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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF A TOTAL OF 55% OF THE EQUITY INTEREST IN THE TARGET COMPANY

Reference is made to the announcement dated 6 January 2019 of the Company. As at the date of this announcement, the Company holds 39.12% of the equity interest in the Target Company. On 30 April 2019, the Group provided the Guarantee to the Target Company.

The Board wishes to announce that on 22 May 2019, Guangzhou Chang Yang (the equity interest of which is owned as to 70% by the Company), Zhuhai Qi Tian and the Target Company entered into the Supplemental Equity Transfer Agreement pursuant to which (i) the option granted by Zhuhai Qi Tian to the Group in relation to the acquisition of a further 30.88% of the equity interest in the Target Group by the Group at an exercise price in the sum of RMB50,000,000 shall cease to have any effect from the of the Supplemental Equity Transfer Agreement; and (ii) Zhuhai Qi Tian shall sell and Guangzhou Chang Yang shall purchase 15.88% of the equity interest in the Target Company at the Consideration. The other terms and conditions of the Equity Transfer Agreement shall remain unchanged.

Upon completion of the Acquisition, the Group shall hold a total of 55% of the equity interest in the Target Company, the Target Company will become a subsidiary of the Group and its financial results will be consolidated into the consolidated financial statements of the Group.

The Previous Acquisition pursuant to the Equity Transfer Agreement shall aggregate with the Acquisition pursuant to Rules 14.22 and 14.23 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition, having aggregated with the Previous Acquisition exceed 5%, but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules, and is therefore subject to reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

THE ACQUISITION

Reference is made to the announcement dated 6 January 2019 of the Company. As at the date of this announcement, the Company holds 39.12% of the equity interest in the Target Company.

On 30 April 2019, the Group provided the Guarantee to the Target Company, pursuant to which the Group entered into (i) a mortgage agreement upon which the Group shall mortgage a parcel of land situate at east of Yuxi East Street, south of Baita Road, south of Guangwu Road, north of Guihua Road, Yibin District, Luoyang City, Henan Province, the PRC (河南省洛陽市伊濱區玉溪東街以東，白塔路以南，光武大道以南，規劃路以北); and (ii) a pledge agreement upon which the Group shall pledge its 39.12% of the equity interest in the Target Company, both in favour of Bank of Dongguan, the PRC as part of the guarantee for a loan in the sum of RMB299,000,000 by the Target Company at Bank of Dongguan in connection with the development of the Land. The Guarantee does not constitute a notifiable transaction of the Group under Chapter 14 of the Listing Rules. In addition, Mr. Han Junran, executive Director, chairman of the Board and controlling shareholder of the Company has also provided a personal guarantee in favour of Bank of Dongguan on an all-money basis in relation to the loan of the Target Company. The Security Documents are subject to the PRC laws.

The Board wishes to announce that on 22 May 2019, Guangzhou Chang Yang (the equity interest of which is owned as to 70% by the Company), Zhuhai Qi Tian and the Target Company entered into the Supplemental Equity Transfer Agreement pursuant to which (i) the option granted by Zhuhai Qi Tian to the Group in relation to the acquisition of a further 30.88% of the equity interest in the Target Group by the Group at an exercise price in the sum of RMB50,000,000 shall cease to have any effect from the of the Supplemental Equity Transfer Agreement; and (ii) Zhuhai Qi Tian shall sell and Guangzhou Chang Yang shall purchase 15.88% of the equity interest in the Target Company at the Consideration. The other terms and conditions of the Equity Transfer Agreement shall remain unchanged.

Upon completion of the Acquisition, the Group shall hold a total of 55% of the equity interest in the Target Company, the Target Company will become a subsidiary of the Group and its financial results will be consolidated into the consolidated financial statements of the Group.

SUPPLEMENTAL EQUITY TRANSFER AGREEMENT

Summarised below are the principal terms of the Supplemental Equity Transfer Agreement:

Date

22 May 2019

Parties

- (I) Guangzhou Chang Yang;
- (II) Zhuhai Qi Tian; and
- (III) the Target Company

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Zhuhai Qi Tian and its ultimate beneficial owner(s) are Independent Third Parties prior to the completion of the Acquisition.

The Supplemental Equity Transfer Agreement is governed by and subject to the PRC laws.

Nature of the transaction and assets to be acquired

Pursuant to the Supplemental Equity Transfer Agreement, (i) the option granted by Zhuhai Qi Tian to the Group in relation to the acquisition of a further 30.88% of the equity interest in the Target Group by the Group at an exercise price in the sum of RMB50,000,000 shall cease to have any effect from the of the Supplemental Equity Transfer Agreement; and (ii) Guangzhou Chang Yang has agreed to acquire and Zhuhai Qi Tian has agreed to sell 15.88% of the equity interest in the Target Company at the Consideration. The Target Company owns the Land.

Consideration

Subject to the terms and conditions of the Supplemental Equity Transfer Agreement, the Consideration in the total sum of RMB476,400.00 will be settled by the Group within five business days upon completion of the registration procedure in relation to the ownership of 15.88% of the equity interest in the Target Company by the Group.

Completion

Upon completion of the Acquisition, the Group shall own a total of 55% of the equity interest in the Target Company, which in turn indirectly owns the Land. The Target Company shall become an indirect non-wholly subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Group.

BASIS OF THE CONSIDERATION

The Consideration was arrived at after arm's length negotiations between Zhuhai Qi Tian and Guangdong Chang Yang and was determined with reference to (a) the paid-up capital of the Target Company; and (b) the Guarantee by the Group; and (c) other factors as set out in the paragraph headed "Reasons for and Benefits of the Acquisition" below.

Based on the above, the Directors are of the view that the Consideration is fair and reasonable. The Consideration will be funded by the Group's internal resources.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The following is the unaudited financial information of the Target Company for the financial years ended 31 December 2017 and 31 December 2018:

	For the financial year ended	
	31 December	
	2017	2018
	(Approximately)	(Approximately)
	RMB	RMB
Net profit (losses) before taxation	(139,295)	(121,226)
Net profit (losses) after taxation	(139,604)	(121,226)
Total assets (liabilities)	122,454,000	137,809,000
Net assets (liabilities)	(142,354,000)	(142,475,000)

The unaudited net liabilities of the Target Company as at 31 March 2019 is approximately RMB142,493,000 (equivalent to approximately HK\$161,924,000).

INFORMATION OF ZHUHAI QI TIAN, THE TARGET COMPANY AND THE LAND

The principal business activities of Zhuhai Qi Tian are property related businesses including property development in the PRC.

The Target Company is a limited liability company incorporated under the laws of the PRC. It is principally engaged in the business of property development and construction of the Land situated at the south side of Jindao Road, the west side of Hongyang Road, Sanzao, Jinwan District, Zhuhai City, Guangdong Province (廣東省珠海市金灣區三灶鎮虹陽路西側, 金島路南側) with State-owned Land Use Rights Certificate (國有土地使用證) and Construction Land Planning Permit (建設用地規劃許可證) for commercial, retail and hotel uses.

The Land had some unfinished properties and old building erected on it which had all been demolished, removal compensation and rental compensation paid to the previous tenants and removal process have been completed.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Zhuhai Qi Tian and the Group intend to jointly redevelop the Land through the Target Company upon and subject to the terms and conditions set out in the Equity Transfer Agreement (as amended and supplemented by the Supplemental Equity Transfer Agreement).

The principal activities of the Group comprise property development and property investment in the PRC. The Target Company involves in the development of the Land with a total site area of approximately 11,956.46 sq. m. and a plot ratio of 5.09 for commercial, retail and hotel uses. Considering that the Land is located at a prime location in Zhuhai, one of the cities in Guangdong, Hong Kong and Macau Bay Area, which is of strategic position in the PRC and is seen to be a place with good development potential. The Directors believe that the Previous Acquisition and the Acquisition will provide an opportunity to the Group to consolidate and strengthen the Group's land bank in Guangdong, Hong Kong and Macau Bay Area at a prime location.

It is also expected that the re-development of the Land will bring synergies to the Group's property development business, and thereby expanding the Group's operating income, which is in the interest of the Company and its Shareholders as a whole.

The Directors are of the view that the terms of the Supplemental Equity Transfer Agreement are on normal commercial terms, which are fair and reasonable and the entering into of the Supplemental Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Previous Acquisition pursuant to the Equity Transfer Agreement shall aggregate with the Acquisition pursuant to Rules 14.22 and 14.23 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition, having aggregated with the Previous Acquisition exceed 5%, but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules, and is therefore subject to reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

DEFINITIONS

“Acquisition”	acquisition of the 15.88% equity interest in the Target Company by Guangzhou Chang Yang at the Consideration
“Board”	the board of Directors
“Business Days”	a day (not a Saturday) on which licensed banks in Hong Kong are generally open for business during their normal business hours
“Company”	New City Development Group Limited, a company incorporated under the laws of the Cayman Islands, the shares of which are listed on the Stock Exchange

“Completion”	Completion of the Acquisition pursuant to the Supplemental Equity Transfer Agreement
“Consideration”	the consideration in the sum of RMB476,400.00 payable by the Group to Zhuhai Qi Tian in respect of the sale and purchase of 15.88% of the equity interest in the Target Company pursuant to the Supplemental Equity Transfer Agreement
“Construction Land Planning Permit Number 2018-019”	建設用地規劃許可證地字第(金灣)2018-019號
“Construction Permit”	construction permit to be obtained by the Target Group as a condition precedent for payment of the Final Payment by Guangzhou Chang Yang
“Directors”	directors of the Company
“Equity Transfer Agreement”	equity transfer agreement dated 30 December 2018 made between the Zhuhai Qi Tian, Guangdong Chang Yang and the Target Company in relation to the acquisition of 39.12% of the equity interest in the Target Company
“Guangzhou Chang Yang”	廣州暢陽投資股份有限公司 (in English, for identification purpose only, Guangzhou Chang Yang Investment Company Limited), a limited company incorporated under the laws of the PRC, the equity interest of which is owned as to 70% by the Company indirectly
“Guarantee”	(i) a mortgage agreement upon which the Group shall mortgage a parcel of land situate at east of Yuxi East Street, south of Baita Road, south of Guangwu Road, north of Guihua Road, Yibin District, Luoyang City, Henan Province, the PRC (河南省洛陽市伊濱區玉溪東街以東, 白塔路以南, 光武大道以南, 規劃路以北) and (ii) a pledge agreement upon which the Group shall pledge its 39.12% of the equity interest in the Target Company, both in favour of Bank of Dongguan, the PRC as part of the guarantee for a loan in the sum of RMB299,000,000 by the Target Company at Bank of Dongguan in connection with the development of the Land.

“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	(a) party(ies) who is/are not connected person(s) (as defined in the Listing Rules) of the Company and who together with its/their ultimate beneficial owner(s) are independent of the Company and of connected persons (as defined in the Listing Rules) of the Company
“Land”	a parcel of land situated at 廣東省珠海市金灣區三灶鎮虹陽路西側，金島路南側 (in English, for identification purpose only, the south side of Jindao Road, the west side of Hongyang Road, Sanzao, Jinwan District, Zhuhai City, Guangdong Province) with the total site area of approximately 11,956.46 sq.m. under State-owned Land Use Rights Certificate
“Land Use Rights”	the land use rights in relation to the Land
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Previous Acquisition”	acquisition of 39.12% of the equity interest in the Target Company by Guangdong Chang Yang pursuant to the Equity Transfer Agreement
“Security Documents”	(i) a mortgage agreement dated 30 April 2019 entered into by the Group upon which the Group mortgaged a parcel of land situate at east of Yuxi East Street, south of Baita Road, south of Guangwu Road, north of Guihua Road, Yibin District, Luoyang City, Henan Province, the PRC (河南省洛陽市伊濱區玉溪東街以東，白塔路以南，光武大道以南，規劃路以北); and (ii) a pledge agreement dated 30 April 2019 upon which the Group pledged its 39.12% of the equity interest in the Target Company; and (iii) a personal guarantee dated 30 April 2019 by Mr. Han Junran, all in favour of Bank of Dongguan, the PRC in guaranteeing a loan in the sum of RMB299,000,000 by the Target Company at Bank of Dongguan in connection with the development of the Land
“State-owned Land Use Rights Certificate Number 0021636”	粵(2018)珠海市不動產第0021636號國有土地使用證

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Equity Transfer Agreement”	agreement dated 22 May 2019 made between the Zhuhai Qi Tian, Guangzhou Chang Yang and the Target Company in relation to the Acquisition, which amended and supplemented the Equity Transfer Agreement
“Target Company”	珠海市騰順實業有限公司 (in English, for identification purpose only, Zhuhai Teng Shun Industrial Company Limited), a limited company incorporated under the laws of the PRC and wholly-owned by Zhuhai Qi Tian as at the date of the Supplemental Equity Transfer Agreement
“Zhuhai Qi Tian”	珠海市祺田實業有限公司 (in English, for identification purpose only, Zhuhai Qi Tian Industrial Company Limited), a limited company incorporated under the laws of the PRC and an Independent Third Party
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq. m.”	square meter
“%”	Percent

For illustration purpose only, the exchange rate adopted in this announcement is HK\$1.00 = RMB0.88.

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

Hong Kong, 29 May 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) five independent non-executive Directors, namely Mr. Chan Yiu Tung, Anthony, Mr. Zheng Qing, Dr. Ouyang Qingru, Mr. Leung Kwai Wah, Alex and Mr. Zhang Jing.