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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)**

**VOLUNTARY ANNOUNCEMENT  
LUBU TOWN COOPERATION AGREEMENT  
AND THE LUBU TOWN SUPPLEMENTAL COOPERATION AGREEMENT  
INVOLVING  
THE PROPOSED FORMATION OF A JOINT VENTURE  
FOR THE DEVELOPMENT OF LAND**

Reference is made to the Lubu Town Urbanization MOU as set out in the Prospectus. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as defined in the Prospectus.

The Board is pleased to announce that the Group entered into the Lubu Town Cooperation Agreement and the Lubu Town Supplemental Cooperation Agreement with the Lubu Town Government in respect of the proposed formation of the Lubu Town JV for the engagement in land development activities on the Site.

### **LUBU TOWN COOPERATION AGREEMENT AND THE LUBU TOWN SUPPLEMENTAL COOPERATION AGREEMENT**

- Date : Lubu Town Cooperation Agreement: 4 January 2015  
Lubu Town Supplemental Cooperation Agreement: 14 January 2015
- Parties : (1) Zhongan Construction, an indirect non-wholly owned subsidiary of the Company; and  
: (2) Lubu Town Government.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Lubu Town Government is independent of and not connected with the Company and its connected persons.

Purpose : the formation of the Lubu Town JV for the joint development of land within the Site.

## **PRINCIPAL TERMS FOR THE FORMATION OF THE LUBU TOWN JV PURSUANT TO THE LUBU TOWN COOPERATION AGREEMENT AND THE LUBU TOWN SUPPLEMENTAL COOPERATION AGREEMENT**

Subject to the signing of the equity joint venture agreement and the articles governing the formation of the Lubu Town JV and the approval of the relevant PRC governmental authorities being obtained, the principal terms for the formation of the Lubu Town JV are summarized below:

Proposed name : 陸埠鎮小城鎮建設發展有限公司(Lubu Town Small Town Construction Development Co., Ltd\*)

Partners to the Lubu Town JV : an entity designated by the Lubu Town Government under the Lubu Town Cooperation Agreement; and

Zhongan Construction as designated by the Group under the Lubu Town Cooperation Agreement

Duration of operation : Seven years (tentative)

Scope of business : the development of land (including land leveling and pre-development) and operation within the Site.

Such activities include, among others, master site planning, expropriation of land, demolition and resettlement, public facilities and amenities construction, promotion of Lubu New Town and property management.

Total investment, registered capital and capital contribution : Total investment of RMB5 billion with a registered capital of RMB100 million, which is to be contributed as to:

- RMB20 million (20%) by the Lubu Town Government; and
- RMB80 million (80%) by the Group, which is to be funded by the Group's internal resources.

The registered capital is to be contributed by each of the Lubu Town JV partners in cash in two installments:

- 25% to be made within one month from the date of establishment of the Lubu Town JV; and
- 75% to be made within two years from the date of establishment of the Lubu Town JV.

The amounts of the total investment and the registered capital were determined with reference to the commercial assessment by the parties to the Lubu Town Cooperation Agreement of the expected initial scale of the business undertaken by the Lubu Town JV.

There is no provision in the Lubu Town Cooperation Agreement or the Lubu Town Cooperation Supplemental Agreement regarding the source of funding for the difference between the total investment and the registered capital of the Lubu Town JV. It is expected that the Lubu Town JV will fund its operation either out of its own internal resources, operating incomes and/or external financing (unless otherwise determined by its board of directors and so agreed between the parties in the future).

Board composition of the Lubu Town JV : The board of directors of the Lubu Town JV will comprise of five members, of which two of them will be nominated by the Lubu Town Government and three of them will be nominated by the Group.

Principal responsibilities of the Lubu Town Government :

- assisting in obtaining such approvals necessary for the development of the Site (including those relating to planning, expropriation of land, removal, demolition and resettlement works) and/or the operation of the Lubu Town JV;
- assisting to provide and coordinate public facilities involving water, sewage water, electricity, gas, river, telecommunications, etc in the overall site planning;
- procuring the signing of the Land Pre-Development Agreement(s) (as disclosed below) by the relevant PRC governmental authority(ies) with the Lubu Town JV and their execution;
- assisting the Group in obtaining the grant of land use rights to the construction land ( 建設用地 ) available within the Site according to applicable preferential policies and such other incentives that could be offered to the Lubu Town JV;
- rendering all such assistance and support as may be required by the Group and/or the Lubu Town JV for the operation of the Lubu Town JV.

Principal responsibilities of the Group :

- subject to the terms of the Land Pre-Development Agreement(s) (as disclosed below), providing assistance and consultation service in the master planning of the development of the Site (covering such aspects including construction, funding arrangement, marketing and financial analysis, operation and management).

- Profit sharing ratio : In proportion to the respective equity interests of the two Lubu Town JV partners in the Lubu Town JV.
- Restriction on transfer : Any transfer of interests in the registered capital of the Lubu Town JV is subject to pre-emptive rights.

The Lubu Town Cooperation Agreement will terminate if the registered capital contribution for the establishment of the Lubu Town JV is not made within 180 days from the date of signing of the Lubu Town Cooperation Agreement.

## **THE SITE**

Lubu town is one of the national key towns in the PRC, the third batch of national development and reform pilot small towns, and Zhejiang Province provincial town center. According to Lubu town master plan approved by the Yuyao municipal government, the scale of the Lubu New Town will reach 7.2 square kilometers in year 2030 and the related industries to be developed in the town include technology, commercial, entertainment, tourism, medical, education, elderly care and wellness, environmental protection, and agriculture industry.

The site for the development of the first phase of Lubu New Town, which covers a total of approximately 1,200 mu (畝). Lubu New Town is located at Yuyao, Zhejiang Province, the PRC. Lubu New Town is located at approximately 20 kilometers from the city center of Yuyao. The Lubu New Town is well placed for easy access to the city center of Yuyao and Ningbo and Xiaoshan airport, it is approximately 40 kilometers from the Ningbo airport and approximately 80 kilometers from the Xiaoshan airport.

Under the Lubu Town Cooperation Agreement, the Lubu Town JV will be appointed as the sole and exclusive developer to undertake the land development of the Site. The Lubu Town Government agrees not invite any other third party(ies) to participate in any land development activities within the Site which are the same as or similar to the scope of business activities undertaken by the Lubu Town JV. If other third party(ies) are invited to participate, the Lubu Town JV will be given priority to participate under the same terms as offered to such third party(ies).

## **ARRANGEMENTS RELATING TO LAND DEVELOPMENT**

The pre-development of land within the Site will be carried out over a period of seven years in accordance with the Land Pre-Development Agreement(s) to be entered into by the Lubu Town JV with the relevant PRC governmental authority(ies) from time to time.

Lubu Town JV will undertake the costs and expenses of the pre-development of land within the Site. The land, after pre-development by the Lubu Town JV, would be put up for sale (in portions) through the public tender, auction or listing process. Not less than 140 mu (equivalent to approximately 93,332 square meters) of land with land use rights will be arranged to be sold by the Lubu Town Government

each year to allow the Lubu Town JV to have recurring income for its operation. The sale of all parcels of land (so long as its land use right is transferrable) developed by the Lubu Town JV within the Site is required to be completed within a time span of seven years.

Under the Lubu Town Cooperation Agreement and the Lubu Town Supplemental Cooperation Agreement, the Lubu Town JV shall be entitled to receive a lump sum payment upon the sale of land within the Site so developed by Lubu Town JV, which shall be paid out of the sales proceeds of such land. Such payment shall comprise of an amount equivalent to the portion of the land sales proceeds which could be paid to Lubu Town JV as cost for the development of land and remuneration (“**Entitled Sum**”). If the Entitled Sum is above RMB400,000 per mu of the land, the actual amount receivable by Lubu Town JV will be equivalent to Entitled Sum less an agreed amount per mu of the land, or if the Entitled Sum is below RMB400,000 per mu of the land, the actual amount receivable by Lubu Town JV will be equivalent to an agreed percentage out of the Entitled Sum.

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

The Group is a commercial property developer, owner and operator, with a focus on the development of integrated commercial complexes in sub-city centers of second-tier cities in the Yangtze-River Delta Region as well as participating in the business of land development in different towns and counties in the PRC by entering into cooperation agreements with local government authorities in the PRC.

The terms of the Lubu Town Cooperation Agreement and the Lubu Town Supplemental Cooperation Agreement were arrived at after arm’s length negotiation, and the transaction was entered into on normal commercial terms and in the ordinary and usual course of business of the Group.

The entering into of the Lubu Town Cooperation Agreement and the Lubu Town Supplemental Cooperation Agreement and the participation in the Lubu Town JV (which is the exclusive developer of the Site) allows the Group to:

- capture the business and development opportunities arising from the continued urbanization of towns and counties in the PRC;
- facilitates the Group in expanding its market and business coverage to new towns and counties in the PRC; and
- leverage on the resources and network of the Lubu Town Government with the PRC governmental authorities, which could facilitate good communication and is beneficial to the business activities undertaken by Lubu Town JV.

The Directors are of the view that the above factors are instrumental to the sustainable development of the business of the Group in the long run.

In light of the above, the Directors consider that the terms of the Lubu Town Cooperation Agreement and the Lubu Town Supplemental Cooperation Agreement (including the terms for the proposed formation of the Lubu Town JV) are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

## GENERAL

As none of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Lubu Town Cooperation Agreement and the Lubu Town Supplemental Cooperation Agreement (including the proposed formation of the Lubu Town JV) exceeds 5%, the entering into of the Lubu Town Cooperation Agreement and the Lubu Town Supplemental Cooperation Agreement does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

In the event of inconsistency, the English version of this announcement shall prevail over the Chinese version.

## DEFINITIONS

Unless otherwise as defined herein, capitalized terms used in this announcement shall have the same meanings as that defined in the Prospectus. The following expressions shall, unless the context requires otherwise, have the following meanings:

“Land Pre-Development Agreement(s)”	the agreement(s) to be entered into by the Lubu Town JV with the relevant PRC governmental authority(ies) from time to time to govern the scope and the terms of the pre-development of land within the Site by the Lubu Town JV
“Lubu Town Cooperation Agreement”	the cooperation agreement dated 4 January 2015 entered into between the Lubu Town Government and Zhongan Construction in relation to the proposed formation of the Lubu Town JV
“Lubu Town Supplemental Cooperation Agreement”	the supplemental cooperation agreement dated 14 January 2015 entered into between the Lubu Town Government and Zhongan Construction as supplement to the Lubu Town Cooperation Agreement
“Lubu Town JV”	the joint venture company to be established in Lubu Town, Yuyao, Zhejiang Province, the PRC pursuant to the terms of the Lubu Town Cooperation Agreement
“Lubu New Town”	the new town to be developed on the Site
“Prospectus”	the prospectus of the Company dated 17 June 2014

“Site” the site for the development of the first phase of the Lubu New Town (陸埠新城) covering a total of approximately 1,200 mu of land

“%” per cent.

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

The PRC, 14 January 2015

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

\* *For identification purposes only*