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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) COMPLETION OF DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE PROPOSED TRANSFERS AND (2) CONTINUING CONNECTED TRANSACTIONS**

#### **COMPLETION OF THE PROPOSED TRANSFERS**

The Board wishes to announce that all of the conditions precedent in respect of the Proposed Transfers as set out in the Circular were fulfilled and that Completion took place on 13 April 2021 in accordance with the terms and conditions of the Sale and Purchase Agreements.

Upon Completion, the Target Companies have ceased to be subsidiaries of the Company and the Group will no longer be engaged in any property management business (excluding operations and management of hotel and cinema) in the PRC. The Target Companies have become indirect wholly-owned subsidiaries of the Remaining Zhong An Group on 13 April 2021 and their respective financial results will continue to be consolidated into the consolidated financial statements of Zhong An.

#### **CONTINUING CONNECTED TRANSACTIONS**

Prior to Completion, the Remaining Zhong An Group and the Target Companies have been regularly providing Property Management Services and Value-added Services to members of the Group in their ordinary course of business. It is expected that such provision of the Property Management Services and Value-added Services will continue after Completion.

In order to streamline these continuing connected transactions in relation to the provision of the Property Management Services and Value-added Services and to facilitate compliance with relevant requirements on continuing connected transactions under the Listing Rules, on 13 April 2021, the Company entered into the Property Management Services Framework Agreement and Value-added Services Framework Agreement with Zhong An.

## **LISTING RULES IMPLICATIONS**

The Target Companies have become indirect wholly-owned subsidiaries of the Remaining Zhong An Group upon Completion. As Zhong An is a controlling shareholder of the Company, it is a connected person of the Company. In addition, as subsidiaries of the Remaining Zhong An Group (including the Target Companies) are associates of Zhong An, they are connected persons of the Company. Accordingly, the Property Management Services Framework Agreement and Value-added Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.76(2) of the Listing Rules, as (i) the transactions under the Property Management Services Framework Agreement and Value-added Services Framework Agreement are on normal commercial terms; and (ii) the relevant percentage ratios in respect of the highest annual cap exceeds 0.1% but less than 5%, the Property Management Services Framework Agreement and Value-added Services Framework Agreement are subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to (i) the joint announcement of Zhong An and the Company dated 3 February 2021; (ii) the circular of the Company dated 5 March 2021 (the “**Circular**”); and (iii) the announcement of the Company in relation to the poll results of the EGM held on 24 March 2021 in relation to, among others, the Proposed Transfers.

Unless the context requires otherwise, capitalised terms used in this announcement have the same meanings as those defined in the Circular.

## **COMPLETION OF THE PROPOSED TRANSFERS**

The Board wishes to announce that all of the conditions precedent in respect of the Proposed Transfers as set out in the Circular were fulfilled and that Completion took place on 13 April 2021 in accordance with the terms and conditions of the Sale and Purchase Agreements.

Upon Completion, the Target Companies have ceased to be subsidiaries of the Company and the Group will no longer be engaged in any property management business (excluding operations and management of hotel and cinema) in the PRC. The Target Companies have become indirect wholly-owned subsidiaries of the Remaining Zhong An Group on 13 April 2021 and their respective financial results will continue to be consolidated into the consolidated financial statements of Zhong An.

## CONTINUING CONNECTED TRANSACTIONS

Prior to Completion, the Remaining Zhong An Group and the Target Companies have been regularly providing Property Management Services and Value-added Services to members of the Group in their ordinary course of business. It is expected that such provision of the Property Management Services and Value-added Services will continue after Completion.

In order to streamline these continuing connected transactions in relation to the provision of the Property Management Services and Value-added Services and to facilitate compliance with relevant requirements on continuing connected transactions under the Listing Rules, on 13 April 2021, the Company entered into the Property Management Services Framework Agreement and Value-added Services Framework Agreement with Zhong An, the principal terms and conditions of which are set out in this announcement.

### 1. Property Management Services Framework Agreement

Date of the agreement: 13 April 2021

Parties: (a) the Company (for itself and on behalf of its subsidiaries, as service recipients); and  
(b) Zhong An (for itself and on behalf of its subsidiaries (excluding the Group), as service providers)

Term: 13 April 2021 to 31 December 2023 (both days inclusive)

Nature and scope of services: Provision of Property Management Services by subsidiaries of the Remaining Zhong An Group (including the Target Companies) to members of the Group.

Scope of Property Management Services:

property management services to property developers, property owners and residents which primarily comprise (i) security services, (ii) cleaning services, (iii) gardening and landscaping services, (iv) repair and maintenance services, and/or (v) car park management services

Pricing policy and payment:

The fees contemplated under the Property Management Services Framework Agreement shall be determined by arm's length commercial negotiation according to the principles of fairness and reasonableness between relevant parties with reference to the market price of similar services to independent third parties during the same period. Particularly, with reference to quotations provided by other property management service providers for similar types of services, and to appropriate extent, in consideration of the price movement of similar types of services in the market. The Company shall agree on such service fees with Zhong An based on specific needs and required scope of services for each project of the Group, while safeguarding the reasonable interests of the Company and ensuring that the terms under the Property Management Services Framework Agreement are no less favorable than those offered to the Group by independent third parties.

The payment terms for the continuing connected transactions will be stipulated in the respective individual implementation agreements which may from time to time be entered into among the parties, and shall normally be settled by bank transfer on an agreed period basis.

Historical figures:

The following table sets out the historical unaudited transaction amount for fees paid by the Group in respect of the Property Management Services for the three years ended 31 December 2020:

| <b>For the year ended 31 December</b> |                  |                  |
|---------------------------------------|------------------|------------------|
| <b>2018</b>                           | <b>2019</b>      | <b>2020</b>      |
| <i>(RMB'000)</i>                      | <i>(RMB'000)</i> | <i>(RMB'000)</i> |
| 13,656                                | 22,669           | 24,037           |

Annual caps:

The following table sets out the proposed annual caps of the transaction amounts in respect of the Property Management Services to be provided under the Property Management Services Framework Agreement:

| <b>For the year ending 31 December</b> |                  |                  |
|--|------------------|------------------|
| <b>2021</b>                            | <b>2022</b>      | <b>2023</b>      |
| <i>(RMB'000)</i>                       | <i>(RMB'000)</i> | <i>(RMB'000)</i> |
| 27,658                                 | 31,005           | 34,518           |

The annual caps are determined with reference to:

1. the historical transaction amounts for the Property Management Services;
2. the number, GFA under management and terms (including service fee) of existing projects/service contracts as of 31 March 2021;
3. the expected increase in the demand for Property Management Services with reference to the historical contracted sales GFA achieved by the Group and its pipeline projects in the future; and
4. the expected increase in the service fees to be charged by subsidiaries of the Remaining Zhong An Group (including the Target Companies) considering the expected inflation and increment in the operational costs as incurred by the Remaining Zhong An Group.

The Directors (including the independent non-executive Directors) consider that the above proposed annual caps under the Property Management Services Framework Agreement are fair and reasonable.

## **2. Value-added Services Framework Agreement**

|                               |   |
|-------------------------------|---|
| Date of the agreement:        | 13 April 2021   |
| Parties:                      | (a) the Company (for itself and on behalf of its subsidiaries, as service recipients); and<br><br>(b) Zhong An (for itself and on behalf of its subsidiaries (excluding the Group), as service providers) |
| Term:                         | 13 April 2021 to 31 December 2023 (both days inclusive)   |
| Nature and scope of services: | Provision of Value-added Services by subsidiaries of the Remaining Zhong An Group (including the Target Companies) to members of the Group.   |

- Scope of Value-added Services:
1. value-added services to non-property owners (mainly property developers) which primarily comprise (i) construction site management services, (ii) sales office management services, (iii) preliminary planning and design consultancy in relation to property management services, and (iv) pre-delivery inspection services; and
  2. community value-added services which primarily comprise car park sales assistance services

Pricing policy and payment:

The fees contemplated under the Value-added Services Framework Agreement shall be determined by arm's length commercial negotiation according to the principles of fairness and reasonableness between relevant parties with reference to the market price of similar services to independent third parties during the same period. Particularly, with reference to quotations provided by other property management service providers for similar types of services, and to appropriate extent, in consideration of the price movement of similar types of services in the market. The Company shall agree on such service fees with Zhong An based on specific needs and required scope of services for each project of the Group, while safeguarding the reasonable interests of the Company and ensuring that the terms under the Value-added Services Framework Agreement are no less favorable than those offered to the Group by independent third parties.

The payment terms for the continuing connected transactions will be stipulated in the respective individual implementation agreements which may from time to time be entered into among the parties, and shall normally be settled by bank transfer on an agreed period basis.

Historical figures:

The following table sets out the historical audited transaction amount for fees paid by the Group in respect of the Value-added Services for the three years ended 31 December 2020:

| <b>For the year ended 31 December</b> |                  |                  |
|---------------------------------------|------------------|------------------|
| <b>2018</b>                           | <b>2019</b>      | <b>2020</b>      |
| <i>(RMB'000)</i>                      | <i>(RMB'000)</i> | <i>(RMB'000)</i> |
| 2,341                                 | 2,254            | 2,730            |

Annual caps:

The following table sets out the proposed annual caps of the transaction amounts in respect of the Value-added Services to be provided under the Value-added Services Framework Agreement:

| <b>For the year ending 31 December</b> |                  |                  |
|--|------------------|------------------|
| <b>2021</b>                            | <b>2022</b>      | <b>2023</b>      |
| <i>(RMB'000)</i>                       | <i>(RMB'000)</i> | <i>(RMB'000)</i> |
| 6,343                                  | 6,713            | 7,096            |

The annual caps are determined with reference to:

1. the historical transaction amounts and growth trend for the Value-added Services;
2. the number and terms (including service fee) of existing service contracts as of 31 March 2021;
3. the expected increase in the demand for Value-added Services with reference to the historical contracted sales GFA achieved by the Group and its pipeline projects in the future.
4. the expected increase in the service fees to be charged by subsidiaries of the Remaining Zhong An Group (including the Target Companies) considering the expected inflation and increment in the operational costs as incurred by the Remaining Zhong An Group.

The Directors (including the independent non-executive Directors) consider that the above proposed annual caps under the Value-added Services Framework Agreement are fair and reasonable.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The Property Management Services and the Value-added Services contemplated under the Property Management Services Framework Agreement and Value-added Services Framework Agreement are of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group and the Remaining Zhong An Group.

In line with the market practice and the Company's past practice, the Company considered it necessary for Listing Rules compliance purposes and administrative convenience to enter into framework agreements with Zhong An in order to better document and manage these continuing connected transactions. The Property Management Services Framework Agreement and the Value-added Services Framework Agreement serve to streamline the Property Management Services and Value-added Services between members of the Group and subsidiaries of the Remaining Zhong An Group (including the Target Companies) providing a single basis upon which the Company could comply with the applicable Listing Rules requirements and thereby reducing the administrative burden and costs of the Company in complying with these requirements.

Subsidiaries of the Remaining Zhong An Group (including the Target Companies) are with respectable experience and reputation in their areas of businesses or services and solid financial standing. The Directors believe that the maintenance of the strategic business relationships with them will not only allow the realisation of synergies and economies of scale but will also continue to bring sustainable contribution to the Group's growth in the long run, as well as to ensure un-interrupted and smooth services received by them.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Property Management Services Framework Agreement, the Value-added Services Framework Agreement and the transactions contemplated thereunder and their respective annual caps are fair and reasonable, entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

The Target Companies have become indirect wholly-owned subsidiaries of the Remaining Zhong An Group on 13 April 2021 upon Completion. As Zhong An is one of the controlling shareholders (as defined under the Listing Rules) of the Company, it is a connected person of the Company. In addition, as subsidiaries of the Remaining Zhong An Group (including the Target Companies) are associates of Zhong An, they are connected persons of the Company. Accordingly, the Property Management Services Framework Agreement and Value-added Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.76(2) of the Listing Rules, as (i) the transactions under the Property Management Services Framework Agreement and Value-added Services Framework Agreement are on normal commercial terms; and (ii) the relevant percentage ratios in respect of the highest annual cap exceeds 0.1% but less than 5%, each of the Property Management Services Framework Agreement and Value-added Services Framework Agreement are subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.



Mr. Shi, being non-executive director of the Company and executive director of Zhong An, abstained from voting on the relevant Board resolutions to approve the (i) Property Management Services Framework Agreement and (ii) Value-added Services Framework Agreement. Save as disclosed, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Directors had any material interest in the (i) Property Management Services Framework Agreement and (ii) Value-added Services Framework Agreement and the transactions contemplated thereunder.

## DEFINITIONS

In this announcement, the following expressions shall (unless the context otherwise requires) have the following meanings:

|  |   |
|--|---|
| “Completion”                                       | completion of the Proposed Transfers in accordance with the terms of the Sale and Purchase Agreements   |
| “Property Management Services”                     | provision of property management services to property developers, property owners and residents which primarily comprise (i) security services, (ii) cleaning services, (iii) gardening and landscaping services, (iv) repair and maintenance services, and/or (v) car park management services   |
| “Property Management Services Framework Agreement” | the property management services framework agreement entered into on 13 April 2021 between the Company and Zhong An   |
| “Value-added Services”                             | provision of (1) value-added services to non-property owners (mainly property developers) which primarily comprise (i) construction site management services, (ii) sales office management services, (iii) preliminary planning and design consultancy in relation to property management services; and (iv) pre-delivery inspection services, and (2) community value-added services which primarily comprise car park sales assistance services |
| “Value-added Services Framework Agreement”         | the value-added services framework agreement entered into on 13 April 2021 between the Company and Zhong An   |

*Certain amounts and percentage figures included in this announcement 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.*

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

The PRC, 13 April 2021

*As at the date of this announcement, the Board comprises Mr. Shi Nanlu, Mr. Liu Bo and Ms. Tang Yiyang, as executive directors; Mr. Shi Kancheng and Mr. Tang Min, as non-executive directors; and Mr. Ng Sze Yuen, Terry, Mr. Xu Chengfa and Mr. Yim Chun Leung, as independent non-executive directors.*