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China New Town Development Company Limited

中國新城鎮發展有限公司

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

(Hong Kong Stock Code : 1278)

(Singapore Stock Code : D4N.si)

Inside Information

The Disposal of Shanghai Disposal Assets

This announcement is made by China New Town Development Co. Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the disclosure requirements under rule 703 of the Listing Manual and Rule 13.09(2)(a) of the HK Listing Rules and section XIVA of the SFO.

Reference is made to the announcements made by the Company on 10 October 2013, 30 December 2013 and 31 March 2015, as well as the circular dated 11 December 2013 (the “**Circular**”) in relation to, *inter alia*, the Disposal Master Agreement. Unless otherwise defined in the context, capitalized words in this announcement shall have the meanings ascribed to them in the Circular.

The Board of the Company is pleased to announce that, the Company has entered into a formal agreement on 20 April 2016 regarding the disposal of a number of Disposal Assets (the “**Agreement**” or the “**Disposal Agreement**”) with SRE Group Limited (“**SRE Group**”) and SREI, pursuant to which, and consistent with the terms and conditions set out in the Disposal Master Agreement, certain Disposal Assets held under Luodian Co(the “**Shanghai Disposal Assets**”) will

be disposed to SRE Group (the “**Disposal Transaction**”). Pursuant to the Agreement, the consideration for the Disposal Transaction is RMB1,315,198,723, which is consistent with the consideration amount for the Shanghai Disposal Assets set out in the Disposal Master Agreement.

INTRODUCTION

On 10 October 2013, the Company, CDBIH and SREI entered into the CDBIH Subscription Agreement, pursuant to which CDBIH subscribed for 54.32% of the newly issued share capital of Company and became a controlling shareholder of the Company. As part of the CDBIH Subscription, on the same day, the Company and SREI entered into the Disposal Master Agreement, pursuant to the terms and conditions of which, the Company agreed to dispose of or procure the disposal of the Disposal Assets, and SREI agreed to purchase or procure the purchase of the Disposal Assets and arrange for the repayment of the relevant Loans, at a total consideration of RMB2,069,832,594. Pursuant to the Disposal Master Agreement, the Disposal Consideration was to be paid in five cash instalments by SREI and/or its subsidiaries within 24 months from 28 March 2014, being the completion date of the CDBIH Subscription.

Reference is made to the announcement of the Company dated 3 December 2014 (the “**Wuxi Disposal Announcement**”) in relation to the disposal of the Wuxi Project Group (as defined in the Wuxi Disposal Announcement). On 2 December 2014, the Group entered into an agreement with Wuxi Municipal New Town Development Group Limited, pursuant to which the Wuxi Project Group was disposed of at a total consideration of, approximately RMB1,134 million, among which the consideration attributable to the Disposal Assets pursuant to the Disposal Master Agreement was RMB594,246,164.

However, upon the lapse of 24-month period from 28 March 2014, SREI had delayed its payment obligations in accordance with the terms of the Disposal Master Agreement. While the Group has constantly liaised with SREI in relation to payment matters, SREI failed to fulfill its obligations due to difficulties in raising funds. For details relating to the delay in payments of Disposal Consideration, please refer to the announcements of the Company dated 29 September 2014 and 31 March 2015. In addition, on 3 August 2015, the Company announced that it was informed that SREI has charged all its legal and beneficial rights to all Shares beneficially owned by SREI to CDBIH, the Company’s controlling shareholder, to provide securities for a series of assured liabilities including the relevant liabilities and obligations under the Disposal Master Agreement. For further information, please refer to the announcement of the Company on 3 August 2015.

As at the date of this announcement, the disposal of certain Disposal Assets has been completed. Currently, the Disposal Assets with disposal procedures not yet fully completed mainly include the series of commercial properties and township ancillary facilities located in Luodian New Town, including hospital, retail street, hotel and convention centre etc. Pursuant to the Disposal Master Agreement, the total consideration for the remaining Disposal Assets amounts to

RMB1,315 million in aggregate, comprising RMB238 million as consideration for the Disposal Assets themselves, and the repayment of RMB1,077 million of relevant Loans.

THE DISPOSAL AGREEMENT WITH SRE GROUP

Pursuant to the terms of the Disposal Master Agreement, upon the mutual agreement of the Company and SREI, the Disposal Assets can be disposed to independent third parties other than SREI and its subsidiaries. On such basis, on 20 April 2016, the Company entered into the Agreement with SRE Group and SREI, pursuant to which, the Company conditionally agreed to sell and SRE Group conditionally agreed to purchase certain remaining Disposal Assets held under Luodian Co.

Information on SRE Group

SRE Group is a company incorporated in Bermuda with limited liability, and it is listed on the Main Board of the HK Stock Exchange. SRE Group is an integrated real estate developer focusing on high-end development projects and renewal projects in first-tier cities in the PRC. Currently, SREI is a substantial shareholder of SRE Group holding approximately 14.05% of the issued share capital of SRE Group. As at the date of this announcement, SREI is a substantial shareholder, but not a controlling shareholder, of the Company. Based on the best information, knowledge and belief of the Board, and upon reasonable enquiries, SRE Group is independent to the Company.

Shanghai Disposal Assets

The Shanghai Disposal Assets include the 100% equity interest in Chengdu Real Estate, 100% equity interest in Malaren Hospital, and interest in assets corresponding to the 72.63% equity interest of the Luodian NewCo, which includes 72.63% interest in the Retail Street of Luodian New Town, 72.63% interest in Lake Malaren Convention Centre, 72.63% interest in the unsold portion of the office portion and the retail portion of Transport Centre, 72.63% interest in Crowne Plaza Lake Malaren Shanghai Hotel and Golf Clubhouse, 72.63% interest in the unsold portion of Lake Malaren Silicon Valley Project, as well as certain rights and obligations relating to the lease of the golf course in Luodian New Town. For further information on the particulars of each Shanghai Disposal Asset and the respective considerations, please refer to the Circular.

Payment Terms

The consideration for the Disposal Agreement is RMB1,315,198,723 (the "**Consideration**"). This Consideration is consistent with the corresponding Disposal Consideration for the Shanghai Disposal Assets as set out in the Disposal Master Agreement. The Consideration will be paid in instalments, as follows: by 25 April 2016, SRE Group shall pay a cash deposit of RMB263,039,744.60 (equivalently 20% of the Consideration) to the Company, as well as RMB789,119,233.8 (equivalently 60% of the Consideration) shall be paid into an escrow account

commonly administered by the Company and SRE Group; on 9 May 2016, the aforesaid RMB789,119,233.8 (equivalently 60% of the Consideration) paid into the escrow account commonly administered by the Company and SRE Group shall be released and paid to the Company; on or before 30 November, SRE Group shall pay the remaining balance of RMB263,039,744.60 (equivalently 20% of the Consideration) to the Company.

On the other hand, if SRE Group has procured an independent third party to enter into an agreement with the Company for the acquisition of the Shanghai Disposal Assets, the Company shall return, by each instalment of consideration paid by such independent third party, to SRE Group the aggregate amount of Consideration which has then been paid to the Company by SRE Group.

Conditions Precedent to the Agreement and Timing of Effectiveness

The Agreement is conditional on (i) the approval by independent shareholders of SRE Group in the extraordinary general meeting; and (ii) the Company having fulfilled the required internal compliance procedure of CDB subsidiaries by obtaining the relevant approval for the Agreement and the transactions contemplated thereunder from the Headquarters of CDB (collectively, the "**Conditions Precedent**"). Such conditions are not waivable by the parties to the Agreement. If the condition precedent (i) is not fulfilled for any reason, SRE Group shall use its best efforts to ensure that the Agreement is fulfilled in accordance with the agreed terms and conditions, through ways including but not limited to, procuring third parties to fulfill the Agreement under the same terms and conditions on its behalf.

As at the date of this announcement, the Company has fulfilled the aforementioned CDB internal compliance procedures by obtaining the relevant approval from the Headquarters of CDB, and as a result condition precedent (ii) has been fulfilled.

If on or before 30 November 2016, SRE Group fails to fulfill condition precedent (i) and fails to arrange a third party to enter into a supplemental agreement with the Company, then the Agreement shall be automatically terminated with immediate effect, in which case the Company shall forfeit 20% of the Consideration (i.e. RMB263,039,744.60) and refund the remaining balance of the Consideration net of such amount to SRE Group.

Also, when implementing the disposal procedures relating to the Shanghai Disposal Assets, the Company shall or shall procure its relevant subsidiaries and SRE Group shall or shall procure its relevant subsidiaries to enter into further sale and purchase agreements in respect of the respective Shanghai Disposal Assets, setting out, *inter alia*, any additional conditions precedent (if necessary based on the circumstances) in respect of the respective Shanghai Disposal Assets. The content of such sale and purchase agreements shall not be contradictory to the provisions of the Agreement or the Disposal Master Agreement.

Completion

Save for the transfer relating to (i) the rights and obligations relating to the lease of golf course in Luodian New Town and (ii) the 72.63% interest in the unsold portion of Lake Malaren Silicon Valley Project and Crowne Plaza Lake Malaren Shanghai Hotel and Golf Clubhouse (the “**Deemed Completion Target Assets**”), completion of the transfer of all Shanghai Disposal Assets shall take place as soon as practicable after the Conditions Precedent have been satisfied.

As for the Deemed Completion Target Assets, pursuant to the Agreement, subject to:

- (i) fulfillment of the Conditions Precedent;
- (ii) release of the 60% of the Consideration from the escrow account commonly administered by the Company and SRE Group to the Company; and
- (iii) the relevant Deemed Completion Target Asset fulfilling certain conditions (including, *inter alia*, establishment of separate accounting books and bank accounts, internal management segmentation and separate use of company chops) indicating management and operational independence from the Company and its other subsidiaries and thus suitability for the Deemed Completion (as defined below),

within 20 days after the Company has received a written request from SRE Group, the Company shall procure the completion of certain handover procedures as prescribed in the Agreement (including but not limited to the delivery to SRE Group of all tangible assets, title documents of real properties, contracts, certificates and permits, stamps and other documents and records relating to the businesses of the relevant Deemed Completion Target Asset), such that SRE Group will have de facto control over the management and operation of the relevant Deemed Completion Target Asset (the “**Deemed Completion**”).

Upon the Deemed Completion, all rights (such as possession and use of properties, income and profits) and all liabilities (such as debts and tax liabilities) in respect of the relevant Deemed Completion Target Asset shall be enjoyed, borne, exercised or inherited by SRE Group. However, consent from the Company is required for (i) the sale, transfer or disposal of the relevant Deemed Completion Target Asset (except for sale or pre-sale of properties in the normal course of business); and (ii) any events or circumstances in relation to the relevant Deemed Completion Target Asset which would constitute illegal acts on the part of the Company or its subsidiaries.

Obligations of SREI under the Agreement

Pursuant to the Agreement, SREI consents to the Company disposing of the relevant assets to SRE Group. In addition, SREI undertakes to continue to fulfill all its liabilities and obligations towards the relevant Disposal Assets under the Disposal Master Agreement, including but not limited to being responsible for fulfilling the procedures required for the disposal of the Disposal

Assets, including obtaining the consent from third party banks and consent from minority shareholders (if applicable) required for novating and disposing of these Disposal Assets. Although SREI is a signing party to the Agreement, its involvement in the Agreement is strictly limited to: 1) granting unconditional consent to the Disposal Transaction as required by the Disposal Master Agreement; and 2) reaffirming its undertakings to duly fulfill all its obligations under the Disposal Master Agreement. Save for the above, SREI has no other interests in the Agreement.

The Agreement as Arrangement to Implement the Disposal Master Agreement

The Board confirms that, the commercial terms of the Agreement is in line with the terms and conditions of the Disposal Master Agreement in all material respects, including but not limited to: 1) the Group and SREI both consenting to the proposed Disposal Transaction being undertaken by an independent third party of the Group; 2) the scope and disposal procedures of the Shanghai Disposal Assets remain fully consistent with those set out in the Disposal Master Agreement; 3) the consideration for the Shanghai Disposal Assets remains fully consistent with the relevant Disposal Consideration as set out in the Disposal Master Agreement; and 4) SREI undertakes to continue fulfilling all liabilities and obligations under the Disposal Master Agreement.

While the Agreement provides for the Consideration to be paid in instalments, considering that: 1) the Company would have received an aggregate of RMB1,052,158,978.40 of consideration for the Shanghai Disposal Assets by 9 May 2016; 2) such amount, together with RMB414,548,514 , being the first instalment of the Disposal Consideration paid by SREI in accordance with the Disposal Master Agreement and having been received by the Company as of 28 March 2016 and RMB594,246,164, being the consideration from the disposal of Wuxi Project Group attributable to the Disposal Assets , the bulk of the Disposal Consideration would have been satisfied. As a result, the Board is of the view that the Agreement is essentially implementing the Disposal in accordance with the terms and conditions of the Disposal Master Agreement.

FINANCIAL IMPACTS TO THE COMPANY OF THE DISPOSAL TRANSACTION

Pursuant to the Disposal Master Agreement, the Disposal Consideration of the Disposal Assets is determined based on the book value of the Disposal Assets as at 30 June 2013 and shall not be affected by the subsequent profit or loss of the relevant Disposal Assets. As such, the agreed equity consideration under the Agreement, i.e. the consideration set out in the Disposal Master Agreement is RMB238 million. At this Consideration, the Group is expected to generate a one-off pre-tax investment gain of approximately RMB275 million in the Disposal Transaction.

It is expected that subsequent to the proposed Disposal Transaction, *assets classified as held for sale* and *liabilities directly associated with assets classified as held for sale* amounting to RMB4,622 million and RMB3,330 million respectively in the consolidated financial statements

of the Group as at 31 December 2015 will be removed from the financial statements of the Group.

Save for the above, the proposed Disposal Transaction under the Agreement is not expected to have other material impacts on the Group's financial performance and financial position.

DISCUSSIONS BY THE BOARD

At the time of the CDBIH Subscription, the Company has mapped out clear strategy of disposing of the assets within the Group that are unrelated to land development and do not fit into the Company's development strategies and management expertise, so as to re-devote financial resources and management efforts to the Company's core business of new town planning, investment and development in major cities in China. In the past two years, the Company was fully committed to this strategy. Apart from executing the Disposal, it further disposed of its equity interest in the project companies of Wuxi and Changchun and recovered substantial cash value from these disposals. Taking into account that:

- (i) as both the payment of the disposal consideration and disposal process are delayed in comparison with the schedule set out in the Disposal Master Agreement, constituting adverse impacts to the Company and Shareholders;
- (ii) upon receipt of the payment of the Consideration in accordance with the Agreement, together with the cash consideration in the amount of RMB414,548,514 paid by SREI, and among the disposal consideration for Wuxi Project Group in the amount of RMB594,246,164 attributable to the Disposal Assets, the vast majority of the total consideration under the Disposal would have been satisfied;
- (iii) the commercial terms of the Agreement are in line with the terms and conditions of the Disposal Master Agreement in all material respects, including but not limited to: 1) the Group and SREI both consent to the disposal of the Shanghai Disposal Assets to a third party other than SREI and its subsidiaries; 2) the scope and disposal procedures of the Shanghai Disposal Assets are fully consistent with those set out in the Disposal Master Agreement; 3) the Consideration is fully consistent with the consideration attributable to the Shanghai Disposal Assets as set out in the Disposal Master Agreement; and 4) SREI undertakes to continue to fulfill all liabilities and obligations under the Disposal Master Agreement;
- (iv) no additional obligations or liabilities has been imposed on the Group under the Agreement; and
- (v) SREI has no impact on the Board's decisions on the Agreement and the Disposal Transaction contemplated herein,

the Board considers that: -

- (a) the Disposal Transaction is an arrangement to implement the disposal of the Shanghai Disposal Assets within the terms and conditions of the Disposal Master Agreements instead of a new transaction;
- (b) as the conditions of the disposal of the Shanghai Disposal Assets are not materially different from what was originally agreed in the Disposal Master Agreement, the disposal of the Shanghai Disposal Assets pursuant to the commercial terms set out in the Disposal Master Agreements is a reasonable arrangement and is beneficial to the Company, as it allows the Company to focus its resources on developing its core business; and
- (c) the Board (including the independent non-executive Directors) considers that the disposal of the Shanghai Disposal Assets to an independent third party under the terms set out in the Disposal Master Agreement is at normal commercial terms, the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and Shareholders as a whole.

As of the date of this announcement, save for the disposal of the Shanghai Disposal Assets, there is only one asset which is still in the process of disposal, namely 20% interest in Shanghai Malaren Lake Artwork Exhibition Co. Ltd., with the corresponding total consideration of RMB200,000 under the Disposal Master Agreement. Currently the Company is in progress working with SREI to complete the disposal of such remaining asset. It is expected that there are no further technicality hurdles hindering the disposal of such asset and its disposal shall be completed in the near term.

As there are certain conditions precedent to the proposed Disposal Transaction and they may or may not be fulfilled, the proposed Disposal Transaction may or may not proceed. Shareholders and potential investors are reminded to exercise caution in dealing in Shares of the Company and seek professional advice when in doubt.

By order of the Board
China New Town Development Company Limited
Liu Heqiang
Chief Executive Officer

Hong Kong and Singapore, 21 April 2016

As at the date of this announcement, the executive directors of the Company are Mr. Liu Heqiang (Chief Executive Officer), Ms. Yang Meiyu and Mr. Ren Xiaowei; the non-executive directors of the Company are Mr. Fan Haibin (Chairman), Mr. Zuo Kun (Vice Chairman), Mr. Li Yao Min (Vice Chairman) and Mr. Xie Zhen; and the independent non-executive directors are Mr. Henry Tan Song Kok, Mr. Kong Siu Chee, Mr. Zhang Hao and Mr. E Hock Yap.