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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** about this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of New City Development Group Limited.

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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  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

**MESSIS 大有融資**

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A notice convening the extraordinary general meeting of New City Development Group Limited to be held at Flat D, 17/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, on Friday, 3 November 2023 at 11:00 a.m. is set out on pages 41 and 42 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed with this circular and such form of proxy is also published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk). Whether or not you are able to attend the EGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of the power of attorney or authority, to the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the meeting or any adjourned meeting thereof (as the case may be).

9 October 2023

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## DEFINITIONS

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

“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’s 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

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## DEFINITIONS

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“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
“Latest Practicable Date”	4 October 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\$17.58 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

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## DEFINITIONS

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“Subscriber”	Mr. Han Juran, controlling shareholder of the Company who is interested in 45,553,255 Shares representing 52.64% of the issued Share Capital as at the Latest Practicable Date, 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.

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Han Junran (*Chairman*)  
Mr. Luo Min

*Independent non-executive Directors:*

Mr. Chan Yiu Tung, Anthony  
Dr. Ouyang Qingru  
Mr. Leung Kwai Wah Alex  
Mr. Zhang Jing  
Mr. Luo Zhen

*Registered Office:*

P.O. Box 31119 Grand Pavilion  
Hibiscus Way  
802 West Bay Road  
Grand Cayman KY1-1205  
Cayman Islands

*Principal Place of Business  
in Hong Kong:*

Flat D, 17/F  
MG Tower, 133 Hoi Bun Road  
Kwun Tong  
Kowloon, Hong Kong

9 October 2023

*To the Shareholders*

Dear Sirs,

**CONNECTED TRANSACTION  
PROPOSED ISSUE OF NEW SHARES  
UNDER SPECIFIC MANDATE FOR CAPITALISATION OF  
THE SHAREHOLDER LOAN  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcements of the Company dated 6 September 2023, 7 September 2023 and 28 September 2023 in relation to the proposed issue of new shares under the Specific Mandate for Capitalisation of the Shareholder's Loan.

On 6 September 2023 (after the Stock Exchange trading hours), the Company and the Subscriber entered into the Agreement pursuant to which the Parties conditionally agreed that

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## LETTER FROM THE BOARD

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the Subscriber shall subscribe for, and the Company shall issue and allot, 30,701,754 Subscription Shares at the Issue Price of HK\$0.57 per Subscription Share. The aggregate Issue Price of all the Subscription Shares of HK\$17.50 million payable by the Subscriber shall be settled by way of capitalisation of the Shareholder's Loan at Completion.

The purpose of this circular is to provide Shareholders with (i) details of the Capitalisation and the Agreement; (ii) the recommendation from the Independent Board Committee in respect of the Capitalisation and the Agreement and the transactions contemplated thereunder; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Capitalisation and the Agreement and the transactions contemplated thereunder; (iv) other information as required under the Listing Rules; and (v) the notice of the EGM.

### THE AGREEMENT

#### Date

6 September 2023 (after trading hours)

#### Parties

- (i) the Company; and
- (ii) the Subscriber.

#### Number of Subscription Shares

30,701,754 Subscription Shares, represent (i) approximately 35.48% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 26.19% of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares, assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and up until the Completion.

The Subscription Shares shall be issued and allotted under the Specific Mandate to be sought from the Independent Shareholders at the EGM.

#### Issue Price

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

- (i) 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 date of the Agreement; and

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## LETTER FROM THE BOARD

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- (ii) a discount of approximately 7.00% 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 date of the Agreement.

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 shall be settled by way of setting off against the Shareholder's Loan at Completion.

As at the Latest Practicable Date, the Company is indebted to the Subscriber in a total sum of HK\$17.58 million in aggregate which are utilised as general working capital of the Company from time to time. The loans are unsecured, non-interest bearing and immediately payable on demand. Details of the loans from the Subscriber are as follows:

<b>Date of Advance</b>	<b>Loan amount (HK\$)</b>
1. 15 November 2021	2,000,000.00
2. 10 January 2022	800,000.00
3. 24 January 2022	200,000.00
4. 25 February 2022	800,000.00
5. 1 March 2022	1,000,000.00
6. 28 March 2022	1,000,000.00
7. 29 March 2022	200,000.00
8. 5 May 2022	1,000,000.00
9. 30 May 2022	1,000,000.00
10. 6 July 2022	1,000,000.00
11. 26 July 2022	1,000,000.00
12. 29 August 2022	1,000,000.00
13. 26 September 2022	1,000,000.00
14. 2 November 2022	1,000,000.00
15. 22 December 2022	1,000,000.00
16. 17 January 2023	1,000,000.00
17. 21 February 2023	400,000.00
18. 24 February 2023	500,000.00
19. 28 March 2023	100,000.00
20. 4 April 2023	400,000.00
21. 6 April 2023	300,000.00
22. 15 May 2023	380,000.00
23. 27 July 2023	500,000.00
<b>Total:</b>	<b>17,580,000.00</b>

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## LETTER FROM THE BOARD

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The Issue Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent trading performance of the Shares and the business prospects of the Group. The Issue Price represented 7% discount of 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 7% discount would encourage the Subscriber to settle the Shareholders' Loan by Capitalisation. In view of the current continuing interest rate high environment, to some extent such discount would compensate the Subscriber giving away his right to recover the Shareholders' Loan in cash so that he could utilise the same for other investments or loans to other parties in order to obtain interest income, in particular, the Shareholders' Loan is non-interest bearing. The Directors (including the independent non-executive Directors who have expressed their views separately after considering the advice from the Independent Financial Adviser and excluding 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.

### **Ranking of the Subscription Shares**

The Subscription Shares when issued and allotted, shall rank *pari passu* in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of issue and allotment of the Subscription Shares including all dividends declared or payable or distribution made or proposed on or after the Completion Date.

### **Conditions**

Completion is conditional upon satisfaction of the following conditions:

- (i) 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
- (ii) 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 issue and allotment 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.

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## LETTER FROM THE BOARD

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### **Completion**

Completion will take place on the Completion Date (or such other date as may be agreed between the Subscriber and the Company in writing).

### **SPECIFIC MANDATE**

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

### **APPLICATION FOR LISTING**

Application shall 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.

### **REASONS FOR THE CAPITALISATION AND USE OF PROCEEDS**

As at the Latest Practicable Date, the Company is indebted to the Subscriber in an aggregate principal amount of HK\$17.58 million under the Shareholder's Loan.

The gross proceeds from the Capitalisation shall be approximately HK\$17.50 million, which shall be utilised for setting off against the Shareholder's Loan at Completion.

The Capitalisation shall reduce the debts of the Company and improve the Company's financial position and gearing ratio. According to the Company's latest published interim results for the six months ended 30 June 2023, it recorded the net debts to equity ratio of 69%. The proposed Capitalisation of the Shareholder's Loan enables the Group to settle its existing liabilities and to avoid cash outflows towards the Subscriber, which shall improve the Group's financial position by reducing its gearing level and broadening the capital base. It also demonstrates the support and confidence by the Subscriber towards the Company as its controlling shareholder and Chairman of the Board.

Apart, the management of the Company also considers that, being a property developer, it has to maintain sufficient level of liquidity in order to capture future project development and investment.

The Company has explored other fund-raising methods including placing of new shares and rights issue. Given the current market conditions, there is no certainty that the Company shall be able to raise sufficient funds using such fund-raising methods at the Issue Price to settle the Shareholder's Loan. As at the Latest Practicable Date, the Company had reached out to three financial institutions, which are licensed by the SFC to carry out type 1 (dealing in securities) and/or type 6 (advising on corporate finance) regulated activities to inquire about the feasibility of equity fund raisings and other capital market activities other than the proposed Capitalisation. Those financial institutions had shown little interest in the Company's invitation of equity fund raising exercise in view of the Group's historical financial performance and current market

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## LETTER FROM THE BOARD

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situation of a property development and investment in the PRC. Even if such fund-raising methods have eventually been materialized, they would also incur significant costs including commissions payable to the placing agents and/or underwriters. The borrowings from other financial institutions or third party to repay the Shareholder's Loan is not feasible as such loans would be interest bearing (versus the Shareholder's Loan which is non-interest bearing) and would cause extra outlay of the Company and also further worsen the gearing ratio of the Company. In view of these, the Company considers that the issue and allotment of the Subscription Shares to the Subscriber would be a desirable means for the Company to lower its debt and to improve its financial position in view of the current market situation and the circumstances of the Company. Regarding the Issue Price, it represents only a slight discount of 5.00% to the closing price of the Shares as at the date of entering into the Agreement and 7.00% over the average closing price of approximately HK\$0.61 per Share for the last five consecutive trading days up to and including the date of the Agreement.

As at 30 June 2023, the investment properties of the Company was approximately HK\$833 million; the financial assets at fair value through profit or loss of the Company was approximately HK\$27 million; the properties under development and held for sale of the Company was approximately HK\$456 million; and prepayments, deposits and other receivables of the Company was approximately HK\$451 million. The management does not consider sale/realisation of these assets for repayment of the Shareholder's Loan of approximately HK\$17.50 million are feasible based on following reasons:

- (i) as disclosed in the interim report of the Group for the six months ended 30 June 2023 (the "**Interim Report**") of the Company, the investment properties in Guangzhou with the carrying amount of approximately HK\$765.04 million are being pledged to secure bank borrowings and such properties have been leased to tenants under operating leases for generating rental income and management service income for the Group. The management considers that income generated from the investment properties is one of principal businesses, so the sale of these assets for repayment of the Shareholder's Loan would affect the profitability of the Group and continuation of its principal business. In addition, it may involve a significant discount if the investment properties are sold at the current market situation within a short period of time;
- (ii) since the investment properties in Luoyang, the PRC with the carrying amount of approximately HK\$68.08 million is still in construction and are being pledged to secure the bank borrowings, the management are of the view that the such properties in Luoyang, the PRC are unlikely to be sold in short period with reasonable price for repayment of the Shareholder's Loan;
- (iii) the financial assets refer to the Taiwan stocks holding by the Company. After considering the trading volume of such Taiwan stocks, the management considers that it may involve significant discount if such financial assets are sold in open market within a short period of time;

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## LETTER FROM THE BOARD

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- (iv) the properties under development and held for sale represents the Company's properties in Zhuhai, the PRC with the carry amount of approximately HK\$456 million, which are being pledged to secure bank borrowings. As disclosed in the Interim Report, such development for the properties in Zhuhai, the PRC is under construction, it is unlikely that such properties in Zhuhai, the PRC would be sold in short period of time with reasonable price for repayment of the Shareholder's Loan. In addition, the realisation of these assets would affect growth of the business in the long run; and
- (v) as disclosed in the Interim Report, the majority of the prepayments of approximately HK\$376.88 million have been prepaid by the Group to the construction of properties in Luoyang and Zhuhai, the PRC; the deposits of approximately HK\$20.99 million are paid by the Group for the due diligence exercise on the exploration of project investment opportunity in the near future; and the receivables due from another firm is less likely to be recovered in short term.

Based on the paragraphs (i) to (iv) above, the Company does not consider that the sale/realization of above assets are appropriate methods for repayment of the Shareholder's Loan of approximately HK\$17.50 million, and such methods would not be fair and reasonable and in the interests of the Shareholders as a whole.

On the other hand, the Capitalisation would lead to dilution impact to the existing Shareholders and the price-to-book ratio of the Company is low. In view of the consideration of other equity fund raising and borrowing options as set out above, the Capitalisation would be a desirable option for the Company.

On balancing the above factors, the Board is of the view that the Capitalisation and issue of the Subscription Shares are in the interest of the Company and its Shareholders as a whole.

### EFFECT ON THE SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion are as follows:

	Shareholding as at the Latest Practicable Date		Shareholding immediately upon Completion	
	Shares	%	Shares	%
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	<u>86,543,290</u>	<u>100.00</u>	<u>117,245,044</u>	<u>100.00</u>

*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.

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## LETTER FROM THE BOARD

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### FUND RAISING EXERCISES IN THE PRIOR 12-MONTH PERIOD

The Company has not carried out any other equity fund raising exercise in the 12-month period immediately preceding the Latest Practicable Date.

### INFORMATION ON THE PARTIES

#### The Group

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.

#### The Subscriber

As at the Latest Practicable Date, 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 Latest Practicable Date, 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 shall, 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, together with their respective associates, who are interested in the Capitalisation shall abstain from voting at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors is formed to advise the Independent Shareholders on the Agreement.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Mr. Han has a material interest in the Capitalisation and hence is required to and has abstained from voting on the board resolutions approving the Capitalisation in accordance with the Listing Rules.

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## LETTER FROM THE BOARD

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### EGM

Set out on pages 41 and 42 of this circular is a notice of the EGM to be held at Flat D, 17/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Friday, 3 November 2023 at 11:00 a.m. at which ordinary resolution shall be proposed to approve the Agreement, the Specific Mandate and the transactions contemplated thereunder.

Shareholders and their associates with a material interest in the Agreement and transactions contemplated thereunder shall abstain from voting on the resolution approving the same. As at the Latest Practicable Date, 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 shall be abstained from voting in the EGM in respect of the resolution to approve the Agreement and the transactions contemplated thereunder.

Whether or not you propose to attend the meeting, you are requested to read the notice of EGM and complete the accompanying form of proxy, which are enclosed in this circular in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof.

### RECOMMENDATION

Taking into consideration of the reasons set out in the paragraph headed "REASONS FOR THE CAPITALISATION AND USE OF PROCEEDS" above, the Directors (including the independent non-executive Directors but excluding Mr. Han who has interest in the Capitalisation) consider that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms and the Capitalisation is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors and excluding Mr. Han who has interest in the Capitalisation) recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM to approve (i) the Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate for the issue and allotment of the Subscription Shares.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 14 and 15 of this circular, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 16 to 35 of this circular and the information set out in the appendix of this circular.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter of advice from the Independent Board Committee setting out its recommendation to the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) for the purpose of inclusion in this circular.*



### 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)**

9 October 2023

*To the Independent Shareholders*

Dear Sirs/Madams,

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

We refer to the circular (the “**Circular**”) dated 9 October 2023 of the Company of which this letter forms a part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless specified otherwise.

We have been formed to advise the Independent Shareholders in relation to (a) the Agreement and the transactions contemplated thereunder; and (b) the grant of the Specific Mandate. Messis Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise us in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter set out on pages 16 to 35 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with its views and consider that the terms of the Agreement and the transactions contemplated thereunder; and the Specific Mandate are fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders should vote in favor of the resolution to be proposed at the EGM to approve (i) the Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate for the allotment and issuance of the Subscription Shares.

Yours faithfully,  
For and on behalf of the  
Independent Board Committee of  
**New City Development Group Limited**

**Mr. Chan Yiu  
Tung, Anthony**  
*Independent  
non-executive  
Director*

**Dr. Ouyang  
Qingru**  
*Independent  
non-executive  
Director*

**Mr. Leung Kwai  
Wah, Alex**  
*Independent  
non-executive  
Director*

**Mr. Zhang Jing**  
*Independent  
non-executive  
Director*

**Mr. Luo Zhen**  
*Independent  
non-executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from Messis Capital Limited which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this Circular.*

**MESSIS** 大有融資

9 October 2023

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

Dear Sirs and Madams,

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

### INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders on the Agreement and the transaction contemplated thereunder, details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 9 October 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

As set out in the Board Letter, On 6 September 2023 (after the Stock Exchange trading hours), the Company and the Subscriber entered into the Agreement pursuant to which the Parties conditionally agreed that the Subscriber shall subscribe for, and the Company shall allot and issue, 30,701,754 Subscription Shares at the Issue Price of HK\$0.57 per Subscription Share. The aggregate Issue Price of all the Subscription Shares of HK\$17.50 million payable by the Subscriber shall be settled by way of capitalisation of the Shareholder’s Loan at Completion.

As at the Latest Practicable Date, the Subscriber and Junyi Investments, a company solely owned by the Subscriber, 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 shall, 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, together with their respective associates, who are interested in the Capitalisation, shall abstain from voting at the EGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees paid or payable to us in connection with this transaction, no other arrangement exists whereby we had received or would receive any fees or benefits from the Company or any parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent in accordance with Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to give independent advices in respect of the Capitalisation.

### BASIS OF OUR OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Group and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Group and/or the Directors and/or its senior management staff (the “**Management**”) are true and accurate. We have assumed that all statements, information and representations provided by the Directors and the Management, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in this Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its adviser and/or the Directors, which have been provided to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable and there are no reasons to doubt the accuracy and reliability of such public information.

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider that we have reviewed all information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group or the Subscriber.

### PRINCIPAL FACTORS AND REASON CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

#### 1. Information of the Group

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.

#### *Financial results for the six months ended 30 June 2023*

Set out below is a summary of the consolidated statement of profit and loss of the Group for the six months ended 30 June 2023 and 2022, respectively, and the consolidated statement of financial position of the Group as at 30 June 2023 and 31 December 2022, respectively, which were extracted from interim report of the Group for the six months ended 30 June 2023 (the “**2023 Interim Report**”):

	For the six months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
<b>Revenue</b>	90,483	78,032
– Sales from operation of supermarket retail in the PRC	47,113	38,532
– Rental income and related management service income	43,370	39,500
<b>Gross Profit</b>	41,908	38,258
Administrative and other operating expenses	(43,659)	(40,890)
<b>Profit from operations</b>	4,968	678
Finance costs	(12,994)	(14,400)
<b>Loss for the period attributable to the Shareholders</b>	(8,655)	(13,267)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group recorded the total revenue of approximately HK\$90.5 million for the six months ended 30 June 2023, representing an increase of approximately 16.0% comparing with the total revenue of approximately HK\$78.0 million for the six months ended 30 June 2022, which was primarily due to the increase in the sales from operation of supermarket retail in the PRC.

The Group's profit from operations increased from approximately HK\$0.68 million for the six months ended 30 June 2022 to approximately HK\$5.0 million for the six months ended 30 June 2023.

The Group's loss for the period attributable to the Shareholders decreased from approximately HK\$13.3 million to approximately HK\$8.7 million, which was primarily due to (i) the increase in the profit from operations; and (ii) the decrease in the finance costs.

	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	8,102	8,608
<b>Total assets</b>	1,945,145	1,965,280
<b>Total liabilities</b>	1,437,519	1,442,068
<b>Net assets attributable to the Shareholders</b>	529,022	544,188

The total liabilities of the Group decreased from approximately HK\$1,442.0 million as at 31 December 2022 to approximately HK\$1,437.5 million as at 30 June 2023. The gearing ratio calculated as the net debts to the sum of capital and net debts was approximately 69% both as at 31 December 2022 and as at 30 June 2023. The Group's net assets attributable to the Shareholders decreased from approximately HK\$544.2 million as at 31 December 2022 to approximately HK\$529.0 million as at 30 June 2023.

	<b>For the six months ended 30 June 2023</b>	<b>For the six months ended 30 June 2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from/(used in) operating activities	118,779	31,417

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	<b>As at</b> <b>30 June</b> <b>2023</b> <i>HK\$'000</i>	<b>As at</b> <b>30 June</b> <b>2022</b> <i>HK\$'000</i>
Cash and cash equivalents	8,102	15,094

The Group's net cash from operating activities increased from approximately HK\$31.4 million for the six months ended 30 June 2022 to approximately HK\$118.8 million for the six months ended 30 June 2023. However, the cash and cash equivalents as at 30 June 2022 and 2023 of approximately HK\$15.1 million and HK\$8.1 million respectively are not enough to repay approximately HK\$17.5 million of the Shareholder's Loan.

*For the financial year ended 31 December 2022*

Set out below is a summary of the consolidated financial information of the Group for the year ended 31 December 2021 and 2022, respectively which were extracted from the annual reports of the Group for the financial year ended 31 December 2022 (the “**2022 Annual Report**”):

	<b>For the year ended</b> <b>31 December</b>	
	<b>2022</b> <i>HK\$'000</i>	<b>2021</b> <i>HK\$'000</i>
<b>Revenue</b>	180,190	197,817
– Sales from operation of supermarket retail in the PRC	120,872	136,449
– Rental income	32,527	32,508
– Related management service income	26,791	28,860
<b>Gross Profit</b>	81,807	93,756
Administrative and other operating expenses	(89,358)	(76,558)
Allowance on properties under development	(70,851)	–
<b>Loss from operations</b>	(91,192)	(37,720)
Finance costs	(33,863)	(31,682)
<b>Loss for the year attributable to the Shareholders</b>	(76,228)	(64,419)

The Group recorded the total revenue of approximately HK\$180.2 million for the year ended 31 December 2022, representing a decrease of approximately 8.9% as comparing with the revenue recorded for the year ended 31 December 2021, which was mainly due to the decrease in the sales generated from operation of supermarket retail in the PRC.

The Group's loss for the year attributable to the Shareholders increased from approximately HK\$64.4 million to HK\$76.3 million, which was primarily due to the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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increase in the loss from operations, resulting from (i) the higher administrative and other operating expenses; (ii) the increase in allowance on impairment loss properties under development; and (iii) the increase in finance costs.

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	8,608	6,035
<b>Total assets</b>	<b>1,965,280</b>	<b>2,285,650</b>
<b>Total liabilities</b>	<b>1,442,068</b>	<b>1,552,077</b>
<b>Net assets attributable to the Shareholders</b>	<b>544,188</b>	<b>706,423</b>

The total assets of the Group decreased from approximately HK\$2,285.7 million as at 31 December 2021 to approximately HK\$1,965.3 as at 31 December 2022, with the cash and bank balances of approximately HK\$6.0 million as at 31 December 2021 and approximately HK\$8.6million as at 31 December 2022 respectively.

The total liabilities of the Group decreased from approximately HK\$1,552.0 million as at 31 December 2021 to approximately HK\$1,442 million as at 31 December 2022, which was mainly due to decrease in the non-current liabilities.

The net assets attributable to the Shareholders of the Group decreased from approximately HK\$706.4 million as at 31 December 2021 to approximately HK\$544.2 million as at 31 December 2022, which was attributable to the higher decrease in the total assets than that in the total liabilities from 31 December 2021 to 31 December 2022.

	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Net cash from/(used in) operating activities	175,742

  

	<b>As at 31 December 2022</b>	<b>As at 31 December 2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Cash and cash equivalents	8,608

The Group's net cash from operating activities was recorded as outflows of approximately HK\$263.1 million for the year ended 31 December 2021 and inflows of approximately HK\$175.7 million for the year ended 31 December 2022. Although the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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cashflows generated from the Group increased from the year ended 31 December 2021 to the year ended 31 December 2022, the cash and cash equivalents as at 31 December 2021 and 2022 were approximately HK\$6.0 million and HK\$8.6 million respectively, which are not enough to repay approximately HK\$17.5 million of the Shareholder's Loan.

### **2. Principal terms of the Capitalisation under the Agreement**

The principal terms of the Capitalisation under the Agreement are as follows:

#### *Date*

6 September 2023 (after the Stock Exchange trading hours)

#### *Parties*

- (i) the Company; and
- (ii) the Subscriber

#### *Number of Subscription Shares*

30,701,754 Subscription Shares, represent (i) approximately 35.48% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 26.19% of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares, assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and up until the Completion. The Subscription Shares shall be issued and allotted under the Specific Mandate to be sought from the Independent Shareholders at the EGM.

#### *Issue Price*

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

- (i) a discount of approximately 5.0 % 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
- (ii) a discount of approximately 7.0 % to 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 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 the recent trading performance of the Shares and the business prospects of the Group. The Issue Price represented 7.0% discount of 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 7% discount would encourage the Subscriber to settle the Shareholders' Loan by Capitalisation. The Directors (including the independent non-executive Directors who have expressed their views separately after considering the advice from the Independent Financial Adviser and excluding 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.

### ***Ranking of the Subscription Shares***

The Subscription Shares when issued and allotted, shall rank *pari passu* in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of issue and allotment of the Subscription Shares including all dividends declared or payable or distribution made or proposed on or after the Completion Date.

### ***Conditions***

Completion is conditional upon satisfaction of the following conditions:

- (i) 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
- (ii) 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Information of the Subscriber

As at the Latest Practicable Date, the Subscriber and Junyi Investments, a company solely owned by the Subscriber, 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.

### 4. Reasons for the Capitalisation and Use of Proceeds

As at the Latest Practicable Date, the Company is indebted to the Subscriber in an aggregate principal amount of HK\$17.58 million under the Shareholder's Loans. The gross proceeds from the Capitalisation shall be approximately HK\$17.50 million, which shall be utilised for setting off against the Shareholder Loans at Completion.

The Capitalisation shall reduce the debts of the Company and improve the Company's financial position and gearing ratio. According to the Company's latest published interim report for the six months ended 30 June 2023, it recorded the net debts to the sum of capital and net debts ratio of 69%. The proposed Capitalisation of the Shareholder's Loan enables the Group to settle its existing liabilities and to avoid cash outflows towards the Subscriber, which shall improve the Group's financial position by reducing its gearing level and broadening the capital base. It also demonstrates the support and confidence by the Subscriber towards the Company as its controlling shareholder and Chairman of the Board.

Apart, the management of the Company also considers that, being a property developer, it has to maintain sufficient level of liquidity in order to capture future project development and investment.

The Company has explored other fund-raising methods including placing of new shares and rights issue. Given the current market conditions, there is no certainty that the Company shall be able to raise sufficient funds using such fund-raising methods at the Issue Price to settle the Shareholder's Loan. Even if such fund-raising methods have eventually been materialized, they would also incur significant costs including commissions payable to the placing agents and/or underwriters. The borrowings from other financial institutions or third parties to repay the Shareholder's Loan is not feasible as such loans would be interest bearing (versus the Shareholder's Loan which is non-interest bearing) and would cause extra outlay of the Company and also further worsen the gearing ratio of the Company. In view of these, the Company considers that the issue and allotment of the Subscription Shares to the Subscriber would be a desirable means for the Company to lower its debt amount and to improve its financial position in view of the current market situation and the circumstances of the Company. Regarding the Issue Price, it represents only a slight discount of 5.0% to the closing price of the Shares as at the date of entering into the Agreement and 7.0% to the average closing price of approximately HK\$0.61 per Share for the last five consecutive trading days up to and including the date of the Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On balancing the above factors, the Board is of the view that the Capitalisation and issue of the Subscription Shares are in the interest of the Company and its Shareholders as a whole.

### *Our view*

We have noted that the Group recorded net loss for the year since year 2019, and as at 30 June 2023, the Group's cash and bank balances was approximately HK\$8.1 million. Given approximately HK\$17.5 million of the Shareholder's Loan is repayable on demand according to the 2022 Annual Report, the Group's cash position of approximately HK\$8.1 million will be reduced, which make it difficult to maintain the Group's ordinary business operation, given the administrative and other operating expenses was approximately HK\$43.7 million for the six months ended 30 June 2023.

We also noted from the 2023 Interim Report that the Group has acquired property, plant and equipment of approximately HK\$57.8 million for the six months ended 30 June 2023, showing the Group is focusing on developing and exploring the property development and investment segment, which will also demand enough cash and bank balances.

As mentioned above, the Group's gearing ratio calculated as the net debts to the sum of capital and net debts was both approximately 69% as at 31 December 2022 and as at 30 June 2023, which were both over 65%, in a relative high gearing level. According to the 2023 Interim Report, the Group's borrowings was approximately HK\$730.3 million and HK\$707.9 million as at 31 December 2022 and 30 June 2023, respectively, which was the main contributor for the total liabilities of the Group. If additional debt financing was conducted, the gearing ratio of the Group will increase further. Further, as set out under the section "Information of the Group" above, the cash and cash equivalents of the Group as at 30 June 2023 was not enough to repay the Shareholder's Loan. The Capitalisation of the Shareholder's Loan will offset the borrowings due to the director of approximately HK\$17.50 million and improve the financial leverage structure without causing any cash outflows. Such Capitalisation also demonstrated the controlling shareholders' faith and confidence in the Group's business operation and prospects.

Having considered that (i) the Group is focusing on the developing and exploring its property development and investment business; (ii) the Shareholder's Loan is repayable on demand; (iii) the Group's cash position will be reduced if being used to settle the Shareholder's Loan; (iv) the Group's financial leverage structure will be enhanced after the completion of the Capitalisation; and (v) such Capitalisation demonstrated the controlling shareholders' faith and confidence in the Group's business operation and prospects, we concur with the Directors' view that the Agreement can help ease the debt burden on the Group without causing any cash outflow and is in the best interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Alternative repayment methods considered*

According to the 2023 Interim Report, we noted that as one of the principal business is property development and investment in the PRC, as at 30 June 2023, the investment properties of the Company was approximately HK\$833 million; the financial assets at fair value through profit or loss of the Company was approximately HK\$27 million; the properties under development and held for sale of the Company was approximately HK\$456 million; and prepayments, deposits and other receivables of the Company was approximately HK\$451 million. We have discussed with the Management and noted that the Management do not consider sale/realisation of these assets for repayment of approximately HK\$17.50 million of the Shareholder's Loan based on following reasons:

- (i) as disclosed in the 2023 Interim Report, the investment properties in Guangzhou with the carrying amount of approximately HK\$765.04 million are being pledged to secure bank borrowings and such properties have been leased to tenants under operating leases for generating rental income and management service income for the Group. The Management considers income generated from the investment properties is one of principal businesses, so the sale of these assets for repayment of the Shareholder's Loan would affect the profitability of the Group and continuation of its principal business. In addition, it may involve a significant discount if the investment properties are sold at the current market situation within a short period of time;
- (ii) since the investment properties in Luoyang with the carrying amount of approximately HK\$68.08 million is still in construction and are being pledged to secure the bank borrowings, the Management are of the view that the such properties in Luoyang are unlikely to be sold in short period of time with reasonable price for repayment of the Shareholder's Loan;
- (iii) the abovementioned financial assets refer to the Taiwan Stock holding by the Company. After considering the trading volume of such Taiwan Stock, the management considers that it may involve significant discount if such financial assets are considered to be sold in open market within a short period of time;
- (iv) the properties under development and held for sale represents the Company's properties in Zhuhai with the carry amount of approximately HK\$456 million, which are being pledged to secure bank borrowings. As disclosed in the 2023 Interim Report, such development for the properties in Zhuhai is under construction, the Management are of the view that the such properties in Zhuhai are unlikely to be sold in short period of time with reasonable price for repayment of the Shareholder's Loan. In addition, the realisation of these assets would affect growth of the business in the long run; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (v) as disclosed in the 2023 Interim Report, the majority of the prepayments of approximately HK\$376.88 million have been prepaid by the Group to the construction of properties in Luoyang and Zhuhai; the deposits of approximately HK\$20.99 million are paid by the Group for the due diligence exercise on the exploration of project investment opportunity in the near future; and the receivables due from another firm is less likely to be recovered in short term.

Based on the paragraphs (i) to (iv) above, we have reviewed the respective financial reports of the Group and discussed about the possible repayment methods with the Management. In addition, we have reviewed historical trading volume of the Taiwan Stock and the recent property market situations in Guangzhou and Zhuhai. We concur with the Company's view that sale/realization of above assets are not appropriate methods for repayment of approximately HK\$17.50 million of the Shareholder's Loan, and such methods may not be fair and reasonable and in the interests of the Shareholders as a whole.

### *Alternative fund-raising methods considered*

We have discussed with the Management and noted that, given that the cash and bank balances as at 30 June 2023 is insufficient to settle the Shareholder's Loan and the Group needs to keep sufficient working capital for the ordinary business operation, the Company had explored other fund-raising alternatives available to the Group for the repayment of the Shareholder's Loan, such as debt financing, rights issue, open offer and placing of shares.

As discussed with the Directors, we understood that the Group has considered additional debt financing from other banks or financial institutions, however, given the current restrictive environment of the property development and investment market in the PRC, the banks or financial institutions that the Group had communicated were not willing to provide the bank loans with the interests and terms that meet the Group's expectation. We also noted from the 2023 Interim Report that the Group's borrowings was approximately HK\$730.3 million and HK\$707.9 million as at 31 December 2022 and 30 June 2023, respectively, which was the main contributor for the total liabilities of the Group. If additional debt financing was conducted, the gearing ratio of the Group will increase further. Further, under the current interest rate hike macroeconomics environment, the new loans will request higher interest rates from the borrowers, and thus making the Group causing much more interest payments to the new loans, and resulting in higher repayment pressure to the Group. Therefore, we concur with the Directors' view that debt financing and its respective finance cost would generally be undesirable to the Group, especially under the current interest rate hike macroeconomics environment.

As discussed with the Directors, we understood that the Group has also considered the option of rights issue, open offer and placing of shares as other fund-raising alternatives. It is noted from the Management that they have contacted three financial institutions, which are licensed by the SFC to carry out type 1 (dealing in securities) and/or type 6 (advising on corporate finance) regulated activities, such as equity fund raisings and other capital

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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market activities, regarding the feasibility of equity fund raising exercise other than the debt capitalisation. We have reviewed the email records between the Group and these financial institutions and noted that they showed little interest in the Group's invitation taking into account the Group's historical financial performance and current market situation. Further, considering entering into the rights issue, open offer and placing of shares will occur transaction cost and professional parties' engagement fees, the Management considers that the Capitalisation would be a better financing method based on the Group's current financial position and the historical financial performance.

### **5. Fairness and Reasonableness of the Capitalisation Price**

In order to further assess the fairness and reasonableness of terms of the Agreement, we have considered the following factors:

#### *The Issue Price*

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 7.0% discount of 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. We are in the view that (i) the discount of the Issue Price to the average closing price for the last five consecutive trading days up to and including the Last Trading Day will encourage the Subscriber to settle the Shareholder's Loan by Capitalisation; and (ii) given the current continuing interest rate hike environment, to some extent such discount will compensate the Subscriber without directly recovering cash from the Shareholder's Loan for other further lending to other parties in order to obtain interest income.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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*Historical trading liquidity of the Shares*

Save as above, we have also performed a review on the average daily trading volume per month of the Shares during the twelve-month period from 7 September 2022, up to and including 6 September 2023, being the date of the Agreement (the “**Review Period**”), which is commonly used for analysis purpose to illustrate the liquidity of the Shares and is considered sufficient and appropriate for our assessment of the historical trading liquidity of the Shares.

<b>Month/Period</b>	<b>Number of Trading Days (days)</b>	<b>Average daily trading volume of Shares (Shares)</b>	<b>Number of issues Shares as at the end of the period/ month (Shares)</b>	<b>Average daily trading volume during the period as a percentage of the total number of Shares (%)</b>
<b>2022</b>				
7 September to 30 September	17	239,655	86,543,290	0.2769%
October	20	1,800	86,543,290	0.0021%
November	22	9,091	86,543,290	0.0105%
December	20	5,838	86,543,290	0.0067%
<b>2023</b>				
January	18	2,333	86,543,290	0.0027%
February	12	167	86,543,290	0.0002%
March	23	37,505	86,543,290	0.0433%
April	17	8,235	86,543,290	0.0095%
May	21	495	86,543,290	0.0006%
June	21	69,030	86,543,290	0.0798%
July	20	1,356,200	86,543,290	1.5671%
August	23	71,754	86,543,290	0.0829%
1 September to 6 September	3	114,000	86,543,290	0.1317%
<b>Average daily trading volume for the Review Period</b>		152,109		0.1758%

*Source: the website of Stock Exchange*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As illustrated in the table above, the average daily trading volume of Shares during the Review Period ranged from approximately 167 Shares in February 2023 to approximately 1,356,200 Shares in July 2023, representing approximately 0.0002% to approximately 1.5671% of the total number of issued Shares as at end of the respective period/month. The average daily trading volume of the Shares for the Review Period was 152,109 Shares, representing approximately 0.1758% of the total number of issued Shares as at the date of the Agreement.

The trading liquidity of the Shares had been thin during the Review Period, where the percentage of the average daily trading volume as a percentage of the then total number of issued Shares were generally below 0.3%. We are of the view that such low and relatively thin trading liquidity may hinder independent placing agent(s) or underwriter(s) to participate when the Company try to pursue fund-raising exercise by way of rights issue, open offer and placing of shares, and further, the Company may need to apply a much higher discount of the prevailing market price of the Shares in order to attract investors to participate in such fund-raising exercise.

Having considered that (i) the Capitalisation will allow the Company to settle the Shareholder's Loan without causing any cash outflows and thus improve the financial leverage of the Group; (ii) the Subscriber is willing to accept the settlement by way of Capitalisation, which also demonstrates to the investors that the controlling shareholders of the Group have faith and confidence in the Group's financial performance and prospects; and (iii) the thin trading and low liquidity of the Shares may render the Company to apply a much higher discount of the prevailing market price of the Shares for other fund-raising exercise in order to encourage the investors to participate into such fund-raising exercise, we are of the view that the Issue Price represented as the discount of the 7.0% discount of 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 are on normal commercial terms, fair and reasonable.

### *Market comparable analysis*

To further assess the fairness and reasonableness of the Issue Price, we have conducted independent research, using our best endeavours, of recent debt/loan capitalisation involving issuance of shares to both connected persons and independent third parties under both specific mandate and general mandate initially announced by companies listed on the Stock Exchange (the "**Comparables**"). The selection criteria of the Comparables were based on the followings: (i) the debt/loan capitalisation or settlement transactions were conducted during the period from 7 September 2021 to 6 September 2023, covering two years prior to the date of the Agreement; (ii) the companies are listed on the Stock Exchange; (iii) companies are not subject to prolonged suspension of trading over three months; and (iv) the issue prices of such transactions represent nil or discounts to their respective market closing price to the last trading day or announcement date and last five consecutive average closing price, which we considered similar and comparable to the Capitalisation. Based on the selection criteria, we have identified a total of 12

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Comparables, which to the best of knowledge, effort and endeavour, comprising an exhaustive list of comparables.

Since (i) the Group had recorded the loss for the year since the year 2019; (ii) the Group's cash and bank balances was approximately HK\$8.1 million as at 30 June 2023; (iii) the Shareholder's Loan of approximately HK\$17.58 million is repayable on demand; (iv) the Group's gearing ratio calculated as the net debts to the sum of capital and net debts was approximately 69% as at 30 June 2023, which was relatively high gearing level; (v) the Group's borrowings were approximately HK\$707.9 million as at 30 June 2023; and (iv) the Group had no other alternative of financing methods to improve its financial position, the Group initiated the discussions with the Subscriber to settle the Shareholder's Loan by way of debt capitalization. We note that the issue price of the debt capitalisation with certain discount was one of condition to commence the discussions between the Company and the Subscriber. Therefore, we do not consider that the issue prices of transactions with premium to their respective market closing price to the last trading day or announcement date and/or last five consecutive average closing price provide meaningful comparison to the Issue Price of the Capitalisation, and such transactions with premium to their respective market closing price to the last trading day or announcement date and/or last five consecutive average closing price are not considered to be included in the Comparables.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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We set out our findings in the table below:

<b>Date of announcement</b>	<b>Company name (Stock Code)</b>	<b>Discount of subscription price to the closing price on the last trading day/the date of corresponding agreement <i>Approximately (%)</i></b>	<b>Discount of subscription price to the average closing price per share for the last five consecutive trading days preceding/up to and including the last trading day/the date of the corresponding agreement <i>Approximately (%)</i></b>
01/08/2023	Zhongzheng International Company Limited (943)	0.00	0.00
12/06/2023	China Parenting Network Holdings Limited (1736)	(17.86)	(17.86)
21/03/2023	Golden Ponder Holdings Limited (1783)	(14.89)	(17.86)
20/01/2023	Da Sen Holdings Group Limited (1580)	(11.76)	(12.54)
18/01/2023	Gome Retail Holdings Limited (493)	(7.26)	(7.85)
02/01/2023	Gome Retail Holdings Limited (493)	(7.00)	(18.16)
29/08/2022	Echo International Holdings Group Limited (8218)	(3.23)	(4.58)
22/08/2022	China Environmental Technology and Bioenergy Holdings Limited (1237)	(2.78)	0.00
25/03/2022	Echo International Holdings Group Limited (8218)	0.00	(1.07)
30/12/2021	Cornerstone Technologies Holdings Limited (8391)	(24.40)	(22.10)
29/12/2021	CA Cultural Technology Group Limited (1566)	(19.00)	(14.01)
10/09/2021	Crown International Corporation Limited (727)	(9.84)	(14.73)
	<b>Minimum discount</b>	0.00	0.00
	<b>Maximum discount</b>	(24.40)	(22.10)
	<b>Average discount</b>	(9.84)	(10.90)
	<b>The Company</b>	(5.00)	(7.00)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the above table, we noted that:

- (i) the discounts of the issue prices to the closing price per share on the last trading day or on the date of the corresponding agreement of the Comparables ranged from nil to approximately 24.40%, with an average of approximately 9.84%. The discount of the Issue Price to the closing price per Share on the date of the Last Trading Day of approximately 5% is within the range of the Comparables; and
- (ii) the discounts of the issue prices to the average closing price per share for the last five consecutive trading days preceding or up to and including the last trading day or the date of the corresponding agreement of the Comparables ranged from nil to approximately 22.10%, with an average of approximately 10.9%. The discount of the Issue Price to the average closing price per Share for the last five consecutive trading days up to and including the Last Trading Day of approximately 7% is within the range of the Comparables.

In light of the results of the Comparables as set out above, we have further confirmed our view that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned, and that the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

### 6. Potential dilution effects of the Capitalisation

The shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) immediately after Completion are as follows:

	<b>Shareholding as at the Latest Practicable Date</b>		<b>Shareholding immediately upon Completion</b>	
	<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
<b>Total</b>	<b>86,543,290</b>	<b>100.00</b>	<b>117,245,044</b>	<b>100.00</b>

*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.

As shown in the above table, we noted that the public shareholders' shareholding in the Company would be diluted from approximately 47.36% as at the Latest Practicable Date to approximately 35% immediately after the completion of the Capitalisation. We also noted that as of 30 June 2023, the NAV per Share of the Company was approximately HK\$6.82. Upon the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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completion of the Capitalisation, the NAV of the Company will be increased to approximately HK\$607.5 million considering HK\$17.5 million of the Shareholder's Loan was converted into the equity of the Company, where the NAV per Share decreased from HK\$6.82 to HK\$5.18, representing a decrease of approximately 24.0%. The price to book ratio increased due to the NAV per Share decreased. Having considered that (i) the Capitalisation will benefit the financial position and enhance the net assets position of the Group without causing cash outflows; (ii) the terms of the Agreement being fair and reasonable so far as the Independent Shareholders are concerned; (iii) the subscription of the Subscriber, who is a controlling shareholder, demonstrated the controlling shareholders' confidence and faith in the Group's business performance and prospects; (iv) the discount of the Issue Price to the closing price per Share is within the range of the Comparables, which is considered to be fair and reasonable; and (v) the reasons as mentioned under the section "Reasons for the Capitalisation and Use of Proceeds", we are of the view that the potential dilution effect on the shareholding interests of the public Shareholders to be acceptable, and the Capitalisation would be in the interests of the Company and its Shareholders as a whole.

### **7. Financial effects of the Debt Capitalisation**

The following analysis is for illustrative purpose only.

#### *Net assets*

Upon the completion of the Capitalisation, the Subscription Shares as recognised as the equity of the Company will offset the Shareholder's Loan, which in turn will enlarge the capital base and enhance the net assets position of the Company.

#### *Liquidity and working capital*

Upon the completion of the Capitalisation, approximately HK\$17.50 million of the Shareholder's Loan was settled. With less liabilities, the liquidity of the Group will be improved, and the working capital position will also be benefited.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having taken into consideration the factors and reasons stated above, we are of the opinion that though the Capitalisation is not in the ordinary and usual course of business of the Company, the terms of the Capitalisation under the Agreement are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote for the resolution(s) to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder and the granting of the Specific Mandate at the EGM.

Yours faithfully,  
For and on behalf of  
**Messis Capital Limited**

**Anderson Wong**  
*Managing Director*

**Wong Kai Tat Dickson**  
*Director*

*Mr. Anderson Wong is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Mesis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.*

*Mr. Wong Kai Tat Dickson is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Mesis Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.*

## 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) Director's Interest in the securities of the Company and its associated corporation

As at the Latest Practicable Date, save as disclosed below, none of the Directors or the chief executive of the Company or their respective associates had or was deemed to have any interests and 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 required, pursuant to section 352 of the SFO to be entered in the register referred to therein; 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 Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

#### *Long position in the shares and underlying shares of the Company*

Name of Director	Capacity/nature of interests	Number of shares and underlying shares held	Approximate %* of shareholding
Han Junran	Interest of controlled corporation	37,733,255 <sup>(1)</sup>	43.60
	Beneficial owner	7,820,000	9.04

\* The percentage represents the number of shares of the Company divided by the number of the Company's issued shares as at the Latest Practicable Date.

*Note:*

(1) Junyi Investments Limited (a company wholly-owned by Mr. Han Junran) held 37,733,255 shares of the Company, representing 43.60% of the issued share capital. For the purposes of the SFO, Mr. Han Junran was deemed to be interested in the 37,733,255 shares of the Company held by Junyi Investments Limited.

**(b) Substantial shareholders' interest**

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company as recorded in the register kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO.

*Long positions in the Shares of the Company*

Name	Capacity	Number of shares and underlying shares held	Approximate %* of shareholding
Junyi Investments Limited	Beneficial owner	37,733,255 <sup>(1)</sup>	43.60
Qilu International Funds SPC (acting for and on behalf of Zhongtai Dingfeng Classified Fund SP)	Person having a security interest	45,553,255 <sup>(2)</sup>	52.64
Zhongtai International Asset Management Limited	Investment manager	45,553,255 <sup>(2)</sup>	52.64

\* The percentage represents the number of shares of the Company divided by the number of the Company's issued shares as at the Latest Practicable Date.

*Notes:*

- (1) Junyi Investments Limited, a company incorporated with limited liability in the British Virgin Islands, is wholly-owned by Mr. Han Junran who is an Executive Director of the Company.
- (2) The security interest of the 45,553,255 shares of the Company is held by Qilu International Funds SPC (acting for and on behalf of Zhongtai Dingfeng Classified Fund SP), an investment fund managed by Zhongtai International Asset Management Limited.
- (3) The information disclosed is based on the disclosure of interest notices filed by these substantial shareholders of the Company respectively.

**3. DIRECTORS' COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors and their respective associates is and was interested in any business apart from the Group's businesses which competes, or may compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules.

**4. DIRECTORS' INTERESTS IN ASSETS**

As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

**5. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

**6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE**

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

**7. LITIGATION**

Save as disclosed in the inside information announcements dated 28 September 2023, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance or is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries as at the Latest Practicable Date.

**8. BORROWINGS, PLEDGE AND OTHER CONTINGENT LIABILITIES**

As at the Latest Practicable Date, the details of the borrowings of the Group is set out in pages 24 to 26 of the 2023 Interim Report; details of the pledges of the Group is set out in pages 17, 18, 20, 23 and 30 of the Interim Report; details of the contingent liabilities of the Group are set out in pages 27 and 28 of the 2023 Interim Report.

## 9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2022 being the date to which the latest published audited financial statements of the Group was made up.

## 10. EXPERT'S QUALIFICATION AND CONSENT

The following are the qualifications of the experts whose names/advice and/or reports are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Messis Capital Limited	a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

As at the Latest Practicable Date, the above expert (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 2022 (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 consent to the issue of this circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

## 11. GENERAL

- (a) The registered office of the Company is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.
- (b) The head office of the Company and principal place of business of the Company in Hong Kong is at Flat D, 17/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.
- (c) Ms. Eva Lee (“**Ms. Lee**”) is the company secretary of the Company. Ms. Lee is admitted as a solicitor in Hong Kong focusing on capital markets and corporate finance work.
- (d) The principal share registrar and transfer office in the Cayman Islands is Royal Bank of Canada Trust Company (Cayman) Limited, 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.

- (e) The branch share registrar and transfer office in Hong Kong is Union Registrars Limited, Suites 3301–04, 33/F, Two Chinachem Exchange Square, North Point, Hong Kong.
- (f) As at the Latest Practicable Date, there was no commissions, discounts, brokerages or other special terms granted since 31 December 2022 in connection with the issue or sale of any capital of any member of the Group.
- (g) Please refer to the Interim Report for details of general information on the trend of the business of the Group since 31 December 2022.
- (h) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail over its Chinese text unless otherwise specified.

## 12. DOCUMENT ON DISPLAY

Copies of the following documents will be available on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.newcitygroup.com.hk>) from the date of this circular up to and including the date falling on 14 days from the date of this circular:

- (i) the Agreement;
- (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders (the text of which is set out on pages 16 to 35 of this circular); and
- (iii) the letter of consent from the expert referred to under the section headed “Expert’s Qualification and Consent” in this appendix.

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## NOTICE OF THE EGM

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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)**

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “**EGM**”) of New City Development Group Limited (the “**Company**”) will be held at Flat D, 17/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Friday, 3 November 2023 at 11:00 a.m. for the purposes of considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT:**

- (i) an agreement dated 6 September 2023 (the “**Agreement**”) (a copy of which has been tabled at the meeting marked “A” and signed by the chairman of the meeting for identification purpose) entered into between the Company as issuer and Han Junran as subscriber (the “**Subscriber**”) in relation to the issue and allotment of 30,701,754 new shares (the “**Subscription Shares**”) at the issue price of HK\$0.57 per share and that the total issue price in the sum of HK\$15.70 million shall be paid by the Subscriber by way of capitalisation of the entire shareholder’s loan in the sum of HK\$17.50 million and all transactions contemplated thereunder, be and are hereby approved, ratified and confirmed;
- (ii) the grant of the specific mandate (the “**Specific Mandate**”) to the directors (the “**Director(s)**”) of the Company to exercise the power of the Company to allot and issue the Subscription Shares credited as fully paid to the Subscriber pursuant to the terms and conditions of the Agreement be and is hereby approved; and
- (iii) any one Director be and is hereby authorised to allot and issue the Subscription Shares pursuant to the terms and conditions of the Agreement and to do all such further acts and things and to sign and executive all such documents and to take all such steps as he or she may consider necessary or desirable to implement and/or give effect to the Agreement, the grant of the Specific Mandate and all transactions contemplated thereunder.”

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

Hong Kong, 9 October 2023

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## NOTICE OF THE EGM

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*Registered Office:*

P.O. Box 31119 Grand Pavilion  
Hibiscus Way  
802 West Bay Road  
Grand Cayman KY1-1205  
Cayman Islands

*Principal Place of Business  
in Hong Kong:*

Flat D, 17/F  
MG Tower, 133 Hoi Bun Road  
Kwun Tong  
Kowloon, Hong Kong

*Notes:*

1. Any Shareholder of the Company entitled to attend and vote at the above meeting may appoint another person as his proxy to attend instead of him. A proxy need not be a Shareholder of the Company.
2. All resolution(s) at the EGM will be taken by way of poll pursuant to the Listing Rules and the results of the poll will be published on the website of Hong Kong Exchanges and Clearing Limited in accordance with the Listing Rules.
3. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof must be delivered to the office of the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of form of proxy will not preclude you from attending the meeting or any adjourned meeting thereof (as the case may be).
5. A form of proxy for use at the meeting is being despatched to the shareholders of the Company together with a copy of this notice.
6. The register of members of the Company will be closed from Tuesday, 31 October 2023 to Friday, 3 November 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the meeting, all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Monday, 30 October 2023.
7. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning or "extreme conditions after super typhoons" announced by the Hong Kong Government is/are in effect any time after 8:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will post an announcement on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) to notify the Company's shareholders of the date, time and place of the rescheduled meeting.