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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 DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY AND UPDATE ON DISCLOSEABLE TRANSACTION

Reference is made to the Announcements in relation to the acquisition of 99% equity interest in and the debt of the Target Company through Jiangxi Hailan and the summons issued against subsidiaries of the Company. Unless other specified herein, capitalized terms shall have the meanings as ascribed to them in the Announcements.

EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 10 November 2022, Hailan Shiye Guangzhou, Hailan Haoyue, Jiangxi Hailan entered into the Equity Transfer Agreement with the Purchaser and Mr. Zhong Xunyong (鐘訓勇先生) (as guarantor) in relation to the disposal of the Sale Equity (i.e. 65% of equity interest in Jiangxi Hailan) by Hailan Shiye Guangzhou and the transfer of the Sale Loan to the Purchaser for a total consideration of RMB39,210,172.16.

REASONS FOR AND BENEFIT OF THE DISPOSAL AND UPDATE ON DISCLOSEABLE TRANSACTION

The Group is principally engaged in property development and sales and lease of residential properties in the PRC. As the disputes arising from and in connection with the Acquisitions of Jiangxi Hailan may potentially have an adverse impact on the Group as it potentially requires additional time and effort of the senior management to deal with issues arising from the case. By disposing of Jiangxi Hailan, the Group will no longer be required to deal with the litigation case and acquire the equity interest in the Target Company. As such, the Disposal will enable the Group to focus on acquiring assets which have developmental potential for real estate properties in the near term in the PRC.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon completion of the Disposal, Jiangxi Hailan will be owned as to 65% by the Purchaser, as to 25% by Hengyang Hongpeng and as to 10% by Mr. Wang Yiqun. The financial results of Jiangxi Hailan will cease to be consolidated into the consolidated financial statements of the Group as Jiangxi Hailan will cease to be a subsidiary of the Company.

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 Acquisitions is/are more than 5% but less than 25%, the Disposal 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.

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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;
(2) Hailan Haoyue;
(3) Jiangxi Hailan;
(4) the Purchaser; and
(5) Mr. Zhong Xunyong (as guarantor).

Subject assets of the Disposal

Pursuant to the terms of Equity Transfer Agreement, the Purchaser agreed to acquire (i) the Sale Equity, representing 65% equity interest in Jiangxi Hailan, from Hailan Shiye Guangzhou and (ii) the Sale Loan in the amount of RMB39,210,171.16 from Hailan Haoyue.

Consideration

The total consideration of RMB39,210,172.16 is the aggregate of (i) the consideration payable by the Purchaser to Hailan Shiye Guangzhou for 65% of the equity interest in Jiangxi Hailan in the amount of RMB1.00; and (ii) the consideration payable by the Purchaser to Hailan Haoyue for the Sale Loan at face value of the amount owing by Jiangxi Hailan in the amount of RMB39,210,171.16.

The consideration was determined after arm's length negotiations between Hailan Shiye Guangzhou, Hailan Haoyue and the Purchaser on normal commercial terms with reference to, among other things, the financial statements of Jiangxi Hailan as at 30 June 2022 (including but not limited to the net asset value). Hailan Haoyue contributed RMB39,210,171.16 towards Jiangxi Hailan through Hailan Shiye Guangzhou in relation to its initial funding.

Payment of Consideration

The consideration for the Sale Equity will be payable by the Purchaser to Hailan Shiye Guangzhou in cash by depositing RMB1 into a specified account on the completion date.

The consideration for the Sale Loan will be payable by the Purchaser to Hailan Haoyue in 30 months with an interest rate of 8% per annum. As security for repayment of the consideration, the 65% equity interest in Jiangxi Hailan will be provided by the Purchaser as a share charge in favour of Hailan Haoyue until the total consideration including interest has been settled by the Purchaser in full.

The Purchaser undertakes to pay Hailan Haoyue RMB5 million in the first year after the date of the Equity Transfer Agreement and RMB15 million in the second year after the date of the Equity Transfer Agreement.

Guarantee

Mr. Zhong Xunyong will act as a guarantor in relation to the liability of the Purchaser for a term of three years.

Completion

After entering into the Equity Transfer Agreement, Hailan Shiye Guangzhou will transfer 65% of the equity interest in Jiangxi Hailan to the Purchaser within five working days.

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 Hailan Haoyue

Hailan Haoyue is a company established on 17 July 2019 under the laws of the PRC and is a wholly-owned subsidiary of the Company. It is owned as to 99% by Sanya Zhongzekai Shiye Co., Ltd.* (三亞中澤凱實業有限公司) and 1% by Sanya Phoenix Shuiyun Property Development Co., Ltd.* (三亞鳳凰水韻房地產開發有限公司). Hailan Haoyue is principally engaged in real estate agency, construction project management and economic information consultancy.

Information on the Purchaser

Guangdong Youming is a company established on 3 November 2022 under the laws of the PRC which is owned as to 62% by Mr. Zhong Xunhua (鐘訓華先生) and as to 38% by Mr. Zhou Dinghui (周定輝先生). Guangdong Youming is principally engaged in enterprise management, property management and real estate consulting. To the best knowledge of the Directors, both Mr. Zhong Xunhua and Mr. Zhou Dinghui are PRC merchants and are independent third parties of the Company.

Information on Mr. Zhong Xunyong

Mr. Zhong Xunyong (鐘訓勇先生) is a PRC merchant and is an independent third party of the Company.

INFORMATION ON JIANGXI HAILAN

Jiangxi Hailan is a company established in the PRC with limited liability on 23 June 2020. As at the date of this announcement, Jiangxi Hailan has a registered capital of RMB10 million which has not been settled.

The equity interest of Jiangxi Hailan is owned as to 65% by Hailan Shiye Guangzhou and 25% by Hengyang Hongpeng and 10% by Mr. Wang Yiqun (王藝群先生). It is an indirect non-wholly owned subsidiary of the Company and is principally engaged in real estate development in the PRC.

Hengyang Hongpeng is a company established in the PRC with limited liability on 10 September 2020 and is principally engaged in commercial information consultancy, financial consultancy, enterprise management consultancy property development. Mr. Wang Yiqun is a PRC merchant.

Set out below is the unaudited financial information of Jiangxi Hailan for the period between 23 June 2020 (i.e. the date of incorporation) and 31 December 2021 and the six months ended 30 June 2022 prepared according to the PRC accounting standards:

	For the period from 23 June 2020 to 31 December 2021 (RMB) (unaudited)	For the six months ended 30 June 2022 (RMB) (unaudited)
Net profit/(loss) before taxation and extraordinary items	(838,553)	Nil
Net profit/(loss) after taxation and extraordinary items	(838,553)	Nil

The unaudited net liabilities of Jiangxi Hailan as at 30 June 2022 is RMB838,553.

The unaudited total asset value and the unaudited total liabilities of Jiangxi Hailan as at 30 June 2022 is approximately RMB115,153,313 and RMB115,991,866, respectively.

On 16 October 2020, Jiangxi Hailan, entered into Agreement A and Agreement B with Vendor A and Vendor B respectively to acquire 99% equity interest in the Target Company and the Sale Debt A and Sale Debt B. The Target Company holds the land use rights of the Land Parcels. The Land Parcels are located at Lajiao Chuipian District, Qinzhou City, Guangxi Zhuang Autonomous Region, the PRC with a total site area of approximately 58,314.91 square metres, which are planned for residential use. However, the Acquisitions have not been completed as at the date of this announcement and Vendor A and Vendor B are suing Jiangxi Hailan and Hailan Shiye Guangzhou for the remaining balance of the consideration.

REASONS FOR AND BENEFIT OF THE DISPOSAL AND UPDATE ON DISCLOSEABLE TRANSACTION

The Group is principally engaged in property development and sales and lease of residential properties in the PRC. As the disputes arising from and in connection with the Acquisitions of Jiangxi Hailan can potentially have an adverse impact on the Group which potentially requires additional time and effort from the senior management to deal with issues arising from the case. By disposing Jiangxi Hailan, the Group will no longer be required to deal with the litigation case and acquire the equity interest in the Target Company. As such, the Disposal will enable the Group to focus on acquiring assets which have developmental potential for real estate properties in the near term in the PRC. Having considered the aforementioned, the Directors consider that the Disposal 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.

To the best of information, knowledge and belief, having made all reasonable enquiries, the Purchaser, and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected person(s).

FINANCIAL EFFECTS OF THE DISPOSAL

Upon completion of the Disposal, Jiangxi Hailan will be owned as to 65% by the Purchaser, as to 25% by Hengyang Hongpeng and as to 10% by Mr. Wang Yiqun. The financial results of Jiangxi Hailan will cease to be consolidated into the consolidated financial statements of the Group as Jiangxi Hailan will cease to be a subsidiary of the Company.

Furthermore, the Group is expected to realize an unaudited gain of not more than RMB6.64 million as interest from the consideration. 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 Disposal 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 Acquisitions is/are more than 5% but less than 25%, the Disposal 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. Furthermore, unless other specified herein, capitalized terms shall have the meanings as ascribed to them in the Announcements.

“Announcements”	the announcement of the Company dated 16 October 2020 in relation to the acquisition of 99% equity interest in and the debt of the Target Company through Jiangxi Hailan and the announcement of the Company dated 4 November 2022 in relation to the writs of summons issued against subsidiaries of the Company
“Disposal”	the disposal of the Sale Equity by Hailan Shiye Guangzhou to the Purchaser and the transfer of the Sale Loan to the Purchaser

“Equity Transfer Agreement”	the equity transfer agreement entered into between Hailan Shiye Guangzhou, Hailan Haoyue, Jiangxi Hailan, the Purchaser and Mr. Zhong Xunyong in relation to the disposal of the 65% of equity interest in Jiangxi Hailan by the Group and the transfer of a shareholder loan to the Purchaser
“Guangdong Youming” or the “Purchaser”	Guangdong Youming Enterprise Management Co., Ltd.* (廣東優銘企業管理有限公司), a company established under the PRC law and an independent third party of the Company
“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
“Hengyang Hongpeng”	Hengyang Hongpeng Enterprise Management Co., Ltd.* (衡陽鴻鵬企業管理有限責任公司), a company established on 10 September 2020 under the laws of the PRC
“Sale Equity”	the 65% equity interest in Jiangxi Hailan owned by Hailan Shiye Guangzhou being transferred to the Purchaser under the Equity Transfer Agreement
“Sale Loan”	the shareholder loan lent to Jiangxi Hailan by Hailan Haoyue through Hailan Shiye Guangzhou in the amount of RMB39,210,171.16

* *For identification purpose only*

By order of the Board
Hailan Holdings Limited
Chairperson
Zhou Li

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.