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CHINA NEW TOWN DEVELOPMENT COMPANY LIMITED
中國新城鎮發展有限公司

(Incorporated as a business company limited by shares under the laws of the British Virgin Islands)

(Stock Code: 1278)

VERY SUBSTANTIAL DISPOSAL
DISPOSAL OF SUBSIDIARY

THE DISPOSAL

The Board is pleased to announce that on 30 June 2022, the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser, the Company and Xincheng Kaiyuan (an indirect wholly-owned subsidiary of the Company) have entered into the Agreement. Pursuant to the Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Equity at a total Purchase Price of RMB738,770,379.43 (equivalent to approximately HK\$863,856,851.53), part of which will be applied towards the consideration for the Sale Equity and part of which will be applied for repayment of the Accrued Payables of the Target Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal as calculated under Rule 14.07 of the Listing Rules exceeds 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules which is subject to the reporting, announcement and shareholders' approval requirements.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other matters, the Agreement and the transactions contemplated therein.

The Circular containing, among other things, (i) further details of the Disposal; (ii) other information as required by the Listing Rules; and (iii) a notice convening the EGM and the proxy form in respect of the EGM, is expected to be despatched to the Shareholders on or before 26 August 2022, as further time is required to prepare the information contained in the Circular.

As completion of the Disposal is subject to the satisfaction of the certain conditions precedent and therefore may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

INTRODUCTION

The Board is pleased to announce that on 30 June 2022, the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser, the Company and Xincheng Kaiyuan (an indirect wholly-owned subsidiary of the Company) have entered into the Agreement. Pursuant to the Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Equity at a total Purchase Price of RMB738,770,379.43 (equivalent to approximately HK\$863,856,851.53), part of which will be applied towards the consideration for the Sale Equity and part of which will be applied for repayment of the Accrued Payables of the Target Company.

THE AGREEMENT

Date

30 June 2022

Parties

- (1) the Vendor, an indirect wholly-owned subsidiary of the Company;
- (2) the Purchaser;
- (3) the Company; and
- (4) Xincheng Kaiyuan, an indirect wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

Subject matter

Pursuant to the Agreement, the Vendor shall dispose of the Sale Equity, representing the entire equity interest in the Target Company, to the Purchaser.

The Sale Equity will be listed on the Shenyang Assets Exchange by the Vendor for bidding at a minimum price not lower than the Purchase Price (which may be adjusted based on the further valuation that may be conducted by the Vendor and Purchaser if required by the transaction process). The Disposal will only be proceeded with if the Purchaser or its nominee successfully bids for the Sale Equity. In the event that the Sale Equity is successfully bid by a third party other than the Purchaser or its nominee on the Shenyang Assets Exchange, the Agreement shall automatically lapse and neither the Purchaser or the Vendor shall have any claim of any nature against the other. In such event, the Vendor will have the legal obligations under the rules of the Shenyang Assets Exchange to sell the Sale Equity to such third party at the final bidding price, and the Company will make further announcement as and when appropriate in this regard.

Purchase Price

The Vendor agreed to sell the Sale Equity to the Purchaser, and the Purchaser agreed to purchase the Sale Equity at a total Purchase Price of RMB738,770,379.43 (equivalent to approximately HK\$863,856,851.53), part of which will be applied towards the consideration for the Sale Equity and part of which will be applied for repayment of the Accrued Payables of the Target Company.

Such part of the Purchase Price to be applied towards the consideration for the Sale Equity shall be satisfied by the Purchaser in cash in three installments as follows:

- (a) RMB175,573,902.59 (equivalent to approximately HK\$205,301,569.91) shall be paid to the Shenyang Assets Exchange as deposit upon the Purchaser making an application to the Shenyang Assets Exchange to bid for the purchase of the Sale Equity. Such deposit shall be released by the Shenyang Assets Exchange and applied towards settlement of the consideration for the Sale Equity upon the successful bidding for the Sale Equity by the Purchaser on the Shenyang Assets Exchange (“**First Consideration Installment**”).
- (b) RMB234,098,536.79 (equivalent to approximately HK\$273,735,426.56) shall be paid within 12 months after the successful bidding for the Sale Equity by the Purchaser on Shenyang Assets Exchange.
- (c) RMB175,573,902.60 (equivalent to approximately HK\$205,301,569.93) shall be paid within 24 months after the successful bidding for the Sale Equity by the Purchaser on the Shenyang Assets Exchange.

Such part of the Purchase Price to be applied for repayment of the Accrued Payables of the Target Company shall be satisfied by the Purchaser in cash in five installments as follows:

- (a) RMB46,057,211.24 (equivalent to approximately HK\$53,855,485.55) shall be paid to the Shenyang Assets Exchange as deposit upon the Purchaser making an application to the Shenyang Assets Exchange for the purchase of the Sale Equity. Such deposit shall be released by the Shenyang Assets Exchange and applied towards settlement of the consideration for the Sale Equity upon the successful bidding for the Sale Equity by the Purchaser on the Shenyang Assets Exchange.
- (b) RMB26,866,706.55 (equivalent to approximately HK\$31,415,699.89) shall be paid within 12 months after the successful bidding for the Sale Equity by the Purchaser on the Shenyang Assets Exchange.
- (c) RMB26,866,706.55 (equivalent to approximately HK\$31,415,699.89) shall be paid within 24 months after the successful bidding for the Sale Equity by the Purchaser on the Shenyang Assets Exchange.
- (d) RMB26,866,706.55 (equivalent to approximately HK\$31,415,699.89) shall be paid within 36 months after the successful bidding for the Sale Equity by the Purchaser on the Shenyang Assets Exchange.
- (e) RMB26,866,706.55 (equivalent to approximately HK\$31,415,699.89) shall be paid within 48 months after the successful bidding for the Sale Equity by the Purchaser on the Shenyang Assets Exchange.

Given the amount of the total Purchase Price and taking into account the funds and financing arrangements of the Purchaser and its ultimate beneficial owner the People's Government of Hunnan District, Shenyang City (瀋陽市渾南區人民政府) and the Group's intended use of the proceeds arising from the Disposal, the Vendor and the Purchaser agreed to the payment of the total Purchase Price by instalment based on the above payment schedule.

According to the Agreement, in the event that the Purchaser fails to duly pay any instalment of the total Purchase Price, a default payment of 0.01% per day shall accrue on the outstanding amount. There is also expected to be certain default clause relating to the payment obligations of the Purchaser in the relevant further legal documentations to be executed for the purpose of the Disposal upon the successful bidding for the Sale Equity by the Purchaser on the Shenyang Assets Exchange. The Vendor may also take legal action as may be appropriate against the Purchaser, including but not limited to seeking a freezing order over the assets of the Purchaser, to recover any loss in connection with any payment default by the Purchaser.

The purchase of the Sale Equity has been approved by the Standing Committee of Hunnan District, Shenyang City (瀋陽市渾南區委常委會), and the local government has taken the underlying project to which Target Company's previous operation, which involved the conduct of government commissioned primary land development work in the designated project area, relate into its long-term development plan. The Vendor has also conducted a due diligence review on the funds availability and financing arrangements of the Purchaser and regards that the Purchaser will have sufficient funds to pay the Purchaser Price in accordance with the payment schedule above. Based on this, the Board is of the view that the Purchaser is willing to and capable of fulfilling its payment obligations under the Agreement.

Basis of determination of Purchase Price

The Purchase Price was determined between the Purchaser and the Vendor based on arm's length negotiation (i) as to RMB585,246,341.98, based on the valuation of the Target Company as at 31 May 2021 based on assets-based approach conducted by an independent professional valuer in the PRC; and (ii) as to RMB153,524,037.45, based on the audited book value of the Accrued Payables as at 31 May 2021 on a dollar-to-dollar basis, which consist of (a) amount due from the Target Company to the Company of RMB76,795,022.81 (equivalent to approximately HK\$89,797,734.81); (b) amount due from the Target Company to Xincheng Kaiyuan of RMB52,494,762.69 (equivalent to approximately HK\$61,383,024.66) ((a) and (b) together the "**Related Party Payables**"); and (c) trade and other payables due from the Target Company to third parties of RMB24,234,251.95 (equivalent to approximately HK\$28,337,525.67) under the Third Party Contracts ("**Third Party Payables**").

Assets-based approach was adopted by the independent professional valuer in conducting valuation on the Target Company as market approach was not applicable given the lack of comparable for companies engaged in primary land development, and income approach was not applicable given the Target Company's lack of revenue in recent years. In arriving at the valuation of the Target Company based on assets-based approach, the independent professional valuer has taken into account the audited value of all assets and liabilities of the Target Company as at the valuation date, including the current and non-current assets and the current and non-current liabilities.

If required by the transaction process, the Purchaser and the Vendor may conduct a further valuation on the Target Company. The Purchase Price may be adjusted based on such latest valuation upon further negotiation and agreement between the Purchaser and the Vendor.

Compensation relating to the Third Party Payables

Pursuant to the Agreement, the payment obligations under the Third Party Contracts shall be borne by Xincheng Kaiyuan upon completion of the transfer of the Sale Equity to the Purchaser. Accordingly, in the event that any right holders under Third Party Contracts (including the contracting parties, relevant stakeholders and related persons)

make any claims for payment from the Target Company for performance of the Third Party Contracts, Xincheng Kaiyuan shall, after reviewing and confirming such claims, make payment in respect of such claims on behalf of the Target Company.

Based on the unaudited management accounts of the Target Company as at 31 May 2021, the total amount payable under the Third Party Contracts was RMB42,558,123.65 (inclusive of the Third Party Payables). However, based on the auditing of the PRC auditors jointly appointed by the Vendor and the Purchaser, (a) the amount payable under the Third Party Contracts is RMB24,234,251.95, i.e., the Third Party Payables which shall form part of the Purchase Price, (b) while any other amount payable under the Third Party Contracts should be considered contingent given the lapse of time and the insufficient documentary evidence provided by the relevant third parties, such that it shall not form part of the Purchase Price and be paid by the Purchaser according to the negotiation result between the Purchaser and the Vendor. The Company considers the exclusion of the amount payable under the Third Party Contracts other than the Third Party Payables from the Purchase Price and the compensation arrangement to be reasonable given that it is uncertain whether claims in respect of such amount will arise and whether such amount will become payable based on the audit of the said PRC auditors and the Company's review of the relevant documents, and that Xincheng Kaiyuan will only make payment in respect of such claims under the Third Party Contracts only if such claims arise and after reviewing and confirming such claims.

To the best of the Company's knowledge based on available information, the Company is of the view that the total amount payable under the Third Party Contracts to be borne by Xincheng Kaiyuan is unlikely to exceed RMB42,558,123.65 (inclusive of the Third Party Payables).

Conditions precedents and termination

The effectiveness of the Agreement is subject to the satisfactory fulfilment of the following conditions precedents:

- (a) the Shareholders of the Company having approved the Agreement at the EGM; and
- (b) the State-owned Assets Supervision and Administration Bureau of the People's Government of Hunnan District, Shenyang City (瀋陽市渾南區人民政府國有資產監督管理局) having approved the Agreement.

If any of the conditions above is not satisfied, the Agreement shall be deemed void and of no effect.

Completion

Completion of the registration of the transfer of the Sale Equity with the relevant PRC authorities shall be made within 10 working days after the receipt by the Vendor of the First Consideration Installment.

INFORMATION OF THE PARTIES

The Company is primarily engaged in the business segment of new urbanization, which invests, develops and operates diversified urbanization projects nationwide in China.

The Vendor is an indirect wholly-owned subsidiary of the Company established in the British Virgin Islands and is principally engaged in investment holding.

Xincheng Kaiyuan is an indirect wholly-owned subsidiary of the Company established in the PRC and is principally engaged in investment and operation of urbanization projects.

The Purchaser is a company established in the PRC and is principally engaged in investment and provision of investment consultation services, land development and organization, and property demolition. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is ultimately controlled by the State-owned Assets Supervision and Administration Bureau of the People's Government of Hunnan District, Shenyang City (瀋陽市渾南區人民政府國有資產監督管理局).

INFORMATION OF THE TARGET COMPANY

The Target Company is an indirect wholly-owned subsidiary of the Company established in the PRC and is principally engaged in the business of land development and management, construction of public community facilities and municipal facilities, and property management. The Target Company is mainly involved in primary land development work on government-owned land parcels to change land parcels from an undeveloped natural state for construction purpose, upon completion of which such developed lands will be sold to real estate developers by the government. The Target Company is not engaged in real estate development and does not own the land on which it conducts land development work.

The Target Company has previously undertaken government commissioned primary land development work on government-owned land parcels in the relevant project area. However, given that there has been policies adjustments and that the local government has not been able to implement land constructions and planning targets in the relevant project area, the projects previously undertaken by the Target Company have become stagnant, and thus the Target Company currently does not operate any property development projects as at the date of this announcement. Save for the office premises for self-use, the Target Company does not own any property or land.

Financial information

Set out below is the unaudited financial information of the Target Company:

	For the year ended	
	31 December	
	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(approximate)	(approximate)
Revenue	—	—
Net loss before tax	(4,581)	(3,951)
Net loss after tax	(4,581)	(3,951)

The unaudited net assets value of the Target Company as at 31 December 2021 was approximately RMB542 million.

Based on the contract with the local government for primary land development work undertaken by the Target Company, the Target Company will be entitled a portion of the land transfer fee after the relevant lands on which the Target Company conducted land development work are sold by the local government. However, given that there has been policies adjustment and that the local government has not been able to implement the land construction and planning targets in the relevant project area, so far only a total of four land parcels were sold in 2008 and the projects have become stagnant. Accordingly, the Target Company did not recognize any revenue for the years ended 31 December 2020 and 2021.

FINANCIAL EFFECT OF THE DISPOSAL

Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company and its financial results, assets and liabilities will no longer be included in the consolidated financial statements of the Group.

Since this transaction involves installment collection and installment time is more than 12 months, the present value of the Purchase Price is estimated to be approximately RMB716,000,000 using the interest rate reflecting the credit risk of the counterparty.

According to the present value of the Purchase Price, had the Disposal been completed on 31 December 2021, it is expected to generate a net investment gain of approximately RMB17,541,000 (equivalent to approximately HK\$20,510,991.58), mainly including gain arising from the sale of the Sale Equity of approximately RMB27,420,000, which is calculated based on the difference between (a) the present value of the Purchase Price to be applied towards the consideration for the Sale Equity of approximately RMB569,550,000 and (b) the unaudited net assets value of the Target Company as at 31 December 2021 of approximately RMB542,130,000, and loss arising from taking up the Accrued Payables of approximately RMB9,879,000, which is calculated based on the

difference between (a) the present value of the Purchase Price for repayment of the Accrued Payables of approximately RMB146,331,000 and (b) the book value of the Accrued Payables as at 31 December 2021 of approximately RMB156,210,000. The actual gain or loss as a result of the Disposal to be recorded by the Company is subject to any changes to, among others, the carrying amount of the Target Company on the date of the Completion and the actual transaction costs and expenses and tax in relation to the Disposal.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is of the view that the Disposal would be beneficial to the Group considering that the Disposal provides a valuable opportunity for the Group to unlock the value of its investment in the Target Company at a profit with a substantial cash inflow to the Group. Further, the Disposal will also enable the Group to improve its liquidity and strengthen its overall financial position so as to facilitate its future development should opportunities arise.

At the same time, the Target Company's business is not in line with the Group's business development direction. According to the Group's development strategy, the Group will continue to maintain a steady growth in its fixed-income investment in urbanization projects, such as construction of industrial, business and science parks and urban infrastructure, etc., through equity or mezzanine investment to achieve a stable revenue and cash flow with a good control of investment risk, and to continue to develop and operate projects in the fields of urbanization and livelihood improvement, so as to achieve a stable-scale investment portfolio, while at the same time the Group will seek opportunities to expand its investment to new economies sector, such as the big health industry, strategic emerging industry and information technology application innovation industry, in accordance with the national policies and as driven by the market. The sale of the Sale Equity enables the Group to focus on seeking better investment opportunities and create core value for Shareholders in the long run.

The Directors, including the independent non-executive Directors, consider that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds from the Disposal, which (a) include the parts of the Purchase Price to be applied towards the consideration for the Sale Equity of approximately RMB585.25 million and for repayment of the Related Party Payables of approximately RMB129.29 million, both of which will be received by the Group, but (b) does not take into account the part of the Purchase Price to be applied for repayment of the Third Party Payables of approximately RMB24.23 million, are expected to be approximately RMB714.54 million

(equivalent to approximately HK\$835.52 million). The net proceeds (after deducting related tax expenses, transaction costs and professional expenses) from the Disposal are intended to be used for general working capital of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal as calculated under Rule 14.07 of the Listing Rules exceeds 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules which is subject to the reporting, announcement and shareholders' approval requirements.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other matters, the Agreement and the transactions contemplated therein.

The Circular containing, among other things, (i) further details of the Disposal; (ii) other information as required by the Listing Rules; and (iii) a notice convening the EGM and the proxy form in respect of the EGM, is expected to be despatched to the Shareholders on or before 26 August 2022, as further time is required to prepare the information contained in the Circular.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Accrued Payables”	the accrued payables by the Target Company in the total amount of RMB153,524,037.45 (equivalent to approximately HK\$179,518,285.14)
“Agreement”	the agreement proposed to be entered into among the Purchaser, the Vendor, the Company and Xincheng Kaiyuan in relation to the Disposal
“Board”	the board of Directors
“Circular”	the circular of the Company in respect of the Disposal
“Company”	China New Town Development Company Limited, a company incorporated in the British Virgin Islands with limited liability, the shares of which are listed on the Stock Exchange
“Disposal”	the proposed disposal of the Sale Equity by the Vendor to the Purchaser

“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve, among other matters, the Agreement and the transactions contemplated thereunder
“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
“Independent Third Parties”	person or company who/which are not connected with (within the meaning of the Listing Rules) and are independent of the directors, chief executive and substantial shareholders of the Group or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchase Price”	the purchase price in the aggregate amount of RMB738,770,379.43 (equivalent to approximately HK\$863,856,851.53) to be paid by the Purchaser in respect of the Disposal
“Purchaser”	Shenyang Wanrun New Town Investment Management Company Limited* (瀋陽萬潤新城投資管理有限公司)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	the entire equity interest of the Target Company
“Shareholder(s)”	shareholder(s) of the Company
“Shenyang Assets Exchange”	Shenyang United Assets and Equity Exchange* (瀋陽聯合產權交易所)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shenyang Lixiang New Town Modern Agriculture Company Limited* (瀋陽李相新城現代農業有限公司), an indirect wholly-owned subsidiary of the Company

“Third Party Contracts”	the contracts entered into by the Target Company with third parties prior to the date of the Agreement in relation to the engagement of such third parties to provide development work and other services for the business of the Target Company, as confirmed and agreed by the parties under the Agreement
“Vendor”	China New Town Development (Shenyang) Company Limited* (中國新城鎮發展(瀋陽)有限公司), an indirect wholly-owned subsidiary of the Company
“Xincheng Kaiyuan”	Beijing Xincheng Kaiyuan Asset Management Company Limited* (北京新成開元資產管理有限公司), an indirect wholly-owned subsidiary of the Company
“%”	per cent

* *for identification purposes only*

For the purpose of illustration only and unless otherwise stated, conversion of RMB into HK\$ in this announcement is based on the exchange rate of HK\$1.00 to RMB0.8552. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this rate or any other rate.

By Order of the Board
China New Town Development Company Limited
Liu Heqiang
Chief Executive Officer

Hong Kong, 30 June 2022

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Liu Heqiang (Chief Executive Officer), Mr. Hu Zhiwei, Ms. Yang Meiyu and Mr. Shi Janson Bing; four non-executive Directors, namely Mr. Liu Yuhai (Chairman), Mr. Li Yao Min (Vice Chairman), Mr. Wang Hongxu and Mr. Wang Jiangang; and four independent non-executive Directors, namely Mr. Henry Tan Song Kok, Mr. Kong Siu Chee, Mr. Zhang Hao and Mr. Lo Wai Hung.