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銀城國際控股有限公司
YINCHENG INTERNATIONAL HOLDING CO., LTD.
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1902)

DISCLOSEABLE TRANSACTION

INVESTMENT COOPERATION AGREEMENT IN RELATION TO PROPOSED ACQUISITION

On 7 December 2020, Wenzhou Yinjiahui (an indirect wholly-owned subsidiary of the Company) successfully won a non-binding bid for the Proposed Acquisition to acquire 51% equity interest in the Project Company from Shenzhen OCT. The principal asset of the Project Company is the Land together with the properties erected thereon.

In order to leverage the expertise from other real estate investment partner and to reduce capital exposure, on 20 December 2020, Nanjing Yincheng, Nanjing Yinzhuo, Wenzhou Yinjiahui (all of which being indirect wholly-owned subsidiaries of the Company) and Qianyan Consulting entered into the Investment Cooperation Agreement for the joint investment in Wenzhou Yinjiahui, and ultimately, for the Proposed Acquisition.

Pursuant to the Investment Cooperation Agreement, the Parties agreed that (i) Nanjing Yinzhuo shall make an Investment (inclusive of capital commitment and shareholder's loan) of not more than RMB700,000,000 to Wenzhou Yinjiahui; and (ii) Qianyan Consulting shall, through Qianyan LP, make an investment (inclusive of capital commitment and shareholder's loan) of not less than RMB300,000,000 but not more than RMB450,000,000 to Wenzhou Yinjiahui.

Upon completion of the Transaction, Wenzhou Yinjiahui shall cease to be a subsidiary of the Company and become a joint venture company held as to not less than 70% by Nanjing Yinzhuo and not more than 30% by Qianyan LP. The financial results of Wenzhou Yinjiahui shall not be consolidated to the Company's consolidated financial statements. The Transaction will not result in the recognition of any gain or loss in the Company's consolidated financial statements.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Transaction exceeds 5% but is less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

On 7 December 2020, Wenzhou Yinjiahui (an indirect wholly-owned subsidiary of the Company) successfully won a non-binding bid for the Proposed Acquisition to acquire 51% equity interest in the Project Company from Shenzhen OCT. The principal asset of the Project Company is the Land together with the properties erected thereon.

In order to leverage the expertise from other real estate investment partner and to reduce capital exposure, on 20 December 2020, Nanjing Yincheng, Nanjing Yinzhuo, Wenzhou Yinjiahui (all of which being indirect wholly-owned subsidiaries of the Company) and Qianyan Consulting entered into the Investment Cooperation Agreement for the joint investment in Wenzhou Yinjiahui, and ultimately, for the Proposed Acquisition.

PRINCIPAL TERMS OF THE INVESTMENT COOPERATION AGREEMENT

Joint investment in Wenzhou Yinjiahui

The Parties agreed that:

(i) Nanjing Yinzhuo shall make an Investment (inclusive of capital commitment and shareholder's loan) of not more than RMB700,000,000 to Wenzhou Yinjiahui;

(ii) Qianyan Consulting shall, through Qianyan LP, make an investment (inclusive of capital commitment and shareholder's loan) of not less than RMB300,000,000 but not more than RMB450,000,000 to Wenzhou Yinjiahui;

(iii) the registered capital of Wenzhou Yinjiahui shall be increased from RMB1,000,000 to RMB10,000,000 by 15 January 2021, of which, RMB6,000,000 and RMB3,000,000 shall be paid up by Nanjing Yinzhuo and Qianyan LP, respectively. Wenzhou Yinjiahui shall be held as to not less than 70% by Nanjing Yinzhuo and not more than 30% by Qianyan LP; and

(iv) upon satisfaction of the conditions precedent as set out in the Investment Cooperation Agreement, Qianyan LP shall provide to Wenzhou Yinjiahui a loan of not more than RMB447,000,000 by way of (i) provision of shareholder's loan(s); or (ii) acquisition of interest in shareholder's loan due from Wenzhou Yinjiahui to Nanjing Yinzhuo. All investment made by Qianyan LP to Wenzhou Yinjiahui shall be applied to pay the relevant consideration for the Proposed Acquisition.

Adjustment mechanism

In the event that the actual investment amount made by Qianyan LP as of 15 January 2021 is less than RMB420,000,000, the percentage of equity interest in Wenzhou Yinjiahui to be held by Qianyan LP shall be adjusted as follows and the relevant amount of capital commitment shall be adjusted accordingly:

Adjusted percentage of equity interest in Wenzhou Yinjiahui to be held by Qianyan LP = Actual investment amount made by Qianyan LP ÷ RMB420,000,000 x 30%

In the event that such actual investment amount made by Qianyan LP as of 15 January 2021 is equivalent to or more than RMB420,000,000, the percentage of equity interest in Wenzhou Yinjiahui to be held by Qianyan LP shall be 30%.

Conditions precedent

Unless otherwise waived by Qianyan LP in writing, all of the following conditions precedent shall be satisfied or fulfilled prior to the payment of the capital commitment and the provision of shareholder's loan by Qianyan LP:

(i) the Investment Cooperation Agreement being duly executed and in full force and effect;

(ii) Nanjing Yinzhuo having provided a shareholder's loan to Wenzhou Yinjiahui of not less than RMB270,540,000;

(iii) Qianyan LP, Nanjing Yinzhuo and Wenzhou Yinjiahui having entered into the capital injection agreement in relation to Wenzhou Yinjiahui Enterprise Management Co., Ltd.* (《關於溫州銀嘉滙企業管理有限責任公司之增資協議》) which is in full force and effect, the arrangement in capital commitment having been registered with the relevant authority and Wenzhou Yinjiahui having obtained a new business registration certificate;

(iv) all equity interest holders of Wenzhou Yinjiahui having executed the amended articles of association in accordance with the terms of the Investment Cooperation Agreement, such amended articles of association having been approved in a shareholders' meeting of Wenzhou Yinjiahui and all of the above matters having been registered with the relevant authority;

(v) Qianyan LP and Wenzhou Yinjiahui having entered into a loan agreement or Qianyan LP and Nanjing Yinzhuo having entered into a debt transfer agreement pursuant to the Investment Cooperation Agreement, and such agreement being in full force and effect;

(vi) Nanjing Yinzhuo and Qianyan LP jointly managing all chops of Wenzhou Yinjiahui, all chops reserved for bank accounts of Wenzhou Yinjiahui having been adjusted and used as chops of the joint management staff, and Qianyan LP having obtained all USB keys for bank accounts of Wenzhou Yinjiahui;

(vii) bank statement notification services relating to all bank accounts of the Project Company having been activated for use by designated person(s) of Qianyan LP;

(viii) there being no breach, on the part of Nanjing Yincheng, Wenzhou Yinjiahui and the Project Company, of any obligations and responsibilities under the terms of the Investment Cooperation Agreement and any subsequent transaction agreement(s) to be entered into pursuant to the Investment Cooperation Agreement; and

(ix) all internal approvals and authorisations for the execution of the above legal documents and the performance of the relevant matters having been obtained by each relevant Party, and Qianyan LP having received proof(s) for the satisfaction of the above.

Management of Wenzhou Yinjiahui

Shareholders' resolutions

Shareholders of Wenzhou Yinjiahui shall exercise their functions and powers as stipulated under the companies law, the articles of association of Wenzhou Yinjiahui and the terms of the Investment Cooperation Agreement. Key responsibilities of which include but are not limited to formulating business and investment plans, and approving changes in the capital structure, annual budgets and profit distribution arrangements of Wenzhou Yinjiahui. All such matters to be approved by the shareholders shall be passed by unanimous consent.

Board composition and management

The board of directors of Wenzhou Yinjiahui shall consist of three (3) directors, two (2) of whom shall be nominated by Qianyan LP and one (1) of whom shall be nominated by Nanjing Yinzhuo. The chairman of the board of directors of Wenzhou Yinjiahui shall be a director nominated by Nanjing Yinzhuo.

Directors of Wenzhou Yinjiahui shall exercise their functions and powers as stipulated under the companies law, the articles of association of Wenzhou Yinjiahui and the terms of the Investment Cooperation Agreement. Key responsibilities of which include but are not limited to convening shareholders' meetings, reporting to shareholders, undertaking management tasks, arranging external financing for Wenzhou Yinjiahui, and formulating development and investment plans of the Proposed Acquisition. All such matters to be approved by the directors shall be passed by unanimous consent.

Liabilities for breach

In the event that any Party breaches the terms, representations or warranties of the Investment Cooperation Agreement, such defaulting Party shall indemnify the non-defaulting Party all losses, damages, costs and expenses incurred.

In the event that Nanjing Yincheng or its connected parties contact or cooperate with individuals, legal persons or other bodies other than Qianyan Consulting or Qianyan LP for the cooperation matters as set out in the Investment Cooperation Agreement, or refuse to accept the investment amount as made by Qianyan LP, such act shall constitute a breach of the Investment Cooperation Agreement, and the defaulting Party shall pay to Qianyan Consulting or Qianyan LP an amount equivalent to 1% of the maximum investment amount to be made by Qianyan LP.

In the event that any Party breaches its responsibilities under the Investment Cooperation Agreement or its representations and warranties made are untrue, the defaulting Party shall be obliged to take the corresponding remedial actions. If the defaulting Party fails to take such remedial actions within ten (10) business days upon receipt of a written request from the non-defaulting Party, or even after such action, performance of the Transactions is made impossible or damage has been caused to the non-defaulting Party, the non-defaulting Party shall be entitled to claim damages of RMB30,000,000 from the defaulting Party, and have the right to request specific performance by the defaulting Party or terminate the Investment Cooperation Agreement.

PROPOSED ACQUISITION AND INFORMATION OF THE LAND

After the successful bidding for the Proposed Acquisition from Shenzhen OCT, on 7 December 2020, a deposit of RMB81,000,000, which is considered as part of the Investment, was paid by Wenzhou Yinjiahui.

The principal asset of the Project Company is the Land together with the properties erected thereon. Details of the Land are as follows:

Location:	Gaoxiang Village, Xinqiao Street, Ouhai District, Wenzhou, Zhejiang Province* (浙江省溫州市甌海區新橋街道高翔村)
Approximate total site area:	145,658.77 square metre
Approximate total gross floor area:	306,628.50 square metre
Usage:	Residential, public administration and public service (for science and education purposes) and commercial (for wholesale, retail, accommodation and dining purposes).
Term of land use rights:	(i) 70 years for residential use; (ii) 50 years for public administration and public service (science and education) use; and (iii) 40 years for commercial (wholesale, retail, accommodation and dining) use.

As at the date of this announcement, no legally binding agreement has been entered into by Wenzhou Yinjiahui for the Proposed Acquisition. It is contemplated that, after the Proposed Acquisition, the Project Company shall become a subsidiary of Wenzhou Yinjiahui and be held as to 51% and 49% by Wenzhou Yinjiahui and Shenzhen OCT, respectively.

BASIS OF THE INVESTMENT

The Investment was determined after arm's length negotiation among the Parties on normal commercial terms with reference to:

(i) the estimated total cost of approximately RMB1,000,000,000 required for the Proposed Acquisition;

(ii) the prevailing market conditions of the vicinity where the Land is situated; and

(iii) the business development opportunities and prospect of the Land.

The Investment shall be funded by the internal resources of the Group. Meanwhile, future investments to be made by Wenzhou Yinjiahui for the development of the Land shall be funded by its internal resources and banking facilities.

FINANCIAL EFFECT OF THE TRANSACTION

Upon completion of the Transaction, Wenzhou Yinjiahui shall cease to be a subsidiary of the Company and become a joint venture company held as to not less than 70% by Nanjing Yinzhuo and not more than 30% by Qianyan LP. The financial results of Wenzhou Yinjiahui shall not be consolidated to the Company's consolidated financial statements. The Transaction will not result in the recognition of any gain or loss in the Company's consolidated financial statements.

GENERAL INFORMATION OF THE GROUP

The Company

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'anshan and Hefei.

Nanjing Yincheng

Nanjing Yincheng is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Nanjing Yincheng principally engages in property development.

Nanjing Yinzhuo

Nanjing Yinzhuo is a company established under the laws of the PRC with limited liability. It is a direct wholly-owned subsidiary of Nanjing Yincheng and an indirect wholly-owned subsidiary of the Company. Nanjing Yinzhuo principally engages in property development.

Wenzhou Yinjiahui

Wenzhou Yinjiahui is a company established under the laws of the PRC with limited liability in October 2020. It is a direct wholly-owned subsidiary of Nanjing Yinzhuo and an indirect wholly-owned subsidiary of the Company as at the date of this announcement. Wenzhou Yinjiahui principally engages in enterprise management.

Since there has been no material operations after the establishment of Wenzhou Yinjiahui, no profit or loss has been recorded by Wenzhou Yinjiahui since its establishment and its unaudited net asset value as at 19 December 2020 was zero.

GENERAL INFORMATION OF QIANYAN CONSULTING AND QIANYAN LP

Qianyan Consulting

Qianyan Consulting is a company established under the laws of the PRC with limited liability, the equity interest in which is ultimately held as to 70% by Ding Jianping (丁建萍) and 30% by Jin Xuedi (金雪娣). Qianyan Consulting principally engages in the provision of enterprise management consulting services.

Qianyan LP

Qianyan LP is a limited partnership established under the laws of the PRC, the interest in which is held as to 90% by Peng Zhanyi (彭展翼) as limited partner and as to 10% by Shanghai Qianshijinrui Enterprise Management Partnership (Limited Partnership)* (上海前石金瑞企業管理合夥企業(有限合夥)), as general partner, which is ultimately owned by Ding Jianping (丁建萍) and Jin Xuedi (金雪娣). Qianyan LP principally engages in the provision of enterprise management consulting services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Qianyan Consulting, Qianyan LP and their ultimate beneficial owners is a third party independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF ENTERING INTO THE INVESTMENT COOPERATION AGREEMENT

Following the Group's first entry in the real estate market of Wenzhou in the first half of 2020, it has been actively exploring opportunities to further establish its business presence in Wenzhou through the acquisition of land reserves, and expand its existing business in developing quality residential properties in the Yangtze River Delta Megalopolis.

As the Project Company is currently in the progress of developing the Land into a residential and commercial complex, the Board is of the view that, by entering into the Investment Cooperation Agreement and thereby the joint investment in the Proposed Acquisition, the Company can leverage the rich experience of Qianyan Consulting in real estate investment, reduce capital exposure and acquire a desired percentage of equity interest in the Project Company, and accordingly, the proportionate interest in the Land situated at Wenzhou, which shall generate ideal investment return for the Company.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Transaction 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 Transaction exceeds 5% but is less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

"Board"	the board of Directors
"Company"	Yincheng International Holdings 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)
"Directors"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"Investment"	the total investment (including capital commitment and shareholder's loan) of not more than RMB700,000,000 to be made by Nanjing Yinzhuo to Wenzhou Yinjiahui pursuant to the Investment Cooperation Agreement
"Investment Cooperation Agreement"	the investment cooperation agreement in relation to the "Wenzhou Overseas Chinese City" project* (關於"溫州華僑城"項目之投資合作協議) dated 20 December 2020 entered into among Nanjing Yincheng, Nanjing Yinzhuo, Wenzhou Yinjiahui and Qianyan Consulting
"Land"	the land parcel situated at Gaoxiang Village, Xinqiao Street, Ouhai District, Wenzhou, Zhejiang Province* (浙江省溫州市甌海區新橋街道高翔村)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Nanjing Yincheng"	Nanjing Yinching Real Estate Co., Ltd* (南京銀城房地產開發有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"Nanjing Yinzhuo"	Nanjing Yinzhuo Real Estate Co., Ltd* (南京銀卓房地產開發有限公司), a company established under the laws of the PRC with limited liability, a direct wholly-owned subsidiary of Nanjing Yincheng and an indirect wholly-owned subsidiary of the Company
"Party(ies)"	party(ies) to the Investment Cooperation Agreement
"percentage ratio(s)"	has the meaning ascribed to it under 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
"Project Company"	Wenzhou Overseas Chinese Town Investment Development Co., Ltd.* (溫州華僑城投資發展有限公司), a company established under the laws of the PRC with limited liability, and a wholly-owned subsidiary of Shenzhen OCT as at the date of this announcement
"Proposed Acquisition"	the proposed acquisition by Wenzhou Yinjiahui of 51% equity interest in the Project Company from Shenzhen OCT
"Qianyan Consulting"	Hangzhou Qianyan Enterprise Management Consulting Co., Ltd.* (杭州前岩企業管理諮詢有限公司), a company established under the laws of the PRC with limited liability
"Qianyan LP"	Shanghai Yanhujie Enterprise Management Partnership (Limited Partnership)* (上海岩湖杰企業管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen OCT"	Shenzhen Overseas Chinese Town Co., Ltd.* (深圳華僑城股份有限公司), a company established under the laws of the PRC with limited liability and principally engages in cultural tourism and real estate development, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 69). To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Shenzhen OCT is a third party independent of the Company and its connected persons
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction"	the transactions contemplated under the Investment Cooperation Agreement
"Wenzhou Yinjiahui"	Wenzhou Yinjiahui Enterprise Management Co., Ltd.* (溫州銀嘉滙企業管理有限責任公司), a company established under the laws of the PRC with limited liability, a direct wholly-owned subsidiary of Nanjing Yinzhuo and an indirect wholly-owned subsidiary of the Company as at the date of this announcement

"%" per cent

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

Hong Kong, 20 December 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.

* *For identification purposes only*