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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 AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE TARGET COMPANY

Financial adviser to the Company

VEDA | CAPITAL
智 略 資 本

THE ACQUISITION AGREEMENT

On 30 October 2015 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company and the Vendor entered into the Acquisition Agreement pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the entire issued share capital of the Target Company at the Consideration of HK\$68 million.

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

As at the date of this announcement, the Target Company holds 90% equity interest of Faith Onward (Luoyang) and Faith Onward (Luoyang) directly holds the entire equity interest of Luoyang Wan Heng. The principal asset of Luoyang Wan Heng is the Land. The Land is located at the east of Huanhu Road, south of Baita Road, west of Kaituodadao Road, and north of land boundary, Yibin District, Xinqu Luoyang, Henan, PRC (中國河南洛陽新區伊賓區) with a total site area of approximately 34,774.83 sq.m.. Luoyang Wan Heng has already obtained the construction land planning permit (建設用地規劃許可證) for the Land, and the Land is for commercial use. As at the date of this announcement, the Group has not drawn up any concrete development plan for the Land and the Land will be retained as the Group's land reserve for future construction purposes.

LISTING RULES IMPLICATIONS

As one or more of the relevant applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

The Vendor is wholly-owned by the brother of Mr. Han Junran (being the chairman of the Company and an executive Director), hence the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules. By reason of this, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements.

A circular containing, among other things, (i) details of the Acquisition; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition; (iii) a letter from the independent financial adviser to the Independent Board Committee in respect of the Acquisition; (iv) the valuation report of the Land; (v) the notice convening the EGM; and (vi) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 20 November 2015.

The Board is pleased to announce that, on 30 October 2015 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company and the Vendor entered into the Acquisition Agreement pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the entire issued share capital of the Target Company at the Consideration of HK\$68 million.

THE ACQUISITION AGREEMENT

Date:

30 October 2015 (after trading hours)

Parties:

- (i) Ultimate Perfect Limited, a wholly-owned subsidiary of the Company, as the Purchaser; and
- (ii) Faith Grand Investments Limited, as the Vendor

Ultimate Perfect Limited is a limited liability company established in Samoa and a wholly-owned subsidiary of the Company, which is principally engaged in investment holding.

The Vendor is a company incorporated in the British Virgin Islands and its principal business is investment holding. The entire issued share capital of the Vendor is wholly-owned by the brother of

Mr. Han Junran (being the chairman of the Company and an executive Director), hence the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the entire issued share capital of the Target Company.

As at the date of this announcement, the Target Company holds 90% equity interest of Faith Onward (Luoyang) and Faith Onward (Luoyang) directly holds the entire equity interest of Luoyang Wan Heng. The principal asset of Luoyang Wan Heng is the Land. Further information on the Target Company, Faith Onward (Luoyang), Luoyang Wan Heng and the Land is set out in the paragraph headed “INFORMATION ON THE VENDOR, THE TARGET GROUP AND THE LAND” below.

Consideration

The Consideration for the Acquisition is HK\$68 million which shall be satisfied in cash by the Purchaser to the Vendor or its nominated person in the following manner:

- (i) an initial refundable deposit of HK\$9.5 million payable within five (5) Business Days after the signing of the Acquisition Agreement;
- (ii) the sum of HK\$51.7 million payable upon Completion; and
- (iii) the balance in the sum of HK\$6.8 million (“**Retention Money**”) (or part thereof after deduction of any sum payable by the Vendor to the Purchaser) shall be paid within five (5) Business Days after the Vendor has provided the Purchaser with the audited consolidated accounts of the Target Group for the period from 1 January 2015 to the date of Completion (“**Completion Account**”) prepared by the auditors designated by the Purchaser in which no qualified opinion is expressed by the auditors.

The Vendor shall provide the Completion Account to the Purchaser within 30 Business Days after Completion. If (i) the total liabilities of the Target Group as shown in the Completion Account exceeds the total liabilities of the Target Group as shown in the unaudited consolidated management account of the Target Group for the eight-month period ended 31 August 2015; and/or (ii) the net asset value of the Target Group as shown in the Completion Account falls below the net asset value of the Target Group Companies as shown in the unaudited management account of the Target Group for the eight-month period ended 31 August 2015, the Vendor shall upon the Purchaser’s demand forthwith pay to the Purchaser in cash in an amount representing the difference of such total liabilities and/or net asset value.

The Purchaser shall be entitled to use the Retention Money to set off against all and any money payable by the Vendor to the Purchaser pursuant to the Acquisition Agreement.

The Consideration was determined after arm's length negotiations between the Group and the Vendor with reference to (i) the net liabilities of the Target Company of approximately RMB2,185,447 as at 31 August 2015 based on the unaudited financial statements of the Target Company; (ii) the waives of loans of the Target Company upon Completion which will amount to approximately RMB38,789,193.14 as at 31 August 2015; and (iii) according to a preliminary valuation of Savills Valuation and Professional Services Limited, an independent property valuer, of the Land of approximately RMB66 million (equivalent to approximately HK\$80.19 million) as at 31 August 2015.

The Consideration will be funded by the internal resources of the Group.

Conditions

Completion is conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

- (i) the Vendor having provided a valuation report issued by an independent property valuer in the form acceptable to the Purchaser showing the value of the Land to be not less than RMB66 million as at a date not earlier than the date of the Acquisition Agreement;
- (ii) the passing of the necessary resolution(s) by the Independent Shareholders at the EGM to be convened and held for approving, confirming and ratifying the Acquisition Agreement and the transactions contemplated thereunder;
- (iii) the Purchaser having completed the due diligence review regarding the legal, financial and business aspects of the Target Group and the Land and being satisfied with the results of such due diligence review;
- (iv) the representations, warranties and undertakings made by the parties to the Acquisition Agreement remaining true, accurate and not misleading in any material respect;
- (v) the Vendor having provided a written PRC legal opinion in respect of the transactions contemplated under the Acquisition Agreement (in particular the legality of Luoyang Wan Heng and Faith Onward (Luoyang)) issued by the PRC lawyers in such form and substance acceptable to the Purchaser;
- (vi) the Vendor having provided a legal opinion issued by a Hong Kong legal advisor in respect of the transactions contemplated under the Acquisition Agreement (in particular the legality of the Target Company) in such form and substance acceptable to the Purchaser;
- (vii) Faith Onward (Luoyang) has amended its constitution so that its board of directors shall consist of 3 directors, being two directors (including the chairman of the board) nominated by the Target Company and one director (who shall be the vice-chairman of the board) nominated by Ji Cai (Luoyang); and

(viii) the parties to the Acquisition Agreement having obtained all necessary waiver, consent, approval, licence, authorisation, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the Acquisition Agreement and the transactions contemplated thereunder.

The Purchaser may waive in writing all or any of the conditions (other than (ii) and (viii)) as set out above at its absolute discretion.

If the conditions above are not fully satisfied within nine (9) months after the signing of the Acquisition Agreement, the Purchaser shall have the right to rescind the Acquisition Agreement by notice in writing to the Vendor whereupon the Acquisition Agreement shall cease and neither party to the Acquisition Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the Acquisition Agreement.

The Vendor shall refund the deposit to the Purchaser forthwith in full without any compensation, interest and costs if the return is made within seven (7) days once it is determined that Completion will not or cannot proceed.

Completion

Completion shall take place within ten (10) Business Days following the due fulfilment (or waiver if applicable) of the conditions or such other date as the parties to the Acquisition Agreement shall agree in writing.

Upon Completion, Ji Cai (Luoyang) and Faith Grand Services Limited shall execute the First Deed of Waiver and the Second Deed of Waiver in favour of the Target Company, respectively.

Pursuant to the First Deed of Waiver, Ji Cai (Luoyang) shall irrevocably and unconditionally waive, release and discharge the Target Company from obligations to repay the loan in an amount of RMB36,712,237 owed by the Target Company to Ji Cai (Luoyang).

Pursuant to the Second Deed of Waiver, Faith Grand Services Limited shall irrevocably and unconditionally waive, release and discharge the Target Company from obligations to repay the loan in an amount of RMB2,076,956.14 owed by the Target Company to Faith Grand Services Limited.

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

INFORMATION OF THE VENDOR, THE TARGET GROUP AND THE LAND

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

The Vendor is a company incorporated in the British Virgin Islands and its principal business is investment holding. As at the date of this announcement, the Vendor is wholly-owned by the brother of Mr. Han Junran (being the chairman of the Company and an executive Director). The Vendor holds the entire equity interest of the Target Company.

The Target Company is a limited liability company established in Hong Kong. The Target Company directly holds 90% of the equity interest of Faith Onward (Luoyang) and the remaining 10% equity interest is owned by Ji Cai (Luoyang), a PRC limited liability company with Mr. Han's Brother acting as its director and corporate representative. Faith Onward (Luoyang) is a limited liability company established in the PRC, with its principal business being investment holding. Faith Onward (Luoyang) holds the entire equity interest of Luoyang Wan Heng.

Luoyang Wan Heng is a limited liability company established in the PRC and its principal business is investment holding. The principal asset of Luoyang Wan Heng is the Land.

The Land

The Land is located at the east of Huanhu Road, south of Baita Road, west of Kaituodadao Road, and north of land boundary, Yibin District, Xinqu Luoyang, Henan, PRC (中國河南洛陽新區伊賓區) with a total site area of approximately 34,774.83 sq.m.. Luoyang Wan Heng has already obtained the construction land planning permit (建設用地規劃許可證) for the Land, and the Land is for commercial use. As at the date of this announcement, the Group has not drawn up any concrete development plan for the Land and the Land will be retained as the Group's land reserve for future construction purposes.

According to the preliminary valuation carried out by Savills Valuation and Professional Services Limited, the value of the Land as at 31 August 2015 was approximately RMB66 million (equivalent to approximately HK\$80.19 million).

Financial information of the Target Company

Based on the unaudited financial statement of the Target Company for the eight-month period ended 31 August 2015, the unaudited total asset and net liabilities of the Target Company as at 31 August 2015 were approximately RMB37,934,692 and RMB2,185,447 respectively.

The Target Company has not recorded any revenue for the two financial years ended 31 December 2013 and 2014.

The loss (before and after tax) of the Target Company for the two years ended 31 December 2013 and 2014 and the period ended 31 August 2015 were as follows:

	For the eight-month period ended 31 August 2015 (RMB)	For the year ended 31 December 2014 (RMB)	For the year ended 31 December 2013 (RMB)
Loss before tax	(495,912)	(119,579)	(8,354)
Loss after tax	(495,912)	(119,579)	(8,354)

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. In view of the development needs and future plans of the Group, the Land is strategically located with huge development potential, as such, the Company considers that the Acquisition is in line with the overall development strategy of the Group, and has positive influence on the long-term development of the Company.

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 have been negotiated on an arm's length basis and are normal commercial terms which are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the relevant applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Acquisition exceeds 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

The Vendor is wholly-owned by the brother of Mr. Han Junran (being the chairman of the Company and an executive Director), hence the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules. By reason of this, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements.

The voting in respect of the Acquisition at the EGM will be conducted by way of a poll. **Mr. Han Junran, the Vendor and their 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, Mr. Han Junran, through Junyi Investments Limited, holds 1,668,062,752 Shares, representing approximately 52.44% 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) details of the Acquisition; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition; (iii) a letter from the independent financial adviser to the Independent Board Committee in respect of the Acquisition; (iv) the valuation report of the Land; (v) the notice convening the EGM; and (vi) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 20 November 2015

DEFINITIONS

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

Acquisition	the acquisition of the entire issued share capital of the Target Company in accordance with the terms and conditions of the Acquisition Agreement
Acquisition Agreement	the sale and purchase agreement dated 30 October 2015 entered into between the Purchaser and the Vendor in relation to the Acquisition
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“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”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement

“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration of HK\$68 million payable in respect of the proposed Acquisition pursuant to the Acquisition Agreement
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of approving the Acquisition Agreement
“Faith Onward (Luoyang)”	Faith Onward (Luoyang) Hotel Property Management Company Limited [#] (信誠(洛陽)酒店物業管理有限公司), a company incorporated with limited liability in the PRC and is owed as to 90% by the Target Company and 10% by Ji Cai (Luoyang)
“First Deed of Waiver”	the deed of waiver that shall be executed by the Target Company and Ji Cai (Luoyang) in which Ji Cai (Luoyang) shall irrevocably and unconditionally waive, release and discharge the Target Company from obligations to repay the loan in an amount of RMB36,712,237
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Chan Yiu Tung, Anthony, Mr. Seto Man Fai, Mr. Zheng Qing and Dr. Ouyang Qingru, established to advise the Independent Shareholders in respect of the terms of the Acquisition Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than Mr. Han Junran, the Vendor and their respective associates and all other Shareholders who are interested in the Acquisition Agreement and the transactions contemplated thereunder
“Ji Cai (Luoyang)”	Ji Cai (Luoyang) Sports and Fitness Services Management Company Limited [#] (吉彩(洛陽)體育健身服務管理有限公司), a company incorporated with limited liability in the PRC
“Land”	the piece of land for commercial use situated at east of Huanhu Road, south of Baita Road, west of Kaituodadao Road, and north of land boundary, Yibin District, Xinqu Luoyang, Henan, PRC (中國河南洛陽新區伊賓區)

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Luoyang Wan Heng”	Luoyang Wan Heng Property Company Limited# (洛陽萬亨置業有限公司), a company incorporated with limited liability in the PRC and is wholly-owned by Faith Onward (Luoyang)
“Mr. Han’s Brother”	Mr. Han Kairan (韓凱然), the brother of Mr. Han Junran, the chairman of the Company and an executive Director
“PRC”	the People’s Republic of China which, for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Ultimate Perfect Limited, a limited liability company established in Samoa and a wholly-owned subsidiary of the Company
“Second Deed of Waiver”	the deed of waiver that shall be executed by the Target Company and Faith Grand Services Limited in which Faith Grand Services Limited shall irrevocably and unconditionally waive, release and discharge the Target Company from obligations to repay the loan in an amount of RMB2,076,956.14
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Faith Onward (Hong Kong) Investments Limited# (信誠(香港)投資有限公司), a company incorporated with limited liability in Hong Kong and is wholly-owned by the Vendor
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Faith Grand Investments Limited, a company incorporated in the British Virgin Islands and is owned by Mr. Han’s Brother
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

“%” per cent.

The Chinese names have been translated into English in this announcement for reference only

In this announcement, amounts in RMB are converted into HK\$ on the basis of RMB1 = HK\$1.215. The conversion rate is for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK\$ at such rate or at all.

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

Hong Kong, 1 November 2015

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) four independent non-executive Directors, namely Mr. Chan Yiu Tung, Anthony, Mr. Seto Man Fai, Mr. Zheng Qing and Dr. Ouyang Qingru.

The Directors jointly and severally accept full responsibility for accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.