Lingang New Area, a pioneering demonstration zone for innovation in Shanghai, the economic centre and one of the modern international metropolises with global influence in the PRC. The Sanya theme park is also located in Hainan, a free trade port and international tourism consumption centre in the PRC. The Directors believe that these theme parks will continue to benefit from the most favorable policy and comprehensive supporting facilities.

Therefore, the Directors are of the view that focusing the Company's capital allocation on upgrading and expanding the theme parks in Shanghai and Sanya not only fits the trends and the changes in the demand in the tourism and leisure market, but also aligns with the Company's long-term development strategy and the interests of the Shareholders.

Meanwhile, the Company will further expand its asset-light business, relying on its nearly 20 years of experience in cultural and travel industry to carry out comprehensive services including design consultation, construction and entrusted operation management. The asset-light business of the Company includes:–

(1) Providing all-process consultation and advisory services of planning and design, construction and preparation, brand licensing, performance, operation and management for other theme park participants

Revenue mainly derives from design consultation fee, brand licensing fee and operation and management service fee. The current projects in this aspect include Changsha Haichang Joyful Ocean Park Project* (長沙海昌歡樂海洋世界), Changsha Xiangjiang Happy City-Happy Water Village and Happy Snow Land Project* (長沙湘江歡樂城歡樂水寨和歡樂雪域), Zhejiang Hengdian Dreamsville Dolphin Bay Project* (浙江橫店夢幻谷海豚灣) and Maoming Haichang Ocean Park Project* (茂名海昌海洋公園). Revenue generated includes one-off income and ongoing fixed income during the term of the relevant contracts.

(2) Providing entrusted operation and management for other theme travelling, commercial and hotel projects with full authority

The Group will implement full operation and management in the form of medium and long-term lease for at least ten years. Both revenue and income generated from operating and managing the relevant projects will be consolidated into the Company's financial statement. Under this arrangement, the Group has to pay an appropriate leasing fee to the owners annually, which can basically meet the owner's expectation for a reasonable return on investment. Currently, Haichang Penguin Resort Hotel* (海昌企鵝度假酒店) invested by Shanghai Jinqiao Group and Oriental Ocean Tourism Commercial Integrated Project* (東方海洋旅遊商業綜合項目) invested by Shanghai Harbour City Group are operated and managed by the Group. Revenue and income generated thereunder are relatively stable during the lease term. Improvement on the management ability and performance of the Group will bring higher income level.

(3) Self-operated business of urban leisure products in the commercial shopping mall at the core of the city

There are currently a total of four urban leisure indoor amusement projects run by the Group in Suzhou, Nantong, Hefei and Wuhan, respectively. Projects include Haichang Cute Pets Park and Hi-life Nature Exploration Park. Investments amounted to approximately RMB6 million to RMB10 million for each project with a payback period of about 3 years.

The Company plans to invest approximately RMB700 million to develop its asset-light business within the next five years aiming to further increase the proportion of income and profit contribution of asset-light business. Among them, approximately RMB200 million will be used on IP development and marketing of consultation and advisory, operation and management services; approximately RMB200 million will be used on the research and development and market layout of urban leisure indoor amusement products; and approximately RMB300 million will be used on human resources development and living resources reserve.

The Company will take the Transactions as an opportunity, on the basis of maintaining layout and brand influence of the above theme parks, to continue to tap into the huge family leisure and vacation market in the PRC through the asset-light model in the future, and is committed to providing consumers with more diversified and high-quality products and services. Taking into the above, the Company considers that it will have sufficient operations after the Disposal.

The gain on Disposal before taxation based on the net asset value of the Target companies as at 30 June 2021 under the assumption of no Dalian Adjustment and Zhengzhou adjustment is estimated to be approximately RMB1.03 billion after taking into (a) the Consideration of approximately RMB6.53 billion; adding: (b) the investment of RMB76 million from an associate company (ZZHC); deducting: (c) the unaudited net asset value of the Target Companies as at 30 June 2021 of approximately RMB3.21 billion; (d) financing loans owed by the Four Theme Parks Companies of up to RMB2.21 billion to be borne by the Purchaser; (e) the debt-like liability due up to RMB145 million to be borne by the Purchaser; and (f) the estimated relevant expenses of the Disposal of RMB15 million. The actual revenue after taxation on the Disposal to be materialised by the Group, which will be calculated by reference to the financial position of the Target Companies at the time of Completions, may be different from the above figure. Moreover, the working capital and cash position of the Group are anticipated to be strengthened after the Completions.

Having considered the above reasons and benefits, the Directors consider that the terms of the Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS FROM THE DISPOSAL

The Consideration shall be RMB6.53 billion, including:

- (a) approximately RMB2.21 billion of financing loans owed by the Four Theme Parks Companies to be repaid by the Purchaser, and approximately RMB145 million of debt-like liability due to be taken up by the Purchaser;
- (b) approximately RMB57 million to be deposited into the Escrow Account and retained for possible compensation; and
- (c) approximately RMB4.12 billion of the cash consideration received by the Vendors upon the completion of the Transactions, after paying taxes and fees related to the Transactions, approximately 40% of the remaining amount will be further used for the repayment of financing loans and the release of guarantees in relation to financing loans which are secured by the Company with the assets of the Four Theme Parks and replenishment of working capital, approximately 40% will be used for the upgrade and expansion of the theme parks in Shanghai and Sanya, and approximately 20% will be used for the expansion and deployment of asset-light business.

LISTING RULES IMPLICATIONS

As the relevant percentage ratio (as defined in the Listing Rules) applicable to the Company in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal to the Company under Chapter 14 of the Listing Rules. The Disposal is therefore subject to the reporting, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules. The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder.

GENERAL

A circular containing, among others, (i) information on the Agreement and the transactions contemplated thereunder, including the Disposal; (ii) the financial information of the Group; (iii) the unaudited pro forma financial information of the Group; (iv) the recommendation of the Board; (v) the Valuation Report; (vi) the notice of the EGM; and (vii) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 8 November 2021.

Completions are subject to the satisfaction and/or waiver of the Conditions and therefore, may or may not take place. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been halted from 9:00 a.m. on 15 October 2021 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares from 9:00 a.m. on 18 October 2021.

DEFINITIONS

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

“Adjustments”	collectively, the Dalian Adjustment and the Zhengzhou Adjustment
“Agreement”	the conditional sale and purchase agreement dated 13 October 2021 entered into among the Vendors and the Purchaser in relation to the Transactions
“Board”	board of the Directors
“Brand Licensing Agreement”	an agreement to be entered into among the Vendors, the Company’s wholly-owned subsidiaries and the Purchaser to authorise the Purchaser to use the “Haichang” brand or intellectual property owned by the Group
“Business Day(s)”	any day(s) other than Saturday(s), Sunday(s), statutory holiday(s) in the PRC or Hong Kong
“Chengdu Company”	成都極地海洋實業有限公司(Chengdu Polar Ocean Industrial Company Limited*), a company established in the PRC, and an indirect wholly owned subsidiary of the Company
“Company”	Haichang Ocean Park Holdings Limited (海昌海洋公園控股有限公司), a company incorporated in Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2255)
“Completions”	collectively, the Dalian Completion and the Zhengzhou Completion
“Conditions”	collectively, the Dalian Conditions and the Zhengzhou Conditions
“Consideration”	collectively, the Dalian Consideration and the Zhengzhou Consideration
“COVID-19”	the novel coronavirus, a coronavirus disease which has its outbreak across various parts of the world since around December 2019
“Dalian Completion”	the completion of the Dalian Disposal

“Dalian Conditions”	conditions precedent to the Dalian Completion as set out in the Agreement
“Dalian Consideration”	the consideration for the Dalian Disposal
“Dalian Disposal”	the transfer of the entire equity interest in the Dalian WFOE1 by the Vendors to the Purchaser pursuant to the terms of the Agreement, including the entire equity interest in the Four Theme Parks Companies
“Dalian Pre-Completion Restructuring”	the transfer of entire share capital of the Four Theme Parks Companies from DLHC to Dalian WFOE1 for the consideration of RMB1.15 billion and the transfer of 9% equity interest in 成都忠捷置業有限公司 (Chengdu Zhongjie Real Estate Company Limited*) held by the Chengdu Company to a subsidiary within the Group
“Dalian WFOE1”	海合(大連)文化旅遊開發管理有限公司(Haihe (Dalian) Cultural Tourism Development Management Company Limited*), a wholly foreign-owned enterprise established in the PRC, which was established for the purpose of reaching such Transactions and has no other business other than controlling ownership
“Dalian WFOE2”	海博(大連)文化旅遊開發管理有限公司(Haibo (Dalian) Cultural Tourism Development Management Company Limited*), a wholly foreign-owned enterprise established in the PRC, which was established for the purpose of reaching such Transactions and has no other business other than controlling ownership
“Director(s)”	director(s) of the Company
“Disposal”	collectively, the Dalian Disposal and the Zhengzhou Disposal, under which the Target Interests shall be disposed of by the Vendors to the Purchaser under the terms of the Agreement
“DLHC”	大連海昌旅遊集團有限公司(Dalian Haichang Travel Group Company Limited*), a company established in the PRC, an indirect wholly owned subsidiary of the Company
“EBITDA”	earnings before (i) interest; (ii) tax; (iii) depreciation of tangible assets; and (iv) amortisation of goodwill, general provision and other intangible assets
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Agreement and the Transactions
“Escrow Account”	an escrow account to be set up pursuant to the Escrow Account Agreement
“Escrow Account Agreement”	an agreement to be entered into between the Vendors and the Purchaser and the escrow bank to set up an escrow account
“Founder”	Mr. Qu Naijie

“Founder’s Letter of Non-Competition Undertaking”	a non-competition undertaking to be executed by the Founder
“Four Theme Parks”	Qingdao Haichang Polar Ocean Park, Tianjin Haichang Polar Ocean Park, Chengdu Haichang Polar Ocean Park and Wuhan Haichang Polar Ocean Park, located in Qingdao, Tianjin, Chengdu, and Wuhan, respectively operated by the Qingdao Company, the Tianjin Company, the Chengdu Company and the Wuhan Company, respectively
“Four Theme Parks Companies”	collectively, Wuhan Company, Chengdu Company, Tianjin Company and Qingdao Company
“FY2022”	the financial year ending 31 December 2022
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKHC”	Haichang Holdings (Hong Kong) Limited (海昌控股(香港)有限公司), a company incorporated in Hong Kong with limited liability, and an indirect wholly owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excluding Hong Kong, Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Aquaman Hong Kong Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of MBK Partners Fund V, L.P.
“Qingdao Company”	青島極地海洋世界有限公司(Qingdao Polar Ocean World Company Limited*), a company established in the PRC, and an indirect wholly owned subsidiary of the Company
“Remaining Group”	the subsidiaries of the Company which operate six theme parks in five core cities, i.e. Shanghai, Sanya, Chongqing, Dalian, Yantai and other theme park related businesses, property development and investment, hotel operations, operational consulting and post-Completions management

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders’ Agreement”	a shareholder agreement governing the matters of the Zhengzhou Project Company to be entered into between ZZHC and Dalian WFOE2
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Cooperation Agreement”	an agreement entered into between the Company and the Purchaser on 13 October 2021 for strategic cooperation after the Completions
“Target Companies”	collectively, the Four Theme Parks Companies and the Zhengzhou Project Company
“Target Interests”	comprising 66% equity interest in the Zhengzhou Project Company and 100% equity interest in the Four Theme Parks Companies
“Tianjin Company”	天津極地旅遊有限公司(Tianjin Polar Travel Company Limited*), an indirect wholly owned subsidiary of the Company
“Time Dynasty”	Time Dynasty Limited, a company incorporated in the British Virgin Islands, the beneficial owner of 4.59% shares of the Company
“Transactions”	all the transactions contemplated under the Agreement, including but not limited to the Disposal, the Completions, the payment of Consideration, the Incentive Fee and the Adjustments
“Transitional Service Agreement”	an agreement to be entered into between the Vendors, the Purchaser and the Four Theme Parks Companies under which the Company shall provide services to the Four Theme Parks Companies
“Valuation Report”	the report prepared by an independent valuer appraising the value of the commercial properties and the landed properties owned by the Target Companies
“VAT”	value-added tax
“Vendors”	collectively, the Company, HKHC, DLHC and ZZHC
“Wuhan Company”	武漢極地海洋世界投資有限公司(Wuhan Polar Ocean World Investment Company Limited*), a company established in the PRC, an indirect wholly owned subsidiary of the Company
“Zhengzhou Completion”	the completion of the Zhengzhou Disposal
“Zhengzhou Conditions”	conditions precedent to the Zhengzhou Completion as set out in the Agreement

“Zhengzhou Consideration”	the consideration for the Zhengzhou Disposal
“Zhengzhou Disposal”	the transfer of the entire equity interest in Dalian WFOE2 by the Vendors to the Purchaser pursuant to the terms of the Agreement, including 66% equity interest in the Zhengzhou Project Company
“Zhengzhou Park”	a theme park under construction by the Zhengzhou Project Company and is located in Zhengzhou
“Zhengzhou Pre-Completion Restructuring”	the transfer of 66% equity interest in Zhengzhou Project Company from ZZHC to Dalian WFOE2 for the consideration of RMB450 million
“Zhengzhou Project Company”	鄭州海昌海洋公園旅遊發展有限公司(Zhengzhou Haichang Ocean Park Tourism Development Co., Ltd.*), a company established in the PRC, and a direct wholly owned subsidiary of ZZHC
“Zhengzhou Target Group”	Dalian WFOE2, Zhengzhou Project Company and its subsidiaries
“ZZHC”	鄭州海昌極地海洋公園有限公司(Zhengzhou Haichang Polar Ocean Park Company Limited*), a company established in the PRC, and an indirect wholly-owned subsidiary of the Company and the holding company of the Zhengzhou Project Company
“%”	per cent

By Order of the Board
Haichang Ocean Park Holdings Ltd.
Wang Xuguang
Executive Director and Chief Executive Officer

Shanghai, the PRC, 18 October 2021

As at the date of this announcement, the executive Directors are Mr. Wang Xuguang, Mr. Qu Cheng and Mr. Gao Jie; the non-executive Directors are Mr. Qu Naijie, Mr. Li Hao and Mr. Yuan Bing; and the independent non-executive Directors are Mr. Chen Guohui, Mr. Wang Jun and Ms. Zhang Meng.

English names marked with “” are translations of their Chinese names and are included in this announcement for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency between such translations and its Chinese names, the Chinese name prevails.*

For the purpose of this announcement, unless otherwise indicated, conversion of HK\$ into RMB is calculated at the approximate exchange rate of HK\$1.00 = RMB0.83. This exchange rate is for the purpose of illustration only and do not constitute a representation that any amounts in RMB and HK\$ have been, could have been or may be converted at such rate or any other exchange rate.