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銀城國際控股有限公司

YINCHEG INTERNATIONAL HOLDING CO., LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1902)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF THE ENTIRE EQUITY INTEREST IN AND
DEBT OF THE TARGET COMPANY**

On 23 December 2020 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into Agreement A with Vendors A for the acquisition of Target Equity Interest A (representing 80% equity interest in the Target Company) and Target Debt A (which is amounted to RMB102,797,592.71) at Consideration A of RMB131,839,900 (comprising (i) the equity transfer price of RMB28,002,407.29; (ii) Target Debt A which is amounted to RMB102,797,592.71; and (iii) the interest of RMB1,039,900 accrued on Target Debt A).

On 23 December 2020 (after trading hours), the Purchaser entered into Agreement B with Vendor B for the acquisition of Target Equity Interest B (representing 20% equity interest in the Target Company) and Target Debt B (which is amounted to RMB25,723,380.63) at Consideration B of RMB32,723,380.63 (comprising (i) the equity transfer price of RMB7,000,000; and (ii) Target Debt B which is amounted to RMB25,723,380.63).

The major assets of the Target Company is the Target Land together with the properties erected thereon.

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 Group's consolidated financial statements.

LISTING RULES IMPLICATIONS

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

INTRODUCTION

On 23 December 2020 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into Agreement A with Vendors A for the acquisition of Target Equity Interest A (representing 80% equity interest in the Target Company) and Target Debt A (which is amounted to RMB102,797,592.71) at Consideration A of RMB131,839,900 (comprising (i) the equity transfer price of RMB28,002,407.29; (ii) Target Debt A which is amounted to RMB102,797,592.71; and (iii) the interest of RMB1,039,900 accrued on Target Debt A).

On 23 December 2020 (after trading hours), the Purchaser entered into Agreement B with Vendor B for the acquisition of Target Equity Interest B (representing 20% equity interest in the Target Company) and Target Debt B (which is amounted to RMB25,723,380.63) at Consideration B of RMB32,723,380.63 (comprising (i) the equity transfer price of RMB7,000,000; and (ii) Target Debt B which is amounted to RMB25,723,380.63).

The major assets of the Target Company is the Target Land together with the properties erected thereon.

MAJOR TERMS OF AGREEMENT A

Subject assets to be acquired:	The Purchaser has agreed to acquire, and Vendors A have agreed to sell, Target Equity Interest A (representing 80% of the entire equity interest in the Target Company) and Target Debt A (being the debt of RMB102,797,592.71 owed by the Target Company to Vendors A).
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Consideration:	<p>Consideration A of RMB131,839,900 comprises the following:</p> <ul style="list-style-type: none">(a) the equity transfer price of RMB28,002,407.29 for the acquisition of Target Equity Interest A;(b) the debt transfer price of RMB102,797,592.71 for the acquisition of Target Debt A; and(c) the interest of RMB1,039,900 accrued on Target Debt A from 1 October 2020 to the date on which the Transfer Price shall be settled which is calculated at the interest rate of 6% per annum.
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Consideration A shall be settled in the following manner:

- (a) a deposit in the amount of RMB39,240,000 has been paid by the Purchaser to a bank account designated by China Beijing Equity Exchange (北京產權交易所);
- (b) RMB91,560,000 (being the Transfer Price of RMB130,800,000 minus the deposit of RMB39,240,000) shall be paid within three business days upon execution of Agreement A to a bank account designated by China Beijing Equity Exchange (北京產權交易所); and

- (c) RMB1,039,900 shall be paid within three business days upon execution of Agreement A to the bank account(s) designated by Vendors A.

Completion:

Vendors A shall transfer the assets in the Target Company and the management right and control of the Target Company to the Purchaser within five business days upon receipt of Consideration A.

Vendors A shall endeavour to procure the registration of the transfer of equity interest in the Target Company within ten business days upon receipt of Consideration A and the guarantor(s) in respect of the loans provided to the Target Company by banks having been changed from Vendors A to the Purchaser.

Liabilities for breach of Agreement A:

Any party terminating Agreement A shall pay to the other party a penalty fee which is equivalent to 30% of the Transfer Price, plus damages, if any.

If the Purchaser fails to settle the Transfer Price in accordance with the terms of Agreement A, the Purchaser shall be liable to pay to Vendors A an amount equivalent to 0.05% of the Transfer Price on a daily basis. If the Transfer Price is overdue for 10 days, Vendors A shall have the right to terminate Agreement A and deduct the deposit of RMB39,240,000 which has been paid by the Purchaser. Such deposit shall first be used to settle the service fees payable to China Beijing Equity Exchange (北京產權交易所) then as compensation to Vendors A. Vendors A may continue to claim the damages suffered from the Purchaser if the deposit is insufficient to reimburse the loss of Vendors A.

If Vendors A fail to transfer Target Equity Interest A in accordance with the terms of Agreement A, the Purchaser shall have the right to terminate Agreement A and request Vendors A to pay a penalty fee which is equivalent to 30% of the Transfer Price.

If there exist any material non-disclosure of the assets and liabilities of the Target Company which may materially and adversely affect the Target Company and/or the Transfer Price, the Purchaser shall have the right to terminate Agreement A and request Vendors A to pay a penalty fee which is equivalent to 30% of the Transfer Price.

MAJOR TERMS OF AGREEMENT B

Subject assets to be acquired:	The Purchaser has agreed to acquire, and Vendor B has agreed to sell, Target Equity Interest B (representing 20% of the entire equity interest in the Target Company) and Target Debt B (being the debt of RMB25,723,380.63 owed by the Target Company to Vendor B).
Consideration:	<p>Consideration B of RMB32,723,380.63 comprises the following:</p> <p>(a) the equity transfer price of RMB7,000,000 for the acquisition of Target Equity Interest B; and</p> <p>(b) the debt transfer price of RMB25,723,380.63 for the acquisition of Target Debt B.</p>
Right of first refusal:	Vendors A (i.e. the shareholders of the Target Company other than Vendor B) agree to give up their right of first refusal in relation to the acquisition of Target Equity Interest B.

BASIS OF THE CONSIDERATION

The Consideration was determined with reference to the followings:

- (i) an auction held by China Beijing Equity Exchange (北京產權交易所) in which the Target Equity Interest A and Target Debt A were offered for sale by way of tender at a base bidding price of RMB130,800,000;
- (ii) the valuation of the net asset value of the Target Company of approximately RMB31.0 million as at 30 September 2020 by an independent valuer;
- (iii) the business development opportunities and prospect of the Target Land upon completion of the Acquisition; and
- (iv) the comparison of the estimated average floor price of the properties which are to be built on the Target Land and those of the comparable lands in the vicinity of the Target Land.

The Consideration will be funded by the internal resources of the Group. It is expected that Consideration B shall be settled within three business days to a bank account designated by Vendor B upon execution of Agreement B.

DETAILS OF THE TARGET LAND

The major assets of the Target Company is the Target Land together with the properties erected thereon. Details of the Target Land are as follows:

Location:	Situated at the north of Shajiabangzhen Chunnan Road and east of Guihua Yangcheng North Road* (沙家浜鎮春南路以北、規劃陽澄北路以東)
Approximate total site area:	29,962 m ²
Term of land use rights:	70 years
Usage:	Residential
Restrictions on usage:	(i) the floor area ratio shall be no more than 2.1; and (ii) the building height limit shall be 60 metres.

GENERAL INFORMATION OF THE PARTIES TO THE ACQUISITION

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.

Shenzhen OCT

Shenzhen OCT is a state-owned enterprise (國有企業) incorporated under the laws of the PRC with limited liability and principally engages in property development. As at the date of Agreement A, Shenzhen OCT was wholly-owned by Shenzhen Overseas Chinese Town Co., Ltd. (深圳華僑城股份有限公司), a company incorporated under the laws of the PRC with limited liability and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000069).

Changshu Shajiabang

Changshu Shajiabang is a state-owned enterprise (國有企業) incorporated under the laws of the PRC with limited liability and principally engages in assets operation and management and property development. As at the date of Agreement A, Changshu Shajiabang was owned as to 83.33% and 16.67% by Changshu Shajiabang Town Asset Operation Investment Company (常熟市沙家浜鎮資產經營投資公司) and Yongying Asset Management Co., Ltd* (永贏資產管理有限公司), respectively.

As at the date of Agreement A, Changshu Shajiabang Town Asset Operation Investment Company (常熟市沙家浜鎮資產經營投資公司) is wholly-owned by Shajiabang Town Government* (沙家浜鎮政府).

As at the date of Agreement A, Yongying Asset Management Co., Ltd* (永贏資產管理有限公司) is wholly-owned by Maxwealth Fund Management Company Limited (永贏基金管理有限公司), which in turn is owned as to 71.49% and 28.51% by Bank of Ningbo Co., Ltd. (寧波銀行股份有限公司) and Oversea-Chinese Banking Corporation Limited (華僑銀行有限公司), respectively. Bank of Ningbo Co., Ltd. (寧波銀行股份有限公司) is a company incorporated under the laws of the PRC with limited liability and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002142). Oversea-Chinese Banking Corporation Limited (華僑銀行有限公司) is a company incorporated in Singapore with limited liability and the shares of which are listed on the Singapore Exchange Limited (stock code: O39) and Over-The-Counter Bulletin Board (stock code: OVCHY).

Jiangsu Zhongding

Jiangsu Zhongding is a company incorporated under the laws of the PRC with limited liability and principally engages in property development. As at the date of Agreement B, Jiangsu Zhongding was owned as to 89.46% and 10.54% by Wang Boxing (王柏興) and Wang Weifeng (王偉峰), respectively.

The Target Company

The Target Company is a company incorporated under the laws of the PRC and principally engages in property development.

As at the date of the Agreements, the Target Company was owned as to 70%, 20% and 10% by Shenzhen OCT, Jiangsu Zhongding and Changshu Shajiabang, respectively.

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

	For the year ended	
	31 December	
	2019	2018
	RMB'000	RMB'000
	(Audited)	(Audited)
Net profit/(loss) before taxation	41	(145)
Net profit/(loss) after taxation	32	(145)

The unaudited net asset value of the Target Company as at 30 September 2020 was approximately RMB10,737,900.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of (i) Shenzhen OCT and its ultimate beneficial owners; (ii) Changshu Shajiabang and its ultimate beneficial owners; (iii) Jiangsu Zhongding and its ultimate beneficial owners; and (iv) the Target Company and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Following the completion of the Acquisition, the Target Company shall become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's consolidated financial statements. The Board is of the view that the Acquisition can enhance the Group's existing business in developing quality residential properties in the Yangtze River Delta Megalopolis, hence the Group would exert its strength, further enhance its presence and influence in the Yangtze River Delta Megalopolis and bring in more investment return for its shareholders.

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

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company 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:

“Acquisition”	the acquisition of the Target Equity Interest and Target Debt by the Purchaser from Vendors A and Vendor B pursuant to the terms and conditions of the Agreements
“Agreement A”	the equity transaction agreement (產權交易合同) dated 23 December 2020 entered into among the Purchaser, Shenzhen OCT and Changshu Shajiabang in relation to the acquisition of Target Equity Interest A and Target Debt A
“Agreement B”	the equity transfer agreement (股權轉讓協議) dated 23 December 2020 entered into between the Purchaser and Jiangsu Zhongding in relation to the acquisition of Target Equity Interest B and Target Debt B
“Agreements”	Agreement A and Agreement B

“Board”	the board of Directors
“Changshu Shajiabang”	Changshu Shajiabang Town Operation and Investment Co., Ltd.* (常熟市沙家浜鎮城鎮經營投資有限公司), a state-owned enterprise (國有企業) incorporated under the laws of the PRC with limited liability and the holder of 10% equity interest in the Target Company as at the date of Agreement A
“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)
“Consideration”	the aggregate consideration of RMB164,563,280.63 comprising Consideration A and Consideration B payable by the Purchaser in relation to the Acquisition
“Consideration A”	the consideration of RMB131,839,900 (comprising the Transfer Price of RMB130,800,000 and the interest of RMB1,039,900 accrued on Target Debt A) payable by the Purchaser in relation to the acquisition of Target Equity Interest A and Target Debt A
“Consideration B”	the consideration of RMB32,723,380.63 (comprising the equity transfer price of RMB7,000,000 and the debt of RMB25,723,380.63 of the Target Company owed to Vendor B) payable by the Purchaser in relation to the acquisition of Target Equity B and Target Debt B
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Jiangsu Zhongding” or “Vendor B”	Jiangsu Zhongding Real Estate Development Co., Ltd. (江蘇中鼎房地產開發有限責任公司), a company incorporated under the laws of the PRC with limited liability and the holder of 20% equity interest in the Target Company as at the date of Agreement B
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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”	Wuxi Yinzezhou Enterprise Management Co., Ltd* (無錫銀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
“RMB”	Renminbi, the lawful currency of the PRC
“Shenzhen OCT”	Shenzhen OCT Properties Co., Ltd. (深圳華僑城房地產有限公司), a state-owned enterprise (國有企業) incorporated under the laws of the PRC with limited liability and the holder of 70% equity interest in the Target Company as at the date of Agreement A
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Changshu Shajiabang Huading Land Co., Ltd* (常熟市沙家浜華鼎置地有限公司), a company incorporated under the laws of the PRC with limited liability
“Target Debt”	Target Debt A and Target Debt B
“Target Debt A”	the debt of the Target Company owed to Shenzhen OCT and Changshu Shajiabang which is amounted to RMB102,797,592.71 in total as at the date of Agreement A
“Target Debt B”	the debt of the Target Company owed to Jiangsu Zhongding which is amounted to RMB25,723,380.63 as at the date of Agreement B
“Target Equity Interest”	Target Equity Interest A and Target Equity Interest B
“Target Equity Interest A”	80% equity interest in the Target Company held by Shenzhen OCT and Changshu Shajiabang as at the date of Agreement A
“Target Equity Interest B”	20% equity interest in the Target Company held by Jiangsu Zhongding as at the date of Agreement B
“Target Land”	the land parcel situated at the north of Shajiabangzhen Chunnan Road and east of Guihua Yangcheng North Road* (沙家浜鎮春南路以北、規劃陽澄北路以東)
“Transfer Price”	the transfer price of RMB130,800,000 (comprising the equity transfer price of RMB28,002,407.29 and the debt of RMB102,797,592.71 of the Target Company owed to Vendors A) payable by the Purchaser in relation to the acquisition of Target Equity Interest A and Target Debt A

“Vendors A”

Shenzhen OCT and Changshu Shajiabang

“%”

per cent

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

Hong Kong, 23 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*