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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)**

### **SHARE TRANSACTION ISSUE OF SHARES UNDER GENERAL MANDATE AND ACQUISITION OF INTERESTS IN PRC COMPANIES**

On 14 December 2017, Zhongan Jiankang entered into the Cooperation Agreement with the Vendors and Feng Hua HK in relation to among others, i) the acquisition of the entire equity interest of Huaiji Yueshan from Ms. Li Qiu Lian and Ms. Li Qiu Jiao; ii) the establishment of PRC Company B with Weixin Shiye; and iii) the acquisition of the 5% of the entire equity interests in PRC Company B from Weixin Shiye. Subject to the Completion taking place, Huaiji Yueshan and PRC Company B will become indirect non-wholly owned subsidiaries of the Company.

As all the applicable percentage ratios in respect of the transactions contemplated under the Cooperation Agreement are less than 5% and the Consideration will be satisfied partly by cash and partly by the allotment and issue of the Consideration Shares, the transactions constitute a share transaction for the Company under Rule 14.06 of the Listing Rules.

The Consideration Shares will be issued under the General Mandate and will rank equally among themselves and with the existing Shares in issue on the date of the Completion. The Completion is conditional upon, among others, the Listing Committee agreeing to grant a listing of and permission to deal in the Consideration Shares.

## **INTRODUCTION**

The Board wishes to announce that on 14 December 2017, Zhongan Jiankang entered into the Cooperation Agreement with the Vendors and Feng Hua HK in relation to among others, i) the acquisition of the entire equity interest of Huaiji Yueshan from Ms. Li Qiu Lian and Ms. Li Qiu Jiao; ii) the establishment of PRC Company B with Weixin Shiye; and iii) the acquisition of the 5% of the entire equity interests in PRC Company B from Weixin Shiye. Subject to the Completion taking place, Huaiji Yueshan and PRC Company B will become indirect non-wholly owned subsidiaries of the Company.

## **THE COOPERATION AGREEMENT**

**Date:** 14 December 2017

**Parties:**

- (i) Ms. Li Qiu Lian as one of the Vendors;
- (ii) Ms. Li Qiu Jiao as one of the Vendors;
- (iii) Weixin Shiye as one of the Vendors;
- (iv) Feng Hua HK; and
- (v) Zhongan Jiankang as purchaser

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendors, Feng Hua HK and its respective ultimate beneficial owner(s) are Independent Third Parties.

**Assets to be acquired:**

- (i) the entire equity interests in Huaiji Yueshan held as to 50% by Ms. Li Qiu Lian and as to 50% by Ms. Li Qiu Jiao; and
- (ii) 5% of the entire equity interests in PRC Company B held by Weixin Shiye subsequent to the establishment of PRC Company B by Zhongan Jiankang and Weixin Shiye.

**Establishment of PRC Company B** Pursuant to the Cooperation Agreement, Zhongan Jiankang or a company designated by Zhongan Jiankang and Weixin Shiye will establish a company in the PRC, being PRC Company B, which shall be owned as to 95% and 5% by Zhongan Jiankang and Weixin Shiye respectively upon its establishment.

The total registered capital of PRC Company B shall be RMB1,000,000, which shall be contributed by Zhongan Jiankang and Weixin Shiye in proportion to their respective proposed equity interests in PRC Company B.

**Consideration for the Acquisition:** A) *Acquisition of entire equity interests in Huaiji Yueshan*

RMB50,000,000 for the acquisition of entire equity interests in Huaiji Yueshan

The Consideration was determined after arm's length negotiations between Zhongan Jiankang, Ms. Li Qiu Lian and Ms. Li Qiu Jiao, with reference to the consolidated management accounts of Huaiji Yueshan for the year ended 31 December 2016 and for the six months ended 30 June 2017.

The Consideration shall be settled in two parts: i) subject to the completion of the transfer to, and the registration of, the Sale Interest under the name of Zhongan Jiankang or a company designated by Zhongan Jiankang, RMB10,000,000 will be fully settled by Zhongan Jiankang in cash within 5 Business Days upon Completion Date; and ii) (subject to the compliance with the Listing Rules) RMB40,000,000 will be settled by the allotment and issuance of Consideration Shares by the Company within 60 Business Days from the date of the completion of the transfer to, and the registration of, the Sale Interest under the name of Zhongan Jiankang or a company designated by Zhongan Jiankang at the issue price of HK\$1.75 per Consideration Share to Ms. Li Qiu Lian and Ms. Li Qiu Jiao in equal portions, or to their respective designated nominees (which must be an Independent Third Party(ies)) (“Allottee(s)”).

The Consideration Shares represent approximately 1.46% of the existing issued share capital of the Company and approximately 1.44% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares will be issued under the General Mandate and will rank equally among themselves and with the existing Shares in issue on the date of the Completion.

The issue price of HK\$1.75 per Consideration Share represents:

- (i) a premium of approximately 1.74% over the closing price of HK\$1.72 per Share as quoted on the Stock Exchange on 14 December 2017, being the last trading day of the Shares prior to the release of this announcement (the “**Last Trading Day**”);
- (ii) a premium of approximately 0.57% over the average closing price of approximately HK\$1.74 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 0.34% over the average closing price of approximately HK\$1.756 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 1.07% over the average closing price of approximately HK\$1.769 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day.

The issue price of HK\$1.75 per Consideration Share was arrived at by the Company, Ms. Li Qiu Lian and Ms. Li Qiu Jiao after arm’s length negotiation and taking into account the prevailing trading prices of the Shares.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

***B) Acquisition of 5% entire equity interests in PRC Company B***

RMB50,000 for the acquisition of 5% entire equity interests in PRC Company B. Such consideration was determined based on the registered capital of PRC Company B which shall be contributed by Weixin Shiye upon the establishment of PRC Company B. Subject to the completion of the transfer to, and the registration of, the Sale Interest under the name of Zhongan Jiankang or a company designated by Zhongan Jiankang, RMB50,000 will be fully settled by Zhongan Jiankang in cash within 5 Business Days upon Completion Date.

**Conditions:**

Completion of the Cooperation Agreement is subject to the fulfillment of, among others, the following conditions precedents:

- (i) the transfer of Huaiji Yueshan Hot Springs Mining Rights by Weixin Shiye to Huaiji Yueshan at nil consideration;
- (ii) the transfer of Jinji Shan Travel Resources Developmental Rights by Weixin Shiye and Feng Hua HK to PRC Company B at nil consideration;
- (iii) the capital contribution of RMB50,000 by Weixin Shiye into PRC Company B in full, being the registered capital of PRC Company B in proportion to Weixin Shiye's equity interests in PRC Company B;
- (iv) Zhongan Jiankang being satisfied with the results of its (i) due diligence review results on, among others, the financial, business and legal aspects of Huaiji Yueshan and PRC Company B, including but not limited to the legal ownership of Huaiji Yueshan Hot Springs Developmental Rights and Huaiji Yueshan Hot Springs Mining Rights by Huaiji Yueshan; and legal ownership of Jinji Shan Travel Resources Developmental Rights by PRC Company B and (ii) the property valuation report of each of Huaiji Yueshan and PRC Company B;

- (v) (if required) Zhong An and the Company having obtained the approval by their respective shareholders at extraordinary general meetings in respect of the transactions contemplated under the Cooperation Agreement;
- (vi) the Listing Committee of the Stock Exchange granting the listing of permission to deal with in the Consideration Shares;
- (vii) the transactions contemplated under the Cooperation Agreement, and all necessary approval by the respective boards of directors and shareholders of Huaiji Yueshan and PRC Company B and the relevant government approval authority for the transfers of the Sale Interest to Zhongan Jiankang having been obtained; and
- (viii) the completion of the acquisition of the entire equity interest in Huaiji Yueshan and the 5% of the entire equity interest in PRC Company B by Zhongan Jiankang shall take place at the same time.

In the event that any of the above conditions are not fulfilled or waived by Zhongan Jiankang (other than conditions precedents (i) to (iii) and (v) to (viii) above which may not be waived by Zhongan Jiankang) on or before 5 p.m. on 30 June 2018 (or such other period as agreed by Zhongan Jiankang), the Cooperation Agreement shall lapse and cease to have effect. Save as otherwise provided in the Cooperation Agreement, neither party shall have any obligations and liabilities against each other except for any antecedent breaches of the provisions of the Cooperation Agreement.

**Other principal terms:**

- (i) If any representations, warranties or undertakings provided by the Vendors under the Cooperation Agreement are false, inaccurate or concealed, or any material information in relation to the Sale Interest has not been accurately disclosed to Zhongan Jiankang, Zhongan Jiankang shall have the right to terminate the Cooperation Agreement.

- (ii) Within three Business Days upon signing of the Cooperation Agreement, Zhongan Jiankang shall pay a sum of RMB10,000,000 to an escrow agent designated by the parties to the Cooperation Agreement as a refundable deposit (the “**Deposit**”). The Deposit (without interest) shall be refunded by the escrow agent to Zhongan Jiankang within three Business Days if the Cooperation Agreement is terminated pursuant to the terms therein.
- (iii) If Zhongan Jiankang fails to settle the Consideration in accordance with the Cooperation Agreement, it shall pay an interest to the respective Vendors at an interest rate of 0.05% per day for any payment overdue. If Zhongan Jiankang fails to settle the Consideration in accordance with the Cooperation Agreement for over ten days, Ms. Li Qiu Lian, Ms. Li Qiu Jiao or Weixin Shiye shall have the right to terminate the Cooperation Agreement, and Zhongan Jiankang or the company designated by Zhongan Jiankang should return all equity interests of Huaijie Yueshan and PRC Company B then transferred to them to Ms. Li Qiu Lian, Ms. Li Qiu Jiao or Weixin Shiye respectively within ten days from the date of termination of the Cooperation Agreement.
- (iv) If Ms. Li Qiu Lian and Ms. Li Qiu Jiao fail to complete the registration of the entire equity interest of Huaiji Yueshan; or if Weixin Shiye fails to complete the registration of the 5% equity interest of PRC Company B, under the name of Zhongan Jiankang or its designated company in accordance with the Cooperation Agreement (collectively, the “**Registrations**”), Ms. Li Qiu Lian, Ms. Li Qiu Jiao or Weixin Shiye shall pay damages to Zhongan Jiankang calculated at 0.05% of the Consideration per day. If Ms. Li Qiu Lian, Ms. Li Qiu Jiao or Weixin Shiye fail to complete the Registration for over thirty days, Zhongan Jiankang shall have the right to terminate the Cooperation Agreement, and Ms. Li Qiu Lian, Ms. Li Qiu Jiao and Weixin Shiye shall return to Zhongan Jiankang the Deposit at twice its initial amount, as well as indemnifying all losses of Zhongan Jiankang in this connection.

## COMPLETION

Subject to the fulfilment (and/or waiver by Zhongan Jiankang as the case maybe) of all the conditions precedent mentioned above, Completion shall take place within ten Business Days thereafter.

## EFFECTS ON SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon the allotment and issuance of all the Consideration Shares, for illustration purpose only:

	As at the date of this announcement		Immediately after the allotment and issuance of all the Consideration Shares	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
<b>Shareholder</b>				
<b>Connected persons</b>				
Ideal World Investments Limited ("Ideal World")(Note 1)	1,270,000,000	68.79	1,270,000,000	67.80
Whole Good Management Limited ("Whole Good")(Note 1)	31,303,594	1.70	31,303,594	1.67
<b>Public</b>				
Allottee	–	–	26,890,773	1.44
Other public Shareholders	544,828,406	29.51	544,828,406	29.09
<b>Sub-total:</b>	<u>544,828,406</u>	<u>29.51</u>	<u>571,719,179</u>	<u>30.53</u>
<b>Total:</b>	<u><b>1,846,132,000</b></u>	<u><b>100.00</b></u>	<u><b>1,873,022,773</b></u>	<u><b>100.00</b></u>



*Notes:*

1. Ideal World is a wholly owned subsidiary of Zhong An. The entire issued shares of Zhong An are owned as to about 55.9% by Whole Good, which is wholly owned by Mr. Shi Kancheng, the Chairperson and a non-executive Director.
2. As disclosed in the above shareholding table, immediately after completion of the allotment and issuance of the Consideration Shares, a minimum of 25% of the issued share capital of the Company will be in public hands.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

Huaiji Yueshan is the legal owner of Huaiji Yueshan Hot Springs Developmental Rights, and the principal activities of Huaiji Yueshan is the development, construction and management of hot springs and other infrastructure facilities in the Yueshan Hot Springs resort area in Huaiji, Guangdong, the PRC.

The principal activities of PRC Company B is expected to be the development, construction and management of travel resources and facilities in Jinji Shan, Guangxi, the PRC.

The principal activities of Weixin Shiye is the trading of construction materials in the PRC.

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.

The Acquisition envisaged under the Cooperation Agreement would allow the Group to capture the business and development opportunities arising from the tourism and wellness facilities development in areas of Huaiji, Guangdong and Jinji Shan, Guangxi in the PRC, in light of the continued urbanisation, economic growth and improvement in living standards of the residents in these regions. This is conducive to the long-term growth and sustainable development of the Group as a whole, and may enhance shareholder value in the long run.

Accordingly, the Directors consider that the terms of the Cooperation Agreement for the Acquisition are on normal commercial terms and are fair and reasonable and in the interests of the shareholders of the Group as a whole.

## **FINANCIAL INFORMATION OF HUIJI YUESHAN**

Based on the unaudited consolidated management accounts of Huaiji Yueshan, the net asset value of Huaiji Yueshan was approximately RMB49,920,000 as at 31 December 2016, while the net profit before and after taxation and extraordinary items attributable to Huaiji Yueshan for the year ended 31 December 2016 was nil. Based on the unaudited consolidated management accounts of Huaiji Yueshan for the year ended 31 December 2015, the net asset value of Huaiji Yueshan was approximately RMB49,055,000, while the net profit before and after taxation and extraordinary items attributable to Huaiji Yueshan for the year ended 31 December 2015 was nil.

## **REQUIREMENTS UNDER THE LISTING RULES**

As all the applicable percentage ratios in respect of the transactions contemplated under the Cooperation Agreement are less than 5% and the Consideration will be satisfied partly by cash and partly by the allotment and issue of the Consideration Shares, the transactions constitute a share transaction for the Company under Rule 14.06 of the Listing Rules, and the transaction contemplated under the Cooperation Agreement will be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise required, the following terms and expressions have the following meanings when used herein.

“Acquisition”	the acquisition by Zhongan Jiankang of the Sale Interest from the Vendors subject to and upon the terms and conditions of the Cooperation Agreement
“AGM”	the annual general meeting of the Company held on 8 June 2017
“Board”	the board of Directors
“Business Days”	a day other than a Saturday, Sunday or public holiday, on which banks in Hong Kong are open for business generally
“Company”	China New City Commercial Development Limited (中國新城市商業發展有限公司), an exempted company incorporated under the laws of Cayman Islands whose issued shares are listed on the main board of the Stock Exchange

“Completion”	completion of the Cooperation Agreement in accordance with its terms
“Completion Date”	within ten Business Day after the date on which the conditions set out in the Cooperation Agreement are fulfilled or, as the case may be, waived by Zhongan Jiankang
“connected person(s)”	has the meaning given to it in the Listing Rules
“Consideration”	the consideration payable by Zhongan Jiankang to Ms. Li Qiu Lian and Ms. Li Qiu Jiao pursuant to the Cooperation Agreement
“Consideration Shares”	the 26,890,773 new Shares to be allotted and issued by the Company at the issue price of HK\$1.75 per Consideration Share, credited as fully paid, for the purpose of settling the Consideration
“Cooperation Agreement”	the conditional cooperation agreement dated 14 December 2017 entered into between Ms. Li Qiu Lian, Ms. Li Qiu Jiao and Weixin Shiye as vendors, Feng Hua HK and Zhongan Jiankang as purchaser in relation to the Acquisition
“Directors”	the directors of the Company
“Feng Hua HK”	Feng Hua (HK) Limited (鋒華(香港)有限公司), a company incorporated in Hong Kong with limited liability
“General Mandate”	the general mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the AGM (or, if applicable, the general mandate to allot, issue and deal with Shares as may be subsequently granted in accordance with Rule 13.36(2)(b) of the Listing Rules to the Directors by the Shareholders so long as it is valid and in force on the date of the Completion and sufficient to cover the Consideration Shares)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Huaiji Yueshan”	Huaiji Yueshan Hot Springs Resort District Co., Ltd* (懷集岳山溫泉旅游度假區有限公司), a limited liability company established in the PRC
“Huaiji Yueshan Hot Springs Developmental Rights”	certain developmental rights in Yueshan Hot Springs resort area in Huaji, Guangdong, the PRC, and other rights including among others, land use rights and rights to infrastructure facilities, owned by Huaiji Yueshan prior to the Completion
“Huaiji Yueshan Hot Springs Mining Rights”	certain mining rights in Yueshan Hot Springs resort area in Huaji, Guangdong, the PRC, and other rights and relevant documents including relevant governmental approvals, owned by Weixin Shiye prior to the Completion
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons (having the meaning ascribed to it under the Listing Rules)
“Jinji Shan Travel Resources Developmental Rights”	certain travel resources developmental rights in Jinji Shan, Guangxi, the PRC, and other preliminary developmental works owned by Weixin Shiye and Feng Hua HK prior to the Completion
“Listing Committee”	the listing sub-committee of the board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Li Qiu Lian”	Ms. Li Qiu Lian (李秋連), an Independent Third Party, and one of the Vendors
“Ms. Li Qiu Jiao”	Ms. Li Qiu Jiao (李秋嬌), an Independent Third Party, and one of the Vendors
“PRC”	The People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“PRC Company B”	a company to be established in the PRC pursuant to the Cooperation Agreement, which shall be owned as to 95% and 5% by Zhongan Jiankang and Weixin Shiye respectively prior to the Completion

“Sale Interest”	the entire equity interest in Huaiji Yueshan held by Ms. Li Qiu Lian and Ms. Li Qiu Jiao; and 5% of the entire equity interest in PRC Company B held by Weixin Shiye upon the establishment of PRC Company B and prior to the Completion
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	collectively, Ms. Li Qiu Lian, Ms. Li Qiu Jiao and Weixin Shiye
“Weixin Shiye”	Zhaoqing Shi Weixin Shiye Co., Ltd* (肇慶市威信實業有限公司), a limited liability company established in the PRC, and one of the Vendors, which is owned as to 50% by Ms. Li Qiu Lian and 50% by Ms. Li Qiu Jiao
“Zhong An”	Zhong An Real Estate Limited (眾安房產有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Zhongan Jiankang”	Zhongan Jiankang Chanye Development Co., Ltd* (眾安健康產業發展有限公司), an indirect non-wholly owned subsidiary of the Company
“%”	per cent.

\* *denotes English translation of the name of a Chinese company, and is provided for identification purposes only.*

By order of the Board  
**China New City Commercial Development Limited**  
中國新城市商業發展有限公司  
**Shi Kancheng**  
*Chairperson*

The PRC, 14 December 2017

*As at the date of this announcement, the Board comprises Mr. Dong Shuixiao, Ms. Jin Ni and Ms. Tang Yiyang, as executive Directors; Mr. Shi Kancheng, as non-executive Director; and Mr. Ng Sze Yuen, Terry, Mr. Xu Chengfa and Mr. Yim Chun Leung, as independent non-executive Directors.*