



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:

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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.

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.

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.

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.

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.

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>
Sub-total:	<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>
Total:	<u>2,010,768,000</u>	<u>100</u>	<u>1,832,488,000</u>	<u>100</u>

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.

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).

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).

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

(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.

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