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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 NOTES

SUBSCRIPTION AGREEMENT

On 16 May 2018 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has agreed to issue, and the Subscriber has agreed to subscribe for, the Convertible Notes with an aggregate principal amount of HK\$35,000,000.00.

The Convertible Notes may be converted into 162,790,697 Conversion Shares at the Conversion Price of HK\$0.215 per Conversion Share (subject to adjustment).

Assuming the Conversion Rights are exercised in full at the Conversion Price, a maximum of 162,790,697 Conversion Shares will be allotted and issued, representing approximately 4.91% of the entire issued share capital of the Company as at the date of this announcement and approximately 4.68% 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 Notes 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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Details of the Subscription Agreement are set out below.

SUBSCRIPTION AGREEMENT

Date:

16 May 2018

Parties:

Issuer: The Company

Subscriber: Chia Nancy

Subscription

Pursuant to the Subscription Agreement, the Company has agreed to issue, and the Subscriber has agreed to subscribe for the Convertible Notes with an aggregate principal amount of HK\$35,000,000.00 at the consideration of HK\$35,000,000.00.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Subscriber is a third party independent of the Company and its connected persons.

TERMS AND CONDITIONS OF CONVERTIBLE NOTES

The terms and conditions of the Convertible Notes 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\$35,000,000.00

Conversion Price The Conversion Price is HK\$0.215 per Share, which is subject to adjustments for, among other matters, consolidation, sub-division of Shares, capitalization of profits or reserves, rights issue, or issue of convertible securities, warrants or options carrying the right to subscribe for Shares.

The Conversion Price represents:

- (i) a discount of approximately 18.87% to the closing price of HK\$0.265 per Share as quoted on the Stock Exchange on the Last Trading Date; and
- (ii) a discount of approximately 19.17% to the average closing price of HK\$0.266 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the Last Trading Date.

Based on the Conversion Price of HK\$0.215 per Conversion Share (subject to adjustment) and the estimated net proceeds of approximately HK\$34.8 million, the estimated net price of each Conversion Share will be approximately HK\$0.214.

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.

Adjustment events The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events in relation to the Company, including:

- (i) consolidation or sub-division of Shares;
- (ii) capitalization of profits or reserves;

- (iii) capital distribution;
- (iv) right issues of Shares or options over Shares, etc;
- (v) issue of convertible securities at less than prevailing market price;
- (vi) issue of Shares at less than prevailing market price.

Other major terms in relation to adjustment to the Conversion Price	Where, following any corporate actions of the Company, including but not limited to consolidation, reduction or subdivision of Shares, capitalization of profits or reserves, rights issue, or issue of convertible securities, warrants or options carrying the right to subscribe for the Shares, results in an adjustment to the Conversion Price in accordance with the terms of the Convertible Notes, and as a result, the number of the Conversion Shares to be issued would exceed the maximum limit on the allotment and issue of Shares under the General Mandate, the Company shall be entitled to give notice thereof to the Noteholders to satisfy any exercise of the Conversion Rights in excess of the maximum limit on the allotment and issue of the Shares under the General Mandate to which the Noteholders would have been entitled (the “ Excess Conversion Rights ”) upon exercise of the Conversion Rights in cash (the “ Cash Payment ”) by reference to the closing price of the Shares on the trading day immediately preceding the date of the relevant conversion notice, and the Noteholders shall accept the Cash Payment as full settlement of the Excess Conversion Rights.
Interest rate	The Convertible Notes shall carry interest at the rate of 2% per annum payable in cash in arrears on the Maturity Date or, if earlier, upon full conversion or redemption of the Convertible Notes.
Transferability of Convertible Notes	The Convertible Notes may be transferred or assigned in whole or in part by the Noteholders to any party, save and except that the Convertible Notes shall not be transferred to a connected person of the Company or an associate of such connected person unless the necessary approvals from the independent Shareholders as may be required under the Listing Rules have been obtained.
Maturity date	The date falling on the second anniversary of the date of issue of the Convertible Notes.
Conversion rights	The Noteholders may convert the whole or part of the principal amount of the Convertible Notes into the Conversion Shares at the Conversion Price for the period commencing from the date of issue of the Convertible Notes up to the Maturity Date.

The Noteholders shall have the right to convert the Convertible Notes, in whole or in part, at any time at the Conversion Price set out above, provided that no conversion of the Convertible Notes shall be made if immediately upon such conversion, the Company will fail to comply with the public float requirement of the Shares under Rule 8.08 of the Listing Rules.

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

Conversion Shares in respect of the Convertible Notes

If the Conversion Rights are exercised in full at the Conversion Price of HK\$0.215 per Conversion Share, 162,790,697 Conversion Shares will be issued by the Company.

The 162,790,697 Conversion Shares represent about 4.91% 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 162,790,697 Conversion Shares represent about 4.68% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

Redemption

Unless previously redeemed or converted in accordance with the conditions pursuant to which the Convertible Notes are to be issued, the Company shall redeem the Convertible Notes in full at its outstanding principal amount together with any accrued but unpaid interest on the Maturity Date.

Early redemption

Unless previously converted in accordance with the conditions pursuant to which the Convertible Notes are to be issued, the Company may at its sole and absolute discretion redeem the Convertible Notes (or any part thereof) at its outstanding principal amount together with interest at any time and from time to time on or before the Maturity Date.

Ranking of the Convertible Notes

The Convertible Notes constitute a 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 issued Shares as at the date of allotment and issue of such Conversion Shares.
Voting	The Convertible Notes do not confer any voting rights at any meetings of the Company.

Mandate to issue the Conversion Shares

The issue of the Convertible Notes will be made under 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 issued share capital of the Company as at the date of the passing of the resolution approving such grant. As such, the issue of the Convertible Notes and the Conversion Shares is not subject to the approval of the Shareholders. As at the date of this announcement, no Shares or securities have been allotted and issued by the Company under the General Mandate. Upon exercise of the Conversion Rights in full, assuming the Conversion Price is not adjusted as a result of any dilutive event and there is no redemption of the Convertible Notes pursuant to the terms and conditions of the Convertible Notes, the Company may allot and issue up to the remaining 500,618,311 Shares under the General Mandate.

Listing of the Conversion Shares

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

Consideration

The aggregate consideration payable by the Subscriber to the Company for the Subscription of the Convertible Notes is HK\$35,000,000.00, which will be payable in cash at Completion.

Conditions precedent to Completion

Completion is subject to the following conditions having been fulfilled:

- (1) the Listing Committee granting the listing of, and the permission to deal in, the Conversion Shares; and
- (2) the warranties given by the Company under the Subscription Agreement remain true, accurate and correct as at the date of Completion.

In the event that the above conditions are not fulfilled on or before 31 May 2018 (or such other date as the parties to the Subscription Agreement may agree in writing), the Subscription Agreement shall cease and terminate and neither the Company nor the Subscriber shall have any claims against each other.

Completion

Completion shall take place within five (5) business days after all the conditions precedent to Completion are fulfilled (or such later date as the parties to the Subscription Agreement may agree in writing). Upon Completion, the Company will issue the Convertible Notes to the Subscriber and the Subscriber shall pay to the Company the principal amount of the Convertible Notes being subscribed.

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.

REASONS FOR AND BENEFITS OF ISSUE OF THE CONVERTIBLE NOTES

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

The Directors believe that the issue of the Convertible Notes presents an opportunity for the Company to enlarge its capital base without triggering any immediate dilution effect on the shareholding of the existing Shareholders. It can also strengthen the financial position of the Company, thereby providing working capital for the Group to develop its existing and future business.

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

USE OF PROCEEDS

The estimated net proceeds from the issue of the Convertible Notes, after deduction of estimated expenses payable in connection with the issue of the Convertible Notes, will amount to approximately HK\$34.8 million. The Company intends to use such net proceeds as general working capital for the Group to develop its existing and future business.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

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

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 the Conversion Price is HK\$0.215 per Conversion Share and there is no further issue or repurchase of Shares from the date of this announcement other than the Conversion Shares.

	As at the date of this announcement		Immediately after the allotment and issue of the Conversion Shares upon exercise of the Conversion Rights in full	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Connected Persons				
Junyi Investments Limited (Note 1)	1,886,662,752	56.88	1,886,662,752	54.22
Public Shareholders				
Subscriber	0	0	162,790,697	4.68
Other public Shareholders	1,430,382,288	43.12	1,430,382,288	41.10
Total	<u>3,317,045,040</u>	<u>100</u>	<u>3,479,835,737</u>	<u>100</u>

Notes:

1. 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.

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
“business day”	any day, other than a Saturday, Sunday or public holiday, on which banks in Hong Kong generally provide their banking services
“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: 0456)

“Completion”	the completion of the Subscription
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Convertible Notes”	the convertible notes at 2% per annum coupon rate in the aggregate principal amount of HK\$35,000,000.00 to be issued by the Company and subscribed by the Subscriber pursuant to the Subscription Agreement
“Conversion Price”	HK\$0.215 per Conversion Share, being the price for conversion of the Convertible Notes, which is subject to the adjustments pursuant to the terms and conditions of the Convertible Notes
“Conversion Right”	the right of a Noteholder to convert the whole or part of the outstanding principal amount of the Convertible Notes into the Conversion Shares
“Conversion Share(s)”	the Share(s) to be issued upon the exercise of the Conversion Right
“Director(s)”	director(s) of the Company
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Date”	16 May 2018, being the last trading date for the Shares immediately before the issue 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
“Maturity Date”	the date falling on the second anniversary of the date of issue of the Convertible Notes
“Noteholder(s)”	the holder(s) of the Convertible Notes
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.004 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Chia Nancy, the subscriber of the Convertible Notes
“Subscription”	the subscription for the Convertible Notes by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the agreement dated 16 May 2018 and entered into between the Company and the Subscriber for the Subscription
“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, 16 May 2018

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