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HAICHANG HOLDINGS LTD.

海昌控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2255)

CONTINUING CONNECTED TRANSACTIONS PROPERTY MANAGEMENT SERVICE AGREEMENTS

The Board would like to announce that, on 19 September 2014, the Group has entered into the five Management Agreements with each of the Management Companies, pursuant to which the Management Companies agreed to provide property management services to some of the subsidiaries of the Group in relation to certain unsold or unleased ancillary commercial properties owned by the Group in Dalian, Tianjin, Wuhan and Yantai of the PRC.

Mr. Qu, a non-executive Director and a controlling shareholder of the Company, holds 60% equity interests in Haichang Group Co. Hence, Haichang Group Co is an associate of Mr. Qu and a connected person of the Company. As Dalian Property Management is a direct subsidiary of Haichang Group Co and Tianjin Property Management, Wuhan Property Management and Yantai Property Management are indirect subsidiaries of Haichang Group Co, each of the Management Companies is an associate of Mr. Qu and a connected person of the Company. Accordingly, the transactions contemplated under the Management Agreements constitute continuing connected transactions of the Company under Rule 14A.31 of the Listing Rules.

As the Management Agreements are similar in nature, the Management Agreements are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio (other than the profits ratio), as defined under the Listing Rules, in aggregate for the transactions under the five Management Agreements is more than 0.1% but less than 5% on an annual basis, the Management Agreements are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DETAILS OF THE MANAGEMENT AGREEMENTS

The Board would like to announce that, on 19 September 2014, the Group has entered into the five Management Agreements with each of the Management Companies, pursuant to which the Management Companies agreed to provide property management services to some of the subsidiaries of the Group in relation to certain unsold or unleased ancillary commercial properties owned by the Group in Dalian, Tianjin, Wuhan and Yantai of the PRC. The details of the five Management Agreements are as follows:

1. Agreement One

Date

19 September 2014

Parties

- (1) Haichang China; and
- (2) Dalian Property Management

Subject Matter

Dalian Property Management is responsible for the property management services in relation to the ancillary commercial properties owned by the Group in Haichang Xincheng, Dalian. The property management services to be provided by Dalian Property Management under Agreement One include (i) facilities maintenance and fire and public safety management, (ii) road traffic and car park management, (iii) daily hygiene maintenance and regular cleaning and (iv) greening and gardening of the areas.

Term

For a term of three years commencing from 19 September 2014 up to 18 September 2017.

Management Fee

The management fee is calculated by reference to the total GFA of the unleased or unsold ancillary commercial properties and Haichang China shall pay a management fee of RMB2.5 per sq. m. per month. As at the date of this announcement, the total GFA of the unleased or unsold ancillary commercial properties in Haichang Xincheng is approximately 12,392.03 sq. m. and the management fee payable by Haichang China is approximately RMB371,761 (approximately HK\$468,419) per year. The management fee shall be payable annually.

The management fee above is determined by negotiations between the parties on an arm's length basis by reference to the current market price of similar services available in the market.

2. Agreement Two

Date

19 September 2014

Parties

- (1) Haichang China; and
- (2) Dalian Property Management

Subject Matter

Dalian Property Management is responsible for the property management services in relation to the ancillary commercial properties owned by the Group in Dalian Laohutan Fishermen's Wharf, Dalian. The property management services to be provided by Dalian Property Management under Agreement Two include (i) facilities maintenance and fire and public safety management, (ii) road traffic and car park management, (iii) daily hygiene maintenance and regular cleaning and (iv) greening and gardening of the areas.

Term

For a term of three years commencing from 19 September 2014 up to 18 September 2017.

Management Fee

The management fee is calculated by reference to the total GFA of the unleased or unsold ancillary commercial properties and Haichang China shall pay a management fee of RMB3.9 per sq. m. per month. As at the date of this announcement, the total GFA of the unleased or unsold ancillary commercial properties in Dalian Laohutan Fishermen's Wharf is approximately 5,825.87 sq. m. and the management fee payable by Haichang China is approximately RMB272,651 (approximately HK\$343,540) per year. The management fee shall be payable annually.

The management fee above is determined by negotiations between the parties on an arm's length basis by reference to the current market price of similar services available in the market.

3. Agreement Three

Date

19 September 2014

Parties

- (1) Tianjin Polar; and
- (2) Tianjin Property Management

Subject Matter

Tianjin Property Management is responsible for the property management services in relation to the unsold or unleased ancillary commercial properties owned by the Group in Tianjin. The ancillary commercial properties in Tianjin comprise commercial street properties, commercial properties beneath serviced apartments and serviced apartments.

The property management services to be provided by Tianjin Property Management under Agreement Three include (i) repairing, maintenance and management of common areas and public facilities, (ii) maintenance of hygiene and cleanliness of common areas, rubbish collection and rain water and sewage pipes clearance, (iii) maintenance and management of public greening, (iv) vehicles parking management, (v) maintenance and management of public safety and security, (vi) decoration and refurbishment management and (vii) management of documents in connection with the properties. The property management services to be provided by Tianjin Property Management shall meet the quality standards as set out in Agreement Three.

Term

For a term of three years commencing from 19 September 2014 up to 18 September 2017.

Management Fee

The management fee is calculated by reference to the total GFA of the unleased or unsold ancillary commercial properties and Tianjin Polar shall pay a management fee of (i) RMB2.23 per sq. m. per month in respect of commercial street properties and commercial properties beneath serviced apartments, (ii) RMB2.73 per sq. m. per month in respect of unsold serviced apartments and (iii) RMB1.46 per sq. m. per month in respect of sold serviced apartments (as subsidies to purchasers of serviced apartments). As at the date of this announcement, the total GFA of the unleased and unsold commercial street properties, unleased and unsold commercial properties beneath serviced apartments, unsold serviced apartments and sold serviced apartments are approximately 18,517 sq. m., 1,232 sq. m., 957 sq. m. and 11,768 sq. m., respectively. As such, the management fee payable by Tianjin Polar is approximately RMB766,010 (approximately HK\$965,173) per year. The management fee shall be payable monthly.

Furthermore, Tianjin Polar agreed to pay a property management activation fee of RMB15 per sq. m. with respect to the properties with a total GFA of approximately 66,552.06 sq. m.. Such fee shall be payable within 30 days upon the execution of Agreement Three. Therefore, the total amount payable by Tianjin Polar under Agreement Three for the year ending 31 December 2014 will be approximately RMB1,253,618 (approximately HK\$1,579,559).

If commercial street properties or commercial properties beneath serviced apartments are sold or leased or serviced apartments are sold during the term of Agreement Three, the management fee shall be adjusted in accordance with the above monthly rate per sq. m. with reference to the actual time of the sale or leasing.

The management fee and property management activation fee above are determined by negotiations between the parties on an arm's length basis by reference to the current market price of similar services available in the market.

4. Agreement Four

Date

19 September 2014

Parties

- (1) Wuhan Polar; and
- (2) Wuhan Property Management

Subject Matter

Wuhan Property Management is responsible for the property management services in relation to the unsold or unleased commercial street properties owned by the Group in the commercial street (phase 1) in Wuhan.

The property management services to be provided by Wuhan Property Management under Agreement Four include (i) repairing, management and maintenance of public ground structures and their ancillary facilities, (ii) operation, management, maintenance and repairing of public facilities, (iii) automated systems maintenance and management, (iv) fire and public safety management, (v) road traffic and car park management, (vi) daily hygiene maintenance and regular cleaning, (vii) greening and gardening of the areas, (viii) development of good communication with tenants of the properties and (ix) maintenance of documents in connection with the properties and development of tenants records. The property management services to be provided by Wuhan Property Management shall meet the quality standards as set out in Agreement Four.

Term

For a term of three years commencing from 19 September 2014 up to 18 September 2017.

Management Fee

The management fee is calculated by reference to the total GFA of the unleased or unsold commercial street properties and Wuhan Polar shall pay a management fee of RMB2.5 per sq. m. per month. As at the date of this announcement, the total GFA of the unleased or unsold commercial street properties in the commercial street (phase 1) in Wuhan is approximately 33,700 sq. m. and the management fee payable by Wuhan Polar is approximately RMB1,011,000 (approximately HK\$1,273,860) per year. The management fee shall be payable monthly.

If commercial street properties are sold or leased during the term of Agreement Four, the management fee shall be adjusted in accordance with the above monthly rate per sq. m. with reference to the actual time of the sale or leasing.

The management fee above is determined by negotiations between the parties on an arm's length basis by reference to the current market price of similar services available in the market.

5. Agreement Five

Date

19 September 2014

Parties

- (1) Yantai Fishermen; and
- (2) Yantai Property Management

Subject Matter

Yantai Property Management is responsible for the property management services in relation to the unsold or unleased commercial street properties owned by the Group in Yantai Fishermen's Wharf.

The property management services to be provided by Yantai Property Management under Agreement Five include (i) repairing, maintenance and management of common areas and public facilities, (ii) maintenance of hygiene and cleanliness of common areas, rubbish collection and rain water and sewage pipes clearance, (iii) maintenance and management of public greening, (iv) vehicles parking management, (v) maintenance and management of public safety and security, (vi) decoration and refurbishment management and (vii) management of documents in connection with the properties. The property management services to be provided by Yantai Property Management shall meet the quality standards as set out in Agreement Five.

Term

For a term of three years commencing from 19 September 2014 up to 18 September 2017.

Management Fee

The management fee is calculated by reference to the total GFA of the unleased or unsold commercial street properties and Yantai Fishermen shall pay a management fee of RMB1.5 per sq. m. per month. As at the date of this announcement, the total GFA of the unleased or unsold commercial street properties in Yantai Fishermen's Wharf is approximately 4,406 sq. m.. and the management fee payable by Yantai Fishermen is approximately RMB79,308 (approximately HK\$99,928) per year. The management fee shall be payable monthly.

If commercial street properties are sold or leased during the term of Agreement Five, the management fee shall be adjusted in accordance with the above monthly rate per sq. m. with reference to the actual time of the sale or leasing.

The management fee above is determined by negotiations between the parties on an arm's length basis by reference to the current market price of similar services available in the market.

HISTORICAL AMOUNTS

Prior to entering into the Management Agreements, neither the Company nor any of its subsidiaries have entered into any similar agreement with Haichang Group Co or any of the Management Companies. As such, there is no historical amount for the management fees payable under the Management Agreements.

PROPOSED ANNUAL CAPS AND THE BASIS FOR DETERMINATION

The Management Agreements are similar in nature and each of the Management Companies is an associate of Haichang Group Co, as such, the transactions contemplated under the Management Agreements are aggregated pursuant to Rule 14A.81 of the Listing Rules.

The proposed annual caps for the Management Agreements are set out as follows:

	From 19 September 2014 to 31 December 2014 (RMB)	From 1 January 2015 to 31 December 2015 (RMB)	From 1 January 2016 to 31 December 2016 (RMB)	From 1 January 2017 to 18 September 2017 (RMB)
Total Annual Caps for the Management Agreements	RMB1,850,000 (equivalent to approximately HK\$2,331,000)	RMB2,530,000 (equivalent to approximately HK\$3,187,800)	RMB2,530,000 (equivalent to approximately HK\$3,187,800)	RMB1,900,000 (equivalent to approximately HK\$2,394,000)

The proposed annual caps for the Management Agreements are determined by the Directors with reference to the management fees payable under the Management Agreements. The Directors (including the independent non-executive Directors) considered that the proposed annual caps are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

REASONS AND BENEFITS FOR ENTERING INTO THE MANAGEMENT AGREEMENTS

The Group is committed to provide its visitors with an integrated travel experience by combining a memorable theme park visit with the complementary services supplied by the businesses in the ancillary commercial properties adjacent to its theme parks. Furthermore, the Group also derives its revenue from the sale and leasing of its ancillary commercial properties. Therefore, the Group has always been endeavoured to manage its ancillary commercial properties with high-quality property management services. As all of the Management Companies are principally engaged in property management, the provision of property management services by the Management Companies to the Group allows the Group to (i) benefit from the expertise of the Management Companies, (ii) control the quality of the property management services more effectively and (iii) enhance the quality and standards of the property management services of its ancillary commercial properties.

Based on the above, the Directors (including the independent non-executive Directors) considered that the Management Agreements and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms are fair and reasonable, and in the interests of the Company and the shareholders of the Company as a whole.

INFORMATION ON THE GROUP AND THE MANAGEMENT COMPANIES

The Group is principally engaged in development and operation of theme parks and ancillary commercial properties in the PRC. Haichang China, Tianjin Polar, Wuhan Polar and Yantai Fishermen are all indirect wholly-owned subsidiaries of the Company, they are also principally engaged in development and operation of theme parks and ancillary commercial properties in the PRC.

Dalian Property Management is principally engaged in property management and is a direct subsidiary of Haichang Group Co.

Tianjin Property Management, Wuhan Property Management and Yantai Property Management are all principally engaged in property management and are wholly-owned by Dalian Property Management.

IMPLICATIONS UNDER THE LISTING RULES

Mr. Qu, a non-executive Director and a controlling shareholder of the Company, holds 60% equity interests in Haichang Group Co. Hence, Haichang Group Co is an associate of Mr. Qu and a connected person of the Company. As Dalian Property Management is a direct subsidiary of Haichang Group Co and Tianjin Property Management, Wuhan Property Management and Yantai Property Management are indirect subsidiaries of Haichang Group Co, each of the Management Companies is an associate of Mr. Qu and a connected person of the Company. Accordingly, the transactions contemplated under the Management Agreements constitute continuing connected transactions of the Company under Rule 14A.31 of the Listing Rules.

As the Management Agreements are similar in nature, the Management Agreements are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio (other than the profits ratio), as defined under the Listing Rules, in aggregate for the transactions under the five Management Agreements is more than 0.1% but less than 5% on an annual basis, the Management Agreements are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Qu, a non-executive Director and a controlling shareholder of the Company, has material interests in the transactions contemplated under the Management Agreements and has abstained from voting on the Board resolutions approving the Management Agreements and the transactions contemplated thereunder. Furthermore, Mr. Wang Xuguang, an executive Director, has also abstained from voting on the Board resolutions approving the Management Agreements and the transactions contemplated thereunder pursuant to the Articles of Association of the Company.

DEFINITIONS

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

“Agreement Five”	the agreement dated 19 September 2014 entered into between Yantai Fishermen and Yantai Property Management in relation to the provision of property management services for the unsold or unleased commercial street properties owned by the Group in Yantai Fishermen’s Wharf, Yantai
“Agreement Four”	the agreement dated 19 September 2014 entered into between Wuhan Polar and Wuhan Property Management in relation to the provision of property management services for the unsold or unleased commercial street properties owned by the Group in the commercial street (phase 1) in Wuhan
“Agreement One”	the agreement dated 19 September 2014 entered into between Haichang China and Dalian Property Management in relation to the provision of property management services for the ancillary commercial properties owned by the Group in Haichang Xincheng, Dalian
“Agreement Three”	the agreement dated 19 September 2014 entered into between Tianjin Polar and Tianjin Property Management in relation to the provision of property management services for the unsold or unleased ancillary commercial properties owned by the Group in Tianjin
“Agreement Two”	the agreement dated 19 September 2014 entered into between Haichang China and Dalian Property Management in relation to the provision of property management services for the ancillary commercial properties owned by the Group in Dalian Laohutan Fishermen’s Wharf, Dalian
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the Board of Directors
“Company”	Haichang 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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Dalian Property Management”	Dalian Haichang Property Management Co., Ltd.* (大連海昌物業管理有限公司), a company established in the PRC and a connected person of the Company
“Director(s)”	the director(s) of the Company

“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Haichang China”	Haichang (China) Co., Ltd.* (海昌(中國)有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Haichang Group Co”	Dalian Haichang (Group) Co., Ltd.* (大連海昌集團有限公司), a company established in the PRC and a connected person 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
“Management Agreements”	collectively, Agreement One, Agreement Two, Agreement Three, Agreement Four and Agreement Five
“Management Companies”	collectively, Dalian Property Management, Tianjin Property Management, Wuhan Property Management and Yantai Property Management
“Mr. Qu”	Mr. Qu Naijie, a non-executive Director and a controlling shareholder of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Polar”	Tianjin Polar Tourism Co., Ltd.* (天津極地旅遊有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Tianjin Property Management”	Tianjin Haichang Polar Property Management Co., Ltd.* (天津海昌極地物業管理有限公司), a company established in the PRC and a connected person of the Company
“Wuhan Polar”	Wuhan Polar Ocean World Investment Co., Ltd.* (武漢極地海洋世界投資有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Wuhan Property Management”	Wuhan Haichang Property Management Co., Ltd.* (武漢海昌物業管理有限公司), a company established in the PRC and a connected person of the Company

“Yantai Fishermen”	Yantai Fishermen’s Wharf Investment Co., Ltd.* (煙台漁人碼頭投資有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Yantai Property Management”	Yantai Haichang Property Management Co., Ltd.* (煙台海昌物業管理有限公司), a company established in the PRC and a connected person of the Company
“%”	per cent.

* For identification purpose only

On behalf of the Board
Haichang Holdings Ltd.
Wang Xuguang
Executive Director and Chief Executive Officer

Dalian, the PRC, 21 September 2014

As at the date of this announcement, the executive directors of the Company are Mr. Wang Xuguang, Mr. Zhao Wenjing and Mr. Qu Naiqiang; the non-executive directors of the Company are Mr. Qu Naijie, Mr. Makoto Inoue and Mr. Yuan Bing; and the independent non-executive directors of the Company are Prof. Fang Hongxing, Mr. Sun Jianyi and Prof. Xie Yanjun.

In this announcement, RMB has been converted to HK\$ at the rate of RMB1= HK\$1.26 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 or at all.