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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)**

## **DISCLOSEABLE TRANSACTION**

### **COOPERATION AGREEMENT IN RELATION TO DEVELOPMENT OF LAND**

#### **THE COOPERATION AGREEMENT**

The Board is pleased to announce that, on 20 August 2020 (after trading hours), Wuxi Yinxuan (an indirect wholly-owned subsidiary of the Company) entered into the Cooperation Agreement with Shanghai Sunac and the Target Company (a wholly-owned subsidiary of Shanghai Sunac as at the date of this announcement) for the joint development of the Land through the Project Company.

Pursuant to the Cooperation Agreement, among others, (i) the registered capital of the Target Company shall be increased to RMB100,000,000, of which RMB50,000,000 and RMB50,000,000 shall be contributed by Wuxi Yinxuan and Shanghai Sunac, respectively; and (ii) shareholder's loans shall be provided by Wuxi Yinxuan and Shanghai Sunac to the Target Company in proportion to their respective equity interest in it, of which a total amount of RMB332,092,860 shall be provided by Wuxi Yinxuan.

Upon completion of the increase in registered capital of the Target Company, the equity interest in the Target Company shall be held as to 50% and 50% by Wuxi Yinxuan and Shanghai Sunac, respectively. The Parties agreed that the Target Company shall become a non wholly-owned subsidiary of the Company, and the financial results of which shall be consolidated to the Company's consolidated financial statements.

#### **IMPLICATIONS OF THE LISTING RULES**

As one or more of the applicable percentage ratios in respect of the Total Investment to be made by Wuxi Yinxuan exceeds 5% but is less than 25%, the Total Investment 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**

As announced by the Wuxi Equity Exchange on 2 July 2020, the Target Company won the tender for the Acquisition of (i) the entire equity interest in the Project Company from Wuxi Xinfu; and (ii) the debt in the amount of RMB380,000,000 owed by the Project Company to Wuxi Xinfu, at the Consideration of RMB656,310,000. The principal asset of the Project Company comprises the Land. On the same date, the Equity Transaction Agreement was entered into between the Target Company and Wuxi Xinfu for the Acquisition.

On 20 August 2020 (after trading hours), Wuxi Yinxuan (an indirect wholly-owned subsidiary of the Company) entered into the Cooperation Agreement with Shanghai Sunac and the Target Company for the joint development of the Land through the Project Company.

## **PRINCIPAL TERMS OF THE COOPERATION AGREEMENT**

### **Basic information of the Land**

Location:	Situated at the south of Taishan Road, west of Xishi Road and north of Chunfeng Road* (泰山路南側、錫士路西側、春豐路北側)
Total site area:	30,027.8 m <sup>2</sup>
Term of land use rights:	70 years for residential use and 40 years for commercial use
Usage:	Residential, commercial and other uses

### **Capital contribution**

As at the date of this announcement, the Target Company was a wholly-owned subsidiary of Shanghai Sunac with a registered capital of RMB20,000,000.

Pursuant to the Cooperation Agreement, the registered capital of the Target Company shall be increased to RMB100,000,000 within 15 days from the execution of the Cooperation Agreement, of which RMB50,000,000 and RMB50,000,000 shall be contributed by Wuxi Yinxuan and Shanghai Sunac, respectively.

Upon completion of the increase in registered capital of the Target Company, the equity interest in the Target Company shall be held as to 50% and 50% by Wuxi Yinxuan and Shanghai Sunac, respectively. The Parties agreed that the Target Company shall become a non wholly-owned subsidiary of the Company, and the financial results of which shall be consolidated to the Company's consolidated financial statements.

### **Shareholder's loans**

On 2 July 2020, an initial shareholder's loan of RMB130,062,000 was provided by Shanghai Sunac to the Target Company for the Target Company's payment of the earnest money to the Wuxi Equity Exchange (which would be applied as part of the Consideration) for the Acquisition in accordance with the Equity Transaction Agreement.

With reference to the terms and conditions of the Equity Transaction Agreement, Wuxi Yinxuan and Shanghai Sunac agreed to provide further shareholder's loans to the Target Company in proportion to their respective equity interest in it, of which a total amount of RMB332,092,860 shall be provided by Wuxi Yinxuan. Such shareholder's loans shall be applied for payment of (i) the remainder of the Consideration to Wuxi Xinfu; and (ii) the Transaction Service Fee to the Wuxi Equity Exchange, details of which are as follows:

- (i) RMB102,384,360 shall be provided by Wuxi Yinxuan to the Target Company for (a) discharging the remainder of the first part payment of the Consideration to Wuxi Xinfu and 50% of the Transaction Service Fee to the Wuxi Equity Exchange, in the aggregate amount of RMB74,706,720; and (b) repaying RMB27,677,640 to Shanghai Sunac (representing the portion of shareholder's loan previously provided by Shanghai Sunac to the Target Company in excess of its 50% equity interest in the Target Company);
- (ii) RMB65,631,000 shall be provided by each of Wuxi Yinxuan and Shanghai Sunac to the Target Company (aggregating to RMB131,262,000) one business day prior to the deadline for the second part payment of the Consideration, which is within six months from the execution of the Equity Transaction Agreement; and
- (iii) RMB164,077,500 shall be provided by each of Wuxi Yinxuan and Shanghai Sunac to the Target Company (aggregating to RMB328,155,000) one business day prior to the deadline for the third part payment of the Consideration, which is within one year from the execution of the Equity Transaction Agreement.

Wuxi Yinxuan and Shanghai Sunac further agreed that:

- (i) the Target Company could charge the entire equity interest in the Project Company held by it in favour of Wuxi Xinfu as security for payment of the Consideration. In the event that it is necessary for Shanghai Sunac to provide further security in favour of Wuxi Xinfu for the said purpose, Wuxi Yinxuan shall also provide security to Shanghai Sunac, the value of which shall be equivalent to 50% of the value of the said further security;
- (ii) further development of the Land shall be funded by shareholder's loans, whether directly or indirectly, to the Project Company, the amount of which shall be provided by Wuxi Yinxuan and Shanghai Sunac in proportion to their respective equity interest in the Target Company; and
- (iii) shareholder's loans provided to the Project Company, whether directly or indirectly through the Target Company, shall bear an interest rate of 10% per annum, calculated from the date of the provision of such loans.

The Total Investment was determined after arm's length negotiations taking into account (i) the initial capital requirement for the development of the Land through the Project Company as agreed between Wuxi Yinxuan and Shanghai Sunac; (ii) the amount and payment terms of the Consideration as set out in the Equity Transaction Agreement; and (iii) the appraised net asset value of the Project Company of approximately RMB304,523,200 as at 31 March 2020, which comprises the appraised total assets and total liabilities of approximately

RMB684,633,200 and RMB380,110,000 respectively, based on an asset appraisal report prepared by an independent valuer and made available by the Project Company through the Wuxi Equity Exchange.

The Total Investment to be made by Wuxi Yinxuan will be financed by internal resources of the Group.

### **Management and profit distribution**

- Shareholders' resolutions:
- (i) Wuxi Yinxuan and Shanghai Sunac shall have 51% and 49% of the voting rights, respectively, at the shareholders' meetings of the Target Company.
  - (ii) Unless otherwise provided by the law, matters to be approved by shareholders of the Target Company shall be passed by a simple majority.
  - (iii) Resolutions of the shareholders of the Project Company shall be passed only if such resolutions are passed by the shareholders of the Target Company.
  - (iv) The key responsibilities of the shareholders of the Project Company include, among others, formulating business and investment plans, taking charge of changes in the capital structure and approving profit distribution arrangement of the Project Company.
- Board composition and management:
- (i) All members of the board of directors of the Target Company and their respective obligations shall be identical to that of the Project Company.
  - (ii) Each board of directors of the Target Company and the Project Company shall consist of five directors, of which three shall be nominated by Wuxi Yinxuan and two shall be nominated by Shanghai Sunac. The chairman of each board of directors of the Target Company and the Project Company shall be a director nominated by Wuxi Yinxuan. All matters to be approved by each board of directors of the Target Company and the Project Company shall be passed by a simple majority.
  - (iii) The key responsibilities of the board of directors include, among others, convening shareholders' meeting, reporting to shareholders, executing decisions of the shareholders' meetings, formulating business plans, annual budget and undertaking other management tasks.
- Supervisors:
- (i) All supervisors of the Target Company and their respective obligations shall be identical to those of the Project Company.

- (ii) There shall be two supervisors in each of the Target Company and the Project Company, of which one shall be nominated by Wuxi Yinxuan and one shall be nominated by Shanghai Sunac.
- (iii) The key responsibilities of the supervisors include, among others, reviewing financial matters and overseeing compliance matters of the board of directors and senior management.

- General managers:
- (i) All general managers of the Target Company and their respective obligations shall be identical to those of the Project Company.
  - (ii) There shall be one general manager in each of the Target Company and the Project Company, whom shall be nominated by Shanghai Sunac.
  - (iii) The key responsibilities of the general manager include, among others, executing decisions of the shareholders' meetings and the board of directors and taking charge of general operation management.

Profit distribution: Wuxi Yinxuan and Shanghai Sunac shall share the profits of the Project Company in proportion to their respective equity interest in the Target Group.

## **GENERAL INFORMATION OF THE GROUP AND THE PARTIES**

### **Information of 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'anshan and Hefei.

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

### **Information of Shanghai Sunac**

Shanghai Sunac is a company established under the laws of the PRC with limited liability and principally engages in property development. Shanghai Sunac is an indirect wholly-owned subsidiary of Sunac China Holdings Limited (融創中國控股有限公司), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1918).

## **The Target Company**

The Target Company is a company established under the laws of the PRC with limited liability in October 2019 and principally engages in enterprise management and property development.

Since there was no material operations after the establishment of the Target Company (save for the recent Acquisition) and financial results of the Project Company has not been consolidated into the financial statements of the Target Company, no profit or loss was recorded by the Target Company since its establishment and its unaudited net asset value as at 30 June 2020 was zero. Based on the audited financial statements of the Project Company for the three months ended 31 March 2020 made available by the Project Company through the Wuxi Equity Exchange, the Project Company recorded a net loss of approximately RMB482,844.95 and its net asset value as at 31 March 2020 was approximately RMB259,517,200, which comprises the total assets and total liabilities of approximately RMB639,627,200 and RMB380,110,000, respectively. Save for the Project Company, the Target Company has no other subsidiary.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of Shanghai Sunac, the Target Company and their respective ultimate beneficial owners is a third party independent of the Company and its connected persons.

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

The Board is of the view that through the arrangement under the Cooperation Agreement, the Group's existing business in developing quality residential properties in the Yangtze River Delta Megalopolis can be enhanced, 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.

In light of the above and having considered the basis of determining the Total Investment, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Cooperation Agreement 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 Total Investment to be made by Wuxi Yinxuan exceeds 5% but is less than 25%, the Total Investment 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:

“Acquisition”	the acquisition by the Target Company of (i) the entire equity interest in the Project Company from Wuxi Xinfu; and (ii) the debt in the amount of RMB380,000,000 owed by the Project Company to Wuxi Xinfu pursuant to the Equity Transaction Agreement
“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)
“Consideration”	the total consideration of RMB656,310,000 payable by the Target Company to Wuxi Xinfu in relation to the Acquisition
“Cooperation Agreement”	the development cooperation agreement* (合作開發協議書) dated 20 August 2020 entered into among Wuxi Yinxuan, Shanghai Sunac and the Target Company
“Directors”	the director(s) of the Company
“Equity Transaction Agreement”	the equity transaction agreement* (產權交易合同) dated 2 July 2020 entered into between the Target Company and Wuxi Xinfu in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Land”	the land parcel situated at the south of Taishan Road, west of Xishi Road and north of Chunfeng Road* (泰山路南側、錫士路西側、春豐路北側地塊)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	the parties to the Cooperation Agreement
“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

“Project Company”	Wuxi Xinfu Jiayuan Real Estate Co., Ltd.* (無錫市新發佳園置業有限公司), a company established under the laws of the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Sunac”	Shanghai Sunac Real Estate Development Co., Ltd. (上海融創房地產開發集團有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of Sunac China Holdings Limited (融創中國控股有限公司), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1918)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Wuxi Rongshi Enterprise Management Co., Ltd.* (無錫融勢企業管理有限公司), a company established under the laws of the PRC with limited liability, and a wholly-owned subsidiary of Shanghai Sunac as at the date of this announcement
“Target Group”	the Target Company and its subsidiary (namely the Project Company)
“Total Investment”	the aggregate amount of capital contribution to the Target Company of RMB50,000,000 and the shareholder’s loan of RMB332,092,860 made or to be made by Wuxi Yinxuan to the Target Company pursuant to the Cooperation Agreement
“Transaction Service Fee”	the total transaction service fee of RMB7,875,720 payable by the Target Company to the Wuxi Equity Exchange in relation to the Acquisition
“Wuxi Equity Exchange”	Wuxi Equity Exchange Co., Ltd.* (無錫產權交易所有限公司)
“Wuxi Xinfu”	Wuxi Xinfu Enterprise Management Co., Ltd.* (無錫市新發企業管理有限公司), a company established under the laws of the PRC with limited liability, the ultimate beneficial owner of which is the People’s Government of Wuxi* (無錫市人民政府)
“Wuxi Yinxuan”	Wuxi Yinxuan Enterprise Management Co., Ltd.* (無錫垠烜企業管理有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company



“%”

per cent

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

Hong Kong, 20 August 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*