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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)**

### **VERY SUBSTANTIAL ACQUISITION AND CONTINUING CONNECTED TRANSACTION IN RELATION TO FINANCIAL ADVANCES FRAMEWORK AGREEMENT**

#### **FINANCIAL ADVANCES FRAMEWORK AGREEMENT**

On 27 June 2022 (after trading hours), the Company (for itself and on behalf of its subsidiaries) entered into the Financial Advances Framework Agreement with Zhong An Cayman (for itself and on behalf of its subsidiaries but excluding the Group), pursuant to which, among others, the Group will provide recurring advances to the Zhong An Group.

The Caps for the Advances under the Financial Advances Framework Agreement for the years ending 31 December 2022, 31 December 2023 and 31 December 2024 is RMB1,200 million, RMB1,500 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 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 Financial Advances Framework Agreement exceeds 5%, the Advances constitute non-exempted continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are therefore 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.

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 (as defined under the Listing Rules) in respect of the Advances based on the highest Cap during the term of the Financial Advances Framework Agreement exceeds 100%, the Advances constitute very substantial acquisitions for the Company and are therefore subject to reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, (i) further details of the Advances under the 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 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 Financial Advances Framework Agreement; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 19 July 2022.

## **BACKGROUND**

On 27 June 2022 (after trading hours), the Company (for itself and on behalf of its subsidiaries) entered into the Financial Advances Framework Agreement with Zhong An Cayman (for itself and on behalf of its subsidiaries but excluding the Group), pursuant to which, among others, the Group will provide recurring advances to the Zhong An Group.

The Caps for the Advances under the Financial Advances Framework Agreement for the years ending 31 December 2022, 31 December 2023 and 31 December 2024 is RMB1,200 million, RMB1,500 million and RMB1,800 million respectively.

## **FINANCIAL ADVANCES FRAMEWORK AGREEMENT**

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

- Date : 27 June 2022 (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 Financial Advances Framework Agreement will, as the case may be, mean the subsidiaries of the Company and Zhong An Cayman.

- Term : From 27 June 2022 to 31 December 2024 (both days inclusive), subject to the satisfaction of the conditions precedent referred to below.
- The term of the 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 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 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 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.
- 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 2024 are as follows:

- (a) RMB1,200 million for the year ended 31 December 2022;
- (b) RMB1,500 million for the year ended 31 December 2023; and
- (c) RMB1,800 million for the year ended 31 December 2024,

which is determined on the basis of (i) the historical amounts of the Advances made by the Group to the Zhong An Group; and (ii) the expected financial needs of the Zhong An Group.

## **INTERNAL CONTROL PROCEDURES**

In order to ensure that (i) the terms of the 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 interest 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) 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 and 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;
- (b) 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
- (c) the financial management department of the Company will review and monitor the Advances to ensure that the relevant Cap will not be exceeded.

The Board considers to engage a Compliance Adviser to see if the above internal control measures adopted by the Company in respect of the transactions under the Financial Advances Framework Agreement are appropriate and that they will give sufficient assurance to the Shareholders that the transactions under the Financial Advances Framework Agreement will be appropriately monitored.

## **REASONS FOR AND BENEFITS OF THE 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 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 and external loans.

The Directors (excluding the independent non-executive Directors who will form their views in respect of the transactions contemplated under the Financial Advances Framework Agreement after considering the advice of the Independent Financial Adviser) are of the view that (i) the entry into the Financial Advances Framework Agreement was in the ordinary and usual course of business of the Group and on normal commercial terms; (ii) the terms of the Financial Advances Framework Agreement are considered to be fair and reasonable and in the interests of the Group and the Shareholders as a whole; and (iii) the basis of determining the Caps is fair and reasonable.

The Board approved the Financial Advances Framework Agreement, the transactions contemplated thereunder and the Caps. None of the Directors had a material interest in such transactions and was required to abstain from voting in respect of the 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 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 Financial Advances Framework Agreement exceeds 5%, the Advances constitute non-exempted continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are therefore 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.

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 (as defined under the Listing Rules) in respect of the Advances based on the highest Cap during the term of the Financial Advances Framework Agreement exceeds 100%, the Advances constitute very substantial acquisitions for the Company and are therefore subject to reporting, announcement and independent shareholders' approval requirements pursuant to 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 development, leasing and hotel operations.

### **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 will be appointed to consider the terms of the transactions contemplated under the Financial Advances Framework Agreement and the 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 Financial Advances Framework Agreement and the Caps.

## **DESPATCH OF CIRCULAR**

The EGM will be convened for the purpose of considering, and if thought fit, approving the Financial Advances Framework Agreement, the transactions contemplated thereunder and the Caps.

A circular containing, among other things, (i) further details of the Advances under the 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 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 Financial Advances Framework Agreement; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 19 July 2022.

## 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 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 Financial Advances Framework Agreement for each year during its term;
“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;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened to consider, and if thought fit, approve the Financial Advances Framework Agreement, the transactions contemplated thereunder and the Caps;
“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 Ng Sze Yuen, Terry, Mr Xu Chengfa and Mr Yim Chun Leung, being the independent non-executive Directors;

“Independent Financial Adviser”	Giraffe Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions under the Financial Advances Framework Agreement and the Cap;
“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;
“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 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.

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 June 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.*