

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its 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 announcement.



CHINA NEW TOWN DEVELOPMENT COMPANY LIMITED

中國新城鎮發展有限公司

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

(Stock Code: 1278)

SUPPLEMENTAL ANNOUNCEMENT FOR THE ANNUAL REPORT OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2022

Reference is made to the annual report of China New Town Development Company Limited (the “**Company**” and together with its subsidiaries collectively referred to as the “**Group**”) for the year ended 31 December 2022 (“**FY2022**”) published on 27 April 2023 (the “**Annual Report**”), the circular of the Company dated 18 August 2022 (the “**Circular**”) in relation to the disposal of the entire equity interest in the Target Company and the announcement of the Company dated 28 February 2023 in relation to the update on the very substantial disposal and profit warning (the “**Announcement**”).

Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Circular.

The Board wishes to provide certain additional information in relation to the provision for impairment on land development for sale of approximately RMB109 million for FY2022 (the “**Impairment**”) as disclosed in the Annual Report.

BACKGROUND OF THE DISPOSAL

As disclosed in the Circular, the Vendor, the Purchaser, the Company and Beijing Xincheng Kaiyuan Asset Management Company Limited have entered into the Agreement (as supplemented by the Confirmation Letter) for the sale and purchase of the entire equity interest of the Target Company, being an indirect wholly-owned subsidiary of the Company, at a total Purchase Price of RMB738,652,429.56.

PROVISION FOR IMPAIRMENT ON LAND DEVELOPMENT FOR SALE

As disclosed in the Announcement, based on the then communication between the management of the Company and the Purchaser, the Purchaser may not be able to perform its obligation to purchase the Sale Equity in accordance with the terms of the Agreement (as supplemented by the Confirmation Letter) in the short term due to the financing difficulties faced by the Purchaser resulting from the adverse impact on the economy and the fiscal position of the local government.

Consequently, in preparing the consolidated financial statements for FY2022, the Company performed an impairment test and assessed the net realisable value of the land development for sale of the Target Company and considered whether an impairment should be recognised.

The Company used a discounted cash flow model to determine the net realisable value of the underlying asset when performing the impairment test. In determining the future cash flows, the Company made reference to the valuation report of the Target Company prepared by Liaoning Tiandi Real Estate Land Assets Appraisal Co., Ltd., an independent valuer (the “**Valuer**”), using the asset-based approach. The Valuer was jointly engaged by the Vendor and Purchaser and the valuation report was prepared for the purpose of determining the Purchaser Price to be paid by the Purchaser in respect of the Disposal. Asset-based approach was adopted by the Valuer in conducting valuation on the Target Company as market approach was not applicable given the lack of comparable for companies engaged in primary land development, and income approach was not applicable given the Target Company’s lack of revenue in recent years. In arriving at the valuation of the Target Company, the Valuer has taken into account the audited value of all assets and liabilities of the Target Company as at 31 December 2021.

According to the valuation report, the appraised value of the land development for sale of the Target Company as at 31 December 2021 was approximately RMB716 million. Since the net realisable value of the estimated asset should be determined on the basis of the agreed price of the asset in a fair transaction, the Company considered the valuation report can truly reflect the value of the asset, including the value of the land development for sale.

Taking into account (i) the recent situation of the real estate market and the economic environment in Shenyang and (ii) the stagnation of the land development business of the Target Company, the Company considered that the appraised value of approximately RMB716 million is the best estimation for the future cash flows from the land development for sale of the Target Company.

The Target Company is principally engaged in the business of land development of state-owned land, and upon completion of which such developed lands will be sold to real estate developers by the local government. Due to the particularity of the land development, such land can only be purchased and continuously used for development by the local government platform companies in Shenyang. Having considered the overall financial position of the city construction investment platform companies within the next five years, the Company calculated at a discounted average interest rate of 5.4% on the 5-years bonds issued by city construction investment platform companies in Shenyang on the open market, which reflected the market price of the risk characters of the counterpart. The net realisable value of the discounted land development for sale of the Target Company amounted to approximately RMB558 million as at 31 December 2022.

As at 31 December 2022, the net book value of land development for sale of the Target Company (as adjusted by accounts payables, unsettled contract liabilities and related tax accrued) was approximately RMB667 million, which was higher than the net realisable value of approximately RMB558 million. As a result, the excess of approximately RMB109 million was recognised as an impairment provision for the land development for sale.

Based on the abovementioned assessment, the Board considered that the Impairment of approximately RMB109 million for the year ended 31 December 2022 is fair and reasonable.

The above additional information does not affect the contents of the Annual Report.

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

Hong Kong, 31 July 2023

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