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

If you have sold or transferred all your Shares in **Joy City Property Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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MAJOR TRANSACTIONS ACQUISITION OF LAND USE RIGHTS IN NANJING, THE PRC

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 4 to 12 of this circular.

The Acquisition is exempted from Shareholders’ approval as it constitutes a Qualified Property Acquisition under the Listing Rules. This circular is being despatched to the Shareholders for information only.

17 May 2023

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DEFINITIONS

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

“Acquisition”	the acquisition of the land use rights of the Land through public bidding
“Auction”	the online public auction held by the Nanjing Planning and Natural Resources Bureau at which the Land was offered for sale
“Board”	the board of Directors
“COFCO Corporation”	COFCO Corporation (中糧集團有限公司), a state-owned enterprise incorporated in the PRC in September 1952 under the purview of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), the holding company of Grandjoy Holdings Group and thus an indirect controlling shareholder of the Company
“Chongqing Zeyue”	Chongqing Zeyue Shiye Company Limited* (重慶澤悅實業有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Company”	Joy City Property Limited (大悅城地產有限公司), a company incorporated under the laws of Bermuda with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 207)
“Confirmation Letter”	the confirmation letter (成交確認書) entered into between Chongqing Zeyue and Nanjing Planning and Natural Resources Bureau on 17 March 2023 confirming the Acquisition
“Consideration”	RMB1,395,000,000, being the price for the grant of the land use rights for the Land
“CPS”	the non-redeemable convertible preference shares of HK\$0.10 each in the share capital of the Company
“CPS Holder(s)”	registered holder(s) of the CPS
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Third Party(ies)”	person(s) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, is not a connected person of the Company pursuant to the Listing Rules
“Land”	the plot of land situated at South of Hongyun Avenue and East of Mingcheng Avenue, Dongshan Sub-district, Jiangning District, Nanjing, Jiangsu Province, the PRC with plot number NO.2023G07 and a total site area of approximately 25,332.55 square meters, details of which are set out in the section header “II. Acquisition of land use rights in Nanjing, the PRC – Results of the bid” in the Letter from the Board of this circular
“Land Use Rights Grant Contract”	the land use rights grant contract (國有建設用地使用權出讓合同) entered into between Chongqing Zeyue and Nanjing Planning and Natural Resources Bureau for the Land on 31 March 2023
“Latest Practicable Date”	15 May 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Nanjing Planning and Natural Resources Bureau”	Nanjing Planning and Natural Resources Bureau* (南京市規劃和自然資源局)
“PRC”	the People’s Republic of China, which shall, for the purpose of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Project Company”	Nanjing Hetang Mingyue Property Development Company Limited* (南京荷塘明悅房地產開發有限公司), a limited liability company established in the PRC whose entire equity interest is held by Chongqing Zeyue
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company

DEFINITIONS

“Shareholders”	registered holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

The shareholding of the respective Shareholder in the Company as disclosed in this circular refers to the percentage shareholding of such Shareholder to the issued share capital of the Company, without taking into account the non-redeemable convertible preference shares issued by the Company or the potential effect on the shareholding upon conversion of the non-redeemable convertible preference shares, unless otherwise stated.

In this circular, unless the context otherwise requires, the terms “connected person(s)”, “controlling shareholder(s)”, “percentage ratios”, “PRC Governmental Body”, “PRC law”, “subsidiary(ies)”, “substantial shareholder(s)”, “Qualified Issuer” and “Qualified Property Acquisition” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

The English names of Chinese entities marked with “” are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

LETTER FROM THE BOARD



JOY CITY PROPERTY LIMITED 大悦城地產有限公司 (incorporated in Bermuda with limited liability) (Stock Code: 207)

Executive Director:

Mr. CAO Ronggen

Non-executive Directors:

Mr. CHEN Lang (*Chairman*)

Mr. MA Dewei

Mr. LIU Yun

Mr. ZHU Laibin

Independent non-executive Directors:

Mr. LAU Hon Chuen, Ambrose *GBS, JP*

Mr. LAM Kin Ming, Lawrence

Mr. CHAN Fan Shing

Registered office:

Clarendon House

2 Church Street

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Bermuda

Principal place of business in Hong Kong:

33/F., COFCO Tower

262 Gloucester Road

Causeway Bay

Hong Kong

17 May 2023

To the Shareholders and the CPS Holder(s) (for information only)

Dear Sir or Madam,

MAJOR TRANSACTION ACQUISITION OF LAND USE RIGHTS IN NANJING, THE PRC

I. INTRODUCTION

References are made to the announcement of the Company dated 17 March 2023 in relation to the acquisition of land use rights in Nanjing, the PRC respectively.

The purpose of this circular is to provide you with, among other things, further details of the Acquisition and such other information as required under the Listing Rules.

LETTER FROM THE BOARD

II. ACQUISITION OF LAND USE RIGHTS IN NANJING, THE PRC

On 17 March 2023, Chongqing Zeyue (an indirect wholly-owned subsidiary of the Company) successfully bid for the land use rights of the Land offered for sale by the Nanjing Planning and Natural Resources Bureau at the Auction for RMB1,395,000,000 and has entered into the Confirmation Letter. The Land Use Rights Grant Contract in relation to the Acquisition was entered into between Chongqing Zeyue and the Nanjing Planning and Natural Resources Bureau on 31 March 2023. As at the Latest Practicable Date, an amount of RMB267,000,000 has been paid by Chongqing Zeyue as the security deposit for the Auction, which has formed part of the Consideration. Pursuant to the requirements of the Nanjing Planning and Natural Resources Bureau, Chongqing Zeyue will hold the interests in the Land upon the completion of the Acquisition for the purpose of future development of the Land.

1. Results of the bid

- Date of the Confirmation Letter : 17 March 2023
- Parties to the Confirmation Letter : (1) Chongqing Zeyue (an indirect wholly-owned subsidiary of the Company); and
(2) the Nanjing Planning and Natural Resources Bureau.
- Location of the land : South of Hongyun Avenue and East of Mingcheng Avenue, Dongshan Sub-district, Jiangning District, Nanjing, Jiangsu Province, the PRC
- Total site area : approximately 25,332.55 square meters
- Total planned gross floor area : approximately 53,198.36 square meters
- Proposed use of the land : Residential
- Term of the land use right : 70 years
- Consideration : RMB1,395,000,000, which was the bidding price of the Land submitted by Chongqing Zeyue at the Auction. The payment terms of the Consideration are as follows:
- (a) an amount representing 50% of the Consideration (being the amount of RMB697,500,000) will be payable on or before 18 April 2023, which, as of the Latest Practicable Date, has been satisfied by the security deposit for the Auction of RMB267,000,000 already paid by Chongqing Zeyue and an additional payment of RMB430,500,000 by Chongqing Zeyue;
 - (b) an amount representing 30% of the Consideration (being the amount of RMB418,500,000) will be payable on or before 18 September 2023; and
 - (c) the remaining balance of 20% of the Consideration (being the amount of RMB279,000,000) will be payable on or before 18 March 2024.

LETTER FROM THE BOARD

2. Major terms of the Land Use Rights Grant Contract

- Date : 31 March 2023
- Parties : (1) Chongqing Zeyue (as the transferee); and
(2) the Nanjing Planning and Natural Resources Bureau (as the transferor).
- Payment terms of the Consideration : RMB1,395,000,000, which was the bidding price of the Land submitted by Chongqing Zeyue at the Auction. The payment terms of the Consideration are as follows:
- (a) an amount representing 50% of the Consideration (being the amount of RMB697,500,000) will be payable on or before 18 April 2023, which, as of the Latest Practicable Date, has been satisfied by the security deposit for the Auction of RMB267,000,000 already paid by Chongqing Zeyue and an additional payment of RMB430,500,000 by Chongqing Zeyue;
 - (b) an amount representing 30% of the Consideration (being the amount of RMB418,500,000) will be payable on or before 18 September 2023; and
 - (c) the remaining balance of 20% of the Consideration (being the amount of RMB279,000,000) will be payable on or before 18 March 2024.

Upon settlement of the Consideration, Nanjing Planning and Natural Resources Bureau will deliver the Land on or before 8 April 2024. If the Consideration has been settled and Nanjing Planning and Natural Resources Bureau is unable to deliver the Land on time, Chongqing Zeyue shall receive a daily compensation based on 1‰ of the amount equivalent to the Consideration on pro rata basis for the portion of the Land undelivered and after deduction of the related portion of the security deposit. If the Land has not been delivered for more than six months after the agreed delivery date of 8 April 2024, Chongqing Zeyue is entitled to terminate the Land Use Rights Grant Contract, and the amount payable to Chongqing Zeyue will be equivalent to double the security deposit plus the balance of the Consideration that has been paid by Chongqing Zeyue and after deduction of the security deposit.

LETTER FROM THE BOARD

Therefore, in the event that the Land has not been delivered by the Nanjing Planning and Natural Resources Bureau for more than six months after the agreed delivery date and the Acquisition is terminated, Chongqing Zeyue is entitled to recover the amount of the security deposit pursuant to the Land Use Rights Grant Contract.

Commencement of construction : On or before 8 October 2024, which may be postponed subject to application by Chongqing Zeyue in accordance with the terms of the Land Use Rights Grant Contract.

If there is any delay in commencement of construction (which may be extended up to a maximum of one year upon application by Chongqing Zeyue in accordance with the terms of the Land Use Rights Grant Contract) for more than one year, Chongqing Zeyue is liable to pay land idling fee equivalent to 20% of the Consideration and if the commencement of construction is overdue for more than two years, other than due to force majeure or conduct of the PRC government or its departments, the Nanjing Planning and Natural Resources Bureau may take possession of the Land without compensation at its discretion.

The land idling fee of 20% of the Consideration and the right of the relevant authorities to retake possession of the Land without compensation if development has not commenced for two years (other than due to force majeure or conduct of the PRC government or its departments) was based on PRC laws and regulations, namely the Urban Real Estate Management Law of the People's Republic of China and Measures for the Disposal of Unused Land. In any event, Chongqing Zeyue is expected to obtain the construction permit in July 2023 and commence construction in the second half of 2023.

Completion of construction : On or before 8 October 2026, which may be postponed subject to application by Chongqing Zeyue in accordance with the terms of the Land Use Rights Grant Contract.

LETTER FROM THE BOARD

If there is any delay in completion of construction (which may be extended up to a maximum of one year upon application by Chongqing Zeyue in accordance with the terms of the Land Use Rights Grant Contract), Chongqing Zeyue is liable to pay penalty equivalent to 0.5‰ of the amount equivalent to the Consideration on a pro rata basis for the portion of the Land not completed per day for the delay and if the completion of construction is overdue for more than one year, other than due to force majeure or conduct of the PRC government or its departments, the Nanjing Planning and Natural Resources Bureau may take possession of the uncompleted portion of the Land without compensation at its discretion.

The penalty of 0.5‰ of the Consideration is fixed by the relevant authorities of Jiangsu Province based on standard penalty clauses issued by the Ministry of Natural Resources of the PRC for land use rights grant contracts. Further, only the uncompleted portion of the Land will be subject to the right to retake possession without compensation by the relevant authorities if completion of construction for such portion of the Land is overdue for more than one year, and therefore the impact on the Group's development costs committed for the portion of the Land completed prior to the prescribed deadline will be remote.

In the event that the construction for any portion of the Land is not completed by the deadline in the Land Use Rights Grant Contract, Chongqing Zeyue may apply for extension up to a maximum of one year in accordance with the terms of the Land Use Rights Grant Contract, and if any portion of the Land is still not yet completed, the Company believes that the parties to the Land Use Rights Grant Contract may enter into negotiations on the practical options to resolve the situation. However, taking into account (i) the Group's previous experience in planning and implementation based on development projects involving similar size, complexity and types of properties; (ii) the Group's internal control policies on construction planning and management; (iii) the additional time for potential delays arising from reasonably foreseeable events that may or may not occur; and (iv) the possibility for Chongqing Zeyue to apply for extension of up to one year if needed, the Group expects the construction for the Land to complete in October 2025 and believes that the construction could be commenced and completed before the prescribed deadlines in the Land Use Rights Grant Contract (as extended if needed), and, based on reasonably foreseeable circumstances, the possibility of the construction for any portion of the Land being not completed by such prescribed deadline is remote.

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- Conditions of the land use right : (a) the plot ratio should be no less than 1.0 and no more than 2.1;
- (b) the building height should be no less than 24 meters and no more than 60 meters;
- (c) the building density should be no more than 20%;
- (d) the greening ratio should be no less than 30%; and
- (e) the development of villas on the Land is not permitted.

The entering into of the Land Use Rights Grant Contract is not conditional upon any condition precedents. Save for the payment of the Consideration and certain administrative arrangements, there are no condition precedents for the completion of the Acquisition.

3. Basis of the Consideration

The Consideration was arrived at as a result of successful bidding of the Land by Chongqing Zeyue at the Auction using the land use rights online trading system of the Nanjing Planning and Natural Resources Bureau, which was conducted in accordance with the relevant PRC laws and regulations. Chongqing Zeyue set the bid price for the Land after taking into account (i) the minimum bid price for the Land listed by the Nanjing Planning and Natural Resources Bureau of RMB1,335,000,000; (ii) the current property market conditions in the vicinity of the Land, having more demand over supply and selling price per square meter for developed residential properties ranging from approximately RMB41,700 to RMB46,800; (iii) the strategic location of the Land, being located in the close proximity to the Nanjing South Railway Station (南京南站); (iv) the Land's average floor area price of approximately RMB26,223 per square meter (which is calculated with reference to the Consideration and the total planned gross floor area) is considered to be reasonable as compared with similar residential developments in the surrounding area auctioned recently ranging from RMB24,599 per square meter to RMB26,118 per square meter (details of which are listed below) mainly due to the property market being robust in 2019 and Land B was able to achieve an auction price of RMB26,118 per square meter, which was not yet affected by the COVID pandemic lockdown measures that began in early 2020 and government policies to curb speculation in the local property market introduced in 2020, and the impact of the COVID pandemic and such government policies was subsequently reflected in the auction price for Land A of RMB24,599 per square meter. As the conditions of the COVID pandemic eased and the government policies restricting property purchases were relaxed by 2023, the resulting stimulation for the local property market was reflected in the auction price for the Land of RMB26,223 per square meter. Nevertheless, the Land is a class 2 residential land plot that allows the development of high rise residential apartments and usually has more developed communal infrastructure in the surroundings, and therefore the Land is generally more attractive and at a premium for property developers than mixed commercial and residential use land plots such as Land A and Land B. As such, the auction price for the Land is considered to be more favourable than the auction price for Land B; and (v) the development potential of the Land as it is located near the Jiangning Economic and Technological Development Zone* (江寧經濟技術開發區), which attracts a variety of industries and talents.

LETTER FROM THE BOARD

The table below sets forth certain details of recent residential developments in the vicinity of the Land, the selection criteria of which is based on (a) lands for residential development or, if lands with mixed use, the lands predominantly consisting of residential development; (b) lands located within the same precinct as the Land, namely the Nanjing South Railway Station Precinct; and (c) the auction of the land took place within the last five years, and such selection criteria is considered fair and reasonable based on the relevance to the Land:

Auction date	Location	Auction price per square meter
19 October 2022	North of No. 2 Zhanqian Road and West of Lyudu Avenue, Jiangning District, Nanjing, Jiangsu Province, the PRC (“ Land A ”)	RMB24,599
4 December 2019	West of Lyudu Avenue and South of Jinyang West Street, Jiangning District, Nanjing, Jiangsu Province, the PRC (“ Land B ”)	RMB26,118

In view of the factors above, the Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The aggregate costs relating to the Acquisition, including the Consideration, related tax, administration and other costs, is expected to be approximately RMB1,448,700,000 in aggregate, which will be funded by the Group. The Group will finance its capital commitment for the Acquisition by capital contribution using its internal resources or loans.

4. The development plan of the Land

Subject to the final approval by the relevant government authority, it is expected that the Land will be developed into 8 residential buildings with 8 to 18 storeys each, which comprises of around 450 residential apartments. Other utility structures such as property management units will also be developed in accordance with applicable PRC laws and regulations for the purpose of on-site provision of property management and related services to the residential apartments. For example, according to the Regulations on Property Management in Jiangsu Province, the property management units should account for not less than 0.4% of the total planned floor area of the development project and will be delivered without consideration as common areas of the residential apartments.

The earliest time for commencement of construction on the Land is expected to be around 3 July 2023, the earliest time for completion of construction is expected to be around 8 October 2025 and the earliest time for pre-sale of properties is expected to be around 28 September 2023. The construction cost for developing the Land is estimated to be not more than RMB463,800,000, which does not form part of the aggregate costs of the Acquisition and is expected to be funded by the registered capital of Chongqing Zeyue and internal borrowings to be obtained by Chongqing Zeyue. As at the Latest Practicable Date, Chongqing Zeyue has not yet commenced negotiation with independent financial institutions for the external borrowings and the terms and conditions of the financial arrangements have yet to be determined, and therefore, on this basis, no guarantees from the shareholders of Chongqing Zeyue are required as at the Latest Practicable Date.

LETTER FROM THE BOARD

5. Reasons for and benefits of the Acquisition

The Land is located in the core urban development area of Jiangning District, Nanjing, Jiangsu Province, the PRC. It is strategically situated close to the Nanjing South Railway Station (南京南站), an important transportation hub in Eastern China and a focus of Nanjing's urban development plan. The Land enjoys various communal facilities located within its proximity including the Beijing-Shanghai high-speed railway, metro lines and major highways. The Land is also adjacent to the Jiangning Economic and Technological Development Zone* (江寧經濟技術開發區), which attracts businesses and talents, and the land supply and inventory level in this area are relatively limited. Therefore, the Land is expected to have strong development potential. The Group plans to develop town houses on the Land to attract first time purchasers and those who wish to further improve their residential living standards. In view of the market demand and supply, the location, the surrounding infrastructure and the planned use of the Land, it is expected to achieve positive investment value after completion of development, and thus generates cash flows and stable and satisfactory revenue and profits to the Group. The Directors consider that the Acquisition is in line with the business development strategy and planning of the Group.

The Directors consider that the Acquisition is in the Group's ordinary and usual course of business and the Acquisition is in the interests of the Company and the Shareholders as a whole, and the terms thereof are on normal commercial terms, which are fair and reasonable.

6. Information on the parties

The Company is an investment holding company incorporated in Bermuda. The Group is principally engaged in development, operation, sales, leasing and management of mixed-use complexes and commercial properties in the PRC. The Group develops, holds and operates various property projects in the PRC and Hong Kong.

The Project Company is a limited liability company incorporated in the PRC, whose equity interest is wholly-owned by Chongqing Zeyue. The Project Company was established for the purpose of investment and development of the Land.

Chongqing Zeyue is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in property development and investment in the PRC.

The Nanjing Planning and Natural Resources Bureau is a PRC governmental authority and the seller of the Land, which falls under the definition of "PRC Governmental Body" under Rule 19A.04 of the Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Nanjing Planning and Natural Resources Bureau and its ultimate beneficial owners are Independent Third Parties.

LETTER FROM THE BOARD

III. FINANCIAL EFFECTS OF THE ACQUISITION

As the Group is expected to finance its contribution to the Consideration using its internal resources, the total inventories of the Group was increased by approximately RMB1,448,700,000 and the net cash position was decreased by approximately RMB1,448,700,000 accordingly, and the remaining portion of the Consideration and tax and related expenses will be contributed by Chongqing Zeyue. As such, the total assets and the total liabilities of the Group did not have any material change as a result of the Acquisition. Given that the Land is yet to be developed, it is expected that the Acquisition will not have any immediate material impact on the earnings of the Group.

IV. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 25% but are all less than 100%, the Acquisition constitutes a major transaction for the Company. As the Group's principal businesses include property development, the Company is regarded as a "Qualified Issuer" and the Acquisition involves acquisition of governmental land(s) from a PRC Governmental Body through auction governed by the PRC law and thus is regarded as a "Qualified Property Acquisition" under Rule 14.04(10B) and (10C) of the Listing Rules. As such, the Acquisition is subject to reporting and announcement requirements and are exempt from Shareholders' approval requirements pursuant to Rule 14.33A of the Listing Rules.

V. ADDITIONAL INFORMATION

The Directors believe that the terms of the Confirmation Letter, the Land Use Rights Grant Contract and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. None of the Directors have any material interest in the Confirmation Letter and the Land Use Rights Grant Contract.

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

By order of the Board
Joy City Property Limited
CHEN Lang
Chairman

1. CONSOLIDATED FINANCIAL STATEMENTS

Details of the financial information of the Group for each of the financial years ended 31 December 2022, 31 December 2021 and 31 December 2020 are disclosed in the following documents which have been published on both the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.joy-cityproperty.com):

- annual report of the Company for the year ended 31 December 2022 published on 27 April 2023 (pages 87 to 219) (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042705162.pdf>);
- annual report of the Company for the year ended 31 December 2021 published on 28 April 2022 (pages 76 to 211) (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042800942.pdf>); and
- annual report of the Company for the year ended 31 December 2020 published on 22 April 2021 (pages 113 to 247) (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042200785.pdf>).

2. INDEBTEDNESS STATEMENT

Borrowings

The Group's indebtedness as at 31 March 2023, being the latest practicable date for the purpose of determining the indebtedness of the Group prior to the printing of this circular is summarized as follows:

(i) *Bank borrowings*

	<i>RMB'000</i>
– Short term bank loans, secured and guaranteed	8,830
– Short term bank loans, secured and unguaranteed	1,001,160
– Short term bank loans, unsecured and guaranteed	2,148,543
– Short term bank loans, unsecured and unguaranteed	871,462
– Long term bank loans, secured and guaranteed	3,479,415
– Long term bank loans, secured and unguaranteed	5,726,188
– Long term bank loans, unsecured and guaranteed	6,780,640
– Long term bank loans, unsecured and unguaranteed	4,976,498
	<u>24,992,736</u>

(ii) *Loans from fellow subsidiaries*

As at 31 March 2023, the Group had outstanding unsecured loans from fellow subsidiaries of approximately RMB1,285 million, which were unsecured and unguaranteed.

(iii) Loans from non-controlling interests

As at 31 March 2023, the Group had outstanding loan from a non-controlling interest of a subsidiary of approximately RMB1,705 million, which was unsecured and unguaranteed.

(iv) Loans from third parties

As at 31 March 2023, the Group had outstanding loan from third parties of approximately RMB7,924 million, approximately RMB6,150 million of which was unsecured and guaranteed and approximately RMB1,774 million was secured and guaranteed.

(v) Loans from joint ventures

As at 31 March 2023, the Group had outstanding loan from a joint venture of approximately RMB5,825 million, which was unsecured and unguaranteed.

(vi) Bonds payable

As at 31 March 2023, the Group had a total amount of outstanding bonds payable of RMB2,981 million, which was unsecured and unguaranteed. As at 31 March 2023, the Group had a total amount of bonds authorised but not issued of RMB4,000 million.

Charges

As at 31 March 2023, the Group's secured bank borrowings and loan from a third party were secured by certain of the Group's investment properties with a carrying amount of approximately RMB34,774 million, property, plant and equipment with a carrying amount of approximately RMB2,454 million, properties under development for sales with a carrying amount of approximately RMB16,701 million, properties held for sales with a carrying amount of approximately RMB1,003 million, right-of-use assets (leased land) with a carrying amount of approximately RMB1,366 million, and accounts receivable with a carrying amount of approximately RMB26 million.

Lease liabilities

As at 31 March 2023, the Group, as a lessee, had lease liabilities of carrying amounts of RMB186 million, which was unsecured and unguaranteed.

Contingent liabilities or guarantees

The Group has certain non-compliance incidents which are relating to the failure to comply with certain terms and conditions of the relevant construction works planning permits in respect of the Chaoyang Joy City and Shenyang Joy City project. The Group may be subject to a fine of up to 10% of the construction cost of the noncompliant structure or the excess area (as the case may be), demolition of the relevant property and confiscation of any illegal revenue.

The construction costs of Chaoyang Joy City amounted to RMB3,377 million, including the cost for the non-compliant structure of RMB42 million. The non-compliant structure has been occupied as office and has not generated any revenue, and accordingly, the Directors believe that these would not be illegal revenue subject to confiscation. Chaoyang Joy City generated revenue since the year 2010 and it has not received any notification from the relevant authorities with respect to the non-compliant structure since the commencement of operation. The aggregate revenue of the shopping mall of Chaoyang Joy City since it generated revenue up to 31 March 2023 amounted to RMB6,783 million.

The construction costs of Shenyang Joy City amounted to RMB1,943 million, including an estimated cost for the excess area of RMB81 million. The excess area has been utilized as passageways for commercial use and has generated only a small percentage of the aggregate revenue of Shenyang Joy City. Shenyang Joy City generated revenue since the year 2009 and it has not received any notification from the relevant authorities with respect to the excess area since the commencement of operation, and accordingly, the Directors believe that the likelihood for the confiscation of any illegal revenue is low, and any action taken by the authorities will have minimal impact on the income and performance of Shenyang Joy City. The aggregate revenue of Shenyang Joy City since it generated revenue up to 31 March 2023 amounted to RMB3,165 million.

Based on the reasons and circumstances of these non-compliances and the PRC legal advice, the management of the Group considers that the risk of above losses is remote, and accordingly, no provision has been made. In addition, COFCO Corporation, the ultimate holding company of the Company, has undertaken to indemnify the Company against all penalties, losses and expenses in connection with the above non-compliances.

As at 31 March 2023, the Group had provided guarantees to certain banks relating to mortgage facilities arranged for certain buyers of properties developed by the Group and the outstanding mortgage loans under these guarantees amounted to RMB5,911 million. As at 31 March 2023, the Group had provided guarantees to associates relating to a bank loan and the guarantee were amounted to RMB1,061 million.

General

Save as aforesaid and apart from intra-group liabilities, the Group did not have any debt securities, issued and outstanding, and authorized or otherwise created but unissued, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptance (other than normal trade bills) or similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities as at 31 March 2023.

3. WORKING CAPITAL

The Directors are satisfied after due and careful consideration and taking into account the present internal financial resources available to the Group, the banking facilities presently available, the effect of the Acquisition and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for at least twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

For the year ended 31 December 2022, gross revenue of the Group amounted to approximately RMB20,831,357,000, representing an increase of approximately 69.2% compared to approximately RMB12,313,297,000 for the year ended 31 December 2021. Gross profit and net profit of the Group amounted to approximately RMB6,406,358,000 and approximately RMB1,100,578,000 respectively for the year ended 31 December 2022, representing an increase of approximately 35.91% and a decrease of approximately 25.88% respectively compared to approximately RMB4,713,588,000 and approximately RMB1,484,882,000, respectively, for the year ended 31 December 2021. For further details, please refer to the annual report of the Company for the year ended 31 December 2022.

Looking forward to 2023, with the full relaxation of the pandemic prevention policy and less restrictions on consumption scenarios, coupled with the steady recovery of the economy and the continuous launch of macro supporting policies, consumption is expected to recover steadily, during which the cultural and entertainment industry will become the highlight. In particular, the consumption on culture, education, entertainment and catering services, the consumption involving people contact and the experience-based consumption will improve significantly, and the hotel business will also pick up with the recovery of tourism industry. In the post-pandemic era, the retail real estate market will continue to iterate, focusing on consumers' changing preferences.

In terms of business strategy, faced with new challenges for commercial real estate operations, the Group will focus on enhancing consumer experience, encouraging visits to offline stores and increasing face-to-face interaction with consumers. In the future, the Group will adhere to the development goal of becoming "a service provider of urban operation and better life." The Group will continue to pay close attention to the development trend of the industry, capitalise on the opportunities arising in the industry, consolidate resources in various areas and further optimise operating capacity, so as to achieve favourable operating results.

Save and except for the transactions already disclosed in announcements and circulars of the Company prior to the Latest Practicable Date and acquisitions, disposals and investments in joint ventures by the Group in its ordinary course of business which have not materialized into and/or constituted discloseable inside information of the Company as at the Latest Practicable Date, the Company did not have any intention, negotiation, agreement, arrangement and understanding (concluded or otherwise) about (i) the acquisition of any new business; (ii) any disposal, scaling-down and/or termination of its existing business and/or major operating assets; and (iii) the injection of any new business to the Group.

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 Company. 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 INTEREST BY DIRECTORS

A. Interests of Directors

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which are (i) 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 he/she has taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules (the “Model Code”), to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in the Shares, underlying Shares and debentures of the Company and its associated corporations

Name of Directors/ chief executive	Company/ name of associated corporations	Capacity	Number of issued ordinary shares held ^(Note 1)	Approximate percentage of the issued share capital
Mr. CAO Ronggen	The Company	Beneficiary owner	3,451,663	0.02% ^(Note 2)
Mr. LAM Kin Ming, Lawrence	The Company	Beneficial owner	6,000	0.00% ^(Note 2)
Mr. CHAN Fan Shing	The Company	Beneficial owner	136,758	0.00% ^(Note 2)

Notes:

- Long positions in the Shares or its associated corporations, other than equity derivatives such as share options, warrants or convertible bonds.
- The percentage (rounded to 2 decimal places) was calculated based on the total number of Shares in issue as at the Latest Practicable Date, i.e. 14,231,124,858 ordinary shares.

Save for those disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are (i) 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 he/she has taken or was deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, (i) Mr. CHEN Lang is the executive vice president of COFCO Corporation and a director and chairman of Grandjoy Holdings Group; (ii) Mr. CAO Ronggen is a director and general manager of Grandjoy Holdings Group; (iii) Mr. MA Dewei is an employee of COFCO Corporation and a director of Grandjoy Holdings Group; (iv) Mr. LIU Yun is an employee of COFCO Corporation and a director of Grandjoy Holdings Group; and (v) Mr. ZHU Laibin is an employee of COFCO Corporation and a director of both Grandjoy Holdings Group and COFCO Sugar Holdings Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600737)).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company was a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

B. Interests of substantial shareholders

So far as it is known to the Directors, as at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of substantial shareholders	Class of shares	Number of shares held	Approximate percentage of the issued share capital <i>(Note 1)</i>
COFCO Corporation	Ordinary shares	9,501,359,644 ^(L) <i>(Note 2)</i>	66.76%
	CPS	1,095,300,778 ^(L) <i>(Note 3)</i>	100%
COFCO (Hong Kong) Limited ("COFCO (HK)")	Ordinary shares	9,501,359,644 ^(L) <i>(Note 2)</i>	66.76%
	CPS	1,095,300,778 ^(L) <i>(Note 3)</i>	100%
Vibrant Oak Limited ("Vibrant Oak")	Ordinary shares	9,133,667,644 ^(L) <i>(Note 2)</i>	64.18%
Grandjoy Holdings Group	Ordinary shares	9,133,667,644 ^(L) <i>(Note 2)</i>	64.18%

Name of substantial shareholders	Class of shares	Number of shares held	Approximate
			percentage of the issued share capital <i>(Note 1)</i>
Achieve Bloom Limited (“Achieve Bloom”)	Ordinary shares	367,692,000 ^(L) <i>(Note 2)</i>	2.58%
	CPS	1,095,300,778 ^(L) <i>(Note 3)</i>	100%
Citigroup Inc.	Ordinary shares	996,152,757 ^(L)	6.99%
		32,000 ^(S)	0.00%
		996,119,312 ^(P)	6.99%
GIC Private Limited	Ordinary shares	993,258,000 ^(L) <i>(Note 4)</i>	6.98%

Notes:

- The percentages (rounded to 2 decimal places) of the ordinary shares were calculated based on the total number of ordinary shares in issue as at the Latest Practicable Date, i.e. 14,231,124,858 ordinary shares, and assuming that 1,095,300,778 CPS were not fully converted into 1,095,300,778 ordinary shares. The percentages of CPS were calculated based on 1,095,300,778 CPS in issue as at the Latest Practicable Date.
 - Vibrant Oak, through its non-wholly owned subsidiary, Grandjoy Holdings Group, was deemed to be interested in 9,133,667,644 ordinary shares as at the Latest Practicable Date. COFCO (HK), through its wholly-owned subsidiaries, Achieve Bloom and Vibrant Oak, and through its non-wholly owned subsidiary, Grandjoy Holdings Group, was deemed to be interested in 9,501,359,644 ordinary shares as at the Latest Practicable Date. COFCO Corporation, through its wholly-owned subsidiary, COFCO (HK), was deemed to be interested in 9,501,359,644 ordinary shares as at the Latest Practicable Date.
 - COFCO (HK), through its wholly-owned subsidiary, Achieve Bloom, was deemed to be interested in 1,095,300,778 CPS as at the Latest Practicable Date. COFCO Corporation, through its wholly-owned subsidiary, COFCO (HK), was deemed to be interested in 1,095,300,778 CPS as at the Latest Practicable Date.
 - GIC Private Limited held 993,258,000 ordinary shares as investment manager as at the Latest Practicable Date.
- L. Indicates a long position.
S. Indicates a short position.
P. Indicates a lending pool.

Save as disclosed above, the Directors were not aware, as at the Latest Practicable Date, of any person (not being a Director or chief executive of the Company) who had an interest (or short position in the Shares or underlying shares) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. 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 (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT

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

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

5. MATERIAL CONTRACTS

The Group had not entered into any contract (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular which is or may be material.

6. LITIGATION AND CLAIMS

As at the Latest Practicable Date, the Group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Group.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in a business which competed or might compete with the business of the Group, or had or might have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

8. GENERAL

The company secretary of the Company is Ms. Hau Hei Man Sonya (Associate of both The Chartered Governance Institute in the United Kingdom and The Hong Kong Chartered Governance Institute).

The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business in Hong Kong is at 33/F., COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong. The branch share registrar and transfer office of the Company is Tricor Progressive Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be on display on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.joy-cityproperty.com) for a period of 14 days from the date of this circular:

- (a) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
- (b) the annual reports of the Company for the three years ended 31 December 2022, 31 December 2021 and 31 December 2020;
- (c) the Confirmation Letter; and
- (d) the Land Use Rights Grant Contract.

10. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text, in the event of inconsistency.