



YU MING INVESTMENT MANAGEMENT LIMITED
禹銘投資管理有限公司

12 June 2023

To the Independent Shareholders,

Dear Sir or Madam,

**PROPOSED PRIVATISATION
BY WAY OF
VOLUNTARY CONDITIONAL CASH OFFER BY
YU MING INVESTMENT MANAGEMENT LIMITED
ON BEHALF OF
ZHONG JIA (INTERNATIONAL) INVESTMENT
CONSTRUCTION COMPANY LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
HAILAN HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED AND/OR AGREED
TO BE ACQUIRED BY THE OFFEROR
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

After trading hours of the Stock Exchange on 27 April 2023, the Offeror informed the Board that Yu Ming will, on behalf of the Offeror, make a voluntary conditional cash offer to acquire all the Shares (other than those already owned or agreed to be acquired by the Offeror and Offeror Concert Parties).

Subject to the Offer becoming unconditional and satisfaction of the requirements under the Cayman Companies Act and the Takeovers Code, the Offeror intends to privatise the Company by exercising its right to compulsorily acquire those Offer Shares not already acquired by the Offeror under the Offer. If the Offeror completes the compulsory acquisition, the Company will become a wholly-owned subsidiary of the Offeror and an application will be made for the withdrawal of listing of the Shares from the Stock Exchange.

This letter forms part of the Composite Document and sets out, among other things, details of the Offer, reasons for and benefits of the Offer, and the Offeror's intentions in relation to the Group. Further details on the terms and the procedures for acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. The Independent Shareholders are strongly advised to carefully consider the information contained in the "Letter from the Board", the "Letter from the Independent Board Committee", the "Letter from the Independent Financial Adviser", the appendices to this Composite Document and the accompanying Form of Acceptance, and to consult their own professional advisers before reaching a decision as to whether or not to accept the Offer.



THE OFFER

Yu Ming, on behalf of the Offeror, hereby makes the Offer in compliance with the Takeovers Code on the following basis:

For each Offer Share..... HK\$3.36 in cash

As at the Latest Practicable Date, the Company has 300,000,000 Shares in issue and there are no outstanding options, warrants, derivatives or securities convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

The Offer will be extended to all Shares in issue on the date on which the Offer is made, being the date of despatch of this Composite Document, and to any further Shares which are unconditionally allotted or issued after the date on which the Offer is made and before the date on which the Offer closes, other than those held by the Offeror or Offeror Concert Parties. The Shares to be acquired under the Offer shall be acquired fully-paid and free from all Encumbrances and together with all rights and benefit attaching or accruing to them, including the rights to receive in full all dividends and other distributions, if any, declared, made or paid by reference to a record date on or after the date on which the Offer is made, that is, the date of the posting of this Composite Document. As at the Latest Practicable Date, the Company confirmed that it has not declared any dividend and the Company does not intend to declare, make or pay any dividend or other distributions prior to the Closing Date.

Further terms of the Offer and the procedures for acceptance are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

Condition to the Offer

The Offer to be made by the Offeror is subject to the only Condition that valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date in respect of such number of Offer Shares which would result in the Offeror holding at least 90% of the Offer Shares with the further proviso that, within that holding, the Offeror would also hold at least 90% of the Disinterested Shares.

As at the Latest Practicable Date, the Offer Shares and the Disinterested Shares comprise 75,000,000 Shares in issue.

The Condition is not waivable. If the Condition cannot be fulfilled by the Closing Date, the Offer will lapse.

As at the Latest Practicable Date, the Condition has not been satisfied.

The Offeror will issue an announcement in relation to the revision, extension or lapse of the Offer or the fulfilment of the Condition in accordance with the Takeovers Code and the Listing Rules.



WARNING: Completion of the Offer is subject to the Condition being fulfilled. The issue of this Composite Document does not in any way imply that the Offer will be completed. The Offer may or may not become unconditional and will lapse if it does not become unconditional within the time period that complies with the Takeovers Code. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

Comparison of value

The Offer Price of HK\$3.36 per Share represents:

- (i) a premium of approximately 5.00% over the closing price of HK\$3.20 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 5.00% over the average closing price of HK\$3.20 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 5.00% over the average closing price of approximately HK\$3.20 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 5.00% over the average closing price of approximately HK\$3.20 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 6.33% over the closing price of HK\$3.16 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a discount of approximately 60.19% to the adjusted unaudited net asset value attributable to owners of the Company of approximately HK\$8.44 per Share after taking into account of the property valuation as set out in Appendix III to this Composite Document; and
- (vii) a discount of approximately 3.17% to the audited consolidated net assets attributable to owners of the Company of approximately HK\$3.47 per Share as at 31 December 2022 calculated based on the information as set out in the Company's financial report for the year ended 31 December 2022.

Highest and Lowest Share Prices

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange was HK\$3.25 per Share on 6 June 2023 and HK\$2.25 per Share from 8 November 2022 to 11 November 2022, respectively.



Offer consideration

As at the Latest Practicable Date, the Company has 300,000,000 Shares in issue. Assuming that there is no change in the issued share capital of the Company and on the basis of the Offer Price of HK\$3.36 per Share, the entire issued share capital of the Company is valued at HK\$1,008,000,000.

As at the Latest Practicable Date, the Offeror and the Offeror Concert Parties are interested in 225,000,000 Shares, representing 75% of the total issued Shares. As a result, the total number of the Offer Shares will be 75,000,000 Shares. The total consideration payable by the Offeror under the Offer will be HK\$252,000,000.

Confirmation of financial resources

The Offeror intends to finance the Offer by way of internal resources. Yu Ming has been appointed as the financial adviser to the Offeror in respect of the Offer and is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer.

Effect of accepting the Offer

Subject to the satisfaction of the Condition, provided that valid acceptance forms and the relevant certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and valid pursuant to Note 1 to Rule 30.2 of the Takeovers Code and have been received by the Registrar, by validly accepting the Offer, the Independent Shareholders would sell their tendered Shares to the Offeror free from all Encumbrances and together with all rights attaching to them, including the rights to receive in full all dividends and other distributions, if any, declared, made or paid by reference to a record date on or after the date on which the Offer is made, that is, the date of the posting of this Composite Document.

Acceptance of the Offer would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

Duration of the Offer

The Offer is initially open for acceptance by Shareholders for at least 21 days from the date of despatch of this Composite Document, unless the Offer is withdrawn with the consent of the Executive and the Offeror is released from any obligation incurred thereunder.

Extension of the Offer

The Offeror is not obliged to extend the Offer. However, if the Offer is extended and:

- (a) is not unconditional as to acceptances as at the date of such extension, the announcement of the extension must state the next Closing Date which must be one within the time period that complies with the Takeovers Code; or



- (b) is unconditional as to acceptances as at the date of such extension, the announcement of the extension need not state the next Closing Date but may state that the Offer will remain open until further notice. In such case, the Offeror must give Shareholders, who have not accepted the Offer at least 14 days' prior notice in writing before it may close the Offer.

If the Closing Date is extended, any reference in this Composite Document and in the accompanying Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent Closing Date.

Offer to remain open after becoming or being declared unconditional

Pursuant to Rule 15.3 of the Takeovers Code, the Offer must remain open for not less than 14 days after the Offer has become or is declared unconditional as to acceptances or in all respects, in order to give Shareholders who have not accepted the Offer the opportunity to accept the Offer.

Final day rule

The Offer will not be capable of becoming or being declared unconditional as to acceptances after 7:00 p.m. on Friday, 11 August 2023, being the 60th day after the date of despatch of this Composite Document, unless the Offeror has obtained prior consent of the Executive.

Overseas Shareholders

The Offeror intends to make the Offer available to all the Independent Shareholders, including the Overseas Shareholders. However, the Offer is in respect of securities of an exempted company incorporated in the Cayman Islands and is subject to the procedural and disclosure requirements of Hong Kong which may be different from other jurisdictions. Overseas Shareholders who wish to participate in the Offer but with a registered address outside Hong Kong are subject to, and may be limited by, the laws and regulations of their respective jurisdictions in connection with their participation in the Offer. Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe relevant applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such accepting Overseas Shareholder in respect of such jurisdictions).

Any acceptance by any Shareholders and beneficial owners of the Offer Shares will be deemed to constitute a representation and warranty from such Shareholders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.



Stamp duty

Seller's Hong Kong ad valorem stamp duty on acceptances of the Offer at a rate of 0.13% (or part thereof) of (i) the consideration payable in respect of the relevant acceptance by the Independent Shareholders or (ii) if higher, the market value of the Shares, will be deducted from the cash amount payable by the Offeror to such Shareholders who accept the Offer (where the stamp duty calculated includes a fraction of HK\$1.00, the stamp duty would be rounded-up to the nearest HK\$1.00). The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the BVI with limited liability, its principal business is investment holding. The Offeror is wholly-owned by Mr. Yeung Man. Mr. Yeung Man is a controlling Shareholder and the founder of the Group. Mr. Yeung graduated from the Correspondence College of the Central School of the Communist Party of China (中國中共中央黨校), majoring in economics and management in December 1998. Mr. Yeung has over 20 years of experience in construction and real property management in the PRC. Mr. Yeung played a key management role in property construction projects who oversees property projects throughout the entire process, including land acquisition, construction planning and implementation, and sales after completion.

Reasons and benefits of the Offer

For Shareholders

The Offer Price of HK\$3.36 per Share represents a premium of 5.00% over the closing price of HK\$3.20 per Share as quoted on the Stock Exchange on the Last Trading Date, and a premium of 6.33% over the closing price of HK\$3.16 per Share as quoted on the Stock Exchange on the Latest Practicable Date. The Offer Price also represents a premium of approximately 5.00% over the average closing prices of approximately HK\$3.20 per Share as quoted on the Stock Exchange for each of the 5, 10 and 30 trading days immediately prior to and including the Last Trading Date, respectively.

The Offer Price also represents a discount of 3.17% to the audited net asset value attributable to owners of the Company of approximately HK\$3.47 per Share as at 31 December 2022, and a discount of 60.19% to the adjusted unaudited net asset value attributable to owners of the Company of approximately HK\$8.44 per Share after taking into account of the property valuation as set out in Appendix III to this Composite Document.



The average daily trading volume of the Shares for the six months up to and including the Last Trading Date was less than 1,000 Shares per day. The low trading liquidity of the Shares also makes it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares. The Offeror intends to provide the Shareholders with an opportunity to realise their investment in the Company for cash at a compelling premium without any downward pressure on the Share price.

In addition, real estate industry in the PRC is suffering a significant decline, leading to plummeting land and sales markets. Majority of property enterprises with high leverage ratios were forced to lower prices to promote sales, which further accelerated the decline in property prices, and the Group expects to see further headwinds affecting its business activities. Accordingly, for some Shareholders, given the current status of the property market in the PRC and the uncertainty on the timing of a recovery, they may find the Offer particularly timely.

While the Offer Price is at a discount to the audited net asset value and adjusted unaudited net asset of the Group, it is important to note that the Group's assets primarily consist of properties intended for sale, held for investment, under development, or future development. These assets are characterised by their high illiquidity, as such, the comparison of audited net asset value and adjusted unaudited net asset has limited relevancy to the Offer Price. Instead, the Offer Price should be assessed with reference to the current market condition, ie the prevailing market price of the Shares.

As a result, the Offer provides an attractive opportunity for the Shareholders to monetise their investment at a premium to the prevailing market price of the Shares or switch investment of their holding in the Shares into securities of other companies with better prospects or higher share trading volume, which they might not be able to do so currently because of the thin trading volume of the Shares.

For the Company

The Company has not been able to raise equity capital lest diluting the interests of Shareholders, and the Company's current listing status on the Stock Exchange no longer serves as a sufficient source of funding for the Company's business and growth. The possible withdrawal of the listing (if applicable) will give the Group more flexibility to pursue its future business development.

Intentions of the Offeror in relation to the Company

After completion of the Offer, it is the intention of the Offeror for the Group to maintain its existing principal businesses. As at the Latest Practicable Date, the Offeror has no intention to introduce major changes to the Group's existing business or redeploy any of its fixed assets or discontinue the employment of any employees of the Group. The Offeror will continue to consider how to develop the Group in a manner which best enhances efficiency and shareholder value and, in that regard, will consider reviewing and optimising its assets structure which will be dependent on a number of factors including market conditions, legal and regulatory requirements and its business needs. The Offeror does not intend to relist the Company on any other overseas stock exchanges.



INFORMATION ON THE GROUP

The Company is incorporated in the Cayman Islands with limited liability, the shares of which have been listed on the Stock Exchange since 15 July 2016. The Group is principally engaged in development and sales of properties as well as development and lease of properties in the PRC.

Your attention is drawn to the details of the information of the Group as set out under the section headed “Information on the Group” in the “Letter from the Board” and in Appendices II and V to this Composite Document which contain further financial and general information of the Group.

POSSIBLE COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING OF SHARES

Subject to compliance with the relevant requirements under Section 88 of the Cayman Companies Act, if the Offeror, within four months of the posting of the Composite Document, has received valid acceptances in respect of not less than 90% of the Offer Shares, the Offeror will have the right under Section 88 of the Cayman Companies Act to compulsorily acquire those Offer Shares not already owned or acquired by the Offeror under the Offer on the same terms as the Offer.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where the Offeror seeks to acquire or privatise the Company by means of the Offer and the use of the compulsory acquisition right under the Cayman Companies Act, such right may only be exercised if, in addition to satisfying the aforementioned requirements imposed by the Cayman Companies Act, acceptances of the Offer in respect of the Disinterested Shares and purchases of the Disinterested Shares made by the Offeror pursuant to the Offer during the period of four months after the posting of the Composite Document amount to not less than 90% of the Disinterested Shares.

Subject to satisfaction of requirements under Section 88 of the Cayman Companies Act and Rule 2.11 of the Takeovers Code, the Offeror intends to privatise the Company by exercising its right to compulsorily acquire those Offer Shares not already owned or acquired by the Offeror under the Offer. If the Offeror decides to exercise such right and completes the compulsory acquisition, the Company will become a wholly-owned subsidiary of the Offeror and an application will be made for the withdrawal of the listing of the Shares from the Stock Exchange pursuant to Rule 6.15(1) of the Listing Rules.

If the level of acceptances of the Offer reaches the prescribed level under the Cayman Companies Act required for compulsory acquisition and the requirements of Rule 2.11 of the Takeovers Code are satisfied, dealings in the Shares may be suspended from the Closing Date up to the withdrawal of listing of the Shares from the Stock Exchange pursuant to Rule 6.15(1) of the Listing Rules.



LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares or (ii) there are insufficient Shares in the public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend trading in the Shares.

While it is the intention of the Offeror to privatise the Company, the Offeror's ability to exercise the rights of compulsory acquisition in respect of the Offer Shares is dependent on the level of acceptances of the Offer reaching the prescribed levels under the Cayman Companies Act and the requirements of Rule 2.11 of the Takeovers Code being satisfied. In the event that the Offeror is not able to effect the compulsory acquisition, the Offer will lapse, all Offer Shares tendered by accepting Independent Shareholders will be returned, hence the public float of the Company will remain unchanged and the Shares will remain listed on the Stock Exchange.

ACCEPTANCES OF THE OFFER

Procedures for Acceptance

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Offer.

The duly completed and signed Form of Acceptance, should be sent, together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, marked "Hailan Holdings Limited Offer" on the envelope, in any event not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.

No acknowledgment of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

Your attention is drawn to "Further terms and procedures of acceptance of the Offer" as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.



Settlement and share certificates

Once the Offer has become, or has been declared, unconditional in all respects, settlement in cash in respect of acceptances of the Offer will be made as soon as possible pursuant to Rule 20.1 of the Takeovers Code, but in any event, within seven Business Days following the date of which (i) the Offer Unconditional Date; or (ii) the duly completed acceptance of the Offer and the relevant documents of title in respect of such acceptances are received by the Registrar complete and valid pursuant to Note 1 to Rule 30.2 of the Takeovers Code, whichever is later.

If the Offer is withdrawn or lapses, the Offeror will, as soon as possible but in any event within ten days thereof, post the share certificates lodged with the Form of Acceptance to, or make such share certificates available for collection by, those Independent Shareholders who accepted the Offer.

Nominee registration

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Offer Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. In order for beneficial owners of Offer Shares, whose investments are registered in the names of nominees, to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their nominees.

Taxation advice

Shareholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, the Offeror Concert Parties, the Company, Yu Ming, the Independent Financial Adviser, the Registrar or any of their ultimate beneficial owners, respective directors, officers, associates, agents or any other person involved in the Offer will be responsible for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

GENERAL

All documents and remittances will be sent to the Independent Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members, in case of joint holders whose name appear first in the said register of members, unless otherwise specified in the accompanying Form of Acceptance completed, returned and received by the Registrar. None of the Offeror, the Offeror Concert Parties, the Company, Yu Ming, the Independent Financial Adviser, the Registrar or any of their ultimate beneficial owners, respective directors, officers, associates, agents or any other person involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.



ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offer set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” and the letter of advice by the Independent Financial Adviser to the Independent Board Committee as set out in the “Letter from the Independent Financial Adviser” contained in this Composite Document.



YU MING INVESTMENT MANAGEMENT LIMITED
禹銘投資管理有限公司

Yours faithfully,
For and on behalf of
Yu Ming Investment Management Limited

Warren Lee
Managing Director