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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China New City Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

The Securities and Futures Commission of Hong Kong, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**China New City Group Limited**

**中國新城市集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1321)**

**OFF-MARKET SHARE BUY-BACK  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee**



**Lego Corporate  
Finance Limited**

力高企業融資有限公司

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Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the Board is set out on pages 5 to 17 of this circular. A letter of recommendation from the Independent Board Committee to the Disinterested Shareholders is set out on pages 18 to 19 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee is set out on pages 20 to 34 of this circular.

A notice convening the EGM to be held at 4:00 p.m. on Wednesday, 13 November 2024 at Crystal Hall, 4th Floor, Holiday Inn Hangzhou Xiaoshan, No. 688 Shanyin Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you intend to attend the EGM or any adjournment thereof, you are requested to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, as soon as possible and in any event not later than forty-eight (48) hours before the time scheduled for the EGM (i.e. at or before 4:00 p.m. on Monday, 11 November 2024) or any adjournment thereof to CNC's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or adjournment thereof) should you so wish.

18 October 2024

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following terms have the meanings set out below:*

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Acquisition”	the acquisition of 22.65% equity interest in Zhejiang Xinnongdou by Zhong An Shenglong from Hangzhou Oriental as jointly announced by Zhong An and CNC on 20 July 2018
“Announcement”	the announcement of CNC dated 5 August 2024 in relation to, among other things, the Share Buy-Back
“Board”	the board of Directors
“Business Day(s)”	a day on which banks are generally open for business in Hong Kong (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9:00 a.m. and 5:00 p.m. on weekdays)
“CNC” or “Company”	China New City Group Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1321)
“CNC Group”	CNC and its subsidiaries
“CNC Share(s)”	ordinary shares of HK\$0.10 each in the share capital of CNC
“CNC Shareholder(s)”	holder(s) of CNC Shares
“Completion”	completion of the Share Buy-Back
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration Shares”	the 178,280,000 CNC Shares allotted and issued at HK\$2.47 (equivalent to approximately RMB1.98 based on the exchange rate of HK\$1.00: RMB0.80 with reference to the exchange rate quoted from Bank of China) per share to settle the consideration of the Acquisition
“Director(s)”	director(s) of CNC

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## DEFINITIONS

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“Disinterested Shareholders”	CNC Shareholder(s) other than Hangzhou Oriental, its ultimate beneficial owner(s), Ms. Tao Yan, Ideal World, Whole Good, Mr. Shi Zhongan and other shareholders of Zhong An Shenglong and their respective parties acting in concert with any of them who have a material interest in the Share Buy-Back which is different from the interests of all other CNC Shareholders
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the CNC to be held at 4:00 p.m. on Wednesday, 13 November 2024 at Crystal Hall, 4th Floor, Holiday Inn Hangzhou Xiaoshan, No. 688 Shanyin Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC, the notice of which is set out on pages EGM-1 to EGM-2 of this circular, and any adjournment thereof
“Equity Transfer Agreement”	the equity transfer agreement dated 20 July 2018 entered into between Hangzhou Oriental as vendor and Zhong An Shenglong as purchaser in relation to the Acquisition
“Executive”	the Executive Director of the Corporate Finance Division of the SFC, or any delegate of the Executive Director
“Hangzhou Oriental”	Hangzhou Oriental Culture Tourism Group Co., Ltd* (杭州東方文化園旅業集團有限公司), a limited liability company established in the PRC and from whom CNC will buy-back 166,744,883 CNC Shares and cancel
“High Court”	High People’s Court of Zhejiang Province (浙江省高級人民法院)
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Ideal World”	Ideal World Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Shi Zhongan and is a controlling shareholder (as defined under the Listing Rules) of CNC

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## DEFINITIONS

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“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Xu Chengfa, Mr. Lam Yau Yiu and Mr. Yuan Yuan, established to advise the Disinterested Shareholders in respect of the Share Buy-Back
“Independent Financial Adviser” or “Lego”	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and appointed as an independent financial adviser to advise the Independent Board Committee in respect of the Share Buy-Back
“Last Trading Day”	2 August 2024, being the last trading day on which the CNC Shares were traded on the Stock Exchange prior to the date of the Announcement
“Latest Practicable Date”	15 October 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“National Interbank Funding Center”	also known as China Foreign Exchange Trade System, which is a sub-institution affiliated to the People’s Bank of China
“NAV”	consolidated net asset value
“PRC”	the People’s Republic of China
“Relevant Period”	the period commencing from the date falling six months prior to the date of the Announcement (i.e. 5 August 2024) and up to and including the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“Settlement Deed”	the settlement deed which became effective on 27 May 2024 and entered into by Hangzhou Oriental, CNC and Zhong An Shenglong, by mediation through the High Court, to resolve and settle finally and absolutely all disputes of the parties with respect to the Acquisition
“SFC”	the Securities and Futures Commission

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Buy-Back”	the buy-back of the Consideration Shares by CNC for purpose of cancelling the Consideration Shares pursuant to the Settlement Deed
“Share Buy-Backs Code”	the Hong Kong Code on Share Buy-Backs
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supreme Court”	the Supreme People’s Court of the PRC (中華人民共和國最高法院)
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Whole Good”	Whole Good Management Limited (全好管理有限公司), a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Shi Zhongan and is a controlling shareholder (as defined under the Listing Rules) of Zhong An and CNC
“Zhejiang Xinnongdou”	Zhejiang Xinnongdou Holdings Group Limited* (浙江新農都控股集團有限公司)(formerly Zhejiang Xinnongdou Industrial Co., Ltd* (浙江新農都實業有限公司)), a limited liability company established in the PRC
“Zhong An”	Zhong An Group Limited (眾安集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 672), and is a controlling shareholder (as defined under the Listing Rules) of CNC
“Zhong An Shenglong”	Zhejiang Zhongan Shenglong Commercial Co., Ltd.* (浙江眾安盛隆商業有限公司), a limited liability company established in the PRC and is an indirect non-wholly owned subsidiary of CNC (with attributable equity interest of 90%) and an indirect non-wholly owned subsidiary of Zhong An (with attributable equity interest of 59.4%)
“%”	per cent.

\* *Translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purpose only and should not be regarded as the official English translation of the Chinese names.*

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LETTER FROM THE BOARD

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**China New City Group Limited**  
**中國新城市集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*  
(Stock code: 1321)

*Executive Directors:*

Mr. Shi Nanlu (*Chief Executive Officer*)  
Mr. Jin Jianrong

*Non-executive Director:*

Mr. Shi Zhongan (*Chairperson*)

*Independent non-executive Directors:*

Mr. Xu Chengfa  
Mr. Lam Yau Yiu  
Mr. Yuan Yuan

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

*Principal place of business  
in Hong Kong:*

Room 4010, 40th Floor  
China Resources Building  
26 Harbour Road  
Wanchai  
Hong Kong

18 October 2024

Dear CNC Shareholder(s),

**OFF-MARKET SHARE BUY-BACK  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the Announcement in relation to, among other things, the Share Buy-Back.

The purposes of this circular are to provide you with, among other things, (i) details of the Share Buy-Back; (ii) a letter of recommendation from the Independent Board Committee to the Disinterested Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee; (iv) other information as required under the Listing Rules, the Takeovers Code and the Share Buy-Backs Code; and (v) the notice of the EGM.

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## LETTER FROM THE BOARD

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### SHARE BUY-BACK

#### Background

On 20 July 2018, Zhong An Shenglong entered into the Equity Transfer Agreement with Hangzhou Oriental. Pursuant to the Equity Transfer Agreement, Zhong An Shenglong agreed to acquire 22.65% equity interest in Zhejiang Xinnongdou from Hangzhou Oriental at a consideration of RMB352,994,400, which is to be settled by the allotment and issue of the Consideration Shares. Completion of the Acquisition took place on 7 January 2019 and Zhong An Shenglong was interested in 42.5% in Zhejiang Xinnongdou.

Please also refer to the joint announcements of Zhong An and CNC dated 20 July 2018 and 7 January 2019, and the circular of CNC dated 30 November 2018 in relation to the Acquisition.

Subsequent to the completion of the Acquisition, on 15 January 2019, Hangzhou Oriental filed a lawsuit against CNC and Zhong An Shenglong to request, among others, (i) the discharge of the provisions in the relevant agreements and memorandum with respect to the Acquisition; and (ii) Zhong An Shenglong to return the 22.65% equity interests in Zhejiang Xinnongdou to Hangzhou Oriental.

On 31 March 2020, at the first trial, the High Court ordered, among others, that (i) the relevant provisions in the agreements and memorandum with respect to the Acquisition be discharged; and (ii) the 22.65% equity interest in Zhejiang Xinnongdou be returned to Hangzhou Oriental. CNC and Zhong An Shenglong lodged an appeal.

On 13 December 2022, at the second trial, the Supreme Court upheld the decision of the first trial (the “**Court Order**”).

On 23 May 2023, CNC and Zhong An Shenglong applied for a retrial. On 5 July 2023, the Supreme Court accepted the retrial application but no ruling on the retrial was available. In light of the Settlement Deed, the retrial application has been withdrawn.

Please also refer to the paragraph headed “Claim arising from the litigation” to the financial statements in the 2020 to 2023 annual reports of CNC for disclosures on the lawsuit.

On 13 April 2023, the High Court accepted Hangzhou Oriental’s application to execute the Court Order. By mediation through the High Court, Hangzhou Oriental, CNC and Zhong An Shenglong entered into the Settlement Deed and the High Court informed the parties that the Settlement Deed became effective on 27 May 2024.



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## LETTER FROM THE BOARD

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Pursuant to the Settlement Deed, the parties agreed, among others, that:

- (i) a sum of RMB210 million to be paid by Zhong An Shenglong to Hangzhou Oriental and thereafter all shareholders' rights and interests over and in the 22.65% equity interests in Zhejiang Xinnongdou belong to Zhong An Shenglong from the date Zhong An Shenglong was registered as the shareholder of such equity interests; and
- (ii) the Consideration Shares to be returned to CNC for cancellation.

The parties further agreed that upon the effective of the Settlement Deed and the payment of the RMB210 million,

- (i) all disputes regarding the Acquisition shall be settled and resolved;
- (ii) claims and actions taken or may have been taken out by a party with respect to the Acquisition shall be withdrawn; and
- (iii) the Court Order shall not be enforced.

The RMB210 million will be paid by Zhong An Shenglong to Hangzhou Oriental in the following manner:

- (a) a sum of RMB100 million to be paid on or before 7 June 2024;
- (b) a further sum of RMB30 million to be paid on or before 30 December 2024;
- (c) a further sum of RMB40 million to be paid on or before 30 March 2025; and
- (d) a further sum of RMB40 million to be paid on or before 30 June 2025.

The parties agreed that in the event that CNC and Zhong An Shenglong are in default of paying the RMB210 million, the Settlement Deed shall be terminated, Hangzhou Oriental is entitled to request for a default payment calculated at 4 times of the PRC loan prime rate per annum (the prevailing PRC one-year loan prime rate with reference to the monthly announcement of the National Interbank Funding Center is 3.35% as at the Latest Practicable Date) on the unpaid sum and the Court Order shall be resumed.

The RMB210 million was reached by the parties through negotiations and mediation of the High Court taken into account various factors including the overall benefits of a final settlement to the parties.

The RMB100 million referred to in paragraph (a) above was fully paid on 5 June 2024. The share certificates of 166,744,833 Consideration Shares were returned to CNC on 28 June 2024 and the return of the share certificates of the remaining Consideration Shares are being arranged, which is expected to take place by the end of 2024.

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## LETTER FROM THE BOARD

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### **Off-market share buy-back**

As at the Latest Practicable Date, the Consideration Shares were held by Hangzhou Oriental as to 166,744,883 CNC Shares and Ms. Tao Yan, who is a party independent of CNC and its connected persons, as to 11,535,117 CNC Shares. Pursuant to the Settlement Deed, the Consideration Shares will be returned to CNC by their holders for cancellation. Issued shares of a company can be cancelled by way of a share repurchase. For purpose of cancelling the Consideration Shares, off-market share buy-back will be carried out under the Share Buy-Backs Code.

Since the Share Buy-Back is considered to be the procedure required for purpose of cancelling the Consideration Shares returned pursuant to the Settlement Deed, no actual consideration will be paid for the Share Buy-Back. It is to highlight that the RMB210 million to be paid under the Settlement Deed is not the consideration for the Share Buy-Back. For demonstration and reference purposes only, if expressing the amount of RMB210 million (equivalent to approximately HK\$230,011,000 based on an exchange rate of HK\$1.00:RMB0.913 with reference to the rate quoted from Bank of China) against the Consideration Shares, it may be presented in approximately HK\$1.29 per Consideration Share, which is not the actual consideration to be paid under the Share Buy-Back but is presented for demonstration and reference purposes only.

For each of the three financial years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, no dividend was declared or paid by CNC. Since CNC has not declared any dividend which remains unpaid and has no intention to declare, make or pay any dividend or other distributions prior to the Completion as at the Latest Practicable Date, the Consideration Shares will not be entitled to any dividend or other distributions.

### **Conditions of the Share Buy-Back**

Completion of the Share Buy-Back is conditional upon the satisfaction of the following conditions:

- (i) the Executive having granted and not having withdrawn or revoked the approval for the Share Buy-Back and the condition(s) of such approval (if any) having been satisfied;
- (ii) the passing of the resolutions at the EGM by at least three-fourths of the Disinterested Shareholders of the votes cast on a poll approving the Share Buy-Back; and
- (iii) CNC having complied with the applicable provisions of the Listing Rules, including the disclosure requirements and the requirement to obtain Disinterested Shareholders' approval in relation to the Share Buy-Back.

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## LETTER FROM THE BOARD

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None of the conditions above is capable of being waived by the parties. As at the Latest Practicable Date, none of the conditions has been fulfilled. The Settlement Deed does not state any timeline for the cancellation of the Consideration Shares. If the conditions are not fulfilled and therefore the Share Buy-Back could not be proceeded for purpose of cancelling the Consideration Shares, CNC will further seek legal advice on other ways to cancel the Consideration Shares, including the possibility of a declaration of the Consideration Shares as void by court.

### **Completion**

Completion of the Share Buy-Back will take place on the third Business Day after fulfilment of the above conditions (or such other date as determined by the Board). After the Share Buy-Back, Hangzhou Oriental and Ms. Tao Yan, and persons acting in concert with any of them, will not hold any shareholding interests in CNC.

Immediately upon Completion, CNC shall cancel the Consideration Shares so bought-back and any rights attaching thereto shall cease with effect from Completion.

As at the Latest Practicable Date, 2,010,768,000 CNC Shares were in issue. CNC did not have any outstanding options, derivatives, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into CNC Shares or other types of equity interests of CNC as at the Latest Practicable Date. Immediately upon completion of the cancellation of all the Consideration Shares so bought-back under the Share Buy-Back, the number of issued CNC Shares will be reduced to 1,832,488,000 CNC Shares (assuming there are no changes in the number of issued CNC Shares from the Latest Practicable Date up to Completion).

The Directors are satisfied that CNC is, and after the Share Buy-Back will be, able to pay its debts as they fall due in the ordinary course of business.

### **INFORMATION OF HANGZHOU ORIENTAL**

Hangzhou Oriental is a limited liability company established in the PRC on 18 January 2000 and is principally engaged in investment holding. Hangzhou Oriental is wholly-owned by Hangzhou Huishenghe Enterprises Management Co. Limited\* (杭州匯升合企業管理有限公司)(“**Huishenghe**”). Huishenghe is ultimately wholly-owned by Wu Junmin (吳軍民). Hangzhou Oriental and its ultimate beneficial owner(s) are third parties independent of CNC and its connected persons. Hangzhou Oriental does not have any Board representative in CNC.

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## LETTER FROM THE BOARD

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### INFORMATION OF ZHEJIANG XINNONGDOU

Zhejiang Xinnongdou is a limited liability company established in the PRC on 8 May 2008 and is principally engaged in investment holding and trading of agricultural products. Zhong An Shenglong is interested in approximately 42.5% in Zhejiang Xinnongdou and it is an associated company of Zhong An and CNC. The other shareholders of Zhejiang Xinnongdou are Zhejiang Province Villages Development Group Limited\* (浙江省農村發展集團有限公司)(holding approximately 52.5% interests) and Zhejiang Province Nongdou Agricultural Products Limited\* (浙江省農都農產品有限公司)(holding approximately 5% interests), both of them are ultimately controlled by Zhejiang Province Department of Finance\* (浙江省財務廳). Zhejiang Xinnongdou's other ultimate beneficial owner(s) are third parties independent of CNC and its connected persons. The principal activities of the Zhejiang Xinnongdou group are the development, construction and management of logistics center for agricultural products.

### INFORMATION OF CNC

CNC's principal activity is investment holding, and through its subsidiaries, carries out the activities of commercial property investment for leasing, commercial property development for sale and leasing and commercial property management in the PRC.

### INFORMATION OF ZHONG AN

Zhong An's principal activity is investment holding, and through its subsidiaries, carries out the activities of property development, leasing and hotel operation.

### EFFECTS ON THE SHAREHOLDING STRUCTURE OF CNC

The following table sets out the shareholding structure of CNC (i) as at the Latest Practicable Date; and (ii) immediately upon Completion (assuming there are no changes in the share capital of CNC from the Latest Practicable Date up to Completion):

	As at the Latest Practicable Date		Immediately upon Completion	
	Number of CNC Shares	Approximate %	Number of CNC Shares	Approximate %
Ideal World (note 1)	1,327,556,000	66.02	1,327,556,000	72.45
Whole Good (note 1)	<u>31,303,594</u>	<u>1.56</u>	<u>31,303,594</u>	<u>1.71</u>
<b>Sub-total:</b>	<u>1,358,859,594</u>	<u>67.58</u>	<u>1,358,859,594</u>	<u>74.16</u>
<i>Public shareholders</i>				
Hangzhou Oriental (note 2)	166,744,883	8.29	-	-
Ms. Tao Yan (note 2, 3)	11,535,117	0.58	-	-
Other public shareholders	<u>473,628,406</u>	<u>23.55</u>	<u>473,628,406</u>	<u>25.85</u>
<b>Total:</b>	<u><b>2,010,768,000</b></u>	<u><b>100</b></u>	<u><b>1,832,488,000</b></u>	<u><b>100</b></u>

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## LETTER FROM THE BOARD

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*Notes:*

1. Ideal World is a wholly owned subsidiary of Zhong An. As at the Latest Practicable Date, the entire issued shares of Zhong An are owned as to about 57.89% by Whole Good, which is wholly owned by Mr. Shi Zhongan, the chairman of Zhong An and a non-executive director of CNC. The remaining shareholders of Zhong An are parties independent of the connected persons of Zhong An.
2. The 11,535,117 CNC Shares were allotted and issued to Ms. Tao Yan as directed by Hangzhou Oriental on 7 January 2019 upon completion of the Acquisition. Apart from such CNC Shares and save for Hangzhou Oriental's equity interest in Zhejiang Xinnongdou (which is an associated company of both Zhong An and CNC), Hangzhou Oriental and Ms. Tao Yan have no other interests in CNC.
3. Ms. Tao Yan is an independent third party of CNC and its connected persons.
4. As at the Latest Practicable Date, no Directors directly owned CNC Shares. Mr. Shi Zhongan through his controlled corporations is interested in approximately 67.58% interests in CNC under the SFO as at the Latest Practicable Date.

### **Public float**

It is the intention of CNC to continue to maintain the public float requirements of Rule 8.08 of the Listing Rules regarding the CNC Shares following Completion of the Share Buy-Back.

### **REASONS FOR AND BENEFITS OF THE SHARE BUY-BACK**

The Share Buy-Back is carried out for purpose of cancelling the Consideration Shares pursuant to the Settlement Deed. The reason of entering into the Settlement Deed is to resolve and settle the disputes with respect to the Acquisition.

It is always uncertain and difficult to predict the results of a lawsuit. CNC and Zhong An Shenglong have allocated extra resources, cost and expenses to attend to the court proceedings. By the Settlement Deed, CNC and Zhong An Shenglong will be relieved from such extra resources, cost and expenses. The Board considered that the Settlement Deed is cost and time effective in resolving and settling the disputes of the parties and therefore benefit the CNC Group and the CNC Shareholders as a whole. In addition, the Board considered that to repurchase the Consideration Shares will benefit more CNC and the CNC Shareholders because the Share Buy-Back will increase the NAV per CNC Share and create greater shareholder value, which will be in the interests of the CNC Shareholders as a whole.

In view of the above, the Directors (including the members of the Independent Board Committee after having considered the advice of the Independent Financial Adviser) believe that the Share Buy-Back is fair and reasonable and in the interests of the Disinterested Shareholders.

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## LETTER FROM THE BOARD

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Save and except for Mr. Shi Zhongan, none of the Directors has material interest in the Share Buy-Back and hence, no Director (other than Mr. Shi Zhongan) abstained from voting on such Board meeting approving the Share Buy-Back.

### FINANCIAL EFFECTS OF THE SHARE BUY-BACK

#### NAV per CNC Share

As disclosed in the annual report of CNC for the year ended 31 December 2023, the NAV per CNC Share as at 31 December 2023 was approximately RMB2.41 (equivalent to approximately HK\$2.65) (based on the audited consolidated net assets of the CNC Group as at 31 December 2023 of approximately RMB4,840,839,000).

As disclosed in the interim report of CNC for the six months ended 30 June 2024, the NAV per CNC Share as at 30 June 2024 was approximately RMB2.59 (equivalent to approximately HK\$2.86) (based on the unaudited consolidated net assets of the CNC Group as at 30 June 2024 of approximately RMB5,204,361,000).

Assuming that Completion had taken place on 31 December 2023 and the Consideration Shares had been bought back in full and cancelled, (i) the NAV per CNC Share as at 31 December 2023 would have increased by approximately 9.73% from approximately RMB2.41 (equivalent to approximately HK\$2.65) to approximately RMB2.64 (equivalent to approximately HK\$2.92); and (ii) the NAV per CNC Share as at 30 June 2024 would have increased by approximately 9.73% from approximately RMB2.59 (equivalent to approximately HK\$2.86) to approximately RMB2.84 (equivalent to approximately HK\$3.13).

For the purpose of this section, amounts in RMB have been translated into HK\$ based on an exchange rate of approximately HK\$1:00: RMB0.906 with reference to the exchange rate quoted from Bank of China as at 29 December 2023, being the last Business Day of the year ended 31 December 2023.

#### Earnings/Loss per CNC Share

As disclosed in the annual report of CNC for the year ended 31 December 2023, the loss per share attributable to ordinary equity holders of the parent for the year ended 31 December 2023 was approximately RMB20.10 cents (equivalent to approximately HK\$22.18 cents) (based on the audited consolidated loss per share attributable to ordinary equity holders of the parent of the CNC Group of approximately RMB404,136,000 for the year ended 31 December 2023).

As disclosed in the interim report of CNC for the six months ended 30 June 2024, the earnings per share attributable to ordinary equity holders of the parent for the six months ended 30 June 2024 was approximately RMB18.79 cents (equivalent to approximately HK\$20.74 cents) (based on the unaudited consolidated profit per share attributable to ordinary equity holders of the parent of the CNC Group of approximately RMB377,789,000 for the six months ended 30 June 2024).

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## LETTER FROM THE BOARD

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Assuming that Completion had taken place on 1 January 2023 and the Consideration Shares have been bought back in full and cancelled, (i) the CNC Group's loss per share attributable to ordinary equity holders of the parent for the year ended 31 December 2023 would have increased by approximately 9.73% from approximately RMB20.10 cents (equivalent to approximately HK\$22.18 cents) to RMB22.05 (equivalent to approximately HK\$24.34 cents); and (ii) the CNC Group's earnings per share attributable to ordinary equity holders of the parent for the six months ended 30 June 2024 would have increased by approximately 9.73% from approximately RMB18.79 cents (equivalent to approximately HK\$20.74 cents) to approximately RMB20.62 cents (equivalent to approximately HK\$22.76 cents).

For the purpose of this section, amounts in RMB have been translated into HK\$ based on an exchange rate of approximately HK\$1.00:RMB0.906 with reference to the exchange rate quoted from Bank of China as at 29 December 2023, being the last Business Day of the year ended 31 December 2023.

### **Total liabilities and working capital**

As disclosed in the paragraph headed "Off-market share buy-back" above, no actual consideration will be paid for the Share Buy-Back and therefore, the Share Buy-Back will not have any effect on the total liabilities and the working capital of the CNC Group.

Based on the above, the Board considers that the Share Buy-Back is not expected to have any material adverse effect on the NAV per CNC Share, earnings/loss per CNC Share, total liabilities and working capital of the CNC Group.

### **IMPLICATIONS UNDER THE SHARE BUY-BACKS CODE**

The Share Buy-Back constitutes an off-market share buy-back by CNC under the Share Buy-Backs Code, which is subject to the approval by the Executive. CNC has made an application to the Executive for approval of the Share Buy-Back pursuant to Rule 2 of the Share Buy-Backs Code. The Executive's approval, if granted, will normally be conditional upon, among others, approval of the Share Buy-Back by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at a general meeting of CNC.

Completion of the Share Buy-Back will be conditional on, among others, approval of the Share Buy-Back by the Executive. Therefore, CNC will not proceed with the Share Buy-Back unless the Executive approves the Share Buy-Back pursuant to Rule 2 of the Share Buy-Backs Code.

The Share Buy-Back will not result in any change of control (as defined in the Takeovers Code).

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## LETTER FROM THE BOARD

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### SHAREHOLDING OF AND DEALING IN SECURITIES BY DIRECTORS

Save as disclosed in the paragraph headed “5. Disclosure of Interests” in Appendix II to this circular, the Directors and any person acting in concert with any of them did not have any shares, convertible securities, warrants, options or other derivatives of CNC as at the Latest Practicable Date.

During the Relevant Period, there had been no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in CNC which any Director or any person acting in concert with any of them had borrowed or lent.

During the Relevant Period, none of the Directors or any persons acting in concert with any of them had dealt for value in any shares, convertible securities, warrants, options or derivatives of CNC.

### IMPLICATIONS UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, CNC confirms that:

- (i) CNC had not received any irrevocable commitment to vote for or against the proposed resolution(s) approving the Share Buy-Back and the transaction contemplated thereunder;
- (ii) there was no arrangement (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of Takeovers Code in relation to the CNC Shares or the Consideration Shares which might be material to the Share Buy-Back and the transactions contemplated thereunder;
- (iii) there was no arrangement or agreement to which CNC is a party which related to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Share Buy-Back and the transactions contemplated thereunder;
- (iv) there was no outstanding derivative in respect of securities in CNC entered into by CNC and its concert parties;
- (v) there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in CNC which CNC and its concert parties have borrowed or lent;
- (vi) there was no consideration, compensation or benefit in whatever form paid or to be paid by CNC and its concert parties to Hangzhou Oriental, its ultimate beneficial owner(s) and Ms. Tao Yan, or any party acting in concert with any of them in connection with the Share Buy-Back;
- (vii) there was no understanding, arrangement, agreement or special deal between CNC and its concert parties on the one hand, and Hangzhou Oriental, its ultimate beneficial owner(s) and Ms. Tao Yan, and any party acting in concert with any of them on the other hand; and



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## LETTER FROM THE BOARD

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(viii) there was no understanding, arrangement or agreement or special deal between (1) any CNC Shareholder; and (2) CNC and its concert parties, its subsidiaries or associated companies.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising all the non-executive Directors who have no direct or indirect interest in the Share Buy-Back, namely, Mr. Xu Chengfa, Mr. Lam Yau Yiu and Mr. Yuan Yuan, has been established to advise and make recommendation to the Disinterested Shareholders in respect of the Share Buy-Back. Since Mr. Shi Zhongan, a non-executive Director, is not considered as a Disinterested Shareholder in view of him being a controlling shareholder (as defined under the Listing Rules) of CNC, he is not included as a member of the Independent Board Committee.

Lego has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Share Buy-Back.

### **EGM AND PROXY ARRANGEMENT**

The EGM will be held at 4:00 p.m. on Wednesday, 13 November 2024 at Crystal Hall, 4th Floor, Holiday Inn Hangzhou Xiaoshan, No. 688 Shanyin Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC for the Disinterested Shareholders to consider and, if thought fit, approve the Share Buy-Back. A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular. Only the Disinterested Shareholders will be entitled to vote at the EGM.

As required by the Share Buy-Backs Code, Hangzhou Oriental, its ultimate beneficial owner(s), Ms. Tao Yan, Ideal World, Whole Good, Mr. Shi Zhongan and other shareholders of Zhong An Shenglong, and the parties acting in concert with any one of them, will abstain from voting on the resolution to be proposed at the EGM for approving the Share Buy-Back. Save as aforesaid, no other CNC Shareholder is required to abstain from voting on the resolution to be proposed at the EGM for approving the Share Buy-Back.

Pursuant to Rule 2 of the Share Buy-Backs Code, all votes of the Disinterested Shareholders on all resolution(s) at the EGM will be taken by poll.

A form of proxy for use by the Disinterested Shareholders at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, as soon as possible and in any event not later than forty-eight (48) hours before the time scheduled for the EGM to CNC's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjourned thereof) should you so wish.

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## LETTER FROM THE BOARD

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### RECORD DATE

The last record date for the purpose of determining the entitlements to attend and vote at the EGM will be Thursday, 7 November 2024. In order to be eligible to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with CNC's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 7 November 2024 for registration.

### RECOMMENDATION

The Directors (including the non-executive Directors who are members of the Independent Board Committee), having taken into account the advice of the Independent Financial Adviser, consider that the Share Buy-Back is fair and reasonable and in the interests of the Disinterested Shareholders. Accordingly, the Independent Board Committee recommends the Disinterested Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

Your attention is drawn to the letter of recommendation from the Independent Board Committee to the Disinterested Shareholders as set out on pages 18 to 19 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee as set out on pages 20 to 34 of this circular, which contain their respective recommendation and advice to the Disinterested Shareholders in respect of the Share Buy-Back. The Disinterested Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the relevant resolution(s) to be proposed at the EGM.

### ADDITIONAL INFORMATION

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

**As Completion is subject to fulfilment of certain conditions, the Share Buy-Back may or may not proceed. CNC Shareholders and potential investors of CNC are advised to exercise caution when dealing in the CNC Shares.**

Yours faithfully,  
By order of the Board  
**China New City Group Limited**  
中國新城市集團有限公司  
**Shi Zhongan**  
*Chairperson*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter of recommendation from the Independent Board Committee to the Disinterested Shareholders in respect of the Share Buy-Back for the purpose of inclusion in this circular.*



**China New City Group Limited**

**中國新城市集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1321)**

*To the Disinterested Shareholders*

Dear Sir or Madam,

### **OFF-MARKET SHARE BUY-BACK**

We refer to the circular issued by CNC to the CNC Shareholders dated 18 October 2024 (the “**Circular**”) of which this letter forms part. Capitalised terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to consider and advise the Disinterested Shareholders as to whether, in our opinion, the Share Buy-Back is fair and reasonable so far as the Disinterested Shareholders are concerned and in the interests of CNC and the CNC Shareholders as a whole.

Lego has been appointed as the Independent Financial Adviser to advise us in this respect. Details of the advice from Lego, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out in their letter on pages 20 to 34 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 5 to 17 of the Circular and the additional information set out in the appendices to the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the advice from Lego, we concur with the view of Lego and consider that the Share Buy-Back is fair and reasonable and in the interests of the Disinterested Shareholders. Accordingly, we recommend the Disinterested Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Share Buy-Back.

Yours faithfully,  
Independent Board Committee

**Xu Chengfa**

*Independent  
non-executive Director*

**Lam Yau Yiu**

*Independent  
non-executive Director*

**Yuan Yuan**

*Independent  
non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from Lego Corporate Finance Limited to the Independent Board Committee in respect of the Share Buy-Back, which has been prepared for the purpose of inclusion in this circular.*



18 October 2024

*To the Independent Board Committee*

Dear Sirs or Madams,

### **OFF-MARKET SHARE BUY-BACK**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in respect of the Share Buy-Back, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by CNC to the CNC Shareholders dated 18 October 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 otherwise requires.

References are made to (i) the announcement of CNC dated 28 May 2024 in relation to the Settlement Deed; and (ii) the announcement of CNC dated 5 August 2024 (i.e. the Announcement) in relation to, among other things, the Share Buy-Back.

As at the Latest Practicable Date, the Consideration Shares were held as to 166,744,883 CNC Shares by Hangzhou Oriental and as to 11,535,117 CNC Shares by Ms. Tao Yan, who is a party independent of CNC and its connected persons. Pursuant to the Settlement Deed, such Consideration Shares will be returned to CNC by Hangzhou Oriental and Ms. Tao Yan for cancellation. For purpose of cancelling such Consideration Shares, off-market share buy-backs will be carried out under the Share Buy-Backs Code.

The Share Buy-Back constitutes an off-market share buy-back by CNC under the Share Buy-Backs Code, which is subject to the approval by the Executive. CNC has made an application to the Executive for approval of the Share Buy-Back pursuant to Rule 2 of the Share Buy-Backs Code. The Executive’s approval, if granted, will normally be conditional upon, among others, approval of the Share Buy-Back by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at a general meeting of CNC.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Completion of the Share Buy-Back will be conditional on, among others, approval of the Share Buy-Back by the Executive. Therefore, CNC will not proceed with the Share Buy-Back unless the Executive approves the Share Buy-Back pursuant to Rule 2 of the Share Buy-Backs Code.

The Share Buy-Back will not result in any change of control (as defined in the Takeovers Code).

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee (including all the independent non-executive Directors, namely Mr. Xu Chengfa, Mr. Lam Yau Yiu and Mr. Yuan Yuan but excluding the only non-executive Director, namely Mr. Shi Zhongan since he is considered to have material interest in the Share Buy-Back in view of him being a controlling shareholder and the chairman of Zhong An) has been established to advise the Disinterested Shareholders as to whether the Share Buy-Back is fair and reasonable so far as the Disinterested Shareholders are concerned and in the interests of the Disinterested Shareholders. We, Lego Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in such regard and our appointment has been approved by the Independent Board Committee in compliance with Rule 2.1 of the Takeovers Code.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or any interest in, CNC, Zhong An, Hangzhou Oriental and its ultimate beneficial owner(s), Ms. Tao Yan, Ideal World, Whole Good, Mr. Shi Zhongan, other shareholders of Zhong An Shenglong and respective parties acting in concert with any of them (collectively, the “**Relevant Parties**”) that could reasonably be regarded as relevant to our independence. In the last two years prior to the date of the Announcement and up to the Latest Practicable Date, (i) there was no engagement between any of the Relevant Parties on one hand and us on the other hand; and (ii) we did not have any significant connection, financial or otherwise, with any of the Relevant Parties, of a kind reasonably likely to create, or to create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we had received or will receive any fees or benefits from any of the Relevant Parties. Accordingly, we consider that we are eligible to give independent advice in respect of the Share Buy-Back.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION

In formulating our opinion and recommendations to the Independent Board Committee, we have relied on the information, facts and representations contained or referred to in the Circular and the information, opinions and representations provided or expressed to us by the Directors and/or the management of CNC (the “**Management**”). We have assumed that all the information, facts and representations contained or referred to in the Circular, and all the information, opinions and representations provided or expressed by the Directors and/or the Management, for which they are solely responsible, were true, accurate and complete in all material respects at the time when they were provided and continue to be so as at the Latest Practicable Date and that they may be relied upon in formulating our opinion. The CNC Shareholders will be notified as soon as possible of any material changes to such information, facts, opinions and/or representations and/or the content of this letter and/or change to our opinion up to and including the date of the EGM in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all such opinions and statements of intention or belief expressed by the Directors and/or the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiries.

The Directors have confirmed to us that no material facts have been withheld or omitted from the information provided, representations made or opinions expressed. We have no reason to suspect that any relevant information has been withheld or omitted, nor are we aware of any facts or circumstances which would render the information provided, representations made or opinions expressed to us untrue, inaccurate or misleading. We consider that we have been provided with, and have reviewed, sufficient information currently available, and that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, representations made or opinions expressed by the Directors and/or the Management, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the CNC Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

The Circular includes particulars given in compliance with the Share Buy-Backs Code for the purpose of giving information with regard to the CNC Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

This letter is issued for the information of the Independent Board Committee solely in connection with their consideration of the Share Buy-Back. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Share Buy-Back, we have considered the following principal factors and reasons:

#### 1. Information on the CNC Group

##### 1.1. Business overview of the CNC Group

CNC is an investment holding company incorporated in the Cayman Islands with limited liability, the shares of which have been listed on the Main Board of the Stock Exchange since 10 July 2014. The CNC Group is principally engaged in commercial property investment for leasing, commercial property development for sale and leasing and commercial property management in the PRC.

##### 1.2. Financial information of the CNC Group

Set out below is a summary of the financial results of the CNC Group (i) for the year ended 31 December 2022 (“FY2022”) and the year ended 31 December 2023 (“FY2023”) as extracted from the annual report of CNC for FY2023 (the “Annual Report 2023”); and (ii) for the six months ended 30 June 2023 (“1H2023”) and the six months ended 30 June 2024 (“1H2024”) as extracted from the interim report of CNC for 1H2024 (the “Interim Report 2024”):

	For the year ended		For the six months ended	
	31 December		30 June	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)	(unaudited)
<b>Revenue</b>	591,783	1,297,235	818,559	2,921,774
– Commercial property development	137,416	825,373	565,273	2,723,530
– Property rental	101,528	110,712	60,582	48,646
– Hotel operations	221,657	257,923	124,419	112,651
– Other services	131,182	103,227	68,285	36,947
<b>Gross profit</b>	117,373	368,097	229,021	1,579,596
<i>Gross profit margin</i>	19.8%	28.4%	28.0%	54.1%
<b>(Loss)/profit for the year/period</b>	(461,640)	(425,133)	(71,996)	347,502
<b>(Loss)/profit attributable to owners of the parent</b>	(432,523)	(404,136)	(66,669)	377,789



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*For the years ended 31 December 2022 and 2023*

The CNC Group's revenue increased by approximately RMB705.4 million, or approximately 119.2%, from approximately RMB591.8 million for FY2022 to approximately RMB1,297.2 million for FY2023. According to the Annual Report 2023, such increase was primarily attributable to the substantial increase in the revenue from sales of commercial properties of approximately RMB688.0 million as compared to FY2022, which was mainly resulted from the income recognised for the delayed delivery of development projects in FY2023 due to the pandemic earlier.

The CNC Group's gross profit increased by approximately RMB250.7 million, or approximately 213.5%, from approximately RMB117.4 million for FY2022 to approximately RMB368.1 million for FY2023. According to the Annual Report 2023, such result was mainly due to the increase in gross profit from the increase in property sales in FY2023. The overall gross profit margin of the CNC Group increased from approximately 19.8% for FY2022 to approximately 28.4% for FY2023, which was primarily resulted from the relatively higher selling prices as well as lower land costs of the relevant properties sold during FY2023.

The CNC Group recorded a net loss of approximately RMB425.1 million for FY2023, representing a decrease of approximately 7.9% as compared to that of approximately RMB461.6 million for FY2022, mainly due to the combined effect of (i) the significant increase in gross profit for FY2023 as explained above; and (ii) the increase in net loss from changes in fair value of investment properties for FY2023.

*For the six months ended 30 June 2023 and 2024*

The CNC Group's revenue increased by approximately RMB2,103.2 million, or approximately 256.9%, from approximately RMB818.6 million for 1H2023 to approximately RMB2,921.8 million for 1H2024. According to the Interim Report 2024, such increase was primarily attributable to the substantial increase in the revenue from sales of commercial properties of approximately RMB2,158.3 million as compared to 1H2023, which was mainly resulted from the income recognised for two major development projects delivered during 1H2024.

The CNC Group's gross profit increased by approximately RMB1,350.6 million, or approximately 589.8%, from approximately RMB229.0 million for 1H2023 to approximately RMB1,579.6 million for 1H2024. According to the Interim Report 2024, such result was mainly due to the significant increase in property sales with higher gross profit margin during 1H2024. The higher gross profit margin of such property sales was attributable to the relatively higher selling prices as well as lower land costs of the relevant properties sold during 1H2024. As a result, the overall gross profit margin of the CNC Group increased from approximately 28.0% for 1H2023 to approximately 54.1% for 1H2024.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The CNC Group turned around from a net loss of approximately RMB72.0 million for 1H2023 to a net profit of approximately RMB347.5 million for 1H2024, mainly due to the combined effect of (i) the significant increase in gross profit for 1H2024 as explained above; (ii) the increase in net loss from changes in fair value of investment properties for 1H2024; and (iii) the increase in income tax expense for 1H2024.

Set out below is a summary of the financial position of the CNC Group (i) as at 31 December 2022 and 2023 as extracted from the Annual Report 2023; and (ii) as at 30 June 2024 as extracted from the Interim Report 2024:

	As at 31 December 2022	2023	As at 30 June 2024
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)
<b>Total assets</b>	15,179,776	13,533,007	13,421,184
– Non-current assets	9,390,984	9,047,360	8,402,320
– Current assets, including:	5,788,792	4,485,647	5,018,864
– Cash and cash equivalents	948,087	181,155	123,710
<b>Total liabilities</b>	9,871,867	8,692,168	8,216,823
– Non-current liabilities	3,643,501	3,359,976	3,351,841
– Current liabilities	6,228,366	5,332,192	4,864,982
<b>Net current (liabilities)/assets</b>	(439,574)	(846,545)	153,882
<b>Net assets</b>	5,307,909	4,840,839	5,204,361

As at 30 June 2024, the non-current assets of the CNC Group mainly comprised (i) investment properties of approximately RMB4,296.1 million; (ii) property (which were mainly hotel properties held for self-use) and equipment of approximately RMB2,268.7 million; (iii) properties under development of approximately RMB948.1 million; (iv) equity investments designated at fair value through other comprehensive income of approximately RMB355.4 million; and (v) long term prepayments of approximately RMB329.6 million. Meanwhile, the CNC Group's current assets mainly consisted of (i) completed properties held for sale of approximately RMB3,612.6 million; (ii) properties under development of approximately RMB534.8 million; (iii) prepayments, other receivables and other assets of approximately RMB504.1 million; (iv) cash and cash equivalents of approximately RMB123.7 million; and (v) restricted cash (which was placed in the designated bank accounts for a specified use and subject to certain withdrawal restrictions pursuant to relevant regulations in the PRC) of approximately RMB100.2 million. The decrease in cash and cash equivalents from approximately RMB948.1 million as at 31 December 2022 to approximately RMB123.7 million as at 30 June 2024 was primarily attributable to the repayment of

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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interest-bearing bank and other borrowings and amounts due to related companies during the period, reducing the total outstanding balance from approximately RMB4,763.4 million as at 31 December 2022 to approximately RMB3,330.1 million as at 30 June 2024.

As at 30 June 2024, the non-current liabilities of the CNC Group mainly comprised (i) interest-bearing bank and other borrowings of approximately RMB2,706.6 million; and (ii) deferred tax liabilities of approximately RMB617.6 million. Meanwhile, the CNC Group's current liabilities mainly consisted of (i) trade payables of approximately RMB2,085.0 million; (ii) tax payable of approximately RMB1,128.0 million; (iii) contract liabilities (which mainly represent deposits received from the customers in advance of delivering properties to such customers) of approximately RMB662.0 million; (iv) interest-bearing bank and other borrowings of approximately RMB575.9 million; and (v) other payables and accruals of approximately RMB319.9 million.

As at 30 June 2024, the consolidated net current assets and net assets of the CNC Group were approximately RMB153.9 million and RMB5,204.4 million, respectively.

Based on the foregoing, while the CNC Group remained in net loss and net current liabilities position for/as at the year ended 31 December 2022 and 2023, it is noted that (i) the financial performance of the CNC Group has improved from a net loss of approximately RMB72.0 million for 1H2023 to a net profit of approximately RMB347.5 million for 1H2024 with the increased revenue primarily contributed from higher sales of commercial properties of two major development projects delivered during 1H2024; and (ii) the financial position of the CNC Group has also improved from net current liabilities of approximately RMB846.5 million as at 31 December 2023 to net current assets of approximately RMB153.9 million as at 30 June 2024 together with the increase in net assets from approximately RMB4,840.8 million as at 31 December 2023 to approximately RMB5,204.4 million as at 30 June 2024.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. Information on Zhejiang Xinnongdou

Zhejiang Xinnongdou is a limited liability company established in the PRC on 8 May 2008 and is principally engaged in investment holding and trading of agricultural products. Zhong An Shenglong is interested in approximately 42.5% equity interest in Zhejiang Xinnongdou. As at the Latest Practicable Date, (i) as CNC holds 90% equity interest in Zhong An Shenglong, CNC therefore holds approximately 38.25% effective equity interest in Zhejiang Xinnongdou and accordingly it is an associated company of CNC; and (ii) as Zhong An holds approximately 66.02% of the issued share capital of CNC, Zhong An therefore holds approximately 25.25% effective equity interest in Zhejiang Xinnongdou. The other shareholders of Zhejiang Xinnongdou are Zhejiang Province Villages Development Group Limited\* (浙江省農村發展集團有限公司)(holding approximately 52.5% equity interest) and Zhejiang Province Nongdou Agricultural Products Limited\* (浙江省農都農產品有限公司)(holding approximately 5% equity interest), both of them are ultimately controlled by Zhejiang Province Department of Finance\* (浙江省財務廳). Zhejiang Xinnongdou's other ultimate beneficial owner(s) are third parties independent of CNC and its connected persons. The principal activities of the Zhejiang Xinnongdou group are the development, construction and management of logistics center for agricultural products.

### 3. Key information relating to the Share Buy-Back

#### 3.1. Background of the Share Buy-Back

On 20 July 2018, Zhong An Shenglong and Hangzhou Oriental entered into the Equity Transfer Agreement, pursuant to which, Zhong An Shenglong agreed to acquire 22.65% equity interest in Zhejiang Xinnongdou from Hangzhou Oriental at a consideration of RMB352,994,400 (the “**Acquisition Consideration**”), which was to be settled by the allotment and issue of an aggregate of 178,280,000 Consideration Shares at the issue price of HK\$2.47 each (the “**Acquisition Issue Price**”). Completion of the Acquisition took place on 7 January 2019 and Zhong An Shenglong was interested in 42.5% equity interest in Zhejiang Xinnongdou. Please refer to the joint announcements of Zhong An and CNC dated 20 July 2018 and 7 January 2019 and the circular of CNC dated 30 November 2018 for the details of the Acquisition.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Subsequent to the completion of the Acquisition,

- (i) on 15 January 2019, Hangzhou Oriental filed a lawsuit against CNC and Zhong An Shenglong to request, among others, (a) the discharge of the provisions in the relevant agreements and memorandum with respect to the Acquisition; and (b) Zhong An Shenglong to return the 22.65% equity interests in Zhejiang Xinnongdou to Hangzhou Oriental;
- (ii) on 31 March 2020, at the first trial, the High Court ordered, among others, that (a) the relevant provisions in the agreements and memorandum with respect to the Acquisition be discharged; and (b) the 22.65% equity interest in Zhejiang Xinnongdou be returned to Hangzhou Oriental. CNC and Zhong An Shenglong lodged an appeal;
- (iii) on 13 December 2022, at the second trial, the Supreme Court upheld the decision of the first trial (the “**Court Order**”);
- (iv) on 13 April 2023, the High Court accepted Hangzhou Oriental’s application to execute the Court Order. By mediation through the High Court, Hangzhou Oriental, CNC and Zhong An Shenglong entered into the Settlement Deed and the High Court informed the parties that the Settlement Deed became effective on 27 May 2024;
- (v) on 23 May 2023, CNC and Zhong An Shenglong applied for a retrial; and
- (vi) on 5 July 2023, the Supreme Court accepted the retrial application but no ruling on the retrial was available. In light of the Settlement Deed, the retrial application has been withdrawn.

Pursuant to the Settlement Deed, the parties agreed, among others, that:

- (i) a sum of RMB210 million to be paid by Zhong An Shenglong to Hangzhou Oriental and thereafter all shareholders’ rights and interests over and in the 22.65% equity interests in Zhejiang Xinnongdou belong to Zhong An Shenglong from the date Zhong An Shenglong was registered as the shareholder of such equity interests; and
- (ii) the Consideration Shares to be returned to CNC for cancellation.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The parties further agreed that upon the effective of the Settlement Deed and the payment of the RMB210 million,

- (i) all disputes regarding the Acquisition shall be settled and resolved;
- (ii) claims and actions taken or may have been taken out by a party with respect to the Acquisition shall be withdrawn; and
- (iii) the Court Order shall not be enforced.

The RMB210 million has been/will be paid by Zhong An Shenglong to Hangzhou Oriental in the following manner:

- (a) a sum of RMB100 million was paid on 5 June 2024;
- (b) a further sum of RMB30 million to be paid on or before 30 December 2024;
- (c) a further sum of RMB40 million to be paid on or before 30 March 2025; and
- (d) a further sum of RMB40 million to be paid on or before 30 June 2025.

Such settlement amount of RMB210 million (the “**Settlement Amount**”) was reached by the parties through negotiations and mediation of the High Court taken into account various factors including the overall benefits of a final settlement to the parties.

Please refer to the section headed “SHARE BUY-BACK – Background” in the Letter from the Board for other details of the Settlement Deed.

As at the Latest Practicable Date, the Consideration Shares were held as to 166,744,883 CNC Shares (the share certificates of which were returned to CNC on 28 June 2024) by Hangzhou Oriental and as to 11,535,117 CNC Shares (the return of the relevant share certificates is being arranged, which is expected to take place by the end of 2024) by Ms. Tao Yan, who is a party independent of CNC and its connected persons. Pursuant to the Settlement Deed, such Consideration Shares will be returned to CNC by Hangzhou Oriental and Ms. Tao Yan for cancellation. Since the Share Buy-Back is considered to be the procedure required for purpose of cancelling such Consideration Shares to be returned to CNC, no actual consideration will be paid for the Share Buy-Back.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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If expressing the Settlement Amount of RMB210 million (equivalent to approximately HK\$230,011,000 based on an exchange rate of HK\$1.00:RMB0.913) against the 178,280,000 Consideration Shares, it represents approximately RMB1.18 or HK\$1.29 per Consideration Share (the “**Imputed Buy-Back Price**”). We noted that the Imputed Buy-Back Price represents a substantial discount of approximately 47.8% to the Acquisition Issue Price of HK\$2.47 per CNC Share, which means that the Settlement Amount is at the same discount to the Acquisition Consideration. On the above basis, we are of the view that the Imputed Buy-Back Price is fair and reasonable so far as the Disinterested Shareholders are concerned.

### **3.2. Conditions of the Share Buy-Back**

Completion of the Share Buy-Back is conditional upon the satisfaction of the following conditions:

- (i) the Executive having granted and not having withdrawn or revoked the approval for the Share Buy-Back and the condition(s) of such approval (if any) having been satisfied;
- (ii) the passing of the resolutions at the EGM by at least three-fourths of the Disinterested Shareholders of the votes cast on a poll approving the Share Buy-Back; and
- (iii) CNC having complied with the applicable provisions of the Listing Rules, including the disclosure requirements and the requirement to obtain Disinterested Shareholders’ approval in relation to the Share Buy-Back.

None of the conditions above is capable of being waived by the parties. As at the Latest Practicable Date, none of the conditions has been fulfilled. The Settlement Deed does not state any timeline for the cancellation of the Consideration Shares. If the conditions are not fulfilled and therefore the Share Buy-Back could not be proceeded for purpose of cancelling the Consideration Shares, CNC will further seek legal advice on other ways to cancel the Consideration Shares including the possibility of a declaration of the Consideration Shares as void by court.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **3.3. Completion**

Completion of the Share Buy-Back will take place on the third Business Day after fulfilment of the above conditions (or such other date as determined by the Board). After the Share Buy-Back, Hangzhou Oriental and Ms. Tao Yan, and persons acting in concert with any of them, will not hold any shareholding interest in CNC.

Immediately upon Completion, CNC shall cancel the Consideration Shares so bought-back and any rights attaching thereto shall cease with effect from Completion.

### **4. Reasons for and the benefits of the Share Buy-Back**

As stated in the Letter from the Board, the Share Buy-Back is carried out for purpose of cancelling the Consideration Shares pursuant to the Settlement Deed. The reason of entering into the Settlement Deed is to resolve and settle the disputes between the parties to the Equity Transfer Agreement with respect to the Acquisition.

When it comes to lawsuits, the timing and outcome are always uncertain. We are given to understand that CNC and Zhong An Shenglong have already allocated extra resources, cost and expenses to attend to the court proceedings. We are of the view that the entering into of the Settlement Deed would prevent CNC and Zhong An Shenglong from further legal complications arising from the Acquisition, thereby saving future cost and expenses and time in pursuing the lengthy legal action. The Board considered that the Settlement Deed is cost and time effective in resolving and settling the disputes between the relevant parties and therefore benefit the CNC Group and the CNC Shareholders as a whole. In addition, we are of the same view as the Board that the Share Buy-Back can improve the financial position of the CNC Group as it will increase the net asset value per CNC Share and create greater shareholder value, which is in the interests of the CNC Shareholders as a whole.

Having considered the above reasons and benefits and, in particular, that the Share Buy-Back aims to facilitate the cancellation of the Consideration Shares pursuant the Settlement Deed which was entered into through mediation of the High Court to resolve and settle the prolonged disputes arising from the Acquisition, we concur with the Directors' view that the Share Buy-Back is fair and reasonable and in the interests of the Disinterested Shareholders.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **5. Effects on the shareholding structure of CNC**

As at the Latest Practicable Date, (i) 2,010,768,000 CNC Shares were in issue; and (ii) CNC did not have any outstanding options, derivatives, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into CNC Shares or other types of equity interest of CNC. Immediately upon completion of the cancellation of all the Consideration Shares so bought-back under the Share Buy-Back, Hangzhou Oriental and Ms. Tao Yan will no longer hold any shareholding interest in CNC and the number of issued CNC Shares will be reduced to 1,832,488,000 CNC Shares (assuming there are no changes in the number of issued CNC Shares from the Latest Practicable Date up to Completion). The shareholding interest of all the CNC Shareholders (other than Hangzhou Oriental and Ms. Tao Yan) will be proportionally increased by approximately 9.7 percentage points immediately upon Completion. Please refer to the table under the section headed “EFFECTS ON THE SHAREHOLDING STRUCTURE OF CNC” in the Letter from the Board for the details of the shareholding structure of CNC immediately upon Completion.

As the shareholding interest of all the CNC Shareholders will be proportionally increased by same portion through the Share Buy-Back, we are of the view that such effect on shareholding is favourable to the Disinterested Shareholders as a whole.

### **6. Potential financial effects of the Share Buy-Back**

#### ***6.1. Net asset value per CNC Share***

As disclosed in the Interim Report 2024, the net asset value per CNC Share as at 30 June 2024 was approximately RMB2.59 based on the unaudited consolidated net assets of the CNC Group as at 30 June 2024 of approximately RMB5,204,361,000. Assuming that Completion had taken place on 30 June 2024 and the Consideration Shares had been bought back in full and cancelled, the net asset value per CNC Share as at 30 June 2024 would have increased by approximately 9.7% from approximately RMB2.59 to approximately RMB2.84.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **6.2. Earnings/Loss per CNC Share**

As disclosed in the Annual Report 2023, the loss per CNC Share attributable to owners of CNC for the year ended 31 December 2023 was approximately RMB20.1 cents based on the audited net loss of the CNC Group attributable to owners of CNC for the year ended 31 December 2023 of approximately RMB404,136,000. As disclosed in the Interim Report 2024, the earnings per CNC Share attributable to owners of CNC for the six months ended 30 June 2024 was approximately RMB18.79 cents based on the unaudited net profit of the CNC Group attributable to owners of CNC for the six months ended 30 June 2024 of approximately RMB377,789,000. Assuming that Completion had taken place on 1 January 2023 and the Consideration Shares had been bought back in full and cancelled, (i) the loss per CNC Share attributable to owners of CNC for the year ended 31 December 2023 would have increased by approximately 9.7% from approximately RMB20.1 cents to approximately RMB22.05 cents; and (ii) the earnings per CNC Share attributable to owners of CNC for the six months ended 30 June 2024 would have increased by approximately 9.7% from approximately RMB18.79 cents to approximately RMB20.62 cents.

### **6.3. Cash balance and working capital**

As no actual consideration will be paid for the Share Buy-Back, we consider that the Share Buy-Back will not have material impact on the cash balance and working capital of the CNC Group.

Notwithstanding the outstanding payments totalling to RMB110,000,000 as set out in the paragraph headed “3.1. Background of the Share Buy-Back” above, having taken into account (i) the CNC Group’s cash and cash equivalents amounting to approximately RMB123.7 million and working capital (i.e. net current assets) amounting to approximately RMB153.9 million as at 30 June 2024; (ii) the CNC Group’s net cash from operating activities amounting to approximately RMB193.9 million for 1H2024; (iii) the financial and trading prospects of the CNC Group as disclosed in the section headed “5. FINANCIAL AND TRADING PROSPECTS OF THE CNC GROUP” in Appendix I to the Circular; and (iv) that such outstanding payments will be paid by instalments before 30 June 2025, we consider that such outstanding payments will not bring material cash flow pressure to the CNC Group.

Based on the above, we concur with the Directors’ view that the Share Buy-Back is not expected to have any material adverse financial effects on the CNC Group.

CNC Shareholders are reminded that the above analysis is for illustrative purposes only and does not purport to represent how the financial performance or financial position of the CNC Group would be upon Completion.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the above principal factors and reasons and, in particular, that:

- (i) the Imputed Buy-Back Price represents a substantial discount of approximately 47.8% to the Acquisition Issue Price, indicating that the Settlement Amount is at the same discount to the Acquisition Consideration;
- (ii) the Share Buy-Back aims to facilitate the cancellation of the Consideration Shares pursuant the Settlement Deed which was entered into through mediation of the High Court to resolve and settle the prolonged disputes arising from the Acquisition;
- (iii) the shareholding interest of all the CNC Shareholders will be proportionally increased by same portion through the Share Buy-Back; and
- (iv) the Share Buy-Back is not expected to have any material adverse financial effects on the CNC Group,

we are of the opinion that the Share Buy-Back is fair and reasonable so far as the Disinterested Shareholders are concerned and in the interests of the Disinterested Shareholders.

Accordingly, we advise the Independent Board Committee to recommend the Disinterested Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Share Buy-Back.

Yours faithfully,  
For and on behalf of  
**Lego Corporate Finance Limited**

**Kristie Ho**  
*Managing Director*

*Ms. Kristie Ho is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the securities and investment banking industries.*

## 1. SUMMARY OF FINANCIAL INFORMATION OF THE CNC GROUP

The following is a summary of the consolidated financial information of the CNC Group for (i) each of the three financial years ended 31 December 2021, 2022 and 2023; and (ii) the six months ended 30 June 2024, as extracted from the respective annual reports of CNC and the interim report of CNC for the six months ended 30 June 2024, respectively:

	For the six	For the year ended 31 December		
	months ended	2023	2022	2021
	30 June			
	2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Audited)	(Audited)
<b>Revenue</b>	<b>2,921,774</b>	<b>1,297,235</b>	<b>591,783</b>	<b>871,066</b>
Cost of sales	(1,342,178)	(929,138)	(474,410)	(654,569)
<b>Gross profit</b>	<b>1,579,596</b>	<b>368,097</b>	<b>117,373</b>	<b>216,497</b>
Other income and gains, net	25,876	12,669	117,470	374,689
Selling and distribution expenses	(66,588)	(171,979)	(150,151)	(182,698)
Administrative expenses	(67,991)	(170,607)	(222,601)	(249,476)
Other expenses	(5,833)	(59,897)	(83,522)	(151,826)
Finance costs	(47,317)	(101,976)	(139,909)	(223,094)
Share of losses of:				
A joint venture	(4,485)	(663)	(1,014)	(805)
Changes in fair value of investment properties	(535,900)	(352,311)	(115,160)	(60,311)
<b>Profit/(loss) before tax</b>	<b>877,358</b>	<b>(476,667)</b>	<b>(477,514)</b>	<b>(277,024)</b>
Income tax expense	(529,856)	51,534	15,874	(25,791)
<b>Profit/(loss) for the period/year</b>	<b>347,502</b>	<b>(425,133)</b>	<b>(461,640)</b>	<b>(302,815)</b>
<b>Attributable to:</b>				
Owners of the parent	377,789	(404,136)	(432,523)	(295,136)
Non-controlling interests	(30,287)	(20,997)	(29,117)	(7,679)
<b>Profit/(loss) per share attributable to ordinary equity holders of the parent</b>				
Basic (RMB cents)	18.79	(20.1)	(21.5)	(14.7)
Diluted (RMB cents)	18.79	(20.1)	(21.5)	(14.7)
<b>Total comprehensive income/(loss) for the period/year</b>	<b>362,518</b>	<b>(470,056)</b>	<b>(427,089)</b>	<b>(353,703)</b>
<b>Attributable to:</b>				
Owners of the parent	392,805	(449,059)	(397,972)	(346,024)
Non-controlling interests	(30,287)	(20,997)	(29,117)	(7,679)

**2. FINANCIAL STATEMENTS**

The CNC Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows as shown in (i) the audited consolidated financial statements of the CNC Group for each of the three financial years ended 31 December 2021, 2022 and 2023; and (ii) the unaudited consolidated financial statements of the CNC Group for the six months ended 30 June 2024, together with the notes to the relevant published financial statements, can be found:

- (a) at pages 89 to 251 of the annual report of CNC for the year ended 31 December 2021 published on 27 April 2022, which can be accessed by the direct hyperlink below:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042701261.pdf>

- (b) at pages 94 to 255 of the annual report of CNC for the year ended 31 December 2022 published on 19 April 2023, which can be accessed by the direct hyperlink below:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0419/2023041901249.pdf>

- (c) at pages 101 to 255 of the annual report of CNC for the year ended 31 December 2023 published on 25 April 2024, which can be accessed by the direct hyperlink below:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0425/2024042502643.pdf>

- (d) at pages 21 to 66 of the interim report of CNC for the six months ended 30 June 2024 published on 11 September 2024, which can be accessed by the direct hyperlink below:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0911/2024091100477.pdf>

The consolidated financial statements of the CNC Group for each three financial years ended 31 December 2021, 2022 and 2023 were audited by Ernst & Young and did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

The CNC Group had no item of income or expense which are material for each of the three financial years ended 31 December 2021, 2022 and 2023.

### **3. INDEBTEDNESS STATEMENT**

As at the close of business on 31 August 2024, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the indebtedness of the CNC Group was as follows:

#### **Borrowings**

The CNC Group had bank loans and other borrowings repayable within one year and after one year of approximately RMB581,860,000 and approximately RMB3,157,770,000, respectively, all of which are secured loans. Secured bank borrowings were secured by property and equipment, completed properties held for sale and investment properties of the Group. Except for certain bank and other borrowings amounting to approximately RMB598,110,000 that bear interest at fixed rates, all other bank loans bear interest at floating rates.

#### **Lease liabilities**

The CNC Group had lease liabilities of approximately RMB74,309,000. Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the CNC Group and payments of penalties for termination of a lease, if the lease term reflects the CNC Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

#### **Guarantees and contingent liabilities**

The CNC Group had contingent liabilities of approximately RMB343,947,000, which were mainly guarantees provided by the CNC Group in favour of certain banks for the grant of mortgage loans to purchasers of the CNC Group's properties.

Save as disclosed above and apart from intra-group liabilities, the CNC Group did not have any other outstanding bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities as at 31 August 2024.

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the indebtedness position and contingent liabilities of the CNC Group since the close of business on 31 August 2024 and up to and including the Latest Practicable Date.

#### 4. MATERIAL CHANGE

The Directors confirm that, save as disclosed below, there has been no material change in the financial or trading position or outlook of the CNC Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the CNC Group were made up, up to and including the Latest Practicable Date. The material changes are set forth below:

- (a) as disclosed in the interim report of the Company for the six months ended 30 June 2024 (the “**Interim Report 2024**”), the CNC Group recorded a total revenue of approximately RMB2,921.8 million for the six months ended 30 June 2024 (“**1H2024**”), representing an increase of approximately RMB2,103.2 million or 256.9% as compared to that of approximately RMB818.6 million for the six months ended 30 June 2023 (“**1H2023**”). Such increase was primarily attributable to the substantial increase in the revenue from sales of commercial properties of approximately RMB2,158.3 million as compared to 1H2023, which was mainly resulted from the income recognised for two major development projects during 1H2024;
- (b) as disclosed in the Interim Report 2024, the CNC Group’s gross profit increased by approximately RMB1,350.6 million, or approximately 589.7%, from approximately RMB229.0 million for 1H2023 to approximately RMB1,579.6 million for 1H2024. Such result was mainly due to the significant increase in property sales with higher gross profit margin during 1H2024. The higher gross profit margin of such property sales was attributable to the relatively higher selling prices as well as lower land costs of the relevant properties sold during 1H2024;
- (c) according to the Interim Report 2024, the CNC Group turned around from a net loss of approximately RMB72.0 million for 1H2023 to a net profit of approximately RMB347.5 million for 1H2024, mainly due to the combined effect of (i) the significant increase in gross profit for 1H2024 as explained in (b) above; (ii) the increase in net loss from changes in fair value of investment properties for 1H2024; and (iii) the increase in income tax expense for 1H2024;

- (d) according to the Interim Report 2024, the financial position of the CNC Group has improved from net current liabilities of approximately RMB846.5 million as at 31 December 2023 to net current assets of approximately RMB153.9 million as at 30 June 2024. Such turnaround was primarily due to (i) the increase in completed properties held for sale; (ii) the decrease in contract liabilities as a result of recognising revenue during the period that was included in the contract liabilities at the beginning of the period; and (iii) the repayment of certain amounts due to related companies as a result of improvement of the financial performance and position of the CNC Group during 1H2024, which was partially offset by (i) the decreases in properties under development and cash and cash equivalents; and (ii) the increases in trade payables and tax payable as a result of the completion and delivery of property projects during 1H2024;
- (e) the CNC Group's capital commitments for property development expenditures decreased from approximately RMB1,497,185,000 as at 31 December 2023 to that of approximately RMB290,457,000 as at 30 June 2024, which was mainly due to the completion of certain property development projects during 1H2024; and
- (f) pursuant to the Settlement Deed, among other things, Zhong An Shenglong was required to pay a sum of RMB210,000,000 to Hangzhou Oriental by 30 June 2025. As at 30 June 2024, a sum of RMB100,000,000 out of such RMB210,000,000 was paid by Zhong An Shenglong to Hangzhou Oriental and, accordingly, the CNC Group had a payment commitment of approximately RMB110,000,000 arising from the Settlement Deed.



## 5. FINANCIAL AND TRADING PROSPECTS OF THE CNC GROUP

Focusing on the four major business segments of industrial property development, commercial operations, hotel management, and industrial investment as its core, the CNC Group also diversifies its business layout further in other emerging industries such as industrial services, rural cultural tourism, wholesale of agricultural products with intelligent approach, film and television education, and digital health. As such, a “golden circle” with strong synergy and circulation effects has been formed successfully among different segments. Over the years, the CNC Group has always adhered to prudent operations and continued to improve operating efficiency leveraging on its diversified industrial layout backed by strong urban development and operation services and industrial resource integration capabilities. For the six months ended 30 June 2024 (the “**Period**”), the CNC Group’s consolidated revenue was approximately RMB2,922 million, representing a year-on-year increase of 256.9%; gross profit was approximately RMB1,580 million, representing a year-on-year increase of 589.7%, which is much higher than the revenue growth rate. The gross profit margin for the Period is approximately 54.1%, representing an increase of approximately 26.1% as compared to the corresponding period of last year.

The 2024 government work report of the PRC delineates three pivotal tenets for China’s real estate sector: risk mitigation, adherence to baselines, and market stabilisation. This policy framework supports the sector’s robust growth trajectory. Central government policies will maintain their efficacy, with local governments anticipated to refine their regulatory tactics. More importantly, the central government reiterates its commitment to the reasonable financing demands of real estate firms, heralding a more accommodative financing climate for private and mixed-ownership entities.

As market supply-demand dynamics evolve, the resurgence of buyer confidence and market sentiment is paramount. The real estate market is projected to recover incrementally as economic conditions and household incomes stabilise.

In this context, the CNC Group will adhere to a prudent management ethos, ensuring financial solidity and efficient resource integration. We will vigorously pursue business innovation and steadfastly advance urban renewal projects to invigorate cities. Within the existing property market, we will explore innovative development paradigms to adeptly navigate market fluctuations, maintaining the CNC Group’s leading position in the competitive landscape.

**1. RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Share Buy-Backs Code for the purpose of giving information with regard to the CNC Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

**2. SHARE CAPITAL**

**Authorised and issued share capital**

The authorised and issued share capital of CNC (i) as at the Latest Practicable Date; and (ii) upon Completion (assuming no further CNC Share(s) will be allotted and issued or bought back by CNC other than the Consideration Shares to be bought back), is illustrated below:

(a) *as at the Latest Practicable Date:*

<i>Authorised</i>	<i>HK\$</i>
<u>5,000,000,000 CNC Shares</u>	<u>500,000,000</u>
<i>Issued and fully paid</i>	<i>HK\$</i>
<u>2,010,768,000 CNC Shares</u>	<u>201,076,800</u>

(b) *upon Completion (assuming no further CNC Share(s) will be allotted and issued or bought back by CNC other than the Consideration Shares to be bought back):*

<i>Authorised</i>		<i>HK\$</i>
<u>5,000,000,000 CNC Shares</u>		<u>500,000,000</u>
<i>Issued and fully paid</i>		<i>HK\$</i>
2,010,768,000 CNC Shares	(as at the Latest Practicable Date)	201,076,800
(178,280,000) CNC Shares	(number of Consideration Shares to be bought back)	(17,828,000)
<u>1,832,488,000 CNC Shares</u>	(upon Completion)	<u>183,248,800</u>

As at the Latest Practicable Date, save for the 2,010,768,000 CNC Shares in issue, CNC did not have any outstanding options, derivatives, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into CNC Shares or other types of equity interests of CNC.

All of the issued CNC Shares rank *pari passu* with each other in all respects including the rights as to voting rights, dividends and return of capital.

No CNC Shares had been bought back by CNC during the period of 12 months immediately preceding the date of this circular, or since 31 December 2023, being the date on which the latest audited financial statements of the CNC Group were made up, and up to the Latest Practicable Date.

There was no issuance of new CNC Shares or re-organisation of capital of CNC during the two financial years preceding the date of the Announcement and up to and including the Latest Practicable Date.

### 3. MARKET PRICES

The table below sets out the closing prices of the CNC Shares on the Stock Exchange (i) at the end of each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date.

Date	Closing price per CNC Share HK\$
29 February 2024	0.790
28 March 2024	0.760
30 April 2024	0.710
31 May 2024	0.800
28 June 2024	0.830
31 July 2024	0.800
Last Trading Day (i.e. 2 August 2024)	0.790
30 August 2024	0.790
30 September 2024	0.780
Latest Practicable Date (i.e. 15 October 2024)	0.820

During the Relevant Period, the highest closing price of the CNC Shares as quoted on the Stock Exchange was HK\$0.850 between 2 October 2024 and 3 October 2024 and the lowest closing price of the CNC Shares as quoted on the Stock Exchange was HK\$0.660 on 14 May 2024.

#### 4. DIVIDENDS

For each of the three financial years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, no dividend was declared or paid by CNC. CNC's ability to pay dividends depends on various factors, including, among other things, distributable profit, cash availability, and any other internal or external factors that the Board may deem relevant. As at the Latest Practicable Date, the Board does not have any plan or intention to alter the dividend policy of CNC or to declare any dividend or other distributions prior to Completion.

#### 5. DISCLOSURE OF INTERESTS

##### (a) Directors' and chief executive's interests and short positions in the CNC Shares, underlying CNC Shares or debentures of CNC or any associated corporations

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of CNC in the CNC Shares, underlying CNC Shares and debentures of CNC or its associated corporations (within the meaning of Part XV of the SFO) which are required (i) to be notified to CNC and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Name of CNC Group member/ associated corporation	Capacity/nature of interest	Number of share(s) held (Note 1)	Approximate % of shareholding
Mr. Shi Zhongan	CNC	Interest of controlled corporations (Note 2)	1,358,859,594 CNC Shares (L)	67.58%
	Zhong An	Interest of controlled corporation (Note 3)	3,262,411,200 shares of HK\$0.10 each (L)	57.89%
	Whole Good	Beneficial owner	1 share of US\$1.00 (L)	100%

*Notes:*

1. The letter “L” denotes the person’s long position in the shares and underlying shares of CNC or the relevant associated corporation.
2. Among these 1,358,859,594 CNC Shares, 1,327,556,000 CNC Shares are held by Ideal World, a wholly owned subsidiary of Zhong An. The entire issued shares of Zhong An are owned as to about 57.89% by Whole Good, which is wholly owned by Mr. Shi Zhongan. In addition, 31,303,594 CNC Shares are held by Whole Good. By virtue of the SFO, Mr. Shi Zhongan is taken to be interested in the CNC Shares in which each of Ideal World and Whole Good is interested.
3. These shares are held by Whole Good. By virtue of the SFO, Mr. Shi Zhongan is deemed to be interested in the shares of Zhong An in which Whole Good is interested.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of CNC had or was deemed under the SFO to have any interests or short positions in the CNC Shares, underlying CNC Shares or debentures of CNC or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to CNC and the Stock Exchange pursuant to the SFO and the Model Code or required to be disclosed under the Takeovers Code.

**(b) Substantial CNC Shareholders’ interests and short positions in the CNC Shares and underlying CNC Shares**

As at the Latest Practicable Date, so far as was known to the Directors, the persons (other than the Directors and chief executive of CNC) who had an interest or short position in the CNC Shares or underlying CNC Shares which would fall to be disclosed to CNC under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by CNC under section 336 of the SFO were as follows:

Name of CNC Shareholder	Capacity/nature of interest	Number of CNC Share(s) held (Note 1)	Approximate % of shareholding
Ideal World	Beneficial owner	1,327,556,000 (L)	66.02%
Zhong An	Interest of controlled corporation (Note 2)	1,327,556,000 (L)	66.02%
Whole Good	Interest of controlled corporation (Note 2)	1,327,556,000 (L)	66.02%
	Beneficial owner	31,303,594 (L)	1.56%

*Notes:*

1. The letter “L” denotes the person’s long position in the shares and underlying shares of CNC or the relevant associated corporation.
2. These CNC Shares are held by Ideal World, the wholly owned subsidiary of Zhong An. The entire issued shares of Zhong An are owned as to about 57.89% by Whole Good, which is wholly owned by Mr. Shi Zhongan. By virtue of the SFO, each of Zhong An, Whole Good and Mr. Shi Zhongan is taken to be interested in the CNC Shares in which Ideal World is interested.

Save as disclosed above, as at the Latest Practicable Date, according to the register of interests required to be kept by CNC under section 336 of the SFO, there was no person or corporation (other than the Directors and chief executive of CNC as disclosed above) who had any interest or short position in the CNC Shares or underlying CNC Shares which would fall to be disclosed to CNC under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**6. MATERIAL LITIGATION**

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

**7. EXPERT QUALIFICATION AND CONSENT**

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Lego Corporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

The above expert has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of its letter and the references to its name and/or its opinion and advice in the form and context in which they are included.

As at the Latest Practicable Date, the above expert did not have any shareholding, directly or indirectly, in any member of the CNC Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the CNC Group.

As at the Latest Practicable Date, the above expert did not have any interest, direct or indirect, in any assets which have been, since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the CNC Group were made up), acquired or disposed of by or leased to, any member of the CNC Group, or which are proposed to be acquired or disposed of by or leased to, any member of the CNC Group.

**8. GENERAL**

- (a) The registered office of CNC is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The head office of CNC in the PRC is situated at 5th Floor, Building 6, Xinhang Business Center, Long Zhang Road, Xihu District, Hangzhou, Zhejiang Province, the PRC.
- (c) The principal place of business of CNC in Hong Kong is situated at Room 4010, 40th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (d) The branch share registrar and transfer office of CNC is Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) The company secretary of CNC is Mr. Lin Caihe, who is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

**9. DOCUMENTS ON DISPLAY**

Copies of the following documents are displayed on the website of the SFC at ([www.sfc.hk](http://www.sfc.hk)) and the website of CNC at ([www.chinanewcity.com.cn](http://www.chinanewcity.com.cn)) from the date of this circular up to and including the date of the EGM:

- (a) the amended and restated memorandum of association of CNC and the second amended and restated articles of association of CNC;
- (b) the annual reports of CNC for the two financial years ended 31 December 2022 and 2023 and the interim report of CNC for the six months ended 30 June 2024;
- (c) the letter from the Board, the text of which is set out on pages 5 to 17 of this circular;

- (d) the letter from the Independent Board Committee, the text of which is set out on pages 18 to 19 of this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 20 to 34 of this circular;
- (f) the written consent of the Independent Financial Adviser as referred to in the paragraph headed “Expert Qualification and Consent” in this appendix; and
- (g) the Settlement Deed.



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## NOTICE OF THE EGM

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### China New City Group Limited 中國新城市集團有限公司

*(incorporated in the Cayman Islands with limited liability)*  
(Stock code: 1321)

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “**EGM**”) of China New City Group Limited (the “**Company**”) will be held at 4:00 p.m. on Wednesday, 13 November 2024 at Crystal Hall, 4th Floor, Holiday Inn Hangzhou Xiaoshan, No. 688 Shanyin Road, Xiaoshan District, Hangzhou, Zhejiang Province, the People’s Republic of China (“**PRC**”) to consider and, if thought fit, passing the following resolution as a special resolution of the Company:

#### SPECIAL RESOLUTION

1. “**THAT:**

- (a) subject to the approval by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission on the Share Buy-Back (as defined in the circular of the Company dated 18 October 2024 (the “**Circular**”) having been granted, the Share Buy-Back be and is hereby approved, confirmed and authorised; and
- (b) subject to the approval by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission on the Share Buy-Back having been granted, any director or the company secretary of the Company be and is hereby authorised to do all such acts and things and execute all such documents for and on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Share Buy-Back.”

By Order of the Board  
**China New City Group Limited**  
中國新城市集團有限公司  
**Shi Zhongan**  
*Chairperson*

The PRC, 18 October 2024

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## NOTICE OF THE EGM

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*Notes:*

1. A member of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority must be deposited at the offices of the Company's Hong Kong branch registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the above meeting (i.e. at or before 4:00 p.m. on Monday, 11 November 2024), or any adjournment thereof.
3. The last record date for the purpose of determining members who are eligible to attend and vote at the EGM will be Thursday, 7 November 2024. In order to be eligible to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share register and transfer office in Hong Kong at the address stated in note 2 above not later than 4:30 p.m. on Thursday, 7 November 2024 for registration.
4. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the EGM or any adjournment thereof and in such event, the form of proxy shall be deemed to be revoked.
5. In the case of joint holders of a share of the Company, any one of such persons may vote at the EGM, either in person or by proxy, in respect of such shares of the Company as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM in person or by proxy, the joint holder so present whose name stands first on the register of members of the Company in respect of the relevant joint holding shall alone be entitled to vote.
6. References to time and dates in this notice are to Hong Kong time and dates.