THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

JOY CITY PROPERTY LIMITED
大悅城地產有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 207)

MAJOR TRANSACTION
ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY

Capitalised terms used on this cover page shall have the same meanings as those defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 4 to 10 of this circular.

The Company has obtained written Shareholders' approval for the Sale and Purchase Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules from the relevant Shareholder who holds more than 50% of the total issued Shares giving the right to attend and vote at a general meeting. Accordingly, no Shareholders' meeting will be held to approve the Sale and Purchase Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

This circular is being despatched to the Shareholders for information only.

25 September 2023

CONTENTS

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

"Acquisition"	the acquisition of the entire equity interest of the Target Company and the Shareholder's Loan by the Buyer from the Seller pursuant to the terms and conditions of the Sale and Purchase Agreement
"Announcement"	the announcement of the Company dated 5 September 2023 in relation to the Acquisition
"Auction"	the online public auction held by Shanghai United Assets and Equity Exchange*（上海聯合產權交易所）at which the entire equity interest of the Target Company and the Shareholder's Loan was offered for sale by the Seller
"Board"	the board of Directors
"Buyer"	Joy City (Shanghai) Real Estate Company Limited*（大悅城（上海）置業有限公司）, a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"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
"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)
"Completion"	the completion of the Acquisition
"Consideration"	the consideration for the acquisition of the entire equity interest of the Target Company, being RMB1,196,000,000

"CPS"	the non-redeemable convertible preference shares of HK$0.10 each in the share capital of the Company
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition
"Grandjoy Holdings Group"	Grandjoy Holdings Group Co., Ltd.* (大悦城控股集團股份有限公司), a company established in the PRC whose A shares are listed on the Shenzhen Stock Exchange (stock code: 031.SZ), which is a controlling shareholder of the Company and a subsidiary of COFCO Corporation
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hongkou Planning and Natural Resources Bureau"	the Planning and Natural Resources Bureau of Hongkou District, Shanghai City* (上海市虹口區規劃和自然資源局)
"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
"Latest Practicable Date"	21 September 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Land"	the plot of land described under the section headed "Information on the Target Company" in the letter from the Board in this circular with a total site area of approximately 23,849 square meters and held by the Target Company
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"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
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 5 September 2023 entered into between the Buyer and the Seller in relation to the Acquisition

"Seller"	Shanghai Zhonghong (Group) Company Limited*（上海中虹（集團）有限公司）, a company incorporated in the PRC with limited liability and an Independent Third Party
"Shanghai Assets Exchange"	Shanghai United Assets and Equity Exchange*（上海聯合產權交易所）and an Independent Third Party
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Shareholder's Loan"	the aggregate amount of RMB4,000,000 owed by the Target Company to the Seller as of the date of the Announcement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Shanghai Yao Yao Lu Construction Development Company Limited*（上海耀耀祿建設發展有限公司）, a company incorporated in the PRC with limited liability and directly wholly-owned by the Seller as of the date of the Announcement and, as the Acquisition has completed, the Target Company is directly wholly-owned by the Buyer as at the Latest Practicable Date
"Written Approval"	the written approval in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder by Grandjoy Holdings Group pursuant to Rule 14.44 of the Listing Rules
"%"	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", "subsidiary(ies)" and "substantial shareholder(s)" 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.*

JOY CITY PROPERTY LIMITED
大悅城地產有限公司

(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
Hamilton HM11
Bermuda

Principal place of business in Hong Kong:
33/F., COFCO Tower
262 Gloucester Road
Causeway Bay
Hong Kong

25 September 2023

To the Shareholders and holders of the convertible preference shares (for information only)

Dear Sir or Madam,

MAJOR TRANSACTION ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY

I. INTRODUCTION

Reference is made to the Announcement in relation to the Acquisition. The Buyer (an indirect wholly-owned subsidiary of the Company) has submitted and won the bid for the entire equity interest of the Target Company and the Shareholder's Loan at the Auction held by Shanghai Assets Exchange and, on 5 September 2023 (after trading hours), the Buyer entered into the Sale and Purchase Agreement with the Seller in relation to the Acquisition, pursuant to which the Seller has agreed to sell, and the Buyer has agreed to purchase, the entire equity interest in the Target Company at a Consideration of RMB1,196,000,000 and the Shareholder's Loan of RMB4,000,000 in aggregate. The amount of RMB360,000,000 has been paid by the Buyer as the security for the Auction. The Target Company is primarily engaged in the holding and development of the Land located in Hongkou District, Shanghai, the PRC.

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

II. THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarized below:

Date

5 September 2023

Parties

(a) the Buyer; and

(b) the Seller.

Subject matter

Pursuant to the Sale and Purchase Agreement, the Seller has agreed to sell, and the Buyer has agreed to purchase, the entire equity interest in the Target Company and the Shareholder's Loan of RMB4,000,000 in aggregate owed by the Target Company to the Seller. The Target Company is primarily engaged in the holding and development of the Land located in Hongkou District, Shanghai, the PRC. Please refer to the section headed "Information on the Target Company" below for further details of the Target Company. As of the Latest Practicable Date, the Buyer has no intention to sell the equity interest of the Target Company after completion of the Acquisition, however, if the Buyer was to conduct such subsequent sale, it would require the consent of the Hongkou Planning and Natural Resources Bureau.

As of the date of the Announcement, the entire equity interest in the Target Company is held by the Seller. As of the Latest Practicable Date, the Acquisition has completed and the Target Company is wholly-owned by the Buyer, and therefore is an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company are consolidated in the financial statements of the Group.

Consideration

The Consideration for the entire equity interest of the Target Company is RMB1,196,000,000, and will be satisfied by the security deposit for the Auction of RMB360,000,000 already paid by the Buyer to Shanghai Assets Exchange and an additional payment in cash of RMB836,000,000, which, together with the Shareholder's Loan of an aggregate amount of RMB4,000,000, has been paid by the Buyer to Shanghai Assets Exchange on 6 September 2023. As the Consideration and the Shareholder's Loan have been fully paid in accordance with the Sale and Purchase Agreement, Shanghai Assets Exchange issued the equity transfer certificate to the Buyer and the Seller on 6 September 2023, and the Consideration and the Shareholder's Loan have been paid by Shanghai Assets Exchange to the Seller. The payments for the Consideration and the Shareholder's Loan were financed by the Group's internal resources.

Completion

Completion will take place within 30 business days from the date of the Sale and Purchase Agreement. The Buyer and the Seller shall cooperate with Target Company and complete the relevant procedures for the change of equity registration within 30 business days from the date of issuance of the equity transfer certificate. Completion has taken place as of the Latest Practicable Date.

III. BASIS OF THE CONSIDERATION

The Consideration represented the highest bidding price for the entire equity interest of the Target Company at the Auction and the Buyer put forward this bidding price after taking into account of (a) the net asset value of the Target Company as at 30 June 2023 based on the unaudited management accounts of the Target Company prepared based on PRC GAAP of approximately RMB1,160,000,000; (b) the valuation of the shareholder's equity of the Target Company as at 31 December 2022 prepared by an independent valuer in PRC of approximately RMB1,165,963,981; (c) the current market conditions in the vicinity of the Land and the current land price in the surrounding area of the Land; and (d) the strategic location of the Land in the core section of the North Bund area in Hongkou District, Shanghai, the PRC and the scarcity of residential projects in the vicinity featuring low-density residence.

IV. INFORMATION ON THE TARGET COMPANY

The Target Company is a company with limited liability incorporated in the PRC in July 2020 and is principally engaged in the holding and development of the Land. The Land is situated in the North Bund area of Hongkou District, Shanghai, the PRC and has a total site area of approximately 23,849 square meters and planned gross floor area of approximately 46,506 square meters. The term of the land use right for the Land is 70 years and the proposed use of the Land is for the development of residential properties, among which the majority will be low rise residential properties and the remaining properties will be high-rise residential properties. As of the Latest Practicable Date, there are 41 existing buildings on the Land, including one district level heritage building with a gross floor area of approximately 840 square meters and two historic buildings with an aggregate gross floor area of approximately 706 square meters. According to the planned development of the Land, the district level heritage building will be preserved, the two historic buildings will be demolished and rebuilt on the same site and the remaining 38 existing buildings will be demolished for development of new residential properties. After completion of the Acquisition, the Target Company will submit its plan for demolishing the existing buildings on the Land to the Hongkou Planning and Natural Resources Bureau for review and the demolition works will commence after the approval of the demolition plan has been obtained, which is currently estimated to be in the first quarter of 2024. The estimated total costs for such demolition works is approximately RMB22 million, which will be borne by the Target Company after completion of the Acquisition. As of the Latest Practicable Date, the construction on the Land and the sale of properties to be developed on the Land has not yet commenced. As mentioned above, the demolition works and the construction on the Land is expected to commence in the first quarter in 2024 and the sale of properties to be developed on the Land is expected to commence in the second half of 2024.

Based on the land use rights grant contract of the Land entered into between the Target Company and the Hongkou Planning and Natural Resources Bureau (the "**Land Use Rights Grant Contract**"), the Target Company is required to commence construction on the Land within 12 months after the delivery of the Land to the Target Company and to complete the construction on the Land within 36 months after the delivery of the Land to the Target Company. The Land was delivered to the Target Company in mid February 2023 and accordingly, the construction on the Land should commence on or before mid February 2024 and the construction on the Land should be completed on or before mid February 2026.

Further, based on 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 the Target Company in accordance with the terms of the Land Use Rights Grant Contract) for more than one year but less than two years, the Target Company is liable to pay land idling fee based on 20% of the land price (such land price being RMB4,391,840,000) and also a daily penalty based on 1‰ of the land price (such land price being RMB4,391,840,000) to the Hongkou Planning and Natural Resources Bureau. If the commencement of construction is overdue for more than two years, the Hongkou Planning and Natural Resources Bureau may take possession of the Land without compensation at its discretion. The land idling fee and the right of the relevant authorities to retake possession of the Land above 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, and the daily penalty above is fixed by Hongkou Planning and Natural Resources Bureau with reference to standard penalty clauses for land use rights grant contracts issued by the relevant authorities in Shanghai. In any event, the Target Company is expected to obtain the construction permit and commence construction in the first quarter of 2024, and to apply for extension for the commencement of construction if necessary.

In addition, based on the Land Use Rights Grant Contract, if there is any delay in completion of construction (which may be extended up to a maximum of one year upon application by the Target Company in accordance with the terms of the Land Use Rights Grant Contract), the Target Company is liable to pay a daily penalty based on 1‰ of the land price (such land price being RMB4,391,840,000) to the Hongkou Planning and Natural Resources Bureau. The daily penalty above is fixed by Hongkou Planning and Natural Resources Bureau with reference to standard penalty clauses for land use rights grant contracts issued by the relevant authorities in Shanghai.

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, the Target Company 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 the Target Company to apply for extension of up to one year if needed, the Group expects the construction for the Land to be completed in the last quarter of 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.

Based on the unaudited management accounts of the Target Company prepared based on PRC GAAP, each of the Target Company's revenue, profit before tax and profit after tax was nil for the years ended 31 December 2021 and 31 December 2022, respectively.

As at 30 June 2023, the net asset value of the Target Company based on its unaudited management accounts prepared based on PRC GAAP was approximately RMB1,160,000,000.

Please refer to the financial information of the Target Company for the three years ended 31 December 2022 and the six months ended 30 June 2023 set out in Appendix II to this circular and the management discussion and analysis on the Target Company set out in Appendix III to this circular for further details of the financial information of the Target Company.

V. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company principally holds the Land, which is situated in the North Bund area of Hongkou District, Shanghai, the PRC. The Land is located in the prime area in the city centre of Shanghai and in close proximity to the office, commercial and historical areas in Shanghai. Situated at the centre of Shanghai's vibrant economic activities, the Land is conveniently serviced by Metro Line 4, with the closest station, Dalian Road Station*（大連路站）, located within 250 meters in distance. The Land is also supported by comprehensive educational and medical facilities, and the land supply and inventory level in this area is relatively limited. Therefore, the Land is expected to have strong development potential. The Group plans to develop semi-detached houses and high-rise apartments on the Land. In view of the market demand and supply and 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 generate cash flows and stable and satisfactory revenue and profits to the Group. In addition, the estimated total costs in relation to the demolition works for the existing buildings on the Land to be borne by the Target Company after completion of the Acquisition was estimated by the Group based on quotations for the demolition works obtained from independent contractors, which were compared with enquiries made with entities involved in primary land development in Shanghai. The Group considered that primary land development and demolition works to be carried out for land plots after acquisition from the relevant authorities in the PRC is consistent with market practice.

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 terms of the Sale and Purchase Agreement are on normal commercial terms, which are fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors was in any way materially interested in the Sale and Purchase Agreement and the transactions contemplated thereunder.

VI. FINANCIAL EFFECTS OF THE ACQUISITION

Based on the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, the total assets of the Group is expected to increase by approximately RMB3,922,577,000, the total liabilities of the Group is expected to increase by approximately RMB3,923,247,000 as a result of the Acquisition. As such, it is expected that the net assets of the Group will not have a material change as a result of the Acquisition. In addition, given that the Land is yet to be developed and the sale of properties to be developed on the Land is yet to commence, it is expected that the Acquisition will not have a material impact on the earnings of the Group.

VII. INFORMATION ON THE PARTIES

The Company

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 Buyer

The Buyer is a company incorporated in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company. It is principally engaged in the development of and investment in properties in the PRC.

The Seller

The Seller is a company incorporated in the PRC with limited liability, an indirect wholly-owned subsidiary of Shanghai North Bund (Group) Company Limited*（上海北外灘（集團）有限公司）, which is state-owned. It is principally engaged in various construction related business areas such as real estate development and operations, property management and re-development projects in the PRC.

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

VIII. 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 of the Company pursuant to Chapter 14 of the Listing Rules, and is subject to the notification, announcement and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval in lieu of convening a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder; and (b) the written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at the general meeting to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders have any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, Grandjoy Holdings Group holds 9,133,667,644 Shares (representing approximately 64.18% of the issued Shares). As the Company has obtained the Written Approval from Grandjoy Holdings Group in accordance with Rule 14.44 of the Listing Rules in lieu of a resolution to be passed at a general meeting of the Company. Accordingly, no special general meeting will be convened by the Company for the purpose of approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

IX. RECOMMENDATION

Based on the reasons set out in the section above headed "V. REASONS FOR AND BENEFITS OF THE ACQUISITION" above, the Directors (including the independent non-executive Directors) consider the terms of the Sale and Purchase Agreement are entered into on normal commercial terms, and the transactions contemplated thereunder are in the Group's ordinary and usual course of business, fair and reasonable and in the interests of the Company and its Shareholders as a whole. If a general meeting were to be convened for the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at such general meeting.

X. ADDITIONAL INFORMATION

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 and the six months ended 30 June 2023 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):

- interim report of the Company for the six months ended 30 June 2023 published on 15 September 2023 (pages 50 to 91) (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0915/2023091500421.pdf);
- 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 July 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

	RMB'000
– Short term bank loans, secured and guaranteed	29,870
– Short term bank loans, secured and unguaranteed	827,091
– Short term bank loans, unsecured and guaranteed	87,033
– Short term bank loans, unsecured and unguaranteed	975,000
– Long term bank loans, secured and guaranteed	2,887,414
– Long term bank loans, secured and unguaranteed	7,147,872
– Long term bank loans, unsecured and guaranteed	7,871,353
– Long term bank loans, unsecured and unguaranteed	5,184,575
	25,010,208

(ii) Loans from fellow subsidiaries

As at 31 July 2023, the Group had outstanding unsecured loans from fellow subsidiaries of approximately RMB595 million, which were unsecured and unguaranteed.

(iii) Loans from non-controlling interests

As at 31 July 2023, the Group had outstanding loan from a non-controlling interest of a subsidiary of approximately RMB597 million, which was unsecured and unguaranteed.

(iv) Loans from third parties

As at 31 July 2023, the Group had outstanding loan from third parties of approximately RMB7,913 million, approximately RMB6,150 million of which was unsecured and guaranteed and approximately RMB1,763 million was secured and guaranteed.

(v) Loans from joint ventures

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

(vi) Loan from an associate

As at 31 July 2023, the Group had outstanding loan from an associate of approximately RMB490 million, which was unsecured and unguaranteed.

(vii) Bonds payable

As at 31 July 2023, the Group had a total amount of outstanding bonds payable of RMB4,026 million, which was unsecured and unguaranteed. As at 31 July 2023, the Group had a total amount of bonds authorised but not issued of RMB3,000 million.

Charges

As at 31 July 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 RMB29,813 million, property, plant and equipment with a carrying amount of approximately RMB2,076 million, properties under development for sales with a carrying amount of approximately RMB15,330 million, properties held for sales with a carrying amount of approximately RMB710 million, right-of-use assets (leased land) with a carrying amount of approximately RMB1,245 million, and accounts receivable with a carrying amount of approximately RMB28 million.

Lease liabilities

As at 31 July 2023, the Group, as a lessee, had lease liabilities of carrying amounts of RMB151 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), demolishment 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 July 2023 amounted to RMB7,030 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 July 2023 amounted to RMB3,266 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 July 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 RMB5,060 million. As at 31 July 2023, the Group had provided guarantees to associates relating to a bank loan and the guarantee were amounted to RMB696 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 July 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. VALUATION RECONCILIATION STATEMENT

The Company has engaged Cushman & Wakefield Limited, an independent professional valuer, to value the Land and prepare the property valuation report, the text of which is set out in Appendix V to this circular.

The table below sets forth the reconciliation of the book value of the properties under development for sale of the Target Company as at 30 June 2023 as set out in Appendix II to this circular to the market value of the Land of the Target Company as at 31 July 2023 as set out in the property valuation report in Appendix V to this circular.

	RMB'000
Book value of the properties under development for sale of the Target Company as at 30 June 2023 as set out in Appendix II to this circular	5,084,242
Valuation surplus	15,758
Market value of the Land of the Target Company as at 31 July 2023 as set out in the property valuation report in Appendix V to this circular	5,100,000

5. 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.

6. FINANCIAL AND TRADING PROSPECTS

As disclosed in the interim report of the Company dated 15 September 2023, gross revenue of the Group amounted to approximately RMB3,812,356,000 for the six months ended 30 June 2023, representing a decrease of approximately 58.3% compared to approximately RMB9,134,276,000 for the six months ended 30 June 2022. Gross profit and net profit of the Group amounted to approximately RMB2,127,499,000 and approximately RMB1,251,898,000 respectively for the six months ended 30 June 2023, representing a decrease of approximately 48.01% and a decrease of approximately 19.59% respectively compared to approximately RMB4,091,924,000 and approximately RMB1,556,803,000, respectively, for the six months ended 30 June 2022. For further details, please refer to the interim report of the Company for the six months ended 30 June 2023.

Looking ahead to the second half of 2023, it is expected that local governments will introduce more policies to boost consumption in line with the "Year of Consumption Promotion", and more premium commercial projects will be opened in key cities, which will provide superior offerings to local residents, stimulate consumption potential and help unlock consumer demand. Meanwhile, some cities have introduced policies to foster and develop "international consumption centers", optimize business environment, encourage first-store economy and support outdoor business stands, with an aim to boost business tenants' confidence in the market and drive the leasing of retail spaces. As such, retail space leasing in key cities is expected to continue to recover. In the future, the Group will continue to pursue its positioning as a "service provider of urban operation and better life", leveraging its professional capabilities in project operation to enhance the profitability of its projects, promote the appreciation of the assets of its commercial property projects, and propel performance growth while contributing to the development of urban consumption markets.

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 or information required to be disclosed pursuant to the Listing Rules 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.

ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JOY CITY PROPERTY LIMITED

INTRODUCTION

We report on the historical financial information of Shanghai Yao Yao Lu Construction Development Company Limited*（上海耀耀祿建設發展有限公司）(the "**Target Company**") set out on pages II-4 to II-26, which comprises the statements of financial position of the Target Company as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for each of the three years ended 31 December 2022 and six months ended 30 June 2023 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-26 forms an integral part of this report, which has been prepared for inclusion in the circular of the Company dated 25 September 2023 (the "**Circular**") in connection with the acquisition of the entire equity interest in the Target Company.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Company is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, and of its financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 June 2022 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to Note 9 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practicing Certificate Number: P05589
Hong Kong
25 September 2023

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The underlying financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by SHINEWING (HK) CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the period from 1 July 2020 (date of incorporation) to 31 December 2020 RMB'000	Year ended 31 December 2021 RMB'000	Year ended 31 December 2022 RMB'000	Six months ended 30 June 2022 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000
Other income		10	12	5	4	14
Administrative expenses		(350)	(153)	(2,258)	–	(1)
Finance costs	6	–	–	–	–	–
(Loss) profit before tax		(340)	(141)	(2,253)	4	13
Income tax credit (expenses)	7	85	35	563	(1)	(3)
(Loss) profit and total comprehensive (expense) income for the year/period	8	(255)	(106)	(1,690)	3	10

STATEMENT OF FINANCIAL POSITION

		As at 31 December			As at 30 June
		2020	2021	2022	2023
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Deferred tax assets	*16*	85	120	683	680
Current assets					
Properties under development for sale	*10*	3,315,942	3,941,947	5,009,247	5,084,242
Deposits, prepayments and other receivables	*11*	5	52	4,172,326	78
Bank balances and cash	*12*	913	592	6,931	206
		3,316,860	3,942,591	9,188,504	5,084,526
Current liabilities					
Trade payables	*13*	–	–	3,481,773	100,056
Accruals and other payables	*14*	3,790	3,992	7,175	4,191
Amount due to the immediate holding company	*15*	1,000	2,000	799,000	4,000
		4,790	5,992	4,287,948	108,247
Net current assets		3,312,070	3,936,599	4,900,556	4,976,279
Total assets less current liabilities		3,312,155	3,936,719	4,901,239	4,976,959
Non-current liabilities					
Bank borrowing	*17*	2,612,410	3,017,080	3,743,290	3,819,000
Net assets		699,745	919,639	1,157,949	1,157,959
Capital and reserves					
Paid-in capital	*18*	700,000	920,000	1,160,000	1,160,000
Reserves		(255)	(361)	(2,051)	(2,041)
		699,745	919,639	1,157,949	1,157,959

STATEMENT OF CHANGES IN EQUITY

	Paid-in capital *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 July 2020 (date of incorporation)	–	–	–
Loss and total comprehensive expense for the period	–	(255)	(255)
Subscription of capital	700,000	–	700,000
At 31 December 2020 and 1 January 2021	700,000	(255)	699,745
Loss and total comprehensive expense for the year	–	(106)	(106)
Capital injection	220,000	–	220,000
At 31 December 2021 and 1 January 2022	920,000	(361)	919,639
Loss and total comprehensive expense for the year	–	(1,690)	(1,690)
Capital injection	240,000	–	240,000
At 31 December 2022 and 1 January 2023	1,160,000	(2,051)	1,157,949
Profit and total comprehensive income for the period	–	10	10
At 30 June 2023	1,160,000	(2,041)	1,157,959
At 1 January 2022	920,000	(361)	919,639
Profit and total comprehensive income for the period	–	3	3
At 30 June 2022 (unaudited)	920,000	(358)	919,642

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
OPERATING ACTIVITIES					
(Loss) profit before tax	(340)	(141)	(2,253)	4	13
Adjustments for:					
Bank interest income	(10)	(12)	(5)	(4)	(14)
Operating cash flows before working capital changes	(350)	(153)	(2,258)	–	(1)
Increase in properties under development for sale	(3,300,086)	(500,778)	(920,080)	(450,000)	–
(Increase) decrease in deposits, prepayments and other receivables	(5)	(47)	(4,172,274)	–	4,172,248
Increase (decrease) in trade payables	–	–	3,481,773	–	(3,381,717)
Increase (decrease) in accruals and other payables	350	(324)	2,227	(25)	(2,251)
Interest received	10	12	5	4	14
NET CASH USED IN OPERATING ACTIVITIES	(3,300,081)	(501,290)	(1,610,607)	(450,021)	788,293
FINANCING ACTIVITIES					
Interest paid	(12,416)	(124,701)	(146,264)	(67,480)	(75,728)
Proceeds from bank borrowings	2,612,410	404,670	726,210	517,440	75,710
Proceeds from capital contributions	700,000	220,000	240,000	–	–
Advance from (repayment to) the immediate holding company	1,000	1,000	797,000	–	(795,000)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	3,300,994	500,969	1,616,946	449,960	(795,018)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	913	(321)	6,339	(61)	(6,725)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	–	913	592	592	6,931
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	913	592	6,931	531	206

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Shanghai Yao Yao Lu Construction Development Company Limited*（上海耀耀祿建設發展有限公司）(the "**Target Company**") was incorporated in the People's Republic of China (the "**PRC**") as an exempted company with limited liability on 1 July 2020. Its registered office is located at 4th Floor, No. 391-393, Dongdaming Road, Hongkou District, Shanghai, the PRC.

The Target Company is directly wholly-owned by Shanghai Zhonghong (Group) Company Limited*（上海中虹（集團）有限公司）, a company incorporated in the PRC with limited liability.

During the Relevant Periods, the Target Company is principally engaged in the holding and development of the land.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Target Company.

2. BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective terms includes all applicable individual HKFRSs, Hong Kong Accounting Standards and interpretations issued by the HKICPA. Further details of the significant accounting policies adopted are set out in Note 4.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Target Company has consistently adopted all applicable new and revised HKFRSs that are effective for the financial year beginning on 1 January 2023 and throughout the Relevant Periods, except for any new standards or interpretations that are not yet effective for the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in Note 3.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Historical Financial Information, the Target Company has consistently applied the accounting policies which conformed with the HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("**HKASs**"), and amendments and interpretations issued by the HKICPA which are effective for the Target Company's accounting period beginning on 1 January 2023 throughout the Relevant Periods.

New and amendments to HKFRSs issued but not yet effective

At the date of this report, the following new and amendments to HKFRSs and HKASs have been issued but are not yet effective. The Target Company has not early applied these new and amendments to HKFRSs and HKASs:

Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[1]
Amendments to HKAS 1	Non-Current Liabilities with Covenants[1]

[1] Effective for annual periods beginning on or after 1 January 2024
[2] Effective for annual periods beginning on or after a date to be determined

The directors of the Target Company anticipate that, the application of the above new and amendments to HKFRSs and HKASs will have no material impact on the financial performance and the financial position of the Target Company.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the accounting policies set out below which conform to HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instrument that is measured at fair value as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Cash and cash equivalents

In the statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes

Financial instruments

Financial assets and financial liabilities are recognised when a Target Company becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Target Company's ordinary course of business are presented as other income.

Properties under development

Properties under development which are intended to be sold upon completion of development and properties held for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties under development are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

*Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):*

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of application of HKFRS 9/initial recognition of a financial asset the Target Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Target Company manages together and has a recent actual pattern of short-term profit– taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Target Company may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses, net" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Target Company performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including accounts receivable excluded lease receivables, loans to and amounts due from ultimate holding company, fellow subsidiaries, non-controlling interests, joint ventures and associates, deposits and other receivables, restricted bank deposits, pledged deposits, cash and bank balances), and other items (lease receivables included in accounts receivable, and financial guarantee contracts) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Target Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Company always recognises lifetime ECL for accounts receivable and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Target Company measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Target Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment the Target Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Company presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Company has reasonable and supportable information that demonstrates otherwise.

For financial guarantee contracts, the date that the Target Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Target Company considers the changes in the risk that the specified debtor will default on the contract.

Despite the foregoing, the Target Company assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Target Company considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Target Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Target Company considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Company, in full (without taking into account any collaterals held by the Target Company).

Irrespective of the above, the Target Company considers that default has occurred when a financial asset is more than 90 days past due unless the Target Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Target Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivable, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Target Company's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Target Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and all the cash flows that the Target Company expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

For a financial guarantee contract, the Target Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Target Company expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts, the Target Company will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

The Target Company has measured ECL at the individual instrument level for loan to/amount due from related parties and non-controlling interests, and the credit-impaired financial assets. For collective assessment, where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the Target Company takes into consideration the following characteristics when formulating the Target Companying:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Except for financial guarantee contracts, the Target Company recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivable and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Target Company after deducting all of its liabilities. Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Target Company to deliver cash or other financial assets or the Target Company has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Target Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Target Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Target Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Target Company's documented risk management or investment strategy, and information about the Target Companying is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities of the Target Company including accounts and other payables, amounts due to/loans from holding companies, fellow subsidiaries, an associate, joint ventures, non-controlling interests and third parties, bank borrowings and bonds payable are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at fair value. It is subsequently measured at the higher of:

- the amount of loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, the Target Company currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value measurement

When measuring fair value, expect for the net realisable value of properties under development for the purpose of impairment assessment, the Target Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The Target Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Target Company categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the each reporting period, the Target Company determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Company's accounting policies, which are described in Note 4, the directors of the Target Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the Historical Financial Information. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future years/periods if the revision affects both current and future years/periods.

Land appreciation tax ("LAT")

The Target Company is subject to LAT in the Mainland China. Significant judgement is required in determining the amount of land appreciation and its related income tax provisions. The Target Company recognised the LAT based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the years/period in which such tax is finalised with local tax authorities.

Impairment on properties under development for sale

Impairment on properties under development for sale is made based on the assessment of net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, and the amount the properties are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period. Significant management estimates are required in the estimates. Where the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying amounts of properties under development for sale and the amount of impairment loss/reversal of impairment loss in the years/periods in which such estimates have been changed.

The aggregate carrying amount of properties under development for sale as at 31 December 2020, 2021, 2022 and 30 June 2023, RMB3,315,942,000, RMB3,941,947,000, RMB5,009,247,000 and RMB5,084,242,000, respectively.

6. FINANCE COSTS

	For the period from 1 July 2020 (date of incorporation) to 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2022	Six months ended 30 June 2022	Six months ended 30 June 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interests on:					
Bank borrowings	15,856	125,227	147,220	67,738	74,995
Less: Interest capitalised:					
Properties under development for sale	(15,856)	(125,227)	(147,220)	(67,738)	(74,995)
	–	–	–	–	–

7. INCOME TAX CREDIT (EXPENSES)

	For the period from 1 July 2020 (date of incorporation) to 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2022	Six months ended 30 June 2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current income tax:					
– Corporate Income Tax	–	–	–	–	–
Deferred taxation	85	35	563	(1)	(3)
	85	35	563	(1)	(3)

Note: Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the Enterprise Income Tax rate is 25%.

The income tax (credit) expenses for the period from 1 July 2020 (date of incorporation) to 31 December 2020 and for the years ended 31 December 2021 and 31 December 2022 and six months ended 30 June 2022 and 30 June 2023 can be reconciled to the (loss) profit before tax per the statements of profit or loss and other comprehensive income as follows:

	For the period from 1 July 2020 (date of incorporation) to 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2022	Six months ended 30 June 2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(Loss) profit before tax	(340)	(141)	(2,253)	4	13
Tax at the applicable domestic income tax rates	(85)	(35)	(563)	1	3
Income tax (credit) expenses for the year	(85)	(35)	(563)	1	3

8. (LOSS) PROFIT AND TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR/PERIOD

(Loss) profit and total comprehensive (expense) income for the year/period has been arrived at after charging:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Auditors' emoluments	–	–	–	–	–
Directors' emoluments	–	–	–	–	–

9. DIVIDEND

No dividend has been paid or declared for the ordinary shareholders of the Target Company during each of the reporting period, nor after each of the reporting period.

10. PROPERTIES UNDER DEVELOPMENT FOR SALE

	At 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At cost:				
At date of incorporation/1 January	–	3,315,942	3,941,947	5,009,247
Additions	3,300,086	500,778	920,080	–
Interest capitalised during the year/period	15,856	125,227	147,220	74,995
At 31 December/30 June	3,315,942	3,941,947	5,009,247	5,084,242

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Relocation compensation receivables	–	–	4,172,248	–
Prepaid Land Appreciation Tax and other taxes	5	52	78	78
	5	52	4,172,326	78

12. BANK BALANCES AND CASH

Cash and bank balances included demand deposits and short-term bank deposits for the purpose of meeting the Target Company's short term cash commitment. Cash at bank earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default..

13. TRADE PAYABLES

	At 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	–	3,481,773	100,056

Trade payables mainly comprise construction costs, land cost and other project-related expenses in relation to properties under development for sale which are payable based on project progress measured by the Target Company. Trade payables are generally with credit period of 60 to 90 days. All trade payables presented carried within 1 year based on invoice date at the end of each reporting period:

The average credit period on purchases of goods is up to 90 days. The Target Company has financial risk management policies in place to ensure that all payables are within the credit timeframe.

14. ACCRUALS AND OTHER PAYABLES

	At 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other tax payables	350	26	2,253	2
Interest payables	3,440	3,966	4,922	4,189
	3,790	3,992	7,175	4,191

15. AMOUNT DUE TO THE IMMEDIATE HOLDING COMPANY

The amount due to the immediate holding company were unsecured, interest-free and repayable on demand

16. DEFERRED TAXATION

The following is the analysis of the deferred tax assets for financial reporting purposes:

	At 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	85	120	683	680

The followings are the major deferred tax assets recognised and movements thereon during the Relevant Periods:

	Tax losses
	RMB'000
At 1 July 2020 (date of incorporation)	–
Charged to profit or loss	85
At 31 December 2020 and 1 January 2021	85
Charged to profit or loss	35
At 31 December 2021 and 1 January 2022	120
Charged to profit or loss	563
At 31 December 2022 and 1 January 2023	683
Credited to profit or loss	(3)
At 30 June 2023	680

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, the Target Company had estimated unused tax losses of approximately RMB340,000, RMB480,000, RMB2,732,000 and RMB2,720,000, respectively, available for offset against future profits, among which RMB340,000, RMB480,000, RMB2,732,000 and RMB2,720,000 of unused tax losses were recognised as deferred tax assets. As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, tax losses incurred by the Target Company in the PRC of RMB340,000, RMB480,000, RMB2,732,000 and RMB2,720,000 will expire in the next five years.

17. BANK BORROWING

		At 31 December		**As at 30 June**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loan:				
Guaranteed	2,612,410	3,017,080	3,743,290	3,819,000

The maturity profile of the above bank loan is as follows:

	At 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of bank loan repayable*:				
Within one year	–	–	–	–
In the second year	–	–	–	–
In the third to fifth year, inclusive	–	50,000	350,000	650,000
Beyond five years	2,612,410	2,967,080	3,393,290	3,169,000
Total bank borrowing	2,612,410	3,017,080	3,743,290	3,819,000
Less: Amounts due within twelve months shown under current liabilities	–	–	–	–
Amounts shown under non-current liabilities	2,612,410	3,017,080	3,743,290	3,819,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The bank borrowing was guaranteed by the holding company of the Target Company, Shanghai North Bund (Group) Co., Ltd.

The range of effective interest rates (which are also equal to contracted interest rates) on the Target Company's borrowing is as follows:

	At 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	%	*%*	*%*	*%*
Effective interest rate per annum	4.31%	4.31%	4.31%	3.96%

18. PAID-IN CAPITAL

	At 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and paid up ordinary share capital				
At the beginning of the year/period	–	700,000	920,000	1,160,000
Addition	700,000	220,000	240,000	–
At the end of the year/period	700,000	920,000	1,160,000	1,160,000

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's financial instruments include deposits, prepayments and other receivables, bank balances and cash, trade payables, accruals and other payables, amount due to the immediate holding company and bank borrowing. Details of these financial instruments are disclosed in respective note. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Categories of financial instruments

	At 31 December			At 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial asset at amortised cost (including cash and cash equivalents)	913	592	4,179,179	206
Financial liabilities				
Financial liabilities at amortised cost	2,617,200	3,023,072	8,031,238	3,927,247

Market risk

The Target Company's activities expose it primarily to the financial risks of changes in interest rates.

Interest rate risk management

The Target Company is exposed to cash flow interest rate risk in relation to bank balances (see Note 12 for details). The management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Target Company's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The management considers the Target Company's exposure of the bank balances to cash flow interest rate risk is not significant as the management does not anticipate significant fluctuation in interest rate on bank balances due to their short-term maturities.

Sensitivity analysis

The management considered that the Target Company does not have material interest rate risk exposure and hence no sensitivity analysis is presented.

Credit risk

The Target Company does not expose to any significant credit risk during the Relevant Periods.

Liquidity risk

In the management of the liquidity risk, the Target Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following tables detail the contractual maturity of the Target Company for its non-derivative financial liabilities and derivative instrument. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities and lease liabilities based on the earliest date on which the Target Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from interest rate at the end of each reporting period.

In addition, the following table details the Target Company's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Target Company's derivative financial instruments are prepared based on the contractual settlement dates as the management of the Target Company considers that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate	Repayable on demand or within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020							
Trade payables		–	–	–	–	–	–
Accruals and other payables		3,790	–	–	–	3,790	3,790
Bank borrowing	4.31%	112,595	112,595	112,595	2,715,622	3,053,407	2,612,410
Amount due to the immediate holding company		1,000	–	–	–	1,000	1,000
		117,385	112,595	112,595	2,715,622	3,058,197	2,617,200
At 31 December 2021							
Trade payables		–	–	–	–	–	–
Accruals and other payables		3,992	–	–	–	3,992	3,992
Bank borrowing	4.31%	130,036	130,036	180,036	3,084,304	3,524,412	3,017,080
Amount due to the immediate holding company		2,000	–	–	–	2,000	2,000
		136,028	130,036	180,036	3,084,304	3,530,404	3,023,072
At 31 December 2022							
Trade payables		3,481,773	–	–	–	3,481,773	3,481,773
Accruals and other payables		7,175	–	–	–	7,175	7,175
Bank borrowing	4.31%	161,336	161,336	511,336	3,527,353	4,361,361	3,743,290
Amount due to the immediate holding company		799,000	–	–	–	799,000	799,000
		4,449,284	161,336	511,336	3,527,353	8,649,309	8,031,238
At 30 June 2023							
Trade payables		100,056	–	–	–	100,056	100,056
Accruals and other payables		4,191	–	–	–	4,191	4,191
Bank borrowing	3.96%	151,232	151,232	801,232	3,284,035	4,387,731	3,819,000
Amount due to the immediate holding company		4,000	–	–	–	4,000	4,000
		259,479	151,232	801,232	3,284,035	4,495,978	3,927,247

20. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details major changes in the Target Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Company's statement of cash flows as cash flows from financing activities.

	Amount due to the immediate holding company	Interest payables	Bank borrowing	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 July 2020 (date of incorporation)	–	–	–	–
Financing cash flows	1,000	(12,416)	2,612,410	2,600,994
Interest expenses	–	15,856	–	15,856
As at 31 December 2020	1,000	3,440	2,612,410	2,616,850
As at 1 January 2021	1,000	3,440	2,612,410	2,616,850
Financing cash flows	1,000	(124,701)	404,670	280,969
Interest expenses	–	125,227	–	125,227
As at 31 December 2021	2,000	3,966	3,017,080	3,023,046
As at 1 January 2022	2,000	3,966	3,017,080	3,023,046
Financing cash flows	797,000	(146,264)	726,210	1,376,946
Interest expenses	–	147,220	–	147,220
As at 31 December 2022	799,000	4,922	3,743,290	4,547,212
As at 1 January 2023	799,000	4,922	3,743,290	4,547,212
Financing cash flows	(795,000)	(75,728)	75,710	(795,018)
Interest expenses	–	74,995	–	74,995
As at 30 June 2023	4,000	4,189	3,819,000	3,827,189

21. RELATED PARTY TRANSACTIONS

Transactions with related parties

Save as disclosed elsewhere in the financial statements, the Target Company has no other material transactions with related parties.

Balances with related parties

No remunerations was paid or payable to the Directors and key management personnel by the Target Company during the current and prior years.

Compensation of key management personnel

Compensation of key management personnel represents the remuneration of the directors of the Target Company for each of the reporting period, which is disclosed in Note 8.

Set out below is the management discussion and analysis on the Target Company for the period from 1 July 2020 (date of incorporation) to 31 December and the years ended, 31 December 2021 and 31 December 2022 and the six months ended 30 June 2023, which is prepared based on the financial information of the Target Company as set out in Appendix II to this circular.

BUSINESS OVERVIEW

The Target Company is a company incorporated in the PRC with limited liability. It owns the entire equity interest in the Land.

Immediately prior to Completion, the Target Company was held as to 100% by the Seller. After Completion, the Company shall be interested in the entire issued share capital of the Target Company. The Target Company is currently holding the Land situated in the North Bund area of Hongkou District, Shanghai, the PRC and has a total site area of approximately 23,849 square meters and planned gross floor area of approximately 46,506 square meters. The term of the land use right for the Land is 70 years and the proposed use of the Land is for the development of residential properties, among which the majority will be low rise residential properties and the remaining properties will be high-rise residential properties. As of the Latest Practicable Date, the construction on the Land and the sale of properties to be developed on the Land has not yet commenced. The construction on the Land and the sale of properties to be developed on the Land is expected to commence in 2024.

For further details of the Land, please refer to the property valuation report of the Land as set out in Appendix V of this circular.

FINANCIAL REVIEW

Financial Information on the Target Company

Set out below is a summary of the financial information of the Target Company extracted from the accountants' reports of the Target Company as set out in Appendix II of this circular:

	For the period from 1 July 2020 (date of incorporation) to 31 December 2020	**For the year ended 31 December 2021**	**For the year ended 31 December 2022**	**For the six months ended 30 June 2023**
	RMB	*RMB*	*RMB*	*RMB*
Revenue	–	–	–	–
(Loss)/Profit before tax	(340,000)	(141,000)	(2,253,000)	13,000
(Loss)/Profit after tax	(255,000)	(106,000)	(1,690,000)	10,000

The audited net assets of the Target Company as at 30 June 2023 was approximately RMB1,157,959,000.

For further financial information of the Target Company, please refer to the accountants' report of the Target Company as set out in Appendix II of this circular.

Revenue

As the development of the Land and the sale of properties to be developed on the Land held by the Target Company has not commenced as of the Latest Practicable Date, the Target Company recorded nil revenue for each of the period from 1 July 2020 (date of incorporation) to 31 December 2020, the years ended 31 December 2021 and 31 December 2022 and the six months period ended 30 June 2023, respectively.

Other income

The other income of the Target Company for the period from 1 July 2020 (date of incorporation) to 31 December 2020, the years ended 31 December 2021 and 31 December 2022 and the six months period ended 30 June 2023 were approximately RMB10,000, RMB12,000, RMB5,000 and RMB14,000, respectively. The other income of the Target Company mainly represented interest income from bank deposits received by the Target Company.

Administrative expenses

The administrative expenses of the Target Company for the period from 1 July 2020 (date of incorporation) to 31 December 2020, the years ended 31 December 2021 and 31 December 2022 and the six months period ended 30 June 2023 were approximately RMB350,000, RMB153,000, RMB2,258,000 and RMB1,000, respectively. The administrative expenses during the period from 1 July 2020 (date of incorporation) to 31 December 2020 and the year ended 31 December 2021 mainly represented stamp duties relating to bank borrowings and construction agreements and the administrative expenses during the year ended 31 December 2022 mainly represented stamp duty relating to the acquisition of the Land, which was a relatively larger amount.

Income tax credit/(expense)

The income tax credit/(expense) of the Target Company for the period from 1 July 2020 (date of incorporation) to 31 December 2020, the years ended 31 December 2021 and 31 December 2022 and the six months period ended 30 June 2023 were approximately RMB85,000, RMB35,000, RMB563,000 and RMB(3,000), respectively. The income tax credit/(expenses) of the Target Company mainly represented deferred tax accrued or utilised (as the case may be).

(Loss)/profit after tax for the period/year

The Target Company recorded a (loss)/profit after tax of approximately RMB(255,000), RMB(106,000), RMB(1,690,000) and RMB10,000 for the period from 1 July 2020 (date of incorporation) to 31 December 2020, the years ended 31 December 2021 and 31 December 2022 and the six months period ended 30 June 2023, respectively. The losses for the period from 1 July 2020 (date of incorporation) to 31 December 2020 and years ended 31 December 2021 and 31 December 2022 were mainly attributable to the administrative expenses for the relevant period/year, which offset the effect of the other income and income tax credit for the relevant period/year. The profit for the six months period ended 30 June 2023 was mainly attributable to the other income for the period, which offset the effect of the administrative expenses and income tax expenses for the period.

It is the intention of the Target Company to continue to hold and develop the Land to generate sales income after Completion.

Capital structure, liquidity and financial resources

The Target Company mainly financed its operation by cash flow from financing. The Target Company had bank balances and cash of approximately RMB913,000, RMB592,000, RMB6,931,000 and RMB206,000 as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, respectively. In addition, the bank borrowings of the Target Company amounted to approximately RMB2,612,410,000, RMB3,017,080,000, RMB3,743,290,000 and RMB3,819,000,000, respectively, and the related interest was charged based on a floating interest rate. Such bank borrowings were denominated in RMB and were guaranteed by the holding company of the Target Company, Shanghai North Bund (Group) Co., Ltd..

For further details on the bank borrowings of the Target Company, please refer to note 17 of the accountants' report of the Target Company as set out in Appendix II of this circular.

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, the Target Company recorded net assets of approximately RMB699,745,000, RMB919,639,000, RMB1,157,949,000 and RMB1,157,959,000, respectively.

Funding and treasury policy

The Target Company primarily finances its operations from bank borrowings and loans from shareholders. The Target Company adopts a prudent funding and treasury policy towards its overall business operation with an aim to minimize financial risks, by ensuring sufficiency of liquidity and fulfilment of financing requirements within acceptable financing costs. As of the Latest Practicable Date, the Target Company did not use financial instruments for hedging purposes.

Foreign Currency Management

The Target Company operates in the PRC and all of its transactions are denominated in RMB.

The Target Company currently does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Target Company will monitor its foreign currency exposure closely and will consider hedging foreign currency exposure if necessary.

Employees and Remuneration Policy

The Target Company did not have any employees as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023. The Target Company will implement policies to ensure that employees will be recruited, employed, promoted and remunerated based on their qualifications, experiences, skills, performances and contributions. In addition, remuneration will be determined with reference to, among others, the market trend. The Target Company will also implement various programs for staff training and development.

Significant investments held

The Target Company does not have any significant investments nor any material acquisitions or disposal of subsidiaries and affiliated companies during the period from 1 July 2020 (date of incorporation) to 31 December 2020, the years ended 31 December 2021 and 31 December 2022 and the six months period ended 30 June 2023.

Charges on assets

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, there was no charge over any asset of the Target Company.

Gearing ratio

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, the gearing ratio of the Target Company (calculated based on the bank borrowings as a percentage of total equity) were approximately 373.34%, 328.07%, 323.27% and 329.80%, respectively.

Contingent liabilities

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, the Target Company did not have any contingent liabilities.

Future plans and Prospects

The Target Company expects to hold the Land for development of properties for sale. As at the Latest Practicable Date, the Target Company did not plan to launch new business or make material investments or capital assets.

The following is the text of a report on the unaudited pro forma financial information received from SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following unaudited pro forma financial information of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") has been prepared on the basis of the notes set out below and in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effects on the consolidated statement of assets and liabilities of the Enlarged Group as if the Transaction had been completed on 30 June 2023.

The Unaudited Pro Forma Financial Information has been prepared based on (i) the use of accounting policies of the Enlarged Group consistent with that of the Group, as set out in the published interim report of the Group for the six months ended 30 June 2023; (ii) the condensed consolidated statement of financial position of the Group as at 30 June 2023, as set out in its published interim report of the Group for the six months ended 30 June 2023; (iii) the statement of financial position of the Target Company as at 30 June 2023; and (iv) the pro forma adjustments prepared to reflect the effects of the Transaction as explained in the notes set out below that are directly attributable to the Transaction and not relating to future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information contained in this circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group had the Transaction been completed as at 30 June 2023 or at any future date.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 30 JUNE 2023

	Unaudited condensed consolidated statement of assets and liabilities of the Group as at 30 June 2023	Consolidated statement of assets and liabilities of the Target Company as at 30 June 2023	Pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
ASSETS					
Non-current assets					
Investment properties	64,021,883	–	–	–	64,021,883
Property, plant and equipment	2,991,560	–	–	–	2,991,560
Right-of-use assets	1,498,736	–	–	–	1,498,736
Intangible assets	105,875	–	–	–	105,875
Interests in associates	736,985	–	–	–	736,985
Interests in joint ventures	6,949,029	–	–	–	6,949,029
Loans to associates	754,877	–	–	–	754,877
Loans to non-controlling interests	751,740	–	–	–	751,740
Financial assets at fair value through profit or loss	510	–	–	–	510
Goodwill	184,297	–	–	–	184,297
Deposits	158,421	–	–	–	158,421
Deferred tax assets	368,993	680	–	–	369,673
Amount due from a non-controlling interest	294	–	–	–	294
Hedging instruments	221,840	–	–	–	221,840
	78,745,040	680	–	–	78,745,720

	Unaudited condensed consolidated statement of assets and liabilities of the Group as at 30 June 2023	Consolidated statement of assets and liabilities of the Target Company as at 30 June 2023	Pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Current assets					
Inventories	38,636	–	–	–	38,636
Properties held for sale	4,690,339	–	–	–	4,690,339
Properties under development for sale	36,471,443	5,084,242	38,041	–	41,593,726
Accounts receivable	115,266	–	–	–	115,266
Contract costs	186,209	–	–	–	186,209
Deposits, prepayments and other receivables	3,885,996	78	–	–	3,886,074
Amounts due from fellow subsidiaries	27,652	–	–	–	27,652
Amounts due from non-controlling interests	26,363	–	–	–	26,363
Amounts due from joint ventures	49,713	–	–	–	49,713
Amounts due from associates	902,563	–	–	–	902,563
Loans to associates	2,622,823	–	–	–	2,622,823
Loans to non-controlling interests	66,000	–	–	–	66,000
Tax recoverable	648,476	–	–	–	648,476
Hedging instruments	322,180	–	–	–	322,180
Restricted bank deposits	33,069	–	–	–	33,069
Pledged deposits	5,359	–	–	–	5,359
Cash and bank balances	16,577,179	206	(1,200,000)	(670)	15,376,715
	66,669,266	5,084,526	(1,161,959)	(670)	70,591,163
Total assets	145,414,306	5,085,206	(1,161,959)	(670)	149,336,883

	Unaudited condensed consolidated statement of assets and liabilities of the Group as at 30 June 2023	Consolidated statement of assets and liabilities of the Target Company as at 30 June 2023	Pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Current liabilities					
Accounts payable	5,369,442	100,056	–	–	5,469,498
Other payables and accruals	6,740,028	4,191	–	–	6,744,219
Contract liabilities	19,484,815	–	–	–	19,484,815
Lease liabilities	69,382	–	–	–	69,382
Amount due to the ultimate holding company	4	–	–	–	4
Amounts due to intermediate holding companies	16,806	–	–	–	16,806
Amount due to the immediate holding company	99,488	4,000	(4,000)	–	99,488
Amounts due to non-controlling interests	223,480	–	–	–	223,480
Amounts due to associates	885,694	–	–	–	885,694
Amounts due to joint ventures	168,652	–	–	–	168,652
Amounts due to fellow subsidiaries	208,584	–	–	–	208,584
Loans from fellow subsidiaries	225,548	–	–	–	225,548
Loans from non-controlling interests	618,618	–	–	–	618,618
Loan from a third party	29,340	–	–	–	29,340
Bank borrowings	2,275,038	–	–	–	2,275,038
Income tax and land appreciation tax payables	782,037	–	–	–	782,037
Deferred income	1,471	–	–	–	1,471
Bonds payable	837,356	–	–	–	837,356
	38,035,783	108,247	(4,000)	–	38,140,030
Net current assets	28,633,483	4,976,279	(1,157,959)	(670)	32,451,133
Total assets less current liabilities	107,378,523	4,976,959	(1,157,959)	(670)	111,196,853

	Unaudited condensed consolidated statement of assets and liabilities of the Group as at 30 June 2023	Consolidated statement of assets and liabilities of the Target Company as at 30 June 2023	Pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Non-current liabilities					
Other payables and accruals	635,388	–	–	–	635,388
Lease liabilities	97,709	–	–	–	97,709
Loan from a fellow subsidiary	371,000	–	–	–	371,000
Loans from third parties	7,883,320	–	–	–	7,883,320
Loans from joint ventures	5,824,800	–	–	–	5,824,800
Loan from a non-controlling interest	246,856	–	–	–	246,856
Bank borrowings	22,624,413	3,819,000	–	–	26,443,413
Deferred tax liabilities	8,253,828	–	–	–	8,253,828
Bonds payable	3,176,931	–	–	–	3,176,931
Loan from an associate	343,000	–	–	–	343,000
Amount due to a joint venture	539,000	–	–	–	539,000
	49,996,245	3,819,000	–	–	53,815,245
Net assets	57,382,278	1,157,959	(1,157,959)	(670)	57,381,608

Notes:

1. The balances are extracted from the condensed consolidated statement of financial position of the Group as at 30 June 2023 as set out in the Company's interim report for the year six months ended 30 June 2023.

2. The balances are extracted from the unaudited statement of financial position of the Target Company as at 30 June 2023, which is prepared by the Target Company in accordance with the Group's accounting policies under Hong Kong Financial Reporting Standards ("**HKFRS**") as set out in Appendix II to this Circular.

3. The pro forma adjustment represents the impact of the acquisition of the Target Company by the Group at the pro forma purchase consideration of RMB1,196,000,000 and the Shareholder's Loan of RMB4,000,000 in aggregate, as if the acquisition had taken place on 30 June 2023. The amount of RMB360,000,000 has been paid by the Buyer as the security for the Auction.

   The fair value adjustment to the properties under development for sale is derived as below:

	RMB'000
Aggregated consideration	1,200,000
Less: Net book value of the Target Company as at 30 June 2023	(1,157,959)
Less: Shareholder's Loan	(4,000)
Fair value adjustment to the properties under development for sale at the date of acquisition	38,041

4. The pro forma adjustment represents the estimated professional fees and other expenses to be incurred for the Transaction of approximately RMB670,000.

5. Apart from the above, no adjustments have been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2023.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Joy City Property Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Joy City Property Limited (the "**Company**") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2023 and related notes as set out on pages IV-1 to IV-6 of the circular issued by the Company dated 25 September 2023 (the "**Circular**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Appendix IV to the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Acquisition (as defined in the Circular) on the Group's financial position as 30 June 2023 as if the Acquisition had taken place at 30 June 2023. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's condensed consolidated financial statements for the six months ended 30 June 2023, on which a review report has been published.

Directors' Responsibility for the Unaudited pro forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management ("**HKSQM**") 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 30 June 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589

Hong Kong
25 September 2023

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this Circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interest to be acquired by the Company as at 31 July 2023.

CUSHMAN & WAKEFIELD
戴德梁行

27th Floor
One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

25 September 2023

The Board of Directors
Joy City Property Limited
33/F COFCO Tower
262 Gloucester Road Causeway Bay
Hong Kong

Dear Sirs,

Re: Valuation of the development site 116 Jiefang, Beiwaitan Street, Hongkou District, Shanghai, the PRC

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions from Joy City Property Limited. (the "**Company**") for us to value the property intended to be acquired by the Company or its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property as at 31 July 2023 (the "**Valuation Date**").

BASIS OF VALUATION

Our valuation of the property represents its market value which in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors (the "**HKIS**") is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We confirm that the valuation is undertaken in accordance with the HKIS Valuation Standards 2020 Edition published by the Hong Kong Institute of Surveyors.

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules governing the Listing of Securities published by the Stock Exchange of Hong Kong Limited.

VALUATION ASSUMPTIONS

Our valuation of the property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation, we have relied on the information and advice given by the Company's PRC legal adviser, Commerce & Finance Law Offices (通商律師事務所), regarding the titles to the property and the interests of the Company in the property in the PRC. Unless otherwise stated in the legal opinion, in valuing the property, we have assumed that the property owner has an enforceable title to the property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the respective unexpired land use term as granted and that any premium payable has already been fully paid.

In respect of the property situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company are set out in the notes of the valuation report. We have assumed that all consents, approvals and licences from relevant government authorities for the development have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant authorities.

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

METHOD OF VALUATION

In valuing the property, we have used Market Approach assuming sale of the property in its existing state by making reference to comparable sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, accessibility, size and other relevant factors. This method is in line with the market practice.

As the subject property was a developable site at the Valuation Date and land sales evidence is available in the local market, Market Approach is appropriate under such circumstances. We have examined current land transactions and our search was based on similar zoned parcels of land traded recently in the vicinity of the subject property. The most widely used and market-oriented units of comparison for properties with characteristics similar to those of the subject property is unit rate per square meter of developable floor area of the land. The analysis of all comparable transactions are based on the same basis which is commonly used in the local market.

In the course of our valuation, we have considered the differences between the subject property and the comparable properties in terms of various factors and accordingly made due adjustments, including but not limited to the transaction time, location and environment, transport and accessibility, land use, size, plot ratio, development constraints, etc. If the comparable is similar to the subject property, no adjustment is necessary. However, if the comparable is superior to the subject property, downward adjustment would be made in order to derive the lower unit rate of the subject property. Likewise, if the comparable is inferior to the subject property, upward adjustment would be made.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, orders, easements, tenure, lettings, licences, particulars of occupancy, identification of land and building, site and floor plans, site and floor areas, and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided.

TITLE INVESTIGATION

We have been provided with extracts of documents relating to the property in the PRC. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the property and we have therefore relied on the advice given by the Company or the Company's legal adviser regarding the interests and title of the property in the PRC.

SITE INSPECTION

Our valuer, Joyce Tao (Senior Manager, 13 years' experience) of our Shanghai office inspected the exterior and, wherever possible, the interior of the property on 30 August 2023. However, we have not carried out any investigations to determine the suitability of the soil conditions and the services etc. for any development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the property is free of rot, infestation or any other structural defects. No test was carried out on any of the services.

Unless otherwise stated, we have not carried out on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the copies of the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi ("**RMB**"), the official currency of the PRC.

OTHER DISCLOSURE

We hereby confirm that Cushman & Wakefield Limited and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

We enclose herewith our valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Grace S.M. Lam
MRICS, MHKIS, RPS (GP)
Senior Director
Valuation & Advisory Services
Greater China

Note: Ms. Grace Lam is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). Ms. Lam has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuation competently.

VALUATION REPORT

Property intended to be acquired by the Group for future development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2023
The development site 116 Jiefang, Beiwaitan Street, Hongkou District, Shanghai, the PRC （中華人民共和國，上海市，虹口區北外灘街道116街坊之土地）	The property comprises a parcel of land of 23,849.20 square-meters. The property is located in core Hongkou District. Developments nearby are mainly office, commercial and residential in nature. The property is served by several public bus routes and is close to Metro Lines 4 and 12 subway station. The total permitted gross floor area ("**GFA**") of the property is 46,505.94 square-meters. The land use rights of the property have been granted for a term of 70 years from 17 February 2023 for residential use.	As at the Valuation Date, the property was a vacant land with vacated dilapidated buildings pending redevelopment.	RMB5,100,000,000 (RENMINBI FIVE BILLION ONE HUNDRED MILLION)

Notes:

(1) According to the Grant Contract of State-owned Land Use Rights dated 27 December 2022 (the "**Grant Contract**"), the land use rights of the property have been contracted to be granted to Shanghai Yaoyaolu Construction Development Ltd. with details as follows:

Contract Number	:	202201208000498
Land Use	:	Residential
Land Use Term	:	70 years from 17 February 2023
Site Area	:	23,849.20 square-meters
Permissible Gross Floor Area	:	46,505.94 square-meters
Land Premium	:	RMB4,391,840,000
Building Covenant	:	To start construction within 12 months and complete construction within 36 months after 17 February 2023
Cultural Heritage Conservation	:	1. The land plot includes a cultural heritage protection site - the former site of the Hongkou Jewish Settlement in the Youtai neighborhood. It should be protected in accordance with the relevant legal requirements. 2. The total preserved scale of historical buildings within the land plot should not be less than 18,900 square meters. The scale of historical building preservation and renovation should not be less than 28,000 square meters.

(2) According to the Confirmation Letter of the Transfer of State-owned Land Use Rights (國有建設用地使用權出讓交地確認書) issued by the Hongkou District Planning and Natural Resources Bureau, the land use term shall be counted from 17 February 2023.

(3) We have been provided with a legal opinion on the title of the property issued by the Company's PRC legal adviser which contains, inter-alia, the following information:

(a) Shanghai Yaoyaolu Construction Development Ltd.* (上海耀耀祿建設發展有限公司) has paid the land premium in full, and legally holds the land use right, but still needs to pay deed tax and apply for land use rights registration.

(b) After obtaining the Land Use Rights Certificate and meeting the mortgage conditions, Shanghai Yaoyaolu Construction Development Ltd.* (上海耀耀祿建設發展有限公司) shall arrange a mortgage on the land use rights and construction-in-progress in accordance with Loan Contract No. 216200086 to guarantee the performance of the debts under the aforesaid Loan Contract.

(c) In addition to the possible mortgage in the future, Shanghai Yaoyaolu Construction Development Ltd. * (上海耀耀祿建設發展有限公司) has the right to occupy, use, benefit from, and dispose of the subject land in accordance with the Grant Contract.

* *For identification purpose only and should not be regarded as the official English translation of the Chinese name. In the event of any inconsistency, the Chinese name prevails.*

(4) The status of title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

Grant Contract of State-owned Land Use Rights	Yes
Confirmation Letter of the Transfer of State-owned Land Use Rights	Yes
Business Licence	Yes

(5) In valuing the market value of the property, Market Approach is adopted. We have made reference to relevant land sales comparables which are selected based on criteria of

(a) time – comparables transacted in the past 30 months;

(b) location – comparables of similar accessibility as the property within radial distance of 5 km.;

(c) size – site area of comparables within 15,000 to 24,000 sq.m.;

(d) plot ratio – comparables of plot ratio within 1.4 to 2.7;

(e) land use – comparables of residential use; and

(f) remaining land use term – comparables of remaining land use term of 70 years.

We have selected two relevant land comparables. The unit values of the selected comparables range from about RMB92,648/sq.m. to RMB99,868/sq.m.. Our concluded unit value of the property is about RMB109,660/sq.m.. Details of the land comparables considered are listed below:

No.	Land Comparable	Location	Transaction Time	Site Area *(sq.m.)*	Plot Ratio	Land Use	Remaining Land Use Term	Transacted Unit Value *(RMB/sq.m.)*
1	HK341-06	Jiaxing Road, Hongkou District	Feb 2021	23,078	2.65	Residential	70 years	92,648
2	03B3-01	Pingliang Community, Yangpu District	Dec 2022	16,994	1.40	Residential	70 years	99,868

The major adjustments made to arrive at our valuation, include but not limited to, are summarised below:

Adjustment	Range
Commercial prosperity level	0 to +9%
Accessibility and transportation	0 to +3%
Cultural environment	0 to +4%
Adequacy of public infrastructure	+4%
Plot ratio	-10% to +5%
Land development level	-3% to 0%

The general basis of adjustment is that if the property is better than the comparable, an upward adjustment is made. Alternatively, if the property is inferior to or less desirable than the comparable, a downward adjustment is made.

The selected land comparables represent an exhaustive list based on the above-mentioned selection criteria. Adjustment details are illustrated below:

In terms of commercial prosperity level and accessibility and transportation, the property is superior to Comparables 1 and 2 as the property is within proximity to the community centre and public bus stop. Thus upward adjustments are made.

In terms of cultural environment, the property is superior to Comparable 2 which is vulnerable to the weak cultural atmosphere since the entire community is sandwiched amidst numerous houses a waiting demolition in the surrounding area. Thus upward adjustment is made.

In terms of adequacy of public infrastructure, the property belongs to the core area of the city center, and facilities such as schools, hospitals, banks and supermarkets are well equipped. All comparables are relatively poor in location, and the configuration of various facilities needs to be improved. Therefore, the comparables have been adjusted upward.

The plot ratio of the property is 1.95. Adjustments have been made to reflect different development density. The plot ratio of the property is lower than Comparable 1, enjoying lower density environment, thus upward adjustment is made. Contrastly, the density of the property is higher than Comparable 2 thus downward adjustment is made.

In terms of land development level, the site condition of Comparable 1 is better than the property and easier to develop, so downward adjustment is made.

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 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	Beneficial 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:

1. Long positions in the shares of the Company or its associated corporations, other than equity derivatives such as share options, warrants or convertible bonds.

2. 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 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 a deputy general manager 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 Grandjoy Holdings Group.

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** *(Note 1)*
COFCO Corporation	Shares	9,501,359,644 (L) *(Note 2)*	66.76%
	CPS	1,095,300,778 (L) *(Note 3)*	100%
COFCO (Hong Kong) Limited (“**COFCO (HK)**”)	Shares	9,501,359,644 (L) *(Note 2)*	66.76%
	CPS	1,095,300,778 (L) *(Note 3)*	100%
Vibrant Oak Limited (“**Vibrant Oak**”)	Shares	9,133,667,644 (L) *(Note 2)*	64.18%
Grandjoy Holdings Group	Shares	9,133,667,644 (L) *(Note 2)*	64.18%
Achieve Bloom Limited (“**Achieve Bloom**”)	Shares	367,692,000 (L) *(Note 2)*	2.58%
	CPS	1,095,300,778 (L) *(Note 3)*	100%

Name of substantial shareholders	Class of shares	Number of shares held	Approximate percentage of the issued share capital (Note 1)
Citigroup Inc.	Shares	996,152,757 (L)	6.99%
		32,000 (S)	0.00%
		996,119,312 (P)	6.99%
GIC Private Limited	Shares	843,020,000 (L) (Note 4)	5.92%

Notes:

1. The percentages (rounded to 2 decimal places) of the Shares were calculated based on the total number of Shares in issue as at the Latest Practicable Date, i.e. 14,231,124,858 Shares, and assuming that 1,095,300,778 CPS were not fully converted into 1,095,300,778 Shares. The percentages of CPS were calculated based on 1,095,300,778 CPS in issue as at the Latest Practicable Date.

2. Vibrant Oak, through its non-wholly owned subsidiary, Grandjoy Holdings Group, was deemed to be interested in 9,133,667,644 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 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 Shares as at the Latest Practicable Date.

3. 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.

4. GIC Private Limited held 843,020,000 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

At as 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. EXPERT AND CONSENT

The following is the qualification of the professional adviser who has given its opinion or recommendation which is contained in this circular.

Name	Qualification
SHINEWING (HK) CPA Limited	Certified Public Accountants
Cushman & Wakefield Limited	Independent valuer

As at the Latest Practicable Date, each of SHINEWING (HK) CPA Limited and Cushman & Wakefield Limited did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of SHINEWING (HK) CPA Limited and Cushman & Wakefield Limited did not have any direct or indirect interest in any assets which have been acquired, disposed of or leased to any member of the Group, or was proposed to be acquired, disposed of or leased to any member 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.

Each of SHINEWING (HK) CPA Limited and Cushman & Wakefield Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or report and reference to its name in the form and context in which they appear.

9. 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.

10. 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 this circular;

(b) the annual reports of the Company for the three years ended 31 December 2022, 31 December 2021 and 31 December 2020 and the interim report of the Company for the six months ended 30 June 2023;

(c) the accountant's report from SHINEWING (HK) CPA Limited on the financial information of the Target Company for each of the three years ended 31 December 2022, 31 December 2021 and 31 December 2020 and the six months period ended 30 June 2023, the text of which is set out in Appendix II to this circular;

(d) the report from SHINEWING (HK) CPA Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(e) the property valuation report from Cushman & Wakefield Limited, the text of which is set out in Appendix V to this circular;

(f) the written consents as referred to in the section headed "8. Expert and consent" in this Appendix; and

(g) the Sale and Purchase Agreement.

11. MISCELLANEOUS

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