

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



China New City Group Limited
中國新城市集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1321)

MAJOR AND CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE EXISTING FINANCIAL ADVANCES
FRAMEWORK AGREEMENT

BACKGROUND

References are made to the announcements of the Company dated 27 June 2022, 5 July 2022 and 19 September 2022 and the circular of the Company dated 31 August 2022 in relation to the Existing Financial Advances Framework Agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Zhong An Cayman (for itself and on behalf of its subsidiaries but excluding the Group).

As the Existing Financial Advances Framework Agreement will expire on 31 December 2024, on 11 December 2024, the Company (for itself and on behalf of its subsidiaries) entered into the New Financial Advances Framework Agreement with Zhong An Cayman (for itself and on behalf of its subsidiaries but excluding the Group), on substantially the same terms as the Existing Financial Advances Framework Agreement, pursuant to which the Group will continue to provide Advances to the Zhong An Group for a term of three years commencing from 1 January 2025 and ending on 31 December 2027.

The proposed Caps for the Advances under the New Financial Advances Framework Agreement for the years ending 31 December 2025, 31 December 2026 and 31 December 2027 are RMB1,800 million, RMB1,800 million and RMB1,800 million, respectively.

LISTING RULES IMPLICATIONS

Since Zhong An Cayman is a controlling Shareholder (indirectly interested in approximately 66.02% of the issued share capital of the Company) of the Company, Zhong An Cayman is a connected person of the Company as defined in the Listing Rules. Accordingly, the transactions contemplated under the New Financial Advances Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Advances based on the highest Cap during the term of the New Financial Advances Framework Agreement exceeds 5%, the Advances constitute non-exempted continuing connected transactions of the Company and are therefore subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further, the Advances constitute provision of financial assistance by the Group to the Zhong An Group under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio in respect of the Advances based on the highest Cap during the term of the New Financial Advances Framework Agreement exceeds 100%, the Advances constitute major transactions of the Company and are therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened and held by the Company for the Independent Shareholders to consider and, if thought fit, approve the New Financial Advances Framework Agreement, the transactions contemplated thereunder and the proposed Caps.

GENERAL

A circular containing, among other things, (i) further details of the Advances under the New Financial Advances Framework Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the terms of the Advances under the New Financial Advances Framework Agreement; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Advances under the New Financial Advances Framework Agreement; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 6 January 2025.

BACKGROUND

References are made to the announcements of the Company dated 27 June 2022, 5 July 2022 and 19 September 2022 and the circular of the Company dated 31 August 2022 in relation to the Existing Financial Advances Framework Agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Zhong An Cayman (for itself and on behalf of its subsidiaries but excluding the Group).

As the Existing Financial Advances Framework Agreement will expire on 31 December 2024, on 11 December 2024, the Company (for itself and on behalf of its subsidiaries) entered into the New Financial Advances Framework Agreement with Zhong An Cayman (for itself and on behalf of its subsidiaries but excluding the Group), on substantially the same terms as the Existing Financial Advances Framework Agreement, pursuant to which the Group will continue to provide Advances to the Zhong An Group for a term of three years commencing from 1 January 2025 and ending on 31 December 2027.

The proposed Caps for the Advances under the New Financial Advances Framework Agreement for the years ending 31 December 2025, 31 December 2026 and 31 December 2027 are RMB1,800 million, RMB1,800 million and RMB1,800 million, respectively.

NEW FINANCIAL ADVANCES FRAMEWORK AGREEMENT

The salient terms of the New Financial Advances Framework Agreement are summarised below:

Date : 11 December 2024 (after trading hours)

Parties : (1) the Company (for itself and on behalf of its subsidiaries); and
(2) Zhong An Cayman (for itself and on behalf of its subsidiaries but excluding the Group).

The terms “the Company” and “Zhong An Cayman” used in the New Financial Advances Framework Agreement will, as the case may be, mean the subsidiaries of the Company and Zhong An Cayman.

Term : From 1 January 2025 to 31 December 2027 (both days inclusive), subject to the satisfaction of the conditions precedent referred to below.

The term of the New Financial Advances Framework Agreement can be extended on a mutually agreed basis, subject to compliance with the relevant requirements of the Listing Rules.

Conditions precedent : The New Financial Advances Framework Agreement is conditional on and subject to the compliance by the Company with the relevant Listing Rules requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Advances : Zhong An Cayman shall utilise the Advances made by the Company pursuant to the New Financial Advances Framework Agreement for its daily business operations.

Upon receipt of a written notice from Zhong An Cayman requesting for an Advance, the Company shall decide whether to make an Advance based on, among other things, its liquidity position. If the Company so decides to make an Advance, it shall, within 15 business days after the receipt of a written notice from Zhong An Cayman, make the relevant Advance pursuant to such written notice. If the Company is unable to make an Advance pursuant to a written notice of Zhong An Cayman, or considers necessary to amend the terms of a written notice, it shall reply to Zhong An Cayman within 3 business days after the receipt of such written notice of Zhong An Cayman.

The specific terms of each Advance regarding the amount, the receiving bank account and the repayment date, etc. are to be mutually agreed by the parties, and (if required) stipulated under separate agreements to be entered into by the parties. Each of the Advances shall be repayable on demand in case of any event of default of the specific agreements.

The parties agree that Zhong An Cayman is not required to provide any guarantee for the Advances, unless otherwise negotiated and agreed by the parties.

Interests : Interests shall be payable by Zhong An Cayman to the Company for each Advance, the rate of which shall be determined by reference to the benchmark interest rate as then promulgated by the People's Bank of China for RMB short-term loan, and comparable to the then normal commercial terms or better.

Caps : The Caps for the three years ending 31 December 2027 are as follows:

- (a) RMB1,800 million for the year ending 31 December 2025;
- (b) RMB1,800 million for the year ending 31 December 2026; and
- (c) RMB1,800 million for the year ending 31 December 2027,

which is determined on the basis of the expected financial needs of the Zhong An Group.

INTERNAL CONTROL PROCEDURES

In order to ensure that (i) the terms of the New Financial Advances Framework Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable to the Company and its Shareholders taken as a whole; and (ii) the interests charged to the Zhong An Group are no less favourable than those charged to independent third parties by the Company for similar transactions, the Company has adopted the following internal control measures, pursuant to which it conducts regular monitoring and review of the relevant transactions:

- (a) prior to requesting for an Advance, Zhong An Cayman shall submit a written notice to the Company requesting for an Advance. Upon which, the relevant personnel of the Company shall prepare a notification form for internal approval by the financial management department of the Group, setting out the details of the request, including the use of Advance proceeds, expected interest rate, expected drawdown date, expected repayment date, and whether such Advance is expected to be secured;
- (b) when deciding whether to make an Advance upon a request, the financial management department of the Company will assess the liquidity and financial resources of the Group with reference to the amount of Advance requested, any foreseeable funding needs of the Group, to ensure that the liquidity position of the Group remains sufficient to meet its funding requirements from time to time and the Group's total assets and total liabilities are not materially adversely affected if the requested Advance is to be made;
- (c) in addition, the Group shall perform due diligence work on the Zhong An Group before its approval of the relevant Advances, which includes (i) conducting public searches on the good standing of the relevant Zhong An Group companies; (ii) taking into account of the then historical credibility of the Zhong An Group in repaying to the Company; (iii) conducting meetings with the relevant Zhong An Group companies in relation to negotiation of the specific terms of the Advances; (iv) assessing the financial situation of the Zhong An Group by reviewing its audited accounts and management accounts to be submitted to the Group from time to time;
- (d) the financial management department of the Company will regularly keep track of the benchmark interest rate promulgated by the People's Bank of China for RMB short-term loan and any relevant interest rates adopted by transactions similar to the Advances to ensure that the interest rate to be charged on each Advance will be on normal commercial or better terms; and
- (e) lastly, the financial management department of the Company will review and monitor the Advances to ensure that the relevant Cap will not be exceeded.

Based on historical advances provided by the Group to the Zhong An Group for the two years ended 31 December 2023 (commencing from 19 September 2022, being the date of approval by the independent shareholders of the Company of the Existing Financial Advances Framework Agreement) and the period from 1 January 2024 up to and including the date of this announcement, the Group had always been able to fully recover the amount of advances made in accordance with the terms and conditions of such relevant advances from the Zhong An Group to the extent such advances were due and payable on or before the date of this announcement. Although generally the Advances are not to be guaranteed, to secure recoverability, where necessary, the Group may agree with the Zhong An Group to provide guarantee for the Advances.

REASONS FOR AND BENEFITS OF THE NEW FINANCIAL ADVANCES FRAMEWORK AGREEMENT

As a property developer, the Zhong An Group is in need of short-term funds from time to time to finance its daily operation. One of the Group's treasury objectives is to seek an optimum utilisation of its funds so as to generate income to the Group. As the Zhong An Group may be in need of funds from time to time, the transactions contemplated under the New Financial Advances Framework Agreement would help enhance the efficiency in the use of the Group's available funds or working capital and generate a revenue stream from the expected interest income.

The Group will finance the Advances from internal resources.

The Directors (excluding the independent non-executive Directors who will form their views in respect of the transactions contemplated under the New Financial Advances Framework Agreement after considering the advice of the Independent Financial Adviser) are of the view that (i) while entering into the New Financial Advances Framework Agreement was not in the ordinary and usual course of business of the Group, the terms of the New Financial Advances Framework Agreement are considered to be on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole; and (ii) the basis of determining the proposed Caps is fair and reasonable.

The Board approved the New Financial Advances Framework Agreement, the transactions contemplated thereunder and the proposed Caps. Mr Shi Zhongan, being the non-executive Director of the Company and an executive director of Zhong An Cayman, abstained from voting on the relevant resolutions approving such transactions. Save as disclosed above, no other Directors had a material interest in such transactions and was required to abstain from voting on the relevant resolutions approving such transactions.

LISTING RULES IMPLICATIONS

Since Zhong An Cayman is a controlling Shareholder (indirectly interested in approximately 66.02% of the issued share capital of the Company) of the Company, Zhong An Cayman is a connected person of the Company as defined in the Listing Rules. Accordingly, the transactions contemplated under the New Financial Advances Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Advances based on the highest Cap during the term of the New Financial Advances Framework Agreement exceeds 5%, the Advances constitute non-exempted continuing connected transactions of the Company and are therefore subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further, the Advances constitute provision of financial assistance by the Group to the Zhong An Group under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio in respect of the Advances based on the highest Cap during the term of the New Financial Advances Framework Agreement exceeds 100%, the Advances constitute major transactions of the Company and are therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

INFORMATION OF THE PARTIES

The Company and the Group

The Company is an investment holding company. The Group is principally engaged in commercial property investment for leasing, commercial property development for sale and leasing and commercial property management in the PRC.

Zhong An Cayman and the Zhong An Group

The principal activity of Zhong An Cayman is investment holding. The Zhong An Group is principally engaged in property development, property leasing and hotel operations.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr Xu Chengfa, Mr Lam Yau Yiu and Mr Yuan Yuan, has been established to consider the terms of the transactions contemplated under the New Financial Advances Framework Agreement and the proposed Caps.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the transactions contemplated under the New Financial Advances Framework Agreement and the proposed Caps.

EGM AND DESPATCH OF CIRCULAR

The EGM will be convened and held by the Company for the Independent Shareholders to consider and, if thought fit, approve the New Financial Advances Framework Agreement, the transactions contemplated thereunder and the proposed Caps.

A circular containing, among other things, (i) further details of the Advances under the New Financial Advances Framework Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the terms of the Advances under the New Financial Advances Framework Agreement; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Advances under the New Financial Advances Framework Agreement; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 6 January 2025.

DEFINITIONS

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

“Advances”	the financial assistance in the form of recurring advances to be made by the Group to the Zhong An Group in accordance with the terms and conditions set out in the New Financial Advances Framework Agreement;
“Board”	the board of Directors;
“business day(s)”	day(s) on which commercial banks are open for business in the PRC (excluding Saturdays, Sundays and public holidays);
“Caps”	the highest daily balance amount that the Group may advance to the Zhong An Group pursuant to the New Financial Advances Framework Agreement for each year during its term;
“Company”	China New City Group Limited, an exempted company incorporated in the Cayman Islands with limited liabilities, the issued 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;
“Director(s)”	the director(s) of the Company;

“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the New Financial Advances Framework Agreement, the transactions contemplated thereunder and the proposed Caps;
“Existing Financial Advances Framework Agreement”	the financial advances framework agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Zhong An Cayman (for itself and on behalf of its subsidiaries but excluding the Group) on 27 June 2022 (after trading hours);
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	a committee of the Board comprising Mr Xu Chengfa, Mr Lam Yau Yiu and Mr Yuan Yuan, being the independent non-executive Directors;
“Independent Financial Adviser”	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions under the New Financial Advances Framework Agreement and the proposed Caps;
“Independent Shareholder(s)”	Shareholder(s) who are not required to abstain from voting at the EGM;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Financial Advances Framework Agreement”	the financial advances framework agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Zhong An Cayman (for itself and on behalf of its subsidiaries but excluding the Group) on 11 December 2024 (after trading hours);
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of the shares of the Company;
“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 issued 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; and

“%” per cent.

By order of the Board
China New City Group Limited
Shi Zhongan
Chairperson

The People’s Republic of China, 11 December 2024

As at the date of this announcement, the Board comprises Mr Shi Nanlu and Mr Jin Jianrong as executive Directors; Mr Shi Zhongan as non-executive Director; and Mr Xu Chengfa, Mr Lam Yau Yiu and Mr Yuan Yuan as independent non-executive Directors.