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NEW CITY DEVELOPMENT GROUP LIMITED

新城市建設發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0456)

MAJOR AND CONNECTED TRANSACTION

Financial Adviser



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



THE ACQUISITION AGREEMENT

On 11 April 2019 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) (as purchaser) entered into the Acquisition Agreement with the Vendor (as vendor) and the Vendor's Guarantor (as guarantor of the Vendor), pursuant to which (i) the Purchaser has conditionally agreed, subject to the conditions precedent to Completion, to acquire from the Vendor the Sale Share and the Shareholder's Loan for the aggregate consideration of RMB450,000,000 (equivalent to approximately HK\$525,701,000), which will be settled by way of the allotment and issue of 642,666,179 Shares by the Company to the Vendor (or such designated party as the Vendor may direct) at the Issue Price of HK\$0.818 per Consideration Share pursuant to the Specific Mandate on Completion, and (ii) the Vendor's Guarantor has agreed to guarantee the obligations of the Vendor on the terms and subject to the Acquisition Agreement. Following Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

An application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Consideration Shares.

As at the date of this announcement, the Target Company indirectly holds 100% equity interest of Yin Tai Changchun and the principal asset of Yin Tai Changchun is the Property. The Property is located on the east of North Renmin Main Street, south of Guihua Road, west of Jiutai Road and north of Qingfeng Road, Kuancheng District, Changchun City, Jilin Province, the PRC (中國吉林長春寬城區) with a total site area of 39,991 sq. m. The Property is planned to be developed into a commercial complex known as Changchun Xi Wang Centre (長春熙旺中心) with total gross floor area of approximately 188,779 sq. m., on which hotel(s), office(s), commercial and ancillary facilities are intended to be constructed.

LISTING RULES IMPLICATIONS

Since one or more of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) in respect of the Acquisition exceed 25% but all the percentage ratios are under 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

Further, since (i) the Vendor is a controlling shareholder of the Company who holds 1,886,662,752 Shares as at the date of this announcement (representing 52.19% of the issued share capital of the Company) and is a company wholly-owned by Mr. Han Junran, the chairman of the Company and an executive Director, and (ii) Mr. Han Junran is the Vendor's Guarantor, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to the relevant reporting, announcement and Independent Shareholders' approval requirements.

The issue of the Consideration Shares under the Acquisition Agreement is subject to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

A circular containing, among other things, (i) further details of the Acquisition; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iii) a letter from the Independent Financial Adviser containing its recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; (iv) an independent valuation report on the Property and (v) the notice convening the EGM, is expected to be despatched to the Shareholders on or before 7 May 2019.

INTRODUCTION

On 11 April 2019 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) (as purchaser) entered into the Acquisition Agreement with the Vendor (as vendor) and the Vendor's Guarantor (as guarantor of the Vendor), pursuant to which (i) the Purchaser has conditionally agreed, subject to the conditions precedent to Completion, to acquire from the Vendor the Sale Share and the Shareholder's Loan for the aggregate consideration of RMB450,000,000 (equivalent to approximately HK\$525,701,000), which will be settled by way of the allotment and issue of 642,666,179 Shares by the Company to the Vendor (or such designated party as the Vendor may direct) at the Issue Price of HK\$0.818 per Consideration Share pursuant to the Specific Mandate on Completion, and (ii) the Vendor's Guarantor has agreed to guarantee the obligations of the Vendor on the terms and subject to the Acquisition Agreement.

THE ACQUISITION AGREEMENT

A summary of the salient terms of the Acquisition Agreement is as follows:

- Date:** 11 April 2019
- Parties:** The Purchaser (as purchaser);
The Vendor (as vendor); and
The Vendor's Guarantor (as guarantor of the Vendor)
- Subject matter:** Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire from the Vendor the Sale Share, representing the entire equity interest in the Target Company, and the Shareholder's Loan.
- Consideration:** The total Consideration shall be RMB450,000,000 (equivalent to approximately HK\$525,701,000), which will be settled by way of the allotment and issue of 642,666,179 Shares by the Company to the Vendor (or such designated party as the Vendor may direct) at the Issue Price of HK\$0.818 per Consideration Share pursuant to the Specific Mandate on Completion.
- The total Consideration is determined and arrived at by the Vendor and the Purchaser after arm's length negotiations taking into account, among other things, (i) the value of the Property, being the principal asset of the Target Group, as at 31 March 2019 of approximately RMB450,000,000 (equivalent to approximately HK\$525,701,000) according to the independent valuation report compiled by Greater China Appraisal Limited, an independent professional valuer appointed by the Company (such report will be set out in the circular to be despatched by the Company to the Shareholders in relation to the Acquisition); and (ii) the unaudited net liabilities of the Target Group as at 31 December 2018 in the amount of approximately HK\$276,000 prepared on the basis of the unaudited combined financial statements of the Target Group dated 31 December 2018 in accordance with Hong Kong Financial Reporting Standards.

The total Consideration is determined and arrived at by the Vendor and the Purchaser on the basis that, on Completion, save as disclosed in the Acquisition Agreement, the Target Company does not have any liabilities other than the Shareholder's Loan; and that the Gold Channel Group Subsidiaries do not have any liabilities. In the event that the Target Company and/or any Gold Channel Group Subsidiary has any liabilities other than those as aforesaid, the Vendor shall indemnify the Purchaser and/or the Target Company in respect of such additional liabilities.

Conditions precedent: Completion shall be subject to and conditional upon the satisfaction in full or (at the sole and absolute discretion of the Purchaser) the waiver of the following conditions (where appropriate):-

- (i) the completion of the Vendor SPA;
- (ii) the Purchaser being reasonably satisfied with the results of the due diligence review, including but not limited to the review of the legal, financial and business position and prospects of the Target Company, each of the Gold Channel Group Subsidiaries and the Property;
- (iii) all necessary Consents required to be obtained on the part of the Purchaser, the Vendor, the Vendor's Guarantor, the Target Company and each of the Gold Channel Group Subsidiaries in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;
- (iv) the Stock Exchange granting or agreeing to grant the approval for the listing and permission to deal in the Consideration Shares and such approval not having been revoked;
- (v) the Independent Shareholders shall have approved the Acquisition Agreement and all transactions contemplated thereunder at the EGM in accordance with the Listing Rules;

- (vi) the delivery of legal opinions from legal advisers of the PRC acceptable to the Purchaser on the legal due diligence of the relevant Gold Channel Group Subsidiaries and the Property (in such form and contents satisfactory to the Purchaser in its absolute discretion);
- (vii) the Warranties provided by the Vendor as set out therein remaining true, accurate and complete; and
- (viii) the Purchaser being reasonably satisfied that there has not been any material adverse change or effect in respect of the Target Company, each of the Gold Channel Group Subsidiaries and the Property since the date of the Acquisition Agreement.

In the event that any of the conditions precedent thereof is not fulfilled (or waived as the case may be), in each case, on or before 11 July 2019 or such later date as the parties thereto may from time to time agree in writing (the “**Long Stop Date**”), the Acquisition Agreement and everything contained in it shall terminate and be null and void and of no further effect and no party to the Acquisition Agreement shall have any liability to any other party, save for any antecedent breaches.

Each party to the Acquisition Agreement shall use its reasonable endeavours to ensure that the conditions precedent thereof shall be fulfilled by the Long Stop Date.

Completion:

Subject to fulfillment of (or waiver as the case may be) the conditions precedent of the Acquisition Agreement, Completion shall take place on the Completion Date.

Following Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

Undertaking:

Under the Acquisition Agreement, each of the Vendor and the Vendor’s Guarantor jointly and severally undertakes, among others, to procure that Yin Tai Changchun shall obtain a work commencement permit (建築工程施工許可證) in relation to the Property (the “**Undertaking**”).

Indemnity:

Under the Acquisition Agreement, each of the Vendor and the Vendor's Guarantor agrees to jointly and severally undertake to indemnify fully the Purchaser at all times from and against, among others, (i) all losses or liability suffered by the Purchaser or the Target Company including which the Purchaser may suffer or incur directly or indirectly as a result of or in connection with any breach of the Warranties; and (ii) any losses suffered or incurred by the Purchaser, the Target Company or any of the Gold Channel Group Subsidiaries as a result of or in connection with any claim or litigation, and (iii) any losses or liability suffered by the Purchaser, the Target Company or any of the Gold Channel Group Subsidiaries as a result of any claim relating to or arising from, in particular, (a) any breach of the Land Use Rights Transfer Agreement, (b) the failure to obtain an applicable Qualification Certificate by Yin Tai Changchun to develop the Property into a commercial complex with a total gross floor area of not less than 188,779 sq. m., (c) any development of the Property in violation of government requirements prior to Completion (the "**Indemnity**").

In addition, upon Completion, the Vendor and the Vendor's Guarantor shall enter into an Indemnity Deed in favour of the Purchaser and the Target Company, pursuant to which the Vendor and the Vendor's Guarantor covenant that they will at all times indemnify the Purchaser and the Target Company against, among others, any liability for taxation which has arisen or may arise wholly or partly in respect of or in consequence of the Acquisition Agreement, the Vendor SPA or any event occurring or any income, profits or gains earned, accrued or received by the Target Company on or before the date thereof and which has not been fully provided for in the accounts of the Target Group.

**Guarantee by the
Vendor's Guarantor:**

The Vendor's Guarantor unconditionally and irrevocably guarantees to the Purchaser the due and punctual performance by the Vendor of its obligations under the Acquisition Agreement and undertakes to indemnify and keep indemnified the Purchaser against all losses, damages, costs and expenses of whatsoever nature which the Purchaser may suffer or incur by reason of any default or unreasonable delay on the part of the Vendor in the performance of its obligations.

Put option:

In consideration of the Purchaser agreeing to enter into the Acquisition Agreement and subject to the terms and conditions set out therein, the Vendor irrevocably grants the right (but not obligation) to the Purchaser, and the Purchaser is being granted the right (but not an obligation), to sell the Sale Share and the Shareholder's Loan to the Vendor.

The Put Option is exercisable by the Purchaser after Completion if by reason of or as a result of the delay in the construction of the Property, the PRC Government (including but not limited to the Changchun City Land Resources Bureau) re-enters or recovers possession of the Property or has issued any order to re-enter or recover the land use right of the Property (the "**Put Option Trigger Event**"). The Put Option can be exercised by the Purchaser within the period of twelve months after (i) the Completion and (ii) the occurrence of the Put Option Trigger Event, where both having taken place, by serving on the Vendor the Put Option Notice. The consideration payable by the Vendor for the sale and purchase of the Sale Shares and the Shareholder's Loan under the Put Option shall be the Consideration in cash.

Completion of the sale and purchase of the Sale Share and the Shareholder's Loan pursuant to an exercise of the Put Option shall take place on such date and at such time and place as specified in the Put Option Notice. Any stamp duty payable in respect of the exercise of the Put Option and the sale and purchase of the Sale Share and Shareholder's Loan thereunder shall be borne solely by the Vendor.

CONSIDERATION SHARES

The Consideration Shares will be issued under the Specific Mandate to be approved by the Independent Shareholders at the EGM. The Issue Price of HK\$0.818 per Consideration Share represents:

- (i) a discount of approximately 12.0% to the closing price of HK\$0.93 per Share as quoted on the Stock Exchange on the date of the Acquisition Agreement;
- (ii) a discount of approximately 10.3% to the average closing price of HK\$0.912 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Acquisition Agreement;
- (iii) a discount of approximately 10.1% to the average closing price of HK\$0.91 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Acquisition Agreement; and
- (iv) a premium of approximately 328.3% over the audited consolidated net asset value per Share of approximately HK\$0.191 (based on the latest published audited net asset value of the Group of HK\$689,206,000 as at 31 December 2018 and 3,614,835,737 Shares in issue as at the date of this announcement).

The Issue Price was determined after arm's length negotiation between the Purchaser and the Vendor. The Directors (excluding (i) Mr. Han Junran who has abstained from voting on the relevant Board resolutions due to his interests in the Acquisition; and (ii) the members of the Independent Board Committee who will give their opinion after considering the advice from the Independent Financial Adviser) consider that the Issue Price and the Consideration are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

For illustration purposes only, the Consideration Shares represent (i) approximately 17.78% of the existing issued share capital of the Company as at the date of this announcement, and (ii) approximately 15.09% of the Company's issued share capital as enlarged by the issue of the Consideration Shares.

An application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares then in issue.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares.

INFORMATION ON THE PURCHASER AND THE GROUP

The Purchaser is an indirect wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

The Company is an investment holding company. The Group is principally engaged in property development and investment in the PRC and trading of buses.

INFORMATION OF THE VENDOR, THE TARGET GROUP AND THE PROPERTY

Shareholding structure of the Target Group

Set out below is the shareholding structure of the Target Group (i) as at the date of this announcement; and (ii) immediately after Completion:

Shareholding structure of the Target Group as at the date of this announcement



Shareholding structure of the Target Group immediately after Completion



*Note: As at the date of this announcement, the Vendor has entered into the Vendor SPA with Regal Vantage Limited (the holding company of the Target Company), pursuant to which, the Vendor has conditionally agreed to acquire, and Regal Vantage Limited has conditionally agreed to sell, among others, the Sale Share. For further details, please refer to the sub-section headed “Information of the Vendor and the nature and business of the Target Group — The Vendor”.

Information of the Vendor and the nature and business of the Target Group

The Vendor

The Vendor is Junyi Investment Limited, an investment holding company incorporated with limited liability in the British Virgin Islands. The Vendor is a controlling shareholder of the Company which holds 1,886,662,752 Shares as at the date of this announcement (representing 52.19% of the issued share capital of the Company). It is also a company wholly-owned by Mr. Han Junran, the chairman of the Company and an executive Director (i.e. the Vendor's Guarantor).

The Vendor has conditionally agreed to acquire the Sale Share and the Shareholder's Loan from Regal Vantage Limited pursuant to the Vendor SPA, which was entered into on 11 April 2019 among Regal Vantage Limited (as vendor), Mr. Han Kairan (as guarantor of Regal Vantage Limited) and the Vendor (as purchaser). Regal Vantage Limited is an investment holding company incorporated with limited liability in the British Virgin Islands. It is wholly-owned by Mr. Han Kairan, the brother of Mr. Han Junran. Pursuant to the Vendor SPA, the total consideration for the acquisition of the Sale Share and the Shareholder's Loan was RMB450,000,000 (equivalent to approximately HK\$525,701,000 and 100% of the total Consideration), which will be settled by way of delivery of the Promissory Note duly executed by the Vendor in favour of Regal Vantage Limited at its completion.

For the avoidance of doubt, completion of the Vendor SPA shall be subject to and conditional upon the satisfaction in full or (at the sole and absolute discretion of the Vendor) the waiver (where appropriate) of certain conditions precedent, which include the satisfaction of the conditions precedent other than (i) set out in the "Conditions precedent" under the section headed "The Acquisition Agreement" of this announcement and other conditions precedent such as satisfactory due diligence, obtaining necessary Consents, delivery of the PRC legal opinion and warranties remaining true, accurate and complete.

The Target Company

The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability. The Target Company is wholly-owned by the Vendor. The Target Company is the holding company of Toprich HK.

Save as disclosed above, there are no material assets in the Target Company.

Toprich HK

Toprich HK is an investment holding company incorporated in Hong Kong with limited liability. Toprich HK is wholly-owned by the Target Company. Toprich HK is the holding company of Dong Fang Jia Sheng Zhuhai.

Save as disclosed above, there are no material assets in Toprich HK.

Dong Fang Jia Sheng Zhuhai

Dong Fang Jia Sheng Zhuhai is an investment holding wholly-owned foreign enterprise incorporated in the PRC with limited liability. Dong Fang Jia Sheng Zhuhai is wholly-owned by Toprich HK. Dong Fang Jia Sheng Zhuhai is the holding company of Dong Fang Jia Yu Beijing.

Save as disclosed above, there are no material assets in Dong Fang Jia Sheng Zhuhai.

Dong Fang Jia Yu Beijing

Dong Fang Jia Yu Beijing is an investment holding enterprise incorporated in the PRC with limited liability. Dong Fang Jia Yu Beijing is wholly-owned by Dong Fang Jia Sheng Zhuhai. Dong Fang Jia Yu Beijing is the holding company of Yin Tai Changchun.

Save as disclosed above, there are no material assets in Dong Fang Jia Yu Beijing.

Yin Tai Changchun

Yin Tai Changchun is an investment holding enterprise incorporated in the PRC with limited liability. Yin Tai Changchun is wholly-owned by Dong Fang Jia Yu Beijing. The principal asset of Yin Tai Changchun is the Property.

Information on the Property

Background

The Property is located on the east of North Renmin Main Street, south of Guihua Road, west of Jiutai Road and north of Qingfeng Road, Kuancheng District, Changchun City, Jilin Province, the PRC (中國吉林長春寬城區) with a total site area of 39,991 sq. m. The Property is planned to be developed into a commercial complex known as Changchun Xi Wang Centre (長春熙旺中心) with total gross floor area of approximately 188,779 sq. m., on which hotel(s), office(s), commercial and ancillary facilities are intended to be constructed (the “**Land Development Project**”).

Current status of the Land Development Project

In May 2011, Yin Tai Changchun entered into the Land Use Rights Transfer Agreement with the Changchun City Land Resources Bureau and subsequently obtained the State-owned Land Use Rights Certificate (國有土地使用證) in respect of the Property. As a result, title to the Property has been obtained by Yin Tai Changchun.

The Land Development Project has also completed its project establishment and planning approval stage. As at the date of this announcement, Yin Tai Changchun obtained the Investment Project Filing Information Registration Form for Enterprises in Jilin Province (吉林省企業投資項目備案信息登記表) (the “**Registration Form**”) from the Changchun Development and Reform Commission for the establishment of the Land Development Project and received the Construction Land Planning Permit (建設用地規劃許可證) and the Construction Works Planning Permit (建設工程規劃許可證) for the construction land planning and construction works planning in respect of the Property from the Changchun Planning Bureau respectively.

The Land Development Project has now come to the construction works commencement stage and Yin Tai Changchun is preparing to apply for a Construction Works Commencement Permit (建築工程施工許可證) from the Changchun City Urban and Rural Construction Committee.

To conduct due diligence on the Property, the Company engaged the PRC Lawyer to issue the PRC Legal Opinion, details of which are set out below:

Delay in the construction of the Land Development Project

Pursuant to the Land Use Rights Transfer Agreement, Yin Tai Changchun was required to commence and complete the Land Development Project on or before 27 May 2012 and 27 May 2014 respectively.

The PRC Legal Opinion made references to the general project development process, that upon obtaining a construction land planning permit (建設用地規劃許可證) and a constructions works planning permit (建設工程規劃許可證) issued by the Changchun Planning Bureau, no other document will need to be reviewed by the Changchun City Land Resources Bureau, rather the Changchun City Urban and Rural Construction Committee and the Changchun Development and Reform Commission in Jilin Province shall become responsible for the supervision and qualification of the follow-up work. Yin Tai Changchun has applied to the Changchun Development and Reform Commission in Jilin Province for filing registration of the Land Development Project, and the Changchun Development and Reform Commission in Jilin Province has duly registered the filing of the Registration Form, which shows that the project completion date is extended to October 2021, and that the total gross floor area of the Land Development Project is 188,779 sq. m.

Taking into account the actual progress of the Land Development Project and the Registration Form and other relevant documents, the PRC Legal Opinion concludes that the Property is not laying idle, hence it will not give rise to the events of default as contemplated under the Land Use Rights Transfer Agreement (i.e. the risks of the Property being forfeited or Yin Tai Changchun being penalised) nor the risk of being levied the land idle fees; hence that Yin Tai Changchun has the ability to undertake the Land Development Project.

Development and class qualification of Yin Tai Changchun

Pursuant to an interim Qualification Certificate of Yin Tai Changchun dated 30 June 2015, Yin Tai Changchun may only take up construction projects that involve a total gross floor area of 50,000 sq. m. or below, qualification of which was valid until 17 August 2017. However, the Land Development Project currently involves a total gross floor area of 188,779 sq. m., which has exceeded the permitted scope of construction. Furthermore, Yin Tai Changchun is announced as being “prohibited from conducting business of real estate development” (不得從事房地產開發) by the Jilin Provincial Department of Housing and Urban-Rural Development.

In this regard, the PRC Legal Opinion concludes that, although Yin Tai Changchun is announced as being “prohibited from conducting business of real estate development” by the Jilin Provincial Department of Housing and Urban-Rural Development, Yin Tai Changchun can still apply for the construction works commencement permit (建築工程施工許可證) and thereafter enhance its development qualification and obtain a higher level of the Qualification Certificate so as to reach the level enabling it to develop the Land Development Project with a total gross floor area of 188,779 sq. m. Application for such construction works commencement permit and the enhancement of such development qualification do not have any legal impediment; and Yin Tai Changchun is entitled to develop the Land Development Project in the manner as mentioned above.

As a result of and in connection with the above said, the Purchaser is still conducting due diligence on the Property and seeking further advice from the PRC Lawyer. Further details about the Property and/or the Land Development Project shall be disclosed in the circular to be despatched by the Company to the Shareholders in relation to the Acquisition.

Original acquisition cost

Yin Tai Changchun acquired the land use rights to the Property from the Changchun City Land Resources Bureau through public auction. Yin Tai Changchun's costs for the original acquisition of the said land use rights amounted to RMB132,710,000 (equivalent to approximately HK\$151,104,000 at prevailing exchange rate as at 31 December 2018). Together with stamp duty expenses, construction costs and capitalized expenses, the total cost of the Property incurred by Yin Tai Changchun as at 31 December 2018 amounted to RMB175,550,000 (equivalent to approximately HK\$199,882,000 at prevailing exchange rate as at 31 December 2018). Mr. Han Kairan and/or his associate(s) contributed RMB6,000,000 as to capital of the Target Group and approximately RMB175,550,000 as to original acquisition costs of the said land use rights together with stamp duty expenses, construction costs and capitalized expenses.

Property valuation

According to the independent valuation report compiled by Greater China Appraisal Limited, an independent professional valuer appointed by the Company, the value of the Property as at 31 March 2019 was approximately RMB450,000,000 (equivalent to approximately HK\$525,701,000).

Financial information of the Target Group

Based on the unaudited combined financial statements of the Target Group for the year ended 31 December 2018, the unaudited total asset and net liabilities of the Target Group as at 31 December 2018 were approximately HK\$201,229,000 and HK\$276,000 respectively.

The Target Group has not recorded any revenue for the three financial years ended 31 December 2016, 2017 and 2018.

The loss (before and after tax) of the Target Group for the three financial years ended 31 December 2016, 2017 and 2018 were as follows:

	For the financial year ended 31 December 2016 (HK\$'000)	For the financial year ended 31 December 2017 (HK\$'000)	For the financial year ended 31 December 2018 (HK\$'000)
Loss before tax	305	340	373
Loss after tax	305	340	373

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company has been exploring investment opportunities in the PRC and is positive about the long term prospect of the property development in the PRC. By investing in a large-scale commercial complex construction project in the capital city of Jilin Province and one of the central cities in Northeast China, the Directors consider the Acquisition would allow the Company to enhance its property development business and reduce its dependence on the rental income solely generated from its investment property in Guangzhou.

Prior to the entering into of the Acquisition Agreement on 11 April 2019, the Purchaser has conducted certain due diligence on the Property and having regard to the status of the Property, has negotiated the terms of the Acquisition Agreement with the Vendor which subsequently include the Undertaking, the Indemnity and the Put Option.

The Board (excluding (i) Mr. Han Junran who has abstained from voting; and (ii) the independent non-executive Directors whose views will be provided after considering the recommendations of the Independent Financial Adviser) considers that the terms of the Acquisition Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE TO THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon completion of the Acquisition and the allotment and issue of the Consideration Shares:

Name of shareholder	As at the date of announcement		Immediately upon completion of the Acquisition and the allotment and issue of the Consideration Shares	
	Number of issued Shares	Approximate shareholding ratio (%)	Number of issued Shares	Approximate shareholding ratio (%)
The Vendor (<i>Note 1</i>)	1,886,662,752	52.19	2,529,328,931	59.41
Public Shareholders	<u>1,728,172,985</u>	<u>47.81</u>	<u>1,728,172,985</u>	<u>40.59</u>
Total	<u>3,614,835,737</u>	<u>100.00</u>	<u>4,257,501,916</u>	<u>100.00</u>

Note 1: As at the date of this announcement, the Vendor, a company incorporated with limited liability in the British Virgin Islands, is wholly-owned by Mr. Han Junran who is the chairman of the Company and an executive Director (i.e. the Vendor's Guarantor); the security interest of the 1,886,662,752 Shares is held by Qilu International Funds SPC, an investment fund managed by Zhongtai International Asset Management Limited, which is a wholly-owned subsidiary of 中泰證券股份有限公司.

LISTING RULES IMPLICATIONS

Since one or more of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) in respect of the Acquisition exceed 25% but all the percentage ratios are under 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Further, since (i) the Vendor is a controlling shareholder of the Company which holds 1,886,662,752 Shares as at the date of this announcement (representing 52.19% of the issued share capital of the Company) and is a company wholly-owned by Mr. Han Junran, the chairman of the Company and an executive Director, and (ii) Mr. Han Junran is the Vendor's Guarantor, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

The issue of the Consideration Shares under the Acquisition Agreement is subject to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all of the independent non-executive Directors (namely, Mr. Chan Yiu Tung, Anthony, Dr. Ouyang Qingru, Mr. Leung Kwai Wah, Alex and Mr. Zhang Jing) has been formed to advise the Independent Shareholders on the Acquisition and an Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Acquisition.

GENERAL INFORMATION AND DESPATCH OF CIRCULAR

The EGM will be held to consider, and if thought fit, pass the ordinary resolutions to approve, among other things, the Acquisition and the grant of the Specific Mandate for the allotment and issue of the Consideration Shares by the Independent Shareholders who are entitled to vote and not required to abstain from voting under the Listing Rules.

The voting in respect of the Acquisition at the EGM will be conducted by way of a poll. **The Vendor, being Junyi Investments Limited and its respective associates are required to abstain from voting in respect of the resolution(s) approving the Acquisition Agreement and the transactions contemplated thereunder at the EGM.** As at the date of this announcement, the Vendor, namely Junyi Investments Limited, holds 1,886,662,752 Shares, representing approximately 52.19% of the issued share capital of the Company. Save for the aforesaid and to the best knowledge of the Company, as at the date of this announcement, no other Shareholder has material interest in the Acquisition and therefore no other Shareholder is required to abstain from voting on the proposed resolution(s) approving the Acquisition Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) further details of the Acquisition; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iii) a letter from the Independent Financial Adviser containing its recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; (iv) a valuation report on the Property and (v) the notice convening the EGM, is expected to be despatched to the Shareholders on or before 7 May 2019.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the entire issued share capital of the Target Company and the benefits of and interest in the Shareholder’s Loan in accordance with the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 11 April 2019 entered into among the Purchaser, the Vendor and the Vendor’s Guarantor in relation to the Acquisition

“Assignment”	the assignment of the benefits of and interest in the Shareholder’s Loan by the Vendor in favour of the Purchaser free from all encumbrances but together with all rights attached, accrued or accruing thereto as at the date of the Acquisition Agreement
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day(s) on which banks are generally open for business in Hong Kong (other than a Saturday, Sunday or public holiday)
“BVI”	British Virgin Islands
“Company”	New City Development Group Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the main board of the Stock Exchange (Stock Code: 456)
“Completion”	actual completion of the Acquisition in accordance with the terms of the Acquisition Agreement
“Completion Date”	a date falling within five (5) Business Days after fulfilment (or waiver, as the case may be) of the conditions precedent of the Acquisition Agreement (or such other date as the Purchaser and the Vendor may agree before the Completion)
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consents”	any licence, consent, approval, authorisation, permission, waiver, order, exemption, qualification, registration, certificate, authority or other approval
“Consideration”	RMB450,000,000 (equivalent to approximately HK\$525,701,000), being the consideration of the Acquisition as specified or determined in accordance with the relevant provisions in the Acquisition Agreement

“Consideration Shares”	642,666,179 Shares to be issued by the Company to the Vendor (or such designated party as the Vendor may direct) at an Issue Price of HK\$0.818 per Consideration Share
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dong Fang Jia Sheng Zhuhai”	東方嘉盛國際貿易(珠海)有限公司(Dong Fang Jia Sheng International Trading (Zhuhai) Company Limited*), a wholly-owned foreign enterprise incorporated in the PRC with limited liability, which is directly 100% owned by Toprich HK
“Dong Fang Jia Yu Beijing”	北京東方佳譽企業信息諮詢服務有限公司(Beijing Dong Fang Jia Yu Corporate Information Consultancy Services Company Limited*), an enterprise incorporated in the PRC with limited liability, which is directly 100% owned by Dong Fang Jia Sheng Zhuhai
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of, among other things, approving the Acquisition Agreement and the transactions contemplated thereunder
“Financial Adviser”	Zhongtai International Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Gold Channel Group Subsidiaries”	the subsidiaries of the Target Company which include Toprich HK, Dong Fang Jia Sheng Zhuhai, Dong Fang Jia Yu Beijing and Yin Tai Changchun (and each a Gold Channel Group Subsidiary)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Indemnity Deed”	the deed of indemnity to be executed by the Vendor and the Vendor’s Guarantor in favour of the Purchaser and the Target Company

“Independent Board Committee”	the independent committee of the Board, comprising all of the independent non-executive Directors (namely, Mr. Chan Yiu Tung, Anthony, Dr. Ouyang Qingru, Mr. Leung Kwai Wah, Alex and Mr. Zhang Jing, established to advise the Independent Shareholders on the Acquisition
“Independent Financial Adviser”	Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity for the purpose of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Independent Shareholder(s)”	Shareholder(s) other than the Vendor and its respective associates and all other Shareholders who are interested in the Acquisition Agreement, the Specific Mandate and the transactions contemplated thereunder
“Issue Price”	the issue price of HK\$0.818 per Consideration Share which is to be allotted and issued pursuant to the Specific Mandate on Completion
“Land Use Rights Transfer Agreement”	the state-owned construction land use rights transfer agreement in relation to the Property entered into between Yin Tai Changchun and the Changchun City Land Resources Bureau on 27 May 2011
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Han Kairan”	the brother of Mr. Han Junran
“PRC”	the People’s Republic of China
“PRC Lawyer”	Jilin Ming Jing Cheng Law Firm* (吉林省銘靖成律師事務所)
“PRC Legal Opinion”	the PRC legal opinion issued by the PRC Lawyer dated 15 February 2019 in relation to, among others, the Target Group and the Land Development Project

“Promissory Note”	the promissory note of a principal amount of RMB450,000,000 for a term of 48 months at the interest rate of 2% per annum duly executed by the Vendor in favour of Regal Vantage Limited at completion to settle the consideration under and pursuant to the Vendor SPA
“Property”	the property owned by the Target Company, which is located on the east of North Renmin Main Street, south of Guihua Road, west of Jiutai Road and north of Qingfeng Road, Kuancheng District, Changchun City, Jilin Province, the PRC (中國吉林長春寬城區) with a total site area of 39,991 sq. m.
“Purchaser”	Very Best Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is indirectly wholly-owned by the Company as at the date of this announcement
“Qualification Certificate”	the qualification certificate for real estate development enterprise in the PRC issued by the Jilin Provincial Department of Housing and Urban-Rural Development from time to time
“Put Option”	the put option granted by the Vendor to the Purchaser under the Acquisition Agreement whereby the Purchaser shall have the right (but not an obligation) to sell the Sale Share and the Shareholder’s Loan to the Vendor
“Put Option Notice”	the written notice to be given by the Purchaser to the Vendor specifying the Purchaser’s exercise of the Put Option and stating the date, time and place for completion of the sale and purchase of the Sale Share and the Shareholder’s Loan under the Put Option
“Regal Vantage Limited”	Regal Vantage Limited, a company incorporated in the British Virgin Islands with limited liability and is directly wholly-owned by Mr. Han Kairan as at the date of this announcement
“RMB”	Renminbi, the lawful currency of the PRC

“Sale Share”	one (1) ordinary share in the capital of the Target Company to be sold by the Vendor to the Purchaser pursuant to the Acquisition Agreement, representing the entire equity interest in the Target Company
“Share(s)”	ordinary share(s) of HK\$0.004 each in the share capital of the Company
“Shareholders(s)”	the holder(s) of the Share(s)
“Shareholder’s Loan”	all shareholder’s loans due and owing to the Vendor by the Target Company and the Gold Channel Group Subsidiaries as at Completion which is interest-free and repayable on demand and as at the date of this announcement is in the sum of approximately HK\$46,000 and RMB176,506,000 (equivalent to approximately HK\$206,199,000)
“Specific Mandate”	a specific mandate to allot, issue or otherwise deal in additional Shares to be sought from the Independent Shareholders at the EGM to satisfy the allotment and issue of the Consideration Shares upon the Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Gold Channel Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and each of the Gold Channel Group Subsidiaries
“Toprich HK”	Hong Kong Toprich International Limited (香港永富國際有限公司), a company incorporated in Hong Kong with limited liability, which is directly 100% owned by the Target Company
“Vendor”	Junyi Investment Limited, a company incorporated with limited liability in the British Virgin Islands, which is a controlling shareholder of the Company which holds 1,886,662,752 Shares as at the date of this announcement (representing 52.19% of the issued share capital of the Company) and a company wholly-owned by Mr. Han Junran, the chairman of the Company and an executive Director

“Vendor’s Guarantor”	Mr. Han Junran, the chairman of the Company and an executive Director
“Vendor SPA”	the sale and purchase agreement entered into on 11 April 2019 among Regal Vantage Limited (as vendor), Mr. Han Kairan (as guarantor of Regal Vantage Limited) and Junyi Investments Limited (as purchaser) in respect of the sale and purchase of the entire issued share capital of the Target Company and the assignment of the shareholder’s loan (in the sum of approximately HK\$46,000 and RMB176,506,000 (equivalent to approximately HK\$206,199,000)) of the Target Company, which is conditional upon Completion of Acquisition Agreement
“Warranties”	the representations, warranties and undertakings set out in the Acquisition Agreement given by the Vendor and the Vendor’s Guarantor to the Purchaser
“Yin Tai Changchun”	長春市寅泰房地產開發有限公司 (Changchun City Yin Tai Property Development Company Limited*), an enterprise incorporated in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Target Company (or directly 100% owned by Dong Fang Jia Yu Beijing)
“sq. m.”	square metre
“%”	per cent.

For illustration purpose only, unless otherwise specified, the exchange rate adopted in this announcement is HK\$1.00 = RMB0.856.

By order of the Board
New City Development Group Limited
Han Junran
Chairman

Hong Kong, 12 April 2019

As at the date of this announcement, the Board comprises (i) two executive Directors, namely Mr. Han Junran (Chairman) and Mr. Luo Min; and (ii) four independent non-executive Directors, namely Mr. Chan Yiu Tung, Anthony, Dr. Ouyang Qingru, Mr. Leung Kwai Wah, Alex and Mr. Zhang Jing.

* *For identification purposes only*