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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)

PROPOSED ISSUE OF CONVERTIBLE BONDS

SUBSCRIPTION AGREEMENT

On 9 February 2018 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Subscriber has agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$30,000,000.

Completion of the Subscription is conditional upon satisfaction of the Conditions Precedent set out under the paragraph headed “Conditions Precedent to the Subscription Agreement” in this announcement and the Closing Condition.

Assuming the Conversion Rights attaching to the Convertible Bonds are exercised in full at the Conversion Price of HK\$0.2566 per Share, a maximum of 116,913,484 Conversion Shares will be allotted and issued, representing approximately 3.52% of the entire issued share capital of the Company as at the date of this announcement and approximately 3.40% of the entire issued share capital as enlarged by the issue of the Conversion Shares.

The Conversion Shares, upon issue, shall rank pari passu in all respects with the Shares then in issue. The Company will allot and issue the Conversion Shares under the General Mandate.

As the issue of the Convertible Bonds is subject to the fulfillment of certain Conditions Precedent and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares.

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Completion of the Subscription is conditional upon satisfaction of the Conditions Precedent as set out under the paragraph headed “Conditions Precedent to the Subscription Agreement” below.

Assuming the Conversion Rights attaching to the Convertible Bonds are exercised in full at the Conversion Price of HK\$0.2566 per Share, a maximum of 116,913,484 Conversion Shares will be allotted and issued, representing approximately 3.52% of the entire issued share capital of the Company as at the date of this announcement and approximately 3.40% of the entire issued share capital as enlarged by the issue of the Conversion Shares.

The Conversion Shares, upon issue, shall rank pari passu in all respects with the Shares then in issue. The Company will allot and issue the Conversion Shares under the General Mandate.

Details of the Subscription Agreement are set out below.

Date:

9 February 2018

Parties:

Issuer: The Company
Subscriber: Red Swan Capital Management Limited

To the best of the knowledge, information and belief of the Directors having made all reasonably enquiry, the Subscriber and its ultimate beneficial owners are Independent Third Parties.

TERMS AND CONDITIONS OF CONVERTIBLE BONDS

The terms and conditions of the Convertible Bonds have been negotiated on an arm’s length basis and the principal terms and conditions of which are summarized below:

Issuer: The Company

Aggregate principal Amount: HK\$30,000,000

Conversion Price: The Conversion Price is HK\$0.2566 per Share, which is subject to adjustments for an alteration to the nominal value of the Shares as a result of consolidation or subdivision.

The Conversion Price represents:

- (i) a discount of approximately 19.81% to the closing price of HK\$0.32 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a discount of approximately 18.80% to the average closing price of HK\$0.316 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of this announcement; and
- (iii) a discount of approximately 18.41% to the average closing price of HK\$0.3145 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of this announcement.

The Conversion Price has been determined after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares.

Interest rate

The Convertible Bonds shall carry interest at the rate of 7% per annum payable annually in arrears on the outstanding principal amount thereof or, if earlier, upon full conversion of the Convertible Bonds.

Transferability of
Convertible Bonds

The Convertible Bonds cannot be transferred, pledged or assigned in whole or in part by the Bondholders to any party without the mutual written agreement between the Company and the Subscriber.

Maturity date (the
“**Maturity Date**”)

The date falling on the corresponding calendar day in the twenty-four (24th) calendar month after the date of issue of the Convertible Bonds.

Conversion rights

The Subscriber may convert the whole or part of the principal amount of the Convertible Bonds into the Conversion Shares at the Conversion Price for the period commencing from the date of issue of the Convertible Bonds up to (i) the Maturity Date or (ii) if the Convertible Bonds have been called for redemption before the Maturity Date, the day falling 5 business days before the date fixed for redemption.

The Bondholders shall have the right to convert the Convertible Bonds, in whole or in part, at any time at the Conversion Price set out above, provided that no conversion of the Convertible Bonds shall be made if immediately upon such conversion, the Company will fail to comply with the public float requirement (the “**Public Float Requirement**”) of the Shares under Rule 8.08 of the Listing Rules.

Furthermore, the Bondholders shall exercise the right of conversion only to the extent that any conversion of the Convertible Bonds does not trigger off a mandatory offer obligation under rule 26.1 of the Takeovers Code on the part of the Bondholders.

Conversion Shares

Assuming the Conversion Rights attaching to the Convertible Bonds are exercised in full at the Conversion Price, 116,913,484 Conversion Shares will be issuable by the Company upon exercise of the Conversion Rights attaching to the Convertible Bonds in full at the Conversion Price of HK\$0.2566.

The 116,913,484 Conversion Shares represent approximately 3.52% of the existing issued share capital of the Company as at the date of this announcement.

Based on the assumptions set out in the table under the paragraph headed “Changes in Shareholding Structure of the Company” below, the 116,913,484 Conversion Shares represent approximately 3.40% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

Redemption

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem all outstanding Convertible Bonds on the Maturity Date.

Status of the Convertible Bonds

The Convertible Bonds constitute a direct, general, unconditional and unsecured obligation of the Company and rank pari passu and rateably without preference (with the exception of obligations in respect of taxes) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

Ranking of the Conversion Shares

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Shares in issue at the date of the conversion notice.

Voting

The Convertible Bonds do not confer any voting rights at any meetings of the Company.

Listing

No application will be made by the Company for the listing of the Convertible Bonds. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Mandate to issue the Conversion Shares

The issue of the Convertible Bonds will be made pursuant to the General Mandate granted to the Board by the Shareholders at the annual general meeting of the Company held on 27 June 2017 to allot and issue up to 663,409,008 Shares, being 20% of the total nominal amount of the issued share capital of the Company as at the date of the passing of the resolution approving such grant. As at the date of this announcement, no Shares or securities have been allotted and issued by the Directors under the General Mandate.

Listing of the Conversion Shares

No application will be made by the Company for the listing of the Convertible Bonds. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

Conditions Precedent to the Subscription Agreement

Completion of the Subscription is subject to the following Conditions Precedent and the Closing Condition:

- (i) the Company warrants that that the creation, allotment and issuance by the Company of the Convertible Bond and the Conversion Shares are authorised and capable to the creation, issuance or allotment of the Convertible Bond or the Conversion Shares;
- (ii) the Stock Exchange having granted the listing of and the permission to deal in the Conversion Shares and such approval remaining valid and effective;
- (iii) all necessary regulatory filings, notifications and approvals to the relevant government authorities to enter into the transaction documents and security documents and perform the obligors' obligations having been made and obtained, and such filings, notifications and approvals remaining valid and effective, and no government authority having taken or initiated any action which would prohibit the transactions contemplated under any transaction documents;
- (iv) there having been no material adverse change that has a material adverse effect on, the business, operations, financial positions, earnings, conditions or prospects of the Group;
- (v) there having been no Event of Default;
- (vi) all obligations under the transaction documents and the security documents required to be performed by any of the obligors before the Completion Date having been performed, and no breach of any provision of any transaction document or the security document by any of the obligors having occurred before the Completion Date;
- (vii) the warranties under the Subscription Agreement remaining true, accurate and not misleading in each case in accordance with their terms; and
- (viii) the Subscriber having received legal opinions on its own at its own cost in a form satisfactory to the Subscriber.

In the event that the above conditions are not satisfied or waived on the Long Stop Date (or such date as the parties to the Subscription Agreement may agree), the Subscription Agreement shall terminate and no party to the Subscription Agreement will have any claim against the other for costs, damages, compensation or otherwise.

Completion and Closing Condition

Completion shall take place on the Completion Date, which shall be within 3 business days of the satisfaction of the following Closing Condition:

- (i) the Company has obtained the Stock Exchange's approval in relation to the proposed issue of Convertible Bonds of HK\$30,000,000 as described in the Subscription Agreement.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement, and (ii) immediately after the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights in full, and assuming that there being no other change to the share capital and shareholding structure of the Company from the date of this announcement save for the allotment and issue of the Conversion Shares during the relevant period.

	As at the date of this announcement		Immediately after the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights in full	
	<i>Number of Shares</i>	<i>%</i>		<i>%</i>
	<i>(Approximately)</i>		<i>(Approximately)</i>	
Connected Persons				
Junyi Investments Limited	1,886,662,752 ⁽¹⁾	56.88	1,886,662,752 ⁽¹⁾	54.94
Public Shareholders				
Subscriber	0	0	116,913,484	3.40
Other public shareholders	1,430,382,288	43.12	1,430,382,288	41.66
Total	<u>3,317,045,040</u>	<u>100</u>	<u>3,433,958,524</u>	<u>100</u>

Note:

- Junyi Investments Limited, a company incorporated with limited liability in the British Virgin Islands, is wholly-owned by Mr. Han Junran who is an executive Director of the Company.

REASONS FOR AND BENEFITS OF ISSUE OF THE CONVERTIBLE BONDS

The Company is an investment holdings company. The Company and its subsidiaries is principally engaged in property development and investment business in the PRC.

The Company intends to use the HK\$30,000,000 raised from the Subscription for any possible acquisition and other investment opportunities in the future, as the Company has been actively exploring for business opportunities to diversify risk and broaden the sources of income of the Group.

The Board believes that the funds raised by the Subscription is to the benefit of the Group and is an opportunity for the Company to strengthen its capital base and financial position for future development without immediate dilution effect on the shareholding of the existing Shareholders. And if the Conversion Rights are exercised, it will benefit the long-term business development of the Group by broadening the Shareholder base of the Company.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Subscription Agreement and the Convertible Bonds are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors consider that the terms of the Subscription Agreement are fair and reasonable on the current market and in the interests of the Company and its shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Group has not conducted any equity fund raising activities in the past 12 months prior to the date of this announcement.

As the Subscription is subject to the fulfillment of certain Conditions Precedent and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	the holder(s) of the Convertible Bonds
“Company”	New City Development Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange (Stock Code: 456)

“Completion”	the completion of the Subscription
“Completion Date”	the date of Completion, which shall be within 3 business days of the satisfaction of the Closing Condition
“Closing Condition”	the closing condition described under the section headed “Completion and Closing Condition” in this announcement
“Conditions Precedent”	the conditions precedent for Completion of the Subscription
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Convertible Bonds”	the 7% coupon Convertible Bonds in the aggregate principal amount of HK\$30,000,000 to be issued by the Company and subscribed by the Subscriber pursuant to the Subscription Agreement
“Conversion Price”	HK\$0.2566, being the price for conversion of the Convertible Bonds, which is subject to adjustment pursuant to the terms and conditions of the Convertible Bonds
“Conversion Rights”	the rights of a Bondholder to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares in accordance with the Conditions
“Conversion Share(s)”	the Share(s) to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“Directors”	directors of the Company
“Event of Default”	(i) change of control in any Group Company without the Subscriber’s approval; (ii) insolvency of any Group Company which has significant business operations; (iii) the Shares shall cease to be listed on the Stock Exchange or steps are taken by or on behalf of the Company to effect such cessation
“General Mandate	the general mandate granted to the Directors at the annual general meeting of the Company held on 27 June 2017 to allot or otherwise deal with the Shares
“Group”	the Company and its subsidiaries, “Group Company” means any of them
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Party(ies)”	third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and its connected persons
“Instrument”	the instrument to be executed by the Company constituting the Convertible Bonds, together with the schedules (as from time to time altered in accordance with the Instrument) and any other document executed in accordance with the instrument (as from time to time so altered) and expressed to be supplemental to the Instrument
“Last Trading Date”	9 February 2018, being the last trading date for the Shares before the date of this announcement
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the day falling 3 months from the date of signing the Subscription Agreement
“Share(s)”	ordinary share(s) of HK\$0.004 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Red Swan Capital Management Limited
“Subscription”	the subscription for the Convertible Bonds by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement entered into between the Company and the Subscriber on 9 February 2018 pursuant to which the Subscriber has agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$30,000,000
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 9 February 2018

As at the date of this announcement, the Board comprises (i) three executive Directors, namely Mr. Han Junran (Chairman), Mr. Luo Min and Mr. Seto Man Fai; 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.