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NEW TOWN

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

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

(Stock Code: 1278)

SUPPLEMENTAL ANNOUNCEMENT
DISCLOSEABLE TRANSACTION
ACQUISITION OF 30% EQUITY INTEREST IN THE TARGET COMPANY

Reference is made to the announcement of China New Town Development Company Limited (the "**Company**") dated 25 April 2024 (the "**Announcement**") in relation to the discloseable transaction relating to the acquisition of 30% equity interest in Meidi Elderly Care Service (Shanghai) Co., Ltd.* (美邸養老服務(上海)有限公司) (the "**Target Company**"). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

SUPPLEMENTAL INFORMATION IN RELATION TO THE CAPITAL INCREASE

The Company wishes to provide the following supplemental information regarding the Capital Increase:

Basis of the consideration

The Capital Contribution Amount was determined after arm's length negotiations among Hainan Xincheng, the Target Company and the Existing Shareholders on normal commercial terms, primarily based on the Valuation prepared by the Valuer, taking into account (i) the registered capital of the Target Company of RMB40,935,670 as at the date of the Announcement; (ii) the business model and growth potential of the Target Company; (iii) the prospects of the industry where the Target Company currently operates in; and (iv) the favourable policy environment in the PRC.

As disclosed in the Announcement, the income approach was adopted for the Valuation. The principle of the income approach is that the value of the equity interest can be measured by the present worth of the economic benefits to be received over the asset life of the Target Company, which estimates the future economic benefits and discounts these benefits to their present value using an appropriate discount rate for all risks associated with realising those benefits.

Based on the due diligence conducted for the purpose of the Valuation and the asset composition and the characteristics of the principal business of the Target Company, the basic approach for the Valuation is based upon the unaudited financial statements of the Target Company. The discounted cash flow method is used under the income approach to estimate the value of the operational assets of the Target Company. For the discounted cash flow method used, all future cash flows are estimated and discounted to obtain a present value of such cash flows. For the purposes of the discounted cash flow method adopted, the discount rate of 12% is used, which is the weighted average cost of capital ("**WACC**") of three selected comparable companies (the "**Selected Comparable Companies**"). The WACC is the expected rate of return of the respective capital structures of the Selected Comparable Companies, taking into account the cost of debts and equities and their respective weights of these Selected Comparable Companies. The Selected Comparable Companies are an exhaustive list of listed companies selected by the Valuer, all of which are companies listed in the domestic exchanges in the PRC operating in the same elderly care industry as the Target Company, with their principal businesses operating in the PRC and similar exposure to the macroeconomic factors and factors affecting the elderly care industry as the Target Company. The Board concurs with the Valuer and considers that it is fair and reasonable to adopt the WACC as the appropriate discount rate applied to discount the future expected cash flows relating to the business of the Target Company as such methodology can better match the overall future cash flow pattern of the Target Company in view of its current business operations and capital structure, and it is a common methodology adopted for appraising the enterprise value of a valuation subject when using the discounted cash flow method under the income approach. Then, the value of non-operational and surplus assets as of the date of the Valuation is also taken into account to arrive at the total estimated enterprise value of the Target Company. The total estimated value of the shareholders' equity of the Target Company is then determined by deducting the value of interest-bearing debts of the Target Company from the aforesaid total estimated enterprise value of the Target Company.

Given that the financing plan of the Target Company for this round financing is to introduce an incoming investor to subscribe for the equity interest of the Target Company of no more than 30% by way of capital injection, the corresponding equity interest to be held by Hainan Xincheng in the Target Company by investing RMB50 million in the Target Company as the subscription amount is determined based on the post-money valuation of the Target Company of approximately RMB167 million, which is the sum of the appraised value of the Target Company, being the pre-money valuation, of approximately RMB117 million, and the Capital Increase Amount of RMB50 million.

Taking into account the Valuation coupled with other factors in determining the Capital Increase Amount as set forth above, the Board is of the view that the Capital Increase Amount and the corresponding equity interest subscribed for in the Target Company is fair and reasonable and is in the interest of the Company and its shareholders as a whole.

Performance compensation

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

(i) (a) the number of nursing beds to be included in the 2025 Financial Statements is no less than 1450 (the "**PI 1**"), or (b) the operating revenue as shown in the 2025 Financial Statements is no less than RMB72 million (the "**PI 2**"), or (c) the net profit as shown in the 2025 Financial Statements is no less than RMB–18 million (the "**PI 3**"); and

(ii) the Target Company shall complete another round of capital increase of no less than RMB50 million at the price based on the pre-money valuation of no less than RMB230 million on or before 30 June 2026.

The Performance Compensation shall be calculated and adjusted using the following formula:

R = RMB50 million/(RMB50 million + S × RMB117 million) × 100%

Where:

R: the percentage of equity interest held by Hainan Xincheng in the Target Company subsequent to the Performance Compensation;

S: the lowest value among the PCR 1 (as defined below), the PCR 2 (as defined below) and the PCR 3 (as defined below) (for the avoidance of doubt, if all of the PCR 1, the PCR 2 and the PCR 3 attain 100%, then Hainan Xincheng has no right to request any Performance Compensation;

Performance Completion Rate 1 (the "**PCR 1**"): if PI 1 ≥ 1450 beds, then PCR 1 is 100%; otherwise, PCR 1 shall be calculated using this formula: (PI 1 (unit: beds) ÷ 1450 beds) × 100%;

Performance Completion Rate 2 (the "**PCR 2**"): if PI 2 ≥ RMB72 million, then PCR 2 is 100%; otherwise, PCR 2 shall be calculated using this formula: = (PI 2 (unit: RMB) ÷ RMB72 million) × 100%; and

Performance Completion Rate 3 (the "**PCR 3**"):	if PI 3 ≥ RMB–18 million, then PCR 3 is 100%; otherwise, PCR 3 shall be calculated using this formula: 1 – (PI 3 (unit: RMB) + RMB18 million)| ÷ RMB18 million × 100%.

In that case, the additional percentage of equity interest that Hainan Xincheng as the right holder of the Performance Compensation shall receive equals to R – 30%.

Hainan Xincheng is entitled to request the existing shareholders to jointly and severally undertake the obligation of the Performance Compensation (i.e., Hainan Xincheng has the right to demand any of the Existing Shareholders to compensate it as the right holder of the Performance Compensation for the entire additional percentage of equity interest that it is entitled to) by way of a written notice (the "**Performance Compensation Notice**"). Each Existing Shareholder should transfer, directly or indirectly, a portion of their equity interests held in the Target Company to Hainan Xincheng, which shall be calculated as the percentage of equity interest held by the Existing Shareholder as of the date of signing the Shareholders' Agreement ÷ 70% × the additional percentage of equity interest that Hainan Xincheng as the right holder of the Performance Compensation should receive. The Existing Shareholders must transfer their equity interests held in the Target Company directly or indirectly to Hainan Xincheng, the right holder of the Performance Compensation at nil consideration or the minimum purchase price permitted by law within 90 days of receiving the Performance Compensation Notice (only for the purposes of tax determination and business registration with the relevant PRC government authorities).

All parties to the Shareholders' Agreement further agree that, if the Performance Compensation provided to Hainan Xincheng has been completed, the equity interest held by Hainan Xicheng in the Target Company by then shall not exceed 50%.

In the event that Hainan Xincheng has acquired further equity interest in the Target Company as a result of the Performance Compensation that would constitute a discloseable and/or connected transaction of the Company under the Listing Rules, the Company shall fully comply with the relevant requirements under Chapters 14 and 14A of the Listing Rules, where applicable, as and when appropriate.

Further Information on the Existing Shareholders

Japan MCS is a company incorporated in Japan with limited liability and principally engaged in the operation and management of elderly care facilities, the provision of rental services of assistive devices, and the development of smart elderly care and application of such technology in Japan. Japan MCS is a wholly-owned subsidiary of Gakken Holdings Co., Ltd. (stock code: 9470) ("**Gakken Holdings**"), the shares of which are listed on the Tokyo Stock Exchange. Each of Japan MCS, Gakken Holdings and their respective ultimate beneficial owners is an Independent Third Party.

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

Japan Sanko is a conglomerate company incorporated in Japan with limited liability and its business comprises six main business segments, namely medical, healthcare, childcare, food and beverages, hotel and real estate. Japan Sanko is an Independent Third Party. The ultimate beneficial owner of Japan Sanko is Takahashi Seiichi, who, directly and indirectly, holds 72.9% in aggregate of the issued share capital of Japan Sanko.

Meiqi Company is an investment holding company established in the PRC with limited liability, which is an Independent Third Party. It is an employee shareholding platform of the core management members of the Target Company, with its ultimate beneficial owners being two natural persons who are Independent Third Parties, namely Wang Siwei (王思薇) and Li Ning (李寧), the general manager and executive vice president of the Target Company, respectively, holding 60% and 40% of the equity interest of Meiqi Company, respectively.

Save as disclosed above, all other information as set out in the Announcement remains unchanged and shall continue to be valid for all purposes. This announcement is supplemental to and should be read in conjunction with the Announcement.

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

Hong Kong, 16 May 2024

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