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HAICHANG OCEAN PARK HOLDINGS LTD.

海昌海洋公園控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2255)

DISCLOSEABLE TRANSACTION

DEEMED DISPOSAL OF 95% EQUITY INTEREST IN A WHOLLY-OWNED SUBSIDIARY

THE CAPITAL INCREASE AGREEMENT

The Board is pleased to announce that, on 30 October 2020, Haichang Travel, Chang'an Trust and the Target Company entered into the Capital Increase Agreement, pursuant to which, among others, Chang'an Trust agreed to contribute additional capital to the registered capital of the Target Company in an amount of RMB190,000,000 (equivalent to approximately HK\$213,275,000). The increased registered capital of RMB190,000,000 (equivalent to approximately HK\$213,275,000) shall be paid up by the Trust Plan to the Target Company. Upon completion of industrial and commercial registration of change, the equity interest in the Target Company will be held by Haichang Travel and Chang'an Trust as to 5% and 95%, respectively. Accordingly, the Target Company will then cease to be a subsidiary of the Company and its financial results will not be consolidated into the consolidated financial statements of the Group.

In conjunction with the Capital Increase Agreement, among others, Haichang Travel, Chang'an Trust and the Target Company entered into a cooperation agreement on the same date. Commencing from the date falling on the 12 months of the first payment of the capital contribution by Chang'an Trust, Haichang Travel or its designated party shall have the right to partially or fully repurchase the equity interest in the Target Company held by Chang'an Trust at a price as calculated according to the terms and conditions under the cooperation agreement.

IMPLICATIONS UNDER THE LISTING RULES

The equity interest in the Target Company of the Group will be diluted from 100% to 5% upon the capital contribution by Chang'an Trust to the registered capital of the Target Company under the Capital Increase Agreement. Such capital contribution therefore constitutes a deemed disposal of the Group's interest in the Target Company under Rule 14.29 of the Listing Rules.

For the purpose of Rule 14.07 of the Listing Rules, as the applicable percentage ratios for Chang'an Trust's capital contribution exceed 5% but below 25%, such capital contribution constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement.

Reference is made to the announcement of the Company dated 27 September 2020 in relation to the successful bidding of the land use rights of the land numbered G-01-02 and located at Linwang District, Haitang Bay, Sanya* (三亞市海棠灣林旺片區G-01-02地塊) (the “**Land**”) through the listing-for-sale process for a consideration of RMB1,333,330,000 (equivalent to approximately HK\$1,496,662,925).

THE CAPITAL INCREASE AGREEMENT

The Board is pleased to announce that, on 30 October 2020, Haichang Travel, Chang’an Trust and the Target Company entered into the Capital Increase Agreement, pursuant to which, Chang’an Trust agreed to contribute additional capital to the registered capital of the Target Company in an amount of RMB190,000,000 (equivalent to approximately HK\$213,275,000). The increased registered capital of RMB190,000,000 (equivalent to approximately HK\$213,275,000) shall be paid up by the Trust Plan to the Target Company. Upon completion of industrial and commercial registration of change, the Target Company will be held by Haichang Travel and Chang’an Trust as to 5% and 95%, respectively. Accordingly, the Target Company will cease to be a subsidiary of the Company and its financial results will not be consolidated into the consolidated financial statements of the Group.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of Chang’an Trust and its ultimate beneficial owner is a third party independent of the Company and its connected persons.

Principal terms of the Capital Increase Agreement

Date: 30 October 2020

Parties: Haichang Travel;
Chang’an Trust; and
The Target Company.

Capital contribution and its amount: As at the date of this announcement, the Target Company is a direct wholly-owned subsidiary of Haichang Travel, and is principally engaged in tourism, property management, hotel management, real estate development and operation, corporate management and other businesses. Prior to the signing of the Capital Increase Agreement, the Target Company had a registered capital of RMB10,000,000 (equivalent to approximately HK\$11,225,000).

Under the Capital Increase Agreement, the registered capital of the Target Company shall be increased to RMB200,000,000 (equivalent to approximately HK\$224,500,000) and Chang’an Trust agreed to contribute additional capital to the registered capital of the Target Company in an amount of RMB190,000,000 (equivalent to approximately HK\$213,275,000). The amount of RMB190,000,000 (equivalent to approximately HK\$213,275,000) shall be paid up to the Target Company by the Trust Plan, which was established by Chang’an Trust.

Upon completion of industrial and commercial registration of change, the Target Company will be held by Haichang Travel and Chang'an Trust as to 5% and 95%, respectively.

The amount of the capital contribution by Chang'an Trust to the Target Company was determined based on the arm's length negotiations between the parties with reference to (i) the consolidated net asset value of the Target Company (after taking into account the market price of the Land); and (ii) the Group's plans for the development of the Land.

Subsequent investment: In conjunction with the Capital Increase Agreement, among others, Haichang Travel, Chang'an Trust and the Target Company entered into a cooperation agreement on the same date. Pursuant to the cooperation agreement, upon completion of the capital contribution by Chang'an Trust and the industrial and commercial registration of change in registered capital, Chang'an Trust shall, on the basis that the shareholdings of the Target Company remain unchanged, further invest into the Target Company by installments in 48 months, with a maximum aggregate amount of RMB2,285,000,000 (equivalent to approximately HK\$2,564,912,500), which shall be included in capital reserve and solely entitled by Chang'an Trust.

Right of repurchase: Pursuant to the cooperation agreement, commencing from the date falling on the 12 months of the first payment of the capital contribution by Chang'an Trust, Haichang Travel or its designated party shall have the right to partially or fully repurchase the equity interest in the Target Company held by Chang'an Trust at a price as calculated below:

The consideration for repurchase of the equity interest in the Target Company held by Chang'an Trust shall be the sum of the principal amount of the investment under the Trust Plan in proportion to the percentage of the equity interest to be repurchased, and the investment amount calculated at the annualised rate of return of 12% of the principal amount of the investment, the formula of which is as follows: the sum of the Nth tranche of capital contribution amount + the Nth tranche of capital contribution amount \times 12% \times the number of days from the date on which the Nth tranche of capital contribution amount is paid (inclusive) to the date on which the price for equity repurchase is paid (exclusive)/360.

In the event that until the date falling on the 12 months of the first payment of the capital contribution by Chang'an Trust, Haichang Travel or its designated party renounces the right to repurchase the equity interest in the Target Company held by Chang'an Trust, or that during the period commencing from the date falling on the 12 months of the first payment of the capital contribution by Chang'an Trust and until the date falling on the 24 months thereof, Haichang Travel or its designated party undertakes to repurchase but fails to pay the consideration in respect of such repurchase as agreed, such right of repurchase will lapse automatically. Chang'an Trust shall have the right to transfer to any third party the equity interest in the Target Company held by it, and Haichang Travel or its designated party shall waive the right of first refusal on the same conditions.

Chang'an Trust shall also have the right to dispose the equity interest in order to realise the divestment of the Trust Plan, in case the dynamic target rate of return cannot be achieved.

The company is not required to pay any premium or additional consideration for the above right of repurchase. Should the company exercise the right of repurchase in the future, according to the calculation made by the Company pursuant to the cooperation agreement, the maximum price for such repurchase is expected not to exceed RMB3,077,250,000 (calculated as $(\text{RMB}190,000,000 + \text{RMB}2,285,000,000) \times (1 + 12\% \times (365 \times 2/360))$) (equivalent to approximately HK\$3,454,213,125).

The exercise of the repurchase right under the cooperation agreement by Haichang Travel may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. If the Group decides to exercise such repurchase right, the Company will comply with the relevant requirements of Chapter 14 of the Listing Rules and further announcement will be made by the Company as and when appropriate.

Project supervision:

In conjunction with the Capital Increase Agreement, among others, Haichang Travel, Chang'an Trust and the Target Company entered into a supervision agreement on the same date, pursuant to which, Chang'an Trust would have the right to supervise and monitor the progress of the development of the Land and to control the financial aspects of the project company for such development.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE AGREEMENT

It is the intention of the Group to develop and construct a tourism ancillary project in Sanya of Hainan province. The Land will be used by the Group for the development of auxiliary theme hotels and leisure and vacation properties under the Sanya Haichang Fantasy Town project (the “**Sanya Project**”), which will serve as the Group’s ancillary hardware facilities in the Sanya Project. The capital contribution and the subsequent investment to be made by Chang’an Trust shall be applied towards repayment of debts of the Target Company and subsequent development of the Land. Accordingly, the entering into of the Capital Increase Agreement and the conjunctive cooperation agreement can ensure sufficient funds available to the Group for the development and construction of the tourism ancillary project. In addition, the Group has the right to repurchase the interest in the Target Company, bringing flexibility to the Group for decision-making in respect of the development of the Land under the actual circumstances in the future.

The Board believes that the construction of theme hotels and leisure and vacation properties will help optimise and strengthen the types of operation of the Sanya Project. Even if the Target Company will be held by a third party due to non-exercise of the right of repurchase by the Group in the future, the Group will still have further opportunities to provide planning and design, construction management and other consultancy and advisory services in respect of the development and construction of the Land, and to provide operation management and other asset-light services for hotels. The creation of effective synergy by the hotels and vacation properties on the Land to the Sanya Project will enhance the quality and promote the upgrade of the Sanya Project, and further strengthen the attractiveness and profitability of the Sanya Project.

The Directors consider that the Capital Increase Agreement, together with the cooperation agreement and the supervision agreement, is entered on normal commercial terms, the terms of which are fair and reasonable and in the interests of the Company and Shareholders as a whole.

INFORMATION ON THE GROUP, HAICHANG TRAVEL, CHANG’AN TRUST AND THE TARGET COMPANY

The Group

The Group is principally engaged in the development and operation of theme parks and ancillary commercial properties in the PRC. It currently operates 10 integrated theme parks in the PRC.

Haichang Travel

Haichang Travel is principally engaged in the provision of management services for theme parks, oceanariums and aquariums; the development of tourism resources; the investment, management and consultancy services for tourism projects; cultural and performing arts services; ticketing agency; hotel booking; online trading agency; hotel management services and other businesses in the PRC.

Chang'an Trust

Chang'an Trust is principally engaged in the fund trust, investment banking, finance leasing and other financial businesses in the PRC, involving in areas including currency market, capital market, industrial market and financial derivatives market.

The Target Company

The Target Company is principally engaged in tourism, property management, hotel management, real estate development and operation, corporate management and other businesses in the PRC. Haichang Jiade is a wholly-owned subsidiary of the Target Company. The land use rights grant contract of the Land was entered into between Haichang Jiade and Resources and Planning Bureau of Sanya on 13 October 2020. The deposit for the acquisition of the Land of RMB263,970,000 (equivalent to approximately HK\$296,306,325) paid by Haichang Jiade was mainly financed by shareholders' loans and the Target Company will be responsible for the subsequent payment of land premium and development and construction of the Land.

As at 30 September 2020, the unaudited consolidated net liability value of the Target Company was RMB300,006. As the Target Company was incorporated in September 2020, it does not have any financial results for the two years ended 31 December 2019.

FINANCIAL EFFECT OF THE CAPITAL CONTRIBUTION BY CHANG'AN TRUST TO THE GROUP

The Company's interest in the Target Company will be reduced from approximately 100% to approximately 5%, which constitutes a deemed disposal of approximately 95% equity interest in the Target Company by the Company. As the Target Company will cease to be a subsidiary of the Company, its results, assets and liabilities will no longer be consolidated in the consolidated financial statements of the Group. As the Target Company has net liabilities and no business activities, no gain or loss will be recognised in the income statement of the Company.

IMPLICATIONS UNDER THE LISTING RULES

The equity interest in the Target Company of the Group will be diluted from 100% to 5% upon the capital contribution by Chang'an Trust to the registered capital of the Target Company under the Capital Increase Agreement. Such capital contribution therefore constitutes a deemed disposal of the Group's interest in the Target Company under Rule 14.29 of the Listing Rules.

For the purpose of Rule 14.07 of the Listing Rules, as the applicable percentage ratios for Chang'an Trust's capital contribution exceed 5% but below 25%, such capital contribution constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement.

DEFINITIONS

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

“Board”	the board of Directors
“Capital Increase Agreement”	the capital increase agreement entered into among Haichang Travel, Chang’an Trust and the Target Company on 30 October 2020
“Chang’an Trust”	Chang’an International Trust Co., Ltd.* (長安國際信託股份有限公司), a company established in the PRC with limited liability
“Company”	Haichang Ocean Park Holdings Ltd., a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	collectively, the Company and its subsidiaries
“Haichang Jiade”	Dalian Haichang Jiade Real Estate Development Co., Ltd.* (大連海昌嘉德置業發展有限公司), a company established in the PRC with limited liability on 4 September 2020 and a direct wholly-owned subsidiary of the Target Company
“Haichang Travel”	Dalian Haichang Travel Group Co., Ltd.* (大連海昌旅遊集團有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“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
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Dalian Haichang Jiayue Real Estate Development Co., Ltd.* (大連海昌嘉悅置業發展有限公司), a limited liability company established in the PRC on 24 September 2020 and an indirect wholly-owned subsidiary of the Company
“Trust Plan”	Chang’an Right – Collective Fund Trust Plan for Investing Equity in Haichang Haitang Bay Project (長安權－海昌海棠灣項目股權投資集合資金信託計劃), established by Chang’an Trust
“%”	per cent

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

Shanghai, the People’s Republic of China, 6 November 2020

* *For identification purpose only*

As at the date of this announcement, the executive Directors of the Company 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.

In this announcement, RMB has been translated to HK\$ at the rate of RMB1 = HK\$1.1225 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates.