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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  
UPDATE ON THE ACQUISITION OF LAND USE RIGHTS  
IN NANJING CITY, THE PRC  
UNDER A JOINT VENTURE ARRANGEMENT AND  
SIGNING OF SUPPLEMENTAL AGREEMENT**

**BACKGROUND**

Reference is made to the announcements of the Company dated 4 July 2019 and 22 August 2019 (collectively the “**Announcements**”) in relation to, among other things, the Land Acquisition, the Disposal and the joint venture arrangement among Nanjing Yinjiashen, Jiangsu Aidi and Shanghai Mingbu in relation to the Land Acquisition and management of the Project Company as contemplated under the Cooperation Agreement. Unless the context requires otherwise, capitalised terms used in this announcement shall have the same meaning as those defined in the Announcements.

As stated in the Announcements, pursuant to the Cooperation Agreement, the total estimated cost for the Land Acquisition of approximately RMB2,856 million would be funded by Nanjing Yinjiashen, Shanghai Mingbu and Jiangsu Aidi in the form of contribution to the initial registered capital of RMB1,000 million and the excess by shareholders’ loans proportional to their shareholding interest of 25%, 25% and 50%, respectively, in the Project Company, namely in the amount of RMB714 million, RMB714 million and RMB1,428 million, respectively.

It was stated in the Announcements that Nanjing Yinjiashen, Jiangsu Aidi and Shanghai Mingbu agreed to further discuss the funding requirements of the Project Company and the capital commitment to be made by each shareholder of the Project Company and, if appropriate, make further amendments to the Cooperation Agreement to better reflect the contributions made by each shareholder to the Project and the Project Company.

The Board announces after further commercial negotiations among the shareholders of the Project Company after giving due consideration to, among other things, the efforts contributed by Jiangsu Aidi (including Jiangsu Aidi's Nominee) in assisting the Project Company during the pre-bidding and the bidding process of the Land at the public auction and the responsibility undertaken by Jiangsu Aidi to assist and procure certain requirements set out in the Land Investment and Construction Agreement to be fulfilled and complied with, and failing which to compensate Nanjing Yinjiazhen and Shanghai Mingbu for any loss suffered by them, on 6 September 2019, Nanjing Yinjiazhen, Jiangsu Aidi, Shanghai Mingbu and the Project Company entered into a supplemental agreement to the Cooperation Agreement (the "**Supplemental Agreement**") pursuant to which the parties thereto agreed to vary and supplement the terms of the Cooperation Agreement to the effect that save for the initial registered capital to be contributed by the shareholders of the Project Company pursuant to the terms of the Cooperation Agreement, the Land Acquisition cost (except for the refundable performance security) shall be contributed by Nanjing Yinjiazhen and Shanghai Mingbu in equal shares and the refundable performance security shall be contributed by them in the proportion of 75% and 25% respectively.

The material terms of the Supplemental Agreement are set out below.

## **SUPPLEMENTAL AGREEMENT**

### **Date**

6 September 2019

### **Parties**

- (a) Nanjing Yinjiazhen;
- (b) Jiangsu Aidi;
- (c) Shanghai Mingbu; and
- (d) the Project Company.

### **Principal amendments to the Cooperation Agreement are as follows:**

- (i) the total estimated cost for the Land Acquisition of approximately RMB2,856 million in excess of the paid-up registered capital should be funded by shareholders' loans bearing an interest at the rate of 10% per annum (based on 360 days) to be contributed by Nanjing Yinjiazhen and Shanghai Mingbu in equal shares (except for funding the refundable performance security), and Jiangsu Aidi would not be required to provide such loans; and
- (ii) the Project Company shall refund the refundable performance security of RMB200 million in the proportion of 75% and 25%, respectively to Nanjing Yinjiazhen and Shanghai Mingbu upon its receipt of refund from the local government.

## Capital commitment of Nanjing Yinjiazhen and Shanghai Mingbu in the Project Company

Set out below are the respective capital commitment of Nanjing Yinjiazhen and Shanghai Mingbu in the Project Company pursuant to the terms of the Cooperation Agreement as supplemented by the Supplemental Agreement:

Estimated Land Acquisition cost	Capital commitment of	
	Nanjing Yinjiazhen (RMB in millions)	Shanghai Mingbu (RMB in millions)
RMB500 million, being 50% of the initial registered capital ( <i>Note 1</i> )	250	250
RMB2,156 million by shareholders' loans	1,078 ( <i>Note 2</i> )	1,078 ( <i>Note 2</i> )
RMB200 million for funding the refundable performance security	<u>150 (<i>Note 3</i>)</u>	<u>50 (<i>Note 3</i>)</u>
RMB2,856 million ( <i>Note 2</i> )	<u><u>1,478</u></u>	<u><u>1,378</u></u>

### Notes:

- As at the date of this announcement, the initial registered capital of RMB1,000 million has been paid up as to 50%, i.e., RMB500 million, by Nanjing Yinjiazhen and Shanghai Mingbu as to RMB250 million each, and the remaining 50% of the initial registered capital remains to be contributed by Jiangsu Aidi corresponding to its 50% shareholding interest in the Project Company.
- As at the date of this announcement, (i) out of the RMB2,856 million total Land Acquisition cost, RMB1,455 million has been settled for the Land Acquisition and RMB1,401 million remains to be settled; (ii) Nanjing Yinjiazhen has provided a shareholder's loan of RMB955 million to the Project Company; and (iii) Shanghai Mingbu has provided a shareholder's loan of RMB430.8785 million to the Project Company.
- Such amount of shareholders' loans will be refunded to Nanjing Yinjiazhen and Shanghai Mingbu after the Project Company receives the refund of the performance security from the local government in proportion to their respective loan amount, namely, 75% and 25%, respectively,

The Group's capital commitment was determined after arm's length negotiation with reference to (i) the total estimated cost for the Land Acquisition; (ii) the equity interest of the Group in the Project Company; (iii) the efforts contributed by Jiangsu Aidi (including Jiangsu Aidi's Nominee) in assisting the Project Company during the pre-bidding and the bidding process of the Land at the public auction; (iv) the responsibility undertaken by Jiangsu Aidi to assist and procure certain requirements set out in the Land Investment and Construction Agreement to be fulfilled and complied with, and failing which to compensate Nanjing Yinjiazhen and Shanghai Mingbu for any loss suffered by them; (v) the Group being granted with a controlling power over the business operations, the board and shareholders decisions in the Project Company under the Cooperation Agreement; and (vi) the capital commitment assumed by Shanghai Mingbu.

In particular, with respect to the contribution by Nanjing Yinjiazhen for funding the payment of the refundable performance security in the amount of RMB150 million, it was determined after taking into consideration that (i) such amount is contributed by Nanjing Yinjiazhen as an interest bearing shareholder's loan which is repayable to Nanjing Yinjiazhen; (ii) the repayment of such portion of shareholder's loan will be made in proportion to their respective loan amount for such purpose, namely, 75% and 25%, respectively after the Project Company receives the refund of the performance security from the local government. In view of the aforesaid, the Directors (including the independent non-executive Directors) are of the view that the Group's capital commitment as contemplated under the Cooperation Agreement (as amended and supplemented by the Supplemental Agreement) is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Group intends to fund the additional capital commitment by the Group's internal resources and bank borrowings.

Save as aforesaid, all other terms and conditions of the Cooperation Agreement shall remain unchanged and shall continue to be in full force and effect.

## **FINANCIAL EFFECTS OF THE SUPPLEMENTAL AGREEMENT**

As a result of the entering of the Supplemental Agreement, the capital commitment by the Group will increase from RMB714 million to RMB1,478 million.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT**

Jiangsu Aidi and its ultimate shareholders have a long history and substantial experience in property development projects in the PRC. The Company believes that the cooperation with Jiangsu Aidi in the Land Acquisition represents an opportunity to build a long term strategic cooperation relationship with Jiangsu Aidi which is considered as a strong partner to the Group in property development in the PRC, which is significant to the Group's implementation of its business expansion strategy of acquiring and building land resources at prime locations and therefore would be beneficial to the Group's future business development especially for strengthening its expansion in the Yangtze River Delta region.

During the further commercial negotiation before signing of the Supplemental Agreement, it was noted that, (i) Jiangsu Aidi would only make its contribution of 50% of the initial registered capital at a later stage and it was not prepared to provide further contribution to fund the Land Acquisition Cost by way of shareholders loans; (ii) Jiangsu Aidi would not have the right to receive any distribution of profit by the Project Company before its contribution to the registered capital; (iii) Jiangsu Aidi's voting right as a shareholder and its right to nominate directors to the board of directors of the Project Company have been diminished after the introduction of Shanghai Mingbu, whereas the Group continues to retain majority of the voting right in general meetings and control over the board composition of the Project Company; and (iv) Shanghai Mingbu was willing to contribute 50% of the Land Acquisition cost (except for the performance security to which Shanghai Mingbu will contribute 25% for reasons mentioned above) thereby reducing the financial burden on the part of the Group to fund the remaining Land Acquisition cost in the absence of Jiangsu Aidi. Taking into account the abovementioned reasons, and the commercial benefits brought to the Project Company by Jiangsu Aidi (including Jiangsu Aidi's Nominee) in the bidding

the Land, and the Company believes that the cooperation with Jiangsu Aidi in the Land Acquisition is in the interest of the Company and its shareholders as a whole, the Group agreed to enter into the Supplemental Agreement.

The terms of the Supplemental Agreement have been arrived at after arm's length negotiations between the parties thereto. The Directors (including the independent non-executive Directors) have confirmed that the terms of the Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms in the ordinary course of business of the Group, fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

The Directors (including the independent non-executive Directors) are of the view that entering into the Cooperation Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company and the Land Acquisition and joint venture arrangements contemplated under the Cooperation Agreement (as amended and supplemented by the Supplemental Agreement) including the financing of the Project Company and its profit distribution arrangements are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **GENERAL**

As stated in the Announcements, a circular containing, among other things, further details of the Land Acquisition and the joint venture arrangements as contemplated under the Cooperation Agreement (as supplemented and varied by the Supplemental Agreement) will be despatched to the Shareholders in accordance with the Listing Rules for information purposes on or before 25 September 2019.

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

Hong Kong, 6 September 2019

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