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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)

DISCLOSEABLE TRANSACTION FORMATION OF JOINT VENTURE

On 24 November 2017 (after trading hours), Complete Victory (a direct wholly-owned Subsidiary of the Company) entered into the JV Documentation with Maggie & Rose (CN), Highest Joy and the JV Company for the establishment of the JV Formation to invest in the high quality family lifestyle business including amongst other things, high quality Flagship Clubs, Family Clubs, children development and education institutions, nurseries, books, food and beverage and events using the System and or websites or internet or other medium under the “Maggie & Rose” brand in the PRC, Macau and Taiwan.

Upon signing of the JV Documentation, Maggie & Rose (CN), Maggie & Rose (UK) and the JV Company also entered into the Exclusive Licence Agreement, pursuant to which Maggie & Rose (CN), as licensor, agrees to license and make available all of its intellectual property assets, existing from time to time, to the JV Company, as licensee, for the business operation of the JV Company in the PRC, Macau and Taiwan.

Upon signing of the JV Documentation, Highest Joy and the JV Company further entered into the Service Agreement, pursuant to which Highest Joy, as service provider, agrees to provide technical and operational services to support the business operation of the JV Company, as service receiver, in the Territories.

Pursuant to the JV Documentation, Complete Victory has agreed to contribute a total amount of RMB150,000,000 or in HK\$ equivalent, which will be in the form of cash, Maggie & Rose (CN) has agreed to contribute a total amount of HK\$143,712,550 which will be in the form of entering into the Exclusive Licence Agreement with the JV Company. Highest Joy has agreed to contribute a total amount of HK\$35,568,826 which will be in the form of entering into the Service Agreement with the JV Company. Accordingly, the JV Company shall issue 180,000,000 Class A shares to Complete Victory, 143,712,550 Class B shares to Maggie & Rose (CN) and 35,568,826 Class C shares to Highest Joy.

Since the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the JV Formation exceed 5% but all of them are less than 25%, the JV Formation constitutes a discloseable transaction and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

I. THE JV DOCUMENTATION

On 24 November 2017 (after trading hours), Complete Victory (a direct wholly-owned Subsidiary of the Company) entered into the JV Documentation with Maggie & Rose (CN), Highest Joy and the JV Company for the JV Formation. The principal terms of the JV Documentation are as follows:–

Date: 24 November 2017

Parties and Respective Shareholdings

- (1) Complete Victory (180,000,000 Class A shares)
- (2) Maggie & Rose (CN) (143,712,550 Class B shares)
- (3) Highest Joy (35,568,826 Class C shares)
- (4) JV Company

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Maggie & Rose (CN), Highest Joy and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Scope of Business:

The JV Company intends to set up JV Subsidiaries in the Territories to conduct a high quality family lifestyle business, online or offline, which includes, amongst other things, Flagship Clubs, Family Clubs, child development and education institutions, nurseries, books, food and beverage products and events, or any new business in the future, operated through various channels using the Intellectual Property Rights within the Territories.

Shareholding Structure and Capital Contribution

Pursuant to the JV Documentation, the respective shareholdings of the JV Company are as follows:

- (a) 180,000,000 Class A shares of the JV Company shall be issued to Complete Victory at a subscription price of RMB150,000,000 or in HK\$ equivalent;
- (b) 143,712,550 Class B shares of the JV Company shall be issued to Maggie & Rose (CN) at a subscription price of HK\$143,712,550; and
- (c) 35,568,826 Class C shares of the JV Company shall be issued to Highest Joy at a subscription price of HK\$35,568,826.

Complete Victory will satisfy its capital contribution of RMB150,000,000 or in HK\$ equivalent in cash in the following manner:

1. RMB50,000,000 or in HK\$ equivalent will be paid to the JV Company within fifteen (15) working days from the date of opening of the bank account of the JV Company;
2. RMB20,000,000 or in HK\$ equivalent will be paid to the JV Company within fifteen (15) working days following the date of which any director of the JV Company notifies Complete Victory that the consolidated bank balance of the JV Company and the JV Subsidiaries is less than RMB2,000,000 or in HK\$ equivalent until an aggregate amount of RMB150,000,000 or in HK\$ equivalent has been paid by Complete Victory;
3. any outstanding balance of the RMB150,000,000 or in HK\$ equivalent will be paid to the JV Company on or before the fifth anniversary of the date of the JV Agreement.

Maggie & Rose (CN) will satisfy its capital contribution by way of entering into the Exclusive Licence Agreement with the JV Company to grant a licence to the JV Company, conferring the right to the JV Company to use the Intellectual Property Rights to operate the business of JV Company.

Highest Joy will satisfy its capital contribution by way of entering into the Service Agreement with the JV Company to provide technical and operational services support to the JV Company.

The aforesaid investment amounts are determined after arm's length negotiation of the JV Partners and with reference to the initial capital requirement for the business of the JV Company and the agreed share of each of the JV Partners in the interest in the JV Company.

Management of the JV Company: The JV Company will comprise of five directors, three of whom will be appointed by Complete Victory and two of whom will be appointed by Maggie & Rose (CN). The chairman of the board of directors of the JV Company will be one of the directors appointed by Complete Victory. Subject to the JV Agreement, the board of directors of the JV Company shall decide on the management and operation of the JV Company.

Voting Rights The holders of Class A shares, Class B shares and Class C shares will have one vote per each respective shares in that class.

Dividends and distributions Other than on a liquidation, dissolution or winding up of the JV Company, each holder of Class A shares is entitled, pari passu with the holders of Class B shares and holders of Class C shares, to participate in any dividends or distributions.

Liquidation Preference In the event of any liquidation, dissolution or winding up of the JV Company, the holders of Class A shares will be entitled to receive, in preference to the holders of all other classes of share, an amount equal to the aggregate of cash subscription amount paid per Class A share.

Once the holders of Class A shares have received the aforesaid amount, the holders of Class A shares will be entitled to the remaining distributions on a pro-rata basis with all shareholders of the JV Company payable in the liquidation, dissolution or winding up of the JV Company.

As the JV Company has been established recently, it does not have any assets or business and has not generated any revenue as at the date of signing of the JV Documentation.

Given (i) Maggie & Rose (CN) will be entitled to appoint two of the five members in the board of directors of the JV Company; and (ii) Complete Victory, in which a direct wholly-owned Subsidiary of the Company controls three out of five members of the board of directors of the JV Company, the Company will control the majority of the board of directors of the JV Company. As such, the JV Company will become a Subsidiary of the Company and its results would be consolidated into the Group's financial statements.

II. THE EXCLUSIVE LICENCE AGREEMENT

Grant of Intellectual Property Rights

Upon signing of the JV Documentation, Maggie & Rose (CN), Maggie & Rose (UK) and the JV Company also entered into the Exclusive Licence Agreement, pursuant to which, inter alia, Maggie & Rose (CN), as licensor, agrees to grant exclusive license and make available the Intellectual Property Rights, free of charge, to the JV Company, as licensee, for the business operation of the JV Company in the Territories. The Intellectual Property Rights owned by Maggie & Rose (UK) and to be granted by Maggie & Rose (CN) to the JV Company under the Exclusive Licence Agreement shall be beneficial to the combined business operations of the JV Company after JV Formation.

The term of the Exclusive License Agreement will be ten (10) years (and, thereafter, each further development term) which will be extended automatically upon its expiry for a further period of ten (10) years subject to the conditions as set out in the Exclusive Licence Agreement.

III. SERVICE AGREEMENT

Upon signing of the JV Documentation, Highest Joy and the JV Company entered into the Service Agreement, pursuant to which Highest Joy, as service provider, agrees to provide technical and operational services, free of charge, to support the business operation of the business of the JV Company, as service receiver, in the Territories. The supports by Highest Joy to the JV Company under the Service Agreement shall be beneficial to the combined business operations of the JV Company after the JV Formation.

Term

The term of the appointment of Highest Joy as service provider for the JV Company will be five (5) years.

SOURCE OF FUND FOR THE JV FORMATION

The investment amount of RMB150,000,000 or in HK\$ equivalent of Complete Victory will be satisfied by the Company through the Group's internal resources.

INFORMATION OF THE PARTIES TO THE JV FORMATION

The Company and Complete Victory

Complete Victory is a direct wholly owned Subsidiary of the Company and engaged in investment purpose only. The principal activity of the Company is investment holding, and through its subsidiaries, commercial property investment for leasing, commercial property development for sale and leasing and commercial property management in the PRC.

Maggie & Rose (UK) and Maggie & Rose (CN)

Maggie & Rose (CN) is a direct and wholly-owned subsidiary of Maggie & Rose (UK), the owner of the Intellectual Property Rights. Maggie & Rose (UK) owns and operates private family members clubs under the "Maggie & Rose" brand in England, to which Maggie & Rose (UK) has granted relevant licence to Maggie & Rose (CN) the right to use and to sub-license the "Maggie & Rose" brand. The management team of Maggie & Rose (UK), has substantial experience in the operation of its business. Maggie & Rose (UK) is the proprietor of the Intellectual Property Rights and has spent time, money and effort and incurred expense on advertising and marketing the "Maggie & Rose" brand and developing its business methods.

Highest Joy

Highest Joy is principally engaged in consultancy services relating to children education in the PRC, including among other things, liaising with the local governments and authorities, advising on the operation, costs saving and allocation, business promotion, marketing and new product development.

The JV Company

The JV Company is an investment holding company. The JV Company intends to further set up JV Subsidiaries in the Territories to conduct a high quality family lifestyle business, online or offline, which includes, amongst other things, Flagship Clubs, Family Clubs, child development and education institutions, nurseries, books, food and beverage products and events, or any new business in the future, operated through various channels using the Intellectual Property Rights within the Territories.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, each of Maggie & Rose (CN), Maggie & Rose (UK) Highest Joy, and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE JV FORMATION

The Directors are of the view that, the JV Formation, by engaging in the high quality family lifestyle business including, amongst other things, children development and education institutions will be able to capture the business opportunities and meet the market demand for such services in the PRC. Further, the Board considers that the JV Formation is a value-creating opportunity to make use of the experience, expertise and connections of the JV Partners to make appropriate investment and create synergy in the Territories for the high quality family lifestyle business. The Board considers that the partnership will (i) create a sustainable, long-term platform in the Territories for faster growth; (ii) be able to secure cost and operation synergies from combining the local expertise and international practices; and (iii) be leading the development of the family lifestyle business in the Territories and to improve customer services for consumers in the Territories. The Group, by investing in the JV Formation, may share the investment income of the JV Company in the future and seize the opportunities to develop and expand its business.

Based on the aforesaid and having taken into account, among others, (1) the proportion of the investment amounts contributed by the parties in the JV Formation; (2) the management role of Maggie & Rose (CN); and (3) the class of shares owned by Complete Victory in the JV Company, the Directors consider that the terms of the JV Formation are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF LISTING RULES

As the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules for the transaction contemplated under the JV Documentation, are more than 5% but all of them are less than 25%, such transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

The following words and phrases used in this announcement have the following meaning:

“Board”	the board of Directors
“Business Day”	means a day (other than Saturdays, Sundays and statutory public holidays of the PRC)
“Class A shares”	the Class A shares in the share capital of the JV Company

“Class B shares”	the Class B shares in the share capital of the JV Company
“Class C shares”	the Class C shares in the share capital of the JV Company
“Company”	China New City Commercial Development Limited (中國新城市商業發展有限公司), an exempted company incorporated in the Cayman Islands with limited liabilities, whose issued Shares are listed on the main board of the Stock Exchange
“Complete Victory”	Complete Victory Enterprise Limited (全勝企業有限公司), a company incorporated with limited liability in and under the laws of the British Virgin Islands and a direct wholly-owned Subsidiary of the Company
“Director(s)”	director(s) of the Company
“Exclusive Licence Agreement”	the Exclusive Licence Agreement for the PRC, Taiwan and Macau dated 24 November 2017 between Maggie & Rose (CN), Maggie & Rose (UK) and the JV Company
“Family Club(s)”	a club or other organisation that provides services to parents and their children in relation to on-site child care, education and recreation
“Flagship Clubs”	are Family Clubs operated under the “Maggie & Rose” brand that comply with the Flagship Club criteria laid out by Maggie & Rose (CN)
“Group”	the Company and its Subsidiaries
“Highest Joy”	Highest Joy Limited (高悅有限公司), a company incorporated with limited liability in and under the laws of the British Virgin Islands
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

“Intellectual Property Rights”	the trademark, the know-how, the system, and any and all other intellectual property rights, know-how, concepts and/or technology reasonably required for the operation of the business, whether possessed by Maggie & Rose (UK) at the time of JV Documentation or subsequently developed from time to time by Maggie & Rose (UK) or by its developers, licensees or affiliates
“JV Agreement”	the JV Agreement dated 24 November 2017 executed by Complete Victory, Highest Joy, Maggie & Rose (CN) and the JV Company in relation to the JV Formation
“JV Documentation”	the JV Agreement and the amended articles of association of the JV Company on 24 November 2017
“JV Formation”	the establishment of the JV Company by Complete Victory, Highest Joy, Maggie & Rose (CN) and the transactions contemplated under the JV Documentation
“JV Company”	Maggie & Rose (Greater China) Group Limited, a company incorporated with limited liability in and under the laws of Hong Kong
“JV Partners”	Complete Victory, Highest Joy, Maggie & Rose (CN)
“JV Subsidiaries”	the PRC companies or entities as any party may form or establish for the purpose of the business of the JV Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Maggie & Rose (CN)”	Maggie & Rose (CN) Limited, a company incorporated with limited liability in and under the laws of England and Wales and a direct wholly-owned Subsidiary of Maggie & Rose (UK)
“Maggie & Rose (UK)”	Maggie & Rose Limited, a company incorporated with limited liability in and under the laws of England and Wales

“PRC”	People’s Republic of China excluding Hong Kong, Macau and Taiwan for the purpose of this announcement
“RMB”	renminbi, the lawful currency of the PRC
“Service Agreement”	the service agreement dated 24 November 2017 between the JV Company and Highest Joy
“Share(s)”	the ordinary share of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	any entity within the meaning of the term “Subsidiary” as defined in the Listing Rules and the term “Subsidiaries” shall be construed accordingly
“Territories”	the PRC, Macau and Taiwan
“%”	Percentage

By Order of the Board
China New City Commercial Development Limited
Shi Kancheng
Chairman

The PRC, 24 November 2017

As at the date of this announcement, the Board comprises Mr. Dong Shuixiao, Ms. Jin Ni and Ms. Tang Yiyan, as executive directors of the Company; Mr. Shi Kancheng, as non-executive director 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.