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If you have sold or transferred all your shares in New City Development Group Limited, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial adviser to the Company

VEDA | CAPITAL
智略資本

**Independent Financial Adviser to
the Independent Board Committee and Independent Shareholders**

HOORAY 好盈

HOORAY CAPITAL LIMITED

Capitalised terms used on this cover shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 6 to 15 in this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 16 to 17 of this circular. A letter from Hooray Capital, the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 29 of this circular.

A notice convening the EGM to be held at 10:30 a.m. on Thursday, 31 December 2015 at Unit D, 17/F, MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong is set out on pages 44 to 45 of this circular. If you are unable to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Union Registrars Limited of A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be) or the poll concerned. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) or the poll concerned should you so wish.

14 December 2015

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“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
“Announcement”	the announcement of the Company dated 1 November 2015 in relation to the Acquisition
“associates”	has the meaning ascribed to it under the Listing Rules
“Beijing Chang Sheng”	Beijing Chang Sheng Investments Limited [#] (北京昌盛投资有限公司), a company incorporated with limited liability in the PRC and is owned as to 10% by an Independent Third Party and 90% by Mr. Han and his brothers
“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

DEFINITIONS

“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 its 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
“Hooray Capital”	Hooray Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
“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
“Independent Third Party(ies)”	person(s) who are independent of the Company and its connected persons
“Ji Cai (Beijing)”	Beijing Ji Cai Sports and Fitness Services Company Limited [#] (北京吉彩體育健身服務有限公司), a company incorporated with limited liability in the PRC and is owned as to 50% by Jing Long Chang and 50% by Beijing Chang Sheng

DEFINITIONS

“Ji Cai Decoration”	Ji Cai (Beijing) Decoration Engineering Limited [#] (北京吉彩裝飾工程有限公司), a company incorporated with limited liability in the PRC and is owned as to 60% by two Independent Third Parties, 30% by Beijing Chang Sheng and 10% by Jing Long Chang
“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
“Jing Long Chang”	Beijing Jing Long Chang Trading Limited [#] (北京京龍昌商貿有限公司), a company incorporated with limited liability in the PRC and is wholly owned by Mr. Han and his brothers
“Land”	the piece of land for commercial use situated 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濱區)
“Latest Practicable Date”	10 December 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“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 Kairan”	Mr. Han Kairan (韓凱然), a brother of Mr. Han Junran who is the chairman of the Company and an executive Director
“Mr. Han and his brothers”	Mr. Han Junran (韓軍然), Mr. Han Kairan and Mr. Han Hongran
“Mr. Han Hongran”	Mr. Han Hongran (韓宏然), a brother of Mr. Han Junran
“PRC”	the People’s Republic of China which, for the purpose of this circular excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Purchaser”	Ultimate Perfect Limited, a limited liability company established in Samoa and a wholly-owned subsidiary of the Company
“Savills”	Savills Valuation and Professional Services Limited, an independent property valuer
“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 its obligations to repay the loan in an amount of RMB2,076,956.14
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“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
“Valuation Report”	the valuation report dated 30 October 2015 issued by Savills relating to the Land, the text of which is set out in Appendix I to this circular
“Vendor”	Faith Grand Investments Limited, a company incorporated in the British Virgin Islands and is owned by Mr. Han Kairan
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

DEFINITIONS

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

Unless the context requires otherwise, 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.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Han Junran (*Chairman*)

Mr. Fu Yiu Kwong

Mr. Luo Min

Registered office:

Floor 4, Willow House

Cricket Square, P.O. Box 2804

Grand Cayman KY1-1112

Cayman Islands

Independent non-executive Directors:

Mr. Seto Man Fai

Mr. Chan Yiu Tung, Anthony

Mr. Zheng Qing

Dr. Ouyang Qingru

*Head office and principal place
of business in Hong Kong:*

Unit D, 17/F, MG Tower,
133 Hoi Bun Road, Kowloon,
Hong Kong

14 December 2015

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the Announcement in relation to the proposed Acquisition of the Target Company.

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. As one or more of the applicable percentage ratios in accordance with the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, the Vendor is wholly-owned by a 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

LETTER FROM THE BOARD

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 purpose of this circular is to provide you with, 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 of advice from Hooray Capital to the Independent Board Committee and the Independent Shareholders 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.

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. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the entire issued share capital of the Vendor is wholly-owned by Mr. Han Kairan, hence the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules.

Asset 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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

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 pursuant to the Acquisition Agreement) shall be paid within five (5) Business Days after the Vendor has provided the Purchaser with the audited consolidated accounts of the Target Company 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.

As at the Latest Practicable Date, the initial refundable deposit of HK\$9.5 million has been paid by the Purchaser to the Vendor’s nominated person in cash pursuant to the Acquisition Agreement as deposit.

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 Company 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 Company 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 RMB2,182,032 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; and (iii) the value of the Land of approximately RMB66 million (equivalent to approximately HK\$80.19 million) as at 31 August 2015 which was preliminarily assessed by Savills.

Base on the above factors, the estimated value of the Target Group upon Completion is the aggregate of (i) net liabilities of approximately RMB2,182,000; (ii) approximately RMB35,118,000 (being the total amount of the waiver of loans of the members of the Target Group less approximately RMB3,671,000 in non-controlling interests upon Completion; and

LETTER FROM THE BOARD

(iii) approximately RMB25,991,000 (being the net gain in fair value of the Land which is the difference between fair value of the Land less the existing carrying value of the Land of approximately RMB37,121,000, multiplied by the Target Group's effective attributable interests of 90% in the Land, which is approximately RMB58,927,000 (approximately HK\$71,597,000). The Consideration therefore represents a discount of approximately 5.02% to the estimated value of the Target Group.

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

LETTER FROM THE BOARD

(viii) the parties to the Acquisition Agreement having obtained all necessary waiver, consent, approval, license, 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. Waiver(s) of any of the conditions may have a material adverse effect on the substance of the Acquisition in terms of, amongst other things, (i) the value of the Land; (ii) the legal, financial and business conditions of the Target Group and the Land; and (iii) the legality and validity of the Group's interest in the Land after completion of the Acquisition.

Although the Purchaser has the right to waive the conditions (other than conditions (ii) and (viii) above) under the Acquisition Agreement, the Purchaser has not exercised and has no intention to exercise such right as at the Latest Practicable Date.

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.

As at the Latest Practicable Date, none of the above conditions had been fulfilled.

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 relevant members of the Target Group from its obligations to repay the loan in an amount of RMB36,712,237 owed by the relevant members of the Target Group to Ji Cai (Luoyang).

LETTER FROM THE BOARD

Pursuant to the Second Deed of Waiver, Faith Grand Services Limited shall irrevocably and unconditionally waive, release and discharge the Target Company from its 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 Latest Practicable Date, the Vendor is wholly-owned by Mr. Han Kairan. The Vendor holds the entire issued share capital 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 Kairan acting as its director and legal representative.

Ji Cai (Luoyang) is owned as to 80% by two Independent Third Parties, 10% by Ji Cai (Beijing) and 10% by Ji Cai Decoration.

Ji Cai (Beijing) is owned as to 50% by Beijing Chang Sheng and 50% by Jing Long Chang.

Ji Cai Decoration is owned as to 60% by two Independent Third Parties, 30% by Beijing Chang Sheng and 10% by Jing Long Chang.

Beijing Chang Sheng is owned as to 10% by an Independent Third Party, 52% by Mr. Han Junran, 19% by Mr. Han Hongran and 19% by Mr. Han Kairan.

Jing Long Chang is owned as to 40% by Mr. Han Junran, 30% by Mr. Han Hongran and 30% by Mr. Han Kairan.

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.

LETTER FROM THE BOARD

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濱區) 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 Latest Practicable Date, the Directors indicated that the Company has preliminary plan to develop the land into a comprehensive development site, comprising hotel, office, retail and parking spaces but has not drawn up any concrete development plan for the Land. However, the Company would consider hiring independent professional parties to conduct feasibility studies on the future development of the Land. Till then the Company would retain the Land as land reserve.

According to the preliminary valuation carried out by Savills, the value of the Land as at 30 October 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 RMB37,938,107 and RMB2,182,032 respectively. The unaudited net liabilities (including the non-controlling interests) of the Target Company as at 31 August 2015 was approximately RMB2,332,683.

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 eight-month 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)

The loss (after deducting the non-controlling interests) of the Target Company for the eight-month period ended 31 August 2015 was RMB446,563.

The Target Company has not recorded any income for the two financial years ended 31 December 2013 and 2014 and for the eight-month period ended 31 August 2015. However, for the abovementioned financial years and period, the Target Company has incurred

LETTER FROM THE BOARD

business operation expenses which include salaries & wages, bank charges, travelling expenses, land tax, motor vehicles expenses, registration & license fee, professional fee and depreciation & amortization. Therefore, the Target Company has recorded a continued loss for the two financial years ended 31 December 2013 and 2014 and for the eight-month period ended 31 August 2015.

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 (including the independent non-executive Directors whose opinion on the matter is set out in the “Letter from the Independent Board Committee” on pages 16 to 17 in this circular after having been advised by Hooray Capital in this regard, but excluding Mr. Han Junran who has abstained from voting) 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 exceed 5% but are 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 Mr. Han Kairan, 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 Latest Practicable Date, 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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

EGM

The EGM will be held at 10:30 a.m. on Thursday, 31 December 2015 at Unit D, 17/F, MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder.

A notice convening the EGM to be held at 10:30 a.m. on Thursday, 31 December 2015 at Unit D, 17/F, MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong is set out on pages 44 to 45 of this circular. If you are unable to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Union Registrars Limited of A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be) or the poll concerned. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) or the poll concerned should you so wish.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Yiu Tung, Anthony, Mr. Seto Man Fai, Mr. Zheng Qing and Dr. Ouyang Qingru, has been established to advise the Independent Shareholders in respect of the terms of the Acquisition Agreement and the transactions contemplated thereunder. Hooray Capital has been appointed by the Company with the approval of the Independent Board Committee as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

The Directors (including the independent non-executive Directors after considering the opinion of Hooray Capital) consider that the Acquisition is on normal commercial terms and is in the ordinary and usual course of business of the Group, the terms of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 16 to 17 of this circular which contains its recommendation to the Independent Shareholders in relation to the Acquisition and the transactions contemplated thereunder after taking into account the advice from Hooray Capital, and the letter from Hooray Capital as set out on pages 18 to 29 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the Acquisition Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to additional information set out in the appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

14 December 2015

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 14 December 2015 (the “Circular”) of which this letter forms part. Capitalised terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder and to recommend whether or not the Independent Shareholders should vote on the resolutions to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Hooray Capital has been appointed as the independent financial adviser to the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the “Letter from the Board” and the “Letter from Hooray Capital” set out in the Circular to the Independent Board Committee and the Independent Shareholders which contains its advice to us in relation to the Acquisition Agreement and the transactions contemplated thereunder.

Having taken into account the principal reasons and factors considered by, and the advice of, Hooray Capital as set out in its letter of advice to you and us on pages 18 to 29 of the Circular, we are of the opinion that the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms, are in the interests of the Independent Shareholders and the terms of which are fair and reasonable insofar as the Independent Shareholders are concerned. Accordingly, we recommend the Independent

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of

**The Independent Board Committee of
New City Development Group Limited**

Mr. Seto Man Fai <i>Independent</i> <i>Non-executive Director</i>	Mr. Chan Yiu Tung, Anthony <i>Independent</i> <i>Non-executive Director</i>	Mr. Zheng Qing <i>Independent</i> <i>Non-executive Director</i>	Dr. Ouyang Qingru <i>Independent</i> <i>Non-executive Director</i>
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LETTER FROM HOORAY CAPITAL

The following is the full text of the letter from Hooray Capital setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the matters contemplated thereunder, which has been prepared for the purpose of inclusion in this circular:



14 December 2015

*To: the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the matters contemplated thereunder. Details of the Acquisition are contained in the “Letter from the Board” contained in the circular of the Company dated 14 December 2015 (the “Circular”) issued to the Shareholders, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

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

As the applicable percentage ratios (as defined under the Listing Rules) calculated in accordance with the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. In addition, as at the Latest Practicable Date, the Vendor, is wholly-owned by a brother of Mr. Han Junran (being the chairman of the Company and an executive Director), hence the Vendor is a connected person of the

好盈融資有限公司
Hooray Capital Limited

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Unit B 19/F Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong

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LETTER FROM HOORAY CAPITAL

Company under Chapter 14A of the Listing Rules. Accordingly, 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 Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Yiu Tung, Anthony, Mr. Seto Man Fai, Mr. Zheng Qing and Dr. Ouyang Qingru, has been formed to advise the Independent Shareholders as to (i) whether the terms of the Acquisition Agreement are fair and reasonable; (ii) whether the Acquisition is on normal commercial terms and in the ordinary and usual course of business of the Group; (iii) whether the Acquisition is in the interests of the Company and its Shareholders as a whole; and (iv) how to vote in respect of the Acquisition. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard and such appointment has been approved by the Independent Board Committee.

As at the Latest Practicable Date, we were independent from and not connected with the Company pursuant to rule 13.84 of the Listing Rules. We have not acted as the independent financial adviser for the Company's other transactions in the past two years. We are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the terms of the Acquisition. Apart from the normal advisory fee payable to us by the Company in connection with our appointment as the independent financial adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any of its subsidiaries.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular as well as the information, facts and representations provided by, opinions expressed by, and statements made by the Directors, the Company and its management. We have assumed that all information, facts, representation, opinions and statements made or referred to in the Circular were true, accurate and complete in all material aspects as at the Latest Practicable Date and will remain so up to the date of the EGM, and the Company will notify the Independent Shareholders of any material changes to such information, facts, representations, opinions and statements as soon as possible. In addition, we have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld.

In relying on the Valuation Report as set out in Appendix I to the Circular, we have reviewed the fairness, reasonableness and completeness of any assumptions made by Savills. In relation to Savills providing opinion(s) or valuation relevant to the Land, we have (i) reviewed the terms of engagement and the scope of work of Savills; (ii) interviewed Savills as to its expertise and any current or prior relationships with the Company, the Vendor, the Target Company or any of their respective subsidiaries or associates; and (iii) discussed with Savills in respect of their work done.

LETTER FROM HOORAY CAPITAL

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on such information. We, however, have not conducted any independent investigation into the businesses, affairs, financial position or the future prospects of any members of the Group, the Target Group and the Vendor and its respective subsidiaries and associates, nor have we carried out any independent verification of the information supplied.

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

This letter is issued as our opinion and recommendation to the Independent Board Committee and the Independent Shareholders which solely for their consideration of whether to approve of the Acquisition and the matters contemplated thereunder and, save for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation, we have taken into account the principal factors and reasons set out below:

1. Background of the Acquisition

(i) Information on the Group and the Purchaser

The Group is principally engaged in property development and investment in the PRC. The Group has 100% effective interest in Guangdong Changliu Investment Company Limited, the main operating unit of the Group, which generates income through leasing its investment properties in Guangzhou at No. 20-22 Chigang West Road. The Company has been proactively seeking business opportunities in terms of properties development and investments, inter alia, the entering of co-operation agreement in November 2013 and a supplemental agreements in January 2015 and June 2015, respectively, between the Group, an independent third party as vendor and Qingdao Chengtai Real Estate Development Company Limited (青島成泰房地產開發有限公司) (“Qingdao Chengtai”) in relation to the acquisition of the entire issued share capital of Qingdao Chengtai of which its principal asset is a leasehold land in Qingdao City, Shangdong Province, the PRC, intended for the development of real estate.

The Purchaser is an investing holding company incorporated in Samoa. It is a wholly-owned subsidiary of the Company.

LETTER FROM HOORAY CAPITAL

(ii) Information on the Vendor and the Target Company

The Vendor is an investment holding company incorporated in the British Virgin Islands. As at the Latest Practicable Date, the Vendor is wholly-owned by Mr. Han Kairan. The Vendor holds the entire issued share capital of the Target Company.

As at the Latest Practicable Date, the Target Company is an investment holding company with limited liability established in Hong Kong. The Target Company and Ji Cai (Luoyang) (a limited liability company established under the PRC laws which Mr. Han Kairan acts as its director and legal representative) hold 90% and 10% equity interest of Faith Onward (Luoyang), respectively. Faith Onward (Luoyang) is a limited liability company established under the PRC laws which primarily serves as a holding company. Faith Onward (Luoyang) in turn holds the entire equity interest of Luoyang Wan Heng, a limited liability company established under the PRC laws which has obtained the construction land planning permit (建設用地規劃許可證) for the Land. The Land is the principal asset of the Target Group and is for commercial use.

(iii) Information on 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濱區), which is also at the future central business district of Yibin District according to the local government, with a total site area of approximately 34,775 sq.m.. Luoyang Wan Heng has 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.

Yibin District is one of the districts of Luoyang City and is situated at south-east of Luoyang City in Henan Province. Yibin District consists of five towns, namely, Zhuge (諸葛), Licun (李村), Pangcun (龐村), Dianzhuang (佃莊), Koudian (寇店) and 106 administrative villages with a combined area of approximately 280 km² and a total population of approximately 310,000 people pursuant to the official website of the local government. Yibin District is included in the Luoyang City City Planning* 《洛陽市城市總體規劃》 (the “Plan”), being part of the Luoyang City government’s plan in expanding the Luoyang City to promote urbanisation and foster economic growth. According to the Plan, it aims to increase the total urban population of Luoyang City to approximately 4.8 million with urbanization rate of 65% by 2020. As compared with the statistics recorded in the Henan Statistical Yearbook 2015, the total urban population of Luoyang City in 2014 was approximately 3.4 million with urbanization rate of 51%. This represents a compound average growth rate of approximately 5.92% in total urban population between 2014 and 2020. Given the intended urbanisation in Luoyang City by the local government and the fact that the Land is located within Yibin District, we concur with the view of the Directors that the Land has huge development potential. There has been revisions within the specific planning and development schedule within Yibin District, but pursuant to indications from the Company the overall development plan of Yibin District remains unchanged.

LETTER FROM HOORAY CAPITAL

As at the Latest Practicable Date, the Directors indicated that the Company has preliminary plan to develop the land into a comprehensive development site, comprising hotel, office, retail and parking spaces but has not drawn up any concrete development plan for the Land. However, the Company would consider hiring independent professional parties to conduct feasibility studies on the future development of the Land. Till then the Company would retain the Land as land reserve.

2. Reasons and benefits of the Acquisition

The Company intends to focus primarily on city development and actively seek for business opportunities to increase revenue sources, including but not limited to, estate developments. In this regard, the Acquisition which in turn represents gaining the effective control of the Land would provide an opportunity for the Company to increase revenue source while reducing its dependence on the rental income solely generated from its investment properties in Guangzhou at No. 20-22 Chigang West Road. The Directors are of view that the Acquisition would be in line with the principle business of the Company.

As advised by the Vendor, the construction land planning permit (建設用地規劃許可證) for Land is granted to Luoyang Wan Heng and is non-transferable. The Directors considers that it would be more appropriate to acquire the entire issued share capital of the Target Company to gain effective control of the Land rather than to acquire the Land alone for the reason that the Company might expose to unnecessary risk of losing the construction land planning permit or relevant approvals by local authorities if there is any change in the ownership of the Land.

We consider that (i) the Acquisition is in line with the principal business and business objective of the Company; (ii) the Acquisition would provide extra land reserve to the Group for future development purposes which in interests of the Group, we consider that the Acquisition is a commercial transaction conducted in the ordinary and usual course of business of the Group.

3. Principle terms of the Acquisition Agreement

Details of the terms of the Acquisition Agreement are set out in the “Letter from the Board” in the Circular.

(i) 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 Latest Practicable Date, the Target Company holds 90% equity interest of Faith Onward (Luoyang) and Faith Onward (Luoyang) holds the entire equity interest of Luoyang Wan Heng. The principal asset of Luoyang Wan Heng is the Land.

LETTER FROM HOORAY CAPITAL

(ii) Consideration

As set out in “Letter from the Board”, the total consideration for the Acquisition is HK\$68 million which was determined after arm’s length negotiations between the Vendor and the Purchaser with reference to: (i) the net liabilities of the Target Group of approximately RMB2,182,000 as at 31 August 2015 based on the unaudited financial statements of the Target Company, (ii) the waiver of loans of members of the Target Group upon Completion which is approximately RMB38,789,000, the aggregate amounts due to Ji Cai (Luoyang) and Faith Grand Services Limited (“Faith Grand Services”); and (iii) the valuation of the Land of approximately RMB66 million (equivalent to approximately HK\$80.19 million at the exchange rate of RMB1 = HK\$1.215) as at 31 August 2015 which was preliminarily assessed by Savills, and the total consideration shall be payable in cash in three installments: (a) an initial refundable deposit of HK\$9.5 million payable to the Vendor or its nominated person within five Business Days after the signing of the Acquisition Agreement; (b) the sum of HK\$51.7 million payable upon Completion; and (c) 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 pursuant to the Acquisition Agreement) shall be paid within five Business Days after the Vendor has provided the Purchaser with the audited consolidated accounts of the Target Company 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 Company for the eight months 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 as shown in the unaudited management account of the Target Company for the eight months 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 “Set-off”).

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.

As at the Latest Practicable Date, the initial refundable deposit of HK\$9.5 million has been paid by the Purchaser to the Vendor’s nominated person in cash pursuant to the Acquisition Agreement as deposit.

The consideration for the Acquisition will be funded by the internal resources of the Group. The Company had commenced an open offer on 3 June 2015 which raised approximately HK\$174 million (after the deduction of expenses). As confirmed by the Company, the consolidated cash and bank balances of the Company as at 31 October 2015 was approximately HK\$216 million, which is sufficient to settle the consideration.

LETTER FROM HOORAY CAPITAL

Having considered that (i) the Group has sufficient cash resources to satisfy the payment of the Consideration and there no need to conduct any debt or equity financing; (ii) interests of the Company is well protected by the introduction of the Set-off; and (iii) the introduction of the Retention Money would avoid potential default in the payment by the Vendor under the scenario of Set-off, we consider that the terms of the Acquisition Agreement are fair and reasonable so far as the Independent Board Committee and Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

4. Value of the Target Group

Set out below is a summary of the consolidated financial information of the Target Company as extracted from the Target Company's unaudited consolidated management accounts for the eight months ended 31 August 2015:

	For the eight months ended 31 August 2015 approximately RMB (Unaudited)
Revenue	Nil
Loss before tax	495,912
Loss after tax	<u>495,912</u>
Less: Non-controlling Interests	<u>(49,349)</u>
Net Loss after deducting Non-controlling Interests	<u>446,563</u>

LETTER FROM HOORAY CAPITAL

	As at 31 August 2015 approximately <i>RMB'000</i> (Unaudited)
Carrying amount of the Land	37,121
Others	817
Total Assets	37,938
Shareholder's loans subject to waiver	38,789
Other short-term payables	1,331
Total Liabilities	40,120
Net Assets/(Liabilities)	(2,182)
Equity attributable to owners of the Target Company	(2,333)
Less: Non-controlling Interests	(151)
Total Equity of the Target Group	(2,182)

Luoyang Wan Heng acquired the Land in February 2013 resulting from an opening bidding at the consideration of approximately RMB31.27 million. Subsequently Luoyang Wan Heng was disposed to Faith Onward (Luoyang) at the consideration of approximately RMB8 million in September 2014. As advised by the Vendor, such acquisition was part of an internal corporate reorganization given that Mr. Han Kairan, being a member of Beijing Chang Sheng, the former shareholder of Luoyang Wan Heng prior to the said acquisition was the ultimate beneficial owner of the 90% interest in Faith Onward (Luoyang), and that the transaction was not conducted under arm's length basis. We, therefore, consider the transaction of disposing Luoyang Wan Heng to Faith Onward (Luoyang) in September 2014 is irrelevant in our assessment. The carrying value of the Land was principally recorded against the original acquisition costs at material time plus the relevant taxes paid, valuation, exploration and surveying charges, costs on provisional facilities built and the relevant salaries and benefits incurred so far.

According to the Valuation Report as set out in Appendix I to the Circular, the fair value of the Land was approximately RMB66 million (which equivalent to approximately HK\$80.19 million at the exchange rate of RMB1 = HK\$1.215) as at 30 October 2015. There is no material difference between the valuation of the Land as at 30 October 2015 and the preliminary valuation of the Land as at 31 August 2015 assessed for the purpose of considering the Acquisition by the Company. All of which were prepared by Savills and were arrived at by using the direct comparison approach by making reference to comparable land transactions as available in the relevant market. Such valuation methodology, as advised by Savills is a common market practice and does not require any representation from any

LETTER FROM HOORAY CAPITAL

party. We have reviewed the terms of engagement letter and scope of work of Savills which we consider that such engagement is on normal commercial terms and the scope of work of Savills is appropriate in conducting the valuation of the Land. In addition, we have interviewed Savills as to its expertise and current or prior relationship with the Company. Based on our discussion with Savills, we understand that, to the best of their knowledge, save for (i) the valuation of the Land for the Acquisition and (ii) the valuation of the property located at No 20-22 Chigang West Road, Haizhu District, Guangzhou, Guangdong Province, the PRC as required by the Listing Rules in connection to the open offer conducted by the Company which commenced on 3 June 2015, Savills has no other current or prior relationships with the Company, the Vendor, the Target Company or any of their respective subsidiaries or associates for the past three years.

In addition, we obtained the knowledge about the qualification and experience of person in charge on behalf of Savills. As such, we consider that Savills is an independent and qualified valuer in conducting the valuation of the Land. In assessing the fairness, reasonableness and completeness of any assumptions made by Savills, we have reviewed, interviewed and discussed with Savills the methodology of, and basis and assumptions adopted for, the valuation of the Land as contained in the Valuation Report, along with the comparable land transactions that they have considered as well as their work done in conducting the valuation of the Land. During the course of our discussion with Savills, we have not identified any major factors which cause us to doubt the fairness, reasonableness and completeness of the assumptions used in arriving at their valuation. We are also advised by Savills that the valuation of the Land was carried out in accordance with the HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

Having considered the above factors, we consider that the approach as adopted by Savills in the valuation of the Land is consistent with market practice and the underlying basis for the valuation of the Land is fair and reasonable.

Information of the shareholder's loans due from members of the Target Group to Ji Cai (Luoyang) and Faith Grand Services as at Latest Practicable Date are as follow:

As at 31 August 2015 <i>approximately</i> <i>(RMB)</i>	The Target Company	Faith Onward (Luoyang)	Luoyang Wan Heng	TOTAL
Attributable interests to the Target Group	100%	90%	90%	
Due to Ji Cai (Luoyang)	–	34,985,812	1,726,425	36,712,237
Due to Faith Grand Services	2,076,956	–	–	2,076,956
TOTAL	<u>2,076,956</u>	<u>34,985,812</u>	<u>1,726,425</u>	<u>38,789,193</u>

Ji Cai (Luoyang) is a limited liability company established under the PRC laws which Mr. Han Kairan acts as its director and the legal representative. Faith Grand Services is a limited liability company incorporated in Hong Kong and is also beneficially wholly-owned

LETTER FROM HOORAY CAPITAL

by Mr. Han Kairan. The waiver of the above loans would be recorded as a gain in the same amount of the respective members of the Target Group and are subject to any deduction in non-controlling interests where applicable.

Based on the terms of the Acquisition and the information provided herein, the estimated value of the Target Group upon Completion is the aggregate of:

- i) Approximately RMB(2,182,000), being the unaudited consolidated net liabilities of the Target Company as at 31 August 2015;
- ii) Approximately RMB35,118,000, being the total amount of the waiver of loans of the Target Group of approximately RMB38,789,000 less approximately RMB3,671,000 in non-controlling interests upon Completion; and
- iii) Approximately RMB25,991,000, being the net gain in fair value of the Land which is the difference between fair value of the Land pursuant to the Valuation Report of approximately RMB66,000,000 less the existing carrying value of the Land of approximately RMB37,121,000, multiplied by the Target Group's effective attributable interests of 90% in the Land,

which is approximately RMB58,927,000, representing approximately HK\$71,597,000 at the exchange rate of RMB1 = HK\$1.215. The Consideration is therefore represents a discount of approximately 5.02% over the estimated value of the Target Group as shown in the above analysis upon Completion.

We have not employed any comparable in the assessment of the valuation of the Acquisition for the primary reason that the valuation methodology adopted in the Valuation Report by Savills is direct comparison approach, of which has already making reference to comparable land transactions as available in the relevant market. We have also considered that such approach in the valuation of the Land is consistent with market practice and the underlying basis for the valuation of the Land is fair and reasonable.

For the abovementioned factors, we consider the consideration for the Acquisition is fair and reasonable so far as the Independent Board Committee and the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

5. Possible financial effects of the Acquisition

(i) Results on consolidation

Upon the Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company, and accordingly, the Group will have effective interest in the Land and the accounts of the Target Group will be consolidated into the accounts of the Company.

LETTER FROM HOORAY CAPITAL

(ii) Net asset value

As the consideration for the Acquisition will be funded by the internal resources of the Group, it is expected that following the Completion the consolidated cash and bank balance of the Company will fall by the consideration amount plus the professional fees in relation to the Acquisition. Given that, as demonstrated above, the Consideration could represent a discount to the value of the Target Group, a negative goodwill could be recorded and the consolidated net asset value of the Group would be increased by the discounted sum.

(iii) Earnings

Having considered that (i) the members of the Target Group are served as holding companies of the Land and none of them are in business operation; (ii) the net loss of the Target Group, according to the Company, is manageable and insignificant as compared with the Group; and (iii) the Company has not drawn up any concrete development plan for the Land, therefore, the Acquisition will not have material impact upon the earnings of the Group from operations as a whole. However, as demonstrated above, given that the Consideration could represent a discount to the value of the Target Group, a negative goodwill could be recorded in the profit and loss account of the Group as profit by the discounted sum.

(iv) Gearing

The Company has adopted a gearing ratio (net debt/capital and net debt) as one of the indicators for carrying out effective capital management. As confirmed by the Company, save for the open offer which commenced on 3 June 2015, raising approximately HK\$174 million (after the deduction of expenses), there is no material difference in the financial position between the interim results for the six months ended 30 June 2015 of the Company to the Latest Practicable Date. Following the open offer and prior to the Acquisition, the Company recorded a net cash position. Therefore, it is expected that the gearing ratio will rise after the Completion given the Company would apply its cash to satisfy the payment of the Consideration.

(v) Cash flow

Since the Group will settle the Consideration in cash, it is expected that the cash position of the Group will be decreased. In addition, the Company does not expect that there would be any cash generate from the development of the Land in the near future as the Company has not drawn up any concrete development plan for the Land yet. Therefore, it is expected that there would not be material impact on the existing cash flow trend of the Company.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Acquisition.

LETTER FROM HOORAY CAPITAL

RECOMMENDATION

Having considered that (i) the Acquisition is consistent with the Company's principal business; (ii) the terms of the Acquisition is fair and reasonable and is in the interests to the Company; (iii) the Group has sufficient resources to conduct the Acquisition there is no need to conduct debt or equity financing to complete the Acquisition, hence no additional interests expense nor dilution in existing shareholders' interest in the Company; and (iv) the Consideration represents a discount of approximately 5.02% to the underlying value of the Target Group after taking into consideration of the waiver of shareholders' loans upon Completion and the fair value of the Land, we are of the opinion that the Acquisition is in the interests of the Company and the Shareholders as a whole. We are also of the view that the terms of the Acquisition Agreement are on normal commercial terms, fair and reasonable so far as the Independent Board Committee and Independent Shareholders are concerned. Therefore, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the proposed resolution to approve the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Hooray Capital Limited
Simon Ng
Director

Mr. Simon Ng is a licensed person under the SFO to engage in, inter alia, Type 6 (advising on corporate finance) regulated activity and has over 17 years of experience in investment banking and corporate finance.

The following is the text of a letter and valuation certificates prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent property valuer, in connection with their opinion of values of the property interests to be acquired by the Company as at 30 October 2015.



Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

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EA Licence: C-023750
savills.com

The Directors
New City Development Group Limited
Unit D, 17/F
MG Tower
No. 133 Hoi Bun Road
Kowloon
Hong Kong

14 December 2015

Dear Sirs,

In accordance with the instructions from New City Development Group Limited (the “Company”) to us to value the properties (“properties”) situated in the People’s Republic of China (the “PRC”) in which Luoyang Wan Heng Property Company Limited (“Luoyang Wan Heng”) has interests, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of the properties as at 30 October 2015 (the “valuation date”) for circular purpose.

BASIS OF VALUATION

Our valuation is our opinion of the market value of the property concerned which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale and purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation is prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited and in accordance with the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors.

PROPERTY CATEGORIZATION AND VALUATION METHODOLOGY

In valuing the property in Group I, which is held by Luoyang Wan Heng for future development in the PRC, we have adopted the Direct Comparison Approach by making reference to comparable land transactions as available in the relevant market.

In valuing the properties in Group II, which are leased by Luoyang Wan Heng in the PRC, we have assigned no commercial value to the properties due to the prohibition against assignment or sub-letting or otherwise due to the lack of profit rent and/or the short term nature of the leases.

TITLE INVESTIGATIONS

We have been provided with copies of the title documents relating to the properties. However, we have not searched the original documents to verify the ownership or to ascertain the existence of any amendments which may not appear on the copies provided to us. In the course of our valuation, we have relied to a considerable extent on the information given by Luoyang Wan Heng, the Company and its legal adviser, Sinobridge PRC Lawyers (中博律師事務所), regarding the titles to the properties.

VALUATION CONSIDERATIONS AND ASSUMPTIONS

In the course of our valuation, we have assumed that transferable land use rights of the properties for its specific terms have been granted at nominal annual land use fees and that any grant premium payable has already been fully paid. In valuing the properties, unless otherwise stated, we have also assumed that the owners of the properties have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the unexpired terms as granted.

In course of our valuation, we have relied to a considerable extent on the information given by the Company and Luoyang Wan Heng and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, site and floor areas and all other relevant matters. All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore approximations. We have not been able to carry out detailed on-site measurements to verify the correctness of the site and the floor areas of the properties and we have assumed that the site and floor areas shown on the documents handed to us are correct. We have no reason to doubt the truth and accuracy of the information provided to us by the Company and Luoyang Wan Heng which is material to

our valuation. We were also advised by the Company and Luoyang Wan Heng that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

SITE INSPECTION

We have inspected the exterior of the properties. Site inspection of the properties was undertaken by our Ms. Qi Jiao (Assistant Manager) on 31 August 2015. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report that the properties are free from rot, infestation or any other structural defect. No test has been carried out to any of the services. We have not carried out investigations on site to determine the suitability of the ground conditions and the services for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

REMARKS

Unless otherwise stated, all money amounts stated are in Renminbi (“RMB”).

We enclose herewith our summary of values and valuation certificate.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited
Anthony C.K. Lau
MRICS MHKIS RPS(GP)
Director

Note: Mr. Anthony C.K. Lau is a qualified valuer and has over 22 years’ experience of valuing properties in both the PRC and Hong Kong.

SUMMARY OF VALUES

Group I – Property held by Luoyang Wan Heng for future development in the PRC

No. Property	Market value in existing state as at 30 October 2015
1. Lot No. TDJYX – 2012-04, East of Huanhu Road, west of Kaituo Avenue and south of Baita Road, Yibin District, Luoyang New District, Luoyang, Henan Province, PRC	RMB66,000,000
Sub total:	RMB66,000,000

Group II – Properties leased by Luoyang Wan Heng in the PRC

2. Room Nos. Fu 4-201 and 202, Block 5-1, No. 246 Mudan Avenue, Luolong District, Luoyang, Henan Province, PRC	No commercial value
3. A parcel of land located at south of Baita Road, West of green belt of Kaituo Avenue and north of Shengchan Road, Yibin District, Luoyang New District, Luoyang, Henan Province, PRC	No commercial value
Sub total:	Nil
Grand Total:	RMB66,000,000

VALUATION CERTIFICATE

Group I – Property held by Luoyang Wan Heng for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 October 2015
1.	Lot No. TDJYX – 2012-04, East of Huanhu Road, west of Kaituo Avenue and south of Baita Road, Yibin District, Luoyang New District, Luoyang, Henan Province, PRC	<p>The property comprises a parcel of land with a site area of approximately 34,744.80 sq.m..</p> <p>The property is located at Yibin District, Luoyang New District of Luoyang. Developments in the vicinity are dominated by high-rise composite buildings under construction. It takes about 40-minute drive from the property to the city centre.</p> <p>As advised by the Company, the property is proposed to be developed into a comprehensive development comprising hotel, office, retail and car parking spaces with a total planned gross floor area of approximately 173,724.00 sq.m..</p> <p>The land use rights of the property have been granted for a term expiring on 1 March 2053 for commercial use.</p>	As at the valuation date, the property was a bare site.	RMB66,000,000

Notes:

1. Pursuant to the Contract for Grant of State-owned Land Use Rights – No. Yu (Luo Xin) Chu Rang 2013-2 dated 1 February 2013, the land use rights of a parcel of land with a site area of approximately 34,744.825 sq.m. have been granted to Luoyang Wan Heng for commercial use at a consideration of RMB31,270,343. The construction works are required to be commenced on 1 September 2013 and to be completed on 1 September 2016.
2. Pursuant to the State-owned Land Use Rights Certificate – No. Luo Shi Guo Yong (2013) Di 05005286 dated 22 March 2013, the land use rights of a parcel of land with a total site area of approximately 34,744.8 sq.m. have been granted to Luoyang Wan Heng for a term expiring on 1 March 2053 for commercial use.
3. Pursuant to the Construction Land Planning Permit – No. Di Zi Di 410300201300020 dated 19 March 2013, Luoyang Wan Heng is permitted to use a parcel of land with a site area of approximately 34,744.825 sq.m. for development.
4. We have been provided with a legal opinion on the title to the property issued by the Company's legal adviser, which contains, inter alia, the following information:
 - i. Luoyang Wan Heng has legally obtained the land use rights of the property;

- ii. the property is free from any guarantee, foreclosure, freeze or other encumbrances; and
- iii. Luoyang Wan Heng has submitted the application for approving the delay in commencement of construction works and is waiting for the reply from the local government authority and has not received any disposal in connection with administrative enforcement such as supervisions, enquiries, and penalties on idle land from the relevant government authorities due to the delay in commencement of construction works.

Group II – Properties leased by Luoyang Wan Heng in the PRC

No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 30 October 2015
2.	Room Nos. Fu 4-201 and 202, Block 5-1, No. 246 Mudan Avenue, Luolong District, Luoyang, Henan Province, PRC	<p>Block 5-1 (“Building”) is a 4-storey composite building with a total gross floor area of approximately 917.44 sq.m.. It was completed in 2012.</p> <p>The property comprises 2 units of the Building. It has a total gross floor area of approximately 90.00 sq.m..</p> <p>The property is leased to Luoyang Wan Heng from Ji Cai (Luoyang) (the “lessor”), a connected party, for a term commencing on 24 January 2015 and expiring on 31 December 2018.</p>	As at the valuation date, the property was occupied by the Luoyang Wan Heng and used as an office.	No commercial value

Notes:

1. The property is leased to Luoyang Wan Heng for a term commencing on 24 January 2015 and expiring on 31 December 2018 at an annual rental of RMB43,200.
2. We have been provided with a legal opinion on the legality to the tenancy agreement issued by the Company’s legal adviser, which contains, inter alia, the following information:
 - i. Luoyang Wan Heng has legally obtained the right to use the property between 24 January 2015 and 31 December 2018.

No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 30 October 2015
3.	A parcel of land located at south of Baita Road, West of green belt of Kaituo Avenue and north of Shengchan Road, Yibin District, Luoyang New District, Luoyang, Henan Province, PRC	<p>The property comprises a parcel of land with a site area of approximately 8.5 mu (or 5,667.00 sq.m.).</p> <p>The property is leased to Luoyang Wan Heng from Resident Committee of Licun Village Shenming Community (李村镇申明社区居民委员会) (the “lessor”), an independent third party, for a term commencing on 1 October 2013 and expiring on 30 September 2020.</p>	As at the valuation date, the property was a bare site.	No commercial value

Notes:

1. The property is leased to Luoyang Wan Heng for a term commencing on 1 October 2013 and expiring on 30 September 2020 at an annual rental of RMB2,280 per mu.
2. We have been provided with a legal opinion on the legality to the tenancy agreement issued by the Company’s legal adviser, which contains, inter alia, the following information:
 - i. Luoyang Wan Heng is permitted to use the land.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of the Directors and the chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) were as follows:

Name of Director	Capacity	Number of Shares/ underlying Shares	Approximate percentage of the total issued Shares (%)
Han Junran (Notes 1 and 2)	Interests of controlled corporation	1,668,062,752	52.44

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of substantial shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have, an interest and/or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

Name of Shareholder	Capacity	Number of Shares/ underlying Shares	Approximate percentage of the total issued Shares (%)
Han Junran (<i>Note 1</i>)	Interests of controlled corporation	1,668,062,752	52.44
Junyi Investments Limited (<i>Note 1</i>)	Beneficial owner	1,668,062,752	52.44
Trinty Grace Limited (<i>Note 2</i>)	Beneficial owner	496,500,000	15.61
Zhou Xi Quan (<i>Note 2</i>)	Interest of controlled corporation	496,500,000	15.61
Beijing Chengda Shunyi Shangmao Company Limited (<i>Note 3</i>)	Interest of controlled corporation	198,600,000	6.24
Grandfield Holdings Limited (<i>Note 3</i>)	Beneficial owner	198,600,000	6.24
Xu Tao (<i>Note 3</i>)	Interest of controlled corporation	198,600,000	6.24
Zhong Hui Yin (<i>Note 3</i>)	Interest of controlled corporation	198,600,000	6.24

Notes:

- As at the Latest Practicable Date, (i) Junyi Investments Limited is the registered holder of 1,668,062,752 Shares, representing approximately 52.44% of the issued share capital of the Company; (ii) the entire issued share capital of Junyi Investments Limited is held by Mr. Han Junran. Accordingly, Mr. Han Junran is deemed to be interested in such 1,668,062,752 Shares under the SFO.

2. As at the Latest Practicable Date, (i) Trinity Grace Limited is the registered holder of 496,500,000 Shares, representing approximately 15.61% of the issued share capital of the Company; and (ii) the entire issued share capital of Trinity Grace Limited is held by Zhou Xi Quan. Accordingly, Zhou Xi Quan is deemed to be interested in such 496,500,000 Shares under the SFO.
3. As at the Latest Practicable Date, (i) Grandfield Holdings Limited is the registered holder of 198,600,000 Shares, representing approximately 6.24% of the issued share capital of the Company; (ii) the entire issued share capital of Grandfield Holdings Limited is held by Beijing Chengda Shunyi Shangmao Company Limited; and (iii) the entire issued share capital of Beijing Chengda Shunyi Shangmao Company Limited is held by Xu Tao as to 70% and Zhong Hui Yin as to 30%; and (iv) Accordingly, Xu Tao and Zhong Hui Yin are deemed to be interested in such 198,600,000 Shares under the SFO.

3. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in a business which competes or may compete with the business of the Group.

4. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been since 31 December 2014 (being the date to which the latest published audited consolidated accounts of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which is not expiring or determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

6. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions, letters or advice contained in this circular:

Name	Qualification
Savills	Professional Independent Property Valuer

Hooray Capital	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
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As at the Latest Practicable Date, each of Savills and Hooray Capital (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2014 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its respective written consent to the issue of this circular with the inclusion of its letter and the reference to its name and logo included herein in the form and context in which it appears.

7. MATERIAL ADVERSE CHANGE

References are made to the announcements issued by the Company dated 29 August 2014, 30 July 2015 and 25 November 2015 and pages 16 and 17 of the interim report of the Company for the six months ended 30 June 2015 (“**Interim Report 2015**”).

The Company and Beijing Zhong Zheng Real Estate Development Company Limited* (北京中証房地產開發有限公司) (“**Beijing Zhongzheng**”) (a company which was a subsidiary of the Company at the material time and was disposed of by the Company in 2007) received a civil summons dated 15 May 2014 from the Higher People’s Court of Beijing City (the “**PRC Court**”), according to which an application for retrial of a civil court case (the “**Lawsuit**”) had been filed by Shanghai Fudan Guanghua Information Technology Company Limited* (上海復旦光華信息科技股份有限公司) (“**Guanghua Information**”).

On 29 July 2015, the Company received, through its legal advisor in the People’s Republic of China (the “**PRC Lawyer**”), the judgment dated 14 May 2015 (the “**Judgment**”) granted by the PRC Court in respect of the Lawsuit. According to the Judgment, the PRC Court ordered that both the Company and Beijing Zhongzheng shall be jointly liable to repay to Guanghua Information the sum of RMB14,529,886 together with interest accrued thereon from 1 July 2002 up to the date of payment (the “**Judgment Debt**”).

The Board has received the legal advice from its PRC Lawyer which confirms that the Company must perform its obligations under the Judgment. According to the preliminary calculation made by the PRC Lawyer, the interest accrued on the aforesaid sum of RMB14,529,886 from 1 July 2002 up to 18 November 2015 was RMB13,112,338.21. Interest will continue to accrue until full payment is made under the Judgment. Therefore, the Judgment Debt amounted to RMB27,642,224.21 (equivalent to approximately HK\$33,585,302) as at 18 November 2015.

As disclosed in the Interim Report 2015 the land situated at Nos. 20-22, Chigang West Road, Haizhu District, Guangzhou, Guangdong Province, the PRC together with the buildings erected thereon owned by the Group which are currently leased out for rental

income and will be redeveloped by the Group in the long run (the “Guangdong Changliu Project”), is currently the Group’s main operating unit. In view of the downward trend of the China’s economy, the stability of the Guangzhou Changliu Project’s rental income may be affected. However, the Group will proactively respond to the current situation by adjusting business structure, enhancing service quality and contributing funds for partial upgrade of the rental premises in order to maintain the stability of the rental income. As a result, it is difficult for the Company to predict with any certainty as to whether the rental income from the Guangzhou Changliu Project will decrease, increase or maintain at its current level in future. On the other hand, according to the overall planning and policy of Three Oldies Reform formulated by the Guangzhou Municipal Government, the Group will proceed forward with the Guangzhou Changliu Project at a pace which would correspond with the overall progress of the local government in the region. Save as disclosed above, there is no other material adverse change in relation to the Guangdong Changliu Project.

As further disclosed in the Interim Report 2015, in November 2013, the Group has entered into an agreement to acquire a parcel of land for scientific research use in Qingdao City, the PRC and on which the Group intends to develop real estate (the “Qingdao Project”). As there is a delay in overall control and detailed planning of the relevant district by the Qingdao Municipal Government, the Company is taking active steps for preliminary reporting and communicating with the district government. Meanwhile, the Group has also engaged an international planning and design firm, Parsons Brinckerhoff, which has prepared a design plan for the Qingdao Project. The Group is striving to obtain the relevant approvals from the government by 30 June 2016 and thus the supplemental agreements have been entered into to extend the long stop date accordingly. The Group will continue to adhere to direction of its planned strategic development. Save as disclosed above, there is no other material adverse change in relation to the Qingdao Project.

Save as disclosed above, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2014, being the date of which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Unit D, 17/F, MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. on any business day (except Saturdays, Sundays and public holidays) from the date of this circular up to and including the date of EGM:

- (i) the memorandum and articles of association of the Company;
- (ii) the Acquisition Agreement;
- (iii) the letter from the Board to the Shareholders, the text of which is set out on pages 6 to 15 of this circular;

- (iv) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 16 to 17 of this circular;
- (v) the letter of advice from Hooray Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 18 to 29 of this circular;
- (vi) the Valuation Report;
- (vii) the written consents as referred to under the section headed “Consent of Experts” in this Appendix; and
- (viii) this circular.

9. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Chan Yim Kum (“**Ms. Chan**”). Ms. Chan holds a Bachelor’s Degree with honours in Business Administration from the University of Huddersfield, United Kingdom and a Master’s Degree in Professional Accountancy from The Hong Kong Polytechnic University. Ms. Chan is a member of The Taxation Institute of Hong Kong, The Institute of Chartered Secretaries and Administration of the United Kingdom and The Hong Kong Institute of Company Secretaries.
- (b) The registered office of the Company is located at Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands. The head office and principal place of business in Hong Kong of the Company is at Unit D, 17/F, MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong.
- (c) The Hong Kong share registrar and transfer office of the Company is Union Registrars Limited at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (d) The English text of the circular shall prevail over the Chinese text.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (“EGM”) of New City Development Group Limited (the “**Company**”) will be held at 10:30 a.m. on Thursday, 31 December 2015 at Unit D, 17/F, MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT**

- (a) the sale and purchase agreement dated 30 October 2015 (the “**Agreement**”) entered into between Faith Grand Investments Limited as vendor (the “**Vendor**”) and Ultimate Perfect Limited, a wholly-owned subsidiary of the Company, as purchaser (the “**Purchaser**”), pursuant to which, among other things, the Vendor shall sell and the Purchaser shall acquire the entire issued share capital of Faith Onward (Hong Kong) Investments Limited[#] (信誠(香港)投資有限公司) at a total consideration of HK\$68,000,000, (a copy of the Agreement has been produced to the meeting and marked “A” and initialed by the Chairman of the meeting for the purpose of identification), and all the transactions contemplated thereby, be and are hereby approved, confirmed and ratified; and
- (b) the directors of the Company be and are hereby authorised to do such acts and things, to sign and execute all such further documents and to take such steps as they may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Agreement or any transactions contemplated thereby.”

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

Hong Kong, 14 December 2015

NOTICE OF EGM

Notes:

1. Any member of the Company (“**Member**”) entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a Member.
2. The form of proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney must be lodged at the Company’s Hong Kong branch share registrar, Union Registrars Limited, at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or adjourned meeting thereof (as the case may be).
4. Completion and return of the form of proxy will not preclude a Member from attending and voting in person at the EGM or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
5. Where there are joint Members, any one of such joint Members may vote, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint Members are present at the EGM, whether in person or by proxy, the joint registered Member present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other joint Members.

As at the date of this notice, 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.