THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular (the "**Circular**") or as to the course of action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in China New Town Development Company Limited (the "**Company**"), you should immediately forward this Circular and the attached form of proxy to the purchaser or transferee or to the licensed securities dealer, registered institution in securities, bank or other agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee.

NEW TOWN

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
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Capitalised terms used in the lower portion of this cover and the first page of this Circular shall have the same respective meanings as those defined in the section headed "Definitions" of this Circular.

The notice convening the EGM to be held at Unit 6, No. 18, Qinian Street, Dongcheng District, Beijing, the PRC on Monday, 5 September 2022 at 2:30 p.m. is set out on pages 64 to 67 of this Circular. Shareholders who are unable to attend the EGM in person and wish to appoint a proxy/proxies to attend and vote on their behalf are requested to complete and return the form of proxy accompanying the Circular in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or its adjournment. Completion and return of the form of proxy shall not preclude Shareholders from subsequently attending in person and voting at the EGM or its adjournment should you so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked.

In view of the ongoing Novel Coronavirus (COVID-19) epidemic, the Company strongly recommends Shareholders to exercise their voting rights by appointing the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

18 August 2022

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PRECAUTIONARY MEASURES FOR THE EGM

The Company will implement the following measures at the EGM, including:

- compulsory body temperature checks
- refusal of entry of those with a body temperature of over 37.3 degrees Celsius
- wearing of face masks throughout the EGM
- no distribution of corporate gifts and refreshments

Any person who does not comply with the precautionary measures will be denied entry into the EGM venue.

In this Circular, the following expressions have the meanings set out below unless the context otherwise requires:

"Accrued Payables"	the accrued payables by the Target Company in the total amount of RMB156,361,763.87 (equivalent to approximately HK$182,239,818.03)
"Agreement"	the agreement dated 30 June 2022 entered into among the Purchaser, the Vendor, the Company and Xincheng Kaiyuan in relation to the Disposal
"Announcements"	the announcements of the Company dated 30 June 2022 and 12 August 2022 in relation to the Disposal
"Board"	the board of Directors
"Circular"	this circular dated 18 August 2022
"Company"	China New Town Development Company Limited, a company incorporated in the British Virgin Islands with limited liability, the shares of which are listed on the Stock Exchange
"Confirmation Letter"	the confirmation letter entered into by all of the Purchaser, the Vendor, the Company and Xincheng Kaiyuan on 12 August 2022 in relation to the Agreement
"Director(s)"	the director(s) of the Company
"Disposal"	the proposed disposal of the Sale Equity by the Vendor to the Purchaser
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve, among other matters, the Agreement (as supplemented by the Confirmation Letter) and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"HK$"	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

"Latest Practicable Date"	12 August 2022
"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 Circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan of the People's Republic of China
"Purchase Price"	the purchase price in the aggregate amount of RMB738,652,429.56 (equivalent to approximately HK$860,900,267.55) 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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"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 Circular is based on the exchange rate of HK$1.00 to RMB0.858. 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.

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)

Executive Directors:
Mr. Liu Heqiang *(Chief Executive Officer)*
Mr. Hu Zhiwei
Ms. Yang Meiyu
Mr. Shi Janson Bing

Non-executive Directors:
Mr. Liu Yuhai *(Chairman)*
Mr. Li Yao Min *(Vice Chairman)*
Mr. Wang Hongxu
Mr. Wang Jiangang

Independent Non-executive Directors:
Mr. Henry Tan Song Kok
Mr. Kong Siu Chee
Mr. Zhang Hao
Mr. Lo Wai Hung

Registered office:
2/F, Palm Grove House
P.O. Box 3340
Road Town, Tortola
British Virgin Islands

Headquarters and principal place of business in Hong Kong:
8203B–04A
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Hong Kong, 18 August 2022

To the Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL DISPOSAL
DISPOSAL OF SUBSIDIARY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcements of the Company dated 30 June 2022 and 12 August 2022 in relation to the Disposal.

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.

On 12 August 2022, the Vendor, the Purchaser, the Company and Xincheng Kaiyuan executed the Confirmation Letter, pursuant to which the parties agreed on the adjusted Purchase Price based on a further valuation on the Target Company.

The purpose of this Circular is to provide you with, among other things, (i) further details of the Disposal; (ii) financial information of the Group; (iii) financial information of the Target Company; (iv) a business valuation report of the Target Company; (v) unaudited pro forma financial information of the Remaining Group; and (vi) a notice convening the EGM.

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 (inclusive of the Accrued Payables) 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 nor 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

Pursuant to the Agreement, 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, and it was agreed that Purchaser and the Vendor may conduct a further valuation on the Target Company and the Purchase Price may be adjusted based on the latest valuation upon further negotiation and agreement between the Purchaser and the Vendor.

Subsequent to the date of the Agreement, a further valuation on the Target Company was conducted and based on the Confirmation Letter, the total Purchase Price was adjusted to RMB738,652,429.56 (equivalent to approximately HK$860,900,267.55), 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) RMB174,687,199.71 (equivalent to approximately HK$203,598,134.86) 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) RMB232,916,266.28 (equivalent to approximately HK$271,464,179.81) shall be paid within 12 months after the successful bidding for the Sale Equity by the Purchaser on Shenyang Assets Exchange.

(c) RMB174,687,199.70 (equivalent to approximately HK$203,598,134.85) 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) RMB46,908,529.16 (equivalent to approximately HK$54,671,945.41) 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) RMB27,363,308.68 (equivalent to approximately HK$31,891,968.16) shall be paid within 12 months after the successful bidding for the Sale Equity by the Purchaser on the Shenyang Assets Exchange.

(c) RMB27,363,308.68 (equivalent to approximately HK$31,891,968.16) shall be paid within 24 months after the successful bidding for the Sale Equity by the Purchaser on the Shenyang Assets Exchange.

(d) RMB27,363,308.68 (equivalent to approximately HK$31,891,968.16) shall be paid within 36 months after the successful bidding for the Sale Equity by the Purchaser on the Shenyang Assets Exchange.

(e) RMB27,363,308.67 (equivalent to approximately HK$31,891,968.15) 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, including compensation by the Purchaser of the Vendor's actual loss caused by the Purchaser's default in the event of any default by the Purchaser. 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 (as supplemented by the Confirmation Letter).

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 RMB582,290,665.69, based on the valuation of the Target Company as at 31 December 2021 based on assets-based approach conducted by an independent professional valuer in the PRC; and (ii) as to RMB156,361,763.87, based on the audited book value of the Accrued Payables as at 31 December 2021 on a dollar-to-dollar basis, which consists of (a) amount due from the Target Company to the Company of RMB76,795,022.81 (equivalent to approximately HK$89,504,688.59); (b) amount due from the Target Company to Xincheng Kaiyuan of RMB59,620,262.69 (equivalent to approximately HK$69,487,485.65) ((a) and (b) together the "**Related Party Payables**"); and (c) trade and other payables due from the Target Company to third parties of RMB19,946,478.37 (equivalent to approximately HK$23,247,643.79) 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 another further valuation on the Target Company. The Purchase Price may be further 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 December 2021, the total amount payable under the Third Party Contracts was RMB38,355,034.78 (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 RMB19,946,478.37, 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 RMB38,355,034.78 (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.

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

As at the Latest Practicable Date, condition (b) has been satisfied.

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 have 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 Latest Practicable Date. 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**
	RMB'000	*RMB'000*
	(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.

As at 31 December 2021, the Target Company had land development for sale of approximately RMB887,401,000 under its current assets, which represented the costs of the land development work conducted by the Target Company. The Target Company does not possess the relevant land use right or any documents of title of the underlying land on which it conducted land development work.

Based on the contract with the local government for primary land development work undertaken by the Target Company, the Target Company will be entitled to 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 have 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 RMB715,704,000 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 RMB17,217,000 (equivalent to approximately HK$20,066,433.57), mainly including gain arising from the sale of the Sale Equity of approximately RMB24,544,000, 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 RMB566,669,000 and (b) the unaudited net assets value of the Target Company as at 31 December 2021 of approximately RMB542,125,000, and loss arising from taking up the Accrued Payables of approximately RMB7,327,000, which is calculated based on the difference between (a) the present value of the Purchase Price for repayment of the Accrued Payables of approximately RMB149,035,000 and (b) the book value of the Accrued Payables as at 31 December 2021 of approximately RMB156,362,000. 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.

Further, assuming that the Disposal had been completed on 31 December 2021, it is expected that (i) the total assets of the Group will decrease by approximately RMB213,337,000 (equivalent to approximately HK$248,644,522.14), and (ii) the total liabilities of the Group will decrease by approximately RMB227,719,000 (equivalent to approximately HK$265,406,759.91).

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 (as supplemented by the Confirmation Letter) 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 RMB582.29 million and for repayment of the Related Party Payables of approximately RMB136.42 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 RMB19.95 million, are expected to be approximately RMB718.71 million (equivalent to approximately HK$837.66 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.

EGM

The notice of EGM is set out in pages 64 to 67 of this Circular. At the EGM, ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, approve, among other matters, the Agreement (as supplemented by the Confirmation Letter) and the transactions contemplated thereunder.

A form of proxy for use in connection with the EGM is enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same at the Hong Kong share registrar of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked.

Any Shareholder with a material interest in the Disposal and his close associates will be required to abstain from voting at the EGM to approve the Agreement (as supplemented by the Confirmation Letter) and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date no Shareholder has a material interest in the Disposal, and accordingly no Shareholder is required to abstain from voting to approve the Agreement (as supplemented by the Confirmation Letter) and the transactions contemplated thereunder.

CLOSURE OF BOOKS

To ascertain the members' entitlement to attend and vote at the EGM, the register of members will be closed from Wednesday, 31 August 2022 to Monday, 5 September 2022, both days inclusive, during which period no transfer of Shares can be registered. In order to be eligible to attend and vote at the meeting, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 30 August 2022.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the chairman of the EGM will demand a poll for all resolutions put forward at the EGM and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

The Directors consider that the Agreement (as supplemented by the Confirmation Letter) and the transactions contemplated thereunder are fair and reasonable and in the best interests of the Company and the Shareholders as a whole and therefore recommend the Shareholders to vote in favor of the relevant resolutions to be proposed at the EGM as set out in the notice of the EGM at the end of this Circular.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Circular.

Yours faithfully
For and on behalf of the Board
China New Town Development Company Limited
Liu Heqiang
Chief Executive Officer and Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the three financial years ended 31 December 2019, 2020 and 2021 have been disclosed in the following documents which have been published on the websites of the HKEXnews (http://www.hkexnews.hk) and the Company (http://www.china-newtown.com):

- annual report of the Company for the year ended 31 December 2021 published on 28 April 2022 (pages 113 to 204);
- annual report of the Company for the year ended 31 December 2020 published on 23 April 2021 (pages 105 to 192); and
- annual report of the Company for the year ended 31 December 2019 published on 28 April 2020 (pages 90 to 184).

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the indebtedness of the Group was as follows:

(i) secured and guaranteed borrowings of approximately RMB719,767 thousand, secured by the investment property;

(ii) unsecured and unguaranteed borrowings of approximately RMB412,656 thousand;

(iii) lease liabilities of approximately RMB12,283 thousand relating to buildings and motor vehicles;

(iv) a financial guarantee to the extent of RMB250,000 thousand.

Save as aforesaid or as otherwise disclosed above, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, as of 30 June 2022, the Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

The Group confirms that there has not been any material change in its indebtedness position since 30 June 2022.

3. NO MATERIAL ADVERSE CHANGE

The Directors confirmed that there were no material adverse changes in the financial or trading position or prospects of the Group since 31 December 2021 (being the date which the latest published audited consolidated financial statements of the Group had been made up) up to the Latest Practicable Date.

4. WORKING CAPITAL

The Directors are of the opinion that after taking into account the Group's business prospects, the financial resources available to the Group, including the continuing availability of the financing facilities, following the completion of the Disposal and in the absence of unforeseen circumstances, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this Circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Looking ahead, the world economy in 2022 will remain complex and severe, the recovery will be unstable and unbalanced, and there will inevitably be various derivative risks caused by the epidemic. In contrast, the Chinese economy will have huge development potential and its recovery momentum will surpass the world.

The Group will keep seeking investment opportunities prudently amid changes. By sticking to business transformation, in response to national guidelines and policies and being market-oriented, the Company will vigorously expand its investment business in new economic sectors such as big health industry, strategic emerging industry and information technology application innovation industry, while operating quality assets stably and steadily advancing the premier development of the Company, and continuously creating core value for shareholders in the long run.

In terms of fixed income investment in urbanization projects, such as construction of industrial, business and science parks and urban infrastructure, etc., through equity or mezzanine investment, the Company will make full use of the financing function of the international financial market, select projects considering the resource endowment in different regions in China, and control investment risks and obtain stable source of profits under the principles of "safety, liquidity and profitability" to support the development of the principal business of the Company.

While at the same time, equity investment in the new economic sector is the growth point of surplus profits. Based on the development goal of China's new economy, the Company will screen opportunities for equity investment by selecting high-quality companies in strategic emerging industries, and seek to achieve higher investment returns under the principles of "profitability, liquidity, and safety".

REPORT ON REVIEW OF UNAUDITED FINANCIAL INFORMATION OF THE DISPOSAL ENTITY

To the Board of Directors of China New Town Development Company Limited

Introduction

We have reviewed the financial information set out on pages 19 to 26, which comprise the statements of financial position of Shenyang Lixiang New Town Modern Agriculture Co., Ltd. (the "Disposal Entity") as of 31 December 2019, 2020, 2021 and 31 March 2022 and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for each of the periods then ended (the "Relevant Periods") and explanatory notes (the "Unaudited Financial Information"). The Unaudited Financial Information has been prepared solely for purpose of inclusion in the circular to be issued by China New Town Development Company Limited (the "Issuer") in connection with the disposal of the Disposal Entity in accordance with the Main Board Listing Rule 14.68(2)(a)(i)(A).

The directors of the Issuer are responsible for the preparation and presentation of the Unaudited Financial Information of the Disposal Entity in accordance with the basis of preparation set out in note 2 to the Unaudited Financial Information and Main Board Listing Rule 14.68(2)(a)(i). The directors are also responsible for such internal control as management determines is necessary to enable the preparation of the Unaudited Financial Information that is free from material misstatement, whether due to fraud or error. The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in International Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in International Accounting Standard 34 "Interim Financial Reporting" issued by International Accounting Standards Board. Our responsibility is to express a conclusion on this Unaudited Financial Information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants. A review of the Unaudited Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Unaudited Financial Information of the Disposal Entity for the Relevant Periods is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Unaudited Financial Information.

Emphasis of Matter

Without qualifying our review conclusion, we draw attention to note 2 to the Unaudited Financial Information of the Disposal Entity which indicates that the Disposal Entity's ability to continue as a going concern depends on its ability to generate cash to meet the payments of liabilities when they fall due, including realization of anticipated sales of land development for sale. These conditions, along with other matters as set forth in note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Disposal Entity's ability to continue as a going concern.

Other Matter

Without modifying our review conclusion, we draw attention that the comparative unaudited statement of profit or loss and other comprehensive income, unaudited statement of changes in equity and unaudited statement of cash flows for the three months ended 31 March 2021 disclosed in the Unaudited Financial Information of the Disposal Entity have not been reviewed.

Report on Matters under Rule 10 of the Code on Takeovers and Mergers (the "Code")

We are engaged by the Issuer to report on the Unaudited Financial Information of the Disposal Entity in accordance with Rule 10 of the Code.

Based on our work done, the Unaudited Financial Information of the Disposal Entity for the Relevant Periods, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions as set out in note 2 to the Unaudited Financial Information.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

18 August 2022

UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for each of the three years ended 31 December 2021 and the three months ended 31 March 2022

(All amounts expressed in RMB'000 unless otherwise specified)

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
Operating income	**753**	**678**	**1,235**	**556**	**30**
Other income	753	678	1,235	556	30
Operating expenses	**(5,332)**	**(5,259)**	**(5,186)**	**(930)**	**(24,044)**
Selling and administrative expenses	(5,321)	(4,695)	(5,184)	(929)	(1,064)
Other expenses	(11)	(564)	(2)	(1)	(22,980)
Loss before tax	**(4,579)**	**(4,581)**	**(3,951)**	**(374)**	**(24,014)**
Income tax	—	—	—	—	—
Loss for the years/periods	**(4,579)**	**(4,581)**	**(3,951)**	**(374)**	**(24,014)**
Other comprehensive income	—	—	—	—	—
Total comprehensive loss, net of tax	**(4,579)**	**(4,581)**	**(3,951)**	**(374)**	**(24,014)**
Loss attributable to:					
Equity holders of the parent	(4,579)	(4,581)	(3,951)	(374)	(24,014)

The accompanying explanatory notes are an integral part of the Unaudited Financial Information.

UNAUDITED STATEMENTS OF FINANCIAL POSITION
at 31 December 2019, 2020, 2021 and 31 March 2022

(All amounts expressed in RMB'000 unless otherwise specified)

	31 December			31 March
	2019	**2020**	**2021**	**2022**
Assets				
Non-current assets				
Property, plant and equipment	8,236	7,781	6,927	6,714
Right-of-use assets	2,080	1,923	1,766	1,727
Total non-current assets	**10,316**	**9,704**	**8,693**	**8,441**
Current assets				
Land development for sale	884,820	886,299	887,401	887,867
Other receivables	23,885	23,458	23,420	440
Trade receivables	31,896	31,574	31,896	31,896
Cash and bank balances	552	256	611	219
Total current assets	**941,153**	**941,587**	**943,328**	**920,422**
Total assets	**951,469**	**951,291**	**952,021**	**928,863**
Equity and liabilities				
Equity				
Attributable to:				
Equity holders of the parent:				
Paid in capital	672,748	672,748	672,748	672,748
Accumulated losses	(122,091)	(126,672)	(130,623)	(154,637)
Total equity	**550,657**	**546,076**	**542,125**	**518,111**

	31 December			31 March
	2019	**2020**	**2021**	**2022**
Current liabilities				
Trade payables	85,054	79,246	74,806	74,806
Other payables and accruals	182,581	192,912	202,153	203,039
Advance from customers	890	770	650	620
Current income tax liabilities	11,140	11,140	11,140	11,140
Contract liabilities	121,147	121,147	121,147	121,147
Total current liabilities	**400,812**	**405,215**	**409,896**	**410,752**
Total liabilities	**400,812**	**405,215**	**409,896**	**410,752**
Total equity and liabilities	**951,469**	**951,291**	**952,021**	**928,863**

The accompanying explanatory notes are an integral part of the Unaudited Financial Information.

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

for each of the three years ended 31 December 2021 and the three months ended 31 March 2022

(All amounts expressed in RMB'000 unless otherwise specified)

	Paid in capital	Accumulated losses	Total equity
As at 1 January 2019	672,748	(117,512)	555,236
Total comprehensive loss	—	(4,579)	(4,579)
As at 31 December 2019 and 1 January 2020	672,748	(122,091)	550,657
Total comprehensive loss	—	(4,581)	(4,581)
As at 31 December 2020 and 1 January 2021	672,748	(126,672)	546,076
Total comprehensive loss	—	(3,951)	(3,951)
As at 31 December 2021 and 1 January 2022	672,748	(130,623)	542,125
Total comprehensive loss	—	(24,014)	(24,014)
As at 31 March 2022	672,748	(154,637)	518,111
As at 1 January 2021	672,748	(126,672)	546,076
Total comprehensive loss	—	(374)	(374)
As at 31 March 2021	672,748	(127,046)	545,702

The accompanying explanatory notes are an integral part of the Unaudited Financial Information.

UNAUDITED STATEMENTS OF CASH FLOWS

for each of the three years ended 31 December 2021 and the three months ended 31 March 2022

(All amounts expressed in RMB'000 unless otherwise specified)

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
Cash flows from operating activities					
Loss before tax	(4,579)	(4,581)	(3,951)	(374)	(24,014)
Adjustments for:					
Impairment losses on financial assets	2	559	(564)	(6)	22,980
Depreciation of property, plant and equipment	842	688	854	214	213
Depreciation of right-of-use assets	157	157	157	39	39
Interests from bank deposits	(1)	(1)	(1)	—	—
	(3,579)	(3,178)	(3,505)	(127)	(782)
Increase in land development for sale	(4,812)	(1,479)	(1,102)	(410)	(466)
(Increase)/decrease in other receivables	(210)	190	280	280	—
Decrease in advances from customers	(120)	(120)	(120)	(30)	(30)
Increase in trade and other payables	8,978	4,522	4,801	287	886
Net cash inflow/(outflow) from operating activities	257	(65)	354	—	(392)
Cash flows from investing activities					
Purchases of property, plant and equipment	(37)	(232)	—	—	—
Proceeds from disposal of property, plant and equipment	51	—	—	—	—
Interest received from bank deposits	1	1	1	—	—
Net cash inflow/(outflow) from investing activities	15	(231)	1	—	—

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
Net cash inflow from financing activities	—	—	—	—	—
Net increase/(decrease) in cash and cash equivalents	272	(296)	355	—	(392)
Cash and cash equivalents at beginning of years/periods	280	552	256	256	611
Cash and cash equivalents at end of years/periods	552	256	611	256	219

The accompanying explanatory notes are an integral part of the Unaudited Financial Information.

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

(All amounts expressed in RMB'000 unless otherwise specified)

1. GENERAL

The Disposal Entity was set up by China New Town Development (Shenyang) Company Limited ("CNTD Shenyang") and Shenyang Dongling District State-Owned Assets Management Co., Ltd., on 6 March 2007 in Shenyang with a registered and paid in capital of USD98 million. On 27 November 2017, CNTD Shenyang and Shenyang Dongling District State-Owned Assets Management Co., Ltd. entered into a capital reduction agreement (the "Capital Reduction Agreement"). Pursuant to the Capital Reduction Agreement, Shenyang Dongling District State-Owned Assets Management Co., Ltd. reduced all its 10% capital of the Disposal Entity. After this reduction, CNTD Shenyang became the sole controlling shareholder of the Disposal Entity and the paid in capital decreased to USD88.2 million.

The Disposal Entity was 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 would be sold to real estate developers by the land authorities. The Disposal Entity was not engaged in real estate development and does not own the land on which it conducts land development work.

2. BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION

The Unaudited Financial Information of the Disposal Entity has been prepared in accordance with Rule 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purpose of inclusion in the Circular of the Company in connection with the sale of the Disposal Entity.

This Unaudited Financial Information has been prepared on the historical cost basis and using the same accounting policies as those adopted by the Issuer in the preparation of the consolidated financial statements of the Issuer and its subsidiaries for the Relevant Periods.

The Unaudited Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Impact of adopting new and revised IFRSs

The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as described in International Accounting Standard 1 "Presentation of Financial Statements" or a complete condensed interim financial report as defined in International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. It should be read in conjunction with the respective annual reports of the Issuer for the Relevant Periods.

Going Concern Basis

The Unaudited Financial Information has been prepared on a going concern basis, notwithstanding that as of 31 March 2022, the Disposal Entity had current assets (net of land development for sale) of approximately RMB33 million, which was lower than current liabilities (net of contract liabilities) of approximately RMB290 million.

The directors of the Issuer have been actively promoting the land development for sale with the land authorities and expect that they will be sold within the normal operating cycle, which is normally more than 12 months. The timing and amount of cash inflows from the realization of land development for sale depends upon land policies of land authorities, market demand and selling prices of such land developed by the Disposal Entity.

If the proceeds from the land development for sale are insufficient to meet the liabilities when they fall due, the Disposal Entity will seek for other financing opportunities, such as financial support from its controlling shareholder, or requesting some of its significant creditors for an extension of payment terms.

After taking into account of the above measures and based on the assumption that the Disposal Entity will continue to obtain financial support from the acquirer, the directors of the Issuer consider that the Disposal Entity will have sufficient working capital to finance its operations and liabilities as and when they fall due, and accordingly, are satisfied that it is appropriate for the Disposal Entity to prepare the Unaudited Financial Information on a going concern basis.

The Directors of the Issuer cannot be certain, however, that it will be able to successfully, obtain financial support from the acquirer, or extend the payment terms of liabilities timely.

Should the Disposal Entity be unable to continue as a going concern, the Disposal Entity may be unable to realise its assets to discharge its liabilities when they fall due. Adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the Unaudited Financial Information.

Set out below is the management discussion and analysis of the Remaining Group for the three years ended 31 December 2019, 2020 and 2021.

BUSINESS REVIEW FOR THE YEAR ENDED 31 DECEMBER 2019

Operating Results

For the year ended 31 December 2019 ("**Year 2019**"), the Remaining Group recorded revenue of approximately RMB415 million, and profit after tax attributable to the Shareholders of approximately RMB116 million.

The Remaining Group's revenue principally consisted of revenue from land development, urbanization development and property leasing operation. During Year 2019, the Remaining Group recorded revenue of approximately RMB415 million, representing a decrease by 31% as compared to that of the year ended 31 December 2018 (the "**Year 2018**"), primarily because the Remaining Group recorded land development income of approximately RMB12,633 thousand, representing a decrease by 95% as compared to that of Year 2018. In Year 2019, the Remaining Group recorded revenue of approximately RMB297 million from urbanization development, which consists of interest from debt instruments at amortised cost of approximately RMB284 million, and interest similar income from investment funds of approximately RMB6,833 thousand, and revenue related to fee from asset and fund management of approximately RMB6,260 thousand, representing a decrease by 5% compared to that of Year 2018. In Year 2019, the Remaining Group recorded revenue related to property leasing of approximately RMB106 million, including rental income from property leasing of approximately RMB78,109 thousand and property management fee of approximately RMB27,405 thousand. Since the Remaining Group began to collect rent and property management fees in May 2018, and that the number of tenants increased significantly in Year 2019, the income increased by 4.13 times compared with the same period in Year 2018.

Liquidity and Financial Resources

As at 31 December 2019, the Remaining Group's net current assets and current ratio were approximately RMB3,504million and 405%, respectively. Net gearing ratio (total interest bearing borrowings net of cash and cash equivalents as a percentage of total equity) was 38% as at 31 December 2019.

As at 31 December 2019, the Remaining Group's cash and cash equivalents amounted to approximately RMB269 million.

Pledge of assets

During Year 2019, the Remaining Group pledged its investment property to secure the bank borrowings.

Capital Structure

For Year 2019, the Remaining Group financed its liquidity requirements mainly through cash flows generated from operations and cash inflows from financing activities which principally came from banking facilities granted to the Remaining Group.

During Year 2019, the Remaining Group arranged new short-term loan from Bank of East Asia of HKD300 million (equivalent to RMB269 million as at the end of Year 2019) and new long-term loan of RMB795 million from Bank of China to ensure that the Remaining Group had sufficient facilities for its working capital needs. As at 31 December 2019, total bank loans outstanding amounted to approximately RMB2,655 million. The maturity profile of the loans was approximately RMB302 million (representing approximately 11% of total bank loans) due within one year, approximately RMB1,648 million (representing approximately 62% of total bank loans) due within the second year and approximately RMB235 million (representing approximately 9% of total bank loans) due within the third to fifth years. The Remaining Group's interest-bearing bank borrowings bore interest at HIBOR plus 2.0%, LIBOR plus 2.2%, HIBOR plus 2.2% and 4.90%. All bank borrowings were mainly denominated in RMB, USD and HKD.

Foreign exchange exposure

The Remaining Group's exposure to the risk of changes in foreign exchange rates relates primarily to its foreign currency cash and bank balances, debt investments at amortised cost, financial instruments at fair value through profit or loss and interesting-bearing bank borrowings.

Contingent Liabilities

As at 31 December 2019, the Remaining Group did not have any significant contingent liabilities.

Significant Investments, Material Acquisitions and Disposals

During Year 2019, the Remaining Group did not make any significant investments, material acquisitions or disposals.

Employee and remuneration policy

As at 31 December 2019, the Remaining Group had a total of 112 employees. The total staff cost including Directors' remuneration amounted to approximately RMB52 million. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Remaining Group also provides other staff benefits including medical insurance, and grants discretionary incentive bonuses to eligible staffs based on their performance and contributions to the Remaining Group. The Remaining Group also provide and arrange on-the-job training for the employees.

BUSINESS REVIEW FOR THE YEAR ENDED 31 DECEMBER 2020

Operating Results

For the year ended 31 December 2020 ("**Year 2020**"), the Remaining Group recorded revenue of approximately RMB392 million, and loss after tax attributable to the Shareholders of approximately RMB244 million.

The Remaining Group's revenue principally consisted of revenue from land development, urbanization development and property leasing operation. During Year 2020, the Remaining Group recorded revenue of approximately RMB392 million, representing a decrease by 6% as compared to that of Year 2019. In Year 2020, the Remaining Group recorded revenue of approximately RMB11,873 thousand from land development, representing a decrease by 6% as compared to that of Year 2019. In Year 2020, the Remaining Group recorded revenue of approximately RMB229 million from urbanization development, which consists of interest from debt instruments at amortised cost of approximately RMB220 million, and other income from investment funds of approximately RMB9,133 thousand, representing a decrease by 21% compared to that of Year 2019. Due to the maturity of funds under management in Year 2020, no income from asset and fund management fees was recorded. In Year 2020, the Remaining Group recorded revenue related to investment property of approximately RMB150 million, including rental income from property leasing of approximately RMB119 million and property management fee of approximately RMB31,277 thousand. Due to higher occupancy rates and higher unit rents, revenue related to investment property increased by 42% compared with Year 2019.

Liquidity and Financial Resources

As at 31 December 2020, the Remaining Group's net current assets and current ratio were approximately RMB2,238 million and 224%, respectively. Net gearing ratio (total interest bearing borrowings net of cash and cash equivalents as a percentage of total equity) was 20% as at 31 December 2020.

As at 31 December 2020, the Remaining Group's cash and cash equivalents amounted to approximately RMB855 million.

Pledge of assets

During Year 2020, the Remaining Group pledged its investment property to secure the bank borrowings.

Capital Structure

For Year 2020, the Remaining Group financed its liquidity requirements mainly through cash flows generated from operations and cash inflows from financing activities which principally came from banking facilities granted to the Remaining Group.

As at 31 December 2020, total bank loans outstanding amounted to approximately RMB1,724 million. The maturity profile of the loans was approximately RMB1,019 million (representing approximately 59% of total bank loans) due within one year, approximately RMB65 million (representing approximately 4% of total bank loans) due within the second year and approximately RMB270 million (representing approximately 16% of total bank loans) due within the third to fifth years. The Remaining Group's interest-bearing bank borrowings bore interest at LIBOR plus 2.2%, HIBOR plus 2.2% and 4.90% per annum for the year ended 31 December 2020. All bank borrowings were mainly denominated in RMB, USD and HKD.

Foreign exchange exposure

The Remaining Group's exposure to the risk of changes in foreign exchange rates relates primarily to its foreign currency cash and bank balances, debt investments at amortised cost, financial instruments at fair value through profit or loss and interesting-bearing bank borrowings.

Contingent Liabilities

As at 31 December 2020, the Group did not have any significant contingent liabilities.

Significant Investments, Material Acquisitions and Disposals

During Year 2020, the Remaining Group did not make any significant investments, material acquisitions or disposals.

Employee and remuneration policy

As at 31 December 2020, the Remaining Group had a total of 93 employees. The total staff cost including Directors' remuneration amounted to approximately RMB50 million. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Remaining Group also provides other staff benefits including medical insurance, and grants discretionary incentive bonuses to eligible staffs based on their performance and contributions to the Remaining Group. The Remaining Group also provide and arrange on-the-job training for the employees.

BUSINESS REVIEW FOR THE YEAR ENDED 31 DECEMBER 2021

Operating Results

For the year ended 31 December 2021 ("**Year 2021**"), the Remaining Group recorded revenue of approximately RMB273 million, and profit after tax attributable to the Shareholders of approximately RMB135 million.

The Remaining Group's revenue principally consisted of revenue from land development, urbanization development and property leasing operation. During Year 2021, the Remaining Group recorded revenue of approximately RMB273 million, representing a decrease by 30% as compared to that of Year 2020. In 2021, the Remaining Group recorded revenue of approximately RMB27,215 thousand from land development, representing an increase by 129% as compared to that of Year 2020, mainly because the actual progress of the project is faster than that of the same period last year such that the land development revenue and cost carried forward increased accordingly. Under the influence of the Remaining Group's reform and transformation, revenue from urbanization development decreased by 60% to approximately RMB91,552 thousand. For Year 2021, the Remaining Group recorded revenue related to investment property of approximately RMB154 million, including rental income from property leasing of RMB120 million and property management fee of approximately RMB34,638 thousand, representing an increase of 3% as compared with that of Year 2020.

Liquidity and Financial Resources

As at 31 December 2021, the Remaining Group's net current assets and current ratio were approximately RMB1,449 million and 251%, respectively. Net gearing ratio (total interest bearing borrowings net of cash and cash equivalents as a percentage of total equity) was 16% as at 31 December 2021.

As at 31 December 2021, the Remaining Group's cash and cash equivalents amounted to approximately RMB385 million.

Pledge of assets

During Year 2021, the Remaining Group pledged its investment property to secure the bank borrowings.

Capital Structure

For Year 2021, the Remaining Group financed its liquidity requirements mainly through cash flows generated from operations and cash inflows from financing activities which principally came from banking facilities granted to the Remaining Group.

During the year, the Remaining Group arranged short-term borrowings of EUR34 million to ensure that the Remaining Group had sufficient facilities for its working capital needs. As at 31 December 2021, total bank loans outstanding amounted to approximately RMB998 million. The maturity profile of the loans was approximately RMB312 million (representing approximately 31% of total bank loans) due within one year, approximately RMB82 million (representing approximately 8% of total bank loans) due within the second year and approximately RMB314 million (representing approximately 31% of total bank loans) due within the third to fifth years. The Remaining Group's interest-bearing bank borrowings bore interest at EURIBOR plus 1.95% and 4.44% per annum for the year ended 31 December 2021. The borrowings were denominated in RMB and EUR.

Foreign exchange exposure

The Remaining Group's exposure to the risk of changes in foreign exchange rates relates primarily to its foreign currency cash and bank balances, debt investments at amortised cost, financial instruments at fair value through profit or loss and interesting-bearing bank borrowings.

Contingent Liabilities

The Company is currently a defendant in an arbitration brought by SRE Investment Holding Limited ("**SREI**") alleging that the Company over-received by an amount of RMB372,988,860 (the "**Disputed Amount**"), but the Company has not yet returned such Disputed Amount to SREI. The Disputed Amount relates to certain consideration and payments of the Disposal Assets. On top of the Disputed Amount, SREI also alleged that the total consideration should have been adjusted downwards by RMB17.2 million in accordance with the terms of the Disposal Master Agreement, and accordingly the Company should pay an additional RMB17.2 million to SREI. It was alleged by SREI that the Company intentionally apportioned an unreasonable consideration to certain Disposal Assets in a disposal to a third party, thereby circumventing the Excess Provision. Accordingly, the Company shall pay damages (which actual amount shall be subject to assessment) in respect of the difference between a fair consideration for the said Disposal Assets and the aforesaid consideration apportioned by the Company ("**Excess Consideration Damages**"). So, SREI claimed the remedies of (i) compensation from the Company of RMB390,188,860 or such other amount to be assessed; (ii) the Excess Consideration Damages, which actual amount shall be subject to assessment; (iii) interests; (iv) further and other relief; and (v) costs.

In addition to the arbitration brought by SREI, Shanghai Golden Luodian Development Co., Ltd. ("**SGLD**"), a non-wholly owned subsidiary of the Company, is currently a defendant in an arbitration brought by Shenyang Meteorite Park Tourism Development Co., Ltd., Shanghai CNTD Management Consulting Co., Ltd. ("**Shanghai Management**"), a wholly-owned subsidiary of the Company, is currently a defendant in the lawsuits brought by Shanghai Hengchang Trading Co., Ltd. and Shanghai Yuanyi Industrial Co., Ltd., which were alleged for the over-received amount of RMB9,950 thousand, RMB14,400 thousand and RMB1,000 thousand, respectively, in relation to certain consideration and payments of the Disposal Assets.

The Directors of the Company, based on the advice from the Remaining Group's legal counsel, believe that the Company, SGLD and Shanghai Management have valid defense against the allegation and, accordingly, the Remaining Group has not provided for any claim arising from the litigation, other than the related legal and other costs.

Significant Investments, Material Acquisitions and Disposals

During Year 2021, the Remaining Group did not make any significant investments, material acquisitions or disposals.

Employee and remuneration policy

As at 31 December 2021, the Remaining Group had a total of 85 employees. The total staff cost including Directors' remuneration amounted to approximately RMB48 million. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Remaining Group also provides other staff benefits including medical insurance, and grants discretionary incentive bonuses to eligible staffs based on their performance and contributions to the Remaining Group. The Remaining Group also provide and arrange on-the-job training for the employees.

27/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

18 August 2022

The Directors
China New Town Development Company Limited
8203B-04A
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Dear Sirs,

Re: Valuation of the entire equity interest in Shenyang Lixiang New Town Modern Agriculture Company Limited* (瀋陽李相新城現代農業有限公司)

In accordance with the instructions of **China New Town Development Company Limited** (the "**Company**") to us to conduct a valuation of the entire equity interest in **Shenyang Lixiang New Town Modern Agriculture Company Limited* (瀋陽李相新城現代農業有限公)** (referred to as "**the Target Company**"), we are pleased to report that we have made relevant enquiries and obtained necessary information for the purpose of providing you with our valuation as at 31 March 2022 (hereinafter referred to as the "**Valuation Date**").

The Target Company is an indirect wholly-owned subsidiary of the Company.

This report states the purpose and basis of valuation, scope of work, source of information, major assumptions, valuation methodology, limiting conditions, and presents our opinion of value.

1. PURPOSE OF VALUATION

The purpose of this valuation is to value the entire equity interest in the Target Company for transaction reference purpose of the Company only.

We assume no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If any party chooses to rely in any way on the contents of this report, they do so entirely at their own risk.

* *for identification purpose only*

2. BASIS OF VALUATION

We have carried out the valuation on the basis of market value in accordance with the International Valuation Standards. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

3. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and on information provided by the management of the Target Company and/or the Company, and/or their representatives (together referred to as the "**Management**").

In the course of our valuation work, the following processes had been conducted to evaluate the reasonableness of the adopted bases and assumptions provided by the Management:

- Discussed with the Management and obtained relevant financial information in respect of the Target Company;
- Examined the relevant bases and assumptions of the financial information in respect of the Target Company;
- Conducted appropriate research to obtain sufficient market data and statistical figures and prepared the valuation based on generally accepted valuation procedures and practices; and
- Presented the purpose and basis of valuation, scope of work, company background, source of information, major assumptions, valuation methodology and our opinion of value in this report.

4. COMPANY BACKGROUND

The Target Company was established in the People's Republic of China (the "**PRC**") in 2007. The main business of the Target Company included land development and construction of supporting facilities of the project, with site area of 20.55 sq.km, in Lixiang New Town, Hunnan District, close proximity to Shenyang city centre and adjacent to Shenyang Taoxian International Airport, Shenyang, Liaoning Province, the PRC. The project is planned to be transformed into "New Centre, New Landmark, New Hub and New Energy" under the Government's strategic plan.

The Target Company is responsible to format and level the raw land into land ready to sale by the Government for further development. The Target Company would share part of the interest in the proceeds from the subsequent government's sale of land use rights.

The balance sheet of the Target Company as at 31 March 2022 provided by the Management was as follows:

The Target Company

As at 31 March 2022	***(in RMB'000)***
Assets	
Current assets	
Cash and bank balances	219
Trade receivables	31,896
Other receivables	440
Land development for sale (Inventory)	887,867
Total current assets	**920,422**
Non-current assets	
Property, plant, and equipment	6,714
Right-of-use assets (Intangible assets)	1,727
Total non-current assets	**8,441**
Total assets	**928,863**
Liabilities and Stockholders' Equity	
Current Liabilities:	
Trade payables	74,806
Advance from customers	620
Current income tax liabilities	11,140
Other payables and accruals	203,039
Contract liabilities	121,147
Total current liabilities	**410,752**
Non-current liabilities:	
Long-term debt	0
Total non-current liabilities	**0**
Total liabilities	**410,752**
Total stockholders' equity	**518,111**

5. SOURCE OF INFORMATION

In arriving at our assessment of the value of the entire equity interest in Shenyang Lixiang, we have relied on the following information that was provided to us by the Management, as well as other publicly available information that we have gathered through our own research, including, but not limited to, the following:

- Copies of business licenses and other relevant documents of the Target Company;
- The financial statements and related financial information of the Target Company as at 31 March 2022 provided by the Management;
- "Agreement on Cooperative Development of Shenyang Dongling Lixiang New Town Construction Demonstration Area" and its supplementary Agreement provided by the Management;
- Detailed projects list, project contracts and project completion data related to the raw land development as provided by the Management；
- List of property and plant without ownership certificate as provided by the Management；
- The property and plant construction settlement documents as provided by the Management；
- The Certificate of State-owned Land Use Rights No. (2013) 07210892 issued by Shenyang Municipal Government on 1 April 2013；and
- Other public information relating to the valuation.

6. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- The information provided has been prepared on a reasonable basis after due and careful consideration by the Management;
- There will be no major change in the current taxation laws in the localities in which the Target Company operates or intend to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Company operates or intend to operate, which would adversely affect the revenues attributable to and profitability of the Target Company;

- The core business operation of the Target Company will not differ materially from those of present or expected; and
- The information regarding the Target Company provided by the Management is true and accurate.

7. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the entire equity interest in the Target Company, namely the market approach, the income approach and the asset-based approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

Market Approach

The market approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. The market approach comprises two methods namely guideline (or comparable) company method and similar transaction method.

The guideline company method focuses on analyzing the data and valuation multiples of companies that can be considered comparable to those being valued. Adjustments are made to the comparable companies to compensate for differences between those companies and the company being valued. Finally, appropriate valuation multiples are applied to the subject company's normalized financial data to arrive at an indication of the value of the subject company.

The similar transaction method measures value based on what other purchasers in the market have paid for companies that can be considered reasonably similar to those being valued. When the similar transaction method is utilized, data are collected on the prices paid for reasonably comparable companies. Adjustments are made to the comparable companies to compensate for differences between those companies and the company being valued. The application of the similar transaction method results in an estimate of the price reasonably expected to be realized from the sale of the company.

Income Approach

The income approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the income approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

Asset-Based Approach

The asset-based approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital. In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity and investors who lend money to the business entity. After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

Selection of Valuation Methodology

The selection of a valuation approach is based on, among others, the quantity and quality of information provided, access to available data, availability of relevant market transactions, type and nature of subject assets, purpose and objective of the valuation and professional judgment and technical expertise. Among the three approaches, we consider that asset-based approach is more appropriate to value the equity of the Target Company as the main assets owned by the Target Company are raw land development.

Valuation Summary

The adopted values and valuation methodologies for each of the balance sheet items of the Target Company are listed below:

The Target Company

As at 31 March 2022	**Market Value** ***(in RMB'000)***	**Remark**
Assets		
Current assets		
Cash and bank balances	219	1
Trade receivables	31,896	1
Other receivables	440	1
Land development for sale (Inventory)	909,747	2
Total current assets	**942,302**	
Non-current assets		
Property, plant, and equipment	9,661	3
Right-of-use assets (Intangible assets)	6,813	4
Total non-current assets	**16,474**	
Total assets	**958,776**	
Liabilities and Stockholders' Equity		
Current Liabilities:		
Trade payables	74,806	1
Advance from customers	620	1
Current income tax liabilities	11,140	1
Other payables and accruals	203,039	1
Contract liabilities	121,147	1
Total current liabilities	**410,752**	
Non-current liabilities:		
Deferred tax liabilities	5,470	5
Total non-current liabilities	**5,470**	
Total liabilities	**416,222**	
Total stockholders' equity	**542,554**	

Remarks:

1. Book values shown on the financial statement of the Target Company as at 31 March 2022 were stated as provided by the Management.

2. Land development for sale (Inventory)

The Target Company 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.

According to the "Agreement on The Cooperative Development of Shenyang Dongling Lixiang New Town Construction Demonstration Area" and its supplementary agreement provided by the management, Shenyang Dongling District State-Owned Assets Management Co., Ltd. (沈陽市東陵區國有資產經營有限公司) and the Company jointly established a joint venture company (namely the Target Company) to be responsible for land development and construction of supporting facilities in Lixiang New Town, Hunnan District, Shenyang and agreed that the income of the joint venture company should not be less than 70% of the government's income from the transfer of land use rights.

The book value of inventory refers to the related costs incurred by the Target Company engaged in the above-mentioned raw land development, which has been substantially completed.

With reference to the profit rate of raw land development in the "interim measures for raw land development" issued by local governments in China, the market value of inventory is estimated based on the actual development costs of the enterprise (excluding interest), reasonable cost of capital and 8% profit rate of raw land development.

3. Property, plant, and equipment

In valuing the Property, which is held by the Target Company for owner-occupation and under construction in the PRC, in the absence of relevant market data to arrive at the market value of the Property by means of market-based evidence, we have valued the Property by depreciated replacement cost approach which requires a valuation of the market value of the Property in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. The reported market values by depreciated replacement cost approach only apply to the whole of the Property as a unique interest, and no piecemeal transaction of the Property is assumed.

The cost approach is adopted for the valuation of machinery and electronic equipment in use and the market approach is adopted for the valuation of vehicle equipment.

4. Right-of-use assets (Intangible assets)

Right-of-use assets are the unamortized cost of the land of Certificate of State-owned Land Use Rights No. (2013) 07210892 which the property and plant is located on. The Target Company owns and occupies it for Office use.

5. Deferred tax liabilities

Deferred tax liabilities are recognized as the appreciation of the valuation of "inventory" multiplied by the corporate income tax rate of 25%.

8. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management, including written information and oral representation, in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

The recent outbreak of the Novel Coronavirus (COVID-19) has brought high volatility to global financial markets and uncertainty to the stock market. It is expected that valuation will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of shares will be longer than normal. There will be less certainty as to how long a valuation may sustain and financial situation may fluctuate rapidly and materially over a short period of time. Our valuation is valid only at the Valuation Date and any subsequent changes in market conditions as well as the resulting impacts on share prices after the Valuation Date cannot be taken into account. If any party intends to make reference to our valuation when entering into any transaction, he must bear in mind the high market volatility during this period of time and that share prices may or may not have changed since the Valuation Date.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

9. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Company, the Target Company, or the value reported herein.

10. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, the market value of the entire equity interest in the Target Company as at the Valuation Date is, in our opinion, reasonably estimated as RMB542,554,000 (RENMINBI FIVE HUNDRED FORTY TWO MILLION FIVE HUNDRED FIFTY FOUR THOUSAND ONLY).

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Philip CY Tsang
Registered Business Valuer registered with the Hong Kong Business Valuation Forum
MSc, MHKIS
Director, Valuation & Advisory Services

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Bruce ZD Oong
CPA
Senior Director, Valuation & Advisory Services

27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of China New Town Development Company Limited,

We have completed our assurance engagement to report on the compilation of pro forma financial information of China New Town Development Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 December 2021, the pro forma consolidated statement of comprehensive income and the pro forma consolidated statement of cash flows for the year ended 31 December 2021, and related notes as set out on pages 48 to 56 of Appendix V to the Circular (the "**Pro Forma Financial Information**") in connection with the proposed disposal (the "**Disposal**") of 100% equity interest of Shenyang Lixiang New Town Modern Agriculture Co., Ltd. (the "**Disposal Company**"), of which 100% was held by the Company through its wholly-owned subsidiary. The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in note (i).

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Disposal on the Group's financial position as at 31 December 2021, the Group's financial performance and cash flows for the year ended 31 December 2021 as if the transaction had taken place at 1 January 2021. As part of this process, information about the Group's financial position, financial performance and cash flows have been extracted by the Directors from the published annual report of the Company for the year ended 31 December 2021.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements,* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Disposal on unadjusted financial information of the Group as if the Disposal had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

18 August 2022

INTRODUCTION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

(i) Basis of preparation of the Unaudited Pro Forma Financial Information of the Remaining Group

The very substantial disposal is in relation to the proposed disposal of 100% equity interest in Shenyang Lixiang New Town Modern Agriculture Co., Ltd. (the "Disposal Company") (the "Disposal"), which was held by China New Town Development (Shenyang) Co., Ltd., a wholly-owned subsidiary of China New Town Development Company Limited (the "Company") (the "Vendor"). Upon completion of this transaction, the Vendor will hold no equity interest (including both direct and indirect equity interest) of the Disposal Company. The unaudited pro forma financial information, which consists of the pro forma consolidated statement of financial position as at 31 December 2021, the pro forma consolidated statement of comprehensive income and the pro forma consolidated statement of cash flows for the year ended 31 December 2021, and related notes of the Group (the "Unaudited Pro Forma Financial Information"), has been prepared in accordance with Rule 4.29 of the Main Board Listing Rules for the purpose of illustrating the effect of the Disposal on the financial position of the Remaining Group as if the Disposal had been completed on 31 December 2021 and the results and cash flows of the Remaining Group as if the Disposal had been completed on 1 January 2021.

The Unaudited Pro Forma Financial Information of the Remaining Group has been prepared based on the information as set out in:

(a) the audited consolidated statement of financial position of the Group as at 31 December 2021, the audited consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2021 were extracted from the published annual report of the Company;

(b) the unaudited statement of financial position of the Disposal Company as at 31 December 2021, the unaudited statement of comprehensive income and statement of cash flows of the Disposal Company for the year ended 31 December 2021 were extracted from the unaudited financial information of the Disposal Company prepared by the directors of the Company; and

(c) after taking into account of the unaudited pro forma adjustments, which are directly attributable to the Disposal, and factually supportable, as described in the notes thereto to demonstrate how the Disposal might have affected on the financial position of the Remaining Group as if the Disposal had been completed on 31 December 2021, and on the financial results and cash flows of the Remaining Group as if the Disposal had been completed on 1 January 2021.

The Unaudited Pro Forma Financial Information of the Remaining Group has been prepared by the directors of the Company based on a number of assumptions, estimates, uncertainties and currently available information for illustrative purposed only. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Remaining Group as at 31 December 2021 and the financial results and cash flows for the year then ended. The Unaudited Pro Forma Financial Information of the Remaining Group should be read in conjunction with other financial information included elsewhere in this Circular.

(ii) Unaudited Pro Forma Financial Information of the Remaining Group

The pro forma consolidated statement of financial position

	The Group as at 31 December 2021	The Disposal Company as at 31 December 2021	Unaudited Pro Forma Adjustments for the Disposal			The Remaining Group as at 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
Assets						
Non-current assets						
Investment in associates	148,145	—	—	—	—	148,145
Investment in joint ventures	197,732	—	—	—	—	197,732
Debt instruments at amortised cost	1,371,795	—	—	—	—	1,371,795
Financial assets at fair value through profit or loss	91,565	—	—	—	—	91,565
Investment properties	1,475,487	—	—		—	1,475,487
Property, plant and equipment	10,259	6,927	—	—	—	3,332
Right-of-use assets	17,985	1,766	—	—	—	16,219
Deferred tax assets	11,410	—	—	—	—	11,410
Other assets	4,455	—	—	—	—	4,455
Total non-current assets	**3,328,833**	**8,693**	**—**	**—**	**—**	**3,320,140**
Current assets						
Land development for sale	887,401	887,401	—	—	—	—
Prepayments	1,581	—	—	—	—	1,581
Other assets	14,548	—	—	—	—	14,548
Other receivables	615,938	23,420	715,704	—	22,980	1,331,202
Trade receivables	58,371	31,896	—	—	—	26,475
Debt instruments at amortised cost	224,495	—	—	—	—	224,495
Financial assets at fair value through profit or loss	1,160,866	—	—	—	—	1,160,866
Cash and bank balances	386,003	611	—	—	—	385,392
Total current assets	**3,349,203**	**943,328**	**715,704**	**—**	**22,980**	**3,144,559**
Total assets	**6,678,036**	**952,021**	**715,704**	**—**	**22,980**	**6,464,699**

	The Group as at 31 December 2021	The Disposal Company as at 31 December 2021	Unaudited Pro Forma Adjustments for the Disposal			The Remaining Group as at 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
Liabilities						
Non-current liabilities						
Interest bearing bank borrowings	686,380	—	—	—	—	686,380
Deferred tax liabilities	104,134	—	—	—	—	104,134
Other liabilities	6,361	—	—	—	—	6,361
Total non-current liabilities	**796,875**	**—**	**—**	**—**	**—**	**796,875**
Current liabilities						
Interest bearing bank borrowings	311,529	—	—	—	—	311,529
Trade payables	117,171	74,806	—	—	—	42,365
Other payables and accruals	448,323	202,153	156,362	2,835	22,980	428,347
Advance from customers	11,223	650	—	—	—	10,573
Current income tax liabilities	70,352	11,140	—	—	—	59,212
Lease liabilities	12,138	—	—	—	—	12,138
Contract liabilities	395,906	121,147	—	—	—	274,759
Total current liabilities	**1,366,642**	**409,896**	**156,362**	**2,835**	**22,980**	**1,138,923**
Total liabilities	**2,163,517**	**409,896**	**156,362**	**2,835**	**22,980**	**1,935,798**
Total equity	**4,514,519**	**542,125**	**559,342**	**(2,835)**	**—**	**4,528,901**

The pro forma consolidated statement of comprehensive income

	The Group for the year ended 31 December 2021	The Disposal Company for the year ended 31 December 2021	Unaudited Pro Forma Adjustments for the Disposal			The Remaining Group for the year ended 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 6*	
Operating income	**367,776**	**1,235**	**17,217**	**—**	**13,787**	**397,545**
Revenue	273,038	—	—	—	—	273,038
Other income	94,738	1,235	—	—	13,787	107,290
Gain on disposal of the Disposal Company	—	—	17,217	—	—	17,217
Operating expenses	**(218,562)**	**(5,186)**	**—**	**(2,835)**	**—**	**(216,211)**
Cost of sales	(63,399)	—	—	—	—	(63,399)
Selling and administrative expenses	(115,755)	(5,184)	—	—	—	(110,571)
Finance costs	(50,961)	—	—	—	—	(50,961)
Other expenses	(24,425)	(2)	—	(2,835)	—	(27,258)
Reversal of impairment on financial assets	35,978	—	—	—	—	35,978
Operating profit/(loss)	**149,214**	**(3,951)**	**17,217**	**(2,835)**	**13,787**	**181,334**
Share of profits and losses of joint ventures and associates	(7,764)	—	—	—	—	(7,764)
Profit/(loss) before tax	**141,450**	**(3,951)**	**17,217**	**(2,835)**	**13,787**	**173,570**
Income tax	(10,500)	—	—	—	—	(10,500)
Profit/(loss) for the year	**130,950**	**(3,951)**	**17,217**	**(2,835)**	**13,787**	**163,070**
Other comprehensive loss						
Share of other comprehensive loss of associates	(3,823)	—	—	—	—	(3,823)
Other comprehensive loss for the year, net of tax	**(3,823)**	**—**	**—**	**—**	**—**	**(3,823)**
Total comprehensive income/(loss) for the year, net of tax	**127,127**	**(3,951)**	**17,217**	**(2,835)**	**13,787**	**159,247**

The pro forma consolidated statement of cash flows

	The Group for the year ended 31 December 2021	The Disposal Company for the year ended 31 December 2021	Unaudited Pro Forma Adjustments for the Disposal				The Remaining Group for the year ended 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 6*	*Note 7*	
Cash flows from operating activities							
Profit/(loss) before tax	141,450	(3,951)	17,217	(2,835)	13,787	—	173,570
Adjustments for:							
Reversal of impairment on financial assets	(35,978)	(564)	—	—	—	—	(35,414)
Depreciation of property, plant and equipment	1,668	854	—	—	—	—	814
Depreciation of right-of-use assets	12,925	157	—	—	—	—	12,768
Amortisation of intangible assets	341	—	—	—	—	—	341
Net fair value gain on an investment property	(9,794)	—	—	—	—	—	(9,794)
Net gain on financial instruments at fair value through profit or loss	(44,566)	—	—	—	—	—	(44,566)
Share of profits and losses of joint ventures and associates	7,764	—	—	—	—	—	7,764
Interest from debt instruments at amortised cost and dividend income from other investment	(91,552)	—	—	—	—	—	(91,552)
Interest income from bank deposits	(9,182)	(1)	—	—	(13,787)	—	(22,968)
Interest expense on lease liabilities	493	—	—	—	—	—	493
Interest expense on bank and other borrowings	50,468	—	—	—	—	—	50,468
Foreign exchange loss	4,724	—	—	—	—	—	4,724
Gain on disposal of the Disposal Company	—	—	(17,217)	—	—	—	(17,217)
	28,761	(3,505)	—	(2,835)	—	—	29,431

	The Group for the year ended 31 December 2021	The Disposal Company for the year ended 31 December 2021	Unaudited Pro Forma Adjustments for the Disposal				The Remaining Group for the year ended 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 6*	*Note 7*	
Cash flows from operating activities							
Increase in land development for sale	(1,102)	(1,102)	—	—	—	—	—
Decrease in prepayments	91	—	—	—	—	—	91
Decrease in other receivables and other assets	2,952	280	—	—	—	—	2,672
Decrease in trade receivables	515,787	—	—	—	—	—	515,787
Decrease in advances from customers	(5,224)	(120)	—	—	—	—	(5,104)
Decrease in contract liabilities	(29,041)	—	—	—	—	—	(29,041)
(Decrease)/increase in trade and other payables	(78,375)	4,801	—	—	—	(19,946)	(103,122)
	433,849	354	—	(2,835)	—	(19,946)	410,714
Income tax paid	(11,140)	—	—	—	—	—	(11,140)
Net cash inflow/(outflow) from operating activities	**422,709**	**354**	**—**	**(2,835)**	**—**	**(19,946)**	**399,574**

	The Group for the year ended 31 December 2021	The Disposal Company for the year ended 31 December 2021	Unaudited Pro Forma Adjustments for the Disposal				The Remaining Group for the year ended 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 6*	*Note 7*	
Cash flows from investing activities							
Purchases/construction of property, plant and equipment	(172)	—	—	—	—	—	(172)
Proceeds from disposal of property, plant and equipment	25	—	—	—	—	—	25
Investments in joint ventures and associates	(10,550)	—	—	—	—	—	(10,550)
Capital expenditure on an investment property	(6,229)	—	—	—	—	—	(6,229)
Investments in debt instruments at amortised cost	(1,116,766)	—	—	—	—	—	(1,116,766)
Proceeds from recovery of debt instruments at amortised cost	1,021,109	—	—	—	—	—	1,021,109
Interest received from debt instruments at amortised cost and other investment	95,840	—	—	—	—	—	95,840
Investments in financial assets at fair value through profit or loss	(1,131,863)	—	—	—	—	—	(1,131,863)
Proceeds from redemption of financial assets at fair value through profit or loss	974,575	—	—	—	—	—	974,575
Interest received from bank deposits	9,182	1					9,181
Investment income from financial assets at fair value through profit or loss	58,688	—	—	—	—	—	58,688
Proceeds of disposal of the Disposal Company	—	—	—	—	—	481,875	481,875
Net cash (outflow)/inflow from investing activities	**(106,161)**	**1**	**—**	**—**	**—**	**481,875**	**375,713**

	The Group for the year ended 31 December 2021	The Disposal Company for the year ended 31 December 2021	Unaudited Pro Forma Adjustments for the Disposal				The Remaining Group for the year ended 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 6*	*Note 7*	
Cash flows from financing activities							
Proceeds from bank borrowings	245,510	—	—	—	—	—	245,510
Repayment of bank borrowings	(971,429)	—	—	—	—	—	(971,429)
Payment of lease liabilities	(13,204)	—	—	—	—	—	(13,204)
Dividends paid	(14)	—	—	—	—	—	(14)
Interest paid	(46,576)	—	—	—	—	—	(46,576)
Net cash outflow from financing activities	**(785,713)**	**—**	**—**	**—**	**—**	**—**	**(785,713)**
Net (decrease)/increase in cash and cash equivalents	(469,165)	355	—	(2,835)	—	461,929	(10,426)
Effect of exchange rate changes on cash and cash equivalents	(66)	—	—	—	—	—	(66)
Cash and cash equivalents at beginning of year	855,234	256	—	—	—	—	854,978
Cash and cash equivalents at end of year	**386,003**	**611**	**—**	**(2,835)**	**—**	**461,929**	**844,486**

(iii) Notes to Unaudited Pro Forma Financial Information of the Remaining Group

1. The balances and amounts were extracted from the audited consolidated statement of financial position of the Group as at 31 December 2021, the audited consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2021 as set out in the published annual report of the Company.

2. The balances and amounts were extracted from the unaudited statement of financial position of the Disposal Company as at 31 December 2021, the unaudited statement of comprehensive income and statement of cash flows of the Disposal Company for the year ended 31 December 2021 as prepared by the directors of the Company.

3. The adjustment recognizes the effect of the net present value of the consideration receivable and liabilities accrued on the pro forma consolidated financial position of the Remaining Group as if the Disposal had been taken place on 31 December 2021, and on the pro forma consolidated statement of comprehensive income and pro forma consolidated statement of cash flows of the Remaining Group as if the Disposal had been taken place on 1 January 2021.

	RMB ('000)
Cash consideration for equity sold	582,290
Cash consideration for liabilities compensated	156,362
	738,652
Net present value of the consideration[(1)]	715,704
Carrying amounts of assets and liabilities of the Disposal Company as at 31 December 2021 *(note 2)*	(542,125)
Carrying amounts of liabilities accrued as at 31 December 2021 in connection with the Disposal	(156,362)
Estimated gain before tax	17,217
CIT expense[(2)]	—
Estimated gain after tax	17,217

(1) The discount rates assumed in calculation of the present value are based on the current interest rates reflecting the credit risk of the counterparty. Such discount rates range from 2.78% to 2.83%, depends on agreed payment terms of the cash consideration.

(2) The Disposal Company suffered accumulated loss in previous years, therefore no deferred tax assets in relation to the tax loss were recognized. As the consideration is less than the investment cost, no corporate income tax should be born.

4. The adjustment recognizes the effect of other tax and transaction costs directly attributable to the Disposal of RMB2,835,000 on the pro forma consolidated financial position of the Remaining Group as if the Disposal had been taken place on 31 December 2021 and on the pro forma consolidated statement of comprehensive income and pro forma consolidated statement of cash flows as if the Disposal had been taken place on 1 January 2021, as estimated by the directors of the Company.

5. The adjustment reverses the inter-group balance, which has been eliminated when prepare for the audited consolidated statement of financial position of the Group as at 31 December 2021.

6. The adjustment recognizes the interest income determined based on the effective interest rate from 2.78% to 2.83% and the carrying amount of the considerations receivable as if the Disposal had been taken place on 1 January 2021.

	RMB ('000)
Opening balance of the considerations receivable (Net present value of the consideration)	715,704
Interest recognized based on EIR	13,787
Cash consideration received during the year	(481,875)
Ending balance of the considerations receivable	247,616

7. The adjustment recognizes the effect of the disposal on the pro forma consolidated statement of cash flows of the Remaining Group as if the Disposal had been taken place on 1 January 2021.

	RMB ('000)
Cash consideration received[(1)]	481,875
Less: Repayment of liabilities due to third parties[(2)]	(19,946)
Net cash flow impact	461,929

(1) It is referenced to the payment term of the Equity Transfer Agreement.

(2) Among the carrying amounts of liabilities accrued of RMB156,362,000 as at 31 December 2021 in connection with the Disposal (note 3), RMB19,946,000 was due to third parties outside the Group.

8. Save for the adjustment as mentioned in note 6 above and the unearned interest and the collection of the considerations, the above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group.

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement contained herein or this Circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Securities Interests of Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") were as follows:

Long position in the Shares

		Number of Shares held				
Name of Director	**Capacity**	**Personal interest**	**Family interest**	**Corporate interest**	**Total**	**Approximate percentage of the issued Shares**
Li Yao Min	Beneficial owner	8,352,672	—	—	8,352,672	0.086%
Henry Tan Song Kok	Beneficial Interest	600,000	—	—	600,000	0.006%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders' and Other Persons' Interests in Securities

As at the Latest Practicable Date, to the best of the Directors' knowledge, the following persons who (other than a Director and the chief executive of the Company) or organisations which had or were deemed or taken to have an interest and/or a short position in the Shares or the underlying Shares, which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or were required to be entered in the register kept by the Company pursuant to section 336 of the SFO:

		Number of Shares held				
Name of substantial shareholders	**Capacity**	**Direct interest**	**Corporate interest**	**Other interests**	**Total**	**Approximate percentage of the issued Shares**
Xitong International Holdings (HK) Limited ("**Xitong International**")(1)	Beneficial owner	2,917,000,000	—	—	2,917,000,000	29.99%
Wuxi Communications Industry Group Co., Ltd. ("**Wuxi Communications**")(1)	Interests of a controlled corporation	—	2,917,000,000	—	2,917,000,000	29.99%
China Development Bank International Holdings Limited ("**CDBIH**")(2)	Beneficial owner	2,430,921,071	—	—	2,430,921,071	24.99%
China Development Bank Capital Corporation Limited ("**CDBC**" or "**CDB Capital**")(2)	Interests of a controlled corporation	—	2,430,921,071	—	2,430,921,071	24.99%
China Development Bank Corporation ("**CDB**")(2)	Interests of controlled corporations	—	2,430,921,071	—	2,430,921,071	24.99%
SRE Investment Holding Limited ("**SREI**")	Beneficial owner	1,468,356,862	—	—	1,468,356,862	15.10%
Shi Jian ("**Mr. Shi**")(3)	Beneficial owner and interests of a controlled corporation	6,104,938	1,468,356,862	—	1,474,461,800	15.16%
Jia Yun Investment Limited ("**Jia Yun**")(4)	Person having a security interest in shares	—	—	1,027,849,803	1,027,849,803	10.57%
Jiabo Investment Limited ("**Jiabo**")(4)	Interests of a controlled corporation	—	1,027,849,803	—	1,027,849,803	10.57%
Jiashun (Holding) Investment Limited ("**Jiashun**")(4)	Interest of controlled corporations	—	1,027,849,803	—	1,027,849,803	10.57%
Jiasheng (Holding) Investment Limited ("**Jiasheng**")(4)	Interest of controlled corporations	—	1,027,849,803	—	1,027,849,803	10.57%
Jiaxin Investment (Shanghai) Co., Ltd. ("**Jiaxin**")(4)	Interest of controlled corporations	—	1,027,849,803	—	1,027,849,803	10.57%
China Minsheng Jiaye Investment Co., Ltd. ("**China Minsheng Jiaye**")(4)	Interest of controlled corporations	—	1,027,849,803	—	1,027,849,803	10.57%
China Minsheng Investment Corp., Ltd. ("**China Minsheng**")(4)	Interest of controlled corporations	—	1,027,849,803	—	1,027,849,803	10.57%

Notes:

(1) Xitong International is a wholly-owned subsidiary of Wuxi Communications. Wuxi Communications is, therefore, deemed under Part XV of the SFO to be interested in the 2,917,000,000 Shares held by Xitong International.

(2) CDBIH is a wholly-owned subsidiary of CDB Capital and CDB Capital, in turn, is wholly owned by CDB. Both CDB and CDB Capital are, therefore, deemed under Part XV of the SFO to be interested in the 2,430,921,071 Shares held by CDBIH.

(3) Pursuant to Part XV of the SFO, Mr. Shi is deemed interested in a total of 1,474,461,800 Shares for the following reasons: (i) Mr. Shi holds 6,104,938 Shares directly; and (ii) Mr. Shi is deemed interested in 1,468,356,862 Shares held by SREI by virtue of the fact that he and his wife, Ms. Si Xiao Dong together beneficially own 81% of the issued share capital of SREI as a controlling shareholder. On 4 March 2022, the Company has confirmed with Mr. Shi that all 6,104,938 Shares held directly by him have been sold.

(4) Jia Yun acquired the security interests of 1,027,849,803 Shares from SREI on 28 December 2017. Jia Yun is a wholly-owned subsidiary of Jiabo, which in turn, is a wholly-owned subsidiary of Jiashun. Jiashun is a wholly-owned subsidiary of Jiasheng and Jiasheng is in turn a wholly-owned subsidiary of Jiaxin. Jiaxin is a wholly-owned subsidiary of China Minsheng Jiaye, which in turn, 62.60% owned by China Minsheng. All of Jiabo, Jiashun, Jiasheng, Jiaxin, China Minsheng Jiaye and China Minsheng are, therefore, deemed under Part XV of the SFO to be interested in the 1,027,849,803 Shares of security interest held by Jia Yun. Base on the public information available to the Company, the shareholding interest of China Minsheng in China Minsheng Jiaye has been changed to 67.26%.

Save as disclosed above, the Directors are not aware of any other person who (other than a Director or the chief executive of the Company) or organisation which, as at the Latest Practicable Date, had an interest and/or short position in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be entered in the register kept by the Company pursuant to section 336 of the SFO.

3. LITIGATION

The Company is currently a defendant in an arbitration brought by SREI alleging that the Company over-received by an amount of RMB372,988,860 (the "**Disputed Amount**"), but the Company has not yet returned such Disputed Amount to SREI. The Disputed Amount relates to certain consideration and payments of the Disposal Assets. On top of the Disputed Amount, SREI also alleged that the total consideration should have been adjusted downwards by RMB17.2 million in accordance with the terms of the Disposal Master Agreement, and accordingly the Company should pay an additional RMB17.2 million to SREI. It was alleged by SREI that the Company intentionally apportioned an unreasonable consideration to certain Disposal Assets in a disposal to a third party, thereby circumventing the Excess Provision. Accordingly, the Company shall pay damages (which actual amount shall be subject to assessment) in respect of the difference between a fair consideration for the said Disposal Assets and the aforesaid consideration apportioned by the Company ("Excess Consideration Damages"). So, SREI claimed the remedies of (i) compensation from the Company of RMB390,188,860 or such other amount to be assessed; (ii) the Excess Consideration Damages, which actual amount shall be subject to assessment; (iii) interests; (iv) further and other relief; and (v) costs.

In addition to the arbitration brought by SREI, Shanghai Management is currently a defendant in the lawsuits brought by Shanghai Hengchang Trading Co., Ltd. and Shanghai Yuanyi Industrial Co., Ltd., which were alleged for the over-received amount of RMB14,400 thousand and RMB1,000 thousand, respectively, in relation to certain consideration and payments of the Disposal Assets.

The directors of the Company, based on the advice from the Group's legal counsel, believe that the Company, Shanghai Management have valid defense against the allegation and, accordingly, the Group has not provided for any claim arising from the litigation, other than the related legal and other costs.

As disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

4. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS OF DIRECTORS AND CLOSE ASSOCIATES

As at the Latest Practicable Date, to the best of knowledge of the Directors, none of the Directors and their respective close associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at such date and which was significant in relation to the business of the Group.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the experts whose advice or opinion are included in this Circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
Cushman & Wakefield Limited	Independent Professional Valuer

As at the Latest Practicable Date, each of Ernst & Young and Cushman & Wakefield Limited has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its report or letter (as the case may be) and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of Ernst & Young and Cushman & Wakefield Limited had any shareholding interests in the Company or any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in the Company or any member of the Group.

As at the Latest Practicable Date, none of Ernst & Young and Cushman & Wakefield Limited had any interest, direct or indirect, in any assets which had been, since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the members of the Group within two years preceding the Latest Practicable Date and are or may be material:

(a) (i) the loan agreement dated 17 December 2020 entered into by CDB Nanjing Investment Development Co., Ltd. ("**CDB Nanjing**"), an indirect wholly-owned subsidiary of the Company, The First Construction Company of Jiangsu Provincial Construction Group Co., Ltd. ("**The First Construction Company of JPC**") (a wholly-owned subsidiary of Jiangsu Provincial Construction Group Co., Ltd. ("**JPC**")) and Nanjing Guoying Zhongxi Development Company Limited ("**Nanjing Guoying**"), pursuant to which each of CDB Nanjing and the First Construction Company of JPC agreed to lend to Nanjing Guoying a loan in the principal amount of RMB22,500,000 respectively (which is amended and supplemented by a supplemental loan agreement dated 24 March 2021 with each lending RMB17,500,000) and (ii) the guarantee dated 21 January 2021 entered into by CDB New Town (Beijing) Asset Management Company Limited ("**CDB New Town**"), an indirect wholly-owned subsidiary of the Company, JPC and Agricultural Bank of China Limited (the "**Bank**"), pursuant to which CDB New Town and JPC agreed to guarantee the punctual due payment of a loan facility up to RMB500,000,000 granted by the Bank to the Nanjing Guoying, and each shall guarantee RMB250,000,000 according to the proportion of its equity. Further details are set out in the announcements of the Company dated 21 January 2021 and 27 January 2021;

(b) the capital injection agreement dated 18 May 2022 entered into by Guoxi Nanjing Investment Development Co., Ltd. ("**Guoxi Nanjing**"), an indirect wholly-owned subsidiary of the Company, The First Construction Company of JPC and Nanjing Guoying, pursuant to which (i) the registered capital of Nanjing Guoying will be increased from RMB220 million to RMB325 million; (ii) Guoxi Nanjing agreed to make additional capital contribution of RMB52.5 million to the Joint Venture by way of capitalisation of certain loans; and (iii) The First Construction Company of JPC agreed to make additional capital contribution of RMB52.5 million to the Joint Venture by way of capitalisation of certain loans, further details of which are set out in the announcement of the Company dated 18 May 2022; and

(c) the Agreement and the Confirmation Letter.

9. GENERAL

(a) The registered office of the Company is situated at 2/F, Palm Grove House, P.O. Box 3340, Road Town, Tortola British Virgin Islands. The Company's business address is situated at 8203B-04A, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

(b) The company secretary of the Company is Ms. Cheng Lucy. Ms. Cheng Lucy is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

(c) The Hong Kong branch share registrar and transfer office of the Company is situated at Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(d) The English text of this Circular shall prevail over the Chinese text in the case of any inconsistency.

10. DOCUMENTS ON DISPLAY

The following documents will be available on (i) the website of the Company (www.china-newtown.com) and (ii) the website of the Stock Exchange (www.hkexnews.com.hk) during the period of 14 days from the date of this Circular:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the three years ended 31 December 2019, 2020 and 2021;

(c) the unaudited pro forma financial information issued by Ernst & Young, the text of which is set out in Appendix V to this Circular;

(d) the business valuation report prepared by Cushman & Wakefield Limited, the text of which is set out in Appendix IV to this Circular;

(e) the written consent given by Ernst & Young and Cushman & Wakefield Limited, as referred to in the section headed "Qualification and Consent of Expert" in this Appendix;

(f) the material contracts referred to in the section headed "Material Contracts" in this Appendix; and

(g) this Circular.

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)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of the members of China New Town Development Company Limited (the "**Company**" and the "**EGM**", respectively) will be held at Unit 6, No. 18, Qinian Street, Dongcheng District, Beijing, the People's Republic of China on Monday, 5 September 2022 at 2:30 p.m.. Please be on time to avoid disrupting the EGM as the EGM will commence at the stipulated time. The EGM is convened to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

1. "**THAT**

a) the agreement dated 30 June 2022 (the "**Agreement**") entered into among Shenyang Wanrun New Town Investment Management Company Limited* (瀋陽萬潤新城投資管理有限公司) (the "**Purchaser**"), China New Town Development (Shenyang) Company Limited* (中國新城鎮發展(瀋陽)有限公司) (the "**Vendor**"), an indirect wholly-owned subsidiary of the Company, the Company and 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 (as supplemented by the confirmation letter in relation thereto dated 12 August 2022 (the "**Confirmation Letter**")), pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Equity, the terms and conditions thereof and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

b) the listing of the Sale Equity (inclusive of the Accrued Payables) on the Shenyang Assets Exchange and Equity Exchange* (瀋陽聯合產權交易所) ("**Shenyang Assets Exchange**") at a minimum price not lower than the Purchase Price be and is hereby approved, confirmed and ratified;

c) 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 sale of the Sale Equity by the Vendor to such third party (the "**Third Party Sale**") at a consideration no less than the Purchase Price offered by the Purchaser under the Agreement (as supplemented by the Confirmation Letter) in accordance with the rules of Shenyang Assets Exchange be and is hereby approved, confirmed and ratified; and

d) any one of the executive directors of the Company ("**Executive Director(s)**") be and is hereby authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he considers necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the Agreement (as supplemented by the Confirmation Letter) and all transactions contemplated thereunder (including but not limited to the Third Party Sale), and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the Agreement (as supplemented by the Confirmation Letter)) as are, in the opinion of such Executive Director(s), in the interest of the Company and its shareholders as a whole."

* *For identification purpose only*

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

Hong Kong, 18 August 2022

Registered Office:
2/F, Palm Grove House
P.O. Box 3340
Road Town, Tortola
British Virgin Islands

Headquarters and principal place of business in Hong Kong:
8203B–04A
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Notes:

1. Any shareholder of the Company (the "**Shareholder**" or the "**Member**") entitled to attend and vote at the EGM convened by this notice or its adjourned meeting (as the case may be) is entitled to appoint one (or, if he/she/it holds two or more Shares) or more than one proxy to attend and, on a poll, vote on his/her/its behalf subject to the provisions of the Articles of Association (the "**AoA**"). A proxy need not be a Shareholder.

2. If a Shareholder wishes to appoint a proxy or proxies, then the enclosed form of proxy must be completed, signed and deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 48 hours before the time appointed for holding the EGM and its adjourned meeting.

3. Where a Shareholder appoints more than one proxy, he/she/it shall specify the proportion of his/her/its shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion is specified, the proxy whose name appears first shall be deemed to represent 100 per cent. of the shareholding of the Shareholder and the proxy whose name appears second shall be deemed to be appointed in the alternate.

4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

5. For determining Shareholders' entitlement to attend and vote at the EGM, the register of Members will be closed from Wednesday, 31 August 2022 to Monday, 5 September 2022 (both days inclusive), during which period no transfer of Shares will be effected. In order to qualify for attending the forthcoming EGM, the non-registered Shareholders must lodge all transfer documents, accompanied by the relevant share certificates, with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 30 August 2022.

   In view of the ongoing Novel Coronavirus (COVID-19) epidemic, the Company strongly recommends Shareholders to exercise their voting rights by appointing the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

6. Personal Data Privacy: By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or its adjournment, a Shareholder (i) consents to the collection, use and disclosure of the Shareholder's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the EGM (including its adjournment) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including its adjournment), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Shareholder discloses the personal data of the Shareholder's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the Shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of warranty.

PRECAUTIONARY MEASURES FOR THE EGM

The Company will implement the following measures at the EGM, including:

- compulsory body temperature checks
- refusal of entry of those with a body temperature of over 37.3 degrees Celsius
- wearing of face masks throughout the EGM
- no distribution of corporate gifts and refreshments

Any person who does not comply with the precautionary measures will be denied entry into the EGM venue.

As at the date of this notice, 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.