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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)**

### **DISCLOSEABLE TRANSACTION ACQUISITION OF 30% EQUITY INTEREST IN THE TARGET COMPANY**

#### **THE CAPITAL INCREASE AGREEMENT**

The Board hereby announces that on 25 April 2024, Hainan Xincheng, an indirect wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement and the Shareholders' Agreement with the Existing Shareholders and the Target Company, pursuant to which Hainan Xincheng has conditionally agreed to acquire approximately 30% equity interest in the Target Company by way of capital contribution of RMB50,000,000 (equivalent to approximately HK\$54,945,055) to the Target Company, of which RMB17,543,858.57 will be accounted for the registered capital of the Target Company and RMB32,456,141.43 will be accounted for the capital reserve of the Target Company.

Upon completion of the Capital Increase, the Company, through Hainan Xincheng, will hold approximately 30% equity interest of the Target Company. As such, the Target Company will become an associate of the Company, and its financial results will not be consolidated into the Group's consolidated financial statements.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio (as defined under the Listing Rules) exceeds 5% but is less than 25%, the entering into of the Capital Increase Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## THE CAPITAL INCREASE

The Board hereby announces that on 25 April 2024, Hainan Xincheng, an indirect wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement and the Shareholders' Agreement with the Existing Shareholders and the Target Company, pursuant to which Hainan Xincheng has conditionally agreed to acquire approximately 30% equity interest in the Target Company by way of capital contribution of RMB50,000,000 (equivalent to approximately HK\$54,945,055) to the Target Company, of which RMB17,543,858.57 will be accounted for the registered capital of the Target Company and RMB32,456,141.43 will be accounted for the capital reserve of the Target Company.

## THE CAPITAL INCREASE AGREEMENT

The principal terms of the Capital Increase Agreement are summarised as follows:

**Date:** 25 April 2024

**Parties:** (1) Hainan Xincheng;  
(2) the Target Company; and  
(3) the Existing Shareholders

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Target Company, the Existing Shareholders and their respective ultimate beneficial owners is an Independent Third Party as at the date of this announcement.

### Subject matter

As at the date of this announcement, the Target Company is a company incorporated in the PRC with limited liability with a registered capital of RMB40,935,670.

Pursuant to the Capital Increase Agreement, Hainan Xincheng has conditionally agreed to acquire approximately 30% equity interest in the Target Company by way of capital contribution of RMB50,000,000 (equivalent to approximately HK\$54,945,055) to the Target Company, of which RMB17,543,858.57 will be accounted for the registered capital of the Target Company and RMB32,456,141.43 will be accounted for the capital reserve of the Target Company. As at the date of this announcement, the Existing Shareholders hold the entire equity interest in the Target Company.

Upon completion of the Capital Increase, the registered capital of the Target Company will be increased from RMB40,935,670 to RMB58,479,528.57. The Target Company will be held as to approximately 30% by Hainan Xincheng and 70% in aggregate by the Existing Shareholders upon completion of the Capital Increase.

### **Consideration and payment method**

The capital contribution of RMB50,000,000 (equivalent to approximately HK\$54,945,055) by Hainan Xincheng shall be made in cash and settled in the following manner:

- (i) 60% of the Capital Contribution Amount of RMB30,000,000 (equivalent to approximately HK\$32,967,033) (the “**First Instalment**”) shall be paid by Hainan Xincheng within 10 business days to the designated bank account of the Target Company upon the receipt of the confirmation of satisfaction of conditions precedent (the “**Confirmation of Satisfaction**”) under the Capital Increase Agreement (unless otherwise waived in writing by Hainan Xincheng) by Hainan Xincheng from the Target Company without any disputes of such confirmation by Hainan Xincheng; and
- (ii) 40% of the Capital Contribution Amount of RMB20,000,000 (equivalent to approximately HK\$21,978,022) shall be paid by Hainan Xincheng within 10 business days to the designated bank account of the Target Company upon the receipt of the Confirmation of Satisfaction by Hainan Xincheng from the Target Company without any disputes of such confirmation by Hainan Xincheng in accordance with the actual circumstances of the Target Company, including the operation and management of and progress of utilisation of the funds injected, subject to the full and continued satisfaction of the conditions precedent (unless otherwise waived in writing by Hainan Xincheng) under the Capital Increase Agreement and no breach of any provisions under the Capital Increase Agreement by the Target Company and the Existing Shareholders.

The Capital Contribution Amount was determined after arm’s length negotiations among Hainan Xincheng, the Target Company and the Existing Shareholders on normal commercial terms with reference to (i) the appraised value of 100% equity interest in the Target Company of approximately RMB117 million as at 31 December 2023 (the “**Valuation**”) prepared by an independent professional valuer (the “**Valuer**”), Shanghai Li Cang Asset Appraisal Company Limited, adopting the income approach; (ii) the registered capital of the Target Company of RMB40,935,670 as at the date of this announcement; (iii) the business model and growth potential of the Target Company; (iv) the prospects of the industry where the Target Company currently operates in; and (v) the favourable policy environment in the PRC.

The Valuer is an independent professional party engaged by the Company and it has the necessary qualifications to perform the Valuation and also has sufficient experience in carrying out similar valuations. The Valuation was prepared in accordance with the PRC Accepted Asset Valuation Standards.

According to the valuation report setting out the Valuation issued by the Valuer, the income approach was adopted among other methodologies, namely market approach and asset approach, for the purpose of the Valuation as the Valuer was of the view that the income approach is a more appropriate methodology considering the actual circumstances of the appraised asset, being the entire equity interest in the Target Company. The appraisal results of the income approach should be more in line with the actual situation of the Target Company. Taking into account the current condition of the industry in which the Target Company operates, the existing operation and performance of the Target Company and the type of equity investment as contemplated by the Capital Increase, the Board is also of the view that the income approach can be more comprehensively and reasonably reflect the value of all shareholders' equity interest in the Target Company.

The Valuer has made certain key basic assumptions (the “**Basic Assumptions**”) in the Valuation, which, to the best knowledge and information of the Directors, are consistent with the market practice and information available to the Company, including but not limited to:

- (i) there will be no material changes in relevant existing national laws, regulations, policies, or the macroeconomic situation, and there will be no material changes in the political, economic, and social environment of the localities where the parties the transaction situate;
- (ii) the Target Company has no going concern issue and it will continue its business operations;
- (iii) the operators of the Target Company is responsible for its operation and the management of the Target Company is competent;
- (iv) the Target Company complies with the relevant laws and regulations in all respects;
- (v) the accounting policies to be adopted and adopted as at the date of preparation of the Valuation Report will be consistent in material respects;
- (vi) the Target Company is expected to maintain its current business scope and operation model based on its existing management practices and competencies;
- (vii) there will be no material changes in the relevant interest rate, exchange rate, taxation and other policy-related fees and charges;
- (viii) there will be no force majeure or other unforeseeable events that will cause material adverse impacts on the business of the Target Company.

In addition to the Basic Assumptions, certain specific assumptions are also made by the Valuer in the Valuation, which, to the best knowledge and information of the Directors, are consistent with the market practice and information available to the Company, including but not limited to:

- (i) all documents provided by the Target Company for the purpose of the Valuation, including business contracts, the business license, articles of association, signed agreements, audit reports, and financial data, are genuine and valid;
- (ii) the current shareholders, senior management, and core team of the Target Company will continue their services to the Target Company without engaging in any direct competition with the Target Company's business, and any possible future detrimental personal actions by the management of the Target Company;
- (iii) the shareholders of the Target Company will not act against the Target Company's interests, with the operations of the Target Company proceeding in accordance with the articles of association and joint venture agreements of the Target Company;
- (iv) any changes in the costs and expenses of the Target Company will follow historical trends without any material abnormal changes;
- (v) contracts signed in previous years and in the current year are valid and enforceable;

Taking into account of the above, the Company considers that the Valuation is fair and reasonable, and hence reliable as a reference for determining the Capital Contribution Amount.

The Group intends to finance the Capital Contribution Amount using the internal resources of the Group.

### **Conditions precedent**

Among other customary conditions precedent, such as the representations and warranties of the Target Company and the Existing Shareholders remain true, accurate and not misleading in all material respects, no enactment, promulgation or enforcement of laws, regulations or orders resulting in the restriction, limitation or prohibition of the transactions contemplated under the Capital Increase Agreement, the payment of the Capital Contribution Amount is conditional upon the fulfilment or waiver in writing by Hainan Xincheng of the following major conditions precedent:

- (a) Hainan Xincheng having completed the due diligence on the Target Company and is satisfied with the results of such due diligence;
- (b) Hainan Xincheng having completed all necessary internal and external approval procedures in respect of the Capital Increase and the execution of the transaction documents in respect of the Capital Increase, including the Capital Increase Agreement and the Shareholders' Agreement;

- (c) the execution of all Transaction Documents, including the Capital Increase Agreement and the Shareholders' Agreement, by all parties to the Capital Increase Agreement;
- (d) the Existing Shareholders having made effective shareholders' resolution approving the Capital Increase, and under which the Existing Shareholders have agreed to waive their existing shareholders' rights according to the applicable laws, documents and the memorandum and articles of association of the Target Company, such as right of first refusal and pre-emptive right, that they are entitled to in respect of the Capital Increase;
- (e) the core management members of the Target Company (the list of which is appended to the Shareholders' Agreement) having entered into legal and valid employment contracts, confidentiality agreements and intellectual property ownership and non-competition agreements with the Target Company, and such core management members may enter into such similar agreements with its group company members other than the Target Company subject to the prior consent from Hainan Xincheng;
- (f) the core experts of the Target Company (the list of which is appended to the Shareholders' Agreement) having entered into legal and valid employment contracts and confidentiality agreements with the Target Company and completed all necessary approval, permission and registration procedures required for working in the PRC as foreigners, and such core experts may enter into such similar agreements and/or complete such similar procedures with its group company members other than the Target Company subject to the prior consent from Hainan Xincheng;
- (g) Japan MCS having granted a sole and exclusive license for the intellectual property rights to which it entitles in accordance with the PRC laws and regulations to the Target Company for a term of not less than ten years; and
- (h) the Target Company having hired and signed a legal and valid employment contract with a new person-in-charge of financial matters who meets the requirements of the Target Company.

## **Performance compensation**

Pursuant to the Shareholders' Agreement as part of the Transaction Documents, Hainan Xincheng is entitled to request the Existing Shareholders for compensation by way of transferring the relevant equity interests they held in the Target Company to Hainan Xincheng from time to time in the event the following performance indicators under the Shareholders' Agreement are not met (the "**Performance Compensation**"):

- (i) (a) the number of nursing beds to be included in the audited consolidated financial statements of the Target Company for the year ending 2025 (the "**2025 Financial Statements**") is no less than 1450, or (b) the operating revenue as shown in the 2025 Financial Statements is no less than RMB72 million, or (c) the net profit as shown in the 2025 Financial Statements is no less than RMB-18 million; and
- (ii) the Target Company shall complete another round of capital increase of no less than RMB50 million at the price based on the pre-money valuation of no less than RMB230 million on or before 30 June 2026.

The amount or percentage of equity interests to be transferred by the relevant Existing Shareholder(s) to Hainan Xincheng as the Performance Compensation shall be calculated and adjusted in accordance with the formula as agreed among Hainan Xincheng and the Existing Shareholders under the Shareholders' Agreement.

## **Settlement Date**

The settlement date is the date of payment of the First Instalment of the Capital Contribution Amount by Hainan Xincheng, on which the Target company will issue certificate of settlement and original shareholders' register book to Hainan Xincheng, both with the Target Company signing and chopped.

## **Long stop date**

The Existing Shareholders shall jointly procure the satisfaction (or otherwise waived by Hainan Xincheng in writing) of the conditions precedent under the Capital Increase Agreement in full within the six months from the date of signing of the Capital Increase Agreement or such later date as agreed by the parties to the Capital Increase Agreement in writing (the "**Long Stop Date**").

Hainan Xincheng is entitled to not proceed with the Capital Increase and terminate or otherwise discharge all the obligations under the Transaction Documents by way of serving a written notice to the Target Company if the conditions precedent under the Capital Increase Agreement are not satisfied in full (or otherwise waived by Hainan Xincheng in writing) before the Long Stop Date.

## **REASONS FOR AND BENEFITS FROM THE CAPITAL INCREASE**

The Target Company is principally engaged in the provision of elderly care services in the PRC. In 2023, the PRC government issued the “Guidelines for Facilitating the Building of the Basic Elderly Care System” (《關於推進基本養老服務體系建設的意見》), which supports and encourages participation of social forces in the provision of home-based community elderly care services to provide home-based community elderly care services fit for local conditions. According to the population statistics released by the National Bureau of Statistics in 2023, as at the end of 2022, the number of elderly aged 65 and above in China reached 210 million, accounting for 14.9% of the total population. As the aging of the population continues to intensify in the PRC, coupled with the favourable PRC government policies, the Board believes that the elderly care industry has promising prospects in the PRC, and the Capital Increase also represents part of the Group’s effort in strengthening its corporate social responsibility through serving the national strategy.

The Company is primarily engaged in the business segment of new urbanization, which invests, develops and operates diversified urbanisation projects nationwide in the PRC and industries that are in line with the development prospects of the PRC economy. The Board believes that the Capital Increase represents an investment opportunity for the Group to tap into the elderly care and wellness market in the PRC and explore the possibilities of further investments in property and town development and healthcare businesses relating to the said industry. Given that the Target Company operates in the midstream of the elderly care industry, the Board is of the view that the Target Company has a significant growth potential by expanding vertically and horizontally in the elderly care industry. In addition, the Board believes that the significant growth potential in the domestic elderly care market lies in the segment of dementia care, where increasing market demand for such service has yet to be adequately catered. As such, the Board aspires to leverage on the expertise and experience of the Target Company and its established reputation in elderly care market in Japan to seize the upcoming market opportunities arising from this particular segment. Further, the Board also expects the Capital Increase to have synergy with the Group’s business of livelihood improvement investments, on the other hand, the Target Company will be able to leverage on the existing extensive local business network and established relationships of the Group with its business partners to further expand its business in the PRC.

As such, the Directors (including independent non-executive Directors) consider that the terms of the Capital Increase Agreement were determined after arm’s length negotiations among the parties to the Capital Increase Agreement, which are on normal commercial terms and are fair and reasonable, and the entering into of the Capital Increase Agreement is in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE PARTIES**

### **Information on the Group and Hainan Xincheng**

The Group is primarily engaged in the business segment of new urbanization, which invests, develops and operates diversified urbanization projects nationwide in the PRC. Hainan Xincheng is an indirect wholly-owned subsidiary of the Company, which is incorporated in the PRC with limited liability. It is principally engaged in the provision of capital market services in the PRC.

### **Information on the Existing Shareholders**

Japan MCS is a company incorporated in Japan with limited liability and principally engaged in the operation and management of elderly care facilities, the provision of rental services of assistive devices, and the development of smart elderly care and application of such technology in Japan, which is an Independent Third Party.

Takahashi Seiichi is a natural person and a Japanese citizen. He is an entrepreneur who has extensive experiences in real estate, elderly care, education and food and beverages fields. He is the founder of the Target Company and Japan MCS and is an Independent Third Party.

Japan Sanko is a conglomerate company incorporated in Japan with limited liability and its business comprises six main business segments, namely medical, healthcare, childcare, food and beverages, hotel and real estate. Japan Sanko is an Independent Third Party.

Meiqi Company is an investment holding company established in the PRC with limited liability, which is an Independent Third Party. It is an employee shareholding platform of the core management members of the Target Company.

### **Information on the Target Company**

The Target Company is a company established in the PRC with limited liability and is primarily engaged in the provision of elderly care services, including the operation and management of elderly care facilities and community elderly care sites, the provision of home elderly care services, elderly care personnel training and elderly care related management consulting services in the PRC. It is owned as to approximately 40%, 27%, 30% and 3% by Japan MCS, Takahashi Seiichi, Japan Sanko and Meiqi Company, respectively, as at the date of this announcement.

Set out below is the audited and unaudited financial information of the Target Company for the two financial years ended 31 December 2022 and 2023 prepared under the PRC GAAP, respectively:

	<b>For the year ended 31 December</b>	
	<b>2022</b>	<b>2023</b>
	<i>(audited)</i>	<i>(unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	-17,668.42	-29,520.93
Profit after taxation	-17,668.42	-29,520.93

The audited and unaudited net asset value of the Target Company for each of the two years ended 31 December 2022 and 31 December 2023 was approximately RMB18,857,577 and RMB6,395,963, respectively.

Upon completion of the Capital Increase, the Company, through Hainan Xincheng, will hold approximately 30% equity interest of the Target Company. As such, the Target Company will become an associate of the Company, and its financial results will not be consolidated into the Group's consolidated financial statements.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio (as defined under the Listing Rules) exceeds 5% but is less than 25%, the entering into of the Capital Increase Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

#### **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Capital Contribution Amount”	the capital contribution amount of RMB50,000,000 (equivalent to approximately HK\$54,945,055) to be contributed by Hainan Xincheng pursuant to the Capital Increase Agreement

“Capital Increase”	the acquisition of approximately 30% equity interest in the Target Company by Hainan Xincheng by way of capital contribution of RMB50,000,000 to the Target Company, of which RMB17,543,858.57 will be accounted for the registered capital of the Target Company and RMB32,456,141.43 will be accounted for the capital reserve of the Target Company, pursuant to the terms and conditions of the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 25 April 2024 entered into among Hainan Xincheng, the Target Company and the Existing Shareholders in relation to the Capital Increase
“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 (stock code: 1278)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Existing Shareholders”	the existing shareholders of the Target Company prior to entering into the Capital Increase Agreement, namely, Japan MCS, Takahashi Seiichi, Japan Sanko and Meiqi Company, each of which are third parties independent of and not connected with the Company and its connected persons
“Hainan Xincheng”	Hainan Xincheng Kaiyuan Investment Co., Ltd* (海南新成開元投資有限責任公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	any person or company and its ultimate beneficial owner(s), who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Japan MCS”	Japan Medical Care Service Co., Ltd* (メディカル・ケア・サービス株式會社), a company incorporated in Japan with limited liability

“Japan Sanko”	Sanko Soflan Holdings Co., Ltd. (三光ソフランホールディングス株式会社), a company incorporated in Japan with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Meiqi Company”	Shanghai Meiqi Elderly Care Service Co., Ltd.* (上海漢栖養老服務有限公司), a company established in the PRC with limited liability
“PRC”	the People’s Republic of China and for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC GAAP”	the generally accepted accounting principles in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders’ Agreement”	the shareholders’ agreement dated 25 April 2024 entered into among Hainan Xincheng, the Target Company and the Existing Shareholders governing the rights of Hainan Xincheng and the Existing Shareholders as the shareholders of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takahashi Seiichi”	Takahashi Seiichi (高橋誠一), a Japanese citizen
“Target Company”	Meidi Elderly Care Service (Shanghai) Co., Ltd.* (美邸養老服務(上海)有限公司), a company established in the PRC with limited liability and is held as to approximately 40%, 27%, 30% and 3% by Japan MCS, Takahashi Seiichi, Japan Sanko and Meiqi Company, respectively, as at the date of this announcement
“Transaction Documents”	the Capital Increase Agreement and the Shareholders’ Agreement

“%” per cent

\* *For identification purposes only*

By Order of the Board  
**China New Town Development Company Limited**  
**Hu Zhiwei**  
*President*

Hong Kong, 25 April 2024

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

*For the purposes of illustration only, any amount denominated in “RMB” in this announcement were translated into HK\$ at the rate of RMB1.00 = HK\$0.91. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.*