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**Yincheng International Holding Co., Ltd.**

**銀城國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1902)**

## **MAJOR TRANSACTION**

### **THE ENTERING INTO OF THE FRAMEWORK AGREEMENTS FOR THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN AND DEBT OF THE TARGET COMPANY**

On 15 September 2020 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Acquisition Framework Agreement I with Yihe Real Estate, the Target Company, the Guarantors and Hangzhou Hongyuyuan LLP for the acquisition of the Target Equity Interest A (representing 67% equity interest in the Target Company) and the Target Debt A (which is amounted to RMB127,173,826.52) at the Consideration I of RMB1,090,637,588.09 (subject to adjustments).

On 15 September 2020 (after trading hours), the Purchaser entered into the Acquisition Framework Agreement II with the Huahong Parties and the Target Company for the acquisition of the Target Equity Interest B (representing 33% equity interest in the Target Company) and the Target Debt B (which is amounted to RMB41,360,903.78) at the Consideration II of RMB106,360,903.78 (subject to adjustments).

Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Group.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Acquisition, the Company has obtained a written approval from a closely allied group of Shareholders who together held 746,542,411 Shares (representing approximately 51.59% of the entire issued share capital of the Company as at the date of this announcement) carrying rights to vote at a general meeting. Accordingly, such written shareholders' approval has been accepted in lieu of holding a general meeting for the approval of the Acquisition pursuant to Rule 14.44 of the Listing Rules. As such, no general meeting of the Company will be convened to approve the Acquisition.

## GENERAL

A circular containing, among others, further details of the Acquisition is expected to be despatched to the Shareholders in accordance with the Listing Rules for information purpose only. It is expected that the circular will be despatched to the Shareholders on or before 8 October 2020 in order to allow sufficient time for the Company to prepare the relevant information for inclusion in the circular.

## INTRODUCTION

On 15 September 2020 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Acquisition Framework Agreement I with Yihe Real Estate, the Target Company, the Guarantors and Hangzhou Hongyuyuan LLP for the acquisition of the Target Equity Interest A (representing 67% equity interest in the Target Company) and the Target Debt A (which is amounted to RMB127,173,826.52) at the Consideration I of RMB1,090,637,588.09 (subject to adjustments).

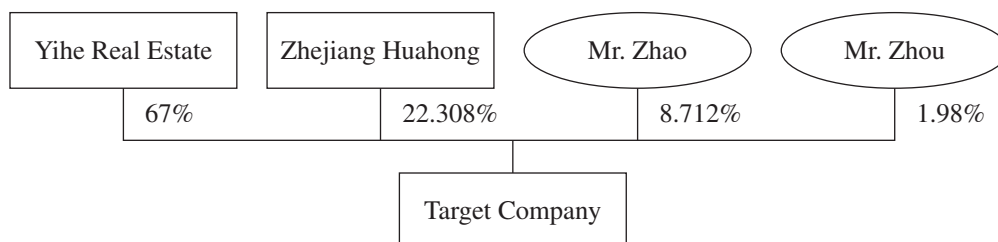
On 15 September 2020 (after trading hours), the Purchaser entered into the Acquisition Framework Agreement II with the Huahong Parties and the Target Company for the acquisition of the Target Equity Interest B (representing 33% equity interest in the Target Company) and the Target Debt B (which is amounted to RMB41,360,903.78) at the Consideration II of RMB106,360,903.78 (subject to adjustments).

## BACKGROUND OF THE TARGET COMPANY

The Target Company is a limited liability company in the PRC and principally engages in property development and property management. The background information of the Target Company as at the date of this announcement and the circumstances leading to the entering into of the Acquisition Framework Agreements are detailed below.

### Shareholding structure of the Target Company

The Target Company is owned by Yihe Real Estate, Zhejiang Huahong, Mr. Zhao and Mr. Zhou, all of which are Independent Third Parties. The shareholding structure of the Target Company is as follows:



### **Loans due to a creditor and the shareholders of the Target Company by the Target Company**

The Target Company is indebted to Kunlun Trust the Kunlun Debt in the amount of RMB358,774,862.94 and is indebted to Yihe Real Estate and the Huahong Parties in the amount of RMB127,173,826.52 and RMB41,360,903.78, respectively.

### **Loans due to the Yihe Creditors and Zhejiang Huahong by the Yihe Real Estate Group**

The Yihe Real Estate Group is indebted to the Yihe Creditors in the total amount of approximately RMB1.05 billion. The Yihe Creditors had commenced legal proceedings against the Yihe Real Estate Group for debt recovery and applied for the freezing of the Target Equity Interest A. The Court has imposed such freezing measures on the Target Equity Interest A where the dealing of such equity interest has been restricted.

Yihe Real Estate is also indebted to Zhejiang Huahong in the amount of RMB42,143,800. Zhejiang Huahong had commenced legal proceedings against Yihe Real Estate for debt recovery and applied for the freezing of 27.81% equity interest in the Target Company held by Yihe Real Estate. The Court has imposed such freezing measures on 27.81% equity interest in the Target Company held by Yihe Real Estate where the dealing of such equity interest has been restricted.

### **Assets of the Target Company**

The Target Company owns the Target Land, on which Yihe Real Estate and the Huahong Parties have been developing the Yihe Project and the Huahong Project respectively. Details of the approximate land area covered under each of the projects are set out below:

	<b>Yihe Project</b> <i>sq. m.</i>	<b>Huahong Project</b> <i>sq. m.</i>
Undeveloped area	276,226.17	3,311.00
Developed area	<u>120,138.35</u>	<u>406,196.18</u>
Total area	<u><u>396,364.52</u></u>	<u><u>409,507.18</u></u>

The Yihe Project has been developing solely by Yihe Real Estate which bears all the costs for the development and enjoys all revenue generated therefrom. The Huahong Project has been developing solely by the Huahong Parties which bear all the costs for the development and enjoy all the revenue generated therefrom.

As at the date of this announcement, an area of approximately 21,019 sq. m. of the Yihe Land is subject to seizure measures due to the non-performance of the operational payables in the amount of RMB46,583,095.70 by the Target Company, while an area of approximately 284,956.90 sq. m. of the Yihe Land has been mortgaged by the Target Company to Kunlun Trust as a security for the Kunlun Debt.

## Operational payables, receivables and inventories of the Target Company

As at 31 May 2020, the operational payables, receivables and inventories in relation to the Yihe Project were estimated at approximately RMB767,780,032.00, RMB6,407,017.38 and RMB110,987,435.58, respectively.

As at 31 May 2020, the operational payables, receivables and inventories in relation the Huahong Project were estimated at approximately RMB51,980,391.88, RMB20,526,725.00 and RMB27,814,570.66, respectively.

## Financial information of the Target Company

Set out below is the financial information of the Target Company for the years ended 31 December 2018 and 2019:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net loss before taxation	20,399	42,697
Net loss after taxation	20,399	42,697

The unaudited net liabilities of the Target Company as at 31 May 2020 was approximately RMB295,292,040.

## Restructuring and Acquisition of the Target Company

In view of the development potential of the Target Project and the Group's business strategy in expanding its existing business in property development in the Yangtze River Delta Megalopolis, the Group intends to acquire the Target Equity Interest in the Target Company for the development of the undeveloped portion of the Target Project into a residential and commercial complex and the carrying on with the sales of the unsold residential properties on the developed portion of the Target Project. Nonetheless, given the financial position of the Target Company and its shareholders, debt restructuring in relation to the Target Company and its shareholders has to be carried out in preparation for the Acquisition.

Hangzhou Hongyuyuan LLP was first set up with its sole purpose to facilitate the acquisition of the Kunlun Debt and provide financial assistance to the Purchaser for settlement of the Consideration. Yinzehong (an indirect wholly-owned subsidiary of the Company) and the Asset Management Parties shall contribute to Hangzhou Hongyuyuan LLP in the amount of RMB150,000,000 and RMB1,150,010,000, respectively.

The Acquisition Framework Agreements were entered into to set out the terms and conditions of the Acquisition, in particular the steps and procedures in relation to (i) the repayment of debts owed by the Yihe Real Estate Group to the Yihe Creditors for uplifting the freezing measures on the Target Equity Interest A; and (ii) the release of mortgages over the land use rights of certain portion of the Yihe Land prior to completion of the Acquisition.

In order to release the land use rights of the Yihe Land for an area of approximately 284,956.90 sq. m. that has been mortgaged in favour of Kunlun Trust prior to completion of the Acquisition, the Purchaser shall entrust Zheshang Asset Management to enter into a debt transfer agreement with Kunlun Trust for the acquisition of the Kunlun Debt at the consideration of RMB304,657,271.23.

## **THE ACQUISITION FRAMEWORK AGREEMENTS**

### **Major Terms of the Acquisition Framework Agreement I**

The major terms of the Acquisition Framework Agreement I are detailed below.

#### ***Subject assets to be acquired***

The Purchaser has agreed to acquire, and Yihe Real Estate has agreed to sell, the Target Equity Interest A (representing 67% of the entire equity interest in the Target Company) and the Target Debt A (being the debt of RMB127,173,826.52 owed by the Target Company to Yihe Real Estate).

#### ***Consideration I***

The Consideration I of RMB1,090,637,588.09 (subject to adjustments) comprises the following:

- (a) the Equity Transfer Price A of RMB131,969,760 for the acquisition of the Target Equity Interest A;
- (b) the Debt Transfer Price A of RMB127,173,826.52 for the acquisition of the Target Debt A; and
- (c) the provision of loans of RMB481,494,001.57 and US\$50,000,000 (equivalent to RMB350,000,000) to the relevant companies of the Yihe Real Estate Group (with the Target Company as a joint debtor) for the settlement of debts owed by such relevant companies of the Yihe Real Estate Group to the Yihe Creditors. The repayment obligation of the Yihe Real Estate Group shall be waived conditional upon (i) all obligations under the terms as detailed in the paragraph headed “Steps and conditions of the transaction and settlement of the Consideration I” in this section having been fulfilled; and (ii) Yihe Real Estate having pledged any asset which, upon valuation, is worth not less than RMB43,000,000 to the Purchaser to guarantee its obligations under the Acquisition Framework Agreement I and having completed such pledge registration procedure within 30 days upon execution of the Acquisition Framework Agreement I.

### ***Steps and conditions of the transaction and settlement of the Consideration I***

The transaction contemplated hereunder shall proceed according to the following steps in sequential order. No party shall proceed to the next step before completion of the previous step(s) without the unanimous written consent of Yihe Real Estate and the Purchaser:

- (a) within 20 days upon execution of the Acquisition Framework Agreement I:
  - (i) all seizure measures of the land use rights under the name of the Target Company shall have been lifted, and there is no potential disputes and situation that may hinder the transaction hereunder;
  - (ii) Zheshang Asset Management and Kunlun Trust shall enter into a debt transfer agreement for the acquisition of the Kunlun Debt;
  - (iii) the Target Company shall mortgage the land use rights of the Yihe Land for an area of approximately 48,751.60 sq. m., which is currently mortgaged to Kunlun Trust as the first mortgagee, to Zheshang Asset Management as the second mortgagee; and
  - (iv) upon completion of the abovementioned mortgage registration, the Purchaser shall procure Zheshang Asset Management to settle the consideration of RMB304,657,271.23 regarding the Kunlun Debt. The first mortgage of the land use rights for an area of approximately 48,751.60 sq. m. of the Yihe Land in favour of Kunlun Trust shall then be released with Zheshang Asset Management becoming the first mortgagee of such land use rights;
- (b) within 30 days upon execution of the Acquisition Framework Agreement I:
  - (i) the Target Company shall mortgage the land use rights of the Yihe Land for (i) an area of approximately 4,169.53 sq. m.; and (ii) an area of approximately 48,751.60 sq. m. to the Trustee as the first mortgagee and the second mortgagee, respectively, and complete such mortgage registrations;
  - (ii) upon the transfer of the Kunlun Debt to Zheshang Asset Management, Zheshang Asset Management shall request Kunlun Trust to cancel all mortgage registrations on the land use rights of the Yihe Land for an area of approximately 236,205.30 sq. m., and the Target Company shall complete the procedures for merging a number of state-owned land use rights certificates to three state-owned land use rights certificates in relation to the Yihe Land for an area of approximately 223,305.04 sq. m. for unifying the usage and building restrictions on the Target Land; and
  - (iii) upon completion of the abovementioned merger procedures, the Target Company shall mortgage such land use rights of the Yihe Land for an area of approximately 223,305.04 sq. m. to Zheshang Asset Management as the first mortgagee and to the Trustee as the second mortgagee, respectively, and complete such mortgage registrations;



- (c) within 55 days upon execution of the Acquisition Framework Agreement I:
- (i) the Purchaser shall pay RMB586,965,110.42 in total to the escrow accounts jointly controlled by the Purchaser and the relevant five Yihe Creditors, respectively, and all such creditors shall agree to uplift the freezing measures on the Target Equity Interest A;
  - (ii) the Purchaser shall instruct its affiliate to pay US\$50,000,000 (equivalent to RMB350,000,000) and place the proceeds of such loan to an escrow account jointly controlled by the affiliate of the Purchaser and one of the Yihe Creditors;
  - (iii) the Purchaser shall pay RMB67,796,712.33 to an escrow account jointly controlled by the Purchaser and one of the Yihe Creditors;
  - (iv) the Purchaser shall settle the Consideration II in accordance with the Acquisition Framework Agreement II to the escrow account jointly controlled by the Purchaser and the Huahong Parties; and
  - (v) all freezing measures on the Target Equity Interest A shall have been uplifted, and there is no potential obstacle on the transfer of the Target Equity Interest A and the Target Equity Interest B;
- (d) within 60 days upon execution of the Acquisition Framework Agreement I:
- (i) Yihe Real Estate shall complete the registration of the Target Equity Interest A under the name of the Purchaser; and
  - (ii) the Huahong Parties shall complete the registration of the Target Equity Interest B under the name of the Purchaser;
- (e) within 30 days upon completion of all the steps in paragraphs (a) to (d) above provided that no dispute arises from the parties to the Acquisition Framework Agreement I:
- (i) the Purchaser shall provide a loan of RMB15,861,067.70 to the Target Company and place the proceeds of such loan into the designated account of a creditor of the Target Company; and
  - (ii) the Purchaser shall provide a loan of RMB30,722,028 to the Target Company and place the proceeds of such loan into the designated account of a creditor of the Target Company;
- (f) within five business days upon completion of all the steps in paragraphs (a) to (e) above provided that (i) no dispute arises from the parties to the Acquisition Framework Agreement I; (ii) no new encumbrance has been created over the Target Equity Interest and the land use rights of the Target Land; and (iii) no foreseeable risk of the Target Company having to bear material liabilities has been determined preliminarily by the Purchaser, the Purchaser shall pay RMB2,439,790 to Yihe Real Estate; and

- (g) upon completion of all the steps in paragraphs (a) to (f) above, the Purchaser shall settle the Equity Transfer Price A (to the extent remains unpaid and subject to adjustments) and the Debt Transfer Price A (to the extent remains unpaid and subject to adjustments) within 30 days after the determination of the Adjustments I.

The table below sets out a summary of the settlement of the Consideration I prior to Adjustments I is being conducted:

	<b>Equity Transfer Price A</b>	<b>Debt Transfer Price A</b>	<b>Amount derived from the provision of loans by the Purchaser</b>	
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>US\$</i>
<b>Payee</b>				
Yihe Creditors	105,400,000.00	117,867,821.17	481,494,001.57	50,000,000
Yihe Real Estate	<u>2,439,790.00</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total</b>	<u><u>107,839,790.00</u></u>	<u><u>117,867,821.17</u></u>	<u><u>481,494,001.57</u></u>	<u><u>50,000,000</u></u>

#### ***Adjustments of the Consideration I***

The Purchaser shall conduct a final calculation of the payables, receivables and value of inventories of the Target Company arising from the operations and development of the Yihe Project on the date on which all such payables have become due or on the date on which the amount of payables of the Target Company which have been settled is more than RMB767,780,032, and the Equity Transfer Price A and the Debt Transfer Price A shall be adjusted as follows:

- if the amount calculated is higher than the estimated amount as specified in the Acquisition Framework Agreement I, the difference between the amount calculated and the estimated amount shall first be deducted from the Equity Transfer Price A (to the extent remains unpaid). If the Equity Transfer Price A (to the extent remains unpaid) is not enough to off-set such difference, the remainder of such difference shall then be deducted from the Debt Transfer Price A (to the extent remains unpaid). Should there still be a difference after deduction of the Equity Transfer Price A and the Debt Transfer Price A, the remainder of such difference shall be reimbursed by Yihe Real Estate to the Purchaser in cash; and
- if the amount calculated is lower than the estimated amount as specified in the Acquisition Framework Agreement I, the Purchaser shall first pay the Equity Transfer Price A (to the extent remain unpaid) and the Debt Transfer Price A (to the extent remain unpaid) to Yihe Real Estate, then pay the difference between the amount calculated and the estimated amount to Yihe Real Estate in cash and such amount shall form part of the Equity Transfer Price A.



## ***Guarantee***

Mr. He Jianliang (何建梁先生) and Mr. He Jianxin (何建信先生), as guarantors to the Acquisition Framework Agreement I, shall provide joint and several guarantee for the obligations of Yihe Real Estate to settle all payables of the Target Company (including the payables as specified in the Acquisition Framework Agreement I and the payables that Yihe Real Estate may not be aware of hence not disclosed in the Acquisition Framework Agreement I) for a period of two years from the date on which any of such payables become due.

## ***Liabilities of Yihe Real Estate for non-disclosure of payables and receivables of the Target Company***

Should there be any liabilities of the Target Company arising from the operations by Yihe Real Estate which has not been disclosed to the Purchaser as at the date of the Acquisition Framework Agreement I, the Target Company or the Purchaser shall, upon the occurrence of such event of default or prospective event of default, have the right to request Yihe Real Estate to take full responsibility without taking into account the consequences arising from the determination of Adjustments I.

Should Yihe Real Estate not be able to take up such responsibility, the relevant amount payable as a result of such non-disclosure shall be deducted directly from the Consideration I. The Purchaser and the Target Company may also pay the relevant amount on behalf of Yihe Real Estate, where Yihe Real Estate shall (i) reimburse such amount to the Purchaser and the Target Company and pay an interest that is calculated based on the amount payable at a rate of 0.05% per day from the date on which such amount has been paid; and (ii) compensate all losses and damages suffered by the Purchaser and the Target Company.

## ***Liabilities for breach of the Acquisition Framework Agreement I***

- (a) Should the steps as detailed in the sub-paragraphs (a) to (d) of the paragraph headed “Steps and conditions of the transaction and settlement of the Consideration I” in this section failed to be completed within the relevant time limit, the Purchaser or Hangzhou Hongyuyuan LLP shall have the right to terminate the Acquisition Framework Agreement I by written notice:
  - (i) should the termination be caused by the failure to complete the steps as detailed in the sub-paragraph (c) or (d) of the paragraph headed “Steps and conditions of the transaction and settlement of the Consideration I” in this section:
    - (1) the Purchaser shall have the right to request the release of the escrow measures on all the escrow accounts jointly controlled by the Purchaser and the relevant Yihe Creditors and retrieve all funds therein, and Yihe Real Estate and the Target Company shall pay to the Purchaser an interest which is calculated based on the funds paid at a rate of 15% per annum from the date on which such funds have been deposited to the escrow accounts to the date all such funds have been retrieved;
    - (2) the Purchaser no longer has to fulfill the remaining obligations under the Acquisition Framework Agreement I; and

- (3) should the escrow measures on all the escrow accounts have still not been released within ten days upon termination of the Acquisition Framework Agreement I:
- (i) the Purchaser shall have the right to request the repayment of loans of US\$50,000,000 (equivalent to RMB350,000,000) and RMB4,900,000 by the relevant related companies of Yihe Real Estate; and
  - (ii) the Target Company and Yihe Real Estate shall pay to the Purchaser all funds as deposited by the Purchaser into the escrow accounts jointly controlled by the Purchaser and the relevant Yihe Creditors, and have the right to request the Purchaser to release the funds as deposited to such escrow accounts to the designated accounts of the Yihe Creditors.
- (b) Should the termination of the Acquisition Framework Agreement I be caused by Yihe Real Estate or the Target Company, the Purchaser shall have the right to request Yihe Real Estate to pay a penalty of RMB50,000,000 in addition to its rights as set out in the sub-paragraph (a) above, and request Yihe Real Estate to compensate its losses and damages should such penalty not be enough to cover its losses and damages.
- (c) Should the Acquisition Framework Agreement I be terminated due to the default or malicious breach of agreement by the Purchaser, Yihe Real Estate shall have the right to request the Purchaser to pay a penalty of RMB50,000,000, and continue to request the Purchaser to compensate its losses and damages should such penalty fee not be enough to cover its losses and damages.
- (d) Should the Acquisition Framework Agreement II be unexecuted, cancelled, terminated, unenforceable and/or revoked, the Purchaser and Hangzhou Hongyuyuan LLP shall have the right to terminate the Acquisition Framework Agreement I by giving written notice pursuant to the terms as detailed in the sub-paragraph (a) above.
- (e) Should the Acquisition Framework Agreement I be invalid or unenforceable, Yihe Real Estate and the Target Company shall compensate all losses and damages of the Purchaser and Hangzhou Hongyuyuan LLP caused thereby, including but not limited to all the unrecoverable amounts paid in relation to the Consideration I, plus interest which is calculated based on such paid amounts at a rate of 15% per annum. Yihe Real Estate shall also compensate the Debt Transfer Price B to the Purchaser. Should the Target Equity Interest A has then been registered under the name of the Purchaser, the Purchaser shall transfer the Target Equity Interest A to Yihe Real Estate upon Yihe Real Estate having compensated all losses and damages of the Purchaser.
- (f) Should the situation as detailed in the sub-paragraphs (a) to (c) above occur or the Acquisition Framework Agreement I be invalid or unenforceable as detailed in the sub-paragraph (e) above, upon Yihe Real Estate or the Target Company having fulfilled all of its obligations under the Acquisition Framework Agreement I, the Purchaser shall (i) release the joint management of the Target Company by Yihe Real Estate, the Huahong Parties and the Purchaser or transfer the equity interest in the Target Company back to Yihe Real Estate and the Huahong Parties; and (ii) release all mortgage/pledge registrations of the land use rights of the Yihe Land and, if any, the asset of Yihe Real Estate which is worth not less than RMB43,000,000.

## **Major Terms of the Acquisition Framework Agreement II**

The major terms of the Acquisition Framework Agreement II are detailed below.

### ***Subject assets to be acquired***

The Purchaser has agreed to acquire, and the Huahong Parties has agreed to sell, the Target Equity Interest B (representing 33% of the entire equity interest in the Target Company) and the Target Debt B (being debt of RMB41,360,903.78 owed by the Target Company to the Huahong Parties and their associates).

### ***Consideration II***

The Consideration II of RMB106,360,903.78 (subject to adjustments) comprises the following:

- (a) the Equity Transfer Price B of RMB65,000,000 for the acquisition of the Target Equity Interest B; and
- (b) the Debt Transfer Price B of RMB41,360,903.78 for the acquisition of the Target Debt B.

### ***Steps and conditions of the transaction and settlement of the Consideration II***

The transaction contemplated hereunder shall proceed according to the following steps in sequential order. No party shall proceed to the next step before completion of the previous step(s):

- (a) within 55 days upon execution of the Acquisition Framework Agreement II:
  - (i) upon (1) completion of the procedures for merging a number of state-owned land use rights certificates to three state-owned land use rights certificates in relation to the Yihe Land for an area of approximately 223,305.04 sq. m. for the purpose of unifying the usage and building restrictions on the Target Land and that the land use rights of the Yihe Land for an area of approximately 223,305.04 sq. m. having been mortgaged to Zheshang Asset Management and the Trustee as the first mortgagee and the second mortgagee, respectively, with such mortgages being registered; (2) the land use rights of the Yihe Land for an area of approximately 4,169.53 sq. m. having been mortgaged to the Trustee as the first mortgagee with such mortgage being registered; and (3) the land use rights of the Yihe Land for an area of approximately 48,751.60 sq. m. having been mortgaged to the Trustee as the second mortgagee with such mortgage being registered, the Purchaser shall pay the Debt Transfer Price B and RMB782,896.22 (i.e. RMB42,143,800 in total) to an escrow account jointly controlled by the Purchaser and the Huahong Parties;
  - (ii) the Huahong Parties shall ensure that the court has uplifted the freezing measures on 27.81% equity interest in the Target Company held by Yihe Real Estate (1) upon the Purchaser having paid RMB42,143,800 to the escrow account as set out in the sub-paragraph (a)(i) above; and (2) within seven business days upon the freezing measures on the Target Equity Interest A having been lifted; and

- (iii) there is no situation or potential situation that may hinder the transfer of the Target Equity Interest A and the Target Equity Interest B;
- (b) within 60 days upon execution of the Acquisition Framework Agreement II:
  - (i) the Huahong Parties shall complete the registration of the Target Equity Interest B under the name of the Purchaser; and
  - (ii) the registration of the Target Equity Interest A shall be completed under the name of the Purchaser;
- (c) within three business days upon completion of all the steps in paragraphs (a) and (b) above provided that no dispute arises from the parties to the Acquisition Framework Agreement II:
  - (i) the Purchaser and the Huahong Parties shall release the funds of RMB42,143,800 in the escrow account jointly controlled by the Purchaser and the Huahong Parties to the designated account of the Huahong Parties, and if there is any remainder in such escrow account, such amount shall belong to the Purchaser; and
  - (ii) the Huahong Parties shall cooperate with the Purchaser as per its request to change or cancel the name chop of Mr. Zhao, and release the joint management of the escrow account by the Purchaser and the Huahong Parties; and
- (d) upon completion of all the steps in paragraphs (a) to (c) above, the Huahong Parties and the Purchaser shall settle the remaining RMB64,217,103.78 of the Consideration II within 30 days after the determination of the Adjustments II.

### ***Adjustments to the Consideration II***

The Consideration II shall be adjusted as follows:

#### ***Preliminary adjustment***

- (a) upon reaching the sixth month after the date on which the Target Equity Interest has been registered under the name of the Purchaser or the date on which specific payables of the Target Company arising from the operations and development of the Huahong Project as specified in the Acquisition Framework Agreement II have been settled in full, whichever is earlier, the Huahong Parties and the Purchaser shall conduct a calculation of the payables, receivables and value of inventories of the Target Company arising from the operations and development of the Huahong Project. Upon completion of the preliminary adjustment:
  - (i) if the Huahong Parties are required to pay the Purchaser, such amount shall be deducted from the Equity Transfer Price B (to the extent remains unpaid), and the remaining Equity Transfer Price B (if any) shall then be paid to the Purchaser within 30 days upon completion of the preliminary adjustment. If the Equity Transfer Price B (to the extent remains unpaid) is not enough to settle the amount, the Purchaser shall have the right to continue to claim the outstanding amount from the Huahong Parties; and

- (ii) if the Purchaser is required to pay to the Huahong Parties, the Purchaser shall, within 30 days upon completion of the preliminary adjustment, pay to the Huahong Parties the Equity Transfer Price B (to the extent remains unpaid) and the amount payable as determined during the preliminary adjustment (where such amount shall form part of the Equity Transfer Price B); and

*Final adjustment*

- (b) upon all payables of the Target Company arising from the operations and development of the Huahong Project as specified in the Acquisition Framework Agreement II have become due, the Huahong Parties and the Purchaser shall conduct a final calculation of the payables, receivables which have been realised and value of inventories which have been realised:
  - (i) if the final amount calculated is higher than the amount as determined during the preliminary adjustment, the difference between the final amount calculated and the amount determined during the preliminary adjustment shall be paid by the Huahong Parties to the Purchaser in cash; and
  - (ii) if the final amount calculated is lower than the amount as determined during the preliminary adjustment, the difference between the amount determined during the preliminary adjustment and the final amount calculated shall be paid by the Purchaser to the Huahong Parties in cash.

***Liabilities of the Huahong Parties for non-disclosure of payables of the Target Company***

Should the operational payables, receivables and value of inventories of the Target Company arising from the operations and development of the Huahong Project as specified in the Acquisition Framework Agreement II become untrue, inaccurate and incomplete due to the non-disclosure of such by the Huahong Parties, the Target Company or the Purchaser shall have the right to request the Huahong Parties to take full responsibility without taking into account the consequences arising from the determination of the Adjustments II.

Should the Huahong Parties not be able to take up such responsibility, the relevant amount payable as a result of such non-disclosure shall be deducted directly from the Consideration II. The Purchaser and the Target Company may also pay the relevant amount on behalf of the Huahong Parties, where the Huahong Parties shall (i) reimburse such amount to the Purchaser and the Target Company and pay an interest that is calculated based on the amount payable at a rate of 0.05% per day from the date on which such amount was paid; and (ii) compensate all losses and damages suffered by the Purchaser and the Target Company.

## ***Liabilities for breach of the Acquisition Framework Agreement II***

- (a) Should the steps as detailed in the sub-paragraphs (a) to (b) of the paragraph headed “Steps and conditions of the transaction and settlement of the Consideration II” in this section fail to be completed within the relevant time limit, the Purchaser shall have the right to terminate the Acquisition Framework Agreement II without any reason by written notice:
  - (i) should the termination be caused by the failure to complete the steps as detailed in the sub-paragraphs (a) and (b) of the paragraph headed “Steps and conditions of the transaction and settlement of the Consideration II” in this section, all funds in the escrow account jointly controlled by the Purchaser and the Huahong Parties shall belong to the Purchaser, and the Huahong Parties shall cooperate with the Purchaser as per its request to change or cancel the name chop of Mr. Zhao and release the joint management of such escrow account; and
  - (ii) should the escrow measures on the escrow account jointly controlled by the Purchaser and the Huahong Parties have still not been released within two days upon termination of the Acquisition Framework Agreement II, the Huahong Parties shall pay to the Purchaser a penalty calculated at the rate of 0.05% per day based on the funds in the escrow account, and the Purchaser shall have the right to request for compensation should such penalty not be enough to cover its losses and damages.
- (b) Should the termination of the Acquisition Framework Agreement II be caused by the Huahong Parties or the Target Company (including but not limited to the failure to (i) have the freezing measures on the Target Equity Interest A uplifted within the time limit; and (ii) complete the registration of the Target Equity Interest B under the name of the Purchaser), the Purchaser shall have the right to request the Huahong Parties to pay a penalty of RMB10,000,000 in addition to its rights as set out in the sub-paragraph (a) above, and continue to request the Huahong Parties to compensate its losses and damages should such penalty not be enough to cover its losses and damages.
- (c) Should the Purchaser fail to release the funds in the escrow account jointly controlled by the Huahong Parties and the Purchaser or pay the Equity Transfer Price B (to the extent remains unpaid) and any additional amount as determined during the Adjustments II in accordance with the paragraph headed “Adjustments of the Consideration II” in this section, the Purchaser shall pay to the Huahong Parties a penalty calculated based on the amount unpaid at the rate of 0.05% per day for each day on which such amount has been overdue.
- (d) Should the Acquisition Framework Agreement II be terminated due to the default or malicious breach of agreement by the Purchaser, the Huahong Parties shall have the right to request the Purchaser to pay a penalty of RMB10,000,000, and continue to request the Purchaser to compensate its losses and damages should such penalty not be enough to cover its losses and damages.



- (e) Should the Acquisition Framework Agreement I be unexecuted, cancelled, terminated, invalid and/or unenforceable, the Purchaser shall have the right to terminate the Acquisition Framework Agreement II by giving unilateral written notice. Should RMB42,143,800 been paid to the escrow account jointly controlled by the Purchaser and the Huahong Parties by then, the Purchaser shall have the right to request the Huahong Parties to return such funds to the Purchaser in accordance with paragraph (a) above. Should RMB42,143,800 been released to the Huahong Parties, other than such RMB42,143,800, the Purchaser shall have the right to request the Huahong Parties to return the remaining Equity Transfer Price B (if any), and the Target Equity Interest B shall also be transferred from the Purchaser to the Huahong Parties.

## **ENCUMBRANCES OVER THE TARGET LAND AND THE TARGET COMPANY UPON COMPLETION OF THE ACQUISITION**

Upon completion of the Acquisition, certain encumbrances would have been created over the land use rights of the Target Land and the equity interest in the Target Company, details of which are as follow:

- (a) the land use rights of the Yihe Land for an area of approximately 48,751.60 sq.m. would have been mortgaged to Zheshang Asset Management and the Trustee as the first mortgagee and the second mortgagee, respectively;
- (b) the land use rights of the Yihe Land for an area of approximately 4,169.53 sq.m. would have been mortgaged to the Trustee as the first mortgagee;
- (c) the land use rights of the Yihe Land for an area of approximately 223,305.04 sq.m. would have been mortgaged to Zheshang Asset Management and the Trustee as the first mortgagee and the second mortgagee, respectively; and
- (d) 49% equity interest in the Target Company which shall then be held by the Purchaser would have been registered under the name of Hangzhou Hongyuyuan LLP as security for the loan provided by Hangzhou Hongyuyuan LLP to the Purchaser.

## **INFORMATION OF THE PARTIES TO THE ACQUISITION FRAMEWORK AGREEMENTS**

### **The Group**

The Company is a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange. The Group is an established property developer in the PRC focusing on developing quality residential properties in the Yangtze River Delta Megalopolis for customers of all ages. The Group commenced property development operations in Nanjing and successfully expanded its footprint to other cities in the Yangtze River Delta Megalopolis, including Wuxi, Suzhou, Zhenjiang, Hangzhou, Ma'an Shan and Hefei.

The Purchaser is a company incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. The Purchaser principally engages in enterprise management.

## **Yihe Real Estate**

Yihe Real Estate is a company incorporated under the laws of the PRC with limited liability and principally engages in property development. As at the date of this announcement, Yihe Real Estate is wholly-owned by Long Sen Investments (Hong Kong) Limited and in turn ultimately wholly-owned by Mr. He Jianliang (何建梁先生).

## **Zhejiang Huahong**

Zhejiang Huahong is a company incorporated under the laws of the PRC with limited liability and principally engages in trading and real estate investment. As at the date of this announcement, Zhejiang Huahong is owned as to 70% and 30% by Mr. Zhao and Mr. Zhao Zhihao (趙志昊先生), respectively.

## **Hangzhou Hongyuyuan LLP**

Hangzhou Hongyuyuan LLP is a limited partnership established in the PRC and principally engages in enterprise management. As at the date of this announcement, Yinzechong, Zheshang Asset Management, Zheyue Asset Management and Zhejiang Jinyu are the partners of Hangzhou Hongyuyuan LLP whose capital contribution are RMB150,000,000, RMB975,000,000, RMB175,000,000 and RMB10,000, respectively.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of (i) Yihe Real Estate and its ultimate beneficial owner; (ii) Zhejiang Huahong and its ultimate beneficial owners; (iii) the Target Company and its ultimate beneficial owners; and (iv) the Guarantors is an Independent Third Party.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save for Yinzechong which is an indirect wholly-owned subsidiary of the Company, each of Hangzhou Hongyuyuan LLP and its ultimate beneficial owners is an Independent Third Party.

## **BASIS OF THE CONSIDERATION**

The Consideration (including the adjustment mechanism) was determined after arm's length negotiation among the Purchaser, Yihe Real Estate, the Huahong Parties, the Target Company, the Guarantors and Hangzhou Hongyuyuan LLP on normal commercial terms with reference to:

- (i) the major assets owned by the Target Company, namely the Yihe Project, of which the total asset value (including the Yihe Land and the properties that are under construction thereon) was approximately RMB0.36 billion as per the unaudited financial position of the Target Company as at 31 May 2020 and approximately RMB2.19 billion as per the valuation report issued by an independent valuer as at 19 June 2020;
- (ii) the total liabilities of the Target Company of approximately RMB0.7 billion as at 31 May 2020; and
- (iii) the business development opportunities and prospect of the Target Project upon completion of the Acquisition.

## **FINANCIAL EFFECTS OF THE ACQUISITION**

The Consideration will be funded by the internal resources of the Group and borrowings from Hangzhou Hongyuyuan LLP.

Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Group.

As the Consideration will be partially funded by the borrowings from Hangzhou Hongyuyuan LLP, the Group will be indebted to Hangzhou Hongyuyuan LLP for an amount of not more than RMB990,442,728.77 upon completion of the Acquisition. Such interest-bearing loan amount shall be repaid by the Group to Hangzhou Hongyuyuan LLP on or before 9 September 2023.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Target Project is located in Qingshan Lake Technology Town\* (青山湖科技城) of the Lin'an District\* (臨安區) which is currently one of the core developing areas in the Lin'an District\* (臨安區) and is currently under the town planning with an aim of having the elements of research and development, industrialisation and modern and comprehensive life services support integrated in the community. The location of the Target Project is approximately 6.5 kilometres away from the Lin'an District Government buildings and approximately 1.1 kilometres away from the Hanglin Chengji Babaili Station\* (杭臨城際八百里站), a railway station for interchanging other railway lines to the Hangzhou downtown area. The Target Project is also surrounded by beautiful scenery of mountains and the Qingshan Lake\* (青山湖).

As such, the Board is of the view that the Acquisition can expand the Group's land reserve and its existing business in developing quality residential properties in the Yangtze River Delta Megalopolis, hence would exert its strength, further enhance its presence and influence in the Yangtze River Delta Megalopolis, and bring in more investment return for the Shareholders.

The Directors (including the independent non-executive Directors) considered that the Acquisition is carried out on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

No Shareholder has a material interest in the Acquisition and is required to abstain from voting if the Company were to convene a general meeting for approving the Acquisition. Pursuant to Rule 14.44 of the Listing Rules, the Company had obtained a written approval for the Acquisition from the Relevant Shareholders as set out below, being a closely allied group of Shareholders which together hold 746,542,411 Shares, representing approximately 51.59% of the issued share capital of the Company as at the date of this announcement, carrying rights to vote at a general meeting of the Company:

Shareholders	Number of Shares held	Approximate percentage of shareholding <sup>(Note 7)</sup>
Silver Huang Holding Limited <sup>(Note 1)</sup>	517,833,810	35.79%
Silver Vally Holding Limited <sup>(Note 1)</sup>	21,255,724	1.47%
Silver Xie Holding Limited <sup>(Note 2)</sup>	78,085,490	5.40%
Silver Li Holding Limited <sup>(Note 3)</sup>	36,192,609	2.50%
Silver Ma Holding Limited <sup>(Note 4)</sup>	71,919,056	4.97%
Silver Shao Holding Limited <sup>(Note 5)</sup>	10,627,861	0.73%
Silver Wang Holding Limited <sup>(Note 6)</sup>	<u>10,627,861</u>	<u>0.73%</u>
Total:	<u><u>746,542,411</u></u>	<u><u>51.59%</u></u>

### Notes:

- Each of Silver Huang Holding Limited and Silver Vally Holding Limited is directly wholly-owned by Mr. Huang Qingping, a non-executive Director, the chairman of the Board and a controlling Shareholder.
- Silver Xie Holding Limited is directly wholly-owned by Mr. Xie Chenguang, a non-executive Director.
- Silver Li Holding Limited is directly wholly-owned by Mr. Zhu Li, an executive Director.
- Silver Ma Holding Limited is directly wholly-owned by Mr. Ma Baohua, an executive Director.
- Silver Shao Holding Limited is directly wholly-owned by Ms. Shao Lei, an executive Director.
- Silver Wang Holding Limited is directly wholly-owned by Mr. Wang Zheng, an executive Director.
- The approximate shareholding percentage were calculated based on 1,446,962,138 Shares in issue as at the date of this announcement.

The relationships among the Relevant Shareholders which constitute “a closely-allied group of Shareholders” under Rule 14.45 of the Listing Rules are, among other things, briefly set out below:

- (i) the ultimate beneficial owner of each of the Relevant Shareholders as mentioned above is a Director and all of such Directors have been involved in the management roles overseeing the daily operations of the property development arm of the Yincheng Real Estate Group, which have been separated from the Yincheng Real Estate Group to form the Group for the purpose of the Listing;
- (ii) Mr. Huang Qingping, Mr. Xie Chenguang, Mr. Ma Baohua and Mr. Zhu Li have been shareholders of Yincheng Real Estate for more than 12 years with Mr. Huang Qingping first became a shareholder since 2001. Mr. Huang Qingping, Mr. Xie Chenguang, Mr. Ma Baohua and Mr. Zhu Li have continued to be shareholders of Yincheng Real Estate after the Reorganisation and the Yincheng Real Estate Group continues to carry on a variety of business operations other than property development in the PRC;
- (iii) Mr. Huang Qingping, Mr. Xie Chenguang, Mr. Ma Baohua and Mr. Zhu Li, being the ultimate beneficial shareholders of the Yincheng Real Estate Group in aggregate holding more than 50% shareholding interests of Yincheng Real Estate, have nominated Mr. Wang Zheng and Ms. Shao Lei to be appointed as Directors so that the six of them continue with their close cooperation in the Group both as Directors and Shareholders through their respective investment vehicles (namely, the respective Relevant Shareholders); and
- (iv) since the inception of the Company and as a result of the Reorganisation, Mr. Huang Qingping, Mr. Xie Chenguang, Mr. Ma Baohua and Mr. Zhu Li, by reason of their ultimate shareholding interest in Yincheng Real Estate, first became interested in the Shares through their respective investment vehicles, namely, Silver Huang Holding Limited, Silver Xie Holding Limited, Silver Ma Holding Limited and Silver Li Holding Limited. Silver Vally Holding Limited (being directly wholly-owned by Mr. Huang Qingping) also became a Shareholder as part of the Reorganisation. In recognition of the contribution of Mr. Wang Zheng and Ms. Shao Lei in the Group, they also became the Shareholders through their respective investment vehicles, namely, Silver Wang Holding Limited and Silver Shao Holding Limited.

On the basis that the Relevant Shareholders form a close-allied group of Shareholders under Rule 14.45 of the Listing Rules, pursuant to Rule 14.44 of the Listing Rules, their written approvals may be accepted in lieu of holding a general meeting for the purpose of approving the Acquisition and therefore no extraordinary general meeting of the Company will be convened for such purpose.

## **GENERAL**

A circular containing, among others, further details of the Acquisition is expected to be despatched to the Shareholders in accordance with the Listing Rules for information purposes only. It is expected that the circular will be despatched to the Shareholders on or before 8 October 2020 in order to allow sufficient time for the Company to prepare the relevant information for inclusion in the circular.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the acquisition of the Target Equity Interest and Target Debt by the Purchaser from Yihe Real Estate and the Huahong Parties pursuant to the terms and conditions of the Acquisition Framework Agreements
“Acquisition Framework Agreement I”	the equity interest transfer framework agreement (股權轉讓框架協議書(一)) dated 15 September 2020 entered into among the Purchaser, Yihe Real Estate, the Target Company, the Guarantors and Hangzhou Hongyuyuan LLP in relation to the acquisition of the Target Equity Interest A and the Target Debt A
“Acquisition Framework Agreement II”	the equity interest transfer framework agreement (股權轉讓框架協議書(二)) dated 15 September 2020 entered into among the Purchaser, the Huahong Parties and the Target Company in relation to the acquisition of the Target Equity Interest B and the Target Debt B
“Acquisition Framework Agreements”	Acquisition Framework Agreement I and Acquisition Framework Agreement II
“Adjustments I”	the adjustments of the Consideration I as set out in the section headed “The Acquisition Framework Agreements — Major Terms of the Acquisition Framework Agreement I — Adjustments of the Consideration I” of this announcement
“Adjustments II”	the adjustments of the Consideration II as set out in the section headed “The Acquisition Framework Agreements — Major Terms of the Acquisition Framework Agreement II — Adjustments of the Consideration II” of this announcement
“Asset Management Parties”	Zheshang Asset Management, Zheyue Asset Management and Zhejiang Jinyu
“Board”	the board of Directors
“Company”	Yincheng International Holding Co., Ltd. (銀城國際控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1902)
“Completion Date”	the date on which the registration of the Target Equity Interest A and the Target Equity Interest B under the name of the Purchaser have been completed (whichever is latter)



“Consideration”	the aggregate consideration of RMB1,196,998,491.87 comprising the Consideration I and the Consideration II (subject to the Adjustments I and the Adjustments II) payable by the Purchaser in relation to the Acquisition
“Consideration I”	the consideration of RMB1,090,637,588.09 (comprising (i) the Equity Transfer Price A; (ii) the debt of RMB127,173,826.52 of the Target Company owed to Yihe Real Estate; and (iii) the provision of loans of RMB481,494,001.57 and US\$50,000,000 to the relevant companies of the Yihe Real Estate Group (with the Target Company as a joint debtor), and subject to the Adjustments I) payable by the Purchaser in relation to the acquisition of the Target Equity Interest A and the Target Debt A
“Consideration II”	the consideration of RMB106,360,903.78 (comprising (i) the Equity Transfer Price B; and (ii) the debt of RMB41,360,903.78 of the Target Company owed to the Huahong Parties and their associates, and subject to the Adjustments II) payable by the Purchaser in relation to the acquisition of the Target Equity Interest B and the Target Debt B
“Debt Transfer Price A”	the debt transfer price of RMB127,173,826.52 (the Adjustments I) for the acquisition of the Target Debt A
“Debt Transfer Price B”	the debt transfer price of RMB41,360,903.78 for the acquisition of the Target Debt B
“Directors”	the director(s) of the Company
“Equity Transfer Price A”	the equity transfer price of RMB131,969,760 (subject to Adjustments I) for the acquisition of the Target Equity Interest A
“Equity Transfer Price B”	the equity transfer price of RMB65,000,000 (Adjustments II) for the acquisition of the Target Equity Interest B
“Group”	the Company and its subsidiaries
“Guarantors”	Mr. He Jianliang (何建梁先生) and Mr. He Jianxin (何建信先生), the legal representative of the Target Company and Yihe Real Estate, respectively

“Hangzhou Hongyuyuan LLP”	Hangzhou Hongyuyuan Enterprise Management Partnership (Limited Partnership)* (杭州鴻鈺源企業管理合夥企業(有限合夥)), a limited partnership established in the PRC with Yinzehong, Zheshang Asset Management, Zheyue Asset Management and Zhejiang Jinyu being the partners whose capital contribution are RMB150,000,000, RMB975,000,000, RMB175,000,000 and RMB10,000, respectively, as at the date of this announcement
“Huahong Parties”	Zhejiang Huahong, Mr. Zhao and Mr. Zhou
“Huahong Project”	phases I, II and III of the Target Project which is under the development of the Huahong Parties as at the date of this announcement
“Independent Third Party(ies)”	a third party(ies) independent of the Company and its connected persons
“Kunlun Debt”	the debt of RMB358,774,862.94 owed by the Target Company to Kunlun Trust as at the date of this announcement
“Kunlun Trust”	Kunlun Trust Co., Ltd. (昆侖信託有限責任公司), a creditor of (i) a related company of Yihe Real Estate; and (ii) the Target Company, and an Independent Third Party
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhao”	Mr. Zhao Chongqing (趙崇清先生), the holder of 8.712% equity interest in the Target Company as at the date of this announcement
“Mr. Zhou”	Mr. Zhou Qingxing (周慶興先生), the holder of 1.98% equity interest in the Target Company as at the date of this announcement
“percentage ratio(s)”	has the meaning ascribed to it in the Listing Rules
“PRC”	the People’s Republic of China, which for the sole purpose of this announcement, shall exclude the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Purchaser”	Hangzhou Zezhou Enterprise Management Co., Ltd.* (杭州澤洲企業管理有限公司), a company incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement

“Relevant Shareholders”	Silver Huang Holding Limited, Silver Vally Holding Limited, Silver Xie Holding Limited, Silver Ma Holding Limited, Silver Li Holding Limited, Silver Wang Holding Limited and Silver Shao Holding Limited, each being a company incorporated in the British Virgin Islands with limited liability and a Shareholder
“Reorganisation”	the reorganisation of the Group in preparation for the listing of the Shares on the Stock Exchange, details of which are set out in the section headed “History, Reorganisation and Group Structure — Corporate Development — The reorganisation” in the prospectus of the Company dated 22 February 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq. m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hangzhou Qingcheng Property Development Co., Ltd.* (杭州青城房地產開發有限公司), a company incorporated under the laws of the PRC with limited liability
“Target Debt”	the Target Debt A and Target Debt B
“Target Debt A”	the debt of the Target Company owed to Yihe Real Estate which is amounted to RMB127,173,826.52 as at the date of this announcement
“Target Debt B”	the debt of the Target Company owed to the Huahong Parties and their associates which is amounted to RMB41,360,903.78 as at the date of this announcement
“Target Equity Interest”	the entire equity interest in the Target Company as at the date of this announcement
“Target Equity Interest A”	67% equity interest in the Target Company which was held by Yihe Real Estate as at the date of this announcement
“Target Equity Interest B”	33% equity interest in the Target Company which was collectively held by Zhejiang Huahong, Mr. Zhao and Mr. Zhou as at the date of this announcement

“Target Land”	the land parcel which is situated at Qingshan Minzhu Village, Lin’an District, Hangzhou City, Zhejiang* (浙江省杭州市臨安區青山民主村) with a total area of approximately 805,871.7 sq. m.
“Target Project”	the property development project which is located on the Target Land
“Trustee”	the trustee of a trust over the rights and benefits attached to the loan provided by Hangzhou Hongyuyuan LLP to the Purchaser
“US\$”	United States dollars, the lawful currency of the United States of America
“Yihe Creditors”	seven creditors of the Yihe Real Estate Group, all of which are Independent Third Parties
“Yihe Land”	a total of approximately 396,364.52 sq. m. of the Target Land which is under the development of Yihe Real Estate as at the date of this announcement
“Yihe Project”	phases IV and V of the Target Project which is under the development of Yihe Real Estate as at the date of this announcement
“Yihe Real Estate”	Yihe Real Estate Group Co., Ltd.* (頤和地產集團有限公司), a company incorporated under the laws of the PRC with limited liability which is wholly-owned by Long Sen Investments (Hong Kong) Limited and in turn ultimately wholly-owned by Mr. He Jianliang (何建梁先生), and the holder of 67% equity interest in the Target Company as at the date of this announcement
“Yihe Real Estate Group”	Yihe Real Estate and its related companies
“Yincheng Real Estate”	Yincheng Real Estate Group Co., Ltd.* (銀城地產集團股份有限公司), a company incorporated under the laws of the PRC with limited liability, the former holding company of the operating subsidiaries of the Group prior to completion of the Reorganisation
“Yincheng Real Estate Group”	Yincheng Real Estate and its subsidiaries from time to time
“Yinzechong”	Wuxi Yinzechong Enterprise Management Co., Ltd.* (無錫銀澤鴻企業管理有限公司), a company incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“Zhejiang Huahong”	Zhejiang Huahong Holding Group Co., Ltd.* (浙江華虹控股集團有限公司), a company incorporated under the laws of the PRC with limited liability which is owned as to 70% and 30% by Mr. Zhao and Mr. Zhao Zhihao (趙志昊先生), respectively, and the holder of 22.308% equity interest in the Target Company as at the date of this announcement
“Zhejiang Jinyu”	Zhejiang Jinyu Asset Management Co., Ltd.* (浙江金珏資產管理有限公司), a state-owned enterprise (國有企業) incorporated under the laws of the PRC with limited liability
“Zheshang Asset Management”	Zhejiangsheng Zheshang Asset Management Co., Ltd.* (浙江省浙商資產管理有限公司), a state-owned enterprise (國有企業) incorporated under the laws of the PRC with limited liability
“Zheyue Asset Management”	Zheyue Asset Management Co., Ltd.* (浙越資產管理有限公司), a state-owned enterprise (國有企業) incorporated under the laws of the PRC with limited liability
“%”	per cent

\* for identification purpose only

*For the purpose of illustration only and unless otherwise stated, conversion of US\$ into RMB in this announcement is based on the exchange rate of US\$1 to RMB7. Such conversion should not be construed as a representation that any amount has been, could have been, or may be exchanged at this or any other rate.*

By order of the Board of  
**YINCHENG INTERNATIONAL HOLDING CO., LTD.**  
**HUANG Qingping**  
*Chairman*

Hong Kong, 15 September 2020

*As at the date of this announcement, the executive Directors are Mr. Ma Baohua, Mr. Zhu Li, Mr. Wang Zheng and Ms. Shao Lei; the non-executive Directors are Mr. Huang Qingping and Mr. Xie Chenguang; and the independent non-executive Directors are Mr. Chen Shimin, Mr. Chan Peng Kuan and Mr. Lam Ming Fai.*