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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)**

**ANNOUNCEMENT**  
**OFF-MARKET SHARE BUY-BACK**

**THE SETTLEMENT DEED**

The return of the Consideration Shares to CNC for cancellation under the Settlement Deed will be carried out by way of off-market buy-backs under the Share Buy-Backs Code. CNC will make an application to the Executive for approval of the Share Buy-Back pursuant to Rule 2 of the Share Buy-Backs Code. Completion of the Share Buy-Back is conditional upon the satisfaction of various conditions.

A circular containing, among others, details of the Share Buy-Back, the letter from the Independent Board Committee giving its recommendation to the Disinterested Shareholders on the Share Buy-Back, the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee relating to the Share Buy-Back, the notice of the EGM and other information as required under the Listing Rules, the Takeovers Code and the Share Buy-backs Code will be despatched to the CNC Shareholders within 21 days of the date of this announcement.

Reference is made to the announcement of CNC dated 28 May 2024 with respect to the Settlement Deed. The return and cancellation of the Consideration Shares under the Settlement Deed will be implemented by way of off-market buy-backs under the Share Buy-Backs Code.

## 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 (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.

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 up to the date of this announcement. 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.

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 Shenlong from the date Zhong An Shenlong 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 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 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 on or before 31 August 2024.

### **Implication under the Share Buy-Backs Code**

As at the date of this announcement, 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 person, 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-backs 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 pursuant to the Settlement Deed, no actual consideration will be paid for the Share Buy-Back. CNC will make 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.

Since the Share Buy-Back is a procedure to achieve the cancellation of the Consideration Shares returned, 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 the above purposes only.

As at 31 December 2023, the consolidated net asset value per CNC Share before and after completion of the Share Buy-Back was and will be approximately HK\$2.65 and HK\$2.92, respectively (based on the consolidated net assets of the CNC Group of approximately RMB4,840,839,000 as at 31 December 2023 and an exchange rate of approximately HK\$1.00:RMB0.906 with reference to the exchange rate quoted from Bank of China).

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

- (1) 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;
- (2) 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
- (3) 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. Up to the date of this announcement, none of the conditions have 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.

## **Completion**

Completion of the Share Buy-Back will take place on the third Business Day after fulfilment of the above conditions. 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 date of this announcement, 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 date of this announcement. 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 date of this announcement up to Completion).

The directors of CNC 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.

### Effects on the shareholding structure of CNC

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

	As at the date of this announcement		Immediately upon Completion	
	Number of shares	Approximate %	Number of shares	Approximate %
Ideal World Investments Limited ( <i>note 1</i> )	1,327,556,000	66.02	1,327,556,000	72.45
Whole Good Management Limited ( <i>note 1</i> )	<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 ( <i>note 2</i> )	166,744,883	8.29	–	–
Ms. Tao Yan ( <i>note 2, 3</i> )	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>

#### Notes:

- Ideal World Investment Limited is a wholly owned subsidiary of Zhong An. The entire issued shares of Zhong An are owned as to about 57.89% by Whole Good Management Limited, 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 (as defined in the Listing Rules) of Zhong An.
- 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. No Directors directly owned CNC Shares. Mr. Shi Zhongan through his controlled corporations is interested in approximately 67.58% interests in CNC under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

### **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 of CNC 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 net assets value per 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 (excluding the members of the Independent Board Committee, who will give their recommendation after taking advice from the independent financial adviser) believe that the Share Buy-Back is fair and reasonable and in the interests of CNC and the CNC Shareholders as a whole.

### **Information required under the Takeovers Code**

As at the date of this announcement, CNC confirms that:

- (i) CNC has not received any irrevocable commitment to vote for or against the proposed resolutions approving the Share Buy-Back and the transaction contemplated thereunder;
- (ii) there is no arrangement (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or the Consideration Shares which might be material to the Share Buy-Back and the transactions contemplated thereunder;
- (iii) there is no arrangement or agreement to which CNC is a party which relates 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 is no outstanding derivative in respect of the securities in CNC entered into by CNC and its concert parties; and
- (v) there are 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.

(i) There is 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 owners and Ms. Tao Yan, or any party acting in concert with any of them in connection with the Share Buy-Back; (ii) there is no understanding, arrangement, agreement or special deal between CNC and its concert parties on the one hand, and Hangzhou Oriental, its ultimate beneficial owners and Ms. Tao Yan, and any party acting in concert with any of them on the other hand; and (iii) there is 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.

## **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.

## **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.

## VOTING

The EGM will be convened at which resolution(s) will be proposed to approve the Share Buy-Back. As required by the Share Buy-Backs Code, Hangzhou Oriental, Ms. Tao Yan, Ideal World Investment Limited, Whole Good Management Limited, 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 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) has abstained from voting on such Board meeting approving the Share Buy-Back.

## GENERAL

The Independent Board Committee will be established to advise and give recommendation to the Disinterested Shareholders on the Share Buy-Back, and an independent financial adviser will be appointed to advise the Independent Board Committee thereon. Since Mr. Shi Zhongan, a non-executive Director, is not considered as a Disinterested Shareholder, he will not be a member of the Independent Board Committee.

A circular containing, among others, details of the Share Buy-Back, the letter from the Independent Board Committee giving its recommendation to the Disinterested Shareholders on the Share Buy-Back, the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee relating to the Share Buy-Back, the notice of the EGM and other information as required under the Listing Rules, the Takeovers Code and the Share Buy-backs Code will be despatched to the CNC Shareholders within 21 days of the date of this announcement.

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

## DEFINITIONS

Unless otherwise specified, the following terms shall have the following meanings in this announcement:

“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
“Board”	the board of Directors
“CNC”	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 Shareholders”	holders of CNC Shares
“Completion”	completion of the Share Buy-Back
“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
“Directors”	directors of CNC
“Disinterested Shareholders”	CNC Shareholder(s) other than Hangzhou Oriental, its ultimate beneficial owners, Ms. Tao Yan, Ideal World Investment Limited, Whole Good Management Limited, 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”	the extraordinary general meeting to be convened and held by CNC for the purpose of approving the Share Buy-Back
“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

“Independent Board Committee”	the independent committee of the Board to be established and comprising all independent non-executive Directors, being Mr. Xu Chengfa, Mr. Lam Yau Yiu and Mr. Yuan Yuan, to advise the Disinterested Shareholders in respect of the Share Buy-Back
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“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 Court, to resolve and settle finally and absolutely all disputes of the parties with respect to the Acquisition
“SFC”	the Securities and Futures Commission
“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
“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 a controlling shareholder 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.*

By order of the Board  
**China New City Group Limited**  
**Shi Zhongan**  
Chairperson

Hong Kong, 5 August 2024

*As at the date of this announcement, the Board comprises Mr. Shi Nanlu and Mr. Jin Jianrong as executive directors; Mr. Shi Zhongan as non-executive director; and Mr. Xu Chengfa, Mr. Lam Yau Yiu and Mr. Yuan Yuan as independent non-executive directors.*

*The directors of CNC jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable enquiries, to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.*