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If you are in any doubt as to any aspect of this circular (the “**Circular**”) or as to the action to be taken, 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 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.

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

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

(Stock Code: 1278)

MAJOR AND CONNECTED TRANSACTION
FORMATION OF PARTNERSHIP
AND
NOTICE OF EGM

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders



Capitalised terms used on this cover page 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, China on Friday, 22 March 2024 at 10:30 a.m. is set out on pages EGM-1 to EGM-3 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.

6 March 2024

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DEFINITIONS

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

“Accounting Date”	20 December of every calendar year and the Investment Maturity Date (including any earlier date as agreed in accordance with the Rights and Obligations Arrangement Agreement)
“Acquisition Date”	the Investment Maturity Date or any other acquisition date as agreed in accordance with the Rights and Obligations Arrangement Agreement
“Articles of Association”	the amended and restated articles of association of the Company, as amended, supplemented or otherwise modified from time to time
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Capital Contribution Date”	the date when a Partner makes its capital contribution to the Partnership
“Circular”	this circular dated 6 March 2024
“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 SEHK (stock code: 1278)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Formation of Partnership
“Executive Partner”	Wuxi Guosheng, the executive Partner
“Formation of Partnership”	the transactions contemplated under the Limited Partnership Agreement, the Rights and Obligations Arrangement Agreement and the Guarantee Agreements
“General Partner”	the general partner to the Partnership
“Group”	the Company and its subsidiaries
“Guarantee Agreement (Shanghai Jiatong)”	the guarantee agreement entered into between Wuxi Communications and Shanghai Jiatong on 15 December 2023

DEFINITIONS

“Guarantee Agreement (Xincheng Kaiyuan)”	the guarantee agreement entered into between Wuxi Communications and Xincheng Kaiyuan on 15 December 2023
“Guarantee Agreements”	collectively, Guarantee Agreement (Xincheng Kaiyuan) and Guarantee Agreement (Shanghai Jiatong)
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all INEDs independent from related matters to advise Independent Shareholders in respect of the Formation of Partnership
“Independent Financial Adviser”	Somerley Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Formation of Partnership
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolutions to be proposed at the EGM to approve the Formation of Partnership
“INED(s)”	the independent non-executive Director(s)
“Investment Maturity Date”	expiry date of the three years from the Investment Commencement Date, or such earlier date as agreed in accordance with the Rights and Obligations Arrangement Agreement
“Junior-Tranche Limited Partner”	Wuxi Tonghui, the junior-tranche Limited Partner
“Latest Practicable Date”	the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained in this Circular, being 29 February 2024
“Limited Partner(s)”	the limited partner(s) to the Partnership
“Limited Partnership Agreement”	the limited partnership agreement entered into among the Partners in relation to the Formation of the Partnership on 15 December 2023
“Listing Rules”	the Rules Governing the Listing of Securities on the SEHK
“Partner(s)”	the partner(s) to the Partnership, including the General Partner and Limited Partners

DEFINITIONS

“Partnership”	Wuxi Xinsheng Investment Partnership (Limited Partnership)* (無錫新晟投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this Circular
“Register of Members”	the register of members of the Company maintained by the Registrar in Hong Kong
“Registrar”	the branch share registrar of the Company, Tricor Investor Services Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Rights and Obligations Arrangement Agreement”	the rights and obligations arrangement agreement entered into among all Partners on 15 December 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SEHK”	The Stock Exchange of Hong Kong Limited
“Senior-Tranche Limited Partner(s)”	Xincheng Kaiyuan and/or Shanghai Jiatong, the senior-tranche Limited Partner(s)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Hengchang”	Shanghai Hengchang Trading Co., Ltd.* (上海恒常商貿有限公司), a company established under the laws of PRC with limited liability
“Shanghai Jiatong”	Shanghai Jiatong Enterprises Co., Ltd.* (上海嘉通實業有限公司), a company established under the laws of PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Shanghai Management”	Shanghai CNTD Management Consulting Company Limited* (上海智源管理諮詢有限公司), a company established under the laws of PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Shanghai Yuanyi”	Shanghai Yuanyi Industrial Co., Ltd.* (上海元頤實業有限公司), a company established under the laws of the PRC with limited liability

DEFINITIONS

“Share(s)”	ordinary share(s) of the issued share capital of the Company
“Shareholders”	the holders of the Shares
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Wuxi Communications”	Wuxi Communications Industry Group Co., Ltd* (無錫市交通產業集團有限公司), a company established under the laws of the PRC with limited liability
“Wuxi Guosheng”	Wuxi Guosheng Asset Management Company Limited* (無錫國晟資產管理有限公司), a company established under the laws of the PRC with limited liability and a direct wholly-owned subsidiary of Wuxi Tonghui
“Wuxi Tonghui”	Wuxi Tonghui Capital Company Limited* (無錫通匯資本有限公司), a company established under the laws of the PRC with limited liability and a direct wholly-owned subsidiary of Wuxi Communications
“Xincheng Kaiyuan”	Beijing Xincheng Kaiyuan Asset Management Company Limited* (北京新成開元資產管理有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Xitong International”	Xitong International Holdings (HK) Limited, a company established under the laws of Hong Kong with limited liability and a substantial shareholder of the Company
“%”	per cent

* For identification purpose only.



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. Hu Zhiwei (*President*)
Ms. Yang Meiyu (*Chief Executive Officer*)
Mr. Shi Janson Bing
Mr. Liu Fangqing

Registered Office:

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

Non-Executive Directors:

Mr. Liu Yuhai (*Chairman*)
Mr. Li Yao Min (*Vice Chairman*)
Mr. Wang Hongxu
Mr. Feng Xiaoliang

*Headquarters and principal place of
business in Hong Kong:*

Suite 6508, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Independent Non-Executive Directors:

Mr. Henry Tan Song Kok (*Lead INED*)
Mr. Kong Siu Chee
Mr. Zhang Hao
Mr. Lo Wai Hung

Hong Kong, 6 March 2024

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
FORMATION OF PARTNERSHIP
AND
NOTICE OF EGM**

1. INTRODUCTION

Reference is made to the announcement issued by the Company on 15 December 2023 in relation to the Formation of Partnership.

LETTER FROM THE BOARD

The Board is pleased to announce that on 15 December 2023, Xincheng Kaiyuan and Shanghai Jiatong (each a wholly-owned subsidiary of the Company) entered into the Limited Partnership Agreement with Wuxi Guosheng and Wuxi Tonghui to jointly set up the Partnership.

In connection with the Limited Partnership Agreement, on 15 December 2023, (1) the Partners entered into the Rights and Obligations Arrangement Agreement, pursuant to which Wuxi Tonghui agreed to make up the Shortfall for Xincheng Kaiyuan and Shanghai Jiatong, respectively, and to acquire the respective interests held by Xincheng Kaiyuan and Shanghai Jiatong in the Partnership; and (2) Wuxi Communications entered into the Guarantee Agreement with each of Xincheng Kaiyuan and Shanghai Jiatong, respectively, pursuant to which Wuxi Communications agreed to provide a general guarantee to Xincheng Kaiyuan and Shanghai Jiatong (as the case may be) on the performance of the Shortfall makeup and acquisition obligations of Wuxi Tonghui under the Rights and Obligations Arrangement Agreement.

The purpose of this Circular is to provide you with, among others, (i) further details of the Formation of Partnership; (ii) a letter from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; (iv) the notice convening the EGM; and (v) other information of the Company as required under the Listing Rules.

2. THE LIMITED PARTNERSHIP AGREEMENT

The principal terms of the Limited Partnership Agreement are summarised as follows:

Date	15 December 2023
Parties	<i>General Partner:</i> (i) Wuxi Guosheng; <i>Senior-Tranche Limited Partners:</i> (i) Xincheng Kaiyuan; (ii) Shanghai Jiatong; and <i>Junior-Tranche Limited Partner:</i> (i) Wuxi Tonghui.
Proposed name of the Partnership	Wuxi Xinsheng Investment Partnership (Limited Partnership)* (無錫新晟投資合夥企業(有限合夥)).

LETTER FROM THE BOARD

Purpose of the Partnership	The purpose of the Partnership is to jointly invest, operate and gain profit in accordance with the principle of equality and mutual benefit with the Partners' own funds (not through public or non-public fundraising) and with an aim to promote the development of local economy and increase the revenue of the Partners.
Business and investment scope	The business scope of the Partnership is to engage in investment activities with the Partner's own funds. The Partnership will primarily invest in industries such as internet of things, integrated circuits, biopharmaceuticals, software and information technology services, high-end equipment, high-end manufacturing, high-end textile clothing, energy conservation and environmental protection, new materials, new energy, automobiles and spare parts (including new energy vehicles), artificial intelligence and metaverse, quantum technology, third-generation semi-conductors, hydrogen energy and energy storage, deep sea equipment and infrastructure construction.
Term of the Partnership	The term of the Partnership is five years commencing from the date of business licence, while the investment period of the Senior-Tranche Limited Partners of the Partnership is three years, commencing from the Investment Commencement Date in accordance with the Rights and Obligations Arrangement Agreement. For details, please refer to the section headed "3. The Rights and Obligations Arrangement Agreement" below.
Capital contribution	<p>The total capital to be contributed by all Partners to the Partnership pursuant to the Limited Partnership Agreement shall be RMB901 million.</p> <p>Wuxi Guosheng, as the General Partner, has committed to contribute RMB1 million. Xincheng Kaiyuan and Shanghai Jiatong, as the Senior-Tranche Limited Partners, have committed to contribute RMB250 million and RMB200 million, respectively. Wuxi Tonghui, as the Junior-Tranche Limited Partner, has committed to contribute RMB450 million.</p>

LETTER FROM THE BOARD

The size of the Partnership and the respective capital contribution by the Partners to the Partnership were determined after arm's length negotiation among the Partners with reference to the potential projects' financing need. All capital contributions shall be made by cash in Renminbi, and each Partner shall make their capital contribution in a lump sum or by installments according to the capital contribution payment notice to be issued by the Executive Partner.

All Partners agree that the Executive Partner shall send the capital contribution payment notice to the relevant Partner not less than 10 business days before the payment date shown on the capital contribution payment notice.

All Partners agree that the Executive Partner shall not be entitled to require a Senior-Tranche Limited Partner to actually contribute any capital until all of the General Partner's capital has been actually contributed, and that before the Executive Partner requires a Senior-Tranche Limited Partner to contribute any capital, the Executive Partner shall obtain the evidence of the actual capital contribution by the Junior-Tranche Limited Partner or other written documents recognised by the Senior-Tranche Limited Partner.

If a Partner fails to make its capital contributions on time, it shall assume the obligation to pay back and bear the default liability to the other Partners. If a Partner fails to fulfill its contribution obligation which has been overdue for 20 days, all Partners may decide to reduce its contribution to the Partnership and its corresponding share of the assets, or to remove it from the Partnership. For the avoidance of doubt, if a Senior-Tranche Limited Partner fails to make its capital contribution in full and on time, other Partners agree to grant a grace period of not more than 20 days during which no Partner shall be entitled to require the Senior-Tranche Limited Partner to be responsible for breach of overdue in capital contribution.

LETTER FROM THE BOARD

Loss sharing and liability of the Partners

The loss incurred by the Partnership shall be shared according to the following principle: the Partners shall share the loss in accordance with the ratio of their committed capital contributions. The General Partner shall bear unlimited joint and several liabilities for the debts of the Partnership whereas the Limited Partners shall be liable to the extent of their committed capital contribution.

Profit Distribution

The Partnership shall distribute its profit to the Partners based on its surplus before 20 December of each calendar year (“**Profit Distribution**”). In the event when the profit available for distribution is inconsistent with that in the audited report of the year, adjustments shall be made based on the actual situation after the audit report is issued. Such Profit Distribution shall be made in the following principles and order:

- (1) regardless of whether the Partnership has withdrawn from its investment projects, first shall be distributed to the Senior-Tranche Limited Partners the basic investment return calculated at a basic rate of return of 7% per annum (pre-tax) based on its then actual amount of capital contributed (“**Basic Investment Return**”);
- (2) for the investment project(s) which the Partnership has withdrawn from, the Executive Partner shall have the right to determine whether the profit received from such project(s) will be distributed to the Partners or rolled over and invested in other investment projects. For the investment project(s) withdrawn before the distribution date and which the Executive Partner has decided to distribute the profit received from, the profit, after the distribution as mentioned in sub-paragraph (1) above, shall be distributed to the Senior-Tranche Limited Partners their capital contributions with respect to such investment project(s) until their actual capital contributions to the Partnership with respect to such investment project(s) have been fully recouped;

LETTER FROM THE BOARD

- (3) such profit shall be distributed to the General Partner and the Junior-Tranche Limited Partner their Basic Investment Return;
- (4) for the investment project(s) which the Partnership has withdrawn from and the Executive Partner has decided to distribute the profit received therefrom as at the distribution date, the profit shall be distributed to the General Partner and the Junior-Tranche Limited Partner their capital contributions with respect to such investment project(s) until their actual capital contributions to the Partnership with respect to such investment project(s) have been fully recouped;
- (5) the balance (if any) shall be distributed to the Executive Partner as a remuneration of not more than 0.5% per annum (calculated based on the accrued actual capital contribution received by the Partnership) for performing its duties under the Limited Partnership Agreement in the event of any additional profit from its investment projects and subsequently to the General Partner and Junior-Tranche Limited Partner in the proportion of 2:8 simultaneously, to the best knowledge and belief of the Directors having made all reasonable enquiries.

The actual amount and distribution date of the Profit Distribution (in any event, not later than 20 December of each calendar year) shall be confirmed in the Partners' meeting subject to the terms and conditions of the Limited Partnership Agreement and the actual situation.

Management of the Partnership

The Partners unanimously nominate Wuxi Guosheng as the Executive Partner to provide investment and operation management services of all the assets of the Partnership. Other Partners shall not operate the Partnership but are entitled to oversee the administration of the affairs of the Partnership by the Executive Partner.

Conditions Precedent

The Limited Partnership Agreement shall take effect upon the approval of the Independent Shareholders at the EGM pursuant to the Articles of Association and Listing Rules.

LETTER FROM THE BOARD

Termination and
dissolution of the
Partnership

The Partnership shall be terminated and dissolved upon the occurrence of one of the following events:

- (i) all Partners consent to terminate;
- (ii) all investment projects of the Partnership have been recouped early;
- (iii) the Partnership suffers a significant loss or is unable to continue its operations due to the significant loss caused by force majeure (a significant loss means an amount not less than 50% of the total actual capital contribution of the Partnership);
- (iv) the withdrawal of interests by General Partner from the Partnership in accordance with the Limited Partnership Agreement upon the occurrence of certain events as stipulated in the paragraph “Withdrawal of interests from the Partnership” below without any other person(s) assuming its duties and obligations;
- (v) the General Partner has not publicly disclosed a connected transaction or the connected person has not abstained from voting in the relevant resolutions;
- (vi) any one or more Partners fail(s) to perform its/their obligations under the Limited Partnership Agreement causing the Partnership unable to continue its operations;
- (vii) where the Partnership consists of the Limited Partners only, it shall dissolve; where the Partnership consists of the General Partner only, it shall be converted to a general partnership;
- (viii) the business licence of the Partnership has been revoked;
- (ix) other circumstances as stipulated in the applicable laws and regulations and under the Limited Partnership Agreement.

LETTER FROM THE BOARD

Withdrawal of interests from the Partnership During the term of the Partnership when the Partnership is validly subsisting, a Partner may withdraw its interests from the Partnership upon the occurrence of one of the following events:

- (i) an event of withdrawal as stipulated in the Limited Partnership Agreement has occurred, which includes, (a) if the Partner is a natural person, the death of the Partner occurs or has been declared legally dead or his/her inability to pay debts arises; (b) if the Partner is an entity or other organisation, the Partner has its business license revoked, or is ordered to be closed down, deregistered or wound up according to the laws; (c) the Partner has lost the relevant qualifications required by the laws and regulations or by the Limited Partnership Agreement; and (d) all interests of the Partner in the Partnership have been distrained by the People's Court in the PRC;
- (ii) all Partners have consented to the withdrawal;
- (iii) certain event has occurred which prevents the Partner from continuing to participate in the Partnership;
- (iv) other Partner(s) is/are in serious breach of the obligations as stipulated in the Limited Partnership Agreement.

In the event that a Partner's withdrawal is in breach of the terms and conditions of the Limited Partnership Agreement, the Partner shall be liable for any losses to the Partnership with respect to the withdrawal.

3. THE RIGHTS AND OBLIGATIONS ARRANGEMENT AGREEMENT

The principal terms of the Rights and Obligations Arrangement Agreement are summarised as follows:

Date	15 December 2023
Parties	(i) Wuxi Guosheng; (ii) Xincheng Kaiyuan; (iii) Shanghai Jiatong; and (iv) Wuxi Tonghui.

LETTER FROM THE BOARD

Investment Commencement Date The earlier of the actual Capital Contribution Date of Xincheng Kaiyuan or Shanghai Jiatong (“**Investment Commencement Date**”).

Investment period The investment period of the Senior-Tranche Limited Partners of the Partnership is three years, commencing from the Investment Commencement Date. The Senior-Tranche Limited Partners are entitled to declare an early Investment Maturity Date and require Wuxi Tonghui to make up the Shortfall and pay the Acquisition Consideration in accordance with the Rights and Obligations Arrangement Agreement upon the occurrence of certain events as stipulated in the paragraph “Termination” below.

Shortfall makeup Wuxi Tonghui shall make up the shortfall so as to ensure each of Xincheng Kaiyuan and Shanghai Jiatong obtains an expected investment return at annual rate of 7% (pre-tax) (the “**Shortfall**”).

As of any Accounting Date, if the aggregate amount of Profit Distribution distributed to a Senior-Tranche Limited Partner does not reach the expected investment return accrued and calculated in accordance with the Rights and Obligations Arrangement Agreement, Wuxi Tonghui shall assume the obligation to make up the Shortfall calculated by the Senior-Tranche Limited Partner upon the request by the Senior-Tranche Limited Partner.

The obligation of Shortfall make-up of Wuxi Tonghui is unconditional and irrevocable.

LETTER FROM THE BOARD

Acquisition

The Senior-Tranche Limited Partners shall have the right to notify Wuxi Tonghui by serving a notice of performance of acquisition obligations on or before the Acquisition Date, and require Wuxi Tonghui to acquire all or part of their interests (“**Acquisition Interests**”) in the Partnership at a consideration (“**Acquisition Consideration**”) determined in accordance with the Rights and Obligations Arrangement Agreement and with reference to (i) the actual capital contribution of the Senior-Tranche Limited Partners, (ii) the expected investment return accrued from and inclusive of the Investment Commencement Date to and exclusive of the date of payment of the Acquisition Consideration, (iii) the total Profit Distribution distributed to the Senior-Tranche Limited Partner and (iv) the Shortfall made up by Wuxi Tonghui to the Senior-Tranche Limited Partner.

Wuxi Tonghui shall commence the acquisition procedure before the specified period in the notice of performance of acquisition obligations or 10 business days upon the receipt of the notice of performance of acquisition obligation, whichever is later, and carry out related activities such as audit and valuation in accordance with the Interim Measures for Appraisal and Management of State-owned Assets by Enterprises (SASAC Decree No. 12 issued by the State Council) and the then relevant state-owned enterprise related laws, regulations and policies to satisfy the requirements of state-owned enterprises administration (if applicable). Wuxi Tonghui shall sign a Senior-Tranche Limited Partnership Equity Transfer Agreement in relation to the Acquisition Interests and the Acquisition Consideration shall be paid to the account designated by the Senior-Tranche Limited Partner within 10 business days after the date of signing of the Senior-Tranche Limited Partnership Equity Transfer Agreement in relation to the Acquisition Interests.

LETTER FROM THE BOARD

In the event when the valuation of the Acquisition Interests after the asset assessment conducted in accordance with the then relevant state-owned enterprise related laws, regulations and policies (the “**Acquisition Interests (Valuation)**”) is lower than the Acquisition Consideration calculated in accordance with the Rights and Obligations Arrangement Agreement (the “**Acquisition Interests (Agreement)**”), the Acquisition Consideration shall equal to the Acquisition Interests (Agreement). If the Acquisition Interests (Valuation) is higher than the Acquisition Interests (Agreement), the Acquisition Consideration paid by Wuxi Tonghui shall equal to the Acquisition Interests (Valuation) and the Senior-Tranche Limited Partner shall return the difference between the value of the Acquisition Interests (Valuation) and the value of Acquisition Interests (Agreement) such that regardless of the value of the Acquisition Interests (Valuation), the Senior-Tranche Limited Partner shall receive from the acquisition the Acquisition Interests (Agreement) so that the Senior-Tranche Limited Partners is entitled to recoup their respective capital contribution and lock up the Basic Investment Return in the event of acquisition.

Guarantee by Wuxi
Communications

Wuxi Tonghui shall ensure its actual controller, Wuxi Communications, to enter into a legally valid guarantee agreement with each of Xincheng Kaiyuan and Shanghai Jiatong, respectively, pursuant to which Wuxi Communications shall provide a general guarantee to Xincheng Kaiyuan and Shanghai Jiatong (as the case may be) on the performance of the Shortfall makeup and acquisition obligations of Wuxi Tonghui as stipulated under the Rights and Obligations Arrangement Agreement. For details of the Guarantee Agreements, please refer to the section headed “4. Guarantee Agreements” below.

Liquidated damages

If Wuxi Tonghui fails to pay the sums including the Shortfall and/or the Acquisition Consideration, etc. in full and on time in accordance with the Rights and Obligations Arrangement Agreement, Wuxi Tonghui shall continue to make the payment(s) and pay liquidated damages to Xincheng Kaiyuan and Shanghai Jiatong at the daily rate of 0.04% of the unpaid amount until Wuxi Tonghui has paid all the relevant sums.

LETTER FROM THE BOARD

Indemnity	In the event of any breach of the Rights and Obligations Arrangement Agreement by one party, including but not limited to the untruthfulness of its representations and warranties, the party in breach shall be liable to indemnify the other parties of all their economic losses arising from such breach and pay to the other parties relevant costs (including but not limited to litigation costs, legal fees, travel expenses, etc., for the exercise of their rights).
Conditions precedent	The Rights and Obligations Arrangement Agreement shall take effect upon the approval of the Independent Shareholders at the EGM pursuant to the Articles of Association and Listing Rules.
Termination	<p>The Rights and Obligations Arrangement Agreement shall not be terminated by one Partner unless with the unanimous consent of the Partners.</p> <p>Notwithstanding the above, the Senior-Tranche Limited Partners are entitled to declare an early Investment Maturity Date, require Wuxi Tonghui to make up the Shortfall and pay the Acquisition Consideration in accordance with the Rights and Obligations Arrangement Agreement upon the occurrence of the following events:</p> <ul style="list-style-type: none">(i) Wuxi Tonghui fails or improperly performs its obligations under the Rights and Obligations Arrangement Agreement and/or the Limited Partnership Agreement or there is a breach of any representation, warranty or undertaking thereunder;(ii) there occurs suspension or termination of operation, dissolution, withdrawal, liquidation or bankruptcy (including reorganization) of Wuxi Tonghui;(iii) if there is a material event that could materially and adversely affect the financial condition, ability to perform its contractual obligations, or operating condition of Wuxi Tonghui, causing a material adverse effect to the performance of its obligations under the Limited Partnership Agreement and the Rights and Obligations Arrangement Agreement, including but not limited to, material debt disputes, claims, breach of law, legal proceedings (arbitration), administrative penalties, material default events against financial institutions or other third parties, or other adverse events;

LETTER FROM THE BOARD

- (iv) there is a proposed termination (including early termination and deferred termination) or liquidation of the Partnership;
- (v) the Partnership is subject to penalties (including but not limited to administrative regulatory measures, administrative penalties, self-regulatory measures, disciplinary measures, whether in writing or oral) imposed by regulatory authorities such as the China Securities Regulatory Commission (inclusive of its local offices) and the Asset Management Association of China; or its failure to rectify on time or its failure to rectify in accordance with the laws and regulations, or regulatory requirements.

Wuxi Tonghui shall have an opportunity to clarify within 10 business days (the “**Clarification Period**”) from the declaration of an early Investment Maturity Date by the Senior-Tranche Limited Partners on whether the above events have occurred (the “**Clarification Right**”). Despite Wuxi Tonghui’s Clarification Right, Wuxi Tonghui still shall commence the acquisition procedure as disclosed in the sub-section headed “Acquisition” at the Acquisition Consideration which includes the expected investment return accrued from and inclusive of the Investment Commencement Date to and exclusive of the date of payment of the Acquisition Consideration, which covers the Clarification Period.

4. GUARANTEE AGREEMENTS

The Guarantee Agreements are of substantially similar terms and the principal terms of the Guarantee Agreements are summarised as follows:

Date	15 December 2023
Parties	<i>Guarantee Agreement (Shanghai Jiatong)</i> <ul style="list-style-type: none">(i) Wuxi Communications; and(ii) Shanghai Jiatong. <i>Guarantee Agreement (Xincheng Kaiyuan)</i> <ul style="list-style-type: none">(i) Wuxi Communications; and(ii) Xincheng Kaiyuan.

LETTER FROM THE BOARD

Guarantee period	Three years commencing from the expiry date of the performance of the Shortfall makeup and acquisition obligations under the Rights and Obligations Arrangement Agreement.
Guarantee	Wuxi Communications agrees to provide a general guarantee to Shanghai Jiatong and Xincheng Kaiyuan (as the case may be) on the performance of Wuxi Tonghui under the Rights and Obligations Arrangement Agreement with respect to payment of (1) the Shortfall, (2) the Acquisition Consideration.
Conditions precedent	The Guarantee Agreements shall take effect upon the approval of the Independent Shareholders at the EGM pursuant to the Articles of Association and Listing Rules.
Termination	Unless stated otherwise in the Guarantee Agreements, the Guarantee Agreements shall not be unilaterally terminated by one party unless with unanimous consent of both parties.

5. REASONS FOR AND BENEFITS OF THE FORMATION OF PARTNERSHIP

The reasons for and benefits of the Formation of Partnership is fourfold. By committing to contribute to the senior-tranche interests of the Partnership as the Senior-Tranche Limited Partners, the Company will receive a stable return of 7% per annum (pre-tax), which will bring more stable income to the Company. Such return of 7% per annum (pre-tax) is guaranteed in a manner of Shortfall makeup by Wuxi Tonghui under the Rights and Obligations Arrangement Agreement, which in turn is further guaranteed under the Guarantee Agreements by the Company's substantial shareholder, Wuxi Communications which has a good reputation with an international rating of Fitch Ratings BBB+. The Senior-Tranche Limited Partners also have a right to require Wuxi Tonghui to acquire all or part of their interests in the Partnership by serving a notice of performance of acquisition obligations on or before the Acquisition Date. Despite Wuxi Tonghui's Clarification Right during the Clarification Period, Wuxi Tonghui still shall commence the acquisition procedure in accordance with the sub-section headed "Acquisition" and the Acquisition Consideration, regardless of the value of the Acquisition Interests (Valuation), includes the expected investment return accrued from and inclusive of the Investment Commencement Date to and exclusive of the date of the payment of the Acquisition Consideration, covering the Clarification Period. Therefore, by exercising the acquisition right, the Senior-Tranche Limited Partners are entitled to recoup all their respective investments and Basic Investment Returns, which is also guaranteed by Wuxi Communications under the Guarantee Agreements while not to undertake the risk of a potential decrease in valuation of Acquisition Interests in the event that the Acquisition Interests (Valuation) is lower than the Acquisition Interests (Agreement) despite the obligation to refund the price difference to Wuxi Tonghui in the event that Acquisition Interests (Valuation) is higher than the Acquisition Interests (Agreement).

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Secondly, the establishment of the Partnership will enable the Group to gain a better understanding of the market of high-tech industries such as integrated circuits, software and information technology services, and new energy, to effectively implement its transformation strategies, and to seize investment opportunities in the field of integrated circuits, software and information technology services, and new energy in the light of favorable national policies in the PRC. The Company consolidates the double shareholders advantages of the industrial resources of the local state-owned enterprise platform Wuxi Communications and the financial resources of the state-owned financial investment institute CDB Capital so as to transform the Company into a comprehensive platform enterprise of “investment, construction, industrial investment, and operation”. The Company formulates business transformation strategies, mainly through proactively exploring the related investments in industrial fields that are in line with the development prospects of the new economy, including large-scale health industries, information technology application and innovation and accumulates relevant experience. In the past three years, the Group carried out minority equity investments in biomedicine, autonomous driving, high-end medical equipment, semi-conduct materials, etc. The Company believes that the Partnership will create synergies with the Group’s existing businesses and increase Shareholders’ returns.

Thirdly, Wuxi Guosheng has the relevant experience and expertise in managing investees that fall within the Partnership’s intended investment scope. To the best knowledge and belief of the Directors having made all reasonable enquiries, Wuxi Guosheng’s investment covers revitalization of rural areas and villages, aviation industry and infrastructure, etc. Being a direct wholly-owned subsidiary of Wuxi Tonghui, Wuxi Guosheng also leverages the resources and expertise of the Wuxi Tonghui group. The Wuxi Tonghui group has invested in 12 projects in the past five years, with a total investment amount of approximately RMB584 million, mainly focusing on transportation, aerospace, new energy, high-end manufacturing and other industries. According to the 2023 Annual Equity List released at Rongzhong’s 2024 (13th) China Capital Annual Conference in January 2024, Wuxi Tonghui was awarded Rongzhong’s “2023 China Top 100 Private Equity Investment Institutions” and “2023 China Best Merger and Acquisition Investment Institution”.

Furthermore, the location of the Partnership will also support the business development of the Group. Wuxi, as a key economic region in Jiangsu, has a good industrial resource base and has first-over advantages in integrated circuits, biomedicine, and other industries. It planned to vigorously develop strategic emerging industries during the 14th Five-Year Plan, including the internet of things, high-end manufacturing, artificial intelligence, to build a base for advanced manufacturing in the world. The resource advantages and development of Wuxi can provide a good industrial implementation base for investment targets in emerging industries identified during the Group’s business transformation, and support the business development of the Group. In view of the above, the Directors consider that the Formation of Partnership is beneficial to the Company and its Shareholders, as a whole.

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After taking into account the advice of the Independent Financial Adviser (the views of whom are set out in the Letter from the Independent Financial Adviser), with reference to the terms of the other limited partnership agreements generally in the market (including the rates of management fees, scenarios under which the management fee is entitled to, and fee distribution orders) and having considered that the Clarification Right and the valuation of Acquisition Interests will not undermine the right of the Senior-Tranche Limited Partners to recoup their respective capital investments and Basic Investment Returns, the Directors (including INEDs but excluding Mr. Hu Zhiwei, Mr. Liu Fangqing and Mr. Liu Yuhai) are of the view that the Formation of Partnership is conducted in the ordinary and usual course of the business of the Group and on normal commercial terms, and the terms and the amounts (including but not limited to the remuneration entitled by the Executive Partner, the Clarification Period and the Acquisition Consideration) are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

6. FINANCIAL EFFECTS OF THE FORMATION OF PARTNERSHIP

Upon the Formation of Partnership, the Partnership will not be a subsidiary of the Company and the financial results of the Partnership will not be consolidated into the financial statements of the Group. It is expected that the total assets and liabilities of the Group will remain unchanged upon establishment of the Partnership. By committing to contribute to the senior-tranche interests of the Partnership as the Senior-Tranche Limited Partners, the Company will receive a stable return of 7% per annum (pre-tax), which will bring more stable income to the Company. Such return of 7% per annum (pre-tax) is guaranteed in a manner of Shortfall makeup by Wuxi Tonghui under the Rights and Obligations Arrangement Agreement, which in turn is further guaranteed under the Guarantee Agreements by the Company's substantial shareholder, Wuxi Communications.

7. INFORMATION ON THE COMPANY, THE PARTNERSHIP, THE PARTNERS AND WUXI COMMUNICATIONS

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

The Partnership is a limited partnership established under the laws of the PRC. The Partnership will primarily invest in the industries such as internet of things, integrated circuits, biopharmaceuticals, software and information technology services, high-end equipment, high-end manufacturing, high-end textile clothing, energy conservation and environmental protection, new materials, new energy, automobiles and spare parts (including new energy vehicles), artificial intelligence and metaverse, quantum technology, third-generation semi-conductors, hydrogen energy and energy storage, deep sea equipment and infrastructure construction.

Xincheng Kaiyuan is a company established under the laws of the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment of urbanization.

LETTER FROM THE BOARD

Shanghai Jiatong is a company established under the laws of the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in consultation services in the PRC, and holds 27.37% interests of Shanghai Golden Luodian Development Company., Ltd., which engages in land development in the PRC.

Wuxi Guosheng is a company established under the laws of the PRC with limited liability and is a direct wholly-owned subsidiary of Wuxi Tonghui. It is principally engaged in financial business. To the best knowledge of the Directors, as at the Latest Practicable Date, its ultimate beneficial owner is State-owned Assets Supervision and Administration Commission of Wuxi Municipal People's Government.

Wuxi Tonghui is a company established in the PRC with limited liability and is a direct wholly-owned subsidiary of Wuxi Communications. It is principally engaged in capital market services. To the best knowledge of the Directors, as at the Latest Practicable Date, its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of Wuxi Municipal People's Government.

Wuxi Communications is a company established in the PRC with limited liability. It is principally engaged in the provision of traffic transportation construction and engineering services. To the best knowledge of the Directors, as at the Latest Practicable Date, Wuxi Communications is wholly owned by the State-owned Assets Supervision and Administration Commission of Wuxi Municipal People's Government.

8. LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in relation to the Formation of Partnership exceeds 25% but all of the applicable percentage ratios are less than 100%, the Formation of Partnership constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Wuxi Communications is a substantial shareholder of the Company, indirectly holding approximately 29.99% of the entire issued share capital of the Company and Wuxi Guosheng and Wuxi Tonghui are wholly-owned subsidiaries of Wuxi Communications. Therefore, Wuxi Communications and its associates (including Wuxi Guosheng and Wuxi Tonghui) are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Formation of Partnership constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Hu Zhiwei, an executive Director and the President of the Company, serves as the general manager at Xitong International. Mr. Liu Fangqing is an executive Director recommended by Wuxi Communications. Mr. Liu Yuhai, a non-executive Director, serves as the Chairman of the Board of Directors of Wuxi Communications. Given the interests of Wuxi Communications and Xitong International as set out above, for the purpose of good corporate governance, Mr. Hu Zhiwei, Mr. Liu Fangqing and Mr. Liu Yuhai have

LETTER FROM THE BOARD

abstained from voting on the Board resolutions approving the Formation of Partnership. Save as disclosed above, none of the Directors have abstained from voting on the relevant Board resolutions.

9. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising of all of the INEDs, has been established to advise the Independent Shareholders as to whether the Formation of Partnership is conducted in the ordinary and usual course of the business of the Group and on normal commercial terms, the terms and the amounts are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole and to advise the Independent Shareholders on how to vote in respect of the resolutions to be proposed at the EGM for approving the Formation of Partnership, taking into account the recommendation of the Independent Financial Adviser. The letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the Formation of Partnership is set out on pages 24 to 25 of this Circular. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Formation of Partnership. The text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 66 of this Circular.

10. EGM AND PROXY

The EGM of the Company will be held at Unit 6, No 18, Qinian Street, Dongcheng District, Beijing, China on Friday, 22 March 2024 at 10:30 a.m. to consider, and if thought fit, approve the Formation of Partnership. A notice convening the EGM is set out in pages EGM-1 to EGM-3 of this Circular. At the EGM, the proposal will be passed by way of ordinary resolutions.

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, sign and return the attached form of proxy in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the 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 the holding of the EGM or its adjournment. The completion and return of a form of proxy by a Shareholder does not preclude him/her from attending in person and voting at the EGM in place of his/her proxy/proxies if he/she finds that he/she is able to do so. In the event of attendance by such Shareholder, the form of proxy of such Shareholder shall be deemed to be revoked. No further action is required on the part of the Shareholders.

11. CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 20 March 2024 to Friday, 22 March 2024, both days inclusive, during which period no transfer of Shares will be effected in order to determine the entitlement of the Shareholders to attend and vote at the EGM.

LETTER FROM THE BOARD

All share transfers accompanied by the relevant share certificates must be lodged with the Registrar at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 19 March 2024. Shareholders whose names appear on the Register of Members on Friday, 22 March 2024 shall be entitled to attend and vote at the EGM.

12. VOTING BY WAY OF 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 for 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.

At the EGM, any Shareholder with a material interest in the Formation of Partnership is required to abstain from voting on the resolution approving the Formation of the Partnership. As Xitong International is a wholly-owned subsidiary of Wuxi Communications, Xitong International will abstain from voting with respect to the relevant resolution at the EGM. As at the Latest Practicable Date, to the best knowledge and belief of the Directors having made all reasonable enquiries, save as disclosed herein, no other Shareholders will be required to abstain from voting in respect of the relevant resolution to be proposed at the EGM.

13. RECOMMENDATIONS

The Directors (including INEDs but excluding Mr. Hu Zhiwei, Mr. Liu Fangqing and Mr. Liu Yuhai) are of the view that the Formation of Partnership is conducted in the ordinary and usual course of the business of the Group and on normal commercial terms, and the terms and the amounts are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends that all Independent Shareholders vote in favour of the resolutions to be proposed as set out in the notices of the EGM.

14. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Circular and the notice of EGM. The English text of this Circular shall prevail over the Chinese text.

* *For identification purpose only.*

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



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)

6 March 2024

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
FORMATION OF PARTNERSHIP**

We refer to the circular dated 6 March 2024 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, the Formation of Partnership is conducted in the ordinary and usual course of the business of the Group and on normal commercial terms, the terms and the amounts are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Formation of Partnership. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter set out on pages 26 to 66 of the Circular.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 23 of the Circular and the text of a letter of advice from the Independent Financial Adviser, as set out on pages 26 to 66 of the Circular. Having considered (i) the Formation of Partnership; (ii) the advice of Somerley Capital Limited; and (iii) the relevant information contained in the letter from the Board, we are of the opinion that the terms of the Formation of Partnership is conducted in the ordinary and usual course of the business of the Group and on normal commercial terms, the terms and the amounts are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Formation of Partnership.

Yours faithfully,
For and on behalf of
**The Independent Board Committee of
China New Town Development Company Limited**

**Mr. Henry Tan
Song Kok**
*Independent
Non-Executive
Director*

Mr. Kong Siu Chee
*Independent
Non-Executive
Director*

Mr. Zhang Hao
*Independent
Non-Executive
Director*

Mr. Lo Wai Hung
*Independent
Non-Executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

6 March 2024

To: *The Independent Board Committee and the Independent Shareholders*

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION PROPOSED FORMATION OF PARTNERSHIP

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Formation of Partnership. Details of the Formation of Partnership are set out in the circular of the Company to the Shareholders dated 6 March 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 15 December 2023, the Board has announced that Xincheng Kaiyuan and Shanghai Jiatong (each a wholly-owned subsidiary of the Company) entered into the Limited Partnership Agreement with Wuxi Guosheng and Wuxi Tonghui to jointly set up the Partnership. In connection with the Limited Partnership Agreement, on 15 December 2023, (1) the Partners entered into the Rights and Obligations Arrangement Agreement, pursuant to which Wuxi Tonghui agreed to make up the Shortfall for Xincheng Kaiyuan and Shanghai Jiatong, respectively, and to acquire the respective interests held by Xincheng Kaiyuan and Shanghai Jiatong in the Partnership; and (2) Wuxi Communications entered into the Guarantee Agreement with each of Xincheng Kaiyuan and Shanghai Jiatong, respectively, pursuant to which Wuxi Communications agreed to provide a general guarantee to Xincheng Kaiyuan and Shanghai Jiatong (as the case may be) on the performance of the Shortfall makeup and acquisition obligations of Wuxi Tonghui under the Rights and Obligations Arrangement Agreement.

As at the Latest Practicable Date, Wuxi Communications is a substantial shareholder of the Company, indirectly holding approximately 29.99% of the entire issued share capital of the Company, and Wuxi Guosheng and Wuxi Tonghui are wholly-owned subsidiaries of Wuxi Communications. Therefore, Wuxi Communications and its associates (including

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Wuxi Guosheng and Wuxi Tonghui) are connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the Formation of Partnership constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Formation of Partnership exceed 25% but all applicable percentage ratios are less than 100%, the Formation of Partnership constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the Formation of Partnership is subject to reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising all the independent non-executive directors, namely Mr. Henry Tan Song Kok, Mr. Kong Siu Chee, Mr. Zhang Hao and Mr. Lo Wai Hung, has been established to advise the Independent Shareholders on the Formation of Partnership and to make recommendation as to voting. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company, Xincheng Kaiyuan, Shanghai Jiatong, Wuxi Guosheng, Wuxi Tonghui, Wuxi Communications or any of their close associates, associates or core connected persons (all as defined in the Listing Rules). In the past two years prior to this appointment, there was no engagement between the Group and us. Apart from normal professional fee payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Xincheng Kaiyuan, Shanghai Jiatong, Wuxi Guosheng, Wuxi Tonghui, Wuxi Communications or any of their close associates, associates or core connected persons. Accordingly, we are considered eligible to give independent advice on the Formation of Partnership.

In formulating our opinion and recommendation, we have reviewed, among other things, the Limited Partnership Agreement, the Rights and Obligations Arrangement Agreement, Guarantee Agreements, the annual reports of the Group for the year ended 31 December 2022 and 2021 (the “**2022 Annual Report**” and “**2021 Annual Report**” respectively), the interim report of the Group for the six months ended 30 June 2023 (the “**2023 Interim Report**”) and the information as set out in the Circular. We have also discussed with the management of the Group (the “**Management**”) about the Formation of Partnership and its future prospects.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and the Management and have assumed that they are true, accurate and complete. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth or accuracy of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group, Xincheng Kaiyuan, Shanghai Jiatong, Wuxi Guosheng, Wuxi Tonghui and Wuxi Communications, nor have we carried out any independent verification of the information supplied.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

1. Business and financial information of the Group

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

(a) Financial performance of the Group

Set out below is a summary of the Group's financial performance for the year ended 31 December 2021 ("FY2021") and 2022 ("FY2022") and for six months ended 30 June 2022 ("6M2022") and 2023 ("6M2023").

	For the six months ended		For the year ended	
	30 June		31 December	
	2023	2022	2022	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
		<i>Restated</i>		
Operating income				
Revenue	158,042	156,057	305,029	273,038
Other income	<u>55,683</u>	<u>51,595</u>	<u>100,639</u>	<u>94,738</u>
	213,725	207,652	405,668	367,776
Operating expenses				
Cost of sales	(19,713)	(24,355)	(43,267)	(63,399)
Selling and administrative expenses	(44,092)	(46,365)	(116,673)	(115,755)
Finance costs	(34,975)	(21,284)	(44,615)	(50,961)
Other expenses	(21,478)	(10,944)	(110,219)	(24,425)
(Impairment losses)/ reversal of impairment on financial assets	<u>(16,957)</u>	<u>(2,148)</u>	<u>(25,114)</u>	<u>35,978</u>
	(137,215)	(105,096)	(339,888)	(218,562)
Operating Profit	76,510	102,556	65,780	149,214
Profit attributable to equity holders of the parent	52,308	76,557	2,702	108,583

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the two years ended 31 December 2021 and 2022

In FY2022, the Group recorded revenue of approximately RMB305.0 million, representing an increase of approximately of 11.7% compared to approximately RMB273.0 million recorded in FY2021. The interest from debt instruments at amortised cost has increased by approximately RMB58.0 million from RMB85.1 million in FY2021 to RMB143.1 million in FY2022. Meanwhile, the Group record revenue of RMB2.7 million from land development in FY2022, representing a decrease of approximately 90.1% compared to the same period of prior year, mainly due to the slower construction progress. The revenue derived from rental income and property management remained relatively stable in FY2021 and FY2022.

The cost of sales decreased from approximately RMB63.4 million in FY2021 to approximately RMB43.3 million in FY2022, mainly attributable by (i) decrease in land development cost as a result of the completion of Shanghai Golden Luodian Development Co., Ltd. (“SGLD”); and (ii) decrease in cost of property management service and other property operations as a result of the reversal of the labour risk premium provided in previous years, as disclosed in the 2022 Annual Report. The other expenses has increased significantly from RMB24.4 million in FY2021 to RMB110.2 million in FY2022, representing an increase of approximately 351.6%. It is mainly due to the impairment of land development for sale of Shenyang Lixiang New Town Modern Agriculture Co., Ltd. Project of approximately RMB109.4 million, partially offset by the absence of net fair value loss on financial instruments at fair value through profit or loss and foreign exchange loss recognized in FY2022. In addition, the impairment losses on financial assets amounted to approximately RMB25.1 million in FY2022, mainly due to the provision of expected credit loss of (i) trade receivable from land development of approximately RMB14.2 million as the local government default the payment for times; and (ii) amount due from SRE Investment Holding Limited of RMB14.5 million as the fair value of the collateral decreased.

As a result, the operating profit of the Group has decreased from approximately RMB149.2 million in FY2021 to approximately RMB65.8 million in FY2022, while the profit attributable to equity holders of the parent has decreased from approximately RMB108.6 million in FY2021 to approximately RMB2.7 million in FY2022.

For the six months ended 30 June 2023 and 2022

In 6M2023, the Group recorded revenue of approximately RMB158.0 million, representing an increase of approximately of 1.2% compared to approximately RMB156.1 million recorded in 6M2022. The interest from debt instruments at amortised cost has increased by approximately RMB10.3 million from RMB68.1 million in 6M2022 to RMB78.5 million in 6M2023. In

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

addition, the Group record revenue of RMB13.4 million from land development in 6M2023, representing an increase of approximately 522.9% compared to the same period of prior year, mainly due to the completion and settlement of SGLD Plot D1–3 kindergarten project. Overall, the revenue recognized remained relatively stable.

The cost of sales decreased from approximately RMB24.4 million in 6M2022 to approximately RMB19.7 million in 6M2023, mainly attributable by the land development cost carried forward of SGLD Plot D1–3 kindergarten project with a decrease of approximately RMB4.1 million as disclosed in the 2023 Interim Report. The finance costs has increased by approximately 64.3% from RMB21.3 million in 6M2022 to RMB35.0 million in 6M2023, mainly due to the increase of interest expenses for the new guaranteed bonds and the rise in the floating interest rate of certain loans. In addition, the other expenses increased by 96.2% from approximately RMB10.9 million in 6M2022 to approximately RMB21.5 million in 6M2023, mainly attributable by the increase in net fair value loss on financial instruments as fair value through profit or loss, partially offset by the absence of foreign exchange loss in 6M2023.

As a result, the operating profit of the Group has decreased from approximately RMB102.6 million in 6M2022 to approximately RMB76.5 million in 6M2023, while the profit attributable to equity holders of the parent has decreased from approximately RMB76.6 million in 6M2022 to approximately RMB52.3 million in 6M2023.

(b) Financial position of the Group

Set out below is a summary of the financial position of the Group as at 31 December 2021 and 2022 and 30 June 2023.

	As at 30 June 2023	As at 31 December	
	2023	2022	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
		<i>Restated</i>	
Total assets	8,148,570	6,583,552	6,678,036
Total liabilities	3,547,920	2,047,615	2,163,517
Net assets	4,600,650	4,535,937	4,514,519

As at 30 June 2023, the Group's total assets amounted to approximately RMB8,148.6 million, mainly comprised of (i) debt instruments at amortised cost of approximately RMB2,790.6 million; (ii) cash and bank balances of approximately RMB1,751.6 million; and (iii) investment property of approximately RMB1,485.7 million. The debt instruments at amortised cost as at 30 June 2023 increased by approximately 67.9% compared with that to 31

December 2022, mainly due to the increase of approximately (i) RMB150.0 million of the Jiangyin Changjing Industrial Park Sewage Treatment Plant Project, (ii) RMB351.0 million of Wuxi Liangxi District Food Science and Technology Innovation Centre Project, (iii) RMB500.0 million of Wuxi Gaoxin District Industrial Park Project, and (iv) RMB200 million of Wuxi Xinwu District Canal Culture and Technology Industrial Park Construction Project in 6M2023.

As at 30 June 2023, the Group's total liabilities amounted to approximately RMB3,547.9 million, mainly comprised of (i) interest-bearing loans and borrowings of approximately RMB2,621.2 million; (ii) contract liabilities of approximately RMB382.8 million; and (iii) other payables and accruals of approximately RMB204.7 million. The interest-bearing loans and borrowings as at 30 June 2023 increased by approximately RMB1,501.1 million or approximately 134.0% compared to 31 December 2022, mainly attributable by the completion of the issuance of RMB1,500 million guaranteed bonds by CNTD Success Company Limited, a wholly-owned subsidiary of the Company, with a maturity date of 27 April 2026. As stated in the 2023 Interim Report, the net proceeds will be used for project construction and supplement of the Company's working capital in accordance with applicable laws and regulations.

As at 30 June 2023 and 31 December 2022, the Group's net assets remained relatively stable at approximately RMB4,600.7 million and RMB4,535.9 million, respectively.

In our view, based on the above analysis, the Group has financed its growth prudently and retained a satisfactory financial position.

2. Information on the Partnership, the Partners and Wuxi Communications

The Partnership is a limited partnership established under the laws of the PRC. The Partnership will primarily invest in the industries such as internet of things, integrated circuits, biopharmaceuticals, software and information technology services, high-end equipment, high-end manufacturing, high-end textile clothing, energy conservation and environmental protection, new materials, new energy, automobiles and spare parts (including new energy vehicles), artificial intelligence and metaverse, quantum technology, third-generation semi-conductors, hydrogen energy and energy storage, deep sea equipment and infrastructure construction.

Xincheng Kaiyuan is a company established under the laws of the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment of urbanization.

Shanghai Jiatong is a company established under the laws of the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in consultation services in the PRC, and holds 27.37% interests of SGLD, which engages in land development in the PRC.

Wuxi Guosheng is a company established under the laws of the PRC with limited liability and is a direct wholly-owned subsidiary of Wuxi Tonghui. It is principally engaged in financial business. To the best knowledge of the Directors, as at the Latest Practicable Date, its ultimate beneficial owner is State-owned Assets Supervision and Administration Commission of Wuxi Municipal People's Government.

Wuxi Tonghui is a company established in the PRC with limited liability and is a direct wholly-owned subsidiary of Wuxi Communications. It is principally engaged in capital market services. To the best knowledge of the Directors, as at the Latest Practicable Date, its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of Wuxi Municipal People's Government.

Wuxi Communications is a company established in the PRC with limited liability. It is principally engaged in the provision of traffic transportation construction and engineering services. To the best knowledge of the Directors, as at the Latest Practicable Date, Wuxi Communications is wholly owned by the State-owned Assets Supervision and Administration Commission of Wuxi Municipal People's Government.

3. Reasons for and benefits of the Formation of the Partnership

As stated in the letter from the Board contained in the Circular, by committing to contribute to the senior-tranche interests of the Partnership as the Senior-Tranche Limited Partners, the Company will receive a stable return of 7% per annum (pre-tax), which will bring more stable income to the Company. Such return of 7% per annum (pre-tax) is guaranteed in a manner of Shortfall makeup by Wuxi Tonghui under the Rights and Obligations Arrangement Agreement, which in turn is further guaranteed under the Guarantee Agreements by the Company's substantial shareholder, Wuxi Communications, which has a good reputation with an international rating of Fitch Ratings BBB+. The Senior-Tranche Limited Partners also have a right to require Wuxi Tonghui to acquire all or part of their interests in the Partnership by serving a notice of performance of acquisition obligations on or before the Acquisition Date. Despite Wuxi Tonghui's Clarification Right during the Clarification Period, Wuxi Tonghui still shall commence the acquisition procedure in accordance with the sub-section headed "Acquisition" and the Acquisition Consideration, regardless of the value of the Acquisition Interests (Valuation), includes the expected investment return accrued from and inclusive of the Investment Commencement Date to and exclusive of the date of the payment of the Acquisition Consideration, covering the Clarification Period. Therefore, by exercising the acquisition right, the Senior-Tranche Limited Partners are entitled to recoup all their respective investments and Basic Investment Returns, which is also guaranteed by Wuxi Communications under the Guarantee Agreements while not to undertake the risk of a potential decrease in valuation of Acquisition Interests in the event that the Acquisition Interests (Valuation) is lower than the Acquisition Interests (Agreement) despite the obligation to refund the price difference to Wuxi Tonghui in the event that Acquisition Interests (Valuation) is higher than the Acquisition Interests (Agreement).

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Secondly, the establishment of the Partnership will enable the Group to gain a better understanding of the market of high-tech industries such as integrated circuits, software and information technology services, and new energy, to effectively implement its transformation strategies, and to seize investment opportunities in the field of integrated circuits, software and information technology services, and new energy in the light of favorable national policies in the PRC. The Company consolidates the double shareholders advantages of the industrial resources of the local state-owned enterprise platform Wuxi Communications and the financial resources of the state-owned financial investment institute CDB Capital so as to transform the Company into a comprehensive platform enterprise of “investment, construction, industrial investment, and operation”. The Company formulates business transformation strategies, mainly through proactively exploring the related investments in industrial fields that are in line with the development prospects of the new economy, including large-scale health industries, information technology application and innovation and accumulates relevant experience. In the past three years, the Group carried out minority equity investments in biomedicine, autonomous driving, high-end medical equipment, semi-conduct materials, etc. The Company believes that the Partnership will create synergies with the Group’s existing businesses and increase Shareholders’ returns.

Thirdly, Wuxi Guosheng has the relevant experience and expertise in managing investees that fall within the Partnership’s intended investment scope. To the best knowledge and belief of the Directors having made all reasonable enquiries, Wuxi Guosheng’s investment covers revitalization of rural areas and villages, aviation industry and infrastructure, etc. Being a direct wholly-owned subsidiary of Wuxi Tonghui, Wuxi Guosheng also leverages the resources and expertise of the Wuxi Tonghui group. The Wuxi Tonghui group has invested in 12 projects in the past five years, with a total investment amount of approximately RMB584 million, mainly focusing on transportation, aerospace, new energy, high-end manufacturing and other industries. According to the 2023 Annual Equity List released at Rongzhong’s 2024 (13th) China Capital Annual Conference in January 2024, Wuxi Tonghui was awarded Rongzhong’s “2023 China Top 100 Private Equity Investment Institutions” and “2023 China Best Merger and Acquisition Investment Institution”.

Furthermore, the location of the Partnership will also support the business development of the Group. Wuxi, as a key economic region in Jiangsu, has a good industrial resource base and has first-over advantages in integrated circuits, biomedicine, and other industries. It planned to vigorously develop strategic emerging industries during the 14th Five-Year Plan, including the internet of things, high-end manufacturing, artificial intelligence, to build a base for advanced manufacturing in the world. The resource advantages and development of Wuxi can provide a good industrial implementation base for investment targets in emerging industries identified during the Group’s business transformation, and support the business development of the Group. In view of the above, the Directors consider that the Formation of Partnership is beneficial to the Company and its Shareholders, as a whole.

Also as stated in the 2022 Annual Report, the Company is an urbanization investment and operation platform under the shareholder background of “local state-owned enterprise+ central enterprise financial institution”. The Company is committed to becoming the leading comprehensive operation platform in the fields of urbanization and livelihood investment in China, dedicates to providing urbanization and livelihood investment products that meet the demand for regional economic development and are in the interests of livelihood, promotes the new urbanization construction with the people as the core, and improves the regional urbanization level and residents’ happiness experience. According to “the key tasks for the development of the new urbanization and the integration of urban and rural area in 2022” (2022年新型城鎮化和城鄉融合發展重點任務) issued by National Development and Reform Commission, one of the key tasks is to enhance the level of intelligence, including but not limited to the building of urban data intelligence and promoting internet of things (IoT) application and intelligent upgrades in municipal public facilities, buildings and other areas. As the investment scope will involve industries such as internet of things, software and information technology services, energy conversation and environmental protection, new materials and new energy, participation in the formation of Partnership can bring insights into potential business opportunities for the Company and will give the Company access to opportunities of establishing connection with investment targets and/or investees operating in related industries to facilitate future cooperation.

Having considered the principal businesses of the Group, the purpose of the Partnership and our assessment on the terms of the Formation of Partnership (as discussed in the sections below), we concur with the view of the Board that the Formation of Partnership is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and its Shareholders as a whole.

4. Principal terms of the Formation of Partnership

4.1 Principal terms of the Limited Partnership Agreement

Date	15 December 2023
Parties	<i>General Partner:</i> (i) Wuxi Guosheng; <i>Senior-Tranche Limited Partners:</i> (i) Xincheng Kaiyuan; (ii) Shanghai Jiatong; and <i>Junior-Tranche Limited Partner:</i> (i) Wuxi Tonghui.

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Proposed name of the Partnership	Wuxi Xinsheng Investment Partnership (Limited Partnership)* (無錫新晟投資合夥企業(有限合夥)).
Purpose of the Partnership	The purpose of the Partnership is to jointly invest, operate and gain profit in accordance with the principle of equality and mutual benefit with the Partners' own funds (not through public or non-public fundraising) and with an aim to promote the development of local economy and increase the revenue of the Partners.
Business and investment scope	The business scope of the Partnership is to engage in investment activities with the Partner's own funds. The Partnership will primarily invest in industries such as internet of things, integrated circuits, biopharmaceuticals, software and information technology services, high-end equipment, high-end manufacturing, high-end textile clothing, energy conservation and environmental protection, new materials, new energy, automobiles and spare parts (including new energy vehicles), artificial intelligence and metaverse, quantum technology, third-generation semi-conductors, hydrogen energy and energy storage, deep sea equipment and infrastructure construction.
Term of the Partnership	The term of the Partnership is five years commencing from the date of business licence, while the investment period of the Senior-Tranche Limited Partners of the Partnership is three years, commencing from the Investment Commencement Date in accordance with the Rights and Obligations Arrangement Agreement.
Capital contribution	The total capital to be contributed by all Partners to the Partnership pursuant to the Limited Partnership Agreement shall be RMB901 million.

Wuxi Guosheng, as the General Partner, has committed to contribute RMB1 million. Xincheng Kaiyuan and Shanghai Jiatong, as the Senior-Tranche Limited Partners, have committed to contribute RMB250 million and RMB200 million, respectively. Wuxi Tonghui, as the Junior-Tranche Limited Partner, has committed to contribute RMB450 million.

The size of the Partnership and the respective capital contribution by the Partners to the Partnership were determined after arm's length negotiation among the Partners with reference to the potential projects' financing need. All capital contributions shall be made by cash in Renminbi, and each Partner shall make their capital contribution in a lump sum or by installments according to the capital contribution payment notice to be issued by the Executive Partner.

All Partners agree that the Executive Partner shall send the capital contribution payment notice to the relevant Partner not less than 10 business days before the payment date shown on the capital contribution payment notice.

All Partners agree that the Executive Partner shall not be entitled to require a Senior-Tranche Limited Partner to actually contribute any capital until all of the General Partner's capital has been actually contributed, and that before the Executive Partner requires a Senior-Tranche Limited Partner to contribute any capital, the Executive Partner shall obtain the evidence of the actual capital contribution by the Junior-Tranche Limited Partner or other written documents recognised by the Senior-Tranche Limited Partner.

If a Partner fails to make its capital contributions on time, it shall assume the obligation to pay back and bear the default liability to the other Partners. If a Partner fails to fulfill its contribution obligation which has been overdue for 20 days, all Partners may decide to reduce its contribution to the Partnership and its corresponding share of the assets, or to remove it from the Partnership. For the avoidance of doubt, if a Senior-Tranche Limited Partner fails to make its capital contribution in full and on time, other Partners agree to grant a grace period of not more than 20 days during which no Partner shall be entitled to require the Senior-Tranche Limited Partner to be responsible for breach of overdue in capital contribution.

Loss sharing and liability of the Partners

The loss incurred by the Partnership shall be shared according to the following principle: the Partners shall share the loss in accordance with the ratio of their committed capital contributions. The General Partner shall bear unlimited joint and several liabilities for the debts of the Partnership whereas the Limited Partners shall be liable to the extent of their committed capital contribution.

Profit Distribution

The Partnership shall distribute its profit to the Partners based on its surplus before 20 December of each calendar year (“**Profit Distribution**”). In the event when the profit available for distribution is inconsistent with that in the audited report of the year, adjustments shall be made based on the actual situation after the audit report is issued. Such Profit Distribution shall be made in the following principles and order:

- (1) regardless of whether the Partnership has withdrawn from its investment projects, first shall be distributed to the Senior-Tranche Limited Partners the basic investment return calculated at a basic rate of return of 7% per annum (pre-tax) based on its then actual amount of capital contributed (“**Basic Investment Return**”);

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- (2) for the investment project(s) which the Partnership has withdrawn from, the Executive Partner shall have the right to determine whether the profit received from such project(s) will be distributed to the Partners or rolled over and invested in other investment projects. For the investment project(s) withdrawn before the distribution date and which the Executive Partner has decided to distribute the profit received from, the profit, after the distribution as mentioned in sub-paragraph (1) above, shall be distributed to the Senior-Tranche Limited Partners their capital contributions with respect to such investment project(s) until their actual capital contributions to the Partnership with respect to such investment project(s) have been fully recouped;
- (3) such profit shall be distributed to the General Partner and the Junior-Tranche Limited Partner their Basic Investment Return;
- (4) for the investment project(s) which the Partnership has withdrawn from and the Executive Partner has decided to distribute the profit received therefrom as at the distribution date, the profit shall be distributed to the General Partner and the Junior-Tranche Limited Partner their capital contributions with respect to such investment project(s) until their actual capital contributions to the Partnership with respect to such investment project(s) have been fully recouped;

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- (5) the balance (if any) shall be distributed to the Executive Partner as a remuneration of not more than 0.5% per annum (calculated based on the accrued actual capital contribution received by the Partnership) for performing its duties under the Limited Partnership Agreement in the event of any additional profit from its investment projects and subsequently to the General Partner and Junior-Tranche Limited Partner in the proportion of 2:8 simultaneously, to the best knowledge and belief of the Directors having made all reasonable enquiries.

The actual amount and distribution date of the Profit Distribution (in any event, not later than 30 December of each calendar year) shall be confirmed in the Partners' meeting subject to the terms and conditions of the Limited Partnership Agreement and the actual situation.

Management of the Partnership

The Partners unanimously nominate Wuxi Guosheng as the Executive Partner to provide investment and operation management services of all the assets of the Partnership. Other Partners shall not operate the Partnership but are entitled to oversee the administration of the affairs of the Partnership by the Executive Partner.

Conditions Precedent

The Limited Partnership Agreement shall take effect upon the approval of the Independent Shareholders at the EGM pursuant to the Articles of Association and Listing Rules.

Termination and dissolution of the Partnership

The Partnership shall be terminated and dissolved upon the occurrence of one of the following events:

- (i) all Partners consent to terminate;
- (ii) all investment projects of the Partnership have been recouped early;

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- (iii) the Partnership suffers a significant loss or is unable to continue its operations due to the significant loss caused by force majeure (a significant loss means an amount not less than 50% of the total actual capital contribution of the Partnership);
- (iv) the withdrawal of interests by General Partner from the Partnership in accordance with the Limited Partnership Agreement upon the occurrence of certain events as stipulated in the paragraph “Withdrawal of interests from the Partnership” below without any other person(s) assuming its duties and obligations;
- (v) the General Partner has not publicly disclosed a connected transaction or the connected person has not abstained from voting in the relevant resolutions;
- (vi) any one or more Partners fail(s) to perform its/their obligations under the Limited Partnership Agreement causing the Partnership unable to continue its operations;
- (vii) where the Partnership consists of the Limited Partners only, it shall dissolve; where the Partnership consists of the General Partner only, it shall be converted to a general partnership;
- (viii) the business licence of the Partnership has been revoked;
- (ix) other circumstances as stipulated in the applicable laws and regulations and under the Limited Partnership Agreement.

Withdrawal of interests from the Partnership During the term of the Partnership when the Partnership is validly subsisting, a Partner may withdraw its interests from the Partnership upon the occurrence of one of the following events:

- (i) an event of withdrawal as stipulated in the Limited Partnership Agreement has occurred, which includes, (a) if the Partner is a natural person, the death of the Partner occurs or has been declared legally dead or his/her inability to pay debts arises; (b) if the Partner is an entity or other organisation, the Partner has its business license revoked, or is ordered to be closed down, deregistered or wound up according to the laws; (c) the Partner has lost the relevant qualifications required by the laws and regulations or by the Limited Partnership Agreement; and (d) all interests of the Partner in the Partnership have been distrained by the People's Court in the PRC;
- (ii) all Partners have consented to the withdrawal;
- (iii) certain event has occurred which prevents the Partner from continuing to participate in the Partnership;
- (iv) other Partner(s) is/are in serious breach of the obligations as stipulated in the Limited Partnership Agreement.

In the event that a Partner's withdrawal is in breach of the terms and conditions of the Limited Partnership Agreement, the Partner shall be liable for any losses to the Partnership with respect to the withdrawal.

4.2 Principal terms of the Rights and Obligations Arrangement Agreement

Date	15 December 2023
Parties	(i) Wuxi Guosheng; (ii) Xincheng Kaiyuan; (iii) Shanghai Jiatong; and

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(iv) Wuxi Tonghui.

Investment
Commencement Date The earlier of the actual Capital Contribution Date of Xincheng Kaiyuan or Shanghai Jiatong (“**Investment Commencement Date**”).

Investment period The investment period of the Senior-Tranche Limited Partners of the Partnership is three years, commencing from the Investment Commencement Date. The Senior-Tranche Limited Partners are entitled to declare an early Investment Maturity Date and require Wuxi Tonghui to make up the Shortfall and pay the Acquisition Consideration in accordance with the Rights and Obligations Arrangement Agreement upon the occurrence of certain events as stipulated in the paragraph “Termination” below.

Shortfall makeup Wuxi Tonghui shall make up the shortfall so as to ensure each of Xincheng Kaiyuan and Shanghai Jiatong obtains an expected investment return at annual rate of 7% (pre-tax) (the “**Shortfall**”).

As of any Accounting Date, if the aggregate amount of Profit Distribution distributed to a Senior-Tranche Limited Partner does not reach the expected investment return accrued and calculated in accordance with the Rights and Obligations Arrangement Agreement, Wuxi Tonghui shall assume the obligation to make up the Shortfall calculated by the Senior-Tranche Limited Partner upon the request by the Senior-Tranche Limited Partner.

The obligation of Shortfall make-up of Wuxi Tonghui is unconditional and irrevocable.

Acquisition

The Senior-Tranche Limited Partners shall have the right to notify Wuxi Tonghui by serving a notice of performance of acquisition obligations on or before the Acquisition Date, and require Wuxi Tonghui to acquire all or part of their interests (“**Acquisition Interests**”) in the Partnership at a consideration (“**Acquisition Consideration**”) determined in accordance with the Rights and Obligations Arrangement Agreement and with reference to (i) the actual capital contribution of the Senior-Tranche Limited Partners, (ii) the expected investment return accrued from and inclusive of the Investment Commencement Date to and exclusive of the date of payment of the Acquisition Consideration, (iii) the total Profit Distribution distributed to the Senior-Tranche Limited Partner and (iv) the Shortfall made up by Wuxi Tonghui to the Senior-Tranche Limited Partner.

Wuxi Tonghui shall commence the acquisition procedure before the specified period in the notice of performance of acquisition obligations or 10 business days upon the receipt of the notice of performance of acquisition obligation, whichever is later, and carry out related activities such as audit and valuation in accordance with the Interim Measures for Appraisal and Management of State-owned Assets by Enterprises (SASAC Decree No. 12 issued by the State Council) and the then relevant state-owned enterprise related laws, regulations and policies to satisfy the requirements of state-owned enterprises administration (if applicable). Wuxi Tonghui shall sign a Senior-Tranche Limited Partnership Equity Transfer Agreement in relation to the Acquisition Interests and the Acquisition Consideration shall be paid to the account designated by the Senior-Tranche Limited Partner within 10 business days after the date of signing of the Senior-Tranche Limited Partnership Equity Transfer Agreement in relation to the Acquisition Interests.

In the event when the valuation of the Acquisition Interests after the asset assessment conducted in accordance with the then relevant state-owned enterprise related laws, regulations and policies (the “**Acquisition Interests (Valuation)**”) is lower than the Acquisition Consideration calculated in accordance with the Rights and Obligations Arrangement Agreement (the “**Acquisition Interests (Agreement)**”), the Acquisition Consideration shall equal to the Acquisition Interests (Agreement). If the Acquisition Interests (Valuation) is higher than the Acquisition Interests (Agreement), the Acquisition Consideration paid by Wuxi Tonghui shall equal to the Acquisition Interests (Valuation) and the Senior-Tranche Limited Partner shall return the difference between the value of the Acquisition Interests (Valuation) and the value of Acquisition Interests (Agreement) such that regardless of the value of the Acquisition Interests (Valuation), the Senior-Tranche Limited Partner shall receive from the acquisition the Acquisition Interests (Agreement) so that the Senior-Tranche Limited Partners is entitled to recoup their respective capital contribution and lock up the Basic Investment Return in the event of acquisition.

Guarantee by Wuxi
Communications

Wuxi Tonghui shall ensure its actual controller, Wuxi Communications, to enter into a legally valid guarantee agreement with each of Xincheng Kaiyuan and Shanghai Jiatong, respectively, pursuant to which Wuxi Communications shall provide a general guarantee to Xincheng Kaiyuan and Shanghai Jiatong (as the case may be) on the performance of the Shortfall makeup and acquisition obligations of Wuxi Tonghui as stipulated under the Rights and Obligations Arrangement Agreement.

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Liquidated damages If Wuxi Tonghui fails to pay the sums including the Shortfall and/or the Acquisition Consideration, etc. in full and on time in accordance with the Rights and Obligations Arrangement Agreement, Wuxi Tonghui shall continue to make the payment(s) and pay liquidated damages to Xincheng Kaiyuan and Shanghai Jiatong at the daily rate of 0.04% of the unpaid amount until Wuxi Tonghui has paid all the relevant sums.

Indemnity In the event of any breach of the Rights and Obligations Arrangement Agreement by one party, including but not limited to the untruthfulness of its representations and warranties, the party in breach shall be liable to indemnify the other parties of all their economic losses arising from such breach and pay to the other parties relevant costs (including but not limited to litigation costs, legal fees, travel expenses, etc., for the exercise of their rights).

Conditions precedent The Rights and Obligations Arrangement Agreement shall take effect upon the approval of the Independent Shareholders at the EGM pursuant to the Articles of Association and Listing Rules.

Termination The Rights and Obligations Arrangement Agreement shall not be terminated by one Partner unless with the unanimous consent of the Partners.

Notwithstanding the above, the Senior-Tranche Limited Partners are entitled to declare an early Investment Maturity Date, require Wuxi Tonghui to make up the Shortfall and pay the Acquisition Consideration in accordance with the Rights and Obligations Arrangement Agreement upon the occurrence of the following events:

- (i) Wuxi Tonghui fails or improperly performs its obligations under the Rights and Obligations Arrangement Agreement and/or the Limited Partnership Agreement or there is a breach of any representation, warranty or undertaking thereunder;

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- (ii) there occurs suspension or termination of operation, dissolution, withdrawal, liquidation or bankruptcy (including reorganization) of Wuxi Tonghui;
- (iii) if there is a material event that could materially and adversely affect the financial condition, ability to perform its contractual obligations, or operating condition of Wuxi Tonghui, causing a material adverse effect to the performance of its obligations under the Limited Partnership Agreement and the Rights and Obligations Arrangement Agreement, including but not limited to, material debt disputes, claims, breach of law, legal proceedings (arbitration), administrative penalties, material default events against financial institutions or other third parties, or other adverse events;
- (iv) there is a proposed termination (including early termination and deferred termination) or liquidation of the Partnership;
- (v) the Partnership is subject to penalties (including but not limited to administrative regulatory measures, administrative penalties, self-regulatory measures, disciplinary measures, whether in writing or oral) imposed by regulatory authorities such as the China Securities Regulatory Commission (inclusive of its local offices) and the Asset Management Association of China; or its failure to rectify on time or its failure to rectify in accordance with the laws and regulations, or regulatory requirements.

Wuxi Tonghui shall have an opportunity to clarify within 10 business days (the “**Clarification Period**”) from the declaration of an early Investment Maturity Date by the Senior-Tranche Limited Partners on whether the above events have occurred (the “**Clarification Right**”). Despite Wuxi Tonghui’s Clarification Right, Wuxi Tonghui still shall commence the acquisition procedure as disclosed in the sub-section headed “Acquisition” at the Acquisition Consideration which includes the expected investment return accrued from and inclusive of the Investment Commencement Date to and exclusive of the date of payment of the Acquisition Consideration, which covers the Clarification Period.

4.3 Principal terms of the Guarantee Agreements

Date	15 December 2023
Parties	<i>Guarantee Agreement (Shanghai Jiatong)</i> (i) Wuxi Communications; and (ii) Shanghai Jiatong. <i>Guarantee Agreement (Xincheng Kaiyuan)</i> (i) Wuxi Communications; and (ii) Xincheng Kaiyuan.
Guarantee period	Three years commencing from the expiry date of the performance of the Shortfall makeup and acquisition obligations under the Rights and Obligations Arrangement Agreement.
Guarantee	Wuxi Communications agrees to provide a general guarantee to Shanghai Jiatong and Xincheng Kaiyuan (as the case may be) on the performance of Wuxi Tonghui under the Rights and Obligations Arrangement Agreement with respect to payment of (1) the Shortfall, (2) the Acquisition Consideration.

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Conditions precedent	The Guarantee Agreements shall take effect upon the approval of the Independent Shareholders at the EGM pursuant to the Articles of Association and Listing Rules.
Termination	Unless stated otherwise in the Guarantee Agreements, the Guarantee Agreements shall not be unilaterally terminated by one party unless with unanimous consent of both parties.

For further details of the principal terms of the Limited Partnership Agreement, Rights and Obligations Arrangement Agreement and Guarantee Agreements, please refer to the letter from the Board contained in the Circular.

5. Our assessment on principal terms of the Partnership

In order to further assess the fairness and reasonableness of the terms of the Formation of Partnership pursuant to the Limited Partnership Agreement, the Rights and Obligations Arrangement Agreement and the Guarantee Agreements, we compared the principal terms of the Partnership against similar fund partnership (the “**Comparable Partnerships**”) formed by the entities related to companies listed on the Stock Exchange and announced during the period from 15 September 2023 to 15 December 2023, being the three-month period prior to the date of announcement in relation to the Formation of the Partnership by the Company (the “**Comparable Partnerships Review Period**”). Overall, we identified 15 Comparable Partnerships, which are considered exhaustive, fair and representative of relevant fund partnership agreements based on the said criteria above. The Partnerships Review Period, which covers a recent period of three months, is considered to represent a sufficient period of time to provide a general overview of the recent market practices on principal terms of fund partnership for the purpose of this analysis given the sufficient number of Comparable Partnerships identified. We also consider the Comparable Partnerships, which covers both connected and non-connected transactions, can provide a general reference on the recent market trend for this type of transaction in the Hong Kong market.

Set out below is a summary comparing the principal terms of the Partnership Agreement and the Comparable Partnerships as set out in the relevant announcements.

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No.	Date of announcement	Company name (Stock code)	Contribution %			Management fees			Distribution policy			Connected transaction?
			General partners	Limited partners	Duration (Investment period)	Investment period	Exit period	Distribution mechanism	Threshold rate for distribution of hurdle return after return of capital contribution	Distribution of excess profit to the general partners after the return of capital contribution and distribution of hurdle return		
1	11 December 2023	Tianjin Development Holdings Limited (Stock code: 882)	44.2%	55.8%	5 years (3 years)	1.4%	0.7%	(1) Distribution shall first be made to each of the partners in proportion to its respective paid-up capital contribution at the time of the distribution until all partners have recovered their respective paid-up capital contribution;	8.0%	20.0%	Yes	
								(2) Distribution shall then be made to each of the Partners until the cumulative amount received by each of the partners reaches an amount equivalent to a simple interest of 8% per annum on its respective paid-up capital contribution;				
								(3) Out of the remaining distributable income (if any), 80% shall be distributed among all the Partners in proportion to their respective paid-up capital contribution, 14% shall be distributed to one of the two general partners in its capacity of the manager as performance-based remuneration, and 6% shall be distributed to another one of the two general partners as excess income.				
2	8 December 2023	China Power International Development Limited (Stock code: 2380)	1.0%	99.0%	7 years (4 years)	1.5%	1.0%	(1) The income distribution shall be made to the partners in proportion to their respective paid-in capital contribution until the accumulated amount distributed to each partner reaches the amount of its respective amount of paid-in capital contributed;	8.0%	20.0%	Yes	
								(2) After all partners have recovered their paid-in capital contributions in accordance with (1) above as of the date of distribution, a threshold income of 8% per annum shall be distributed to each partner in proportion to the paid-in capital contribution made by the respective partner;				
								(3) If there is any surplus after the distributions in accordance with (1) and (2) above, 20% of the surplus shall be distributed to the general partner as a performance-based compensation and 80% shall be distributed to all partners in proportion to their respective paid-in capital contribution.				

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No.	Date of announcement	Company name (Stock code)	Contribution %		Management fees		Distribution policy		Distribution of excess profit to the general partners after the return of capital contribution and hurdle return	Connected transaction?	
			General partners	Limited partners	Duration (Investment period)	Investment period	Exit period	Distribution mechanism			Threshold rate for distribution of hurdle return after return of capital contribution
3	8 December 2023	Guolian Securities Co., Ltd. (Stock code: 1456)	0.0%	100.0%	8 years (4 years)	2.0%	2.0%	<p>(1) 100% shall be distributed to a limited partner until it has been distributed an amount equal to its unreturned paid-up capital contribution;</p> <p>(2) 100% shall be distributed to a limited partner until it has been paid an amount equal to the preferred return (the amount of interest calculated on the outstanding paid-up capital contribution at an annual simple rate of 8%);</p> <p>(3) 100% shall be distributed to the carried interest recipients until they have received a total amount equal to 25% of the preferred return with respect to such limited partner;</p> <p>(4) 80% and 20% shall be distributed to such limited partner and the carried interest recipients, respectively.</p>	8.0% (limited partners only) 25.0% (all partners)	N/A	Yes
4	8 December 2023	Tian Tu Capital Co., Ltd. (Stock code: 1973)	0.4%	99.6%	7 years (N/A)	1.0%–2.0%	0.0%	<p>The general partner is entitled to carried interests charged at 20% of the fund's realized gains when the gain exceeds an 8% rate of return. If the fund's gains exceed three times of its paid-in capital, the carried interest rate for such excess gains would be 30% on the fund's realized gains.</p>	8.0%	20.0%-30.0%	No
5	1 December 2023	Zero2IPO Holdings Inc. (Stock code: 1945)	N/A	N/A	10 years (3 years)	2.0%	2.0%	<p>(i) First, to the limited partners and the general partner until the limited partners and the general partner have received accumulative distributions equal to 100% of their accumulative paid-up capital contributions;</p> <p>(ii) Second, 80% of the balance will be distributed to the limited partners and the general partner on a pro rata basis of their respective paid-up capital contributions, and 20% of the balance will be distributed to the general partner.</p>	N/A	20.0%	Yes
6	23 November 2023	Qilu Expressway Company Limited (Stock code: 1576)	0.0%	100.0%	5 years (3 years)	0.1%	0.1%	<p>Distributable properties shall be distributed to each partner in proportion to the partner's paid-in capital, unless the order of the foregoing distributions is varied by separate agreement of all limited partners. Losses of the Partnership are shared among the partners in proportion to their actual capital contributions.</p>	N/A	N/A	No

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No.	Date of announcement	Company name (Stock code)	Contribution %		Management fees		Distribution policy		Distribution of excess profit to the general partners after the return of capital contribution and distribution of hurdle return	Connected transaction?	
			General partners	Limited partners	Duration (Investment period)	Investment period	Exit period	Distribution mechanism			Threshold rate for distribution of hurdle return after return of capital contribution
7	23 November 2023	Shoucheng Holdings Limited (Stock code: 697)	0.1%	99.9%	8 years (5 years)	0.5%	0.5%	(1) Operating Income of Investment Projects: With respect to the distributable income generated from the operating income from investment projects during the term of existence, the manager shall distribute such distributable income to each partner in accordance with its investment cost sharing ratio in the investment project. (2) Proceeds from Disposal of Investment Projects: With respect to the proceeds generated from the disposal of an investment project during the term of existence, the manager shall distribute the distributable amount therefrom as follows: (i) to each partner in accordance with its investment cost sharing ratio in the investment project until each partner obtains its respective paid-in capital contribution amount; (ii) for any remaining distributable income, to each partner in accordance with its investment cost sharing ratio in the investment project until each partner obtains a prescribed annual rate of return to its respective paid-in capital contribution; and (iii) for any remaining distributable income, 14% of which shall be distributed to the general partner, while the remaining 86% of which shall be distributed to all the limited partners in proportion to their respective paid-in capital contribution.	N/A	14.0%-21.0%	No

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No.	Date of announcement	Company name (Stock code)	Contribution %		Management fees		Distribution policy		Connected transaction?		
			General partners	Limited partners	Duration (Investment period)	Investment period	Exit period	Distribution mechanism		Threshold rate for distribution of hurdle return after return of capital contribution	Distribution of excess profit to the general partners after the return of capital contribution and hurdle return
8	12 November 2023	Kindstar Globalgene Technology, Inc. (Stock code: 9960)	1.0%	99.0%	5 years (2 years)	2.0%	1.5%	<p>(3) Overall Income Adjustments:</p> <p>After the exit from all the investment projects by the partnership, in the case where after making the income distribution as mentioned in “(1)” and “(2)” above, the accumulated amount of investment returns received by any limited partner with respect to all of its paid-in capital contribution exceeds the prescribed overall investment return standards as stipulated in the Partnership Agreement: 21% of the portion of the distributable income that is in excess of the standard shall be distributed to the general partner; and the remaining 79% shall be distributed to the limited partner in proportion to their respective paid-in capital contribution.</p> <p>First be distributed among all partners in pro rata to their respective paid-in capital in the partnership until all partners have received cumulative distributions equal to the aggregate paid-in capital in the partnership of such partner. Thereafter, each limited partner shall receive an annualized return equal to 8% of the aggregate paid-in capital in the partnership of such partner. Then the general partner shall receive a carried interest up to an amount equal to 25% of the aggregate annualized return of each limited partner. Finally, the limited partners shall receive 80% of the remaining proceeds in pro rata to their respective paid-in capital in the partnership and the general partner shall receive the remaining 20%.</p>	8.0%	20.0%	No

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No.	Date of announcement	Company name (Stock code)	Contribution %			Management fees			Distribution policy		Connected transaction?
			General partners	Limited partners	Duration (Investment period)	Investment period	Exit period	Distribution mechanism	Distribution of excess profit to the general partners after the return of capital contribution and hurdle return	Threshold rate for distribution of hurdle return after return of capital contribution	
10	31 October 2023	Skyworth Group Limited (Stock code: 751)	1.0%	99.0%	7 years (4 years)	2.0%	1.0%	(1) Proceeds from the realisation of the fund's investments upon exit from any investment project shall not be re-invested and shall be distributed to the partners of the fund pro-rata to their respective capital contribution up to the amount they contributed with an 8% (pre-tax) annualised return up to the date of distribution.	8.0%	20.0%	No
							(2)	Amounts in excess of (1) shall be distributed to the general partner up to 25% of the total amount distributed under (1).			
							(3)	Any further excess shall be distributed 80% to all partners of the fund pro rata to their contribution, and 20% to the general partner.			
11	27 October 2023	Shenzhen Expressway Corporation Limited (Stock code: 548)	0.2%	99.8%	7 years (3 years)	1.5%	1.5%	1. The distributable cash shall be distributed among the limited partners until the aggregate amount received by the relevant limited partner has reached the aggregate amount of the actual capital contribution made by such limited partner in the partnership;	4.0% (limited partners only)	20.0%	Yes
							2.	If there be remaining amount in the distributable cash, such remaining amount shall be distributed among the limited partners until the relevant limited partner has accumulatively received a preferential return of 4% per annum of the aggregate amount it has received under paragraph (1) above; and			
							3.	If there still be remaining amount in the distributable cash, such remaining amount shall be distributed among the limited partners and the general partner at the proportion of 80% and 20%.			

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No.	Date of announcement	Company name (Stock code)	Contribution %		Management fees			Distribution policy		Distribution of excess profit to the general partners after the return of capital contribution and hurdle return	Connected transaction?
			General partners	Limited partners	Duration (Investment period)	Investment period	Exit period	Distribution mechanism	Distribution policy		
12	26 October 2023	Shanghai Chicomax Cosmetic Co., Ltd. (Stock code: 2145)	1.3%	98.7%	7 years (4 years)	2.0%	2.0%	(a)	Firstly, 100% to such limited partner until the total amount of distribution of proceeds received by such limited partner is equal to the cumulative amount of capital contributions then made by such limited partner;	8.0% (limited partners only)	No
							(b)	Secondly, 100% of the balance, if any, shall be distributed to such limited partner until the aggregate amount of the distribution of proceeds received by such limited partner pursuant to this paragraph (b) reaches the amount of interest accruing to such limited partner on the amount of the distribution of proceeds received by such limited partner pursuant to paragraph (a) calculated at 8% per annum interest;			
							(c)	Thirdly, 100% of the balance, if any, shall be distributed to the general partner until the cumulative amount distributed to the general partner pursuant to this paragraph (c) equals 20% of the sum of (i) the amount of the distribution of proceeds received by such limited partner pursuant to paragraph (b) above up to the point in time of such distribution and (ii) the amount of the distribution of proceeds received by the general partner pursuant to this paragraph (c); and			
							(d)	Finally, 80% of the balance, if any, shall be distributed to such limited partner and 20% shall be distributed to the general partner.			

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No.	Date of announcement	Company name (Stock code)	Contribution %		Management fees			Distribution policy		Threshold rate for distribution of hurdle return after return of capital contribution	Distribution of excess profit to the general partners after the return of capital contribution and hurdle return	Connected transaction?
			General partners	Limited partners	Duration (Investment period)	Investment period	Exit period	Distribution mechanism				
13	16 October 2023	China International Marine Containers (Group) Co., Ltd. (Stock code: 2039)	0.2%	99.8%	15 years (10 years)	2.0%	1.5%	(1) (2)	Return of paid-in capital to all partners: Allocating to all partners in proportion to their respective paid-in capital, until each partner's paid-in capital has been returned in full; Threshold income return to all partners: If there is a surplus, a threshold income return will be distributed to all partners, and the threshold income return to each partner will be the amount calculated on the basis of an annualized yield rate of 6% (simple interest) over the amount attributable to such partner under (1) above, with the period for calculating the annualized yield rate commencing from the date on which the respective paid-in capital of such partner is transferred to the partnership's account and ending on reference date for the distribution;	6.0%	20.0%	Yes
								(3)	Distribution of excess profits: If there are any remaining balances, 80% of the remaining balances will be distributed to the limited partners in proportion to their relative paid-in capital, and 20% to the general partners.			

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No.	Date of announcement	Company name (Stock code)	Contribution %			Management fees			Distribution policy		Connected transaction?	
			General partners	Limited partners	Duration (Investment period)	Investment period	Exit period	Distribution mechanism	Distribution mechanism	Threshold rate for distribution of hurdle return after return of capital contribution		Distribution of excess profit to the general partners after the return of capital contribution and hurdle return
14	28 September 2023	Legend Holdings Corporation (Stock code: 3396)	1.0%	99.0%	8 years (N/A)	2.0%	2.0%	2.0%	(1) Revenue generated from the fund's project investments shall be distributed among all the partners based on their proportions of equity interest in the relevant project investment; and (2) Provisional investment revenue obtained by the fund shall be distributed among all the partners based on their proportions of the capital of the fund that generate such revenue. The distributable cash generated from the fund's project investments shall be distributed among the relevant partners of the fund based on the distribution proportion agreed in item (1) above. The portion calculated by each limited partner based on its distribution proportion will be further distributed mainly in the following manner and order: (1) The paid-in capital contribution will be returned to the limited partners; (2) 80% will be distributed to the limited partners; and (3) The remaining 20% will be distributed to the general partner.	N/A	20.0%	Yes

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No.	Date of announcement	Company name (Stock code)	Contribution %		Management fees			Distribution policy		Distribution of excess profit to the general partners after the return of capital contribution and distribution of hurdle return	Connected transaction?	
			General partners	Limited partners	Duration (Investment period)	Investment period	Exit period	Distribution mechanism	Threshold rate for distribution of hurdle return after return of capital contribution			
15	25 September 2023	New Focus Auto Tech Holdings Limited (Stock code: 360)	0.3%	99.7%	8 years (5 years)	2.0%	1.0%	(i)	The profit of the limited partnership will be distributed to the limited partners on a <i>pari passu</i> basis, in accordance with the proportion of their paid-up capital contributions, until the cumulative amount reaches the capital contribution of each limited partner;	N/A	20.0%	No
	Mean (Note 2)	4.7%	95.3%	8 years (4 years)	1.6%	1.2%	(ii)	The amount of the general partner's capital contribution shall be returned; and		7.3%	20.0%	
	Median (Note 2)	1.0%	99.0%	7 years (4 years)	2.0%	1.3%	(iii)	Once the above conditions (i) and (ii) are satisfied, the remainder shall be distributed between the general partner and the limited partners according to the ratio of 20:80.		8.0%	20.0%	
	Max	44.2%	100.0%	15 years (10 years)	2.0%	2.0%				25.0%	30.0%	
	Min	0.0%	55.8%	5 years (2 years)	0.1%	0.0%				4.0%	14.0%	

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No.	Date of announcement	Company name (Stock code)	Contribution %		Management fees		Distribution mechanism	Distribution policy	Distribution of excess profit to the general partners after the return of capital contribution and distribution of hurdle return	Connected transaction?
			General partners	Limited partners	Investment period	Exit period				
15	December 2023	The Company (Stock code: 1278)	0.1%	99.9%	5 years (3 years for Senior- Tranche Limited Partners)	Not more than 0.5% per annum (calculated based on the accrued actual capital contribution received by the Partners)	<p>(1) regardless of whether the Partnership has withdrawn from its investment projects, first shall be distributed to the Senior-Tranche Limited Partners the basic investment return calculated at a basic rate of return of 7% per annum (pre-tax) based on its then actual amount of capital contributed;</p> <p>(2) for the investment project(s) which the Partnership has withdrawn from, the Executive Partner shall have the right to determine whether the profit received from such project(s) will be distributed to the Partners or rolled over and invested in other investment projects. For the investment project(s) withdrawn before the distribution date and which the Executive Partner has decided to distribute the profit received from, the profit, after the distribution as mentioned in sub-paragraph (1) above, shall be distributed to the Senior-Tranche Limited Partners their capital contributions with respect to such investment project(s) until their actual capital contributions to the Partnership with respect to such investment project(s) have been fully recouped;</p>	<p>7% guaranteed annual return (pre-tax) (Senior-Tranche Limited Partners only)</p> <p>Executive Partner shall have the right to decide whether to distribute profits to the General Partner and the Junior-Tranche Limited Partner after the distribution of the Basic Investment Return and the capital contributions with respect to such investment project(s) to all Partners</p>	Yes	
							<p>(3) such profit shall be distributed to the General Partner and the Junior-Tranche Limited Partner their Basic Investment Return;</p>			
							<p>(4) for the investment project(s) which the Partnership has withdrawn from and the Executive Partner has decided to distribute the profit received therefrom as at the distribution date, the profit shall be distributed to the General Partner and the Junior-Tranche Limited Partner their capital contributions with respect to such investment project(s) until their actual capital contributions to the Partnership with respect to such investment project(s) have been fully recouped;</p>			

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No.	Date of announcement	Company name (Stock code)	Contribution %		Management fees		Distribution policy		Distribution of excess profit to the general partners after the return of capital contribution and distribution of hurdle return	Connected transaction?
			General partners	Limited partners	Duration (Investment period)	Investment period	Exit period	Distribution mechanism		
								(5) the balance (if any) shall be distributed to the Executive Partner as a remuneration of not more than 0.5% per annum (calculated based on the accrued actual capital contribution received by the Partnership) for performing its duties under the Limited Partnership Agreement in the event of any additional profit from its investment projects and subsequently to the General Partner and Junior-Tranche Limited Partner in the proportion of 2:8 simultaneously, to the best knowledge and belief of the Directors having made all reasonable enquiries.		

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Source: Announcements in respect of the Comparable Partnerships published by the respective companies

Notes:

1. “N/A” denotes not disclosed as the corresponding information was not disclosed in the respective announcements.
2. The mean and median of the management fees and return rates were derived by excluding those with a range of management fees and return rates, as the case may be.

5.1 Capital contribution

As illustrated in the table above, the contribution from limited partners of the Comparable Partnerships were generally close to 99% for both connected and non-connected Comparable Partnerships. Pursuant to the Limited Partnership Agreement, Xincheng Kaiyuan and Shanghai Jiatong, as the Senior-Tranche Limited Partners, have committed to contribute RMB250 million and RMB200 million, respectively. Wuxi Tonghui, as the Junior-Tranche Limited Partner, has committed to contribute RMB450 million. The aggregate capital contribution of the Limited Partners accounted for approximately 99.89% of the total capital to be contributed by all Partners to the Partnership of RMB901 million. Such contribution is in line with market practice.

In addition, we noted that (i) the Executive Partner shall not require a Senior-Tranche Limited Partner to contribute any capital until all of the General Partner’s capital has been actually contributed; and (ii) before the Executive Partner requires a Senior-Tranche Limited Partner to contribute any capital, the Executive Partner shall obtain the evidence of the actual capital contribution by the Junior-Tranche Limited Partner or other written documents recognised by the Senior-Tranche Limited Partner. Such requirement provides additional protection to the interests of the Senior-Tranche Limited Partners as to its maximum capital contribution ratio to the Partnership.

Based on the above, the terms of the Limited Partnership Agreement in relation to the capital contribution of the Senior-Tranche Limited Partners are no less favorable than those of the Comparable Partnerships.

5.2 Term and duration

As illustrated in the table above, the duration of the Comparable Partnerships ranged from 5 years to 15 years and the investment period ranged from 2 years to 10 years. For the eight connected Comparable Partnerships, the duration ranged from 5 years to 15 years and the investment period ranged from 3 years to 10 years. Pursuant to the Limited Partnership Agreement, the term of the Partnership is five years while the investment period of the Senior-Tranche Limited Partners is three years. Such term of Partnership and investment period is within the range of and close to the low end of that of the Comparable Partnerships.

5.3 Management fees

As illustrated in the table above, the annual management fee of the Comparable Partnerships during the investment period ranged from approximately 0.1% to 2.0% with a mean of approximately 1.6% (excluding those with a range or a combination of rates). For the eight connected Comparable Partnerships, the annual management fee during the investment period ranged from approximately 1.4% to approximately 2.0% with a mean of approximately 1.8% (excluding those with a range or a combination of rates). Pursuant to the Limited Partnership Agreement, in the event of any additional profit from its investment project(s), the Executive Partner shall be entitled to a remuneration of not more than 0.5% per annum, calculated based on the accrued actual capital contribution received by the Partnership for performing its duties under the Limited Partnership Agreement. Given that (i) the Executive Partner will only be entitled to a remuneration in the event of any additional profit after, among others, the distribution of the Basic Investment Return of 7% per annum and the return of capital contributions to the Senior-Tranche Limited Partners; and (ii) the remuneration of not more than 0.5% per annum to the Executive Partner from its investment project(s) is within the range and lower than the mean of the annual management fee of the Comparable Partnership during the investment period. As such, from the perspective of the Senior-Tranche Limited Partners, the terms of the Limited Partnership Agreement in relation to the management fees of the Partnership is no less favorable to those of the Comparable Partnerships.

5.4 Distribution mechanism

As illustrated in the table above, the distribution mechanism of the Comparable Partnerships generally involves the following stages:

- (1) distribution to all partners in proportion to their respective capital contribution until all such contribution have been fully recouped;
- (2) after the distribution in (1), distribute to all partners until the amount received by each partner reaches a specific return rate; and
- (3) after the distribution in (1) and (2), distribution a specific portion of the excess profit to general partners.

For the Comparable Partnership with the above distribution mechanism, the hurdle rate mentioned in (2) generally ranged from 4% to 25% with an average of approximately 7.3%, and the specific portion of excess profit to be distributed to general partners mentioned in (3) generally ranged from 14% to 30% with an average of approximately 20.0%.

Pursuant to the terms of the Limited Partnership Agreement, the Rights and Obligations Arrangement Agreement and the Guarantee Agreements, the Company will receive a stable return of 7% per annum (pre-tax) from its

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senior-tranche interest of the Partnership regardless of whether the Partnership has withdrawn from its investment projects. For the investment project(s) withdrawn before the distribution date and which the Executive Partner has decided to distribute the profit received from, the profit, after the distribution of the 7% per annum return to the Senior-Tranche Limited Partners, shall be distributed to the Senior-Tranche Limited Partners their capital contributions with respect to such investment project(s) until their actual capital contributions to the Partnership with respect to such investment project(s) have been fully recouped, before they could be distributed to the General Partner and the Junior-Tranche Limited Partner.

As the 7% per annum return to the Senior-Tranche Limited Partners is guaranteed during the investment period of three years regardless of the income of the Partnership pursuant to the Limited Partnership Agreement, the Rights and Obligations Arrangement Agreement and the Guarantee Agreements, and therefore not subject to any upside potentials or downside risks; whilst the Comparable Partnerships generally followed a distribution mechanism correlating to the income and/or profit to such partnership, which are subject to both upside potentials and downside risks in accordance with their respective distribution mechanism, we consider that the distribution mechanism of the Comparable Partnerships are not suitable comparisons to assess the return to the Senior-Tranche Limited Partner for the Partnership.

In view of the comparable risks exposure in the commitment to the senior-tranche interests of the Partnership to fixed income debt instruments given its similar nature of (i) the guaranteed annual distribution to the Senior-Tranche Limited Partners of the Partnership and (ii) the guaranteed acquisition of the Senior-Tranche Limited Partners' interests in the Partnership by the General Partner on the Investment Maturity Date, we have obtained from the management of the Company the list of investments with fixed income nature of the Group. From our review, we noted that as at 31 December 2023, the Group has eight investment projects with fixed income nature (excluding those of which provisions of impairment have been made), which are mainly involved in the development, construction or operation of technology parks, industrial parks, and other infrastructures in cities including Yangzhou, Daye, Wuxi, Jiangyin and Liyang. The capital investment in each of such projects ranged from RMB150 million to RMB500 million and the fixed return rate to the Group from each of such projects ranged from 6.00% to 8.59% per annum (pre-tax). As advised by the management of the Group, the investments activities of the Partnership will be principally in Wuxi region. Out of the eight investment projects mentioned above, four of which are based in Wuxi region, with a fixed return rate ranging 6.00% to 7.67% per annum (pre-tax) and an average of approximately 6.42% per annum (pre-tax). Given that the 7% guaranteed annual return (pre-tax) from the Partnership is within the range and higher than the average of the fixed return rates of the Group's existing investment projects in Wuxi region, where the investment activities of the Partnership are expected to be principally carried out, we are of the view that such return rate is justified.

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To further assess the fairness and reasonableness of the 7% annual return as guaranteed by Wuxi Communications, which has a Fitch Ratings of BBB+ as disclosed in the letter from the Board in the Circular. We have conducted research on Bloomberg on the list of debt securities with fixed coupons issued by Wuxi Communications since 2021 and up to 15 December 2023, being the date of the Limited Partnership Agreement (the “**Debt Securities Review Period**”). The debt securities were issued during a period of approximately three years which covers different market cycles and conditions where during the Debt Securities Review Period, interest rates experienced significant fluctuations. With the sufficient number of 36 debt securities identified based on the available information, we consider the Debt Securities Review Period provides a general overview on debt securities issued by Wuxi Communications during different market cycles and conditions, and is fair and representative in our analysis. Overall, we noted that the coupon rates ranged from approximately 1.84% to 4.49% with an average of approximately 2.90% for debt securities issued by Wuxi Communications during the Debt Securities Review Period; and ranged from approximately 2.10% to 3.58% with an average of approximately 2.37% for the 10 debt securities issued by Wuxi Communications since 2023, where interest rates were at a relatively high level. Out of the exhaustive list of 36 debt securities issued by Wuxi Communications during the Debt Securities Review Period identified with available information, three of which has a maturity of three years, being consistent with the investment period of the Senior-Tranche Limited Partners of the Partnership. The fixed coupon rates of these three debt securities with a maturity of three years ranged from approximately 2.95% to 3.72%, with the ask price of the debt securities identified (if applicable) all equal to or above its par value, meaning that the yields to maturity of the identified debt securities are equal to or lower than the respective coupon rates.

Furthermore, we have also conducted research on Bloomberg the average yield curve of (i) US corporate bonds (BBB+, BBB and BBB- ratings); and (ii) non-financial institution China corporate bonds (BBB+, BBB and BBB- ratings). Based on the information available on Bloomberg, the average yield curves for such corporate bonds were based on over 4,000 US corporate bonds (BBB+, BBB and BBB- ratings) and 80 non-financial institution China corporate bonds (BBB+, BBB and BBB- ratings) respectively, which comprised of corporate bonds in the respective market in various sectors. From the yield curve as extracted from Bloomberg, we noted that the average yield for such bonds with the maturity of three years, being consistent with the investment period of the Senior-Tranche Limited Partners, is approximately 5.2% for US corporate bonds (BBB+, BBB and BBB- ratings) and 5.4% for non-financial institution China corporate bonds (BBB+, BBB and BBB- ratings) respectively as at the date of the Limited Partnership Agreement (i.e. 15 December 2023).

Therefore, the commitment to the senior-tranche interests of the Partnership would generate a higher guaranteed return of 7% per annum (pre-tax) to the Group, as compared to (i) the fixed coupon of the debt securities issued by Wuxi Communications; and (ii) the average yield of US corporate bonds and non-financial institution China corporate bonds with BBB+, BBB and BBB- ratings for the maturity of three years.

On the other hand, pursuant to the Rights and Obligations Arrangement Agreement, the Senior-Tranche Limited Partners shall have the right to notify Wuxi Tonghui by serving a notice of performance of acquisition obligations and require Wuxi Tonghui to acquire all or part of their interests in the Partnership (i.e. the Acquisition Interests) at the Acquisition Consideration. It is stipulated that the Acquisition Consideration actually received by the Senior-Tranche Limited Partner shall be determined in accordance with the Rights and Obligations Arrangement Agreement and with reference to (i) the actual capital contribution of the Senior-Tranche Limited Partners, (ii) the expected investment return accrued from and inclusive of the Investment Commencement Date to and exclusive of the date of payment of the Acquisition Consideration, (iii) the total Profit Distribution distributed to the Senior-Tranche Limited Partner, and (iv) the Shortfall made up by Wuxi Tonghui to the Senior-Tranche Limited Partner, regardless of the valuation of the Acquisition Interests to be appraised in accordance with the Interim Measures for Appraisal and Management of State-owned Assets by Enterprises (SASAC Decree No. 12 issued by the State Council) and the then relevant state-owned enterprise related laws, regulations and policies to satisfy the requirements of state-owned enterprises administration (if applicable). The performance of the aforementioned obligation of Wuxi Tonghui is guaranteed by Wuxi Communications pursuant to the Guarantee Agreements and provides further protection to the interests of the Group.

Based on the above, in particular the fact that (i) the principal terms, including the ratio of capital contribution, term and duration and management fees of the Partnership, are each in line with and no less favorable to those of the Comparable Partnerships; (ii) the distribution mechanism, although not comparable with the typical distribution mechanism of the Comparable Partnerships, generates a higher return to the Group as compared to other investment options with similar product nature; and (iii) the shortfall makeup mechanism and acquisition obligation of Wuxi Tonghui, which are further guaranteed by Wuxi Communications, entitled the Senior Tranche Limited Partners to receive the Basic Investment Return, we are of the view that the principal terms of the Partnership are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

6. Financial effects of the Formation of Partnership

Upon the Formation of Partnership, the Partnership will not be a subsidiary of the Company and the financial results of the Partnership will not be consolidated into the financial statements of the Group.

6.1 Earnings

By committing to contribute to the senior-tranche interests of the Partnership, the Company will receive a stable return of 7% per annum (pre-tax) during the three years of investment period as guaranteed in a manner of Shortfall makeup by Wuxi Tonghui under the Rights and Obligations Arrangement Agreement, which in turn is further guaranteed under the Guarantee Agreements by the Company's substantial shareholder, Wuxi Communications.

6.2 Net assets

It is expected that the total assets and liabilities of the Group will remain unchanged upon establishment of the Partnership. As set out in the interim report of the Company for the six months ended 30 June 2023, the consolidated net asset value of the Company attributable to the Shareholders as at 30 June 2023 was approximately RMB4,124 million. The capital commitment of Xincheng Kaiyuan and Shanghai Jiatong in aggregate amounted to RMB450 million, representing approximately 10.9% of the consolidated net asset value of the Company attributable to the Shareholders as at 30 June 2023. The Formation of Partnership is not expected to have any immediate material impact on the net asset value of the Group.

OPINION AND RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the Formation of Partnership is conducted in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole, and that the terms of the Limited Partnership Agreement, the Rights and Obligations Arrangement Agreement and the Guarantee Agreements are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to approve the relevant resolutions to be proposed at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Calvin Leung
Director

Mr. Calvin Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 19 years of experience in the corporate finance industry.

1. CONSOLIDATED FINANCIAL STATEMENTS

The audited financial information of the Group for each of the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 and the unaudited financial information for the six months ended 30 June 2023 are disclosed in the following documents of the Company published on 23 April 2021, 28 April 2022, 27 April 2023 and 26 September 2023, respectively, on both the website of the SEHK (www.hkexnews.hk) and the website of the Company (www.china-newtown.com):

- (i) annual report of the Company for the financial year ended 31 December 2020 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0423/2021042301556.pdf>);
- (ii) annual report of the Company for the financial year ended 31 December 2021 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042800892.pdf>);
- (iii) annual report of the Company for the financial year ended 31 December 2022 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042702568.pdf>);
and
- (iv) interim report of the Company for the six months ended 30 June 2023 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0926/2023092600571.pdf>).

2. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 31 January 2024, being the latest practicable date for the purpose of preparing this indebtedness statement, the indebtedness of the Group was as follows:

- (i) secured and guaranteed borrowings of approximately RMB560,294 thousand, secured by the investment property;
- (ii) unsecured and unguaranteed borrowings of approximately RMB168,689 thousand;
- (iii) lease liabilities of approximately RMB24,011 thousand relating to buildings and motor vehicles;
- (iv) a financial guarantee to the extent of approximately RMB250,000 thousand;
and
- (v) guaranteed bonds of approximately RMB1,542,449 thousand.

Pledge of assets

As at the close of business on 31 January 2024, being the latest practicable date for the purpose of preparing this indebtedness statement, the secured interest-bearing loans and borrowing is secured by the assets of the Group as follows:

- (i) pledge of investment properties of the Group with a carrying amount of RMB1,485,700 thousand at 31 January 2024.

Contingent liabilities

Shanghai Management is currently a defendant in the lawsuits brought by Shanghai Hengchang and Shanghai Yuanyi which were alleged for the over-received amount of RMB14,400,000 and RMB1,000,000, respectively. For further details of the litigation, please refer to the section headed “3. LITIGATION” in Appendix II of this Circular.

Save as aforesaid or otherwise mentioned herein, and apart from intra-group liabilities and normal account payables in the ordinary course of business, the Group did not have any outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities at the close of business on 31 January 2024, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular.

The Group confirms that there has not been any material change in its indebtedness position since 31 January 2024.

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 2022 (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 Formation of Partnership and in the absence of unforeseen circumstances, the Group will have 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 PROSPECT OF THE GROUP

On top of the fix-income investment, the Group will continue to seek investment opportunities and maintain business transformation prudently amid challenges, and leverage resource advantages from shareholders. For fix-income investment sector, the Group will maintain a stable portfolio and try to seek a good balance of investment return and risk management. Meanwhile, the Group will expand equity investment business in new economic areas based on market demands and aligned with national policies. The Group is aiming to promote high quality and stable development of the business and create long-term and sustainable core values for the shareholders.

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 SEHK 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 SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”) were as follows:

Long position in the Shares

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

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 SEHK 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 SEHK 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:

Name	Capacity	Number of Shares held			Total	Approximate percentage of the issued Shares
		Direct interest	Corporate interest	Other interests		
Xitong International ⁽¹⁾	Beneficial owner	2,917,000,000	—	—	2,917,000,000	29.99%
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 ("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 a controlled corporation	—	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%

Name	Capacity	Number of Shares held			Total	Approximate percentage of the issued Shares
		Direct interest	Corporate interest	Other interests		
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. Based 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

Shanghai Management is currently a defendant in the lawsuits brought by Shanghai Hengchang and Shanghai Yuanyi which were alleged for the over-received amount of RMB14,400,000 and RMB1,000,000, respectively. Shanghai Management obtained the first instance judgment from Shanghai Baoshan District's People's Court on 28 June 2022 pursuant to which the Shanghai Baoshan District's People's Court ruled in favour of Shanghai Management and the respective claims of Shanghai Hengchang and Shanghai Yuanyi were rejected. Shanghai Hengchang and Shanghai Yuanyi subsequently appealed to the Shanghai No.2 Intermediate People's Court and a retrial has been ordered and scheduled to commence in and around March 2024.

The Directors, based on the advice from the Group's legal counsel, believe that Shanghai Management have valid defense against the allegation in the retrial 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' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP

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 2022 (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. EXPERT'S QUALIFICATION AND CONSENT

The following are the qualifications of the expert who has given its opinions and advice which are included in this Circular:

Name	Qualification
Somerley Capital Limited	A licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its report or letter or opinion (as the case may be) as at the date of this Circular as set out in this Circular and references to name in the form and context in which it appears in this Circular.

As at the Latest Practicable Date, the Independent Financial Adviser had no shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group, nor did it have any interest, direct or indirect, in any assets which had been, since 31 December 2022 (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 are contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) entered into by the members of the Group within the two years immediately preceding the date of this Circular and which is or may be material:

- (i) the capital injection agreement dated 18 May 2022 entered into by Guoxi Nanjing Investment Development Co., Ltd.* (國錫南京投資發展有限公司) (“**Guoxi Nanjing**”), an indirect wholly-owned subsidiary of the Company, The First Construction Company of Jiangsu Provincial Construction Group Co., Ltd.* (江蘇省建築工程集團第一工程有限公司) (“**The First Construction Company of JPC**”) and Nanjing Guoying Zhongxi Development Company Limited* (南京國英中西建設開發有限公司) (“**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 Nanjing Guoying 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 Nanjing Guoying by way of capitalisation of certain loans, further details of which are set out in the announcement of the Company dated 18 May 2022;

- (ii) the agreement dated 30 June 2022 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) as the purchaser, China New Town Development (Shenyang) Company Limited* (中國新城鎮發展(瀋陽)有限公司) as the vendor, the Company and Xincheng Kaiyuan in relation to the proposed disposal of the entire equity interest of Shenyang Lixiang New Town Modern Agriculture Company Limited* (瀋陽李相新城現代農業有限公司) at a total purchase price of RMB738,770,379.43 (equivalent to approximately HK\$863,856,851.53), further details of which are set out in the announcements of the Company dated 30 June 2022, 12 August 2022, 28 February 2023, 6 September 2023 and the circular of the Company dated 18 August 2022;
- (iii) the confirmation letter entered into by Shenyang Wanrun New Town Investment Management Company Limited* (瀋陽萬潤新城投資管理有限公司), China New Town Development (Shenyang) Company Limited* (中國新城鎮發展(瀋陽)有限公司), the Company and Xincheng Kaiyuan on 12 August 2022 in relation to the agreement dated 30 June 2022 as mentioned in paragraph (ii) above to agree on the adjustment of the total purchase price to RMB738,652,429.56 (equivalent to approximately HK\$863,718,930.73), further details of which are set out in the announcements of the Company dated 30 June 2022, 12 August 2022, 28 February 2023, 6 September 2023 and the circular of the Company dated 18 August 2022;
- (iv) the agreement entered into between Wuxi Xincheng Consulting Management Co. Ltd* (無錫新成諮詢管理有限公司), and China Everbright Bank Company Limited (中國光大銀行股份有限公司) Wuxi branch on 28 February 2023 in relation to the subscription for the structured deposit product in the principal amount of RMB50 million (equivalent to HK\$56.43 million), further details of which are set out in the announcement of the Company dated 28 February 2023;
- (v) the China (Shanghai) Pilot Free Trade Zone offshore bonds service agreement (離岸債券發行人服務協議) entered into between CNTD Success Company Limited and China Central Depository & Clearing Co., Ltd. (中央國債登記結算有限責任公司) on 20 March 2023 in relation to the subscription agreement dated 20 April 2023 as mentioned in paragraph (vi) below regarding the subscription of the RMB1.5 billion, 3.98 per cent. guaranteed bonds due 2026, further details of which are set out in the announcement of the Company dated 20 April 2023;

- (vi) the subscription agreement dated 20 April 2023 entered into among CNTD Success Company Limited as the issuer, the Company, Wuxi Communications as the guarantor, and China Securities (International) Corporate Finance Company Limited, ABCI Capital Limited, CEB International Capital Corporation Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, CMB Wing Lung Bank Limited, CNCB (Hong Kong) Capital Limited, Guotai Junan Securities (Hong Kong) Limited and Luso International Banking Limited as the managers in relation to the subscription of the RMB1.5 billion, 3.98 per cent. guaranteed bonds due 2026 to be issued in China (Shanghai) Pilot Free Trade Zone, further details of which are set out in the announcement of the Company dated 20 April 2023; and
- (vii) the deed of covenant executed by CNTD Success Company Limited as the issuer and Wuxi Communications as the guarantor on or around 27 April 2023 in relation to the subscription agreement dated 20 April 2023 as mentioned in paragraph (vi) above regarding the subscription of the RMB1.5 billion, 3.98 per cent. guaranteed bonds due 2026, further details of which are set out in the announcement of the Company dated 20 April 2023.

** for identification purposes only*

9. GENERAL

- (i) The registered office of the Company is situated at 2/F, Palm Grove House, P.O. Box 3340, Road Town, Tortola, British Virgin Islands.
- (ii) The principal office of the Company is situated at Suite 6508, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (iii) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (iv) 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.
- (v) In the event of inconsistency, the English text of this Circular shall prevail over the Chinese text.

10. DOCUMENTS ON DISPLAY

The following documents are available on the website of the SEHK (www.hkexnews.hk) and the website of the Company (www.china-newtown.com) for a period of 14 days from the date of this Circular:

- (i) the Limited Partnership Agreement;

- (ii) the Rights and Obligations Arrangement Agreement;
- (iii) the Guarantee Agreement (Shanghai Jiatong);
- (iv) the Guarantee Agreement (Xincheng Kaiyuan);
- (v) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this Circular;
- (vi) the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from Independent Financial Adviser” of this Circular; and
- (vii) the written consent from Somerley Capital Limited referred in paragraph headed “7. Expert’s Qualification and Consent” of this appendix.

NOTICE OF EGM



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 EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the “**EGM**”) of China New Town Development Company Limited (the “**Company**”) will be held at Unit 6, No 18, Qinian Street, Dongcheng District, Beijing, China on Friday, 22 March 2024 at 10:30 a.m. for the following purposes. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 6 March 2024 (the “**Circular**”). Please be on time to avoid disrupting the EGM as the EGM will commence at the stipulated time. The EGM is convened for the following purposes:

ORDINARY RESOLUTIONS

1. “**THAT**

- a) the Limited Partnership Agreement (as defined in the Circular of which this notice forms part) (a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified;
- b) the Rights and Obligations Arrangement Agreement (as defined in the Circular of which this notice forms part) (a copy of which is tabled at the meeting and marked “B” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified;
- c) the Guarantee Agreement (Shanghai Jiatong) (as defined in the Circular of which this notice forms part) (a copy of which is tabled at the meeting and marked “C” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified;

NOTICE OF EGM

- d) the Guarantee Agreement (Xincheng Kaiyuan) (as defined in the Circular of which this notice forms part) (a copy of which is tabled at the meeting and marked “D” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified;
- e) any one of the executive directors of the Company (“**Executive Director(s)**”) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Limited Partnership Agreement, Rights and Obligations Arrangement Agreement, Guarantee Agreement (Shanghai Jiatong) and Guarantee Agreement (Xincheng Kaiyuan), and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon, 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 Limited Partnership Agreement, Rights and Obligations Arrangement Agreement, Guarantee Agreement (Shanghai Jiatong) and Guarantee Agreement (Xincheng Kaiyuan) as are, in the opinion of such Executive Director(s), in the interest of the Company and its shareholders as a whole.”

Yours faithfully,
By order of the Board
China New Town Development Company Limited
Hu Zhiwei
President

Hong Kong, 6 March 2024

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:*
Suite 6508, Central Plaza
18 Harbour Road
Wanchai, 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. 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.

NOTICE OF EGM

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. Completion and return of this form of proxy by a Shareholder shall not preclude the Shareholder from subsequently attending in person and voting at the EGM or its adjournment should the Shareholder so wish.
6. Where there are joint registered holders of any Share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
7. For determining Shareholders' entitlement to attend and vote at the EGM, the register of Members will be closed from Wednesday, 20 March 2024 to Friday, 22 March 2024 (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, 19 March 2024.
8. **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.

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