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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 100% EQUITY INTEREST IN THE TARGET COMPANY

The Board announces that on 8 November 2013 (after trading hours), the Vendor, the Purchaser (which is a wholly-owned subsidiary of the Company) and the Target Company entered into the Agreement, pursuant to which the Purchaser will acquire the Initial Sale Shares and the Remainder Sale Shares at the total consideration of RMB200,000,000 (equivalent to HK\$254,000,000) (subject to Upward Adjustment) in two phases. The Target Company owns the Land.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Introduction

The Board announces that on 8 November 2013 (after trading hours), the Vendor, the Purchaser (which is a wholly-owned subsidiary of the Company) and the Target Company entered into the Agreement, pursuant to which the Purchaser will acquire the Initial Sale Shares and the Remainder Sale Shares at the total consideration of RMB200,000,000 (equivalent to HK\$254,000,000) (subject to Upward Adjustment) in two phases. The Target Company owns the Land.

THE AGREEMENT

Date: 8 November 2013 (after trading hours)

- Parties to the Agreement:
1. the Vendor;
 2. the Purchaser; and
 3. the Target Company.

The Vendor is a merchant and owns the entire equity interest of the Target Company.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and the Target Company are Independent Third Parties.

Assets to be acquired

The Purchaser will acquire the Initial Sale Shares and the Remainder Sale Shares in two phases.

Obligations of the Vendor and the Target Company

Within 15 business days after the signing of the Agreement, the Vendor shall procure the Target Company to change its chairman of the board of directors to the person nominated by the Purchaser and update the relevant registration record with the relevant Administration for Industry and Commerce.

Within 2 months after the Planning Approval is obtained, the Target Company shall complete the Other Assets Transfer.

Obligations of the Purchaser

After the person nominated by the Purchaser has become the chairman of the board of directors of the Target Company, the Purchaser shall be responsible for liaising with the relevant government authorities in order to obtain the Planning Approval.

Conditions Precedent to the First Phase Completion

The First Phase Completion is conditional upon the following:

- (a) the Planning Approval having been obtained;
- (b) the Purchaser is satisfied with the results of the due diligence investigations on the assets, liabilities, business, forecast, financial position, and the legal and other conditions of the Target Company;
- (c) the Purchaser is satisfied with the evidence provided by the Vendor that the Target Company is the sole legal and beneficial owner of, and has legal authority to assign, the Land;
- (d) the Vendor has not committed any material breach of any provision of the Agreement before the First Phase Completion;
- (e) there has not been any material adverse change in the business operation and condition of the Target Company during the period between the date of the Agreement and the First Phase Completion Date;
- (f) the Shareholders have approved the terms of the Agreement and the Purchaser's signing and performance of the Agreement in general meeting (if required under the Listing Rules);

- (g) all necessary consents and approvals not mentioned in the Conditions Precedent but required by applicable laws and regulations to be obtained from any government or regulatory departments in Hong Kong or elsewhere in respect of the transactions contemplated by the Agreement having been obtained (if required); and
- (h) all necessary consents and approvals required to be obtained on the part of the Target Company from the Target Company's bankers or other relevant third parties in respect of the changes in the shareholding structure of the Target Company resulting from completion of the Acquisition having been obtained (if required).

The Purchaser is entitled to waive any of the Conditions Precedent mentioned in paragraphs (b) to (e) above in its discretion.

Consideration

The Consideration payable to the Vendor for the Initial Sale Shares and the Remainder Sale Shares shall be, in aggregate, RMB200,000,000 (equivalent to HK\$254,000,000), subject to the Upward Adjustment.

The Consideration shall be payable:

- (a) as to the Cash Consideration of RMB80,000,000 (equivalent to HK\$101,600,000), upon the First Phase Completion; and
- (b) as to the Real Estate Consideration of RMB120,000,000 (equivalent to HK\$152,400,000), upon the Second Phase Completion.

The Cash Consideration shall be satisfied by the internal resources of the Company, financing from third parties or further fund-raising activities of the Company to be determined by the Board. The Real Estate Consideration shall be satisfied by transferring the corresponding parts of the Real Estate which worth RMB120,000,000 (equivalent to HK\$152,400,000) to the Vendor or his nominee.

In the event that the market price of the Real Estate as at the date of Project Completion exceeds the Reference Market Price (i.e. RMB31,000 (HK\$39,370) per sq. m.) by 50% or more, the Consideration shall be increased by the Upward Adjustment of RMB100,000,000 (equivalent to HK\$127,000,000). The Upward Adjustment shall be payable, within 5 business days after the Real Estate's market price is determined, by way of transferring corresponding areas of the Real Estate which is equivalent to the value of the Upward Adjustment to the Vendor.

The Consideration was determined after arm's length negotiations between the parties to the Agreement with reference to, among others, the development potential of the Land and the anticipated market price of the Real Estate.

First Phase Completion

Subject to the Conditions Precedent having been fulfilled or waived (as the case may be), the First Phase Completion shall take place within 20 business days after the Other Assets Transfer is completed, upon which the Initial Sale Shares shall be transferred to the Purchaser.

Second Phase Completion

The Second Phase Completion shall take place within 3 months after the Project Completion whereupon:

- (i) the Vendor shall transfer the Remainder Sale Shares to the Purchaser; and
- (ii) the Purchaser shall physically deliver the Real Estate Consideration to the Vendor or his nominee together with the relevant real estate ownership certificates registered in the name of the Vendor or his nominee.

Should the relevant real estate ownership certificates of the Real Estate Consideration registered in the name of the Vendor or his nominee have not been issued by the relevant authority within 3 months after the Project Completion, the Second Phase Completion shall still take place whereupon:

- (i) the Vendor shall execute a declaration of trust on the Remainder Sale Shares declaring that the Vendor shall hold the Remainder Sale Shares on trust for the benefit of the Purchaser;
- (ii) the Purchaser shall physically deliver the Real Estate Consideration to the Vendor or his nominee; and
- (iii) the Vendor shall complete the registration procedures at the relevant Administration for Industry and Commerce in the PRC for transferring the Remainder Sale Shares under the name of the Purchaser or its nominee upon the relevant real estate ownership certificates registered in the name of the Vendor or his nominee have been issued by the relevant authorities.

Termination of the Agreement

If the Planning Approval is not obtained within 8 months (subject to any extension as may be agreed between the parties) after the person nominated by the Purchaser has become the chairman of the board of directors of the Target Company or the Purchaser has early terminated the Agreement, the Agreement shall be terminated and the Purchaser shall procure that the chairman of the board of directors of the Target Company be changed to the person nominated by the Vendor within 10 business days and the obligations of the parties under the Agreement shall cease.

Compensation upon breach of the Agreement

The Purchaser shall pay to the Vendor a compensation of RMB100,000,000 (equivalent to HK\$127,000,000) in any of the following events:

- (a) the Purchaser fails to pay to the Vendor the Cash Consideration upon the First Phase Completion; or
- (b) the Purchaser fails to change the chairman of the board of directors of the Target Company to the person nominated by the Vendor within 10 business days in the circumstances mentioned in the paragraph headed "Termination of the Agreement" above.

If the Vendor fails to transfer the Initial Sale Shares in accordance with the Agreement to the Purchaser or its nominee, the Vendor shall pay to the Purchaser a compensation of RMB371,430,000 (equivalent to HK\$471,716,100) and the Purchaser shall be entitled to terminate the Agreement.

If the Second Phase Completion cannot take place as a result of the default of either the Purchaser or the Vendor, the party in default shall pay to the non-defaulting party a compensation of RMB100,000,000 (equivalent to HK\$127,000,000).

INFORMATION OF THE VENDOR

The Vendor is a merchant and is the legal and beneficial owner of the entire equity interest in the Target Company.

INFORMATION OF THE TARGET COMPANY AND THE LAND

The Target Company was incorporated on 25 June 1996 with limited liability in the PRC and is principally engaged in real estate development and management. The Target Company owns the Land.

According to the state-owned land use rights grant contract (the “**Land Use Rights Grant Contract**”) dated 26 August 2004 entered into between the Target Company and Qingdao City Bureau of Land and Resources (青島市國土資源和房屋管理局), the particulars of the Land are as follows:

Land owner:	The Target Company
Land use:	Scientific research
Location:	No.13 Xianggang Zhong Road, Shinan District, Qingdao, Shangdong Province, PRC (中國山東省青島市市南區香港中路13號)
Total area of the Land:	5,117.1 sq. m.
Gross floor area:	1,600.52 sq. m.
Term of grant:	50 years ending on 26 August 2054
Plot ratio:	0.31
Existing lease contracts:	(1) the Land Occupation Lease Contract (dated 14 April 2013) (佔地租賃合同) with an Independent Third Party for the properties situated at the Land for a term of one year. (2) The No. 13 Xianggang Zhong Road Premises lease contract (dated 24 December 2012) with an Independent Third Party for the premises situated at the Land for a term of one year.

The total consideration payable for acquisition of the Land pursuant to the Land Use Rights Grant Contract has been fully paid. The Target Company has obtained the real estate ownership certificate in respect of the Land.

As of 30 September 2013, the Target Company had an unaudited net asset value of approximately RMB2,990,000 (equivalent to HK\$3,797,300). Set out below is a summary of certain unaudited financial information of the Target Company for the two years ended 31 December 2011 and 31 December 2012:

Target Company

	For the year ended 31 December 2012	For the year ended 31 December 2011
	<i>RMB/HK\$</i>	<i>RMB/HK\$</i>
Net profit/(loss) (before taxation)	(947,683)/(1,203,557)	(869,635)/(1,104,436)
Net profit/(loss) (after taxation)	(947,683)/(1,203,557)	(869,635)/(1,104,436)

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. Its principal subsidiaries are engaged in property development and investment in the PRC.

The Acquisition presents to the Group a good investment opportunity in the PRC. The Directors consider that the Acquisition will enable the Group to expand its presence in the property market and benefit the business development of the Group in the PRC. The Directors also believe that the Real Estate has strong appreciation potential in the long term since it is situated at the prime location in the central business district of Qingdao City. The Company will, at a later stage, decide whether to sell or lease the Real Estate upon the Project Completion.

The terms of the Agreement were arrived at after arm's length negotiations among the Vendor, the Purchaser and the Target Company. The Directors (including the independent non-executive Directors) consider that the Agreement is on normal commercial terms and the terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Requirements of the Listing Rules

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Definitions

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

“Acquisition”	the acquisition by the Purchaser of the Initial Sale Shares and the Remainder Sale Shares pursuant to the Agreement
“Agreement”	the cooperation agreement dated 8 November 2013 entered into between the Vendor, the Purchaser and the Target Company in respect of the Acquisition
“associates”	has the meaning ascribed to it under the Listing Rules
“Cash Consideration”	RMB80,000,000 (equivalent to HK\$101,600,000) payable by the Purchaser to the Vendor by way of cash for the Initial Sale Shares
“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
“Conditions Precedent”	the conditions precedent for First Phase Completion
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate of the Cash Consideration and the Real Estate Consideration in the sum of RMB200,000,000 (equivalent to HK\$254,000,000) payable by the Purchaser to the Vendor for the Acquisition and subject to the Upward Adjustment
“Directors”	the directors of the Company
“First Phase Completion”	completion of the sale and purchase of the Initial Sale Shares
“First Phase Completion Date”	the date on which the First Phase Completion takes place
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company or any of its connected persons (as defined under the Listing Rules);

“Initial Sale Shares”	65% equity interest of the Target Company
“Land”	the land located at No.13 Xianggang Zhong Road, Shinan District, Qingdao City, Shangdong Province, PRC (中國山東省青島市市南區香港中路13號) for the purpose of scientific research with an area of 5,117.1 sq. m. and legally owned by the Target Company
“Land Occupation Lease Contract”	the lease contract (佔地租賃合同) dated 14 April 2013 entered into between an Independent Third Party and the Target Company in respect of the properties situated at the Land
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Other Assets Transfer”	the Target Company’s transfer of all its assets and liabilities (other than those related to the Land and the Project) to the Vendor or his nominee at the aggregate nominal consideration of RMB1
“Planning Approval”	the approval by the relevant government authorities of the construction plan of the Project with the plot ratio of the Land increased from 0.31 to not less than 7 without any change in the current use of the Land
“PRC”	the People’s Republic of China, excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Project”	the development of Real Estate on the Land by the Target Company
“Project Completion”	completion of the Project
“Purchaser”	Novel Apex Investments Limited (貢裕投資有限公司), a company incorporated in Hong Kong with limited liability, being a wholly-owned subsidiary of the Company
“Real Estate”	the real estate to be developed on the Land by the Target Company under the Project
“Real Estate Consideration”	RMB120,000,000 (equivalent to HK\$152,400,000) worth of the Real Estate which shall be valued at the market price not exceeding the Reference Market Price
“Remainder Sale Shares”	35% equity interest of the Target Company
“RMB”	renminbi, the lawful currency of the PRC

“Reference Market Price”	the average market price of offices in the nearby area of the Land agreed upon by the Vendor and the Purchaser as at the date of the Agreement
“Second Phase Completion”	completion of the sale and purchase of the Remainder Sale Shares
“Second Phase Completion Date”	the date on which the Second Phase Completion takes place
“Share(s)”	ordinary share(s) of HK\$0.004 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“sq. m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Qingdao Chengtai Real Estate Development Company Limited* (青島成泰房地產開發有限公司), a company incorporated with limited liability in the PRC and the owner of the Land
“Upward Adjustment”	the upward adjustment of the Consideration by RMB100,000,000 (equivalent to HK\$127,000,000) conditional upon the market price of the Real Estate as at the date of Project Completion exceeding the Reference Market Price (i.e. RMB31,000 (equivalent to HK\$39,370) per sq. m.) by 50% or more, which shall be payable within 5 business days after the Real Estate’s market price is determined by way of transferring corresponding areas of the Real Estate which is equivalent to the value of the Upward Adjustment to the Vendor
“%”	per cent.

* For identification purpose only

Conversion of RMB into HK\$ in this announcement is based on the exchange rate of RMB1=HK\$1.27. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at such or any other rates or at all.

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

Hong Kong, 8 November 2013

As at the date of this announcement, the Board comprises (i) three executive directors, namely Mr. Han Junran (Chairman), Mr. Fu Yiu Kwong and Mr. Luo Min; and (ii) three independent non-executive directors, namely Mr. Chan Yiu Tung, Anthony, Mr. Seto Man Fai and Mr. Zheng Qing.