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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)

ANNOUNCEMENT

DISCLOSEABLE TRANSACTION IN RELATION TO TRANSFER OF EQUITY INTEREST IN DANZHOU SHUANGLIAN

EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 10 November 2022, Hailan Shiye Guangzhou (an indirect non wholly-owned subsidiary of the Company) as vendor and Sanya Zhongzekai (an indirect wholly-owned subsidiary of the Company) as purchaser entered into the Equity Transfer Agreement in relation to the transfer of 9.7% of equity interest in Danzhou Shuanglian from Hailan Shiye Guangzhou to Sanya Zhongzekai.

REASONS FOR AND BENEFIT OF THE EQUITY TRANSFER

The Group is principally engaged in property development and sales and lease of residential properties in the PRC. The Equity Transfer will enable the Group to acquire additional effective interest in Danzhou Shuanglian which will allow the Group to focus on and increase the return of its investment in Danzhou, Hainan Province, the PRC.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratio(s) calculated in accordance with Rule 14.07 of the Listing Rules in respect of the disposal by Hailan Shiye Guangzhou and the acquisition by Sanya Zhongzekai are more than 5% but less than 25%, the Equity Transfer constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

EQUITY TRANSFER AGREEMENT

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The principal terms of the Equity Transfer Agreement are set out as follows:

Date: 10 November 2022 (the execution page was received on 11 November 2022)

Parties: (1) Hailan Shiye Guangzhou (as vendor); and
(2) Sanya Zhongzekai (as purchaser).

Subject assets of the Equity Transfer

Pursuant to the terms of Equity Transfer Agreement, Hailan Shiye Guangzhou agreed to dispose of, and Sanya Zhongzekai agreed to purchase, 9.7% of the equity interest in Danzhou Shuanglian.

Consideration

The total consideration of RMB105,410,000 payable by Sanya Zhongzekai to Hailan Shiye Guangzhou for 9.7% of the equity interest in Danzhou Shuanglian.

The consideration was determined after arm's length negotiations between Hailan Shiye Guangzhou and Sanya Zhongzekai on normal commercial terms with reference to, among other things, the financial statements of Danzhou Shuanglian as at 30 June 2022 (including but not limited to the net asset value).

Payment of Consideration

The consideration shall be payable by Sanya Zhongzekai to Hailan Shiye Guangzhou by way of setting off debt owed by Hailan Shiye Guangzhou to Sanya Zhongzekai.

Completion

Hailan Shiye Guangzhou will transfer 9.7% equity interest in Danzhou Shuanglian to Sanya Zhongzekai immediately after the signing of the Equity Transfer Agreement.

INFORMATION ON THE PARTIES TO THE EQUITY TRANSFER AGREEMENT

Information on the Group

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

Information on Hailan Shiye Guangzhou

Hailan Shiye Guangzhou is a company established on 28 May 2019 under the laws of the PRC with limited liability. Hailan Shiye Guangzhou is principally engaged in the leasing of properties, real estate development and real estate agency services. Hailan Shiye Guangzhou is an indirect non-wholly owned subsidiary of the Company which is owned as to 65% by an indirect wholly-owned subsidiary of the Company, Hailan Haoyue and as to 35% by Guangdong Henghong Zhiye Co., Ltd.* (廣東恆鴻置業有限公司) (“**Guangdong Henghong**”). Guangdong Henghong’s ultimate beneficial owners include Mr. Zhou Yongwu (周永武先生) and Mr. Zhou Xiaojun (周小俊先生).

Information on Sanya Zhongzekai

Sanya Zhongzekai is a company established on 1 April 2012 under the laws of the PRC with limited liability. It is principally engaged in leasing of real estate properties, real estate development and real estate agency services. Sanya Zhongzekai is an indirect wholly-owned subsidiary of the Company through Zhong Ze (Hong Kong) Investment Limited (中澤(香港)投資有限公司) and Hailan Construction Holding (Nanjing) Company Limited (海藍建設控股(南京)有限公司).

INFORMATION ON DANZHOU SHUANGLIAN

Danzhou Shuanglian is a company established on 3 December 2009 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 which is owned as to as to 60% by Sanya Zhongzekai, 29.208% by Guangdong Jinzhong Hongpeng, 9.7% by Hailan Shiye Guangzhou and 1.092% by Ms. Zhao Xia (趙霞女士) prior to the completion of the Equity Transfer.

Guangdong Jinzhong Hongpeng is owned as to 72.61% by Hailan Shiye Guangzhou, an indirect non-wholly owned subsidiary of the Company, and 27.39% by Hengnan Wanwu.

Hengnan Wanwu is owned as to 50% by Mr. He Haiying (何海英先生) and 50% by Mr. Yang Guisheng (陽桂生先生).

Set out below is the unaudited financial information of Danzhou Shuanglian for the two years ended 31 December 2021 prepared according to the PRC accounting standards:

	For the year ended 31 December 2020 (RMB'000) (unaudited)	For the year ended 31 December 2021 (RMB'000) (unaudited)
Net loss before taxation and extraordinary items	(6,600)	(21,131)
Net loss after taxation and extraordinary items	(5,229)	(16,078)

The unaudited net assets of Danzhou Shuanglian as at 30 June 2022 is RMB413,346,000.

The unaudited total asset value and the unaudited total liabilities of Danzhou Shuanglian as at 30 June 2022 is approximately RMB1,446,677,000 and RMB1,072,268,000, respectively.

REASONS FOR AND BENEFIT OF THE EQUITY TRANSFER

The Group is principally engaged in property development and sales and lease of residential properties in the PRC. The Equity Transfer will enable the Group to acquire additional effective interest in Danzhou Shuanglian which will allow the Group to focus on and increase the return of its investment in Danzhou, Hainan Province, the PRC. Having considered the aforementioned, the Directors consider that the Equity Transfer is beneficial to the Company and the shareholders of the Company as a whole. The Directors also consider that the terms and conditions of the Equity Transfer Agreement are based on normal commercial terms, which are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

FINANCIAL EFFECTS OF THE EQUITY TRANSFER

Upon completion of the Equity Transfer, the effective interest in Danzhou Shuanglian owned by the Group will be increased from 85.28% to 88.68%. Danzhou Shuanglian will continue to be consolidated into the consolidated financial statements of the Group. The Group is not expected to recognise any significant unaudited gain or loss from the Equity Transfer. The proceeds will be used for general working capital of the Group. Shareholders should note that the actual results of the gain or loss in relation to the Equity Transfer shall be subject to review and audit by the Company's auditors.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratio(s) calculated in accordance with Rule 14.07 of the Listing Rules in respect of the disposal by Hailan Shiye Guangzhou and the acquisition by Sanya Zhongzekai are more than 5% but less than 25%, the Equity Transfer constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

“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. Immediately prior to the Equity Transfer, it is an indirect non-wholly owned subsidiary of the Company which is owned as to as to 60% by Sanya Zhongzekai, 29.208% by Guangdong Jinzhong Hongpeng Zhiye Co., Ltd. (廣東金鐘鴻鵬置業有限公司), 9.7% by Hailan Shiye Guangzhou and 1.092% by Ms. Zhao Xia (趙霞女士) prior to the completion of the Equity Transfer
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“Equity Transfer”	the transfer of 9.7% equity interest in Danzhou Shuanglian from Hailan Shiye Guangzhou to Sanya Zhongzekai
“Equity Transfer Agreement”	the equity transfer agreement entered into between Hailan Shiye Guangzhou (as vendor) and Sanya Zhongzekai (as purchaser) in relation to the disposal of 9.7% of equity interest in Danzhou Shuanglian by Hailan Shiye Guangzhou to Sanya Zhongzekai
“Guangdong Jinzhong Hongpeng”	Guangdong Jinzhong Hongpeng Zhiye Co., Ltd.* (廣東金鐘鴻鵬置業有限公司), the joint venture company established in the PRC with limited liability on 22 August 2020 which is owned as to 72.61% by Hailan Shiye Guangzhou, an indirect non-wholly owned subsidiary of the Company, and 27.39% by Hengnan Wanwu
“Hailan Haoyue”	Hailan Haoyue Holdings (Shenzhen) Co., Ltd.* (海藍浩越控股(深圳)有限公司), a company established on 17 July 2019 under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Hailan Shiye Guangzhou”	Hailan Shiye (Guangzhou) Co., Ltd.* (海藍實業(廣州)有限公司), a company established under the PRC law and a non-wholly owned subsidiary of the Company
“Hengnan Wanwu”	Hengnan Wanwu Enterprise Management Co., Ltd.* (衡南萬物企業管理有限公司), a company established in the PRC with limited liability which is owned as to 50% by Mr. He Haiying (何海英先生) and 50% by Mr. Yang Guisheng (陽桂生先生)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sanya Zhongzekai”	Sanya Zhongzekai Shiye Co., Ltd.* (三亞中澤凱實業有限公司), an indirect wholly-owned subsidiary of the Company through Zhong Ze (Hong Kong) Investment Limited (中澤(香港)投資有限公司) and Hailan Construction Holding (Nanjing) Company Limited (海藍建設控股(南京)有限公司)

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“%” per cent

* *For identification purpose only*

By order of the Board
Hailan Holdings Limited
Zhou Li
Chairperson

The PRC, 11 November 2022

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