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HUA YIN INTERNATIONAL HOLDINGS LIMITED

華音國際控股有限公司

(Incorporated in Bermuda with limited liability)

(stock code: 989)

CONNECTED TRANSACTION: FORMATION OF JOINT VENTURE AND DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

On 30 June 2023 (after trading hours), Hua Yin Dunhua, an indirect wholly-owned subsidiary of the Company, Jilin Tiande and Jilin Wanding entered into the Cooperation Agreement, pursuant to which the parties agreed to establish the JV Company in the PRC and to set out the terms for, among others, the ownership, funding and management in the JV Company as well as their respective rights and obligations in relation to the development and operation of the Land through the JV Company on a joint-venture basis.

Before the entering into of the Cooperation Agreement and as at the date hereof, the registered capital of the JV Company is RMB12 million and is wholly-owned by Hua Yin Dunhua. Pursuant to the Cooperation Agreement, subject to the satisfaction of (or the waiver of, as the case may be) all conditions precedent thereof and the capital contribution by the JV Partners, the registered capital of the JV Company shall increase from RMB12 million to RMB100 million, of which (1) Hua Yin Dunhua shall commit to contribute RMB60 million; (2) Jilin Tiande shall commit to contribute RMB20 million; and (3) Jilin Wanding shall commit to contribute RMB20 million, in cash to the equity interest of the JV Company. Upon Completion, the equity interest of the JV Company will be owned as to 60%, 20% and 20% by Hua Yin Dunhua, Jilin Tiande and Jilin Wanding, respectively. Upon Completion, the financial information of the JV Company will continue to be consolidated into the financial statements of the Company and the JV Company will become a non wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the equity interest of the Group in the JV Company will be diluted from 100% to 60% following the Capital Contribution, the Capital Contribution constitutes a deemed disposal of the Group's equity interest in the JV Company under Rule 14.29 of the Listing Rules. As none of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Deemed Disposal exceed 5%, the Deemed Disposal does not constitute any notifiable transaction of the Company under Chapter 14 of the Listing Rules.

As at the date of this announcement, Jilin Wanding is held as to approximately 90% by Mr. Sui, being a non-executive Director and co-chairperson of the Company. As such, Jilin Wanding shall be considered to be an associate of Mr. Sui and a connected person of the Company under the Listing Rules, and the formation of JV Company and the entering into of the Cooperation Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Cooperation Agreement exceeds 0.1% but is less than 5%, the formation of the JV Company is subject to the reporting and announcement requirements but is exempt from the circular and Independent Shareholders' approval requirements under the Listing Rules.

Upon Completion, the JV Company will become a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules by virtue of it being a non wholly-owned subsidiary of the Company where Jilin Wanding, being a connected person at the Company's level, can exercise or control the exercise of 10% or more of the voting power of the JV Company.

Given that each of Mr. Sui and Mr. Li (through his 5% interest in Jilin Wanding) has material interest in the Cooperation Agreement, Mr. Sui and Mr. Li have abstained from voting on the relevant Board resolution(s) approving the Cooperation Agreement and the transactions contemplated thereunder.

INTRODUCTION

On 30 June 2023 (after trading hours), Hua Yin Dunhua, an indirect wholly-owned subsidiary of the Company, Jilin Tiande and Jilin Wanding entered into the Cooperation Agreement, pursuant to which the parties agreed to establish the JV Company in the PRC and to set out the terms for, among others, the ownership, funding and management in the JV Company as well as their respective rights and obligations in relation to the development and operation of the Land through the JV Company on a joint-venture basis.

THE COOPERATION AGREEMENT

Set out below are the principal terms of the Cooperation Agreement:

- Date : 30 June 2023 (after trading hours)
- Parties : (1) Hua Yin Dunhua
(2) Jilin Tiande
(3) Jilin Wanding
- Scope of business : Development and operation of the Land through the JV Company.

It is agreed that the daily operation procedures and management structure of the JV Company shall conform to those standards as prescribed by Hua Yin Dunhua. Pursuant to the Cooperation Agreement, (1) Hua Yin Dunhua shall be the overall coordinator and responsible for the development and construction of the Land (including sourcing, project management and daily operation and management); (2) Jilin Tiande shall be responsible for the planning and design of the Land and the possible acquisition as stated in the section headed “Possible Acquisition of Units by Jilin Tiande” below; and (3) Jilin Wanding shall be responsible for the marketing and sales.

Capital contribution

Before the entering into of the Cooperation Agreement and as at the date hereof, the registered capital of the JV Company is RMB12 million and is wholly-owned by Hua Yin Dunhua. Pursuant to the Cooperation Agreement, subject to the satisfaction of (or the waiver of, as the case may be) all conditions precedent thereof and the capital contribution by the JV Partners, the registered capital of the JV Company shall increase from RMB12 million to RMB100 million, of which (1) Hua Yin Dunhua shall commit to contribute RMB60 million; (2) Jilin Tiande shall commit to contribute RMB20 million; and (3) Jilin Wanding shall commit to contribute RMB20 million, in cash to the equity interest of the JV Company. Upon Completion, the equity interest of the JV Company will be owned as to 60%, 20% and 20% by Hua Yin Dunhua, Jilin Tiande and Jilin Wanding, respectively. Upon Completion, the financial information of the JV Company will continue to be consolidated into the financial statements of the Company and the JV Company will become a non wholly-owned subsidiary of the Company. The parties shall commence the registration of the change in the registered capital within five working days upon signing of the Cooperation Agreement.

The amount of the capital contributions under the JV Company was determined after arm’s length negotiations between the JV Partners after taking into account, among other matters, the nature of the business, the estimated initial working capital requirements of the JV Company for the Potential Land Acquisition and the future development plan of the Land.

Management structure of the JV Company

Voting arrangements of the shareholders' meeting

Each share of the JV Company shall confer upon the holder one vote at a meeting of the JV Company's shareholders, and resolutions of the JV Company's shareholders in relation to the (i) amendment of the articles of association of the JV Company; (ii) increase or reduction of the registered capital; and (iii) consolidation, subdivision or dissolution of the JV Company, shall be passed by not less than two-thirds of the votes from the shareholders of the JV Company. Save for the above, all other matters shall be voted in accordance to the Company Law of the PRC and the articles of association of the JV Company.

Composition of the board of directors

The board of directors of the JV Company shall consist of five directors, of which Hua Yin Dunhua shall nominate three directors, one of whom shall also be the chairman of the board of directors of the JV Company, and each of Jilin Tiande and Jilin Wanding shall nominate one director, respectively. The general manager of the JV Company shall also act as the legal representative of the JV Company.

Composition of the supervisory committee

The JV Company does not have a supervisory committee, but has one supervisor to be nominated by Jilin Tiande.

Senior management

The general manager and persons in charge of each department shall be nominated by Hua Yin Dunhua or by way of open recruitment, which shall be approved by Hua Yin Dunhua. In addition, Jilin Tiande and Jilin Wanding shall appoint shareholder representatives who shall have the right to know the daily operation of the JV Company and the right to supervise the financial status of the JV Company.

Conditions precedent

The consummation of the rights and obligations of the JV Partners under the Cooperation Agreement is conditional upon:

- (a) full performance and compliance with the representations and warranties as stipulated in the Cooperation Agreement;
- (b) the JV Partners having obtained all necessary consents and approvals for the transactions contemplated under the Cooperation Agreement;

- (c) no material adverse change in the capital structure and status of the JV Partners, and no prospective adverse change in the financial status, prospect, capital structure or obligations of the JV Company; and
- (d) if applicable, the Company having obtained the approval from the Independent Shareholders at the special general meeting of the Company in relation to the Cooperation Agreement and the transactions contemplated thereunder.

If any of the above conditions is not satisfied (or as the case may be, subject to compliance with laws, administrative rules or regulations, waived by the JV Partners unanimously in writing) within 60 working days from the date of signing of the Cooperation Agreement (or such later date as may be agreed between the parties in writing), the Cooperation Agreement shall cease and no party shall have any obligations or responsibilities to the other parties save for any antecedent breach.

Restriction on equity transfers

Each of the JV Partners may not transfer its equity interest in the JV Company to a third party without the prior written consent of the other parties.

Profit distribution

If the cumulative net operating cash flow of the JV Company is, and continues to be, positive, and on the basis that the JV Company has reserved operating cash of not less than 3 months, the profits of the JV Company shall be shared by the parties to the Cooperation Agreement in proportion to their respective equity interest in the JV Company. In consideration of the risk control of the JV Company, the total distributable profit shall be 70% of the net profits attributable to the sale of repatriated capital.

Possible Acquisition of Units by Jilin Tiande

The JV Partners unanimously agree that, if any Units remains unsold as at the date of acceptance and fulfilment of the delivery conditions of the construction of the Land, the JV Company shall distribute the profits attributable to the sold Units within 60 days to the JV Partners.

Subsequently, Jilin Tiande shall, subject to full compliance with all applicable laws and regulations by the JV Partners, acquire the remaining unsold Units entirely within 60 days (or such later date as may be reasonably agreed by the JV Partners unanimously in writing) in a one-off payment. The specific purchase price of the acquisition of the Units would be subject to further negotiations between the JV Partners in a separate agreement.

Potential Land Acquisition

Upon Completion, the parties intend that the JV Company will participate in the bid invitation, auction and listing to acquire the land use right of the Land.

The Land is located at Dunhua City, Yanbian Korean Autonomous Prefecture, Jilin Province, with a total site area of 64,880 square meters and for commercial and residential purposes. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Land is free from all leases, encumbrances or third party rights.

Possible guarantee arrangement

Unless and subject to full compliance with all applicable laws and regulations, if the JV Partners are required to provide guarantee in favour of the JV Company for its loan or any other financial arrangements, the JV Partners shall provide guarantee for the JV Company in proportion to their corresponding equity interests on a several (but not joint) basis.

Termination

If the party and/or its controlling shareholder (the “**Defaulting Party**”) is in breach of any event of default, such as (as individual) dies or become of unsound mind, (as individual) being prohibited by law from being a controlling holder of the JV Partner or being criminally prosecuted, the charges of which may affect the integrity of other JV Partners, breach of other obligations under the Cooperation Agreement without rectification within 30 days (if applicable), insolvency, winding up, appointment of receiver and change of controlling shareholder without the consent from other JV Partners etc., and a written notice is served by any other JV Partners (the “**Non-Defaulting Parties**”) to the Defaulting Party, the Non-Defaulting Parties shall have the right (but not the obligation) to terminate the Defaulting Party's rights and obligations thereunder and subject to applicable laws and regulations, demand the Defaulting Party to, and the Defaulting Party shall, sell its entire equity interests to the Non-Defaulting Parties at fair value. For the avoidance of doubt, such termination shall not affect the position of other Non-Defaulting Parties under the JV Agreement and shall remain valid.

INFORMATION OF THE PARTIES TO THE COOPERATION AGREEMENT

Information of the Group and Hua Yin Dunhua

The Group is principally engaged in property development and management, including planning, designing, budgeting, licensing, contract tendering and contract administration and property investment. The Group also has a cultural tourism project in Changbaishan District, Fusong County, Jilin Province, the PRC.

Hua Yin Dunhua is an indirect wholly-owned subsidiary of the Company and is principally engaged in licensed projects: development and operation of real estate (for the projects requiring approval according to laws, the operating activities that can only be carried out upon approval from relevant authority(ies), and specific licensed projects that should be determined by approval documentations or licenses issued by relevant government agencies); general projects: hotel management and catering management (except for projects that are subject to approval in accordance with the laws, the business activities should be conducted independently with the business licence(s) in accordance with the laws).

Information of Jilin Tiande

Jilin Tiande is a company established in the PRC with limited liability and is principally engaged in investment activities with self-owned funds; enterprise management; enterprise management consulting, tourism development project planning consulting; organizing cultural and artistic exchange activities; conference and exhibition services; housing leasing; non-residential real estate leasing; protection of intangible cultural heritage; retail of arts and crafts and collectibles; consulting and planning services; cultural venue management services; health care services (non-medical); traditional Chinese medicine health care services (non-medical); elderly care services. Jilin Tiande is a company established in the PRC with limited liability and is owned as to 75% by Jiading (Shenzhen) Holding Company Limited* (嘉鼎(深圳)控股集團有限公司) (“**Jiading Shenzhen**”) and 25% by Jilin Wanding.

To the best of the Directors’ knowledge, information and belief, Jiading Shenzhen is a company established in the PRC with limited liability and is principally engaged in investment activities with self-owned funds; information consulting services (excluding licensed information consulting services); health consulting services (excluding diagnosis and treatment services); other cultural and artistic brokerage agents; organizing cultural and artistic exchange activities; consulting and planning services; enterprise management; internet data service. Jiading Shenzhen is ultimately owned as to 60% by Mr. Liu Shuang, 20% by Mr. Yang Yuchen, 10% by Mr. Sun Yaliang, and 10% by Mr. Tang Jiqiang, who are merchants in the PRC and third parties independent of the Company and its connected persons.

Information of Jilin Wanding

Jilin Wanding is a company established in the PRC with limited liability and is principally engaged in investing in industries with self-owned funds; enterprise consulting, enterprise management, international trade, investment and development management of tourist attractions; development of tourism products, promotion of tourism culture; management and investment in hotels, catering, and tourism services; organizing cultural and artistic exchange activities (not including performances); conference services; real estate investment and development; rental of self-owned houses; wholesale and retail; arts and crafts, native products; research on religious culture, technology development, investment in religious undertakings; technology of religious cultural products and craft product development and sales, religious culture research and exchange, cultural activity planning, cultural dissemination, leisure and recuperation vacation and health care services; health and pension industry investment and services; magnetic therapy and health care. Jilin Wanding is owned as to 90% by Mr. Sui, 5% by Mr. Li and 5% by Ms. Wang Min (王敏) (“**Ms. Wang**”).

Mr. Sui is a non-executive Director and co-chairperson of the Company. He also holds indirectly 1,042,000,000 Shares, representing approximately 14.22% of the issued share capital of the Company, as at the date of this announcement. In addition, Tianfeng International Holding Limited, a wholly-owned subsidiary of Jilin Wanding, entered into an agreement with Ka Yik Investments Limited on 29 July 2022 to purchase 1,000,000,000 Shares, representing approximately 13.88% of the issued share capital of the Company, details of which are set out in the announcement of the Company dated 1 August 2022. As at the date of this announcement, the transaction has not yet been completed.

Mr. Li is an executive Director and chief executive officer of the Company. Ms. Wang is a PRC resident and a third party independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION AGREEMENT

As previously stated in the Company's 2022/23 annual results announcement and interim report and the announcement of the Company dated 5 September 2022, the management has been exploring various resources within Jilin Province in the PRC. The Group's management will carry out land replenishment in a prudent manner. The entering into of the Cooperation Agreement to jointly develop the Land is considered by the Board to be beneficial to the parties to effectively utilise resources and supplement advantages of the JV Partners. This enables the Group to (i) replenish its land reserve for development; (ii) improve its influence and recognition in Jilin Province; (iii) create a sustainable business development model; and (iv) most important of all, to bring value to its shareholders, employees and other stakeholders.

The terms of the Cooperation Agreement were negotiated on an arm's length basis between the JV Partners. The Company believes that the transactions contemplated under the Cooperation Agreement are beneficial to the Company and the Shareholders as a whole.

The Directors, including the independent non-executive Directors but excluding Mr. Sui and Mr. Li who have abstained from voting, are of the view that the terms and conditions of the Cooperation Agreement are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the equity interest of the Group in the JV Company will be diluted from 100% to 60% following the Capital Contribution, the Capital Contribution constitutes deemed disposal of the Group's equity interest in the JV Company under Rule 14.29 of the Listing Rules. As none of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Deemed Disposal exceed 5%, the Deemed Disposal does not constitute any notifiable transaction of the Company under Chapter 14 of the Listing Rules.

As at the date of this announcement, Jilin Wanding is held as to approximately 90% by Mr. Sui, who is a non-executive Director and co-chairperson of the Company. As such, Jilin Wanding is an associate of Mr. Sui and a connected person of the Company, the formation of the JV Company and the entering into of the Cooperation Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Cooperation Agreement exceeds 0.1% but is less than 5%, the formation of the JV Company is subject to the reporting and announcement requirements but is exempt from the circular and Independent Shareholders' approval requirements under the Listing Rules.

Upon Completion, the JV Company will become a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules by virtue of it being a non wholly-owned subsidiary of the Company where Jilin Wanding, being a connected person at the Company’s level, can exercise or control the exercise of 10% or more of the voting power of the JV Company.

Given that each of Mr. Sui and Mr. Li (through his 5% interest in Jilin Wanding) has material interest in the Cooperation Agreement, Mr. Sui and Mr. Li have abstained from voting on the relevant Board resolution(s) approving the Cooperation Agreement and the transactions contemplated thereunder.

DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the following meanings in this announcement:

“associate(s)”	the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Capital Contribution” or “Deemed Disposal”	the proposed capital contribution by Hua Yin Dunhua, Jilin Tiande and Jilin Wanding subject to and in accordance with the terms and conditions of the Cooperation Agreement
“Company”	Hua Yin International Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares are listed on the main board of the Stock Exchange (stock code: 00989)
“Completion”	completion of the formation of the JV Company
“connected person(s)”	the meaning ascribed thereto under the Listing Rules
“Cooperation Agreement”	the cooperation agreement dated 30 June 2023 entered into between Hua Yin Dunhua, Jilin Tiande and Jilin Wanding in relation to the formation of the JV Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Hua Yin Dunhua”	Hua Yin International Holdings (Dunhua) Company Limited* (華音國際控股(敦化)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Independent Shareholder(s)”	Shareholders other than Mr. Sui and his associates and all other Shareholders who has a material interest in the Cooperation Agreement and the transactions contemplated thereunder
“Jilin Tiande”	Jilin Province Tiande Holdings Group Company Limited* (吉林省天德控股集團有限公司), a company established in the PRC with limited liability
“Jilin Wanding”	Jilin Province Wanding Holdings Group Company Limited* (吉林省萬鼎控股集團有限公司), a company established in the PRC with limited liability and an associate of Mr. Sui
“JV Company”	Hua Yin International Holdings Zixia Real Estate Development (Dunhua) Company Limited* (華音國際控股紫霞房地產開發(敦化)有限公司), being held as to 60% by Hua Yin Dunhua, 20% by Jilian Tiande and 20% by Jilin Wanding pursuant to the Cooperation Agreement
“JV Partners”	collectively, Hua Yin Dunhua, Jilin Tiande and Jilin Wanding
“Land”	undeveloped construction land located at Dunhua City, Yanbian Korean Autonomous Prefecture, Jilin Province, with a total site area of 64,880 square meters as described in the section headed “Potential Land Acquisition” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Junjie, an executive Director and chief executive officer of the Company, who also holds 5% equity interest in Jilin Wanding
“Mr. Sui”	Mr. Sui Guangyi, a non-executive Director and co-chairperson of the Company, who is also the controlling shareholder of Jilin Wanding
“Potential Land Acquisition”	the proposed acquisition of the Land

“PRC”	the People’s Republic of China, for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	the meaning ascribed thereto under the Listing Rules
“Unit(s)”	the Unit(s) to be constructed upon acquisition of the land use right of the Land for commercial and residential purposes
“%”	per cent.

By order of the Board
Hua Yin International Holdings Limited
Ng Man Kit Micky
Company Secretary

Hong Kong, 30 June 2023

As at the date of this announcement, the executive Directors are Ms. Cui Xintong, Mr. Li Junjie, Mr. Cong Peifeng and Mr. Xu Yingchuan; the non-executive Directors are Mr. Cui Mindong and Mr. Sui Guangyi; and the independent non-executive Directors are Mr. Tsang Hung Kei, Mr. Wang Xiaochu and Mr. Wang Xueguang.

* *For identification purpose only*