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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)

VOLUNTARY ANNOUNCEMENT
COOPERATION MEMORANDUM IN RELATION TO
THE ESTABLISHMENT OF A JOINT VENTURE WITH CITIC CAPITAL SSG

This announcement is made by China New City Group Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) on a voluntary basis.

COOPERATION MEMORANDUM

The board of directors of the Company (the “**Board**”) is pleased to announce that on 2 April 2025, the Company entered into a non-legally binding cooperation memorandum (the “**Cooperation Memorandum**”) with Ultra Brilliant Advisory Limited, an indirect non-wholly owned subsidiary of CITIC Capital Holdings Limited (“**CITIC Capital**”), in respect of the establishment and joint operation of an investment platform by way of forming a joint venture company (the “**JV Company**”) and a subsidiary of the JV Company (the “**WFOE Company**”, together with the JV Company, the “**JV Platform**”) by the Group and the Special Situations Group of CITIC Capital (“**CITIC Capital SSG**”).

Shareholding Structure

Under the Cooperation Memorandum, the parties agreed that, among others, (i) the JV Company shall be established in Hong Kong and shall be held as to 50% by a Hong Kong subsidiary of the Company and 50% by a Hong Kong subsidiary of CITIC Capital; and (ii) the WFOE Company shall be established in the People’s Republic of China (the “**PRC**”) and shall be wholly-owned by the JV Company.

Business Scope of the JV Platform

The JV Platform is expected to be actively exploring and investing in various qualifying investment projects in the PRC (the “**Qualifying Investment Project**”), together with cornerstone investors introduced by the Group and other investors introduced by the CITIC Capital SSG. Each Qualifying Investment Project shall comprise distressed assets characterized by (a) significant discounted pricing due to investment horizon mismatches or debt maturity pressures; (b) its potential for value enhancement through operational improvements; and (c) its alignment with urban renewal and national policy directions, offering diversified exit possibilities.

The investment of each Qualifying Investment Project by the JV Platform shall require unanimous approval from the investment committee of the JV Company, which shall comprise members to be appointed by each of the parties of the Cooperation Memorandum.

REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION MEMORANDUM

Industry Opportunities

The Board has observed significant structural transformation of the PRC real estate market. The “Development Plan of Housing and Urban-Rural Development Technology for the 14th Five-Year Plan” (《「十四五」住房和城鄉建設科技發展計劃》) issued by, among others, the Ministry of Housing and Urban-Rural Development of the PRC (中國住房及城鄉建設部), highlights a shift from new developments to managing existing stock. Given the elevated proportion of real estate loan defaults in the banking, trust, and bond sectors, the Central Economic Work Conference has consistently categorized the real estate industry as a key area requiring effective risk prevention and resolution since 2022. The 2024 Central Economic Work Conference further emphasized revitalizing underutilized land and commercial properties, advancing the disposal of existing housing stock. To address systemic risks, the government has prioritized building a new model of real estate development and establishing foundational institutional frameworks. It is expected by the Board that mergers and acquisitions (M&A) involving distressed assets – driven by the exit of non-performing assets, transfers of troubled projects, and the disposal of defaulted loans – will offer heightened market opportunities, which are targeted to be captured by the Group through the JV Platform.

The establishment of the JV Platform also represents a breakthrough in the Group’s business model transitioning from traditional capital-intensive commercial real estate development-operation model to providing asset management service under a capital-light approach, pioneering a dual-engine business model that synergizes capital-intensive and operation-driven capabilities. This strategic shift is expected to optimize the balance sheet of the Group while generating income from asset management fees and opportunities for asset appreciation income.

By leveraging the Group’s expertise in business operation and its extensive network, coupled with the CITIC Capital SSG’s experience in asset management, restructuring in distressed assets and special situation investments, the Board targets to diversify the Group’s businesses portfolio and capture new growth opportunities under the current market environment by way of participating in the investment of Qualifying Investment Projects.

INFORMATION OF THE GROUP AND PARTIES

The Group is a large-scale enterprise integrating commercial development and operation, hotel management, film and television, education, cultural tourism and other industries, underpinned by ample commercial property, resources with its sector layout spanning across the country.

The CITIC Capital SSG is a division of CITIC Capital, and which focuses on special situations investments, specialized in identifying Distressed Asset investment opportunities arising from market inefficiencies and economic fluctuation. CITIC Capital is a global alternative investment management and advisory company. Ultra Brilliant Advisory Limited is an indirect non-wholly owned subsidiary of CITIC Capital.

To the best of the knowledge, information and belief of the directors of the Company having made all reasonable enquiries, each of Ultra Brilliant Advisory Limited and CITIC Capital and their respective ultimate beneficial owners is a third party independent from the Company and its connected persons.

GENERAL

Further announcement(s) will be made on the Group's development in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (where applicable) as and when appropriate. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
China New City Group Limited
中國新城市集團有限公司
Shi Zhongan
Chairperson

The People's Republic of China, 2 April 2025

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