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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)

SUPPLEMENTAL ANNOUNCEMENT FOR CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE RENEWED FRAMEWORK AGREEMENTS

Reference is made to the announcement (the “**Announcement**”) of China New City Group Limited dated 6 December 2024 in relation to the continuing connected transactions contemplated under the Renewed Framework Agreements entered into between the Company and Zhong An Intelligent. Unless otherwise specified, capitalised terms used herein shall have the same meanings as defined in the Announcement.

The Company wishes to provide additional information regarding (1) the historical annual caps of the Existing Framework Agreements, (2) the basis of the annual caps of the Renewed Framework Agreements and (3) the internal control measures of the Company to safeguard the transactions contemplated under the Renewed Framework Agreements.

I. CONTINUING CONNECTED TRANSACTIONS UNDER THE RENEWED FRAMEWORK AGREEMENTS

A. Renewed Car Parking Space Sales Agency Services Framework Agreement

Historical transaction amounts and historical annual caps

The following table sets out the historical transaction amounts and the historical annual caps for fees paid by the Group in respect of the car parking space sales agency services for the two years ended 31 December 2023 and the six months ended 30 June 2024:

	Year ended 31 December 2022 <i>(Note 1)</i> <i>(RMB'000)</i>	Year ended 31 December 2023 <i>(RMB'000)</i>	Six months ended 30 June 2024 <i>(RMB'000)</i>
Fees paid or payable	1,811	1,317	464
Historical annual cap	–	7,500	11,000 <i>(Note 2)</i>
Utilisation rate (approximately) <i>(Note 4)</i>	–	17.6%	8.4% <i>(Note 3)</i>

Notes:

1. No historical annual cap was set for the year ended 31 December 2022.
2. The historical annual cap was set for the year ended 31 December 2024.
3. The utilisation rate is calculated by taking the historical transaction amount for the six months ended 30 June 2024 and dividing it by the proportionate six-month portion of the annual cap for illustration purpose.
4. The historical transaction amounts have not exceeded the historical annual caps for the two years ending 31 December 2024.

Basis of annual caps

The following factors were considered in arriving at the annual caps of the Renewed Car Parking Space Sales Agency Services Framework Agreement for the three years ending 31 December 2027:

- (i) despite the decline in the historical transaction amounts for the year ended 31 December 2023 and the six months ended 30 June 2024, the Directors take the view that the future introduction of real estate easing policies aimed at “promoting stability and recovery in the real estate market” (“要促進房地產市場止跌回穩”) as announced by the Chinese government in September 2024 shall benefit the property development projects of the Group and thereby increase the demand for the car parking sales agency services provided by the Zhong An Intelligent Group;
- (ii) an estimated overall increase in the total number of unsold car parking spaces owned by the Group, with reference to the following:
 - (a) the number of existing unsold car parking spaces owned by the Group located at existing property projects of the Group that are currently managed by the Zhong An Intelligent Group;
 - (b) the estimated number of unsold car parking spaces owned by the Group located at existing property projects of the Group that are expected to be delivered to the Zhong An Intelligent Group for its management, which amounts to approximately 40% of the number of unsold car parking spaces as mentioned in (a) above, for the three years ending 31 December 2027;
 - (c) the estimated number of unsold car parking spaces owned by the Group to be located at upcoming property projects of the Group that are expected to be delivered to the Zhong An Intelligent Group for its management, estimated from the total GFA of land reserves of approximately 3.8 million square meters as at 30 June 2024;
- (iii) the predicted descending pattern of the sale of car parking spaces for the three years ending 31 December 2027 in view of the weak sentiment and that most of the unsold car parking spaces are remaining stocks; and

- (iv) the expected increase in the service fees to be charged by the Zhong An Intelligent Group considering the expected inflation and increment in the operational costs as incurred by the Zhong An Intelligent Group due to the potential increase in demand.

B. Renewed Property Management Services Framework Agreement

Historical transaction amounts and historical annual caps

The following table sets out the historical transaction amounts and the historical annual caps for fees paid by the Group in respect of the property management services for the two years ended 31 December 2023 and the six months ended 30 June 2024:

	Year ended 31 December 2022 <i>(RMB'000)</i>	Year ended 31 December 2023 <i>(RMB'000)</i>	Six months ended 30 June 2024 <i>(RMB'000)</i>
Fees paid or payable	22,715	15,581	5,648
Historical annual cap	–	30,000	38,000 <i>(Note 2)</i>
Utilisation rate (approximately) <i>(Note 4)</i>	–	51.9%	29.7% <i>(Note 3)</i>

Notes:

1. No historical annual cap was set for the year ended 31 December 2022.
2. The historical annual cap was set for the year ended 31 December 2024.
3. The utilisation rate is calculated by taking the historical transaction amount for the six months ended 30 June 2024 and dividing it by the proportionate six-month portion of the annual cap for illustration purpose.
4. The historical transaction amounts have not exceeded the historical annual caps for the two years ending 31 December 2024.

Basis of annual caps

The following factors were considered in arriving at the annual caps of the Renewed Property Management Services Framework Agreement for the three years ending 31 December 2027:

- (i) the actual GFA of existing property units developed by the Group that are unsold and undelivered and are currently managed by the Zhong An Intelligent Group;
- (ii) the estimated GFA of existing property units developed by the Group that are unsold and undelivered and are expected to be delivered to the Zhong An Intelligent Group for its management, which amounts to approximately 22% to that of the GFA as mentioned in (i) above;
- (iii) the estimated GFA of upcoming property units to be developed by the Group that are unsold and undelivered and are expected to be delivered to the Zhong An Intelligent Group for its management, estimated from the total GFA of land reserves of approximately 3.8 million square meters as at 30 June 2024;

- (iv) the predicted descending pattern of the sale of completed property units for the three years ending 31 December 2027 in view of the weak market sentiment leading to a slowdown in the sales and deliveries of completed property units; and
- (v) the expected increase in the service fees to be charged by the Zhong An Intelligent Group considering the expected inflation and increment in the operational costs as incurred by the Zhong An Intelligent Group due to the potential increase in demand.

C. Renewed Value-added Services Framework Agreement

Historical transaction amounts and historical annual caps

The following table sets out the historical transaction amounts and the historical annual caps for fees paid by the Group in respect of the value-added services for the two years ended 31 December 2023 and the six months ended 30 June 2024:

	Year ended 31 December 2022 <i>(Note 1)</i> <i>(RMB'000)</i>	Year ended 31 December 2023 <i>(RMB'000)</i>	Six months ended 30 June 2024 <i>(RMB'000)</i>
Fees paid or payable	7,144	3,451	3,669
Historical annual cap	–	4,000	4,200 <i>(Note 2)</i>
Utilisation rate (approximately) <i>(Note 4)</i>	–	86.3%	174.7% <i>(Note 3)</i>

Notes:

1. No historical annual cap was set for the year ended 31 December 2022.
2. The historical annual cap was set for the year ended 31 December 2024.
3. The utilisation rate is calculated by taking the historical transaction amount for the six months ended 30 June 2024 and dividing it by the proportionate six-month portion of the annual cap for illustration purpose.
4. The historical transaction amounts have not exceeded the historical annual caps for the two years ending 31 December 2024.

Basis of annual caps

The following factors were considered in arriving at the annual caps of the Renewed Value-added Services Framework Agreement for the three years ending 31 December 2027:

- (i) while the recession of the PRC real estate market has led to the decrease in the number of project commencement and the underlying GFA of the Group in 2023, it is estimated that the number of project commencement and the underlying GFA will increase substantially for the three years ending 31 December 2027 under the future introduction of real estate easing policies aimed at “promoting stability and recovery in the real estate market” (“要促進房地產市場止跌回穩”) as announced by the Chinese government;

- (ii) the estimated duration of the service period of the existing projects and expected projects of the Group, which is expected to increase due to the weak market sentiment which shall require a longer service period by the Zhong An Intelligent Group; and
- (iii) the expected increase in the service fees to be charged by the Zhong An Intelligent Group with an average buffer of approximately 90% for the three years ending 31 December 2027 considering the expected inflation and increment in the operational costs as incurred by the Zhong An Intelligent Group due to the potential increase in demand.

II. INTERNAL CONTROL MEASURES

The Company has adopted and will continue to adopt internal control measures to ensure that each of the continuing connected transactions will be carried out in accordance with the terms of the Renewed Framework Agreements, on normal commercial terms or better and not less favourable to the terms offered by the independent third parties. Such internal control measures include the followings:

- (i) the finance management department of the Company will monitor the continuing connected transactions under the Renewed Framework Agreements to ensure they are conducted in accordance with their respective terms and conditions and that the relevant annual caps will not be exceeded;
- (ii) the independent non-executive Directors will conduct an annual review of the continuing connected transactions under the Renewed Framework Agreements and provide an annual confirmation as to whether these transactions are conducted on normal commercial terms or better, and according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- (iii) the auditors of the Company will also conduct an annual review of the continuing connected transactions under the Renewed Framework Agreements.

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

The People's Republic of China, 18 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.