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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO VERY SUBSTANTIAL ACQUISITIONS AND CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of China New City Commercial Development Limited (the “**Company**”) dated 27 April 2022 (the “**Announcement**”) in relation to certain very substantial acquisitions and continuing connected transactions in the form of the Advances entered into by the Group with the Zhong An Group. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined in the Announcement.

The Board would like to provide the following supplemental information in relation to the Announcement:

INFORMATION OF THE PARTIES

The Group

The Company is an investment holding company. The Company and its subsidiaries are principally engaged in commercial property development, leasing and hotel operations.

The Zhong An Group

The Zhong An Group is principally engaged in property development, property leasing and hotel operations.

MAJOR TERMS OF THE ADVANCES

Further to the information in relation to the Advances disclosed in the paragraph headed “The Transactions” of the Announcement, based on the records of the Group and/or to the best of the Directors’ knowledge, information and belief having made reasonable relevant enquiries, the Board sets out below further details on the terms of the Advances:

Period

The Advances arose mainly as a result of the intra-group allocations of funds between the Group and the Zhong An Group. They were of a recurring nature and calculated on annualised basis at an interest rate of 10% for 2020 and 8% for 2021.

Security

The Advances were unsecured and with no guarantee or pledge created.

Basis of consideration

The terms of the Advances, including the interest rate, were mutually determined after arm's length negotiation between the Group and the Zhong An Group with reference to, among others, the then capital needs of the Zhong An Group, the financial positions of the Zhong An Group and the Group, the funds available and the overall net amount due to/due from position of the Group versus the Zhong An Group.

During the period the Advances were made, the Zhong An Group also made advances to the Group and such advances were interest-free and unsecured.

Given the recurring and reciprocal nature of funds between the Group and the Zhong An Group, the Directors are of the view that it would be appropriate and reasonable to determine the terms of Advances by taking into account, among others, the overall net position of the Group's current account (the "**Net Position**").

For the years ended 31 December 2016 to 2018, the Net Position was that the Group due to the Zhong An Group in the amount of approximately RMB187.4 million, RMB656.9 million and RMB962.5 million, respectively. For this period, since the funds advanced by the Zhong An Group to the Group was free of interest, on arm's length negotiation, the Group and the Zhong An Group agreed that the Advances for the same period would be free of interest.

For the year ended 31 December 2019, the Net Position changed to a position that the Group due from the Zhong An Group in the amount of approximately RMB348.6 million. In the circumstances and on arm's length negotiation, the Group and the Zhong An Group agreed that certain portion of the Advances for the following financial year, or financial years where appropriate, would bear interest, at the interest rate determined by the Group with reference to the prevailing market rate and factors as abovementioned. The advances to be made by the Zhong An Group to the Group would continue to be interest-free.

Average principal amount of approximately RMB931.0 million, RMB1,362.9 million and RMB777.5 million, respectively, for the years ended 31 December 2020 and 2021, and the period from 1 January 2022 to 22 April 2022 carried interests while all other remaining Advances were interest-free. The sum due from the Zhong An Group of RMB585.0 million as at 31 December 2021 was fully settled on 22 April 2022.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that (i) the Advances were made in the ordinary and usual course of business of the Group and on normal commercial terms or better; (ii) the terms of the Advances (with interest and without interest) were fair and reasonable and in the interests of the Group and the Company's shareholders as a whole.

None of the Directors had a material interest in the Advances.

REASONS FOR AND BENEFITS OF THE ADVANCES

The Advances arose mainly as a result of the intra-group allocation of funds among the Group and the Zhong An Group. The Directors (including the independent non-executive Directors) consider that such fund-allocations of which the Advances formed part were beneficial to the Group as a whole because the Group could (i) enjoy interest-free funds from the Zhong An Group; and (ii) receive interest income from the interest-bearing portion of the Advances, after taking into account the Net Position.

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

Hong Kong, 25 May 2022

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