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China New City Commercial Development Limited

中國新城市商業發展有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1321)

PAST VERY SUBSTANTIAL ACQUISITIONS AND CONTINUING CONNECTED TRANSACTIONS

THE TRANSACTIONS

The Group had entered into certain transactions with the Zhong An Group. The transactions included recurring advances made by the Group to the Zhong An Group from time to time.

LISTING RULES IMPLICATIONS

The Advances constituted provision of financial assistance by the Group to the Zhong An Group under Chapter 14 and continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio of the Advances based on the highest balance during the corresponding years exceeds 100%, the Advances constituted very substantial acquisitions of the Company subject to reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

The Advances constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Advances based on the highest balance during the corresponding years exceeds 5%, the Advances were subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

REASONS AND REMEDIAL ACTIONS

Due to reasons set out in the paragraph headed “Reasons for failure to identify the transactions” of this announcement, the Company failed to comply with the relevant Listing Rules requirements as so far these transactions are concerned.

The Company takes the incidents seriously and has taken or will take (as the case may be) remedial actions to prevent recurrence.

The Group had entered into certain transactions with the Zhong An Group. Due to the reasons set out in the paragraph headed “Reasons for failure to identify the transactions” below, the Company failed to comply with the relevant Listing Rules requirements as so far these transactions are concerned.

THE TRANSACTIONS

Upon further enquiries and review of the records of the Group, the Group sets out below the details of these transactions.

The transactions included recurring advances made by the Group to the Zhong An Group (the “**Advances**”).

The Advances were unsecured, and as at 31 December 2021, approximately RMB208.0 million of them were interest-free and approximately RMB377.0 million were interest-bearing at a rate of 8% per annum, and as at 31 December 2020, approximately RMB221.7 million of them were interest-free and approximately RMB788.3 million were interest-bearing at a rate of 10% per annum.

	Year/period end balance	Highest daily balance	Interest amount accrued in the year/ period	Interest rate	Average principal amount carried interest^(note)
	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>		<i>RMB (million)</i>
1 January 2022 – 22 April 2022	Nil	1,317.3	18.9	8%	777.5
Year ended 31 December 2021	585.0	2,224.4	109.0	8%	1,362.9
Year ended 31 December 2020	1,010.0	1,400.0	93.1	10%	931.0
Year ended 31 December 2019	1,060.3	1,229.3	Nil	Nil	Nil
Year ended 31 December 2018	24.5	39.3	Nil	Nil	Nil
Year ended 31 December 2017	39.3	80.1	Nil	Nil	Nil
Year ended 31 December 2016	80.1	80.1	Nil	Nil	Nil
Year ended 31 December 2015	66.5	112.4	Nil	Nil	Nil
Year ended 31 December 2014	112.4	112.4	Nil	Nil	Nil

Note: The average principal amount equals to:

Interest amount during the year/period ÷ interest rate ÷ number of days x 365

Overall balance positions between the Group and the Zhong An Group:

During the years, there were amounts due to the Zhong An Group by the Group. Below sets out the net positions of the Group's current accounts for the financial years ended 31 December 2014 to 2021 based on the Company's annual reports:

	Amount due from the Zhong An Group to the Group RMB (million)	Amount due to the Zhong An Group by the Company RMB (million)	Net position of the Group RMB (million) (note)
2021	585.0	818.2	(233.2)
2020	1,010.0	605.9	404.1
2019	1,060.3	711.7	348.6
2018	24.5	987.0	(962.5)
2017	39.3	696.2	(656.9)
2016	80.1	267.5	(187.4)
2015	66.5	1.2	65.3
2014	112.4	–	112.4

Note: Negative figures indicated the net position of amount due to the Zhong An Group.

IMPLICATIONS OF THE LISTING RULES

The Advances constituted provision of financial assistance by the Group to the Zhong An Group. The highest applicable percentage ratio (as defined in the Listing Rules) of the Advances based on the highest balance during the corresponding years exceeds 100%, the Advances constituted very substantial acquisitions of the Company and were therefore subject to reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

As Zhong An Cayman has been the controlling shareholder of the Company, and each of Zhong An Cayman and its subsidiaries (other than the Group) is a connected person of the Company under Chapter 14A of the Listing Rules and the Advances constituted continuing connected transactions of the Company. As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of the Advances based on the highest balance during the corresponding years exceeds 5%, the Advances were subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the Company is required to comply with the annual review requirements under the Listing Rules in respect of the Advances.

REASONS FOR FAILURE TO IDENTIFY THE TRANSACTIONS

The Directors considered that the failure of the Company to comply with the Listing Rules was due to an oversight and inadvertent misunderstanding of the Listing Rules. The Advances mainly represented recurring advances provided by the Group to the Zhong An Group. Similarly, the Zhong An Group also provided financial assistance to the Group. Such allocation of funds between the Zhong An Group and the Group was with an aim to maximise the effective utilisation of their available funds. It was mistakenly considered that such allocation of funds among companies were intra-group transactions falling outside the compliance requirements of the Listing Rules. The Company inadvertently breached the relevant requirements under Chapter 14 and Chapter 14A of the Listing Rules.

REMEDIAL ACTIONS

The Company takes the incident seriously and has taken or will take (as the case may be) the following remedial actions to prevent recurrence:

- (i) the sum due from Zhong An Group of RMB585 million as at 31 December, 2021 was fully settled on 22 April, 2022, and the Company ceased carrying all transactions similar to the Advances until full compliance with the Listing Rules, including the entering into framework agreements with the Zhong An Group and obtaining relevant approvals for the estimated annual caps;
- (ii) the Company will arrange for a special and in-depth training on Chapter 14 and Chapter 14A of the Listing Rules, in particular in relation to transactions similar to the Advances to the executive Directors and the senior management of the Group to strengthen and reinforce their knowledge;
- (iii) the Group will update and provide more detailed guidelines to its staff on notifiable and connected transactions;
- (iv) the Company will continue to review and monitor the internal control measures of the Group to ensure all current and future transactions shall be in compliance with the applicable requirements of the Listing Rules and other relevant laws and regulations; and
- (v) the Company has retained Hong Kong legal adviser for advice on compliance with the Listing Rules.

DEFINITIONS

Unless otherwise specified, the following terms shall have the following meanings in this announcement:

“Advances”	has the meaning ascribed to it under the paragraph headed “The transactions” of this announcement;
“Board”	the board of Directors;
“Company”	China New City Commercial Development Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1321);
“connected person”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	Hong Kong Special Administrative Special Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	The People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Zhong An Cayman”	Zhong An Group Limited (眾安集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 672), and a controlling shareholder of the Company;
“Zhong An Group”	Zhong An Cayman and its subsidiaries from time to time;
“%”	per cent.

Yours faithfully,
By order of the Board
China New City Commercial Development Limited
中國新城市商業發展有限公司
Shi Zhongan
Chairperson

Hong Kong, 27 April 2022

As at the date of this announcement, the Board comprises Mr Shi Nanlu, Mr Liu Bo, and Ms Tang Yiyan as executive directors of the Company; Mr Shi Zhongan and Mr Tang Min as non-executive directors of the Company; and Mr Ng Sze Yuen, Terry, Mr Xu Chengfa, and Mr Yim Chun Leung as independent non-executive directors of the Company.