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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)

CONTINUING CONNECTED TRANSACTIONS

(I) RENEWAL OF THE 2022 MASTER PROPERTY LEASE AGREEMENTS; AND

(II) FURTHER INFORMATION ON THE 2022 MASTER PROPERTY MANAGEMENT SERVICES AGREEMENT

(I) RENEWAL OF THE 2022 MASTER PROPERTY LEASE AGREEMENTS

Reference is made to the section headed “Continuing Connected Transactions” in the Prospectus.

As the term of each of the 2019 Master Property Lease Agreements shall expire on 31 December 2021, the Company intended to renew such agreements on or before their respective expiry dates.

2022 First Master Property Lease Agreement

On 24 December 2021 (after trading hours), the Company (for itself and on behalf of its subsidiaries) and Yincheng Real Estate (for itself and on behalf of its subsidiaries) entered into the 2022 First Master Property Lease Agreement for a term of three years commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

As at the date of this announcement, Yincheng Real Estate was beneficially owned as to approximately 53.11% by Mr. Huang, a non-executive Director and a controlling shareholder of the Company. Accordingly, Yincheng Real Estate, being an associate of Mr. Huang, is a connected person of the Company. The entering into of the 2022 First Master Property Lease Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) calculated with reference to the First Proposed Property Lease Annual Caps exceed 0.1% but are less than 5%, the transactions contemplated under the 2022 First Master Property Lease Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

2022 Second Master Property Lease Agreement

On 24 December 2021 (after trading hours), the Company (for itself and on behalf of its subsidiaries) and Yincheng Real Estate (for itself and on behalf of its subsidiaries) entered into the 2022 Second Master Property Lease Agreement for a term of three years commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

As at the date of this announcement, Yincheng Real Estate was beneficially owned as to approximately 53.11% by Mr. Huang, a non-executive Director and a controlling shareholder of the Company. Accordingly, Yincheng Real Estate, being an associate of Mr. Huang, is a connected person of the Company. The entering into of the 2022 Second Master Property Lease Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) calculated with reference to the Second Proposed Property Lease Annual Caps exceed 0.1% but are less than 5%, the transactions contemplated under the 2022 Second Master Property Lease Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(II) FURTHER INFORMATION ON THE 2022 MASTER PROPERTY MANAGEMENT SERVICES AGREEMENT

Reference is made to the Announcement in respect of the 2022 Master Property Management Services Agreement.

In addition to the information disclosed in the Announcement, the Board hereby provides further information relating to the maximum term of each separate agreement to be entered into between the relevant subsidiaries of the Group and Yincheng Life Service Group for the provision of property services pursuant to the 2022 Master Property Management Services Agreement, and the relevant internal control measures as adopted by the Group for the assurance that such service fees to be charged by Yincheng Life Service Group under the said separate agreements are in line with the prevailing market rate.

(I) RENEWAL OF THE 2022 MASTER PROPERTY LEASE AGREEMENTS

Reference is made to the section headed “Continuing Connected Transactions” in the Prospectus.

As the term of each of the 2019 Master Property Lease Agreements shall expire on 31 December 2021, the Company intended to renew such agreements on or before their respective expiry dates.

2022 First Master Property Lease Agreement

On 24 December 2021 (after trading hours), the Company (for itself and on behalf of its subsidiaries) and Yincheng Real Estate (for itself and on behalf of its subsidiaries) entered into the 2022 First Master Property Lease Agreement, major terms of which are set out below.

- Term : From 1 January 2022 to 31 December 2024 (both days inclusive)
- Parties : (i) the Company (for itself and on behalf of its subsidiaries); and
(ii) Yincheng Real Estate (for itself and on behalf of its subsidiaries)
- Condition precedent : Performance of the 2022 First Master Property Lease Agreement, together with the transactions contemplated thereunder, are subject to the compliance of the relevant rules regarding continuing connected transactions as set out in the Listing Rules by the Company.
- Transaction : The Group agreed to lease from Yincheng Real Estate Group certain offices situated at 19th to 21st Floor, Block A, Yincheng Plaza, 289 Jiangdongbeilu, Nanjing, the PRC with total GFA of 2,870 sq.m. for a monthly rental of RMB383,623 (inclusive of management fees) and 160 car parking spaces situated at the basement of Yincheng Plaza, 289 Jiangdongbeilu, Nanjing, the PRC for a monthly rental of RMB88,000 (inclusive of management fees).

Relevant subsidiaries of both parties will enter into separate agreements which will set out the specific terms and conditions according to the principles provided in the 2022 First Master Property Lease Agreement. The maximum term of each separate agreement shall be determined by the contract parties after arm’s length negotiations, provided always that such term shall expire on or before 31 December 2024 (being the expiry date of the term of the 2022 First Master Property Lease Agreement).

Pricing policy

The rental to be paid by the Group is fixed, which was determined on arm’s length basis with reference to the prevailing market rental of similar properties located at similar areas, and should not be less favourable than that offered by Independent Third Parties.

Reasons for and benefits of entering into the 2022 First Master Property Lease Agreement

By entering into the 2022 First Master Property Lease Agreement, the Group would be able to secure the continuous leasing of, and its routine business operation at, its long-term principal office location in the PRC for a fair and reasonable amount of monthly rental. Additional cost caused by any office relocation, including but not limited to relocation and renovation expenses, can also be avoided.

Annual caps

Historical transaction values and annual caps

The annual caps in respect of the rental payable under the 2019 First Master Property Lease Agreement for the years ended 31 December 2019 and 2020 and the year ending 31 December 2021 are RMB5.60 million, RMB5.60 million and RMB5.60 million, respectively.

For each of the years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021, the amount of rental paid and payable by the Group to Yincheng Real Estate Group for the property leases amounted to approximately RMB4.55 million, approximately RMB4.55 million and approximately RMB3.74 million, respectively.

First Proposed Property Lease Annual Caps and basis of determination

For the year ending 31 December		
2022	2023	2024
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
5,700	5,700	5,700

In arriving at the First Proposed Property Lease Annual Caps, the Directors have considered the following:

- (i) the historical transaction amounts during the years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021;
- (ii) the proposed monthly rental of such offices and car parking spaces, and the amount of the relevant management fee; and
- (iii) the opinion letter issued by an independent valuer, which states that the annual rental payable under the 2022 First Master Property Lease Agreement is fair and reasonable, and reflects the current prevailing market rental of similar properties in similar locations in the PRC.

Listing Rules implications

As at the date of this announcement, Yincheng Real Estate was beneficially owned as to approximately 53.11% by Mr. Huang, a non-executive Director and a controlling shareholder of the Company. Accordingly, Yincheng Real Estate, being an associate of Mr. Huang, is a connected person of the Company. The entering into of the 2022 First Master Property Lease Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) calculated with reference to the First Proposed Property Lease Annual Caps exceed 0.1% but are less than 5%, the transactions contemplated under the 2022 First Master Property Lease Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

2022 Second Master Property Lease Agreement

On 24 December 2021 (after trading hours), the Company (for itself and on behalf of its subsidiaries) and Yincheng Real Estate (for itself and on behalf of its subsidiaries) entered into the 2022 Second Master Property Lease Agreement, major terms of which are set out below.

- Term : From 1 January 2022 to 31 December 2024 (both days inclusive)
- Parties : (i) the Company (for itself and on behalf of its subsidiaries); and
(ii) Yincheng Real Estate (for itself and on behalf of its subsidiaries)
- Condition precedent : Performance of the 2022 Second Master Property Lease Agreement, together with the transactions contemplated thereunder, are subject to the compliance of the relevant rules regarding continuing connected transactions as set out in the Listing Rules by the Company.
- Transaction : Yincheng Real Estate Group agreed to lease from the Group the properties situated at No. 19 Maqun South Road, Qixia District, Nanjing, the PRC with total GFA of approximately 59,673 sq.m., which shall be used as elderly home, for a monthly rental of RMB4,102,050.35, RMB4,307,152.86 and RMB4,522,510.51 for the years ending 31 December 2022, 2023 and 2024, respectively.

Relevant subsidiaries of both parties will enter into separate agreements which will set out the specific terms and conditions according to the principles provided in the 2022 Second Master Property Lease Agreement. The maximum term of each separate agreement shall be determined by the contract parties after arm's length negotiations, provided always that such term shall expire on or before 31 December 2024 (being the expiry date of the term of the 2022 Second Master Property Lease Agreement).

Pricing policy

The rental to be charged by the Group is fixed, which was determined on arm's length basis with reference to the prevailing market rental and the growth rate on rental of similar properties located at similar areas, and should not be less favourable than that offered to Independent Third Parties.

Reasons for and benefits of entering into the 2022 Second Master Property Lease Agreement

By entering into the 2022 Second Master Property Lease Agreement, a stable source of rental income will be generated, which is beneficial to the financial performance of the Group. The leasing of such properties to Yincheng Real Estate Group, which has rich resources and experience in managing businesses related to the elderly care sector, is also an important step of the Group's overall strategic plan to develop a continuing care retirement community in the vicinity of such properties.

Annual caps

Historical transaction values and annual caps

The annual caps in respect of the rental chargeable for all property leases under the 2019 Second Master Property Lease Agreement for the years ended 31 December 2019 and 2020 and the year ending 31 December 2021 are RMB48.55 million, RMB69.10 million and RMB69.10 million, respectively.

For each of the years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021, among all such property leases under the 2019 Second Master Property Lease Agreement, the amount of rental charged and chargeable by the Group to Yincheng Real Estate Group for the leasing of the said properties used as elderly home amounted to approximately RMB0 million, approximately RMB14.04 million and approximately RMB20.18 million, respectively.

Second Proposed Property Lease Annual Caps and basis of determination

For the year ending 31 December		
2022	2023	2024
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
49,300	51,700	54,300

In arriving at the Second Proposed Property Lease Annual Caps, the Directors have considered the following:

- (i) the historical transaction amounts for the leasing of the said properties used as elderly home during the years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021;

- (ii) the proposed monthly rental of such properties, which has had the trend of rising rental reflected and the gradual development of such community in the vicinity of the properties taken into account; and
- (iii) the opinion letter issued by an independent valuer, which states that the annual rental payable under the 2022 Second Master Property Lease Agreement is fair and reasonable, and reflects the current prevailing market rental of similar properties in similar locations in the PRC.

Listing Rules implications

As at the date of this announcement, Yincheng Real Estate was beneficially owned as to approximately 53.11% by Mr. Huang, a non-executive Director and a controlling shareholder of the Company. Accordingly, Yincheng Real Estate, being an associate of Mr. Huang, is a connected person of the Company. The entering into of the 2022 Second Master Property Lease Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) calculated with reference to the Second Proposed Property Lease Annual Caps exceed 0.1% but are less than 5%, the transactions contemplated under the 2022 Second Master Property Lease Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Directors' views

The Directors (other than Mr. Huang, Mr. Xie, Mr. Ma and Mr. Zhu but including the independent non-executive Directors) are of the view that the 2022 Master Property Lease Agreements were entered into in the ordinary and usual course of business of the Group after arm's length negotiations and on normal commercial terms which, together with the Proposed Annual Caps, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Mr. Huang is a chairman, director and controlling shareholder of Yincheng Real Estate. Mr. Xie is a director and shareholder of Yincheng Real Estate. Mr. Ma and Mr. Zhu are both shareholders of Yincheng Real Estate. Accordingly, Mr. Huang, Mr. Xie, Mr. Ma and Mr. Zhu have abstained from voting on the Board resolutions in connection with the 2022 Master Property Lease Agreements to avoid actual or perceived conflict of interests. Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, none of the other Directors have material interest in the transactions contemplated under the 2022 Master Property Lease Agreements.

Information on the parties

The Company

The Company is an exempted 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. It commenced property development operations in Nanjing and successfully expanded its footprint to other cities in the Yangtze River Delta Megalopolis, including Wuxi, Hefei, Suzhou, Hangzhou, Zhenjiang, Xuzhou, Taizhou, Wenzhou and Huai'an.

Yincheng Real Estate

Yincheng Real Estate is a joint stock company established under the laws of the PRC with limited liability. Yincheng Real Estate Group primarily engages in the management and operations of long-term rental apartments, commercial properties, elderly care homes and hotels. It is ultimately held as to approximately 53.11%, 19.26%, 8.01%, 5.32%, 5.11%, 4.11%, 3.71% and 1.37% by Mr. Huang, Mr. Dai Chengshu, Mr. Xie, Mr. Zhu Linnan, Mr. Zhu Linbin, Mr. Ma, Mr. Zhu and Ms. Cao Lian, respectively.

(II) FURTHER INFORMATION ON THE 2022 MASTER PROPERTY MANAGEMENT SERVICES AGREEMENT

Reference is made to the Announcement in respect of the 2022 Master Property Management Services Agreement.

In addition to the information disclosed in the Announcement, the Board would like to provide further information that the maximum term of each separate agreement to be entered into between the relevant subsidiaries of the Group and Yincheng Life Service Group for the provision of property services pursuant to the 2022 Master Property Management Services Agreement shall be determined by the contract parties after arm's length negotiations, provided always that such term shall expire on or before 31 December 2024 (being the expiry date of the term of the 2022 Master Property Management Services Agreement).

The Board would also like to supplement that, in order to ensure that the service fees to be charged by Yincheng Life Service Group under the said separate agreements are in line with the prevailing market rate, the Group has adopted the following internal control measures:

- (i) the relevant management of the Group will periodically, and from time to time as and when needed, gather market information by way of research, investigation and/or the obtaining of fee quotations from independent property management service providers to ascertain (a) whether the property services proposed to be provided by Yincheng Life Service Group under the separate agreements are comparable to similar services of similar quality available in the market; and (b) whether the proposed service fees of Yincheng Life Service Group for each type of such property services are in line with those offered by other service providers in the market;

- (ii) the entering into of the separate agreements shall be subject to the approval by the relevant management of the Group (including but not limited to the Directors, and the legal and finance departments of the Group) after (a) gathering the said market information; (b) obtaining advice from independent financial advisers and valuers, if necessary; and (c) the determination that the relevant service fees are in line with the prevailing market rate; and
- (iii) the Company will periodically (a) conduct reviews of the transactions contemplated under the separate agreements and the market information gathered, so as to evaluate the effectiveness of the implementation of the pricing policies under the 2022 Master Property Management Services Agreement; and (b) identify management weaknesses on such implementation (if any), undertake improvement measures to ensure that the internal control measures of the Group in respect of, among others, the pricing of transactions under each separate agreement remain complete and effective, and where any weaknesses as aforesaid are identified, the Company will take all necessary measures to address the same as soon as practicable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“2019 First Master Property Lease Agreement”	the framework agreement dated 18 February 2019 entered into between the Company (for itself and on behalf of its subsidiaries) and Yincheng Real Estate (for itself and on behalf of its subsidiaries) in relation to the Group’s leasing of certain offices and car parking spaces from Yincheng Real Estate Group for a term commencing from the Listing Date to 31 December 2021 (both days inclusive)
“2019 Master Property Lease Agreements”	the 2019 First Master Property Lease Agreement and the 2019 Second Master Property Lease Agreement
“2019 Second Master Property Lease Agreement”	the framework agreement dated 18 February 2019 entered into between the Company (for itself and on behalf of its subsidiaries) and Yincheng Real Estate (for itself and on behalf of its subsidiaries) in relation to Yincheng Real Estate Group’s leasing of properties from the Group, which were to be used as gymnastic centre, long-term leasing apartments and elderly home, for a term commencing from the Listing Date to 31 December 2021 (both days inclusive)
“2022 First Master Property Lease Agreement”	the framework agreement dated 24 December 2021 entered into between the Company (for itself and on behalf of its subsidiaries) and Yincheng Real Estate (for itself and on behalf of its subsidiaries) in relation to the Group’s leasing of certain offices and car parking spaces from Yincheng Real Estate Group for a term commencing from 1 January 2022 to 31 December 2024 (both days inclusive)

“2022 Master Property Lease Agreements”	the 2022 First Master Property Lease Agreement and the 2022 Second Master Property Lease Agreement
“2022 Master Property Management Services Agreement”	the framework agreement dated 11 November 2021 entered into between the Company (for itself and on behalf of its subsidiaries) and Yincheng Life Service (for itself and on behalf of its subsidiaries) in relation to the provision of property services by Yincheng Life Service Group to the Group for a term commencing from 1 January 2022 to 31 December 2024 (both days inclusive)
“2022 Second Master Property Lease Agreement”	the framework agreement dated 24 December 2021 entered into between the Company (for itself and on behalf of its subsidiaries) and Yincheng Real Estate (for itself and on behalf of its subsidiaries) in relation to Yincheng Real Estate Group’s leasing of properties from the Group, which are to be used as elderly home, for a term commencing from 1 January 2022 to 31 December 2024 (both days inclusive)
“Announcement”	the announcement of the Company dated 11 November 2021
“Board”	the board of Directors
“Company”	Yincheng International Holding Co., Ltd. (銀城國際控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1902)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“First Proposed Property Lease Annual Caps”	the maximum aggregate annual value projected for the three years ending 31 December 2024 in respect of the rental payable by the Group to Yincheng Real Estate Group pursuant to the 2022 First Master Property Lease Agreement
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person who, as far as our Directors are aware after having made all reasonable enquiries, is not a connected person of our Company

“Listing Date”	6 March 2019
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Huang”	Mr. Huang Qingping (黃清平), the chairman, a non-executive Director and a controlling shareholder of the Company
“Mr. Ma”	Mr. Ma Baohua (馬保華), an executive Director
“Mr. Xie”	Mr. Xie Chenguang (謝晨光), a non-executive Director
“Mr. Zhu”	Mr. Zhu Li (朱力), an executive Director
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Annual Caps”	the First Proposed Property Lease Annual Caps and the Second Proposed Property Lease Annual Caps
“Prospectus”	the prospectus of the Company dated 22 February 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Second Proposed Property Lease Annual Caps”	the maximum aggregate annual value projected for the three years ending 31 December 2024 in respect of the rental payable by Yincheng Real Estate Group to the Group pursuant to the 2022 Second Master Property Lease Agreement
“Shareholder(s)”	holder(s) of the share(s) of the Company
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yincheng Life Service”	Yincheng Life Service CO., Ltd. (銀城生活服務有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1922)
“Yincheng Life Service Group”	Yincheng Life Service and its subsidiaries
“Yincheng Real Estate”	Yincheng Real Estate Group Co., Ltd.* (銀城地產集團股份有限公司), a joint stock company established under the laws of the PRC with limited liability

“Yincheng Real Estate Group” Yincheng Real Estate and its subsidiaries

“%” per cent.

By order of the Board
Yincheng International Holding Co., Ltd.
HUANG Qingping
Chairman

Hong Kong, 24 December 2021

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*