
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China New City Commercial Development Limited, you should at once hand this circular accompanying with the form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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)

**(1) CONNECTED TRANSACTION IN RELATION TO
AMENDMENTS TO THE EXISTING NON-COMPETE UNDERTAKINGS;
(2) DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO THE PROPOSED TRANSFERS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



SOMERLEY CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 8 to 42 of this circular. A letter from the Independent Board Committee is set out on pages 43 to 44 of this circular. A letter from Somerley Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 45 to 75 of this circular. A notice convening the EGM to be held on Wednesday, 24 March 2021 at 11:00 a.m. at Crystal Hall, 4th Floor, Holiday Inn Hangzhou Xiaoshan, No. 688 Shanyin Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

5 March 2021

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“Amended Non-Compete Undertakings”	the amended deed of non-compete undertakings dated 3 February 2021 entered into among the Controlling Shareholders and the Company;
“Articles of Association”	the articles of association of the Company;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Bright (Hong Kong)”	Bright (Hong Kong) Hotels Management Limited (伯瑞特(香港)酒店管理有限公司), a limited liability company incorporated in Hong Kong on 15 September 2014 and an indirect wholly-owned subsidiary of the Company;
“China” or “PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Company or “China New City”	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 meanings ascribed to it under the Listing Rules;
“Controlling Shareholders” or “CNC Controlling Shareholders”	the controlling shareholders (as defined under the Listing Rules) of the Company, including Ideal World, Zhong An, Whole Good and Mr. Shi;
“Director(s)”	the director(s) of the Company from time to time;
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the (i) Amended Non-Compete Undertakings; (ii) the Proposed Transfers; and (iii) other relevant matters;

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“Existing Non-Compete Undertakings”	the deed of non-compete undertakings dated 31 May 2014 entered into among the Controlling Shareholders and the Company;
“Group”	the Company and its subsidiaries from time to time;
“Hangzhou Zhongan Henglong”	Hangzhou Zhongan Henglong Commercial Building Co., Ltd.* (杭州眾安恒隆商廈有限公司), a limited liability company established in the PRC on 20 September 2005, an indirect non-wholly owned subsidiary of the Company and a direct wholly-owned subsidiary of Zhong An Shenglong;
“Hangzhou Zhonghong”	Hangzhou Zhonghong Property Service Co., Ltd.* (杭州眾宏物業服務有限公司), a limited liability company established in the PRC on 18 November 2020 as a result of the demerger of Hangzhou Zhongan Henglong, an indirect non-wholly owned subsidiary of the Company and a direct wholly-owned subsidiary of Zhong An Shenglong;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Ideal World”	Ideal World Investments Limited, a company incorporated in the British Virgin Islands with limited liability on 6 November 2003 which is wholly-owned by Zhong An and a Controlling Shareholder;
“Independent Board Committee”	the independent committee of the Board, comprising the independent non-executive Directors, which has been formed to advise the Independent Shareholders on (i) the terms of the Amended Non-Compete Undertakings and the transactions contemplated thereunder; and (ii) the Proposed Transfers and the transactions contemplated thereunder;

DEFINITIONS

“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of Amended Non-Compete Undertakings and the Proposed Transfers;
“Independent Shareholders”	shareholders of the Company other than those who are required to abstain from voting on the resolution(s) in respect of the Amended Non-Compete Undertakings and the Proposed Transfers pursuant to the Listing Rules;
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/are not a connected person(s) of the Company within the meaning of the Listing Rules;
“Latest Practicable Date”	2 March 2021;
“Listing Date”	10 July 2014, the date on which the Shares first commenced trading on the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
“Mr. Shi”	Mr. Shi Kancheng (施侃成) (alias Shi Zhongan (施中安)), the chairperson of the Zhong An Board and the Board, an executive director of Zhong An and a non-executive Director and a controlling shareholder (as defined under the Listing Rules) of Zhong An and a Controlling Shareholder;
“PRC GAAP”	generally accepted accounting principles in the PRC;
“Proposed Transfers”	the proposed transfers of the entire equity interests in Hangzhou Zhonghong, Yuyao Zhongli and Zhejiang Runzhou pursuant to the Sale and Purchase Agreements, all of which are engaged in commercial property management business of the Group;

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“Prospectus”	the prospectus and the supplemental prospectus of the Company dated 17 June 2014 and 30 June 2014, respectively, in relation to the global offering by the Company of its Shares and its listing on the Stock Exchange;
“Purchaser”	Zhong An Zhihui Shenghuo Services Co., Ltd.* (眾安智慧生活服務有限公司), a wholly foreign-owned enterprise with limited liability established in the PRC on 14 January 2021 and an indirect wholly-owned subsidiary of Zhong An;
“Qirui”	Qirui Business Management (Hangzhou) Co., Ltd.* (祺瑞商業管理(杭州)有限公司), a limited liability company established in the PRC on 18 October 2013 and a direct wholly-owned subsidiary of the Company;
“Remaining Zhong An Group”	Zhong An and its subsidiaries from time to time (excluding the Group);
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreements”	collectively, SPA A, SPA B and SPA C;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“SPA A”	the sale and purchase agreement entered into on 3 February 2021 between Bright (Hong Kong) (as vendor), the Purchaser and Zhejiang Runzhou (as target company) pursuant to which Bright (Hong Kong) conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the entire equity interest in Zhejiang Runzhou at a consideration of RMB35.17 million (equivalent to approximately HK\$42.20 million);

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“SPA B”	the sale and purchase agreement entered into on 3 February 2021 between Zhong An Shenglong (as vendor), the Purchaser and Hangzhou Zhonghong (as target company) pursuant to which Zhong An Shenglong conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the entire equity interest in Hangzhou Zhonghong at a consideration of RMB57.13 million (equivalent to approximately HK\$68.56 million);
“SPA C”	the sale and purchase agreement entered into on 3 February 2021 between Zhong An Commercial (as vendor), the Purchaser and Yuyao Zhongli (as target company) pursuant to which Zhong An Commercial conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the entire equity interest in Yuyao Zhongli at a consideration of RMB12.35 million (equivalent to approximately HK\$14.82 million);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meanings ascribed to it under the Listing Rules;
“Target Companies”	collectively, Zhejiang Runzhou, Hangzhou Zhonghong and Yuyao Zhongli;
“Vendors”	collectively, Bright (Hong Kong), Zhong An Shenglong and Zhong An Commercial, and each a “Vendor”;
“Whole Good”	Whole Good Management Limited (全好管理有限公司), a limited liability company incorporated in the British Virgin Islands on 3 May 2007 which is wholly-owned by Mr. Shi and is a controlling shareholder (as defined under the Listing Rules) of Zhong An and a Controlling Shareholder;

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“Xiaoshan Yunzhongxia”	Hangzhou Xiaoshan Yunzhongxia Decoration Co., Ltd.* (杭州蕭山雲中霞裝飾有限公司), a limited liability company established under the laws of the PRC on 1 April 1997, and a holder of 10% equity interest of Zhong An Shenglong, which is a 90% held indirect subsidiary of the Company. The beneficial owners of Xiaoshan Yunzhongxia are Ms. Qi Xiaomin (戚小敏) and Mr. Chen Junmin (陳軍民);
“Yuyao Zhong An”	Yuyao Zhong An Time Square Commercial Management Co., Ltd.* (余姚眾安時代廣場商業管理有限公司), a limited liability company established in the PRC on 6 December 2011, an indirect non-wholly owned subsidiary of the Company and a direct wholly-owned subsidiary of Zhong An Commercial;
“Yuyao Zhongli”	Yuyao Zhongli Property Management Co., Ltd.* (余姚眾力物業管理有限公司), a limited liability company established in the PRC on 24 November 2020 as a result of the demerger of Yuyao Zhong An, an indirect non-wholly owned subsidiary of the Company and a direct wholly-owned subsidiary of Zhong An Commercial;
“Zhejiang Runzhou”	Zhejiang Runzhou Property Services Co., Ltd.* (浙江潤洲物業服務有限公司), formerly known as Runzhou (Zhejiang) Hotel Management Co., Ltd.* (潤洲(浙江)酒店管理有限公司), a limited liability company established in the PRC on 27 November 2014, an indirect wholly-owned subsidiary of the Company and a direct wholly-owned subsidiary of Bright (Hong Kong);
“Zhong An”	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;
“Zhong An Board”	the board of directors of Zhong An;

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“Zhong An Commercial”	Zhong An Commercial Group Co., Ltd.* (眾安商業集團有限公司), formerly known as Hangzhou Zhongjia Commercial Management Co., Ltd.* (杭州眾嘉商業管理有限公司), a limited liability company established in the PRC on 18 November 2016, an indirect non-wholly owned subsidiary of the Company, which is owned as to approximately 54.99% by Zhong An Shenglong and approximately 45.01% by Zhejiang Agricultural Bank of China Phoenix Investment Management Co., Ltd.* (浙江農銀鳳凰投資管理有限公司);
“Zhong An Group”	Zhong An and its subsidiaries from time to time;
“Zhong An Management”	Zhejiang Zhong An Property Management Co., Ltd.* (浙江眾安物業服務有限公司), formerly known as Hangzhou Xiaoshan Zhong An Property Management Co., Ltd.* (杭州蕭山眾安物業服務有限公司), a limited liability company established in the PRC on 18 November 1998 and an indirect non-wholly owned subsidiary of Zhong An;
“Zhong An Shenglong”	Zhejiang Zhongan Shenglong Commercial Co., Ltd.* (浙江眾安盛隆商業有限公司), a limited liability company established in the PRC on 9 September 2013 and an indirect non-wholly owned subsidiary of the Company which is owned as to 90% by Qirui and 10% by Xiaoshan Yunzhongxia; and
“%”	per cent.

** Translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purpose only and should not be regarded as the official English translation of the Chinese names.*

Certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

For illustrative purpose, amounts denominated in RMB in this circular have been translated into HK\$ at the exchange rate of RMB1=HK\$1.20.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Shi Nanlu
Mr. Liu Bo
Ms. Tang Yiyang

Non-Executive Directors:

Mr. Shi Kancheng (alias Shi Zhongan)
Mr. Tang Min

Independent Non-Executive Directors:

Mr. Ng Sze Yuen, Terry
Mr. Xu Chengfa
Mr. Yim Chun Leung

Registered Office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of

Business in Hong Kong:

Room 4010, 40th Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

5 March 2021

To the Shareholders

Dear Sir/Madams,

**(1) CONNECTED TRANSACTION IN RELATION TO
AMENDMENTS TO THE EXISTING NON-COMPETE UNDERTAKINGS;
(2) DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO THE PROPOSED TRANSFERS;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the joint announcement issued by Zhong An and the Company on 3 February 2021 (the “**Joint Announcement**”). The purpose of this circular is to provide you with information reasonably necessary to enable you to make a decision on whether to vote for or against the resolutions to be proposed at the EGM for the approval of (i) the Amended Non-Compete Undertakings; and (ii) the Proposed Transfers.

LETTER FROM THE BOARD

(1) AMENDMENTS TO THE EXISTING NON-COMPETE UNDERTAKINGS

Reference is made to the Existing Non-Compete Undertakings entered into on 31 May 2014 among the Controlling Shareholders and the Company. Unless otherwise defined in this circular, capitalised terms used in this section headed “Amendments to the Existing Non-Compete Undertakings” in this circular shall have the same meanings as those defined in the Prospectus.

The Existing Non-Compete Undertakings

The Company is an indirect subsidiary of Zhong An which was spun off as a separate listing entity by Zhong An on the Main Board of the Stock Exchange in 2014. On 31 May 2014, in order to eliminate any potential competition between the Remaining Zhong An Group and the Group during the Company’s listing process, the Controlling Shareholders and the Company entered into the Existing Non-Compete Undertakings.

Controlling Shareholders’ Undertakings

Under the Existing Non-Compete Undertakings, each of the Controlling Shareholders irrevocably and unconditionally undertake on joint and several basis to the Company that during the period commencing from the Listing Date and until the earlier of (i) in respect of a Controlling Shareholder, the day on which the Controlling Shareholder concerned (individually or taken as a whole with the other Controlling Shareholders) ceases to be a controlling shareholder (within the meaning ascribed to it under the Listing Rules from time to time) for the purpose of the Listing Rules; or (ii) the date on which Shares shall cease to be listed on the Stock Exchange or (if applicable) other stock exchange (the “**Relevant Period**”), each of the Controlling Shareholders shall, and shall procure that his/its associates (other than the Group) to:

- (a) save for the Excluded Business (as defined below), not, directly or indirectly, carry on, invest in or be engaged in the Restricted Business of the Remaining Zhong An Group (as defined under the section headed “the Amended Non-Compete Undertakings” in this circular);
- (b) not solicit any existing or then existing employee of the Group for employment by it or its respective associates (excluding the Group);
- (c) not, without the consent from the Company, make use of any information pertaining to the business of the Group which may have come to their knowledge in their capacity as the Controlling Shareholders and/or Directors for the purpose of competing with the Restricted Business of the Remaining Zhong An Group;

LETTER FROM THE BOARD

- (d) in respect of any proposals received by any of the Controlling Shareholders or their respective associates (excluding the Group) involving the marketing, sales and development of any Restricted Business of the Remaining Zhong An Group, it/he shall notify the Company and provide the Company with all necessary information in respect of the relevant proposal as soon as practicable, refer the relevant proposal to the Group and use all reasonable endeavours to procure the person who communicated the proposal to the Controlling Shareholders or their respective associates to contact the Group directly regarding the proposal; and
- (e) not carry on, invest in or be engaged in any proposals received by any of the Controlling Shareholders or their respective associates (excluding the Group) as referred to in paragraph (d) of the above in any event, whether the Group has decided to take up the opportunity under such proposal(s) or not.

China New City's Undertakings

Under the Existing Non-Compete Undertakings, the Company irrevocably and unconditionally undertakes to each of the Controlling Shareholders that during the Relevant Period, the Company shall, and shall procure that its associates (other than the Controlling Shareholders and the Remaining Zhong An Group) to:

- (a) save for the Excluded Business, not, directly or indirectly, carry on, invest in or be engaged in the Restricted Business of the Group (as defined under the section headed “the Amended Non-Compete Undertakings” in this circular);
- (b) not solicit any existing or then existing employee of the Remaining Zhong An Group for employment by it or its respective associates (excluding the Remaining Zhong An Group);
- (c) not, without the consent from Zhong An, make use of any information pertaining to the business of the Remaining Zhong An Group which may have come to the Company’s knowledge in its capacity as subsidiary of Zhong An for the purpose of competing with the Restricted Business of the Group;
- (d) in respect of any proposals received by members of the Group or their respective associates (excluding the Remaining Zhong An Group) involving the marketing, sales and development of any Restricted Business of the Group, the Group shall notify the Remaining Zhong An Group and provide the Remaining Zhong An Group with all necessary information in respect of the relevant proposal as soon as practicable, refer the relevant proposal to the Remaining Zhong An Group and use all reasonable endeavours to procure the person who communicated the proposal to the relevant member of the Group or its associates to contact the Remaining Zhong An Group directly regarding the proposal; and

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- (e) not carry on, invest in or be engaged in any proposals received by the relevant member of the Group or its associates (excluding the Remaining Zhong An Group) as referred to in paragraph (d) of the above in any event, whether the Remaining Zhong An Group has decided to take up the opportunity under such proposal(s) or not.

Excluded Business

The excluded business (the “**Excluded Business**”) as referred to under the Existing Non-Compete Undertakings means:

- (a) the development and sale of any land or properties by the Remaining Zhong An Group or the Group in relation to the joint property development on mixed commercial-residential use land projects subject to compliance with the mechanism as set out in the Existing Non-Compete Undertakings;
- (b) the provision of property management services to the mixed commercial-residential properties from time to time owned and/or developed by the Remaining Zhong An Group or the Group, and the provision of property management services to the Group by Zhong An Management pursuant to the Property Management Agreement for the Hidden Dragon Bay project;
- (c) the development and investment by the Remaining Zhong An Group in the VC Hotel (provided that the VC Hotel shall be exclusively managed by the Group in accordance with the terms and condition of the Pre-opening Management Agreement) and the sale thereof to the Group and other transactions contemplated under the Land Acquisition Agreement;
- (d) the development, sales and/or investment by the Remaining Zhong An Group in shops and car parking spaces ancillary to the residential properties from time to time owned and/or under development and/or future development by the Remaining Zhong An Group, provided that the aggregate GFA of these shops to which the relevant residential property project relates shall not exceed 10% of the planned total GFA of the relevant residential property project;
- (e) the direct or indirect investments of the Controlling Shareholders and/or their respective associates (excluding the Group) in the Shares or other securities of the Company (but not that of any other member of the Group);
- (f) the Group’s existing investment in the Times Square Residential Portion and the transactions contemplated under the Cooperation Agreement;

LETTER FROM THE BOARD

- (g) any direct or indirect investment by the Controlling Shareholders and/or their respective associates (excluding the Group) in the shares of a publicly listed company (excluding any member of the Group) whereby:
 - (i) the aggregate investment by such Controlling Shareholder and/or his/its associates (excluding the Group) does not exceed 5% of the entire issued share capital of that company;
 - (ii) none of such Controlling Shareholder and/or his/its associates will be the single largest shareholder of that company; and
 - (iii) none of such Controlling Shareholder and/or his/its associates will be involved in the operation and management of that company and/or its subsidiaries.

- (h) any direct or indirect investment by the Group and/or its associates (other than the Controlling Shareholders and the Remaining Zhong An Group) in the shares of a publicly listed company (excluding Zhong An and any other member of the Remaining Zhong An Group) whereby:
 - (i) the aggregate interests held by the Group and/or its associates (other than the Controlling Shareholders and the Remaining Zhong An Group) does not exceed 5% of the entire issued share capital of that company;
 - (ii) none of the members of the Group and/or its associates (other than the Controlling Shareholders and the Remaining Zhong An Group) will be the single largest shareholder of that company; and
 - (iii) none of the members of the Group and/or its associates (other than the Controlling Shareholders and the Remaining Zhong An Group) will be involved in the operation and management of that company and/or its subsidiaries.

For further information on the Existing Non-Compete Undertakings, please refer to pages 392 to 399 of the Prospectus.

Amendments to the Existing Non-Compete Undertakings

Under the Existing Non-Compete Undertakings, the Remaining Zhong An Group is principally engaged in the development, sale of and management of residential properties in the PRC while the Group is principally engaged in the development, sale of, investment in, and management of commercial properties in the PRC.

LETTER FROM THE BOARD

Over six years have passed since the Controlling Shareholders and the Company entered into the Existing Non-Compete Undertakings, during which the landscape of the PRC property management market has evolved rapidly. At around the time of the spin-off and listing of the Company, the Existing Non-Compete Undertakings were entered into to create a more defined focus for the Group to be a pure play property developer for commercial properties in the PRC, while the Remaining Zhong An Group to be a pure play property developer for residential properties in the PRC. The Directors are of the view that the Existing Non-Compete Undertakings are not tailored for property management business and do not satisfactorily delineate property management service provided to mixed commercial-residential use properties and restrict the development of the property management business of the Group and the Remaining Zhong An Group.

Zhong An and the Company plan to consolidate all property management business to the Remaining Zhong An Group and such plan will provide the Group with an opportunity to dispose all of its commercial property management business. For details of the reasons, please refer to the section headed “Reasons for and Benefits of the Amended Non-Compete Undertakings and the Proposed Transfers” in this circular.

Pursuant to the Existing Non-Compete Undertakings, each of the Controlling Shareholders has undertaken to the Company that, amongst others, they would not directly or indirectly, carry on, invest in or be engaged in commercial property management business in the PRC. Given the circumstances, the Controlling Shareholders and the Company consider that proposed amendments to the Existing Non-Compete Undertakings have to be incorporated before the commercial property management business can be transferred from the Group to the Remaining Zhong An Group. Upon the Amended Non-Compete Undertakings becoming effective and the Proposed Transfers being materialised, the Group will redirect and focus its resources on commercial property development and property leasing, operations and management of hotel and cinema, and other new emerging business such as education and film and entertainment.

The Amended Non-Compete Undertakings

In view of the above, on 3 February 2021, each of the Controlling Shareholders and the Company entered into the Amended Non-Compete Undertakings to amend the Existing Non-Compete Undertakings, which will supersede and replace in its entirety the Existing Non-Compete Undertakings.

In summary, pursuant to the Amended Non-Compete Undertakings, any member of the Remaining Zhong An Group will be entitled to be engaged in property management business (including but not limited to residential, commercial or mixed commercial-residential use properties and related ancillary services and for the avoidance of doubt, does not include operations and management of hotel and cinema) in the PRC, and the Group will no longer be engaged in any property management business (excluding operations and management of hotel and cinema) in the PRC.

LETTER FROM THE BOARD

For illustrative purpose, the proposed material amendments to the Existing Non-Compete Undertakings are set out in blackline in the table as follows and such wordings will be adopted in the Amended Non-Compete Undertakings:

Existing Non-Compete Undertakings	Amended Non-Compete Undertakings
INTERPRETATION	INTERPRETATION
<p>“Restricted Business of the CNC Group” means any business which will or may compete with the business currently and from time to time engaged by the Remaining Zhong An Group, including but not limited to the development or sale of or investment in or management of residential properties in the PRC from time to time</p>	<p>“Restricted Business of the CNC Group” means any business which will or may compete with the business currently and from time to time engaged by the Remaining Zhong An Group, including but not limited to the <u>(i) development or sale of or investment in or management of residential properties in the PRC from time to time; and (ii) <u>property management business (including but not limited to residential, commercial or mixed commercial-residential use properties and related ancillary services and for the avoidance of doubt, does not include operations and management of hotel and cinema) in the PRC</u></u></p>
<p>“Restricted Business of the Remaining Zhong An Group” means any business which will or may compete with the business currently and from time to time engaged by the CNC Group, including but not limited to the development or sale of or investment in or management of commercial properties and/or land development in the PRC from time to time</p>	<p>“Restricted Business of the Remaining Zhong An Group” means any business which will or may compete with the business currently and from time to time engaged by the CNC Group, including but not limited to the development or sale of or investment in or management of commercial properties and/or land development <u>and operations and management of hotel and cinema</u> in the PRC from time to time</p>
<p>“Remaining Zhong An Group” means Zhong An and its subsidiaries from time to time, excluding members of the CNC Group; and “member(s) of the Remaining Zhong An Group” shall be construed accordingly;</p>	<p>“Remaining Zhong An Group” means Zhong An andor its subsidiaries from time to time, excluding members of the CNC Group; and “member(s) of the Remaining Zhong An Group” shall be construed accordingly;</p>

LETTER FROM THE BOARD

Existing Non-Compete Undertakings	Amended Non-Compete Undertakings
<p>THE CNC CONTROLLING SHAREHOLDERS' UNDERTAKINGS</p>	<p>THE CNC CONTROLLING SHAREHOLDERS' UNDERTAKINGS</p>
<p>3.1 In consideration of China New City's undertakings hereunder, each of the CNC Controlling Shareholders hereby irrevocably and unconditionally undertake on joint and several basis to China New City that during the Relevant Period, each of the CNC Controlling Shareholders shall, and shall procure that his/its associates (other than the CNC Group) to:</p> <p>(a) save for the Excluded Business, not, directly or indirectly, carry on, invest in or be engage in the Restricted Business of the Remaining Zhong An Group;</p> <p>(b) not solicit any existing or then existing employee of the CNC Group for employment by it or its respective associates (excluding the CNC Group);</p>	<p>3.1 In consideration of China New City's undertakings hereunder, each of the CNC Controlling Shareholders hereby irrevocably and unconditionally undertake on joint and several basis to China New City that during the Relevant Period, each of the CNC Controlling Shareholders shall, and shall procure that his/its associates (other than the CNC Group) to:</p> <p>(a) save for the Excluded Business, not, directly or indirectly, carry on, invest in or be engaged in the Restricted Business of the Remaining Zhong An Group;</p> <p>(b) <u>save and except the management team and certain employees of Zhejiang Runzhou, Hangzhou Zhonghong and Yuyao Zhongli whose employment will be transferred pursuant to the Sale and Purchase Agreements,</u> not solicit any existing or then existing employee of the CNC Group for employment by it or its respective associates (excluding the CNC Group);</p>

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Existing Non-Compete Undertakings	Amended Non-Compete Undertakings
THE CNC CONTROLLING SHAREHOLDERS' UNDERTAKINGS	THE CNC CONTROLLING SHAREHOLDERS' UNDERTAKINGS
<p>(c) not, without the consent from China New City, make use of any information pertaining to the business of the CNC Group which may have come to their knowledge in their capacity as the CNC Controlling Shareholders and/or directors of China New City for the purpose of competing with the Restricted Business of the Remaining Zhong An Group;</p> <p>(d) in respect of any proposals received by any of the CNC Controlling Shareholders or their respective associates (excluding the CNC Group) involving the marketing, sales and development of any Restricted Business of the Remaining Zhong An Group, it/he shall notify China New City and provide China New City with all necessary information in respect of the relevant proposal as soon as practicable, refer the relevant proposal to the CNC Group and use all reasonable endeavours to procure the person who communicated the proposal to the CNC Controlling Shareholders or their respective associates to contact the CNC Group directly regarding the proposal; and</p>	<p>(c) not, without the consent from China New City, make use of any information pertaining to the business of the CNC Group which may have come to their knowledge in their capacity as the CNC Controlling Shareholders and/or directors of China New City for the purpose of competing with the Restricted Business of the Remaining Zhong An Group;</p> <p>(d) in respect of any proposals received by any of the CNC Controlling Shareholders or their respective associates (excluding the CNC Group) involving the marketing, sales and development of any Restricted Business of the Remaining Zhong An Group, it/he shall notify China New City and provide China New City with all necessary information in respect of the relevant proposal as soon as practicable, refer the relevant proposal to the CNC Group and use all reasonable endeavours to procure the person who communicated the proposal to the CNC Controlling Shareholders or their respective associates to contact the CNC Group directly regarding the proposal; and</p>

LETTER FROM THE BOARD

Existing Non-Compete Undertakings	Amended Non-Compete Undertakings
THE CNC CONTROLLING SHAREHOLDERS' UNDERTAKINGS	THE CNC CONTROLLING SHAREHOLDERS' UNDERTAKINGS
<p>(e) not carry on, invest in or be engaged in any proposals received by any of the CNC Controlling Shareholders or their respective associates (excluding the CNC Group) as referred to in Clause 3.1(d) above in any event, whether the CNC Group has decided to take up the opportunity under such proposal(s) or not.</p>	<p>(e) not carry on, invest in or be engaged in any proposals received by any of the CNC Controlling Shareholders or their respective associates (excluding the CNC Group) as referred to in Clause 3.1 (d) above in any event, whether the CNC Group has decided to take up the opportunity under such proposal(s) or not.</p>
<p>3.2 In consideration of China New City's undertakings hereunder:</p> <p>(a) each of the CNC Controlling Shareholders jointly and severally undertakes to China New City that:</p> <p>(i) he or it shall, and procure his/its respective associates (other than the CNC Group) to, provide to the CNC Group and/or the directors (including independent non-executive directors) of China New City from time to time all information necessary for annual review by the independent non-executive directors of China New City with regard to compliance with the terms and conditions of this Deed by the CNC Controlling Shareholders; and</p>	<p>3.2 In consideration of China New City's undertakings hereunder:</p> <p>(a) each of the CNC Controlling Shareholders jointly and severally undertakes to China New City that:</p> <p>(i) he or it shall, and procure his/its respective associates (other than the CNC Group) to, provide to the CNC Group and/or the directors (including independent non-executive directors) of China New City from time to time all information necessary for annual review by the independent non-executive directors of China New City with regard to compliance with the terms and conditions of this Amended Deed by the CNC Controlling Shareholders; and</p>

LETTER FROM THE BOARD

Existing Non-Compete Undertakings	Amended Non-Compete Undertakings
<p style="text-align: center;">THE CNC CONTROLLING SHAREHOLDERS' UNDERTAKINGS</p>	<p style="text-align: center;">THE CNC CONTROLLING SHAREHOLDERS' UNDERTAKINGS</p>
<p style="text-align: center;">(ii) to make an annual declaration as to compliance with the terms and conditions of this Deed in the annual report of China New City.</p> <p>(b) Zhong An undertakes to China New City that:</p> <p style="padding-left: 40px;">(i) Zhong An will have appropriate corporate governance measures to ensure that, in the event that any of its directors and/or their respective associates has material interest in any matter to be deliberated by the board of directors of Zhong An in relation to the compliance and enforcement of this Deed, he/she shall disclose his/her interests to the board of directors of Zhong An and may not vote on the resolution(s) of the board of directors of Zhong An approving the matter and shall not be counted towards the quorum for the voting;</p>	<p style="text-align: center;">(ii) to make an annual declaration as to compliance with the terms and conditions of this Amended Deed in the annual report of China New City.</p> <p>(b) Zhong An undertakes to China New City that:</p> <p style="padding-left: 40px;">(i) Zhong An will have appropriate corporate governance measures to ensure that, in the event that any of its directors and/or their respective associates has material interest in any matter to be deliberated by the board of directors of Zhong An in relation to the compliance and enforcement of this Amended Deed, he/she shall disclose his/her interests to the board of directors of Zhong An and may not vote on the resolution(s) of the board of directors of Zhong An approving the matter and shall not be counted towards the quorum for the voting;</p>

LETTER FROM THE BOARD

Existing Non-Compete Undertakings	Amended Non-Compete Undertakings
THE CNC CONTROLLING SHAREHOLDERS' UNDERTAKINGS	THE CNC CONTROLLING SHAREHOLDERS' UNDERTAKINGS
<p>(ii) in respect of each of its financial year ending after Listing of the Shares, its shall instruct its auditors or independent financial advisers to review such documents as the auditors or independent financial advisers may require and confirm to its board of directors that the mechanism set out under Clause 6 has been complied with during such financial year;</p> <p>(iii) it shall provide to China New City from time to time all information necessary for annual review by the auditors and/or independent financial advisers of China New City as referred to in Clause 4.2(b) below; and</p> <p>(iv) it shall provide to China New City from time to time all information necessary for the independent board committee of China New City to make decision to proceed with the property development on the Mixed-use Land as a Participating Developer and the terms and conditions for the Joint Development.</p>	<p>(ii) in respect of each of its financial year ending after Listing of the Shares <u>the date on which this Amended Deed takes effect,</u> its it shall instruct its auditors or independent financial advisers to review such documents as the auditors or independent financial advisers may require and confirm to its board of directors that the mechanism set out under Clause 6 has been complied with during such financial year;</p> <p>(iii) it shall provide to China New City from time to time all information necessary for annual review by the auditors and/or independent financial advisers of China New City as referred to in Clause 4.2 (b)(a) below; and</p> <p>(iv) it shall provide to China New City from time to time all information necessary for the independent board committee of China New City to make decision to proceed with the property development on the Mixed-use Land as a Participating Developer and the terms and conditions for the Joint Development.</p>

LETTER FROM THE BOARD

Existing Non-Compete Undertakings	Amended Non-Compete Undertakings
EXCLUDED BUSINESS	EXCLUDED BUSINESS
<p>5.1 For the purpose of this Deed, the Excluded Business as referred to under Clauses 3.1(a), 4.1(a) and 6.1(d) means:</p> <p>(a) the development and sale of any land or properties by the Remaining Zhong An Group or the CNC Group in relation to the joint property development on mixed commercial-residential use land projects subject to compliance with the mechanism as set out in Clause 6 below;</p> <p>(b) the provision of property management services to the mixed commercial-residential properties from time to time owned and/or developed by the Remaining Zhong An Group or CNC Group, and the provision of property management services to CNC Group by Zhong An Management pursuant to the Property Management Agreement for China New City's Hidden Dragon Bay project;</p>	<p>5.1 For the purpose of this Amended Deed, the Excluded Business as referred to under Clauses 3.1(a), 4.1(a) and 6.1(d) means:</p> <p>(a) the development and sale of any land or properties by the Remaining Zhong An Group or the CNC Group in relation to the joint property development on mixed commercial-residential use land projects subject to compliance with the mechanism as set out in Clause 6 below;</p> <p>(b) the provision of property management services to the mixed commercial-residential properties from time to time owned and/or developed by the Remaining Zhong An Group or CNC Group, and the provision of property management services to CNC Group by Zhong An Management pursuant to the Property Management Agreement for China New City's Hidden Dragon Bay project;</p>

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Existing Non-Compete Undertakings	Amended Non-Compete Undertakings
EXCLUDED BUSINESS	EXCLUDED BUSINESS
<p>(c) the development and investment by the Remaining Zhong An Group in the VC Hotel (provided that the VC Hotel shall be exclusively managed by the CNC Group in accordance with the terms and condition of the Pre-opening Management Agreement) and the sale thereof to the CNC Group and other transactions contemplated under the Land Acquisition Agreement;</p> <p>(d) the development, sales and/or investment by the Remaining Zhong An Group in shops and car parking spaces ancillary to the residential properties from time to time owned and/or under development and/or future development by the Remaining Zhong An Group, provided that the aggregate GFA of these shops to which the relevant residential property project relates shall not exceed 10% of the planned total GFA of the relevant residential property project;</p> <p>(e) the direct or indirect investments of the CNC Controlling Shareholders and/or their respective associates (excluding the CNC Group) in the Shares or other securities of China New City (but not that of any other member of the CNC Group);</p>	<p>(c)(b) the development and investment by the Remaining Zhong An Group in the VC Hotel (provided that the VC Hotel shall be exclusively managed by the CNC Group in accordance with the terms and condition of the Pre-opening Management Agreement) and the sale thereof to the CNC Group and other transactions contemplated under the Land Acquisition Agreement;</p> <p>(d)(c) the development, sales and/or investment by the Remaining Zhong An Group in shops and car parking spaces ancillary to the residential properties from time to time owned and/or under development and/or future development by the Remaining Zhong An Group, provided that the aggregate GFA of these shops to which the relevant residential property project relates shall not exceed 10% of the planned total GFA of the relevant residential property project;</p> <p>(e)(d) the direct or indirect investments of the CNC Controlling Shareholders and/or their respective associates (excluding the CNC Group) in the Shares or other securities of China New City (but not that of any other member of the CNC Group);</p>

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Existing Non-Compete Undertakings	Amended Non-Compete Undertakings
EXCLUDED BUSINESS	EXCLUDED BUSINESS
<p>(f) the CNC Group’s existing investment in the Times Square Residential Portion and the transactions contemplated under the Cooperation Agreement;</p> <p>(g) any direct or indirect investment by the CNC Controlling Shareholders and/or their respective associates (excluding the CNC Group) in the shares of a publicly listed company (excluding any member of the CNC Group) whereby:</p> <p>(i) the aggregate investment by such CNC Controlling Shareholder and/or his/its associates (excluding the CNC Group) does not exceed 5% of the entire issued share capital of that company; and</p> <p>(ii) none of such CNC Controlling Shareholder and/or his/its associates will be the single largest shareholder of that company; and</p> <p>(iii) none of such CNC Controlling Shareholder and/or his/its associates will be involved in the operation and management of that company and/or its subsidiaries.</p>	<p>(f)(e) the CNC Group’s existing investment in the Times Square Residential Portion and the transactions contemplated under the Cooperation Agreement;</p> <p>(g) any direct or indirect investment by the CNC Controlling Shareholders and/or their respective associates (excluding the CNC Group) in the shares of a publicly listed company (excluding any member of the CNC Group and/or the Remaining Zhong An Group) whereby:</p> <p>(i) the aggregate investment by such CNC Controlling Shareholder and/or his/its associates (excluding the CNC Group) does not exceed 5% of the entire issued share capital of that company; and</p> <p>(ii) none of such CNC Controlling Shareholder and/or his/its associates will be the single largest shareholder of that company; and</p> <p>(iii) none of such CNC Controlling Shareholder and/or his/its associates will be involved in the operation and management of that company and/or its subsidiaries.</p>

LETTER FROM THE BOARD

Existing Non-Compete Undertakings	Amended Non-Compete Undertakings
EXCLUDED BUSINESS	EXCLUDED BUSINESS
<p>(h) any direct or indirect investment by the CNC Group and/or its associates (other than the CNC Controlling Shareholders and the Remaining Zhong An Group) in the shares of a publicly listed company (excluding Zhong An and any other member of the Remaining Zhong An Group) whereby:</p> <p>(i) the aggregate interests held by the CNC Group and/or its associates (other than the CNC Controlling Shareholders and the Remaining Zhong An Group) does not exceed 5% of the entire issued share capital of that company; and</p> <p>(ii) none of the members of the CNC Group and/or its associates (other than the CNC Controlling Shareholders and the Remaining Zhong An Group) will be the single largest shareholder of that company; and</p> <p>(iii) none of the members of the CNC Group and/or its associates (other than the CNC Controlling Shareholders and the Remaining Zhong An Group) will be involved in the operation and management of that company and/or its subsidiaries.</p>	<p>(h)(g) any direct or indirect investment by the CNC Group and/or its associates (other than the CNC Controlling Shareholders and the Remaining Zhong An Group) in the shares of a publicly listed company (excluding Zhong An and any other member of the Remaining Zhong An Group) whereby:</p> <p>(i) the aggregate interests held by the CNC Group and/or its associates (other than the CNC Controlling Shareholders and the Remaining Zhong An Group) does not exceed 5% of the entire issued share capital of that company; and</p> <p>(ii) none of the members of the CNC Group and/or its associates (other than the CNC Controlling Shareholders and the Remaining Zhong An Group) will be the single largest shareholder of that company; and</p> <p>(iii) none of the members of the CNC Group and/or its associates (other than the CNC Controlling Shareholders and the Remaining Zhong An Group) will be involved in the operation and management of that company and/or its subsidiaries.</p>

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Other terms of the Amended Non-Compete Undertakings

Other than the material amendments as set out in the above and the related ancillary amendments, other terms remain unchanged as compared to the Existing Non-Compete Undertakings.

Conditions precedent of the Amended Non-Compete Undertakings

The Amended Non-Compete Undertakings are subject to:

- (a) the Zhong An Board having approved (i) the Amended Non-Compete Undertakings and the transactions contemplated thereunder; and (ii) the Proposed Transfers and the transactions contemplated thereunder;
- (b) the Board and the Independent Shareholders at the EGM having approved (i) the Amended Non-Compete Undertakings and the transactions contemplated thereunder; and (ii) the Proposed Transfers and the transactions contemplated thereunder; and
- (c) each of the Sale and Purchase Agreements having become unconditional in all material respects.

If any of the above conditions precedent to the Amended Non-Compete Undertakings is not fulfilled on or before 31 December 2021 (or such later date as may be agreed between the parties), the Amended Non-Compete Undertakings and all rights and obligations thereunder will cease and terminate. In such circumstances, the Existing Non-Compete Undertakings will remain in effect.

Corporate Governance Measures

To ensure compliance of the Amended Non-Compete Undertakings, Zhong An and the Company will continue with the corporate governance measures set out on pages 400 and 401 of the Prospectus, in particular:

- (a) the independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Amended Non-Compete Undertakings by the Controlling Shareholders;
- (b) the Company will disclose any decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Amended Non-Compete Undertakings (which include those decisions on matters in relation to joint development on a mixed-use land), either through the annual report or by way of announcement;

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- (c) the Company will disclose in the corporate governance report of the annual report on how the terms of the Amended Non-Compete Undertakings have been complied with and enforced;
- (d) in the event that any of the Directors and/or their respective associates has material interest in any matter to be deliberated by the Board in relation to the compliance and enforcement of the Amended Non-Compete Undertakings, he/she shall disclose his/her interests to the Board and may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association; and
- (e) Zhong An has undertaken to the Group that it will have appropriate corporate governance measures to ensure that, in the event that any of its directors and/or their respective associates has material interest in any matter to be deliberated by the Zhong An Board in relation to the compliance and enforcement of the Amended Non-Compete Undertakings, he/she shall disclose his/her interests to the Zhong An Board and may not vote on the resolution(s) of the Zhong An Board approving the matter and shall not be counted towards the quorum for the voting.

Furthermore, as additional internal control measure, the Company and Zhong An will distribute reminders containing the relevant requirements and restrictions as set out in the Amended Non-Compete Undertakings to the directors, senior management and relevant management team and employees of both the Remaining Zhong An Group and the Group to ensure that they are fully aware of the revised business delineation arrangements (i.e. the Remaining Zhong An Group will be engaged in property management business (including but not limited to residential, commercial or mixed commercial-residential use properties and related ancillary services and for the avoidance of doubt, does not include operations and management of hotel and cinema) in the PRC, while the Group will no longer be engaged in any property management business (excluding operations and management of hotel and cinema) in the PRC).

LETTER FROM THE BOARD

(2) PROPOSED TRANSFERS OF COMPANIES ENGAGING IN COMMERCIAL PROPERTY MANAGEMENT BUSINESS FROM THE GROUP TO THE REMAINING ZHONG AN GROUP

The Proposed Transfers

On 3 February 2021, the Purchaser, an indirect wholly-owned subsidiary of Zhong An, entered into SPA A, SPA B and SPA C with, among others, Bright (Hong Kong), Zhong An Shenglong and Zhong An Commercial, respectively. Pursuant to the Sale and Purchase Agreements, the Purchaser conditionally agreed to purchase and Bright (Hong Kong), Zhong An Shenglong and Zhong An Commercial conditionally agreed to sell the entire equity interests of Zhejiang Runzhou, Hangzhou Zhonghong and Yuyao Zhongli, respectively at an aggregate consideration of RMB104.65 million (equivalent to approximately HK\$125.58 million).

The Amended Non-Compete Undertakings and the Proposed Transfers are inter-conditional and completion of the Amended Non-Compete Undertakings and the Proposed Transfers shall take place simultaneously.

The Target Companies are principally engaged in provision of commercial property management services in Zhejiang province of the PRC.

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Sale and Purchase Agreements

The principal terms of the Sale and Purchase Agreements are set out below:

	SPA A	SPA B	SPA C
Date	3 February 2021		
Vendor	Bright (Hong Kong), an indirect wholly-owned subsidiary of the Company	Zhong An Shenglong, an indirect non-wholly owned subsidiary of the Company	Zhong An Commercial, an indirect non-wholly owned subsidiary of the Company
Purchaser	Zhong An Zhihui Shenghuo Services Co., Ltd.* (眾安智慧生活服務有限公司), an indirect wholly-owned subsidiary of Zhong An		
Subject matter	The entire equity interest in Zhejiang Runzhou	The entire equity interest in Hangzhou Zhonghong	The entire equity interest in Yuyao Zhongli
Consideration	RMB35.17 million (equivalent to approximately HK\$42.20 million)	RMB57.13 million (equivalent to approximately HK\$68.56 million)	RMB12.35 million (equivalent to approximately HK\$14.82 million)
Basis of consideration	<p>The consideration was determined after arm's length negotiations between the Purchaser and each of the Vendors having taken into account, amongst other things, (i) the valuation of Zhejiang Runzhou, Hangzhou Zhonghong and Yuyao Zhongli of RMB41.01 million (equivalent to approximately HK\$49.21 million), RMB81.42 million (equivalent to approximately HK\$97.71 million) and RMB17.18 million (equivalent to approximately HK\$20.61 million), respectively, based on the price to earnings ratio of comparable transactions, less (ii) dividends which will be paid out of the distributable profits of Zhejiang Runzhou, Hangzhou Zhonghong and Yuyao Zhongli in the amount of RMB5.84 million (equivalent to approximately HK\$7.01 million), RMB24.29 million (equivalent to approximately HK\$29.15 million) and RMB4.83 million (equivalent to approximately HK\$5.79 million), respectively, and payable to the respective Vendors on or before the date of completion of the Proposed Transfers.</p> <p>In respect of the valuation of the Target Companies, the parties identified the comparable companies based on: (i) transactions involving transfer of majority equity interests of subject companies principally engaged in property management in the PRC by Hong Kong listed companies which were announced and completed in the past 12 months prior to the date of the Sale and Purchase Agreements; and (ii) the net profit/aggregate net profit after taxation of the subject companies in above sub-paragraph (i) for the year ended 31 December 2019 falling within the range of 30% higher or lower than the aggregate net profit after taxation of the Target Companies during the corresponding year. The average price to earnings ratio of the above comparable transactions is approximately 10.74 times. Having considered the development plan of the Target Companies as stated in the section headed "Reasons for and Benefits of the Amended Non-Compete Undertakings and the Proposed Transfers" in this circular, the valuation of the Target Companies is based on the price to earnings ratio of approximately 10 times.</p>		

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Payment	<p>The Purchaser intends to make payment of the aggregate consideration of RMB104.65 million (equivalent to approximately HK\$125.58 million) by the Remaining Zhong An Group's internal financial resources and payable by the Purchaser in the following manner:-</p> <ul style="list-style-type: none">(i) in respect of Zhejiang Runzhou:-<ul style="list-style-type: none">a. an amount of RMB29.89 million (equivalent to approximately HK\$35.87 million), which represents approximately 85% of the consideration, shall be paid in cash upon satisfaction (or waiver) of the conditions precedent set out in SPA A to a wholly-owned subsidiary of Bright (Hong Kong) which is a limited liability company established in the PRC; andb. an amount of RMB5.28 million (equivalent to approximately HK\$6.33 million), which represents approximately 15% of the consideration, shall be paid in cash within five business days from the date of completion of the Proposed Transfers to a wholly-owned subsidiary of Bright (Hong Kong) which is a limited liability company established in the PRC;(ii) in respect of Hangzhou Zhonghong:-<ul style="list-style-type: none">a. an amount of RMB48.56 million (equivalent to approximately HK\$58.28 million), which represents approximately 85% of the consideration, shall be paid in cash upon satisfaction (or waiver) of the conditions precedent set out in SPA B to Zhong An Shenglong; andb. an amount of RMB8.57 million (equivalent to approximately HK\$10.28 million), which represents approximately 15% of the aggregate consideration, shall be paid in cash within five business days from the date of completion of the Proposed Transfers to Zhong An Shenglong;(iii) in respect of Yuyao Zhongli:-<ul style="list-style-type: none">a. an amount of RMB10.50 million (equivalent to approximately HK\$12.60 million), which represents approximately 85% of the consideration, shall be paid in cash upon satisfaction (or waiver) of the conditions precedent set out in SPA C to Zhong An Commercial; and
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	b. an amount of RMB1.85 million (equivalent to approximately HK\$2.22 million), which represents approximately 15% of the aggregate consideration, shall be paid in cash within five business days from the date of completion of the Proposed Transfers to Zhong An Commercial.
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The aggregate consideration is reached after arm's length negotiation between the parties and the Directors consider that the consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent of the Sale and Purchase Agreements

The Sale and Purchase Agreements shall take effect upon the satisfaction of the following conditions precedent:

- (a) from the date of the Sale and Purchase Agreements and up to the date of completion of the Proposed Transfers, in relation to the Vendors, (i) there has been no material adverse change which would lead to non-consummation of the Sale and Purchase Agreements; (ii) the representations and warranties from the Vendors are accurate and true in all material respects; and (iii) there has been no material breach of the Sale and Purchase Agreements;
- (b) from the date of the Sale and Purchase Agreements and up to the date of completion of the Proposed Transfers, in relation to the Purchaser, (i) there has been no material adverse change which would lead to non-consummation of the Sale and Purchase Agreements; (ii) the representations and warranties from the Purchaser are accurate and true in all material respects; and (iii) there has been no material breach of the Sale and Purchase Agreements;
- (c) the Zhong An Board having approved (i) the Amended Non-Compete Undertakings and the transactions contemplated thereunder; and (ii) the Proposed Transfers and the transactions contemplated thereunder;

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- (d) the Board and the Independent Shareholders at the EGM having approved (i) the Amended Non-Compete Undertakings and the transactions contemplated thereunder; and (ii) the Proposed Transfers, and the transactions contemplated thereunder pursuant to the Listing Rules; and
- (e) each of the Sale and Purchase Agreements having become unconditional in all material respects except for the condition therein relating to the other Sale and Purchase Agreements having become unconditional.

Condition (a) above may be waived by the Purchaser and condition (b) above may be waived by the Vendors. Conditions (c), (d) and (e) above may not be waived.

Completion

The Vendors and the Purchaser shall proceed with the registration procedures with the relevant PRC authorities for the equity transfers of the relevant Target Companies within 10 business days upon satisfaction (or waiver) of the conditions precedent set out in the Sale and Purchase Agreements. Completion shall take place when the registration of the equity transfers of the relevant Target Companies is completed.

The Target Companies represent the Group's entire operation in commercial property management business. Upon completion of the Proposed Transfers, the Target Companies will cease to be subsidiaries of the Company and the Group will no longer be engaged in any property management business in the PRC.

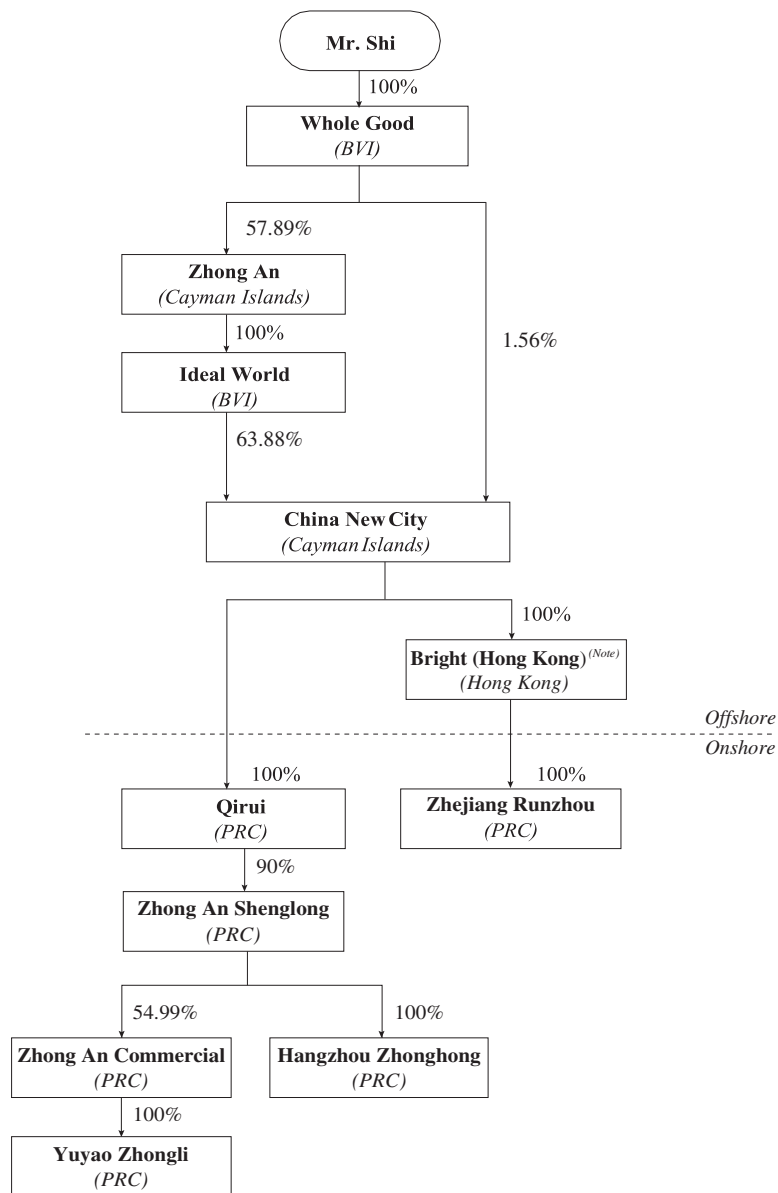
The Target Companies will become indirect wholly-owned subsidiaries of the Remaining Zhong An Group and their respective financial results will continue to be consolidated into the consolidated financial statements of the Zhong An Group.

Structure Charts in relation to the Proposed Transfers

The following charts set out the simplified organisation structures in relation to the Proposed Transfers.

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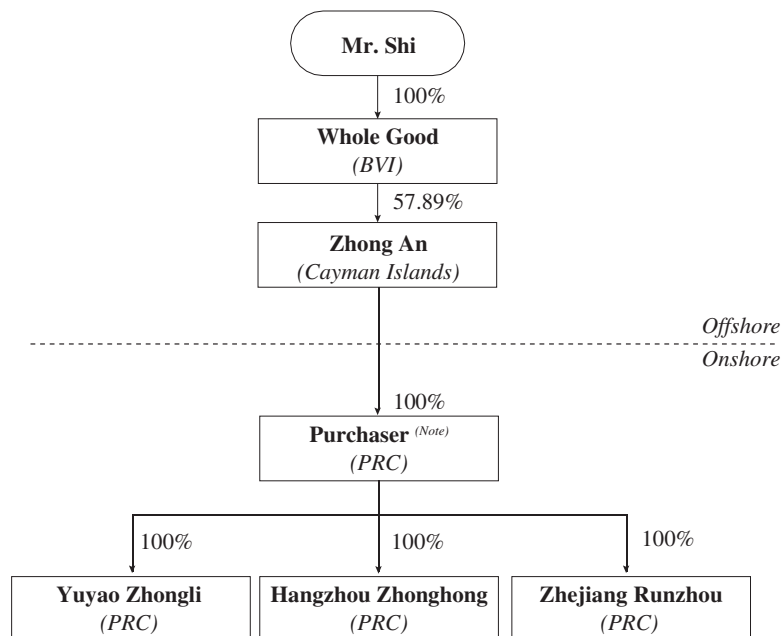
As at the Latest Practicable Date:



Note: Bright (Hong Kong) is held indirectly by the Company.

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Immediately upon completion of the Proposed Transfers:



Note: The Purchaser is held indirectly by Zhong An.

Financial Information of the Target Companies

Set out below are the unaudited (i) financial information of Zhejiang Runzhou and (ii) pro forma financial information of the commercial property management business of Hangzhou Zhonghong Henglong and Yuyao Zhong An for the years ended 31 December 2018 and 2019, and the nine months ended 30 September 2020 which have been prepared in accordance with the PRC GAAP^(Note):

Zhejiang Runzhou

	For the year ended		For the nine
	31 December		months ended
	2018	2019	30 September
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	2020
			<i>(RMB'000)</i>
Revenue	8,511	16,528	14,960
Net (loss)/profit before taxation	(1,297)	5,470	4,971
Net (loss)/profit after taxation	(973)	4,101	3,727

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Hangzhou Zhonghong (the newly formed entity holding commercial property management business of Hangzhou Zhongan Henglong)

	For the year ended		For the nine
	31 December		months ended
	2018	2019	30 September
	(RMB'000)	(RMB'000)	2020
			(RMB'000)
Revenue	13,112	15,389	10,165
Net profit before taxation	9,073	10,862	6,462
Net profit after taxation	6,776	8,142	4,846

Yuyao Zhongli (the newly formed entity holding commercial property management business of Yuyao Zhong An)

	For the year ended		For the nine
	31 December		months ended
	2018	2019	30 September
	(RMB'000)	(RMB'000)	2020
			(RMB'000)
Revenue	11,429	11,074	8,649
Net profit before taxation	2,121	2,285	2,622
Net profit after taxation	1,590	1,718	1,967

As at 30 September 2020, the unaudited net assets of Zhejiang Runzhou, Hangzhou Zhonghong and Yuyao Zhongli were approximately RMB12.74 million, RMB25.79 million and RMB7.85 million, respectively.

Note: Hangzhou Zhonghong is a limited liability company established in the PRC on 18 November 2020 as a result of the demerger of Hangzhou Zhongan Henglong. Yuyao Zhongli is a limited liability company established in the PRC on 24 November 2020 as a result of the demerger of Yuyao Zhong An.

Pursuant to the demerger of Hangzhou Zhongan Henglong and Yuyao Zhong An on 18 November 2020 and 24 November 2020, respectively, the entire commercial property management business of Hangzhou Zhongan Henglong and Yuyao Zhong An were transferred to Hangzhou Zhonghong and Yuyao Zhongli, respectively.

The revenue, net profit before and after taxation and net assets of Hangzhou Zhonghong and Yuyao Zhongli for the years ended/as at 31 December 2018 and 2019, and the nine months ended/as at 30 September 2020 represent the pro forma financial information of Hangzhou Zhongan Henglong and Yuyao Zhong An in relation to the entire commercial property management business.

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE TRANSACTIONS

Upon completion of the Proposed Transfers, the expected gains from the Proposed Transfers is approximately RMB58.27 million (equivalent to approximately HK\$69.93 million) (before taxation and transaction costs) which is calculated on the basis of the difference between the aggregate consideration for the Proposed Transfers and the net asset value of the Target Companies as at 30 September 2020.

The actual gain to be recorded by the Group will be subject to review and final audit by the auditors of the Company.

Proposed use of proceeds by the Group

The Board intends to apply the net proceeds from the Proposed Transfers in the following manner: (i) approximately 80% for future investments, among which approximately 70% will be allocated for potential acquisitions of land parcels in the PRC for its commercial property development business and the remaining 10% will be allocated for other investment opportunities for new emerging business such as education and film and entertainment through mergers and acquisitions of suitable entities as and when suitable opportunity arises; and (ii) approximately 20% as general working capital.

As at the Latest Practicable Date, the Group has not yet identified any specific acquisition or investment target.

REASONS FOR AND BENEFITS OF THE AMENDED NON-COMPETE UNDERTAKINGS AND THE PROPOSED TRANSFERS

Over six years have passed since the Controlling Shareholders (including Zhong An) and the Company entered into the Existing Non-Compete Undertakings, during which the landscape of the PRC property market has evolved rapidly. At around the time of the spin-off and listing of the Company, the Existing Non-Compete Undertakings were entered into to create a more defined focus for the Group to be a pure play property developer for commercial properties in the PRC, while the Remaining Zhong An Group to be a pure play property developer for residential properties in the PRC.

The Directors are of the view that the reasons for and benefits of the entering into of the Amended Non-Compete Undertakings and the Proposed Transfers are as follows:

The property management service delineation under the Existing Non-Compete Undertakings does not satisfactorily delineate business of the Group and the Remaining Zhong An Group

Mixed commercial-residential use properties may encompass several different types of properties such as residential properties, office buildings, shopping malls, leisure facilities (such as cinemas), small office/home office and serviced apartments. According to the

LETTER FROM THE BOARD

industry consultant of Zhong An, to ensure the level of property management service offered, mixed commercial-residential use properties generally appoint one property management service provider to provide property management service for each mixed commercial-residential use property. Therefore, it is a common practice for property management companies in the PRC to operate a diversified property management business covering management of residential, commercial and/or mixed commercial-residential use properties.

Further, it is impracticable to engage more than one property management company in respect of the relevant projects which comprised of mixed commercial-residential use properties in view of certain regulatory and practicable restrictions in the PRC. Pursuant to the Regulation on Property Management (《物業管理條例》) of the PRC, for each property management area designated, there should only be one property management enterprise serving as the property management service provider. Despite the enterprise managing the area may subcontract certain specialised services, such as security, cleaning and maintenance services to third-party subcontractors, it is prohibited from subcontracting the property management services in its entirety or partially (e.g. commercial portion) to another party.

Although the Existing Non-Compete Undertakings provide that, amongst others, property management services to mixed commercial-residential properties from time to time owned and/or developed by the Remaining Zhong An Group or the Group is excluded from the restricted business of the Group and the Remaining Zhong An Group, the Directors consider that such exclusion does not cover property management service provided to properties which are neither owned nor developed by the Remaining Zhong An Group or the Group.

As such, the Directors consider that the proposed amendments to the Existing Non-Compete Undertakings is necessary to clarify the business delineation between the Group and the Remaining Zhong An Group. Upon completion of the Amended Non-Compete Undertakings, the Remaining Zhong An Group will be engaged in property management business (including but not limited to residential, commercial or mixed commercial-residential use properties and related ancillary services and for the avoidance of doubt, does not include operations and management of hotel and cinema) in the PRC, while the Group will no longer be engaged in any property management business (excluding operations and management of hotel and cinema) in the PRC.

LETTER FROM THE BOARD

Better allocation of resources and manpower between the Remaining Zhong An Group and the Group

As disclosed in the Company's annual report 2018 and annual report 2019, (i) commercial property management business contributed to approximately 1.72% and 2.20% of the Group's revenue, respectively, and accounted for a relatively small contribution to the Group's revenue; and (ii) commercial property development business is the Company's strongest performing business in terms of profitability which contributed to approximately 82.01% and 78.46% of the Group's revenue for the years ended 31 December 2018 and 2019, respectively.

As at the Latest Practicable Date, the property management business of the Group mainly relates to commercial properties such as serviced apartments, office buildings, shopping malls and other ancillary facilities in the PRC. The Target Companies only have six commercial property management projects which are management of properties developed/ owned by the Group, its joint ventures or its associates. Besides, the Group has no plan to pursue new property management project nor to expand its commercial property management operation in the near future.

Meanwhile, having considered that the majority of the Company's resources and personnel in relation to provision of commercial property management services are derived from Zhong An at the time of the spin-off in 2014 and the Remaining Zhong An Group has more sizeable and experienced management and operational team for its property management business than the Group, the Directors consider that it would be appropriate and reasonable to transfer the entire commercial property management business to the Remaining Zhong An Group with the aim to consolidate all property management business while the Company can continue focusing on its core business of commercial property development or other investment opportunities for new emerging business such as education and film and entertainment in order to allow a better allocation of resources between the Remaining Zhong An Group and the Group. The Company also has an experienced team to conduct the new emerging business. The Company has a team of approximately 20 people in the United Kingdom and a team of approximately 10 people in the PRC operating the Group's education business. The Company has also hired a senior official with over six years of experience in relevant industries for overseeing the Group's film and entertainment business.

Upon completion of the Amended Non-Compete Undertakings and the Proposed Transfers, the Proposed Transfers will provide an opportunity for the Group to immediately realise its investments and redeploy the capital into its core business of commercial property development or other investment opportunities that the Group considers more attractive, and allows for a more focused strategy and efficient resource allocation which could potentially bring more returns to the Shareholders.

LETTER FROM THE BOARD

The Directors believe that the entering into of the Amended Non-Compete Undertakings and the Proposed Transfers would also eliminate potential competition between the Remaining Zhong An Group and the Group and better organise and delineate the Remaining Zhong An Group and the Group.

As such, the Directors (including the independent non-executive Directors) consider that the terms of the Amended Non-Compete Undertakings and the Proposed Transfers are, though not in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable so far as the Company and the Shareholders are concerned and the entering into of the Amended Non-Compete Undertakings and the Proposed Transfers are in the interests of the Company and the Shareholders as a whole. Zhong An is also contemplating an internal restructuring of its property management business with a view to achieving possible fund raising exercise in the future. Shareholders and potential investors of the Company should note that they may not be entitled to participate in the possible fund raising exercise in relation to Zhong An's property management business.

INFORMATION ABOUT THE PARTIES

The Company

The Company is a limited liability company incorporated as an exempted company in the Cayman Islands on 2 July 2013. The Group is principally engaged in the development, sale of, investment in, and management of commercial properties in the PRC.

Controlling Shareholders

Mr. Shi

Mr. Shi Kancheng (施侃成)(alias Shi Zhongan (施中安)), the chairman of the Zhong An Board and the Board, an executive director of Zhong An and a non-executive Director and a controlling shareholder (as defined under the Listing Rules) of Zhong An and a Controlling Shareholder.

Whole Good

Whole Good Management Limited (全好管理有限公司) is a limited liability company incorporated in the British Virgin Islands on 3 May 2007 which is wholly-owned by Mr. Shi and is principally engaged in investment holding. Whole Good is a controlling shareholder (as defined under the Listing Rules) of Zhong An and a Controlling Shareholder.

LETTER FROM THE BOARD

Zhong An

Zhong An is a limited liability company incorporated as an exempted company in the Cayman Islands on 13 March 2007. The Remaining Zhong An Group is principally engaged in the development, sale of and management of residential properties in the PRC. Zhong An is a Controlling Shareholder.

Ideal World

Ideal World Investments Limited is a company incorporated in the British Virgin Islands with limited liability on 6 November 2003 which is wholly-owned by Zhong An and is principally engaged in investment holding. Ideal World is a Controlling Shareholder.

The Vendors

Bright (Hong Kong)

Bright (Hong Kong) Hotels Management Limited (伯瑞特(香港)酒店管理有限公司) is a limited liability company incorporated in Hong Kong on 15 September 2014 and is principally engaged in investment holding. Bright (Hong Kong) is an indirect wholly-owned subsidiary of the Company.

Zhong An Shenglong

Zhejiang Zhongan Shenglong Commercial Co., Ltd.* (浙江眾安盛隆商業有限公司), a limited liability company established in the PRC on 9 September 2013 and is principally engaged in commercial property development in the PRC. Zhong An Shenglong is an indirect non-wholly owned subsidiary of the Company which is owned as to 90% by Qirui and 10% by Xiaoshan Yunzhongxia, a company whose ultimate beneficial owners are Ms. Qi Xiaomin (戚小敏) and Mr. Chen Junmin (陳軍民).

Zhong An Commercial

Zhong An Commercial Group Co., Ltd.* (眾安商業集團有限公司), formerly known as Hangzhou Zhongjia Commercial Management Co., Ltd.* (杭州眾嘉商業管理有限公司) is a limited liability company established in the PRC on 18 November 2016 and is principally engaged in investment holding. Zhong An Commercial is an indirect non-wholly owned subsidiary of the Company which is owned as to approximately 54.99% by Zhong An Shenglong and approximately 45.01% by Zhejiang Agricultural Bank of China Phoenix Investment Management Co., Ltd.* (浙江農銀鳳凰投資管理有限公司).

To the best of the knowledge, information and belief having made all reasonable enquiry of the Directors, Zhejiang Agricultural Bank of China Phoenix Investment Management Co., Ltd. and its ultimate beneficial owners are Independent Third Parties of the Company and its connected persons.

LETTER FROM THE BOARD

The Target Companies

Zhejiang Runzhou

Zhejiang Runzhou Property Services Co., Ltd.* (浙江潤洲物業服務有限公司), formerly known as Runzhou (Zhejiang) Hotel Management Co., Ltd.* (潤洲(浙江)酒店管理有限公司), is a limited liability company established in the PRC on 27 November 2014, an indirect wholly-owned subsidiary of the Company and a direct wholly-owned subsidiary of Bright (Hong Kong).

Zhejiang Runzhou is principally engaged in provision of commercial property management services in Hangzhou city of Zhejiang province of the PRC.

Hangzhou Zhonghong

Hangzhou Zhonghong Property Service Co., Ltd.* (杭州眾宏物業服務有限公司) is a limited liability company established in the PRC on 18 November 2020 as a result of the demerger of Hangzhou Zhongan Henglong. Hangzhou Zhonghong is an indirect non-wholly owned subsidiary of the Company and a direct wholly-owned subsidiary of Zhong An Shenglong.

Hangzhou Zhonghong is principally engaged in provision of commercial property management services in Hangzhou city of Zhejiang province of the PRC.

Yuyao Zhongli

Yuyao Zhongli Property Management Co., Ltd.* (余姚眾力物業管理有限公司) is a limited liability company established in the PRC on 24 November 2020 as a result of the demerger of Yuyao Zhong An. Yuyao Zhongli is an indirect non-wholly owned subsidiary of the Company and a direct wholly-owned subsidiary of Zhong An Commercial.

Yuyao Zhongli is principally engaged in provision of commercial property management services in Ningbo city of Zhejiang province of the PRC.

The Purchaser

Zhong An Zhihui Shenghuo Services Co., Ltd.* (眾安智慧生活服務有限公司) is a wholly foreign-owned enterprise with limited liability established in the PRC on 14 January 2021 and is principally engaged in investment holding. The Purchaser is an indirect wholly-owned subsidiary of Zhong An.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

The Amended Non-Compete Undertakings

As at the Latest Practicable Date, Zhong An held an aggregate of 1,284,484,000 Shares through its wholly-owned company, Ideal World, representing 63.88% of the entire issued share capital of the Company, in addition, Mr. Shi also held an aggregate of 31,303,594 Shares through his wholly-owned company, Whole Good, representing 1.56% of the entire issued share capital of the Company.

As the Company is an indirect non-wholly owned subsidiary of Zhong An and each of Mr. Shi, Whole Good, Zhong An and Ideal World is a Controlling Shareholder, therefore each of them is a connected person of the Company. The entering into of the Amended Non-Compete Undertakings among the Controlling Shareholders and the Company constitutes a connected transaction of the Company and is therefore subject to the reporting, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

The Proposed Transfers

As Zhong An is a Controlling Shareholder and the Purchaser is an indirect wholly-owned subsidiary of Zhong An, therefore the Purchaser is an associate of Zhong An and hence a connected person of the Company at issuer level pursuant to Rule 14A.13(3) of the Listing Rules. In addition, as the Sale and Purchase Agreements are inter-conditional, the Proposed Transfers are aggregated pursuant to Rule 14A.81 of the Listing Rules. As one or more of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Proposed Transfers exceed 5%, the Proposed Transfers constitute non-exempt connected transactions for the Company under the Listing Rules and are subject to the reporting, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

As the Sale and Purchase Agreements are inter-conditional, the Proposed Transfers are aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Proposed Transfers exceeds 5% but are all less than 25%, the Proposed Transfers constitute discloseable transactions for the Company under the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As Mr. Shi is considered to be materially interested in the Amended Non-Compete Undertakings and the Proposed Transfers, Mr. Shi has abstained from voting for the resolutions proposed at the Board meeting to approve the Amended Non-Compete Undertakings and the Proposed Transfers.

LETTER FROM THE BOARD

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Shareholders on the terms of the Amended Non-Compete Undertakings and the Proposed Transfers and the transactions contemplated thereunder. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

THE EGM

The EGM will be held at Crystal Hall, 4th Floor, Holiday Inn Hangzhou Xiaoshan, No. 688 Shanyin Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC on Wednesday, 24 March 2021 at 11:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve (i) the Amended Non-Compete Undertakings; (ii) the Proposed Transfers; and (iii) other relevant matters.

As at the Latest Practicable Date, (i) Ideal World (a wholly-owned subsidiary of Zhong An) was interested in 63.88% of total issued Shares and (ii) Whole Good was interested in 1.56% of total issued Shares. Ideal World, Whole Good and their respective associates are required to abstain from voting on the relevant resolutions at the EGM in view of their material interest in the Amended Non-Compete Undertakings and the Proposed Transfers. Save for Ideal World, Whole Good and their respective associates, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholder is required to abstain from voting for the resolutions to be proposed at the EGM in respect of the Amended Non-Compete Undertakings and the Proposed Transfers and the transactions contemplated thereunder.

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular.

You will find enclosed a form of proxy for use at the EGM. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions set out in the notice of EGM will be voted by poll at the EGM.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on pages 43 to 44 of this circular and the letter from the Independent Financial Adviser set out on pages 45 to 75 of this circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with the Amended Non-Compete Undertakings and the Proposed Transfers and the transactions contemplated thereunder and the principal factors considered by it in arriving at its recommendation.

The Directors (including the independent non-executive Directors), having taken into account the advice of the Independent Financial Adviser, are of the opinion that (i) the terms of the Amended Non-Compete Undertakings and the Proposed Transfers are, though not in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (ii) the entering into of the Amended Non-Compete Undertakings and the Proposed Transfers are in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve (i) the Amended Non-Compete Undertakings and (ii) the Proposed Transfers.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the letter from the Independent Board Committee, letter from the Independent Financial Adviser and Appendix to this circular.

Yours faithfully,
For and on behalf of the Board
China New City Commercial Development Limited
Shi Kancheng
Chairperson



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)

5 March 2021

To the Independent Shareholders

Dear Sir/Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
AMENDMENTS TO THE EXISTING NON-COMPETE UNDERTAKINGS;
(2) DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO THE PROPOSED TRANSFERS;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company dated 5 March 2021 (the “**Circular**”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the Amended Non-Compete Undertakings and the Proposed Transfers were entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, and whether the terms are fair and reasonable so far as the Company and the Independent Shareholders are concerned and whether the entering into of the Amended Non-Compete Undertakings and the Proposed Transfers are in the interests of the Company and the Shareholders as a whole. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise us and you in this respect.

We have considered the various details of the Amended Non-Compete Undertakings and the Proposed Transfers, in particular, the reasons for such amendments and the effect thereof and the reasons for the Proposed Transfers. We have also reviewed the advice given by Somerley Capital Limited on the terms of the Amended Non-Compete Undertakings and the Proposed Transfers and the transactions contemplated thereunder as set out in their letter reproduced on pages 45 to 75 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the information set out in the letter from the Board and taking into account the advice from the Independent Financial Adviser, we consider that the Amended Non-Compete Undertakings and the Proposed Transfers, although not entered into in the ordinary and usual course of business of the Group, the terms of (i) the Amended Non-Compete Undertakings; and (ii) the Proposed Transfers are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the entering into of the Amended Non-Compete Undertakings and the Proposed Transfers is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend you to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Amended Non-Compete Undertakings and the Proposed Transfers and the transactions contemplated thereunder.

Yours faithfully,
Mr. Ng Sze Yuen, Terry
Mr. Xu Chengfa
Mr. Yim Chun Leung
Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from the independent financial adviser, Somerley Capital Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor

China Building

29 Queen's Road Central

Hong Kong

5 March 2021

To: The Independent Shareholders and the Independent Board Committee

Dear Sirs,

**(1) CONNECTED TRANSACTION IN RELATION TO
AMENDMENTS TO THE EXISTING NON-COMPETE UNDERTAKINGS;
(2) DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO THE PROPOSED TRANSFERS**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Amended Non-Compete Undertakings (the “**Proposed Amendments**”) and the Proposed Transfers. Details of the Proposed Amendments and the Proposed Transfers are set out in the letter from the Board contained in the circular of the Company (the “**Circular**”) to Shareholders dated 5 March 2021, of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

As at the Latest Practicable Date, (i) Zhong An held an aggregate of 1,284,484,000 Shares through its wholly-owned company, Ideal World, representing 63.88% of the entire issued share capital of the Company; and (ii) Mr. Shi also held an aggregate of 31,303,594 Shares through his wholly-owned company, Whole Good, representing 1.56% of the entire issued share capital of the Company. As the Company is an indirect non-wholly-owned subsidiary of Zhong An and each of Mr. Shi, Whole Good, Zhong An and Ideal World is a Controlling Shareholder, therefore each of them is a connected person of the Company. The entering into of the Amended Non-Compete Undertakings among the Controlling Shareholders and the Company constitutes a connected transaction of the Company and is therefore subject to the reporting, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As Zhong An is a Controlling Shareholder and the Purchaser is an indirect wholly-owned subsidiary of Zhong An, therefore the Purchaser is an associate of Zhong An and hence a connected person of the Company at issuer level pursuant to Rule 14A.13(3) of the Listing Rules. In addition, as the Sale and Purchase Agreements are inter-conditional, the Proposed Transfers are aggregated pursuant to Rule 14A.81 of the Listing Rules. As one or more of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Proposed Transfers exceed 5%, the Proposed Transfers constitute non-exempt connected transactions for the Company under the Listing Rules and are subject to the reporting, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ng Sze Yuen, Terry, Mr. Xu Chengfa and Mr. Yim Chun Leung, has been established to make a recommendation to the Independent Shareholders in relation to the Proposed Amendments and the Proposed Transfers. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated or connected with the Company, Zhong An, or their respective core connected persons or associates. In addition, save for this appointment as the Independent Financial Adviser as regards the the Proposed Amendments and the Proposed Transfers, as at the Latest Practicable Date, we did not have any other relationship or any interests with the Company, Zhong An or their respective core connected persons or associates that could reasonably be regarded as relevant to our independence nor have had other any engagement between the Company and us in the last two years. Accordingly, we are considered eligible to give independent advice on the Proposed Amendments and the Proposed Transfers. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Zhong An or their respective core connected persons or associates.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the directors and management of the Company (collectively, the “**Management**”) and the respective professional advisers of the Company, which we have assumed to be true, accurate and complete. We have reviewed information on the Company, including but not limited to, the Existing Non-Compete Undertakings, the Amended Non-Compete Undertakings, the Sale and Purchase Agreements, the annual report of the Company for year ended 31 December 2018 (“**FY2018**”) (the “**2018 Annual Report**”) and for the year ended 31 December 2019 (“**FY2019**”) (the “**2019 Annual Report**”), the interim report of the Company for six months ended 30 June 2020 (“**1H2020**”) (the “**2020 Interim Report**”) and the unaudited management accounts of the Target Companies for the FY2018, FY2019 and the nine months ended 30 September 2019 and 30 September 2020, the annual report of Zhong An for FY2019 and other information contained in the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, we have also sought and received confirmation from the Management that no material facts have been omitted from the information supplied, including information contained in the Circular and that their opinions expressed to us are not misleading in any material respect as at the date of this letter and will remain as at the date of the EGM. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy of the information provided to us. We have, however, not conducted any independent investigation into the businesses and affairs of the Group and the Remaining Zhong An Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding (i) the Proposed Amendments; and (ii) the Proposed Transfers, we have considered the following principal factors and reasons:

1. Information on the Group

(a) Business activities of the Group

The Company is a limited liability company incorporated as an exempted company in the Cayman Islands on 2 July 2013. The Company is an indirect subsidiary of Zhong An which was spun off as a separate listing entity by Zhong An on the Main Board of the Stock Exchange in 2014. As at the Latest Practicable Date, the Group is principally engaged in the development, sale of, investment in, and management of commercial properties in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Financial performance of the Group

Set out below are highlights on the financial performance of the Group for FY2018, FY2019, for the six months ended 30 June 2019 (“1H2019”) and 1H2020, which are extracted from the 2018 Annual Report, 2019 Annual Report and 2020 Interim Report respectively:

	For the six months ended 30 June		For the financial year ended 31 December	
	2020	2019	2019	2018
	(unaudited)	(unaudited)	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue				
– Commercial property development	122,443	474,375	1,534,552	1,578,447
– Property rental	80,591	77,797	175,412	160,369
– Hotel operations	63,869	60,116	141,270	111,328
– Others	<u>38,630</u>	<u>50,934</u>	<u>104,619</u>	<u>74,475</u>
	305,533	663,222	1,955,853	1,924,619
Gross Profit	55,528	290,322	778,236	340,491
Fair value gain/(loss) upon transfer to investment properties	356,806	54,704	50,642	(25,030)
Profit/(loss) before tax	111,177	143,454	380,128	(130,814)
Profit/(loss) for the period/year	54,789	8,171	45,289	(221,997)
Profit/(loss) for the period/year attributable to the owners of the parent	69,289	(20,812)	26,270	(243,524)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded an increase in total revenue of around 1.6% from approximately RMB1,924.6 million for FY2018 to approximately RMB1,955.9 million for FY2019. The total revenue for 1H2020 decreased by 53.9% as compared to the same period in 2019. The significant drop was mainly due to widespread disruptions in social and economic activities arising from the outbreak of COVID-19 in China during 1H2020.

Revenue from commercial property development has been the main source of revenue of the Group, which accounted for about 82.0% and 78.5% of the Group's total revenue for FY2018 and FY2019. The drop in the percentage contribution of property development to the total revenue for 1H2020 to around 40.1% was primarily due to the disruption caused by COVID-19 in the first half of 2020. Revenue generated from the commercial property development business amounted to approximately RMB1,534.6 million for FY2019, representing a slight decrease of 2.8% as compared with FY2018. The Group's property projects are mainly located in Hangzhou, Yuyai and Huaibei. The revenue from the property sales dropped to approximately RMB122.4 million during 1H2020, representing a decrease of approximately RMB351.9 million or 74.2% as compared with the same period in 2019. Such decrease was mainly due to the adverse impact of COVID-19 to the industry as many developers were unable to conduct any sales activities. As advised by the Management, the operation of the Group's commercial property development business has been resumed gradually with the pandemic under control from the second quarter of 2020.

Revenue from property rental recorded an increase of 9.4% from approximately RMB160.4 million for FY2018 to approximately RMB175.4 million for FY2019. The leasing income of the Group reflects income generated from the leasing of the Group's properties, including the Highlong Plaza in Xiaoshan, Hangzhou and Zhong An Intime City in Yuyao. The average occupancy rate of leasing properties has been over 90% for FY2018 and FY2019. The revenue generated from the property rental business increased to RMB80.6 million during 1H2020, representing an increment of around RMB2.8 million or 3.6% as compared to the same period in 2019.

The hotel operation recorded an increase in revenue of 26.9% from approximately RMB111.3 million for FY2018 to approximately RMB141.3 million for FY2019. Such increase was mainly due to the continuous improvement of revenue brought by the Qiandao Lake Bright Resort Hotel and Huaibei Bright Hotel. The revenue from the Group's hotel operation amounted to RMB63.9 million during 1H2020, representing an increase of RMB3.8 million or 6.2% when compared with the same period in 2019. The moderate increase was mainly due to the combined effect of the new opening of a hotel in late October 2019 and the overall impact of COVID-19 on the revenue of the hotel operation.

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As advised by the Management, the “others” segment comprises, the Group’s property management services business, being the management, security and cleaning services for commercial properties, health care and cinema operation.

Gross profit margin of the Group increased from approximately 17.7% for FY2018 to approximately 39.8% for FY2019. The significant increase in gross profit margin was mainly due to the increase in revenue generated from the core commercial property development projects with higher profit-margin. The gross profit margin decreased from approximately 39.8% for FY2019 to approximately 18.2% for 1H2020 as a consequence of the widespread economic disruption and, in particular, the temporary suspension of sales activities for commercial property projects resulting from COVID-19.

The Group recorded a profit of approximately RMB45.3 million for FY2019 as compared to a loss of approximately RMB222.0 million for FY2018. The turnaround from loss to profit in FY2019 was mainly due to higher gross profit margin generated from the property development projects of Xixi New City and Xixi Manhattan in Hangzhou, Zhejiang Province and the fair value gain upon transfer to investment properties. The profit increased significantly from approximately RMB8.2 million for 1H2019 to approximately RMB54.8 million for 1H2020. This was mainly due to the fair value gain of approximately RMB356.8 million upon transfer to investment properties for 1H2020, while such fair value gain only amounted to RMB54.7 million during the same period in 2019.

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(c) Financial position of the Group

Set out below are highlights of financial position of the Group as at 31 December 2018, 31 December 2019 and 30 June 2020, which are extracted from 2018 Annual Report, 2019 Annual Report and 2020 Interim Report respectively:

	As at		
	30 June	As at 31 December	
	2020	2019	2018
	(unaudited)	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property and equipment	2,398,315	2,450,208	2,058,952
Investment properties	5,516,721	5,358,640	5,502,607
Other non-current assets	<u>2,012,380</u>	<u>1,909,602</u>	<u>1,592,313</u>
	9,927,416	9,718,450	9,153,872
Current assets			
Completed properties held for sale	1,496,302	1,734,021	2,009,041
Properties under development	969,659	497,524	913,669
Amounts due from related companies	846,323	1,060,275	24,541
Cash, cash equivalents and restricted cash	408,389	422,764	618,757
Investment properties classified as held for sale	147,078	316,960	21,693
Other current assets	<u>687,757</u>	<u>758,730</u>	<u>490,015</u>
	4,555,508	4,790,274	4,077,716
Current liabilities			
Trade payables	462,709	643,029	690,793
Contract liabilities	253,871	476,063	1,123,792
Amounts due to related companies	691,949	711,707	986,909
Interest-bearing bank and other borrowings	1,164,360	351,860	922,460
Other current liabilities	<u>840,339</u>	<u>834,270</u>	<u>611,590</u>
	<u>3,413,228</u>	<u>3,016,929</u>	<u>4,335,544</u>
Net current assets/(liabilities)	<u>1,142,280</u>	<u>1,773,345</u>	<u>(257,828)</u>

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	As at 30 June 2020 (unaudited) <i>RMB'000</i>	As at 31 December 2019 (audited) <i>RMB'000</i>	2018 (audited) <i>RMB'000</i>
Non-current liabilities			
Interest-bearing bank and other borrowings	3,658,440	4,104,245	2,045,625
Other non-current liabilities	<u>1,202,107</u>	<u>1,246,015</u>	<u>952,376</u>
	4,860,547	5,350,260	2,998,001
Equity			
Equity attributable to owners	5,866,165	5,784,051	5,582,986
Non-controlling interests	<u>342,984</u>	<u>357,484</u>	<u>315,057</u>
	6,209,149	6,141,535	5,898,043

The balance of non-current assets of the Group increased by around 6.2% from approximately RMB9,153.9 million as at 31 December 2018 to approximately RMB9,718.5 million as at 31 December 2019, then further increased by around 2.2% to approximately RMB9,927.4 million as at 30 June 2020. Non-current assets of the Group mainly comprise property and equipment and investment properties. The property and equipment mainly consist of hotel properties, with four hotels of the Group that are currently under operation, being Holiday Inn Hangzhou Xiaoshan, Hangzhou Qiandao Lake Bright Resort Hotel, Ningbo Bright Hotel and Huaibei Bright Hotel. Investment properties mainly comprise integrated commercial complex in Hangzhou, Ninbo and Yuyao which were leased out by the Group for the rental income.

The working capital position or the net current assets, improved from net current liabilities of approximately RMB257.8 million as at 31 December 2018 to net current assets of approximately RMB1,773.3 million as at 31 December 2019, mainly attributable to the increase in the amount due from related companies of approximately RMB1,035.7 million as at 31 December 2019 as compared to that as at 31 December 2018. The net current assets decreased to approximately RMB1,142.3 million as at 30 June 2020, mainly due to the increase in the current portion of interest-bearing bank and other borrowings. The balance of total bank loans of the Group increased by 50.1% from approximately RMB2,968.1 million as at 31 December 2018 to approximately RMB4,456.1 million as at 31 December 2019, then further increased by around 8.2% to approximately RMB4,822.8 million as at 30 June 2020. As a result, the Group's gearing ratio, being total interest-bearing borrowings less cash, cash equivalents and restricted cash divided by total equity, increased from around 39.8% as at 31 December 2018 to around 65.7% as at 31 December 2019, then further increased to around 71.1% as at 30 June 2020.

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Equity attributable to owners of the parent increased by approximately RMB201.1 million or 3.6% from approximately RMB5,583.0 million as at 31 December 2018 to approximately RMB5,784.1 million as at 31 December 2019, then further increased to approximately RMB5,866.2 million as at 30 June 2020. Such increases were in line with the improvement of net profit during FY2019 and 1H2020.

2. Information on Zhong An

Zhong An is a limited liability company incorporated as an exempted company in the Cayman Islands on 13 March 2007 and its shares are listed on the Main Board of the Stock Exchange (stock code: 672). As at the Latest Practicable Date, the Remaining Zhong An Group (i.e. Zhong An and its subsidiaries excluding the Group) is principally engaged in the development, sale of and management of residential properties in the PRC.

3. Information of the Target Companies

(a) Background of the Target Companies

Zhejiang Runzhou

Zhejiang Runzhou Property Services Co., Ltd.* (浙江潤洲物業服務有限公司), formerly known as Runzhou (Zhejiang) Hotel Management Co., Ltd.* (潤洲(浙江)酒店管理有限公司), is a limited liability company established in the PRC on 27 November 2014, an indirect wholly-owned subsidiary of the Company and a direct wholly-owned subsidiary of Bright (Hong Kong).

Zhejiang Runzhou is principally engaged in provision of commercial property management services in Hangzhou city of Zhejiang province of the PRC.

Hangzhou Zhonghong

Hangzhou Zhonghong Property Service Co., Ltd.* (杭州眾宏物業服務有限公司) is a limited liability company established in the PRC on 18 November 2020 as a result of the demerger of Hangzhou Zhongan Henglong. Hangzhou Zhonghong is an indirect non-wholly owned subsidiary of the Company and a direct wholly-owned subsidiary of Zhong An Shenglong.

Hangzhou Zhonghong is principally engaged in provision of commercial property management services in Hangzhou city of Zhejiang province of the PRC.

* for identification purpose only

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Yuyao Zhongli

Yuyao Zhongli Property Management Co., Ltd.* (余姚眾力物業管理有限公司) is a limited liability company established in the PRC on 24 November 2020 as a result of the demerger of Yuyao Zhong An. Yuyao Zhongli is an indirect non-wholly owned subsidiary of the Company and a direct wholly-owned subsidiary of Zhong An Commercial.

Yuyao Zhongli is principally engaged in provision of commercial property management services in Ningbo city of Zhejiang province of the PRC.

(b) *Principal business and financial information of the Target Companies*

As disclosed in the Letter from the Board contained in the Circular, the Target Companies represent the Group's entire operation in commercial property management business. As at the Latest Practicable Date, the Target Companies manage 6 commercial property projects, all of which are the commercial properties developed and/or owned by the Group its joint venture or its associates.

The following is a summary of the financial results of the Target Companies extracted from their respective unaudited management accounts for FY2018, FY2019; and the nine months ended 30 September 2019 (“**3Q2019**”) and 30 September 2020 (“**3Q2020**”), which were prepared in accordance with the PRC GAAP. Given the demerger of Hangzhou Zhongan Henglong and Yuyao Zhong An, the revenue, net profit before and after taxation and net assets of Hangzhou Zhonghong and Yuyao Zhongli represent the pro forma financial information of the commercial property management business of Hangzhou Zhongan Henglong and Yuyao Zhong An.

Zhejiang Runzhou

	For the nine months ended 30 September		For the year ended 31 December	
	2020	2019	2019	2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	14,960	11,437	16,528	8,511
Profit/(Loss) before taxation	4,971	4,583	5,470	(1,297)
Profit/(Loss) after taxation	3,727	3,391	4,101	(973)

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The revenue of Zhejiang Runzhou increased from approximately RMB8.5 million for FY2018 to approximately RMB16.5 million for FY2019, representing an increase of approximately 94.2%. The significant increase in revenue was mainly attributable to the commencement of the property management project of Jia Run Mansion in mid-2018 and the property management project of Xixi New City in 2019. With the growth in revenue, Zhejiang Runzhou recorded an increase in net profit after taxation from a loss of approximately RMB1.0 million in FY2018 to a profit of approximately RMB4.1 million in FY2019. For the 3Q2020, Zhejiang Runzhou recorded revenue of approximately RMB15.0 million and profit after taxation of approximately RMB3.7 million, representing an increase of 30.8% and 9.9% respectively when compared with the same period in 2019.

Hangzhou Zhonghong (the newly formed entity holding commercial property management business of Hangzhou Zhongan Henglong)

	For the nine months ended 30 September		For the year ended 31 December	
	2020	2019	2019	2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	10,165	11,513	15,389	13,112
Profit before taxation	6,462	8,205	10,862	9,073
Profit after taxation	4,846	6,158	8,142	6,776

The revenue of Hangzhou Zhonghong increased from approximately RMB13.1 million for FY2018 to approximately RMB15.4 million for FY2019, representing an increase of approximately 17.4%. The increase in revenue was mainly attributable to increase in occupancy rate of the properties under management in general. Accordingly, the profit after taxation increased from approximately RMB6.8 million for FY2018 to RMB8.1 million for FY2019. There is a decrease in revenue for 3Q2020 when compared with the same period in 2019, of approximately RMB1.3 million or 11.7%. The profit after taxation decreased from approximately RMB6.2 million for 3Q2019 to approximately RMB4.8 million for 3Q2020.

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Yuyao Zhongli (the newly formed entity holding commercial property management business of Yuyao Zhong An)

	For the nine months ended 30 September		For the year ended 31 December	
	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000	2019 (unaudited) RMB'000	2018 (unaudited) RMB'000
Revenue	8,649	8,026	11,074	11,429
Profit before taxation	2,622	1,428	2,285	2,121
Profit after taxation	1,967	1,071	1,718	1,590

The financial performance of Yuyao Zhongli is similar in FY2018 and FY2019. The revenue of Yuyao Zhongli for FY2019 was approximately RMB11.1 million, representing a slight decrease of approximately RMB0.3 million or around 3.1% as compared to that for FY2018. The revenue of Yuyao Zhongli increased from approximately RMB8.0 million for 3Q2020 to approximately RMB8.6 million for 3Q2019. There is an increase in profit after taxation for 3Q2020 when compared with the same period in 2019, of approximately RMB0.9 million or 83.7%, which was mainly attributable to the increase in gross profit margin as a result of effective cost control implemented by Yuyao Zhong An.

As at 30 September 2020, the unaudited net assets of Zhejiang Runzhou, Hangzhou Zhonghong and Yuyao Zhongli were approximately RMB12.7 million, RMB25.8 million and RMB7.9 million, respectively.

We noted that the revenue contribution of the Target Companies, on combined basis, was approximately 1.72% and 2.20% to the Group's total revenue for FY2018 and FY2019 respectively. The unaudited combined net assets of the Target Companies as at 30 September 2020 were approximately RMB46.4 million, which represented less than 0.8% of the Group's net assets attributable to owners of approximately RMB5,866.2 million as at 30 June 2020.

4. The Proposed Transfers

(a) Reasons for and benefits of the Proposed Transfers

As mentioned in the letter from the Board contained in the Circular, commercial property management business contributed to approximately 1.72% and 2.20% of the Group's revenue for FY2018 and FY2019 respectively, which is a relatively small contribution. The Proposed Transfers will provide an opportunity for the Group to immediately realise its investments in the non-core business of commercial property management and redeploy such capital into its core business of commercial property development or other investment opportunities that the Group considers more attractive, and allows for a more focused strategy and efficient resource allocation which could potentially enhance returns to the Shareholders. On this basis, the Group intends to apply 80% of the net proceeds from the Proposed Transfers for future investments, among which approximately 70% will be allocated for potential acquisitions of land parcels in the PRC for its commercial property development business and the remaining 10% will be allocated for other investment opportunities for new emerging business such as education and film and entertainment through mergers and acquisitions of suitable entities as and when suitable opportunity arises. The remaining 20% of the net proceeds will be applied as general working capital. As stated in the letter from the Board, as at the Latest Practicable Date, the Group has not yet identified any specific acquisition or investment target.

As discussed under the sub-section headed "1(b) Financial performance of the Group" above, the commercial property development business is the core business of the Group, accounting for 82.0%, 78.5% and 40.1% of the total revenue for FY2018, FY2019 and 1H2020, respectively. The outbreak of COVID-19 has caused serious disruption to the PRC economy in the beginning of 2020 and the commercial property development business of the Group has been inevitably affected by this. As a result, the revenue generated from the commercial property development business for 1H2020 dropped significantly by 74.2% as compared to the respective period in 2019. Despite the economic slowdown in the beginning of 2020, the PRC economy and property market has recovered quickly with the pandemic being gradually controlled from the second quarter of 2020. Based on the statistics released by the National Bureau of Statistics of the PRC, the nominal GDP in the PRC has shown improvement in each of the second, third and fourth quarters of 2020 with a growth rate of approximately 3.1%, 5.5% and 7.0% as compared to the same quarter in 2019. Furthermore, the growth rate of nominal value-added contributed by the property industry in the PRC turned around from a negative rate of approximately 4.4% for the first quarter of 2020 to positive rates of approximately 6.3%, 10.3% and 10.0% for the second, third and fourth quarters of 2020 respectively, as compared to the same period in 2019. Along with the gradual economic recovery, proactive fiscal policy and the lower interest environment in the PRC is expected to continue in near term to encourage market consumption and investment. Under this backdrop, the Directors are of the view that the slump in the PRC commercial property development market in the first half 2020 is only temporary and the specialisation of the Group's operations in commercial property development and investment business is still the most beneficial development strategy.

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We have also discussed with the Management about the development of the Group's new emerging business, including education and film and entertainment. In 2017, the Group cooperated with Maggie & Rose Limited, which operates branded pre-school children's education programme and private family members clubs that originated from England and Wales, to commence its education business in the Greater China. According to an article released by the National Bureau of Statistics of the PRC in December 2020, the pre-school education sector in the PRC has benefited from the governmental measures to promote the popularisation of pre-school education and the gross enrollment rate of pre-school education grew steadily to 83.4% in 2019 as compared to 77.4% in 2016. We are advised by the Management that the Group operates four "Maggie & Rose" parent-child family clubs in the PRC and plans to expand its education business by opening more family clubs in the PRC in order to capture the market opportunities driven by the popularisation of pre-school education. For the film and entertainment division, the Group currently owns and operates 8 cinemas across 7 cities in the PRC, of which 3 cinemas were newly opened in 2021. As stated in the 2019 Annual Report, the film and television revenue of the Group grew by around 42%, and the cumulative number of customers increased by roughly 46% in FY2019. Given the development in education and film and entertainment operations, we concur with the Management that such new emerging businesses may present a higher strategic value to the Group and complement its core business of commercial property development and investment.

As discussed under the sub-section headed "3(b) Principal business and financial information of the Target Companies" above, the commercial property management business is not significant to the Group's overall operation. Despite the Group's commercial property management business recorded a growth in revenue and profit for FY2019, the Directors are of the view that its growth would not be sustainable as the Group has no plan to pursue new property management project nor to expand its commercial property management operation in the near future. Given that the Target Companies have been specialised in the management of commercial properties developed and/or held by the Group, they have no experience in managing and pursuing projects from third-party customers. As such, the Management are of the view that this would also constrain the growth potential of the Target Companies. Accordingly, we are advised by the Management that it is the intention of the Group to dispose the commercial property management business to unlock the value of the investment for redeployment into other businesses that may present a higher strategic value to the Group. Meanwhile, having considered that the Remaining Zhong An Group has more sizeable and experienced management and operational team for its property management business as compared to the Group, Zhong An intends to consolidate all property management business while the Company can continue to focus on commercial property development or other investment opportunities for new emerging business such as education and film and entertainment in order to allow a better allocation of resources between the Remaining Zhong An Group and the Group. Under this backdrop, the Group is offered an opportunity to monetise its investments in commercial property management business. Having considered the development strategy of the Group, we are of the view that the Proposed Transfers are in line with the Group's strategy to consolidate the Group's financial resources to property development and investment operations, and allow the Management to focus on capturing opportunities in the property development and investment business.

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As stated in the letter from the Board contained in the Circular, under the Existing Non-Compete Undertakings, each of the Controlling Shareholders (including Zhong An) has undertaken to the Company that, amongst others, they would not be involved in commercial property management business in the PRC. Given the circumstances, the Controlling Shareholders (including Zhong An) and the Company consider that the Proposed Amendments have to be incorporated before the commercial property management business can be transferred from the Group to the Remaining Zhong An Group. On 3 February 2021, each of the Controlling Shareholders and the Company entered into the Amended Non-Compete Undertakings to amend the Existing Non-Compete Undertakings, which will supersede and replace in its entirety the Existing Non-Compete Undertakings.

The Independent Shareholders are reminded that the Sale and Purchase Agreements and the Amended Non-Compete Undertakings are inter-conditional and completion of the Sale and Purchase Agreements and the Amended Non-Compete Undertakings shall take place simultaneously. Thus, the Proposed Transfers are part and parcel to the Proposed Amendments. We will discuss the terms and impacts of the Proposed Amendments under the section headed “5. The Amended Non-Compete Undertakings” below.

(b) Principal terms of the Sale and Purchase Agreements

Set out below is a summary of the principal terms of the Sale and Purchase Agreements.

	SPA A	SPA B	SPA C
Date		3 February 2021	
Vendor	Bright (Hong Kong), an indirect wholly owned subsidiary of the Company	Zhong An Senglong, an indirect non-wholly owned subsidiary of the Company	Zhong An Commercial, an indirect non-wholly owned subsidiary of the Company
Purchaser	Zhong An Zhihui Shenghuo Services Co., Ltd.* (眾安智慧生活服務有限公司), an indirect wholly owned subsidiary of Zhong An		
Subject matter	The entire equity interest in Zhejiang Runzhou	The entire equity interest in Hangzhou Zhonghong	The entire equity interest in Yuyao Zhongli

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Consideration	RMB35.17 million (equivalent to approximately HK\$42.20 million)	RMB57.13 million (equivalent to approximately HK\$68.56 million)	RMB12.35 million (equivalent to approximately HK\$14.82 million)
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Payment The Purchaser intends to make payment of the aggregate consideration of RMB104.65 million (equivalent to approximately HK\$125.58 million) by the Remaining Zhong An Group's internal financial resources and payable by the Purchaser in the following manner:

- (i) in respect of Zhejiang Runzhou:-
 - a. an amount of RMB29.89 million (equivalent to approximately HK\$35.87 million), which represents approximately 85% of the consideration, shall be paid in cash upon satisfaction (or waiver) of the conditions precedent set out in SPA A to a wholly-owned subsidiary of Bright (Hong Kong) which is a limited liability company established in the PRC; and
 - b. an amount of RMB5.28 million (equivalent to approximately HK\$6.33 million), which represents approximately 15% of the consideration, shall be paid in cash within five business days from the date of completion of the Proposed Transfers to a wholly-owned subsidiary of Bright (Hong Kong) which is a limited liability company established in the PRC;
- (ii) in respect of Hangzhou Zhonghong:-
 - a. an amount of RMB48.56 million (equivalent to approximately HK\$58.28 million), which represents approximately 85% of the consideration, shall be paid in cash upon satisfaction (or waiver) of the conditions precedent set out in SPA B to Zhong An Shenglong; and

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- b. an amount of RMB8.57 million (equivalent to approximately HK\$10.28 million), which represents approximately 15% of the aggregate consideration, shall be paid in cash within five business days from the date of completion of the Proposed Transfers to Zhong An Shenglong;
- (iii) in respect of Yuyao Zhongli:-
- a. an amount of RMB10.50 million (equivalent to approximately HK\$12.60 million), which represents approximately 85% of the consideration, shall be paid in cash upon satisfaction (or waiver) of the conditions precedent set out in SPA C to Zhong An Commercial; and
 - b. an amount of RMB1.85 million (equivalent to approximately HK\$2.22 million), which represents approximately 15% of the aggregate consideration, shall be paid in cash within five business days from the date of completion of the Proposed Transfers to Zhong An Commercial.

Conditions precedent

The Sale and Purchase Agreements shall take effect upon the satisfaction of the following conditions precedent:

- (a) from the date of the Sale and Purchase Agreements and up to the date of completion of the Proposed Transfers, in relation to the Vendors,
 - (i) there has been no material adverse change which would lead to non-consummation of the Sale and Purchase Agreements;
 - (ii) the representations and warranties from the Vendors are accurate and true in all material respects; and
 - (iii) there has been no material breach of the Sale and Purchase Agreements;
- (b) from the date of the Sale and Purchase Agreements and up to the date of completion of the Proposed Transfers, in relation to the Purchaser,
 - (i) there has been no material adverse change which would lead to non-consummation of the Sale and Purchase Agreements;
 - (ii) the representations and warranties from the Purchaser are accurate and true in all material respects; and
 - (iii) there has been no material breach of the Sale and Purchase Agreements;

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- (c) the Zhong An Board having approved (i) the Amended Non-Compete Undertakings and the transactions contemplated thereunder; and (ii) the Proposed Transfers and the transactions contemplated thereunder;
- (d) the Board and the Independent Shareholders at the EGM having approved (i) the Amended Non-Compete Undertakings and the transactions contemplated thereunder; and (ii) the Proposed Transfers, and the transactions contemplated thereunder pursuant to the Listing Rules; and
- (e) each of the Sale and Purchase Agreements having become unconditional in all material respects except for the condition therein relating to the other Sale and Purchase Agreements having become unconditional.

Condition (a) above may be waived by the Purchaser and condition (b) above may be waived by the Vendors. Conditions (c), (d) and (e) above may not be waived.

Completion

The Vendors and the Purchaser shall proceed with the registration procedures with the relevant PRC authorities for the equity transfers of the relevant Target Companies within 10 business days upon satisfaction (or waiver) of the conditions precedent set out in the Sale and Purchase Agreements. Completion shall take place when the registration of the equity transfers of the relevant Target Companies is completed.

The Target Companies represent the Group's entire operation in commercial property management business. Upon completion of the Proposed Transfers, the Target Companies will cease to be subsidiaries of the Company and the Group will no longer be engaged in any property management business in the PRC.

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(c) Evaluation of the Consideration

As stated in the letter from the Board, the aggregate consideration for the Proposed Transfers of RMB104.65 million (the “**Consideration**”) was determined after arm’s length negotiations between the Purchaser and each of the Vendors having taking into account, amongst other things, (i) the valuation of Zhejiang Runzhou, Hangzhou Zhonghong and Yuyao Zhongli of RMB41.01 million (equivalent to approximately HK\$49.21 million), RMB81.42 million (equivalent to approximately HK\$97.71 million) and RMB17.18 million (equivalent to approximately HK\$20.61 million), respectively (in aggregate, RMB139.61 million, the “**Valuation**”), based on the price to earnings ratio of comparable transactions less (ii) dividends which will be paid out of the distributable profits of Zhejiang Runzhou, Hangzhou Zhonghong and Yuyao Zhongli in the amount of RMB5.84 million (equivalent to approximately HK\$7.01 million), RMB24.29 million (equivalent to approximately HK\$29.15 million) and RMB4.83 million (equivalent to approximately HK\$5.79 million), respectively, and payable to the respective Vendors on or before the date of completion of the Proposed Transfers. Based on the combined earnings of the Target Companies for FY2019 of approximately RMB13.96 million, the price to earnings ratio implied by the Valuation is around 10 times.

In order to assess the fairness and reasonableness of the Consideration, we have identified comparable transactions announced and completed in the past 12 months prior to the date of the Sale and Purchase Agreements which (i) involved transfer of equity interests of management company(ies) principally engaged in general property management in the PRC by Hong Kong listed companies; (ii) the sale interests represented at least 50% equity interests of the target(s); and (iii) the transactions did not involve performance undertaking warranted by vendor(s) regarding the target(s). We consider that in the transactions which the vendors provide performance undertaking and consideration compensation to the purchaser in case of any shortfall in the performance targets, the vendors has given a further assurance to the purchaser on the target’s business prospect which is one of the key factors being considered when determining the consideration. As the Proposed Transfers do not involve such arrangement, the exclusion of the transactions with performance undertaking would provide a more representative samples for the purpose of our analysis. Based on aforesaid selection criteria, to the best of our efforts, we have identified 12 comparable transactions (the “**Comparable Transaction(s)**”). Based on the respective announcements/circulars of the Comparable Transactions, while we notice that the Comparable Transactions comprise transfers of property management companies that manage a mixture of residential and commercial properties, we cannot ascertain which transaction involves a target that is solely engaged in the commercial property management business. Based on the discussion with the Management, we understand that, in terms of the scope of services and expertise, there is no significant difference between the management of commercial properties and a mixture of residential and commercial properties in the PRC. Having considered that the Comparable Transactions represent transfers of property management companies in the past 12 months and those transactions comprise transfers of property management companies that manage a mixture of residential and commercial properties, it provides a meaningful reference to the Independent Shareholders on the recent valuation of property management business and the market sentiments towards the sector.

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In conducting our analysis, we compared the price to earnings ratio (“**PER**”) of the Target Companies implied by the Consideration and latest full financial year earnings attributable to the sale interests immediate before the transaction to those of the Comparable Transactions. In addition, with reference of the respective announcements/circulars of the Comparable Transactions, we note that several target companies demonstrated a substantial change in earnings in the latest published financial period subsequent to their full financial year. We consider the latest period results of the target(s) are also relevant in assessing the implied PER for such Comparable Transactions. Therefore, for those transactions that the latest period results were disclosed in their respective announcements/circulars, we have also calculated the adjusted PER (“**Adjusted PER**”) which is based on the trailing 12 months earnings to provide a more accurate indication of the implied PER of these Comparable Transactions.

Date of announcement	Name of Company (stock code)	Sale Interests of target(s) (%)	PER (times) (Note 1)	Adjusted PER (times) (Note 2)
27-Feb-2020	Eversunshine Lifestyle Services Group Limited (1995)	50.0	4.7	n/a
24-Mar-2020	Times Neighborhood Holdings Limited (9928)	100.0	8.6	n/a
5-Jun-2020	Aoyuan Healthy Life Group Company Limited (3662)	80.0	10.7	n/a
1-Sep-2020	Guangdong Investment Limited (270)	100.0	6.2	n/a
13-Sep-2020	China Evergrande New Energy Vehicle Group Limited (708)	100.0	16.8	7.4
21-Sep-2020	Hevol Services Group Co. Limited (6093)	60.0	9.8	n/a
10-Oct-2020	Hevol Services Group Co. Limited (6093)	51.0	14.1	7.9
3-Nov-2020	Hevol Services Group Co. Limited (6093)	51.0	9.9	9.4
19-Nov-2020	Guangdong Land Holdings Limited (124)	100.0	9.0	4.3
10-Dec-2020	Aoyuan Healthy Life Group Company Limited (3662)	100.0	5.6	n/a
11-Dec-2020	Xinyuan Property Management Service (Cayman) Ltd. (1895)	100.0	13.6	n/a
28-Dec-2020	Hevol Services Group Co. Limited (6093)	60.0	22.6	11.1

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparable Transactions	Basic analysis <i>(Note 3)</i>	Alternative analysis <i>(Note 4)</i>
Maximum	22.6	13.6
Minimum	4.7	4.3
Average	11.0	8.3
	PER (times) <i>(Note 5)</i>	Adjusted PER (times) <i>(Note 6)</i>
Proposed Transfers	7.5	7.5

Source: Announcements published by the relevant listed companies in the website of the Stock Exchange

Notes:

1. PER is calculated based on the respective consideration of each Comparable Transaction divided by the latest full financial year net profit after taxation of the target(s) as disclosed in the respective announcement/circular of each Comparable Transaction.
2. In the event that the results of the latest financial period are available, the Adjusted PER is calculated based on the respective consideration of each Comparable Transaction divided by the trailing 12 months net profit after taxation deducted from the net profit of the latest period ended and that of the latest full financial year (“**trailing net profit**”) as shown in the respective announcement/circular. Trailing net profit is calculated as follow:

$$\text{Trailing net profit} = A + (12 - B) \times C$$

A= net profit after taxation of the latest financial period

B= number of months of the latest financial period as covered in A

C= average monthly net profit after taxation for the latest full financial year

3. In the basic analysis, the maximum, minimum and average values are calculated solely based on the PER of the 12 Comparable Transactions.
4. In the alternative analysis, the maximum, minimum and average values are calculated based on the Adjusted PER of the 5 Comparable Transactions (in case such figures are available) and the PER of the remaining 7 Comparable Transactions.
5. The PER of the Target Companies is calculated based on the Consideration divided by the combined net profit after taxation of the Target Companies in FY2019.
6. The Adjusted PER of the Target Companies is calculated based on the Consideration divided by the combined pro forma net profit after taxation of the Target Companies for the trailing 12 months from 1 October 2019 to 30 September 2020.

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Under the basic analysis, the implied PER of the Comparable Transactions ranged from approximately 4.7 times to 22.6 times with an average of 11.0 times, respectively. The PER of 7.5 times of the Target Companies implied by the Consideration is within the range of the Comparable Companies.

Taking into account the Adjusted PER under the alternative analysis, the price to earnings ratios of the Comparable Transactions ranged from approximately 4.3 times to 13.6 times with an average of 8.3 times. The Adjusted PER of 7.5 times of the Target Companies is also within the range of the Comparable Transactions.

Having considered that (i) as discussed under the sub-section headed “4(a) Reasons for and benefits of the Proposed Transfers” above, the growth potential of the Target Companies is considered to be limited as the projects under management comprise only commercial property projects developed and/or held by the Group and they have no plan to pursue new property management project; (ii) the Proposed Transfers are part and parcel to the Proposed Amendments under which the Group will benefit from the exclusivity in the growing hotel and cinema business as discussed under the sub-section headed “5(c) Reasons for the Proposed Amendments” below; (iii) the Consideration is in line with the market, in particular, the Adjusted PER of the Target Companies implied by the Consideration are within the range of the Comparable Transactions in the alternative analysis; and (iv) there are dividends of an aggregate amount of RMB34.96 million which will be paid to the respective Vendors on or before the date of completion of the Proposed Transfers, we are of the view that the Consideration is commercially justifiable.

(d) Financial impacts of the Proposed Transfers on the Group

Immediately after completion of the Proposed Transfers, the Target Companies will cease to be the subsidiaries of the Company and the financial results of the Target Companies will no longer be consolidated into the Group’s consolidated financial statements.

As set out in the section headed “Financial Effect of the Transactions” in the letter from the Board contained in the Circular, upon completion of the Proposed Transfers, the expected gains from the Proposed Transfers is approximately RMB58.27 million (equivalent to approximately HK\$69.93 million) (before taxation and transaction costs) which is calculated on the basis of the difference between the aggregate consideration for the Proposed Transfers and the net asset value of the Target Companies as at 30 September 2020. The actual gain to be recorded by the Group will be subject to review and final audit by the auditors of the Company.

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As discussed under the sub-section headed “3(b) Principal business and financial information of the Target Companies” above, the unaudited combined net assets of the Target Companies as at 30 September 2020 represented less than 0.8% of the Group’s net assets attributable to owners as at 30 June 2020. It is therefore expected that the Proposed Transfers would not have adverse material impacts on the net assets of the Group upon completion of the Proposed Transfers. Furthermore, it is expected that the liquidity position of the Group will be enhanced by the amount of the net proceeds to be received from the Proposed Transfers and the gearing pressure will be alleviated in the short time.

The actual financial effect arising from the Proposed Transfers will be dependent on the combined net asset value of the Target Companies attributable to the Company as of the completion date, and will be subject to the review and final audit by the auditors of the Company and may be different from the expected amount as stated above.

In view of the principal factors considered as set out in this section, including (i) the insignificance of the commercial property management business to the Group’s core operation; (ii) it is the intention of the Group to pull out from the commercial property management business through the Proposed Transfers to unlock the value of the investment for redeployment into its core business of commercial property development or other investment opportunities for new emerging business such as education and film and entertainment that may present a higher strategic value to the Group; (iii) the Consideration is considered to be commercially justifiable as discussed under the sub-section headed “4(c) Evaluation of the Consideration” above; and (iv) the net proceeds from the Proposed Transfers is expected to be applied for the uses in line with the Group’s business strategy, we consider that the Proposed Transfers are in the interests of the Company and the Shareholders as a whole.

5. The Amended Non-Compete Undertakings

(a) Existing Non-Compete Undertakings

The Company was spun off as a separate listing entity by Zhong An on the Main Board of the Stock Exchange in 2014. On 31 May 2014, in order to eliminate any potential competition between the Remaining Zhong An Group and the Group during the Company’s listing process, the Controlling Shareholders and the Company entered into the Existing Non-Compete Undertakings.

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Under the Existing Non-Compete Undertakings, (a) each of the Controlling Shareholders has undertaken to the Company in the Existing Non-Compete Undertakings that, during the period commencing from the Listing Date and until the earlier of (i) in respect of a Controlling Shareholder, the day on which the Controlling Shareholder concerned (individually or taken as a whole with the other Controlling Shareholders) ceases to be a controlling shareholder (within the meaning ascribed to it under the Listing Rules from time to time) for the purpose of the Listing Rules; or (ii) the date on which the Shares shall cease to be listed on the Stock Exchange or (if applicable) other stock exchange (the “**Relevant Period**”), save for the “**Excluded Business**” as defined in the Existing Non-Compete Undertakings, each of the Controlling Shareholders (including Zhong An) shall, and shall procure his/its associates (other than the Group) not to engage in any business which will or may compete with the business currently and from time to time engaged by the Group, including but not limited to the development or sale of or investment in or management of commercial properties and/or land development in the PRC from time to time (the “**Restricted Business of the Remaining Zhong An Group**”); and (b) the Company has undertaken to each of the Controlling Shareholders that during the Relevant Period, it shall, and shall procure its associates (other than the Controlling Shareholders and the Remaining Zhong An Group) not to engage in any business which will or may compete with the business currently and from time to time engaged by the Remaining Zhong An Group, including but not limited to the development or sale of or investment in or management of residential properties in the PRC from time to time (the “**Restricted Business of the Group**”).

In respect of any proposals received by any of the Controlling Shareholders involving the marketing, sales and development of any Restricted Business of the Remaining Zhong An Group, it/he shall notify the Company and provide the Company with all necessary information in respect of the relevant proposal as soon as practicable, refer the relevant proposal to the Group and use all reasonable endeavors to procure the person who communicated the proposal to the Controlling Shareholders or their respective associates to contact the Group directly regarding the proposal, and not be engaged in such proposals regardless whether the Group has decided to take up the opportunity under such proposal(s) or not.

Under the Existing Non-Compete Undertakings, the “**Excluded Business**” primarily includes (i) the development and sale of any land or properties by the Remaining Zhong An Group or the Group in relation to the joint property development on mixed commercial-residential use land projects (subject to compliance with the mechanism as set out in the Existing Non-Compete Undertakings) and the provision of property management services thereof; (ii) several development, sales and/or investment by the Remaining Zhong An Group in certain hotel or ancillary facilities to the residential properties; and (iii) several investments by the Controlling Shareholders and the Group.

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Further details of the Exiting Non-Compete Undertakings are set out in section headed “Amendments to the Exiting Non-Compete Undertakings” in the letter from the Board contained in the Circular.

According to the Existing Non-Compete Undertakings, the Remaining Zhong An Group is principally engaged in the development, sale of and management of residential properties in the PRC, while the Group is principally engaged in the development, sale of, investment in, and management of commercial properties in the PRC.

(b) Amendments to the Existing Non-Compete Undertakings

Under the Existing Non-Compete Undertakings, each of the Controlling Shareholders (including Zhong An) has undertaken to the Company that, amongst others, they would not directly or indirectly, carry on, invest in or be engaged in commercial property management business in the PRC. Given the circumstances, the Controlling Shareholders and the Company consider that Proposed Amendments have to be incorporated before the commercial property management business can be transferred from the Group to the Remaining Zhong An Group. On 3 February 2021, each of the Controlling Shareholders and the Company entered into the Amended Non-Compete Undertakings to amend the Existing Non-Compete Undertakings, which will supersede and replace in its entirety the Existing Non-Compete Undertakings. The full comparison of the proposed material amendments to the Existing Non-Compete Undertakings and wordings will be adopted in the Amended Non-Compete Undertakings are set out in the sub-section headed “The Amended Non-Compete Undertakings” in the letter from the Board contained in the Circular.

Pursuant to the Amended Non-Compete Undertakings, the scope of the “Restricted Business of the Remaining Zhong An Group”, “Restricted Business of the Group” and “Excluded Business” have been amended to as follows:

Restricted Business of the Remaining Zhong An Group

The Remaining Zhong An Group will not engage in any business which will compete with the business of the Group from time to time, including but not limited to the development or sale of or investment in commercial properties and/or land development and operations and management of hotel and cinema in the PRC.

Restricted Business of the Group

The Group will not engage in any business which will compete with the business of the Remaining Zhong An Group from time to time, including but not limited to the (i) development or sale of or investment in residential properties in the PRC; and (ii) property management business (including but not limited to residential, commercial or mixed commercial-residential use properties and related ancillary services and for the avoidance of doubt, does not include operations and management of hotel and cinema) in the PRC.

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Excluded Business

The original terms of the Excluded Business governing the provision of property management services, among other things, to the mixed commercial-residential use properties owned and/or developed by the Remaining Zhong An Group or the Group were removed.

In summary, based on the Amended Non-Compete Undertakings, the Company irrevocably and unconditionally undertakes to each of the Controlling Shareholders not to engage in any property management business and ancillary services in the PRC engaged by the Remaining Zhong An Group from time to time, and any member of the Remaining Zhong An Group will be entitled to engage in property management business (including but not limited to residential, commercial or mixed commercial-residential use properties and related ancillary services and for the avoidance of doubt, does not include operations and management of hotel and cinema) in the PRC from time to time.

Other than (i) the amendments allowing the Remaining Zhong An Group to participate in property management business of residential, commercial or mixed commercial-residential use properties and related ancillary services in the PRC; and (ii) the amendments restricting the Group from participating in the businesses mentioned in (i) above and the related ancillary amendments, the principal terms of Existing Non-Compete Undertakings remain unchanged as compared to the Amended Non-Compete Undertakings.

(c) *Reasons for the Proposed Amendments*

As mentioned in the letter from the Board contained in the Circular, the Existing Non-Compete Undertakings were entered into to create a more defined focus for the Group to be a pure play property developer for commercial properties in the PRC, while the Remaining Zhong An Group to be a pure play property developer for residential properties in the PRC. As the landscape of the PRC property management market has evolved rapidly since 2014, the Directors and the directors of Zhong An are of the view that the Existing Non-Compete Undertakings are not tailored for property management business and do not satisfactorily delineate property management service provided to mixed commercial-residential use properties and restrict the development of the property management business of the Group and the Remaining Zhong An Group. Meanwhile, it is the intention of the Company to pull out from the commercial property management business through the Proposed Transfers to unlock the value of the investments for redeployment into the other businesses that may present a higher strategic value to the Group in consideration of reasons set out in the sub-section headed “4(a) Reasons for and benefits of the Proposed Transfers” above.

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Upon the Amended Non-Compete Undertaking becoming effective and the transactions contemplated under the Sale and Purchase Agreements being materialised, the Group will concentrate on commercial property development or other investment opportunities for new emerging business such as education and film and entertainment and will no longer be engaged in any property management business (other than operations and management of hotel and cinema). If the Amended Non-Compete Undertakings, which will supersede the Existing Non-Compete Undertakings, has not become effective upon the completion of the Proposed Transfers, it would give rise to an immediate breach by the Controlling Shareholders (including Zhong An) under the Existing Non-Compete Undertakings for engaging in the business of commercial property management to be carried on by the Remaining Zhong An Group. The entering into of the Amended Non-Compete Undertakings and the Sale and Purchase Agreements would eliminate potential competition between the Remaining Zhong An Group and the Group and better position and delineate the different businesses in the Remaining Zhong An Group and the Group. In view of the above, we consider the entering into of the Amended Non-Compete Undertakings is part and parcel to the Proposed Transfers, and a logical step as a result of the Group's development strategy of specialisation to ensure all of its resources could be invested on its core business of commercial property development or other investment opportunities for new emerging business such as education and film and entertainment which are considered to be more attractive. In addition, having considered that the Remaining Zhong An Group has more sizeable and experienced management and operational team for its property management business than the Group, the Directors consider, and we concur that it would be appropriate and reasonable to transfer the entire commercial property management business to the Remaining Zhong An Group with the aim to consolidate all property management business while the Company can continue to focus on commercial property development or other investment opportunities for new emerging business such as education and film and entertainment in order to allow a better allocation of resources between the Remaining Zhong An Group and the Group.

Given the insignificance of the commercial property management business to the Group's core operation, the Directors are of the view that the reallocation of commercial property management business currently carried out by the Group to the Remaining Zhong An Group and the entering into of the Amended Non-Compete Undertakings will not have any material change to the Group's business operation.

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We also noted from the Amended Non-Compete Undertakings that the operation and management of hotel and cinema will be listed as a Restricted Business of the Remaining Zhong An Group, while this has not been clearly defined under the Existing Non-Compete Undertakings. As advised by the Management, the Group's hotel operation is a growing segment with good potential. This segment recorded an increase in revenue by approximately 26.9% in FY2019. For 1H2020, despite under the unprecedented strain from the worldwide outbreak of COVID-19, the Group's hotel operation still achieved a growth in revenue by approximately 6.2% when compared with the same period in 2019. In respect of the operation of cinema, as stated in the 2019 Annual Report, the film and television revenue of the Group grew by nearly 42%, and the cumulative number of customers increased by roughly 46%, both compared to the same period last year. The Group currently owns and operates 8 cinemas across 7 cities in the PRC, of which 3 cinemas located in Shanghai, Chongqing and Zhuji City were newly opened in 2021. It is the Group's intention to further expand the network of the film and entertainment business to consolidate the regional coverage and achieve scale effect in East China and Southwest China. The entering into the Amended Non-Compete Undertakings facilitates the development of the hotel and cinema operations of the Group by clearly defining it as the Restricted Business of the Remaining Zhong An Group and eliminating potential ambiguity and competition.

Having considered that (i) it is the intention of the Group to pull out from the commercial property management business through the Proposed Transfers to unlock the value of the investment for redeployment into its core business of commercial property development or other investment opportunities for new emerging business such as education and film and entertainment that may present a higher strategic value to the Group; (ii) the Proposed Amendments is a condition precedent to the Sale and Purchase Agreements of which the fairness and reasonableness of the terms thereunder has been discussed under the section headed "4. The Proposed Transfers" above; and (iii) the Amended Non-Compete Undertakings provide better clarity as to the Group's exclusivity in hotel and cinema business so as to eliminate potential ambiguity and competition with the Remaining Zhong An Group; and (iv) the Company can focus more effectively in terms of strategy and resource allocation on its core business of commercial property development and other investment, we are of the view that the entering into of the Amended Non-Compete Undertakings is in line with the development strategy of the Group and in the interest of the Company and the Shareholders as a whole.

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(d) Conditions precedent of the Amended Non-Compete Undertakings

The Amended Non-Compete Undertakings are subject to:

- (i) the Zhong An Board having approved (i) the Amended Non-Compete Undertakings and the transactions contemplated thereunder; and (ii) the Proposed Transfers and the transactions contemplated thereunder;
- (ii) the Board and the Independent Shareholders at the EGM having approved (i) the Amended Non-Compete Undertakings and the transactions contemplated thereunder; and (ii) the Proposed Transfers and the transactions contemplated thereunder; and
- (iii) each of the Sale and Purchase Agreements having become unconditional in all material respects.

If any of the above conditions precedent to the Amended Non-Compete Undertakings is not fulfilled on or before 31 December 2021 (or such later date as may be agreed between the parties), the Amended Non-Compete Undertakings and all rights and obligations thereunder will cease and terminate. In such circumstances, the Existing Non-Compete Undertakings will remain in effect.

(e) Corporate Governance Measures

To ensure compliance of the Amended Non-Compete Undertakings, Zhong An and the Company will continue with the following corporate governance measures set out on pages 400 and 401 of the Prospectus which have been in place since its listing in particular the following measures:

- (i) the independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Amended Non-Compete Undertakings by the Controlling Shareholders;
- (ii) the Company will disclose any decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Amended Non-Compete Undertakings (which include those decisions on matters in relation to joint development on a mixed-use properties), either through the annual report or by way of announcement;
- (iii) the Company will disclose in the corporate governance report of the annual report on how the terms of the Amended Non-Compete Undertakings have been complied with and enforced;

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- (iv) in the event that any of the Directors and/or their respective associates has material interest in any matter to be deliberated by the Board in relation to the compliance and enforcement of the Amended Non-Compete Undertakings, he/she shall disclose his/her interests to the Board and may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association; and
- (v) Zhong An has undertaken to the Group that it will have appropriate corporate governance measures to ensure that, in the event that any of its directors and/or their respective associates has material interest in any matter to be deliberated by the board of directors of Zhong An in relation to the compliance and enforcement of the Amended Non-Compete Undertakings, he/she shall disclose his/her interests to the board of directors of Zhong An and may not vote on the resolution(s) of the board of directors of Zhong An approving the matter and shall not be counted towards the quorum for the voting.

Furthermore, as additional internal control measure, the Company and Zhong An will distribute reminders containing the relevant requirements and restrictions as set out in the Amended Non-Compete Undertakings to the directors, senior management and relevant management team and employees of both the Remaining Zhong An Group and the Group to ensure that they are fully aware of the revised business delineation arrangements (i.e. the Remaining Zhong An Group will be engaged in property management business (including but not limited to residential, commercial or mixed commercial-residential use properties and related ancillary services and for the avoidance of doubt, does not include operations and management of hotel and cinema) in the PRC, while the Group will no longer be engaged in any property management business (excluding operations and management of hotel and cinema) in the PRC).

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6. Discussion

In view of the principal factors considered as set out in this letter above, after taking into account that, amongst others, (i) the commercial property management business is not significant to the Group's overall operation; (ii) it is the intention of the Group to pull out from the commercial property management business through the Proposed Transfers to unlock the value of the investment for redeployment into its core business of commercial property development or other investment opportunities for new emerging business such as education and film and entertainment that may present a higher strategic value to the Group; (iii) the terms of the Sale and Purchase Agreements are considered to be fair and reasonable and the Consideration is considered to be commercially justifiable as discussed in this letter; (iv) the Company can focus more effectively in terms of strategy and resource allocation on its core business of commercial property development and other investment which could potentially bring more returns to the Company and the Shareholders; and (v) the entering into of the Amended Non-Compete Undertakings and the Proposed Transfers would also eliminate potential competition and better organise and delineate the different businesses in the Remaining Zhong An Group and the Group, we consider that the Proposed Transfers and the Proposed Amendments are in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having taken into account the above principal factors, we consider that (i) the Proposed Amendments and Proposed Transfers, though not in the ordinary and usual course of business of the Group, are in line with the business strategy of the Group; (ii) the terms of the Amended Non-Compete Undertakings and the Sale and Purchase Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Proposed Amendments and Proposed Transfers are in the interests of the Company and the Shareholders as a whole.

We therefore advise the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution(s) to approve the Amended Non-Compete Undertakings, the Sale and Purchase Agreements and the transactions contemplated thereunder at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Felix Chau
Director

Mr. Felix Chau is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. He has over ten years' experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Name of Group member/associated corporation	Capacity/nature of interest	Number of share(s) held (Note 1)	Approximate percentage of shareholding
Mr. Shi	The Company	Interest of controlled corporation (Note 2)	1,315,787,594 Shares (L)	65.44%
	Zhong An	Interest of controlled corporation (Note 3)	3,262,411,200 shares of HK\$0.10 each (L)	57.89%
		Beneficial owner (Note 4)	4,600,000 underlying shares of HK\$0.10 each (L)	0.08%
Ms. Tang Yiyan	Whole Good	Beneficial owner	1 share of US\$1.00 (L)	100%
	Zhong An	Beneficial owner (Note 5)	600,000 underlying shares of HK\$0.10 each (L)	0.01%

Notes:

- The letter "L" denotes the person's long position in the Shares and underlying Shares of the Company or the relevant associated corporation.

2. Among these 1,315,787,594 Shares, 1,284,484,000 Shares are held by Ideal World, a wholly owned subsidiary of Zhong An. The entire issued shares of Zhong An are owned as to about 57.89% by Whole Good, which is wholly-owned by Mr. Shi. In addition, 31,303,594 Shares are held by Whole Good. By virtue of the SFO, Mr. Shi is taken to be interested in the Shares in which each of Ideal World and Whole Good is interested.
3. These shares are held by Whole Good. By virtue of the SFO, Mr. Shi is deemed to be interested in the shares of Zhong An in which Whole Good is interested.
4. These shares represent the underlying shares in Zhong An comprised in the options granted to and held by Mr. Shi pursuant to its share option scheme adopted on 15 May 2009.
5. These shares represent the underlying shares in Zhong An comprised in the options granted to and held by Ms. Tang Yiyan pursuant to its share option scheme adopted on 15 May 2009.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

Interests in assets

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has been, since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

Interests in contracts

As at the Latest Practicable Date, no contracts or arrangements were subsisting in which a Director was materially interested and which were significant in relation to the business of the Group.

Interests in competing business

As at the Latest Practicable Date, in so far as the Directors were aware of, none of the Directors and their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Directors' service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the persons (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	Capacity/ Nature of interest	Number of Shares held (Note 1)	The Company's issued share capital
Ideal World	Beneficial owner	1,284,484,000 Shares (L)	63.88%
Zhong An	Interest of controlled corporation (Note 2)	1,284,484,000 Shares (L)	63.88%
Whole Good	Interest of controlled corporation (Note 2)	1,284,484,000 Shares (L)	63.88%
	Beneficial owner (Note 3)	31,303,594 Shares (L)	1.56%

Notes:

- The Letter "L" denotes the person's long position in the Shares.
- These Shares are held by Ideal World, the wholly-owned subsidiary of Zhong An. The entire issued shares of Zhong An are owned as to about 57.89% by Whole Good, which is wholly-owned by Mr. Shi. By virtue of the SFO, each of Zhong An, Whole Good and Mr. Shi is taken to be interested in the Shares in which Ideal World is interested.
- Whole Good is wholly owned by Mr. Shi. By virtue of the SFO, Mr. Shi is taken to be interested in the Shares in which Whole Good is interested.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO.

4. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

5. EXPERT'S QUALIFICATIONS AND CONSENT

- a. The following is the qualification of the expert who has given opinions, letters or advice which are contained in this circular:

Name	Qualification
Somerley Capital Limited	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

- b. The above expert has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.
- c. As at the Latest Practicable Date, the above expert did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- d. As at the Latest Practicable Date, the above expert did not have any interest, direct or indirect, in any asset which has been, since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

6. MATERIAL ADVERSE CHANGE

The Directors confirm that there had been no material adverse change in the financial or trading position or outlook of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group was made up, to and including the Latest Practicable Date.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at Room 4010, 40th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, from the date of this circular, up to and including the date of the EGM:

- a. the memorandum and articles of association of the Company;
- b. the letter from the Independent Board Committee to the Independent Shareholders dated 5 March 2021;
- c. the letter from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders;
- d. the consent letter issued by the expert referred to in the paragraph headed “Expert’s Qualifications and Consent” in this appendix;
- e. the Amended Non-Compete Undertakings;
- f. the Sale and Purchase Agreements; and
- g. this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “EGM”) of China New City Commercial Development Limited (the “**Company**”) will be held at 11:00 a.m. on Wednesday, 24 March 2021 at Crystal Hall, 4th Floor, Holiday Inn Hangzhou Xiaoshan, No. 688 Shanyin Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC to consider and, if thought fit, transact the following businesses:

ORDINARY RESOLUTIONS

1. “THAT:

- (a) the amended deed of non-compete undertakings (the “**Amended Non-Compete Undertakings**”) dated 3 February 2021 entered into among the Company and controlling shareholders of the Company, including Ideal World Investments Limited, Zhong An Group Limited, Whole Good Management Limited and Mr. Shi Kancheng, a copy of which having been produced to this meeting and marked “A” and initialed by the chairperson of this meeting for the purpose of identification, and the transactions contemplated thereby be and are hereby approved, confirmed and ratified; and
- (b) any one or more directors of the Company be and is/are hereby authorised to do all such acts and things as they consider necessary and to sign and execute all such documents, deed or instruments and to take all such steps which in their opinion may be necessary, appropriate, desirable or expedient for the purpose of giving effect to the Amended Non-Compete Undertakings and completing the transactions contemplated thereby.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. “THAT:

- (a) the sale and purchase agreements all dated 3 February 2021 entered into between, among others, the Purchaser and each of Bright (Hong Kong) Hotels Management Limited (伯瑞特(香港)酒店管理有限公司), Zhejiang Zhongan Shenglong Commercial Co., Ltd.* (浙江眾安盛隆商業有限公司) and Zhong An Commercial Group Co., Ltd.* (眾安商業集團有限公司)(formerly known as Hangzhou Zhongjia Commercial Management Co., Ltd.* (杭州眾嘉商業管理有限公司)), respectively (collectively, the “**Sale and Purchase Agreements**”), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one or more directors of the Company be and is/are hereby authorised, for and on behalf of the Company, to enter into any agreement, deed or instrument and/or to execute and deliver all such documents and/or do all such acts on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with (i) the implementations and completion of the Sale and Purchase Agreements and transactions contemplated thereunder; and/or (ii) any amendment, variation or modification of the Sale and Purchase Agreements and the transactions contemplated thereunder upon such terms and conditions as the board of directors of the Company may think fit.”

* *Unofficial English translation denotes for identification purposes only*

The PRC, 5 March 2021

By order of the Board
China New City Commercial Development Limited
Shi Kancheng
Chairperson

Registered office:
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Principal place of business
in Hong Kong:*
Room 4010, 40th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the offices of the Company's Hong Kong branch registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 48 hours before the time of the above meeting (i.e. at or before 11:00 a.m. on 22 March 2021 (Hong Kong time)), or any adjourned meeting.
3. For the purpose of determining members who are qualified for attending the EGM, the register of members of the Company will be closed from Friday, 19 March 2021 to Wednesday, 24 March 2021, both days inclusive, during which no transfer of share will be effected. In order to qualify for attending the EGM, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's branch register and transfer office in Hong Kong at the address stated in note 2 above not later than 4:30 p.m. on Thursday, 18 March 2021 for registration.
4. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. In the case of joint holders of a Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto to, but if more than one of such joint holders are present at the above meeting, personally or by proxy, that one of the said person so present whose name stands first in the register in respect of such Share shall alone be entitled to vote in respect thereof.
6. References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the board of directors of the Company comprises Mr. Shi Nanlu, Mr. Liu Bo and Ms. Tang Yiyan, as executive directors of the Company; Mr. Shi Kancheng 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.