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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)

CONNECTED TRANSACTION PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE FOR CAPITALISATION OF THE SHAREHOLDER LOAN

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

MESSIS 大有融資

THE CAPITALISATION

On 6 September 2023 (after trading hours), the Company and the Subscriber entered into the Agreement pursuant to which the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 30,701,754 new Shares at the Issue Price of HK\$0.57 per Share for the capitalisation of the entire Shareholder's Loan.

The Subscription Shares represent (i) approximately 35.48% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 26.19% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

SPECIFIC MANDATE

The Subscription Shares will be allotted and issued by the Company under the Specific Mandate. An application will be made to the Stock Exchange for the listing of and permission to deal in the Subscription Shares on the Stock Exchange.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Subscriber and Junyi Investments, a company solely owned by him, collectively holds 45,553,255 Shares, representing approximately 52.64% of the issued share capital of the Company. The Subscriber is therefore a connected person of the Company. Accordingly, the Capitalisation constitutes a non-exempt connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Agreement. The Company has appointed Messis Capital, as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The circular containing, among other things, further details of the Agreement, a letter of advice from the Independent Board Committee to the Independent Shareholders, a letter of advice from Messis Capital to the Independent Board Committee and the Independent Shareholders in relation to the Agreement is expected to be despatched by the Company to the Shareholders on or before Wednesday, 20 September 2023.

THE CAPITALISATION

On 6 September 2023 (after trading hours), the Company and the Subscriber entered into the Agreement. The principal terms are set out below:

Date

6 September 2023

Parties

- (a) the Company; and
- (b) the Subscriber.

Subscription Shares

Pursuant to the Agreement, the Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for, the Subscription Shares at the Issue Price for the capitalisation of the entire Shareholder's Loan.

The Subscription Shares represent (i) approximately 35.48% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 26.19% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Issue Price

The Issue Price is HK\$0.57 per Share. The Issue Price represents:

- (a) a discount of approximately 5.00% to the closing price of HK\$0.60 per Share as quoted on the Stock Exchange as at 6 September 2023, being the Last Trading Day; and
- (b) a discount of approximately 7% over the average closing price of approximately HK\$0.61 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day.

The aggregate nominal value of the Subscription Shares (with a par value of HK\$0.20 each) is approximately HK\$6.14 million.

The aggregate consideration for the issue and allotment of the Subscription Shares of HK\$17.50 million will be settled by way of set off against the entire Shareholder's Loan at Completion.

The Issue Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to 7% of discount the average closing price of approximately HK\$0.61 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of HK\$0.60 per Share. The Directors (other than the independent non-executive Directors who will express their views after considering the advice from the independent financial advisor and Mr. Han who has abstained from voting due to his interest in the Capitalisation) consider that the Issue Price and the terms of the Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions

Completion is conditional upon satisfaction of the following conditions:

- (a) the listing of and permission to deal in the Subscription Shares being granted by the listing committee of the Stock Exchange (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares); and
- (b) the passing by the Independent Shareholders of the Company (other than Mr. Han and his associates who are prohibited from voting under the Listing Rules), as required under the Listing Rules of all necessary resolution at the EGM approving the Agreement, including but not limited to the Specific Mandate and the allotment and issue of the Subscription Shares and other transactions contemplated hereunder.

In the event that the above conditions are not fulfilled on or before 30 November 2023 (or such later date as may be agreed between the parties), then the Agreement shall terminate with immediate effect (other than the surviving provisions and without prejudice to the rights and/or obligations of any Party in respect of any antecedent breach), and the Parties shall be released and discharged from their respective obligations under the Agreement.

Completion

Completion will take place on the third business day after the satisfaction of the last of the conditions (other than the condition in paragraph (c) above) (or such other date as may be agreed between the Subscriber and the Company in writing).

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

SPECIFIC MANDATE

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

APPLICATION FOR LISTING

An application will be made by the Company to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

REASONS FOR THE CAPITALISATION AND USE OF PROCEEDS

Upon completion of the Capitalisation, the gross proceeds from the Capitalisation will be HK\$17.50 million, which will be used for setting off against the entire Shareholder's Loan in the sum of HK\$17.50 million at Completion.

The Capitalisation is to alleviate some of the Company's debt and improve the Company's financial position and gearing level. According to the Company's latest published interim results for the six months ended 30 June 2023, the Company recorded the net debts to equity ratio of 68%. Capitalisation of the Shareholder's Loan enables the Group to settle its existing liabilities and avoid cash outflows. This improves the Group's financial position by reducing the gearing level and broadening the capital base. It also demonstrates the support and solid confidence given by the Subscriber, who is a controlling shareholder of the Company.

In light of the above, the Directors (excluding the independent non-executive Directors who will express their opinion after taking into consideration the advice of the independent financial adviser to be appointed by the Company and Mr. Han who has abstained from voting due to his interest in the Capitalisation) consider that the terms of the Agreement are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE

The shareholding structure of the Company (a) immediately before Completion; and (b) immediately after Completion are as follows:

	Shareholding as at the date of this announcement		Shareholding immediately upon Completion	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
The Subscriber (<i>Note</i>)	45,553,255	52.64	76,255,009	65.00
Public Shareholders	40,990,035	47.36	40,990,035	35.00
Total	86,543,290	100.00	117,245,004	100.00

Note: The Subscriber is deemed to be interested in 37,733,255 Shares held by Junyi Investment, a company incorporated under the laws of the BVI and solely owned by him. The Subscriber is a beneficial owner of 7,820,000 Shares.

FUND-RAISING EXERCISES IN THE PRIOR 12-MONTH PERIOD

The Company has not carried out any equity fund-raising exercise in the 12-month period immediately preceding the date of this announcement.

INFORMATION ON THE COMPANY AND THE SUBSCRIBER

The Company is an investment holding company. The Group are principally engaged in (i) property development and investment in the PRC; and (ii) operation of supermarket retail.

As at the date of this announcement, the Subscriber and Junyi Investments, a company solely owned by him, collectively holds 45,553,255 Shares, representing approximately 52.64% of the issued share capital of the Company. The Subscriber is a controlling shareholder of the Company. The Subscriber is also an executive Director and Chairman of the Board.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Subscriber and Junyi Investments, a company solely owned by him, collectively holds 45,553,255 Shares, representing approximately 52.64% of the issued share capital of the Company. The Subscriber is therefore a connected person of the Company. Accordingly, the Capitalisation constitutes a non-exempt connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will at the EGM seek approval of the Independent Shareholders for the Agreement, the Specific Mandate and the transactions contemplated thereunder. The Subscriber and Junyi Investments, who are interested in the Capitalisation, shall abstain from voting at the EGM.

Mr. Han is interested in the Capitalisation and has abstained from voting at the Board meeting held to approve the Capitalisation.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Agreement. The Company has appointed Messis Capital as an independent financial adviser, to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further details of the Agreement, a letter of advice from the Independent Board Committee to the Independent Shareholders, a letter of advice from Messis Capital to the Independent Board Committee and the Independent Shareholders in relation to the Agreement is expected to be despatched by the Company to the Shareholders on or before 6 September 2023.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the following meanings in this announcement:

“Agreement”	the agreement dated 6 September 2023 entered into between the Subscriber and the Company in relation to the Capitalisation
“associate”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors

“Capitalisation”	capitalisation of the outstanding principal amount of the Shareholder Loan by way of the allotment and issue of the Subscription Shares to the Subscriber pursuant to the terms of the Agreement
“Company”	New City Development Group Limited, a company incorporated in Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 456)
“Completion”	completion of the Capitalisation
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Capitalisation and the Specific Mandate
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Agreement and the transactions contemplated thereunder
“Independent Financial Advisers” or “Messis Capital”	Messis Capital Limited, a corporation licensed under the SFO to or “Messis” conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Capitalisation
“Independent Shareholders”	Shareholders other than (i) the Subscriber and its associates and (ii) any other Shareholders who are required by the Listing Rules to abstain from voting in respect of the resolution(s) relating to the Agreement and the transactions contemplated thereunder at the EGM

“Issue Price”	the issue price of HK\$0.57 per Share
“Junyi Investments”	Junyi Investments Limited, a company incorporated under the laws of the British Virgin Islands and solely-owned by the Subscriber
“Last Trading Day”	6 September 2023
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Party” or “Parties”	Parties under the Agreement
“PRC”	the People’s Republic of China
“Shareholder(s)”	holders of the Share(s)
“Shareholder’s Loan”	the loan in the principal amount of HK\$17.50 million provided by the Subscriber to the Company
“Shares”	ordinary share(s) of the Company
“Specific Mandate”	the specific mandate for the allotment and issue of the Subscription Shares, which is subject to approval by the Independent Shareholders voting by way of poll at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Mr. Han Juran, executive Director and Chairman of the Board, who shall subscribe for the Subscription Shares
“Subscription Share(s)”	30,701,754 new Share(s)
“%”	per cent.

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

Hong Kong, 6 September 2023

As at the date of this announcement, the executive directors are Mr. Han Junran (Chairman) and Mr. Luo Min; and independent non-executive directors are Mr. Chan Yiu Tung, Anthony, Dr. Ouyang Qingru, Mr. Zhang Jing, Mr. Leung Kwai Wah, Alex, and Mr. Luo Zhen.