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众安房产
ZHONG AN REAL ESTATE

眾安房產有限公司
ZHONG AN REAL ESTATE LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 672)



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)

**JOINT ANNOUNCEMENT
DISCLOSEABLE TRANSACTION IN RELATION TO
ACQUISITION OF EQUITY INTERESTS IN XUZHOU WANXIANG**

On 16 May 2018 (after trading hours), Zhong An Shenglong (an indirect non-wholly owned subsidiary of CNC which, in turn, is an indirect non-wholly owned subsidiary of Zhong An) entered into the Equity Transfer Agreement with China Business Alliance and Wanxiang Fujian, pursuant to which, among others, Zhong An Shenglong has conditionally agreed to acquire 51% of the entire equity interests in Xuzhou Wanxiang from Wanxiang Fujian.

The Acquisition contemplated under the Equity Transfer Agreement constitutes a discloseable transaction for Zhong An and CNC under Chapter 14 of the Listing Rules.

INTRODUCTION

The respective Boards of Zhong An and CNC wish to announce that on 16 May 2018 (after trading hours), Zhong An Shenglong (an indirect non-wholly owned subsidiary of CNC which, in turn, is an indirect non-wholly owned subsidiary of Zhong An) entered into the Equity Transfer Agreement with China Business Alliance and Wanxiang Fujian, pursuant to which, among others, Zhong An Shenglong has conditionally agreed to acquire 51% of the entire equity interests in Xuzhou Wanxiang from Wanxiang Fujian at the consideration and subject to and upon the principal terms and conditions as disclosed below.

THE EQUITY TRANSFER AGREEMENT

Date: 16 May 2018

Parties:

- (i) 1st Purchaser – Zhong An Shenglong (as purchaser of the Sale Interest)
- (ii) 2nd Purchaser – China Business Alliance (as purchaser of 4% of the entire equity interests in Xuzhou Wanxiang)
- (iii) Vendor – Wanxiang Fujian

To the best of the knowledge, information and belief of the Directors of Zhong An and CNC and having made all reasonable enquiries, Wanxiang Fujian and China Business Alliance and their respective ultimate beneficial owner(s) are third parties independent of Zhong An, CNC and their respective connected persons.

Assets to be acquired under the Acquisition: 51% of the entire equity interests in Xuzhou Wanxiang held by Wanxiang Fujian

Consideration for the Acquisition: RMB204 million (which includes a refundable performance security deposit of RMB60 million (“**Performance Security Deposit**”))

The Consideration was determined after arm’s length negotiations between Zhong An Shenglong and Wanxiang Fujian, with reference to the unaudited management accounts of Xuzhou Wanxiang for the year ended 31 December 2017.

The Consideration and the Performance Security Deposit are payable in cash by Zhong An Shenglong and shall be paid into the Joint Account (as defined below) on the Completion Date.

Conditions: Completion of the Equity Transfer Agreement is subject to the fulfillment of the following conditions precedent:

- (i) all external guarantees by Xuzhou Wanxiang having been released;

- (ii) Xuzhou Wanxiang having obtained the state-owned land use right certificate in relation to a piece of land in Xincheng District, Xuzhou City, Jiangsu Province, the PRC;
- (iii) (a) Zhong An Shenglong, China Business Alliance and Wanxiang Fujian having set up a joint bank account (“**Joint Account**”) in Hangzhou, the PRC; and (b) Zhong An Shenglong, China Business Alliance, Wanxiang Fujian and the relevant bank having entered into a fund supervision agreement to regulate the supervision of the Joint Account, within seven business days after the fulfilment of conditions (i) and (ii) above.

Completion:

Completion shall take place on the Completion Date, which is within seven business days after the date on which condition (iii) as set out under “The Equity Transfer Agreement – Conditions” is fulfilled. Within seven business days after the Completion Date, Wanxiang Fujian shall, among others, complete the registration of (a) the Sale Interest under the name of Zhong An Shenglong (or its designated company) and (b) the 4% equity interests in Xuzhou Wanxiang held by Wanxiang Fujian under the name of China Business Alliance (or its designated company) (“**Registration Completion**”).

Composition of the board of Xuzhou Wanxiang:

The board of Xuzhou Wanxiang shall consist of five directors, three of which shall be nominated by Zhong An Shenglong, and two of which shall be nominated by Wanxiang Fujian. The chairman of the board of directors of Xuzhou Wanxiang shall be nominated by Wanxiang Fujian.

Dividends/Rewards:

- (i) From the Registration Completion date and up to until the distributable but undistributed profit of Xuzhou Wanxiang reaches RMB200 million, Xuzhou Wanxiang shall declare dividend in the amount of RMB200 million (“**First Dividend**”) which shall be distributed in proportion to the then respective equity interests of the 1st Purchaser, the 2nd Purchaser and Wanxiang Fujian in Xuzhou Wanxiang.

- (ii) After the declaration of the First Dividend, if the distributable but undistributed profit of Xuzhou Wanxiang reaches RMB200 million again thereafter, (a) Wanxiang Fujian shall refund the Performance Security Deposit (without interest) to the 1st Purchaser; and (b) Xuzhou Wanxiang shall declare dividend in the amount of RMB200 million (“**Second Dividend**”) which shall be distributed as to RMB42 million to the 1st Purchaser, as to RMB8 million to the 2nd Purchaser and RMB150 million to Wanxiang Fujian.
- (iii) From the Completion Date and up to the date on which the First Dividend is paid, Xuzhou Wanxiang shall reserve RMB44 million each year (if less than one year, such amount shall be calculated according to the actual number of days) as rewards (“**First Reward**”) to be paid, on the day in which the First Dividend is paid, as to 51% to the 1st Purchaser and 4% to the 2nd Purchaser.
- (iv) From the day after the date on which the First Dividend is paid and up to the date in which the Second Dividend is paid, Xuzhou Wanxiang shall reserve RMB22 million each year (if less than one year, such amount shall be calculated according to the actual number of days) as rewards (“**Second Reward**”, together with the First Reward, “**Rewards**”) to be paid, on the day in which the Second Dividend is paid, as to 51% to the 1st Purchaser and 4% to the 2nd Purchaser.

**Put Option – repurchase by
Wanxiang Fujian:**

- (i) If the payment of the First Dividend or the Second Dividend or the payment of the Rewards or the refund of the Performance Security Deposit has not been completed within 48 months after the Completion Date, beginning from the 43rd month after the Completion Date, the 1st Purchaser and the 2nd Purchaser may each by written notice request Wanxiang Fujian to repurchase the entire equity interests in Xuzhou Wanxiang held by the 1st Purchaser or (as the case be) the 2nd Purchaser (“**Put Option**”) for cash at a consideration which shall be calculated as follows:

$$A = (B - C) \times ((1 + 20\%) \times (T/365 \text{ days}))$$

Where:

- A means the repurchase consideration
- B means the consideration for the equity interests paid by the 1st Purchaser (excluding the Performance Security Deposit) or (as the case may be) the 2nd Purchaser
- C means all dividend declared and paid by Xuzhou Wanxiang
- T means (a) under the circumstances when the declaration of the First Dividend has not been completed, the number of days between the Completion Date and the date in which Wanxiang Fujian has transferred the repurchase consideration, the Performance Security Deposit interests to the 1st Purchaser (“**Performance Security Deposit Interests**”) and the Rewards due and payable into the designated account of the 1st Purchaser and/or the 2nd Purchaser, respectively. Performance Security Deposit Interests shall be calculated as RMB60 million $\times ((1 + 20\%) \times (T/365 \text{ days}))$; or (b) under the circumstances when the declaration of the Second Dividend has not been completed, the number of days between the date in which the First Dividend is paid and the date in which Wanxiang Fujian has transferred the repurchase consideration, Performance Security Deposit Interests and the Rewards due and payable to the designated account of the 1st Purchaser and/or the 2nd Purchaser, respectively. Given that “T” shall not exceed the number of days accumulated within any 48 months.

Wanxiang Fujian shall pay the repurchase consideration and the Performance Security Deposit Interests within 180 days after receipt of the Put Option notice served by the 1st Purchaser and/or the 2nd Purchaser.

The Put Option will lapse upon the 51st month after the Completion Date.

- (ii) Within 30 days after the commercial properties developed by Xuzhou Wanxiang having obtained approval for completed construction from the relevant authorities of the PRC, Wanxiang Fujian shall acquire the Sale Interest from the 1st Purchaser and the 4% equity interests in Xuzhou Wanxiang held by the 2nd Purchaser at a consideration to be determined based on the then net asset value of Xuzhou Wanxiang. As the consideration for this disposal of the Sale Interest by Zhong An Shenglong could not be determined as at the date of this announcement, it is agreed by the parties that such disposal shall, if materialised, be subject to the compliance of the Listing Rules by CNC.
- (iii) If Wanxiang Fujian fails to comply with its payment obligation as set out under (i) above, Wanxiang Fujian shall pay to the 1st Purchaser and/or the 2nd Purchaser 0.1% per day of the amount(s) due and payable (calculated on daily basis) as liquidated damages.

Termination:

- (i) If within three months after the signing of the Equity Transfer Agreement, no agreement has been reached on the planning proposal or if the planning proposal which is submitted to the relevant planning authority in the PRC is not approved within six months, the 1st Purchaser and/or the 2nd Purchaser have the right to terminate the Equity Transfer Agreement. Wanxiang Fujian shall within seven business days after receiving written notice for termination from the 1st Purchaser and/or the 2nd Purchaser pay into the Joint Account an amount equal to the consideration paid by the 1st Purchaser and/or the 2nd Purchaser and the Performance Security Deposit (with interest). Upon such fund being fully credited to the Joint Account, the 1st Purchaser and/or the 2nd Purchaser shall within seven days complete the registration of the transfer of their respective equity interests in Xuzhou Wanxiang under the name of Wanxiang Fujian.
- (ii) If Wanxiang Fujian fails to comply with its payment obligation within 30 business days as set out under (i) above, Wanxiang Fujian shall pay to the 1st Purchaser and/or the 2nd Purchaser interests on the amount(s) due and payable (calculated on daily basis) as liquidated damages. Such interests shall be four times the then interest rate as specified by the People's Bank of China.
- (iii) If the 1st Purchaser or the 2nd Purchaser fails to comply with its payment obligation under the Equity Transfer Agreement, the defaulting party shall pay to Wanxiang Fujian 0.1% per day of the amount(s) due and payable (calculated on daily basis) as liquidated damages.
- (iv) If Wanxiang Fujian fails to complete the registration of the Sale Interest under the name of the 1st Purchaser or the 4% equity interests in Xuzhou Wanxiang under the name of the 2nd Purchaser in accordance with the Equity Transfer Agreement, Wanxiang Fujian shall pay to the 1st Purchaser or (as the case may be) the 2nd Purchaser 0.1% per day of the consideration paid (calculated on daily basis) as liquidated damages.

- (v) If (a) the 1st Purchaser or the 2nd Purchaser fails to comply with its payment obligation under the Equity Transfer Agreement for over 20 business days, (b) Wanxiang Fujian fails to complete the registration of the Sale Interest under the name of the 1st Purchaser or the 4% equity interests in Xuzhou Wanxiang under the name of the 2nd Purchaser respectively in accordance with the Equity Transfer Agreement for over 20 business days, or (c) any representations, warranties or undertakings provided by Wanxiang Fujian under the Equity Transfer Agreement are false, inaccurate or concealed, or any material information in relation to Xuzhou Wanxiang has not been accurately disclosed to the 1st Purchaser or the 2nd Purchaser, the non-defaulting party shall have the right to terminate the Equity Transfer Agreement, the defaulting party shall pay the non-defaulting party 20% of the consideration paid as liquidated damages, and (as applicable) the 1st Purchaser or the 2nd Purchaser should return all equity interests of Xuzhou Wanxiang then transferred to it to Wanxiang Fujian, or Wanxiang Fujian shall refund to the 1st Purchaser or the 2nd Purchaser any payment made by it under the Equity Transfer Agreement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal activities of Xuzhou Wanxiang is the development, construction and management of commercial properties in Xuzhou city, Jiangsu Province, the PRC. As at the date of this announcement, the entire equity interests in Xuzhou Wanxiang is held by Wanxiang Fujian.

The principal activity of Wanxiang Fujian is investment holding.

The principal activity of Zhong An is investment holding and, through its subsidiaries, property development, leasing and hotel operation in the PRC.

The principal activity of CNC 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 Equity Transfer Agreement would allow the Group to capture the business and development opportunities arising from the commercial properties development in areas of Xuzhou city, Jiangsu Province, 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 respective Directors of Zhong An and CNC consider that the terms of the Equity Transfer 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 XUZHOU WANXIANG

Based on the unaudited management accounts of Xuzhou Wanxiang for the year ended 31 December 2017, the net asset value of Xuzhou Wanxiang was approximately RMB258,000,000 as at 31 December 2017, while the net profit before and after taxation and extraordinary items attributable to Xuzhou Wanxiang for the year ended 31 December 2017 was nil. Based on the unaudited management accounts of Xuzhou Wanxiang for the year ended 31 December 2016, the net asset value of Xuzhou Wanxiang was approximately RMB258,000,000 as at 31 December 2016, while the net profit before and after taxation and extraordinary items attributable to Xuzhou Wanxiang for the year ended 31 December 2016 was nil.

FUNDING OF THE CONSIDERATION

The Consideration will be funded by the CNC Group's internal resources and/or external financing.

REQUIREMENTS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceeds 5% but less than 25%, the Acquisition contemplated under the Equity Transfer Agreement constitutes a discloseable transaction for Zhong An and CNC 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 Zhong An Shenglong of the Sale Interest from Wanxiang Fujian subject to and upon the terms and conditions of the Equity Transfer Agreement

“Board” the board of Directors

“China Business Alliance” or “2nd Purchaser”	China Business Alliance (Beijing) Commercial Investment Co., Ltd.* (中商聯盟(北京)商業投資有限公司), a limited liability company established in the PRC and the purchaser of 4% of the entire equity interests in Xuzhou Wanxiang held by Wanxiang Fujian under the Equity Transfer Agreement (and, in the context of the Equity Transfer Agreement and as the case may be, includes its designated company)
“CNC”	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, the issued shares of which are listed on the main board of the Stock Exchange
“CNC Group”	CNC and its subsidiaries
“Completion”	completion of the Acquisition contemplated under the Equity Transfer Agreement in accordance with its terms
“Completion Date”	within seven business days after the date on which condition (iii) as set out under “The Equity Transfer Agreement – Conditions” is fulfilled
“connected person(s)”	has the meaning given to it in the Listing Rules
“Consideration”	the consideration payable by Zhong An Shenglong to Wanxiang Fujian pursuant to the Equity Transfer Agreement
“Directors”	the directors of Zhong An or (as the case may be) CNC
“Equity Transfer Agreement”	the conditional equity transfer agreement dated 16 May 2018 (as supplemented by a supplemental equity transfer agreement dated 16 May 2018) entered into between Wanxiang Fujian as vendor, Zhong An Shenglong and China Business Alliance as purchasers in relation to, among others, the Acquisition
“Group”	the Zhong An Group and the CNC Group collectively
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	The People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	51% of the entire equity interests in Xuzhou Wanxiang held by Wanxiang Fujian
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wanxiang Fujian” or “Vendor”	Wanxiang (Fujian) Zhiye Development Co., Ltd.* (萬象(福建)置業發展有限公司), a limited liability company established in the PRC
“Xuzhou Wanxiang”	Xuzhou City Wanxiang Zhiye Development Co., Ltd.* (徐州市萬象置業發展有限公司), a limited liability company established in the PRC
“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 issued shares of which are listed on the main board of the Stock Exchange
“Zhong An Group”	Zhong An together with its subsidiaries
“Zhong An Shenglong” or “1st Purchaser”	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 and a member of the Group (and, in the context of the Equity Transfer Agreement and as the case may be, includes its designated 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
Zhong An Real Estate Limited
眾安房產有限公司
Shi Kancheng
Chairperson

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, 16 May 2018

As at the date of this announcement, the Board of Zhong An comprises Mr Shi Kancheng (Chairman), Ms Wang Shuiyun, Ms Shen Tiaojuan, Mr Zhang Jiangang and Mr Jin Jianrong as executive Directors; Ms Shen Li as non-executive Director; and Professor Pei Ker Wei, Dr Loke Yu and Mr Zhang Huaqiao as independent non-executive Directors.

As at the date of this announcement, the Board of CNC comprises Mr. Dong Shuixiao, Ms. Jin Ni and Ms. Tang Yiyan, 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.