

---

## THIS CIRCULAR IS FOR YOUR INFORMATION ONLY

---

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



**MAJOR TRANSACTION  
DEEMED DISPOSAL IN RELATION TO THE PROPOSED SPIN-OFF  
AND  
SEPARATE LISTING OF THE CONSUMER INFRASTRUCTURE REIT ON  
THE SHENZHEN STOCK EXCHANGE**

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



---

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

A letter from the Board is set out on pages 5 to 22 of this circular. A letter from the Independent Board Committee containing its recommendation to the Shareholders is set out on pages 23 to 24 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Shareholders is set out on pages 25 to 45 of this circular.

The Company has obtained written Shareholders’ approval for the Proposed Spin-off 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 Proposed Spin-off 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.

---

## CONTENTS

---

	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	5
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	23
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	25
<b>APPENDIX I — FINANCIAL INFORMATION OF THE GROUP</b> .....	I-1
<b>APPENDIX II — PROPERTY VALUATION REPORT</b> .....	II-1
<b>APPENDIX III — GENERAL INFORMATION</b> .....	III-1

---

## DEFINITIONS

---

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

“Board”	the board of Directors
“CAMC”	China Asset Management Co., Ltd.* (華夏基金管理有限公司), a company established in the PRC with limited liability and an Independent Third Party
“Circular”	Circular on Work Related to Effectively Regulating the Application Procedure of Real Estate Investment Trusts for the Infrastructure Sector by the NDRC* (《國家發展改革委關於規範高效做好基礎設施領域不動產投資信託基金(REITs)專案申報推薦工作的通知》發改投資[2023]236號) issued by the National Development and Reform Commission
“CITIC”	CITIC Securities Co., Ltd.* (中信證券股份有限公司), a company established in the PRC with limited liability and an Independent Third Party
“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)
“Consumer Infrastructure REIT”	A publicly traded consumer type infrastructure-backed securities investment fund set up by the Company in accordance with the Guidance, the Circular and other applicable laws and regulations in the PRC
“CPS”	the non-redeemable convertible preference shares of HK\$0.10 each in the share capital of the Company
“CSRC”	China Securities Regulatory Commission
“Directors”	the directors of the Company
“Grandjoy Holdings Group”	Grandjoy Holdings Group Co., Ltd. * (大悅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: 000031.SZ) and a controlling shareholder of the Company

---

## DEFINITIONS

---

“Group”	the Company and its subsidiaries
“Guidance”	Guidance on Public Offering of Infrastructure Securities Investment Fund (Trial)* (公開募集基礎設施證券投資基金指引(試行)) promulgated by CSRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Lau Hon Chuen, Ambrose, <i>GBS, JP</i> , Mr. Lam Kin Ming, Lawrence and Mr. Chan Fan Shing formed for the purpose of advising the Shareholders in respect of the Proposed Spin-off and the transactions contemplated thereunder
“Independent Financial Adviser”	Dongxing Securities (Hong Kong) Company Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off and the transactions contemplated thereunder
“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”	19 June 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Project Company”	Chengdu Boyue Commercial Management Co., Ltd.* (成都博悅商業管理有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company as of the Latest Practicable Date
“Operation Manager”	Joy City Commercial Operation and Management (Tianjin) Company Limited* (大悅城商業運營管理(天津)有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“PN15”	Practice Note 15 to the Listing Rules
“PN15 Application”	the application made by the Company to the Stock Exchange pursuant to PN15 on the Proposed Spin-off

---

## DEFINITIONS

---

“PRC”	the People’s Republic of China, which shall, for the purpose of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Project”	Chengdu Joy City (成都大悦城), which entire interest is held by the New Project Company as of the Latest Practicable Date
“Project Company”	Zhuoyuan Property (Chengdu) Company Limited* (卓遠地產(成都)有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Proposed Spin-off”	the proposed spin-off and separate listing of the Consumer Infrastructure REIT on the Shenzhen Stock Exchange, which will indirectly hold the entire interest in the Project
“Public Offering”	the public offering of the Units under the Proposed Spin-off
“REIT Manager”	CAMC, being the manager of the Consumer Infrastructure REIT
“Remaining Group”	the Group after completion of the Proposed Spin-off, which shall, for the purpose of this circular, exclude the Consumer Infrastructure REIT and the Project
“Reorganisation”	the reorganisation steps to implement the Proposed Spin-off as set out under the section headed “II. The Proposed Spin-off – 2. The structure of the Consumer Infrastructure REIT and the Public Offering” in the letter from the Board in this circular
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme”	the asset-backed special scheme to be held by the Consumer Infrastructure REIT and managed by the Scheme Manager
“Scheme Manager”	CITIC, being the manager of the Scheme
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company

---

## DEFINITIONS

---

“Shareholder(s)”	the shareholder(s) of the Company
“SPV”	Chengdu Rongyue Commercial Management Co., Ltd.* (成都榮悅商業管理有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company as of the Latest Practicable Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Unit(s)”	the unit(s) of the Consumer Infrastructure REIT
“Written Approval”	the written approval in relation to the Proposed Spin-off and the transactions contemplated there under 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 CPS issued by the Company or the potential effect on the shareholding upon conversion of the CPS, unless otherwise stated.*

*In this circular, unless the context otherwise requires, the terms “connected person(s)”, “connected transaction(s)”, “continuing connected transaction(s)”, “controlling shareholder(s)”, “percentage ratio(s)”, “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.*

---

## LETTER FROM THE BOARD

---



# JOY CITY PROPERTY LIMITED

## 大悦城地產有限公司

(Incorporated in Bermuda with limited liability)  
(Stock Code: 207)

*Executive Director:*

Mr. YAO Changlin

*Non-executive Directors:*

Mr. CHEN Lang (Chairman)

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 June 2024

*To the Shareholders and holders of the CPS (for information only)*

Dear Sir or Madam,

### MAJOR TRANSACTION DEEMED DISPOSAL IN RELATION TO THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF THE CONSUMER INFRASTRUCTURE REIT ON THE SHENZHEN STOCK EXCHANGE

#### I. INTRODUCTION

Reference is made to the announcement of the Company dated 24 May 2024 in relation to the Proposed Spin-off.

The purpose of this circular is to provide you with, among other things, (a) details of the Proposed Spin-off; (b) the letter of recommendation of the Independent Board Committee to the Shareholders in respect of the Proposed Spin-off; (c) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and Shareholders in respect of the Proposed Spin-off; and (d) such other information as required under the Listing Rules.

---

## LETTER FROM THE BOARD

---

### II. THE PROPOSED SPIN-OFF

#### 1. Background

The Board is pleased to announce that on 24 May 2024, CAMC and CITIC submitted, among other things, the application materials on the registration and listing of the Consumer Infrastructure REIT to the CSRC and Shenzhen Stock Exchange.

The Proposed Spin-off involves, among other things, the transfer of the entire equity interest in the New Project Company, which holds the Project, by the Project Company, an indirect wholly-owned subsidiary of the Company, to the Consumer Infrastructure REIT and the subscription for 40% of the total Units of the Consumer Infrastructure REIT by the Project Company. The Project comprises of the shopping centre and carpark spaces located on Dayue Road, Wuhou District, Chengdu, the PRC and its entire interest is held by the New Project Company as of the Latest Practicable Date. Upon completion of the Proposed Spin-off, the Consumer Infrastructure REIT will indirectly hold the entire interest in the Project and the Company, through the Project Company, will indirectly hold 40% of the total Units of the Consumer Infrastructure REIT, and the Company's indirect interest in the Project will be reduced to 40%. Therefore, the financial results of the Project will cease to be consolidated in the Group's financial statements upon completion of the Proposed Spin-off.

The Proposed Spin-off on the Shenzhen Stock Exchange constitutes a spin-off under PN15 of the Listing Rules. The Company has submitted the PN15 Application in relation to the Proposed Spin-off to the Stock Exchange and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

#### 2. The structure of the Consumer Infrastructure REIT and the Public Offering

The Proposed Spin-off will involve the separate listing of the Consumer Infrastructure REIT on the Shenzhen Stock Exchange, which will indirectly hold the entire interest in the Project.

Under the proposed offering structure, the REIT Manager will set up the Consumer Infrastructure REIT as a publicly-listed consumer type infrastructure securities investment fund for Public Offering on the Shenzhen Stock Exchange at the expected size of approximately RMB3,348,000,000 (with reference to, and being not less than, the preliminary valuation of the Project and also taking into account of the Company's assessment of the Project based on the information available as at the Latest Practicable Date including, among other things, the income contributed by the Project to the Group, the business prospects of the Project, the financial impact and the potential tax and other related costs involved in the establishment of the Consumer Infrastructure REIT). It is currently expected that 40% of the total Units of the Consumer Infrastructure REIT will be subscribed by the Group through the Project Company at an expected aggregate price of approximately RMB1,339,200,000 and 60% of the total Units of the Consumer Infrastructure REIT will be subscribed by external investors at an expected aggregate price of approximately RMB2,008,800,000. The Consumer Infrastructure REIT will be set up in accordance with the Guidance, the Circular and other applicable laws and regulations in the PRC.



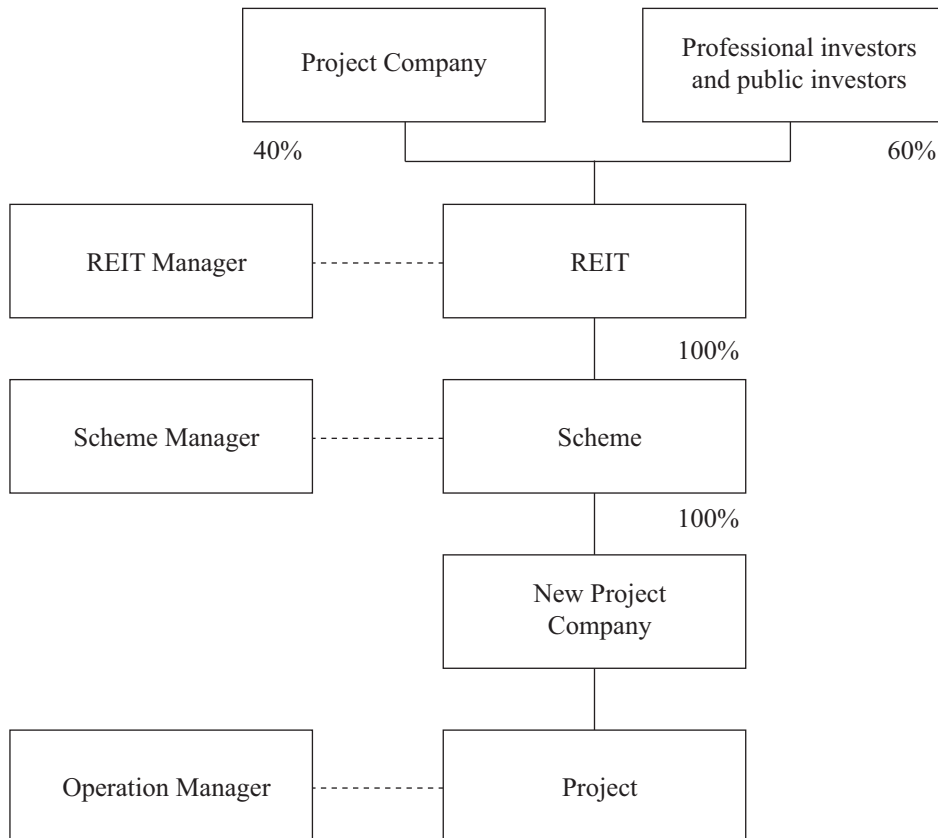
---

## LETTER FROM THE BOARD

---

For the purpose of the Proposed Spin-off, the Scheme will be set up by the Scheme Manager. As part of the Reorganisation, prior to the Latest Practicable Date, the Project Company has established the New Project Company and the SPV and in addition, the Project Company has contributed to the registered capital of the New Project Company by way of injection of its entire interest in the Project into the New Project Company. Therefore, as of the Latest Practicable Date, the Project Company holds the entire equity interest in each of the New Project Company, which holds the entire interest in the Project, and the SPV. Upon completion of the Public Offering, further steps of the Reorganisation will take place including, among other things: (a) the Consumer Infrastructure REIT will apply the proceeds from the Public Offering, after deducting costs and taxes relating to the Proposed Spin-off, to subscribe for the entire equity interest in the Scheme; (b) the Scheme will acquire the entire equity interest in the SPV (which is held by the Project Company as at the Latest Practicable Date) from the Project Company at a nominal consideration, and will subsequently inject the net proceeds from the Public Offering into the SPV by way of capital injection into the SPV's registered capital and provision of shareholder's loan; (c) the SPV (which will be wholly-owned by the Scheme by then) will use the net proceeds mentioned in (b) above to acquire the entire equity interest in the New Project Company (which is held by the Project Company as at the Latest Practicable Date) from the Project Company; (d) the SPV will then transfer the entire equity interest in the New Project Company to the Scheme at nominal consideration; and (e) the SPV will be merged into the New Project Company. The relevant parties have entered into definitive agreements to give effect to the Reorganisation as described above.

The structure of the Consumer Infrastructure REIT upon completion of the Proposed Spin-off is set out below:



---

## LETTER FROM THE BOARD

---

After the Proposed Spin-off, the Operation Manager, an indirect wholly-owned subsidiary of the Company, will be engaged by the REIT Manager to continue to provide operations management, property management and car park management services to the Project. The purpose of such arrangement is to leverage on the Group's expertise and experience for the daily operation and management of the Project, which will continue to be marketed under the Group's "Joy City" brand, and to minimise the disruption of the daily operations of the Project after the Proposed Spin-off.

The Proposed Spin-off including the relevant definitive agreements and the terms of the Public Offering, such as the size and price range of the offering and the timetable of the Public Offering, is subject to, among other things, the approval of the CSRC and the Shenzhen Stock Exchange and therefore may be amended.

### **3. Conditions precedent to the Proposed Spin-off**

The Proposed Spin-off is conditional upon, among other things, the following conditions:

- (a) the respective approvals of the CSRC, the Shenzhen Stock Exchange and the Stock Exchange in relation to the Proposed Spin-off having been obtained;
- (b) the approval of the Shareholders in relation to the Proposed Spin-off having been obtained;
- (c) the total amount of units offered by the Consumer Infrastructure REIT reaches 80% of the approved registration scale;
- (d) the offering size should be at least RMB200 million and there are at least 1,000 investors participating in the offering;
- (e) the original holder of the interest of the Project (being the Project Company) has subscribed in the strategic tranche;
- (f) other than the portion placed with strategic investors, not less than 70% of the remaining Units of the Consumer Infrastructure REIT shall be offered to offline investors; and
- (g) there is no other circumstance leading to the failure of the Public Offering.

As of the Latest Practicable Date, save for item (b) above, none of the conditions precedent above have been fulfilled and/or waived (as the case may be). The Company has submitted the PN15 Application to the Stock Exchange, and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

---

## LETTER FROM THE BOARD

---

### III. FINANCIAL EFFECT OF THE PROPOSED SPIN-OFF

Upon completion of the Proposed Spin-off, the Consumer Infrastructure REIT will indirectly hold the entire interest in the Project and it is anticipated that the Company, through the Project Company, will hold 40% of the total Units of the Consumer Infrastructure REIT. Therefore, the Proposed Spin-off will result in the reduction of the Company's indirect interest in the Project from 100% to 40% and the financial results of the Project will cease to be consolidated in the Group's financial statements upon completion of the Proposed Spin-off. Further, the Consumer Infrastructure REIT will be recognised as an associate on the Group's consolidated financial statements after completion of the Proposed Spin-off.

The overall impact on profit or loss that the Company expects to record from the Proposed Spin-off will mainly include the difference between the consideration for the transfer of the entire equity interest in the New Project Company, which holds the Project, by the Project Company to the SPV, which will depend on, among other things, the offer price of the Consumer Infrastructure REIT, and the carrying value of the Project in the consolidated accounts of the Company, and the relevant transaction costs. For illustration purposes only, the expected net size of the Public Offering after fees directly payable in relation to the Public Offering is RMB3,342,000,000 (based on the expected size of the Public Offering of RMB3,348,000,000 with reference to, and being not less than, the preliminary valuation of the Project and also taking into account of the Company's assessment of the Project based on the information available as at the Latest Practicable Date including, among other things, the income contributed by the Project to the Group, the business prospects of the Project, the financial impact and the potential tax and other related costs involved in the establishment of the Consumer Infrastructure REIT) minus the unaudited net asset value of the Project as at 31 December 2023 prepared based on Hong Kong Financial Reporting Standards of approximately RMB2,671,475,000 and related costs of approximately RMB1,672,000, is approximately RMB668,853,000.

Upon completion of the Proposed Spin-off, it is estimated that the retained earnings of the Group will be increased by approximately RMB119,000,000, which is mainly contributed by the net gain on disposal before tax of approximately RMB668,853,000, as deducted by related tax. The total assets of the Group is estimated to decrease by approximately RMB328,000,000, which is mainly due to the net effect of the increase in cash and cash equivalents of approximately RMB1,670,000,000 and investment in associate of approximately RMB1,339,000,000 offset by the decrease in assets relating to the Project of approximately RMB3,337,000,000. The total liabilities of the Group is estimated to decrease by approximately RMB447,000,000, which is mainly due to the net effect of the decrease in liabilities relating to the Project of approximately RMB666,000,000 offset by the increase in deferred tax liabilities of approximately RMB219,000,000. The estimations above are calculated based on the information available as of the Latest Practicable Date, for illustration purposes only.

The actual amount of gain or loss and the impact on the Group's consolidated balance sheet as a result of the Proposed Spin-off will be assessed after its completion and will be subject to the review and final audit by the auditors of the Company and any further adjustments relating to Hong Kong Financial Reporting Standards.

---

## LETTER FROM THE BOARD

---

### IV. INFORMATION ON THE PROJECT

The Project comprises the shopping center consisting of three buildings, an underground structure and car park spaces with a total gross floor area of approximately 172,500 square meters and is located on Dayue Road, Wuhou District, Chengdu, the PRC. The Project commenced operations in 2015, and is owned and operated by the Group as of the Latest Practicable Date.

The table below sets out the unaudited pro forma financial information of the Project for the two years ended 31 December 2023 prepared in accordance with generally accepted accounting principles in the PRC:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Revenue	239,944	334,963
Profit before taxation	84,339	144,887
Profit after taxation	63,254	108,665

Based on the information available as of the Latest Practicable Date, there were no extraordinary items in the unaudited pro forma financial information of the Project for the two years ended 31 December 2023 prepared in accordance with generally accepted accounting principles in the PRC.

The table below sets out the unaudited pro forma financial information of the Project for the two years ended 31 December 2023 prepared in accordance with Hong Kong Financial Reporting Standards.

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Revenue	239,944	334,963
Profit before taxation	192,474	762,015
Profit after taxation	143,632	571,407

Based on the information available as of the Latest Practicable Date, there were no extraordinary items in the unaudited pro forma financial information of the Project for the two years ended 31 December 2023 prepared in accordance with Hong Kong Financial Reporting Standards. The differences in the profit before taxation and profit after taxation prepared in accordance with generally accepted accounting principles in the PRC and the Hong Kong Financial Reporting Standards were mainly due to the differences in the accounting treatment and recognition of investment properties at historic costs and fair value and also deferred tax credit/liabilities.

---

## LETTER FROM THE BOARD

---

The unaudited pro forma net asset value of the Project as at 31 December 2023 prepared in accordance with generally accepted accounting principles in the PRC was approximately RMB1,171,586,000. The unaudited pro forma net asset value of the Project as at 31 December 2023 prepared in accordance with Hong Kong Financial Reporting Standards was approximately RMB2,671,475,000. For details of the property valuation report in respect of the Project, please refer to Appendix II.

### V. REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Directors consider that the Proposed Spin-off is commercially beneficial and in the interests of the Shareholders for the following reasons:

- (i) the Proposed Spin-off provides an alternative equity-based financing method for the Company, which will diversify the fundraising methods and platforms of the Group. Through the Proposed Spin-off, the Company will have the opportunity to realise the market value of properties that are in the mature and developed stage and enhance the Company's rolling investment capability and sustainable operation of the Project, which will be beneficial to the Company's long-term performance;
- (ii) the estimated gross proceeds from the listing of the Consumer Infrastructure REIT (with reference to, and being not less than, the preliminary valuation of the Project and also taking into account of the Company's assessment of the Project based on the information available as at the Latest Practicable Date including, among other things, the income contributed by the Project to the Group, the business prospects of the Project, the financial impact and the potential tax and other related costs involved in the establishment of the Consumer Infrastructure REIT), is expected to be approximately RMB3,348,000,000. Based on such estimated gross proceeds, and excluding the subscription amount by the Group for 40% of the total Units and related costs and taxes, the estimated net proceeds to be received by the Group from the Proposed Spin-off will be approximately RMB1,670,000,000. The use of the net proceeds from the Proposed Spin-off by the Remaining Group will be subject to applicable PRC laws and regulations and the approval of the relevant PRC authorities and, as of the Latest Practicable Date, the Remaining Group plans to apply, within three years after the completion of the Public Offering, not less than 90% of the net proceeds received from the Proposed Spin-off in the development (including, among other things, the acquisition of land and construction) and operation of shopping mall(s) in the PRC, which the Remaining Group is exploring the suitable opportunity with potential business prospects, and the remaining balance of not more than 10% will be used as working capital for the Group.
- (iii) as the Company, through the Project Company, will subscribe 40% of the total Units of the Consumer Infrastructure REIT, the Company will continue to benefit from the business prospects and financial results of the Consumer Infrastructure REIT in the long term, through stable return that it will receive in the form of distribution as a holder of the Units of the Consumer Infrastructure REIT and the fees in relation to the services provided by the Operations Manager;
- (iv) the Proposed Spin-off provides an opportunity for the Group to improve the Group's profile, strengthen the influence of its brand and thereby enhance its ability to attract strategic investors; and

---

## LETTER FROM THE BOARD

---

- (v) the Proposed Spin-off will provide the Consumer Infrastructure REIT with a separate listing platform in the PRC for its business development and expansion, which will enable it to have direct access to the PRC capital market.

As of the Latest Practicable Date, other than the Project, the Group holds 19 investments properties and the Group will continue its operations relating to the investment properties business segment after the Proposed Spin-off.

In view of the above, the Directors believe that the terms of the Proposed Spin-off are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### **VI. CLEAR BUSINESS DELINEATION AND INDEPENDENCE BETWEEN THE REMAINING GROUP AND THE CONSUMER INFRASTRUCTURE REIT**

#### **1. Clear business delineation between the Remaining Group and the Consumer Infrastructure REIT**

There is a clear business delineation between the Remaining Group and the Consumer Infrastructure REIT. The Consumer Infrastructure REIT is expected to principally engage in the investment in consumer type infrastructure projects and the management of its investment portfolio. The Consumer Infrastructure REIT will initially invest in the Project, which comprises the shopping center located in Wuhou District of Chengdu and the revenue for the Project is mainly derived from rental income from the retail properties of the Project. On the other hand, after the Proposed Spin-off, the Remaining Group will continue to engage in the development, operation, sales, leasing and management of mixed-use complexes and commercial properties in the PRC, which involves a wider scope of business activities including the main business segments of property investment, property and land development, hotel operations, output management project and other services. Among such business segments, the Remaining Group's largest business segment in terms of external revenue and segment profits in 2023 is the property and land development business segment. In addition, the Remaining Group will continue to invest in and/or operate the remaining 27 'Joy City' branded projects (excluding the Project) in 24 cities in the mainland of the PRC under its property investment and output management project business segments after the Proposed Spin-off, of which there were 17 projects under the Remaining Group's property investment business segment that includes or is planned to include shopping malls or shopping arcades as of 31 December 2023 and amongst them, 12 of such projects under the Remaining Group's property investment business segment that includes shopping malls or shopping arcades are in operation and the remaining projects are under construction.

---

## LETTER FROM THE BOARD

---

The Remaining Group's business will continue to have presence in various regions in the PRC, including Chengdu, while the Project's business will only be focused in Wuhou District of Chengdu. Although the Remaining Group has operations in Chengdu, such operations are distinct from the Project as (i) the Remaining Group's operations in Chengdu mainly relate to property development projects and output management and related services provided by the Remaining Group, which are different market segments from the Project; and (ii) Chengdu Tianfu Joy City, the other investment property with a shopping mall of the Group in Chengdu apart from the Project, which has commenced operations as of the Latest Practicable Date, is not expected to compete with the Project. Chengdu Tianfu Joy City mainly comprise of a hotel, offices and shopping mall. The shopping mall has a total gross floor area of approximately 149,000 square meters, which after excluding the common areas, public areas, infrastructure facilities and toilet areas would include a leasable gross floor area of approximately 75,725 square meters. The businesses of the Project and Chengdu Tianfu Joy City are considered to be delineated for the reasons below:

- (i) **Location and Distance:** Chengdu Tianfu Joy City is located in Tianfu New District, which is a district newly established in 2014 that lies in the outlying areas in the south of Chengdu city, and the Project is located in Wuhou District, which is one of the five districts in the south west quarter of the city center of Chengdu. The Project and Chengdu Tianfu Joy City are approximately 30 kilometers apart, and given the lengthy distance and travelling time involved, cross district shopping trends is not common for the local consumers that are targeted by the Project and Chengdu Tianfu Joy City, respectively.
- (ii) **Target Customers:** The consumer expectations and shopping appetite varies based on the distinct characteristics of the targeted local consumers, and therefore the decoration style, layout, shopping experience and marketing campaigns of the Project and Chengdu Tianfu Joy City will be adjusted accordingly.
- (iii) **Market Positioning:** The Project is a large shopping mall in the south west area of Chengdu, with the concept of 'combination of play, rest and casual experience for shopping fashionable, trendy products and park'. The Project is located between the second and third urban ring in south west of Chengdu and at the intersection of the art and literature culture in the west of the city and the international culture in the south of the city. As the consumption patterns of the target consumers of the Project focuses on shopping and dining, the composition of the Project's facilities is mainly focused on retail and dining, and the retail shops of the Project is able to attract traditional and well established cosmetic and clothing brands, and the composition of services and entertainment facilities will be relatively lower, which includes traditional facilities for families such as cinema, ice rink and KTV. Therefore, the market positioning of the Project would be to attract local families and residents to meet their dining and shopping needs.

---

## LETTER FROM THE BOARD

---

By contrast, Chengdu Tianfu Joy City is a multi complex comprising shopping mall, offices and retail situated in the Tianfu New District, with the concept of ‘interactive living and beautified shopping experience’. Chengdu Tianfu Joy City is located in the South most part of Chengdu city with close proximity to the headquarters of business enterprises and offices of innovation businesses, state-owned enterprises and Fortune 500 enterprises. As the consumption patterns of the target consumers of Chengdu Tianfu Joy City is expected to focus on dining and lifestyle experiences, the composition of the facilities of Chengdu Tianfu Joy City is expected to be mainly focused on dining and entertainment. Further, as the target consumers are expected to pursue dining and entertainment experiences, the composition of retail shops is relatively lower than the Project, which is expected to attract trendy brands for younger generations, and the composition of services and entertainment facilities is relatively higher than the Project, which focuses on lifestyle activities for youths such as yoga facilities, go kart facilities and volleyball courts. Therefore, the market positioning of Chengdu Tianfu Joy City would be to integrate business and leisure experience for employees working in nearby offices and to attract young individuals to meet their lifestyle, social and entertainment needs.

- (iv) **Management:** The Project and Chengdu Tianfu Joy City are managed and operated by independent teams, and the operational objectives, marketing strategies, target customers and internal resources of the teams are independently determined by each of the teams based on the market positioning and behaviour and trends of local consumers of the Project and Chengdu Tianfu Joy City (as the case may be).

In addition, the Consumer Infrastructure REIT is a collective investment vehicle which pools the funds of investors for investment in the Project. The purpose of the Consumer Infrastructure REIT is to enable the Group as the original stakeholder to realise the market value of the Project and increase its liquidity whilst facilitating a wider base of investors, including non-institutional investors, to participate in the investment in the Project. Further, the Consumer Infrastructure REIT was established for the purpose of owning and listing the Project as a close-ended publicly-listed infrastructure securities investment fund on the Shenzhen Stock Exchange, and thus the initial business focus of the Consumer Infrastructure REIT is the investment and operation of the Project. In contrast, the Remaining Group has a broad scope of business ranging from property development to operation of commercial properties and hotels. As a regulated investment product, there is practically no competition between the Consumer Infrastructure REIT and the Remaining Group due to special features of the Consumer Infrastructure REIT in respect of income distribution, acquisition and acquisition financing, which are not applicable to the Remaining Group.



---

## LETTER FROM THE BOARD

---

Further, in connection with the listing application to the Shenzhen Stock Exchange, a non-competition undertaking will be issued in favour of the Consumer Infrastructure REIT (the “**Non-competition Undertaking**”). The Non-competition Undertaking arises from the requirements pursuant to the Guidance, which stipulated that in the event of potential competition identified, fair and appropriate measures should be implemented to avoid potential conflicts of interests. As the investment property business segment of the Remaining Group will continue to invest, develop and operate other shopping malls and shopping arcades which may be similar to the Project on one hand and the Remaining Group proposes to indirectly hold 40% of the total number of Units in the Consumer Infrastructure REIT through the Project Company and to continue to provide operation management and property management services to the Project under the Consumer Infrastructure REIT on the other hand, it was considered that potential conflicts of interest in respect of the Remaining Group’s various roles may arise albeit that no competition between the businesses of the Remaining Group and the Consumer Infrastructure REIT had been identified. Accordingly, the Non-competition Undertaking is expected to be issued based on market practice and is considered necessary for complying with the Guidance and the obtaining of regulatory approval for the listing of infrastructure REITs in the PRC.

Based on the Non-competition Undertaking, which is subject to the approval by the CSRC and the Shenzhen Stock Exchange, it will be issued by the originator (namely the Project Company), its controlling shareholder (namely Upper International Limited) and its actual controller (namely COFCO Corporation) (the “**Undertaking Parties**”). The scope of the Non-competition Undertaking in substance is to govern the conduct of the Undertaking Parties to be fair and clarify that they are willing to cooperate with the Consumer Infrastructure REIT to handle any potential conflicts of interests should it actually arise rather than to impose strict obligations or restrictions on the businesses of the Undertaking Parties for business delineation purposes or to curb competition between the Undertaking Parties and the Consumer Infrastructure REIT. Further, the Non-competition Undertaking specifically focuses on competing projects identified with reference to, among other things, the size, classification of the shopping mall, the target consumer groups and the structural layout of the projects, but as the Consumer Infrastructure REIT’s business model is to hold investments in infrastructure assets for generating income to the Consumer Infrastructure REIT, the Consumer Infrastructure REIT’s operations would be in stark contrast with and would not impose restrictions on the Remaining Group’s business including, among others, the Remaining Group’s plan to bid, acquire and develop of land under its property and land development business segment, the management and operation of investment properties including shopping malls, offices, car parks and other properties under its property investment and output management project business segments and the management and operation of hotels under its hotel operations business segment. In particular, based on the scope of competing projects under the Non-competition Undertaking, Chengdu Tianfu Joy City is not considered to fall within such scope.

Having regard to the above, it is noted that the Remaining Group’s normal business operations will not be affected or be restricted by the Non-competition Undertaking and it is a directive document to govern the normal activity of the Undertaking Parties to avoid conflict of interest. The proposed scope of the Non-competition Undertaking is well defined and is not expected to have actual restrictions on the strategy, future plans or business of the Remaining Group. The Board is therefore of the view that the Non-competition Undertaking is in the interests of the Company and its Shareholders as a whole.

---

## LETTER FROM THE BOARD

---

### **2. Operational independence**

The Consumer Infrastructure REIT and the Scheme will be managed by the REIT Manager and Scheme Manager, respectively. Both the REIT Manager and the Scheme Manager are independent of the Company and the Remaining Group. The REIT Manager and the Scheme Manager will operate under their respective operational and organization structure which is comprised of essential functions such as operations department, administration department and finance department, each with dedicated management personnel to manage and supervise the operations of the Consumer Infrastructure REIT and the Scheme (as the case may be) independently of the Remaining Group. The REIT Manager and the Scheme Manager will have their respective offices and employees, and will not share or rely on any facilities or employees of the Remaining Group.

After the Proposed Spin-off, the REIT Manager will engage the Operation Manager, an indirect wholly-owned subsidiary of the Company, to continue to provide operation management, property management and car park management services to the Project after the Proposed Spin-off. For further details, please refer to the paragraph headed “II. THE PROPOSED SPIN-OFF – 2. Structure of the Consumer Infrastructure REIT and the Public Offering” in this Letter from the Board. As (i) the Operation Manager will not participate in the decision-making process of the Consumer Infrastructure REIT and the Scheme, and the REIT Manager can remove the Operation Manager and appoint other service providers in accordance with the regulations of the Consumer Infrastructure REIT and applicable PRC laws and regulations; and (ii) the Consumer Infrastructure REIT is not expected to conduct any transactions with the Remaining Group, other than the provision of operation management, property management and car park management services by the Operation Manager to the Project, the Consumer Infrastructure REIT and the Scheme will operate independently of the Remaining Group and such operational independence will continue subsequent to the Proposed Spin-off.

### **3. Management independence**

The Consumer Infrastructure REIT and the Scheme will be respectively managed by the Consumer Infrastructure REIT Manager and the Scheme Manager, which are both independent of the Company and the Remaining Group. None of the management of the Consumer Infrastructure REIT and the Scheme will hold any position in or owe any responsibility to the Remaining Group upon completion of the Proposed Spin-off. Should there be any overlap of any management personnel of the Consumer Infrastructure REIT and the Scheme with the Remaining Group, such persons will be required to disclose their interests and abstain from management decisions of the Consumer Infrastructure REIT and the Scheme. In any event, the REIT Manager, the Scheme Manager and the Remaining Group will adopt corporate governance measures to manage potential conflicts of interests.

---

## LETTER FROM THE BOARD

---

In addition, although the Operation Manager will assist with the daily management and operations of the Project after the Proposed Spin-off, the Operation Manager will not participate in the decision-making process of the Consumer Infrastructure REIT and the Scheme. Further, if the Remaining Group is materially interested in a transaction or matter that will require the approval of the unit holders of the Consumer Infrastructure REIT, the Project Company will abstain from voting on the relevant resolution at the meeting of unit holders of the Consumer Infrastructure REIT in accordance with the applicable regulatory regulations.

Accordingly, the Consumer Infrastructure REIT and the Scheme will have directorship and management independent of the Remaining Group, who would act in the interests of the Consumer Infrastructure REIT and its unit holders and the Scheme (as the case may be) as a whole, and not in the interest of the Company only.

#### **4. Administrative and financial independence**

The REIT Manager and the Scheme Manager will operate independently of the Remaining Group. The Consumer Infrastructure REIT and the Scheme will have their own management reporting, financial budgeting and reporting, and human resources systems which will function independently from those of the Remaining Group.

The Consumer Infrastructure REIT, as a listing platform, will be able to finance its own operations. In addition, the Project, as a standalone asset, does not have any intra-group borrowing or financial assistance with the Remaining Group. As at the Latest Practicable Date, none of the banking facilities relating to the Project is guaranteed by any member of the Remaining Group, nor is the Project pledged in connection with the borrowings by any member of the Remaining Group. It is expected that, after the establishment and listing of the Consumer Infrastructure REIT, all outstanding amounts due to and from the Remaining Group by the Consumer Infrastructure REIT will be normal accounts payable and accounts receivable generated from ordinary and usual course of business, if any. In any event, save for the fees in relation to the operations management, property management and car park management services payable by the Consumer Infrastructure REIT to the Remaining Group, it is currently expected that there will be no other transaction between the Consumer Infrastructure REIT and the Remaining Group after the establishment and listing of the Consumer Infrastructure REIT. Accordingly, the Consumer Infrastructure REIT will also be financially independent of the Remaining Group.

#### **5. Future connected transactions between the Remaining Group and the Consumer Infrastructure REIT**

Upon completion of the Proposed Spin-off, it is expected that the Company, through the Project Company, will be interested in 40% of the Consumer Infrastructure REIT, while the public will be interested in 60% of the Consumer Infrastructure REIT. On this basis, the Consumer Infrastructure REIT is not expected to be a connected person of the Company and the Company does not foresee any transaction that would constitute ongoing or future connected transaction between the Remaining Group and the Consumer Infrastructure REIT.

---

## LETTER FROM THE BOARD

---

For any transactions between the Consumer Infrastructure REIT and the Remaining Group after the Proposed Spin-off (if any), the terms of such transactions will be arrived at after arm's length negotiations, normal commercial terms and fair and reasonable, and in the interests of the Company and its Shareholders. Relevant procedures will be established to proactively review and monitor the above transactions to ensure compliance with application laws and regulations. If there is any change of circumstances in the future that will change the status of the Project Companies to become a connected subsidiary, the Remaining Group will re-comply with the requirements of Chapter 14A of the Listing Rules for the continuing connected transactions.

### 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 Project Company**

The Project Company is a company established in the PRC with limited liability and it is an indirect wholly-owned subsidiary of the Company. The Project Company is principally engaged in holding investments and properties in the PRC.

#### **The SPV**

The SPV is a company established in the PRC with limited liability and it is newly incorporated for the purpose of the Reorganisation. As of the Latest Practicable Date, the entire equity interest in the SPV is held by the Project Company and hence the SPV is an indirect wholly-owned subsidiary of the Company. As part of the Reorganisation, among other things, the entire equity interest of the SPV will be transferred to the Scheme under the Consumer Infrastructure REIT and the SPV will be subsequently merged into the New Project Company.

#### **The New Project Company**

The New Project Company is a company established in the PRC with limited liability and it is newly incorporated with the purpose of holding the Project under the Consumer Infrastructure REIT. As of the Latest Practicable Date, the entire equity interest in the New Project Company is held by the Project Company and hence the New Project Company is an indirect wholly-owned subsidiary of the Company. As part of the Reorganisation, among other things, the entire equity interest of the New Project Company will be transferred to the Consumer Infrastructure REIT and upon completion of the Proposed Spin-off, the Consumer Infrastructure REIT, through the Scheme, will hold the entire equity interest in the New Project Company.

---

## LETTER FROM THE BOARD

---

### **The Operation Manager**

The Operation Manager is a company established in the PRC with limited liability and it is newly incorporated with the purpose of providing operation management, property management and car park management services to the Project after completion of the Proposed Spin-off. The Operation Manager is an indirect wholly-owned subsidiary of the Company.

### **The REIT Manager**

The REIT Manager, namely CAMC, is a company established in the PRC with limited liability and owned as to approximately 62.2% and 37.8% by CITIC and two other Independent Third Parties, respectively, and none of such other Independent Third Parties on a standalone basis, controls, directly or indirectly, one third or more of the equity interest of the REIT Manager. The REIT Manager is principally engaged in the sales and raising of funds, asset management and other businesses as approved by the CSRC. The REIT Manager will be responsible for making decisions in respect of the investment and management of the Project, including but not limited to annual budgets, approval of operation plans, etc. The REIT Manager will also implement rules for approving connected transactions and mechanism for handling conflict of interests situations to ensure that the Consumer Infrastructure REIT will operate independently from the Group (excluding the Consumer Infrastructure REIT and the Project).

### **The Scheme Manager**

The Scheme Manager, namely CITIC, is a company established in the PRC with limited liability and whose H shares are listed on the Stock Exchange in Hong Kong (stock code: 6030) and A shares are listed on the Shenzhen Stock Exchange (stock code: 600030). The Scheme Manager will manage the Scheme. The Scheme Manager is principally engaged in investment banking, wealth management, asset management, financial markets and other related financial services.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the REIT Manager and the Scheme Manager and their respective ultimate beneficial owners are Independent Third Parties.

---

## LETTER FROM THE BOARD

---

### VIII. WAIVER FROM STRICT COMPLIANCE WITH PARAGRAPH 3(F) OF PRACTICE NOTE 15 OF THE LISTING RULES

Paragraph 3(f) of PN15 requires a listed company contemplating a spin-off to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to shares in the spun-off entity, either by way of a distribution in specie of existing shares in the spun-off entity or by way of preferred application in any offering of existing or new shares in the spun-off entity.

As advised by the PRC legal counsel of the Company, according to relevant laws and regulations of the PRC, investors subscribing for units of public funds must have RMB ordinary securities accounts, close-end fund accounts or open-end fund accounts maintained through China Securities Depository and Clearing Corporation Limited (“**CSDC Open-end Fund Accounts**”). RMB ordinary securities accounts and close-end fund accounts can only be opened by (i) qualified PRC investors, including PRC citizens satisfying the age requirements, foreigners with PRC permanent resident status, and ordinary PRC institutional investors; (ii) qualified foreign investors, including residents from Hong Kong, Macau and Taiwan who work and reside in the mainland of the PRC; and (iii) qualified special institutions and products including, among others, qualified foreign institutional investors and RMB qualified foreign institutional investors. CSDC Open-end Fund Accounts can only be opened by (a) individual investors with certain valid identification documents such as identification cards, etc.; and (b) other institutional and individual investors that fulfil the account opening standards of fund sales agencies institutions ((i) to (iii) and (a) to (b) above are collectively referred to as “**Qualified Investors**”). As at the Latest Practicable Date, approximately 35.51% of the total issued shares of the Company were held by its investors through HKSCC Nominees Limited according to the register of members of the Company. The Company is unable to ascertain the identifications of the Shareholders or further assess whether such Shareholders are Qualified Investors. Accordingly, not all, if any, of the existing Shareholders will be qualified to hold the Units following the Proposed Spin-off, and thus compliance with paragraph 3(f) of PN15 in relation to the Public Offering will not be feasible.

Further, the PRC legal counsel also advised that according to the requirements of relevant laws and regulations such as the Law of the PRC on Funds for Investment in Securities (《中華人民共和國證券投資基金法》), the Guidance, and the Shenzhen Stock Exchange’s Guidelines for the Application of the Rules for Public Offering of Infrastructure Securities Investment Funds (REITs) No. 2 – Offering Business (Trial)\*《深圳證券交易所公開募集基礎設施證券投資基金業務指引第2號 – 發售業務(試行)》, unless otherwise prescribed by law, the investors of the Consumer Infrastructure REIT are unable to be provided with a preferential allocation of the units on the ground that all investors shall be treated equally. Except for the strategic placement to the original owners of the Consumer Infrastructure REIT or their related parties under common control and the units offered to offline investors in accordance with the applicable laws and regulations, the relevant laws and regulations do not grant other specific entities the right to subscribe for a specific percentage of the units of public funds on a preferential basis. Pursuant to the applicable PRC laws and regulations, the Company is unable to ascertain the identifications of the Shareholders or further assess whether such Shareholders are qualified to participate in the preferential allocations. Accordingly, the Company is not able to provide Shareholders with assured entitlement by way of preferential allocation of the Units.

---

## LETTER FROM THE BOARD

---

In addition, pursuant to relevant requirements of the Guidance, if the original owner of the infrastructure assets holds not less than 20% of the Units, it must hold 20% of such Units for at least 60 months from the listing date of the Consumer Infrastructure REITs, whilst the part of the Units held by such original owner in excess of such 20% must be held by it for at least 36 months from the listing date of the Consumer Infrastructure REITs. Subject to such regulations, it is impractical to transfer or distribute the Units to the Shareholders.

After due and careful consideration of the Proposed Spin-off and having taken into account the advice from the PRC legal counsel on the legal impediments in fulfilling such requirement, the Board considers that it is not feasible for the Company to comply with paragraph 3(f) of PN15 in connection with the Proposed Spin-off. Accordingly, the Board considers that the Proposed Spin-off and the non-provision of the assured entitlement in relation to the Proposed Spin-off are fair and reasonable, and in the interest of the Company and the Shareholders as a whole. The Company has also applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement of paragraph 3(f) of Practice Note 15 of the Listing Rules.

### **IX. LISTING RULES IMPLICATIONS**

As at the Latest Practicable Date, the Group indirectly holds the entire interest in the Project. Upon completion of the Proposed Spin-off, the Company's indirect interest in the Project will be reduced to 40%. As such, the Proposed Spin-off, if materialised, will constitute a deemed disposal under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio in respect of the Proposed Spin-off exceeds 25% but is less than 75%, the Proposed Spin-off constitutes a major transaction of the Company, and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 and PN15 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 Proposed Spin-off 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 Proposed Spin-off 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 Proposed Spin-off 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 Proposed Spin-off and the transactions contemplated thereunder.

---

## LETTER FROM THE BOARD

---

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, no special general meeting will be convened by the Company for the purpose of approving the Proposed Spin-off and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

**Shareholders and potential investors of the Company should note that the Proposed Spin-off is subject to, among other things, the prevailing market conditions and approvals from relevant authorities, including the CSRC and the Shenzhen Stock Exchange. Accordingly, the Proposed Spin-off may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

### **X. RECOMMENDATION**

Based on the information and reasons set out above, the Directors (including the independent non-executive Directors) consider the terms of the Proposed Spin-off are fair and reasonable and in the interests of the Shareholders as a whole. If a general meeting were to be convened by the Company for the approval of the Proposed Spin-off and the transactions contemplated thereunder, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Proposed Spin-off and the transactions contemplated thereunder at such general meeting.

### **XI. 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*





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

25 June 2024

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION**  
**DEEMED DISPOSAL IN RELATION TO THE PROPOSED SPIN-OFF**  
**AND**  
**SEPARATE LISTING OF THE CONSUMER INFRASTRUCTURE REIT ON**  
**THE SHENZHEN STOCK EXCHANGE**

We refer to the circular dated 25 June 2024 issued by the Company of which this letter forms part of (the “**Circular**”). Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless otherwise specified.

We have been authorized by the Board to form the Independent Board Committee to consider and advise the Shareholders in respect of the Proposed Spin-off and the transactions contemplated thereunder, details of which are set out in the section headed “Letter from the Board” contained in the Circular.

We wish to draw your attention to the letter from the Board set out on pages 5 to 22 of the Circular and the letter from the Independent Financial Adviser set out on pages 25 to 45 of the Circular, which contains, among other matters, its advice and recommendation to the Independent Board Committee and the Shareholders in connection with the Proposed Spin-off, the transactions contemplated thereunder and the principal factors considered by it in arriving at its advice and recommendation.

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice and recommendation, we consider that the terms of the Proposed Spin-off and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we would have recommended the Shareholders to vote in favour of the resolution to approve the Proposed Spin-off and the transactions contemplated thereunder if a general meeting were to be convened by the Company.

Yours faithfully,  
for and on behalf of the  
Independent Board Committee  
**Joy City Property Limited**  
**Mr. LAU Hon Chuen, Ambrose, GBS, JP**  
**Mr. LAM Kin Ming, Lawrence**  
**Mr. CHAN Fan Shing**  
*Independent non-executive Directors*

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*The following is the full text of the letter of advice to the Independent Board Committee and the Shareholders from the Independent Financial Adviser in respect of the Proposed Spin-off for the purpose of inclusion in this circular.*



**DONGXING SECURITIES (HONG KONG)  
COMPANY LIMITED**  
Room 7503B-7504  
International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

25 June 2024

*To: The Independent Board Committee and the Shareholders of Joy City Property Limited*

Dear Sirs,

**MAJOR TRANSACTION  
DEEMED DISPOSAL IN RELATION TO THE PROPOSED SPIN-OFF  
AND  
SEPARATE LISTING OF THE CONSUMER INFRASTRUCTURE REIT ON  
THE SHENZHEN STOCK EXCHANGE**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Spin-off, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 25 June 2024 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Reference is made to the announcement issued by the Company dated 24 May 2024 (the “**Announcement**”) in respect of the Proposed Spin-off. CAMC and CITIC submitted, among other things, the application materials on the registration and listing of the Consumer Infrastructure REIT to the CSRC and Shenzhen Stock Exchange.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The Proposed Spin-off involves, among other things, the transfer of the entire equity interest in the New Project Company, which holds the Project, by the Project Company, an indirect wholly-owned subsidiary of the Company, to the Consumer Infrastructure REIT and the subscription for 40% of the total Units of the Consumer Infrastructure REIT by the Project Company. The Project comprises of the shopping centre and carpark spaces located on Dayue Road, Wuhou District, Chengdu, the PRC and its entire interest is held by the New Project Company as of the Latest Practicable Date. Upon completion of the Proposed Spin-off, the Consumer Infrastructure REIT will indirectly hold the entire interest in the Project and the Company, through the Project Company, will indirectly hold 40% of the total Units of the Consumer Infrastructure REIT, and the Company's indirect interest in the Project will be reduced to 40%. Therefore, the financial results of the Project will cease to be consolidated in the Group's financial statements upon completion of the Proposed Spin-off.

The Proposed Spin-off on the Shenzhen Stock Exchange constitutes a spin-off under PN15 of the Listing Rules. The Company has submitted the PN15 Application in relation to the Proposed Spin-off to the Stock Exchange and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

As at the Latest Practicable Date, the Group indirectly holds the entire interest in the Project. Upon completion of the Proposed Spin-off, the Company's indirect interest in the Project will be reduced to 40%. As such, the Proposed Spin-off, if materialised, will constitute a deemed disposal under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio in respect of the Proposed Spin-off exceeds 25% but is less than 75%, the Proposed Spin-off constitutes a major transaction of the Company, and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 and PN15 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 Proposed Spin-off 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 Proposed Spin-off 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 Proposed Spin-off 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 Proposed Spin-off 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, no special general meeting will be convened by the Company for the purpose of approving the Proposed Spin-off and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Lau Hon Chuen, Ambrose, *GBS, JP*, Mr. Lam Kin Ming, Lawrence and Mr. Chan Fan Shing, has been established to advise the Shareholders on (i) whether the terms of the Proposed Spin-off are fair and reasonable; and (ii) whether the Proposed Spin-off are in the interests of the Company and the Shareholders as a whole.

We, Dongxing Securities (Hong Kong) Company Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in the same regard. We are not associated with the Company, the Operation Manager, the REIT Manager, the Scheme Manager, the New Project Company or their respective core connected persons, close associates or associates and accordingly are considered eligible to give independent advice on the above matters. During the last two years, we were engaged as an independent financial adviser to the Company in respect of a discloseable and connected transaction (details of which are set out in the circular of the Company dated 22 December 2022) and a major transaction and continuing connected transactions relating to the 2023 financial services agreements (details of which are set out in the circular of the Company dated 16 May 2023) (the “**Previous Engagements**”). Under the Previous Engagements, we were required to express our opinion on and give recommendation to the Independent Board Committee and the Independent Shareholders in respect of the relevant transaction. Apart from normal professional fees payable to us in connection with this appointment and the Previous Engagements, no arrangement exists whereby we will receive any fees or benefits from the Company, the Operation Manager, the REIT Manager, the Scheme Manager, the New Project Company or their respective core connected persons, close associates or associates.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Group and have assumed that they are true, accurate and complete. We have also assumed that all statements of belief, opinion and intention made by the Directors and the management of the Company in the Circular were reasonably made after due enquiry. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group or their respective subsidiaries or associates, nor have we carried out any independent verification of the information supplied. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the principal factors and reasons set out below.

#### A. Background of the Proposed Spin-off

##### *Information of the Group*

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.

As disclosed in the annual report of the Company published on 23 April 2024, gross revenue of the Group amounted to approximately RMB13,272,094,000 for the year ended 31 December 2023, representing a decrease of approximately 36.29% compared to approximately RMB20,831,357,000 for the year ended 31 December 2022. Gross profit and net profit of the Group amounted to approximately RMB5,641,491,000 and approximately RMB1,419,626,000 respectively for the year ended 31 December 2023, representing a decrease of approximately 11.94% and an increase of approximately 28.99% respectively compared to approximately RMB6,406,358,000 and approximately RMB1,100,578,000, respectively, for the year ended 31 December 2022. For further details, please refer to the annual report of the Company for the year ended 31 December 2023.

##### *The Project Company*

The Project Company is a company established in the PRC with limited liability and it is an indirect wholly-owned subsidiary of the Company. The Project Company is principally engaged in holding investments and properties in the PRC.

##### *The SPV*

The SPV is a company established in the PRC with limited liability and it is newly incorporated for the purpose of the Reorganisation. As of the Latest Practicable Date, the entire equity interest in the SPV is held by the Project Company and hence the SPV is an indirect wholly-owned subsidiary of the Company. As part of the Reorganisation, among other things, the entire equity interest of the SPV will be transferred to the Scheme under the Consumer Infrastructure REIT and the SPV will be subsequently merged into the New Project Company.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *The New Project Company*

The New Project Company is a company established in the PRC with limited liability and it is newly incorporated with the purpose of holding the Project under the Consumer Infrastructure REIT. As of the Latest Practicable Date, the entire equity interest in the New Project Company is held by the Project Company and hence the New Project Company is an indirectly wholly-owned subsidiary of the Company. As part of the Reorganisation, among other things, the entire equity interest of the New Project Company will be transferred to the Consumer Infrastructure REIT and upon completion of the Proposed Spin-off, the Consumer Infrastructure REIT, through the Scheme, will hold the entire equity interest in the New Project Company.

### *The Operation Manager*

The Operation Manager is a company established in the PRC with limited liability and it is newly incorporated with the purpose of providing operation management, property management and car park management services to the Project after completion of the Proposed Spin-off. The Operation Manager is an indirect wholly-owned subsidiary of the Company.

### *The REIT Manager*

The REIT Manager, namely CAMC, is a company established in the PRC with limited liability and owned as to approximately 62.2% and 37.8% by CITIC and two other Independent Third Parties, respectively, and none of such other Independent Third Parties on a standalone basis, controls, directly or indirectly, one-third or more of the equity interest of the REIT Manager. The REIT Manager is principally engaged in the sales and raising of funds, asset management and other businesses as approved by the CSRC. The REIT Manager will be responsible for making decisions in respect of the investment and management of the Project, including but not limited to annual budgets, approval of operation plans, etc. The REIT Manager will also implement rules for approving connected transactions and mechanism for handling conflict of interests situation to ensure that the Consumer Infrastructure REIT will operate independently from the Group (excluding the Consumer Infrastructure REIT and the Project).

### *The Scheme Manager*

The Scheme Manager, namely CITIC, is a company established in the PRC with limited liability and whose H shares are listed on the Stock Exchange in Hong Kong (stock code: 6030) and A shares are listed on the Shenzhen Stock Exchange (stock code: 600030). The Scheme Manager will manage the Scheme. The Scheme Manager is principally engaged in investment banking, wealth management, asset management, financial markets and other related financial services.

### *Information on the Project*

The Project comprises the shopping centre consisting of three buildings, an underground structure and car park spaces with a total gross floor area (“GFA”) of approximately 172,500 square meters and is located on Dayue Road, Wuhou District, Chengdu, the PRC. The Project commenced operations in 2015, and is owned and operated by the Group as of the Latest Practicable Date.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The table below sets out the unaudited pro forma financial information of the Project for the two years ended 31 December 2023 prepared in accordance with generally accepted accounting principles in the PRC (the “**PRC GAAP**”):

	For the year ended 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	239,944	334,963
Profit before taxation	84,339	144,887
Profit after taxation	63,254	108,665

Based on the information available as of the Latest Practicable Date, there were no extraordinary items in the unaudited pro forma financial information of the Project for the two years ended 31 December 2023 prepared in accordance with the PRC GAAP.

The table below sets out the unaudited pro forma financial information of the Project for the two years ended 31 December 2023 prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

	For the year ended 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	239,944	334,963
Profit before taxation	192,474	762,015
Profit after taxation	143,632	571,407

Based on the information available as of the Latest Practicable Date, there were no extraordinary items in the unaudited pro forma financial information of the Project for the two years ended 31 December 2023 prepared in accordance with HKFRSs. The differences in the profit before taxation and profit after taxation prepared in accordance with PRC GAAP and HKFRSs were mainly due to the differences in the accounting treatment and recognition of investment properties at historic costs and fair value and also deferred tax credit/liabilities.

The unaudited pro forma net asset value of the Project as at 31 December 2023 prepared in accordance with PRC GAAP was approximately RMB1,171,586,000. The unaudited net asset value of the Project as at 31 December 2023 prepared in accordance with HKFRSs was approximately RMB2,671,475,000. For details of the property valuation report in respect of the Project, please refer to Appendix II.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, each of the REIT Manager and the Scheme Manager and their respective ultimate beneficial owners are Independent Third Parties.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### **B. The Proposed Spin-off**

#### ***1. Background***

On 24 May 2024, CAMC and CITIC submitted, among other things, the application materials on the registration and listing of the Consumer Infrastructure REIT to the CSRC and Shenzhen Stock Exchange.

The Proposed Spin-off involves, among other things, the transfer of the entire equity interest in the New Project Company, which holds the Project, by the Project Company, an indirect wholly-owned subsidiary of the Company, to the Consumer Infrastructure REIT and the subscription for 40% of the total Units of the Consumer Infrastructure REIT by the Project Company. The Project comprises of the shopping centre and carpark spaces located on Dayue Road, Wuhou District, Chengdu, the PRC and its entire interest is held by the New Project Company as of the Latest Practicable Date. Upon completion of the Proposed Spin-off, the Consumer Infrastructure REIT will indirectly hold the entire interest in the Project and the Company, through the Project Company, will indirectly hold 40% of the total Units of the Consumer Infrastructure REIT, and the Company's indirect interest in the Project will be reduced to 40%. Therefore, the financial results of the Project will cease to be consolidated in the Group's financial statements upon completion of the Proposed Spin-off.

The Proposed Spin-off on the Shenzhen Stock Exchange constitutes a spin-off under PN15 of the Listing Rules. The Company has submitted the PN15 Application in relation to the Proposed Spin-off to the Stock Exchange and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

#### ***2. The structure of the Consumer Infrastructure REIT and the Public Offering***

The Proposed Spin-off will involve the separate listing of the Consumer Infrastructure REIT on the Shenzhen Stock Exchange, which will indirectly hold the entire interest in the Project.

Under the proposed offering structure, the REIT Manager will set up the Consumer Infrastructure Fund as a publicly-listed consumer type infrastructure securities investment fund for Public Offering on the Shenzhen Stock Exchange at the expected size of approximately RMB3,348,000,000 (with reference to, and being not less than, the preliminary valuation of the Project and also taking into account of the Company's assessment on the Project based on the information available as of the Latest Practicable Date including, among other things, the income contributed by the Project to the Group, the business prospects of the Project, the financial impact and the potential tax and other related costs involved in the establishment of the Consumer Infrastructure REIT). It is currently expected that 40% of the total Units of the Consumer Infrastructure REIT will be subscribed by the Group through the Project Company at an expected aggregate price of approximately RMB1,339,200,000 and 60% of the total Units of the Consumer Infrastructure REIT will be subscribed by external investors at an expected aggregate price of approximately RMB2,008,800,000. The Consumer Infrastructure REIT will be set up in accordance with the Guidance, the Circular and other applicable laws and regulations in the PRC.

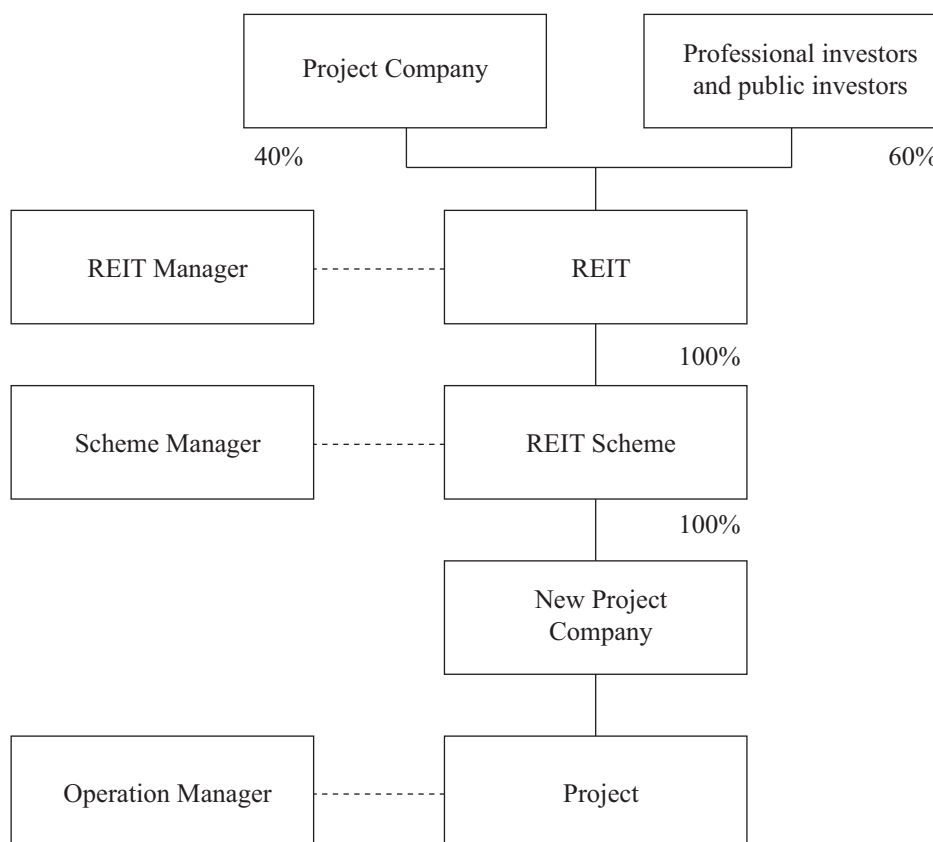
---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

For the purpose of the Proposed Spin-off, the Scheme will be set up by the Scheme Manager. As part of the Reorganisation, prior to the Latest Practicable Date, the Project Company has established the New Project Company and the SPV and in addition, the Project Company has contributed to the registered capital of the New Project Company by way of injection of its entire interest in the Project into the New Project Company. Therefore, as of the Latest Practicable Date, the Project Company holds the entire equity interest in each of the New Project Company, which holds the entire interest in the Project, and the SPV. Upon completion of the Public Offering, further steps of the Reorganisation will take place including, among other things: (a) the Consumer Infrastructure REIT will apply the proceeds from the Public Offering, after deducting costs and taxes relating to the Proposed Spin-off, to subscribe for the entire equity interest in the Scheme; (b) the Scheme will acquire the entire equity interest in the SPV (which is held by the Project Company as at the Latest Practicable Date) from the Project Company at a nominal consideration, and will subsequently inject the net proceeds from the Public Offering into the SPV by way of capital injection into the SPV's registered capital and provision of shareholder's loan; (c) the SPV (which will be wholly-owned by the Scheme by then) will use the net proceeds mentioned in (b) above to acquire the entire equity interest in the New Project Company (which is held by the Project Company as at the Latest Practicable Date) from the Project Company; (d) the SPV will then transfer the entire equity interest in the New Project Company to the Scheme at nominal consideration; and (e) the SPV will be merged into the New Project Company. The relevant parties have entered into definitive agreements to give effect to the Reorganisation as described above.

The structure of the Consumer Infrastructure REIT upon completion of the Proposed Spin-off is set out below:



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

After the Proposed Spin-off, the Operation Manager, an indirect wholly-owned subsidiary of the Company, will be engaged by the REIT Manager to continue to provide operations management and property management and car park management services to the Project. The purpose of such arrangement is to leverage on the Group's expertise and experience for the daily operation and management of the Project, which will continue to be marketed under the Group's "Joy City" brand, and to minimise the disruption of the daily operations of the Project after the Proposed Spin-off.

The Proposed Spin-off including the relevant definitive agreements and the terms of the Public Offering, such as the size and price range of the offering and the timetable of the Public Offering, is subject to, among other things, the approval of the CSRC and the Shenzhen Stock Exchange and therefore may be amended.

### **3. *Conditions precedent to the Proposed Spin-off***

The Proposed Spin-off is conditional upon, among other things, the following conditions:

- (a) the respective approvals of the CSRC, the Shenzhen Stock Exchange and the Stock Exchange in relation to the Proposed Spin-off having been obtained;
- (b) the approval of the Shareholders in relation to the Proposed Spin-off having been obtained;
- (c) the total amount of units offered by the Consumer Infrastructure Fund reaches 80% of the approved registration scale;
- (d) the offering size should be at least RMB200 million and there are at least 1,000 investors participating in the offering;
- (e) the original holder of the interest of the Project (being the Project Company) has subscribed in the strategic tranche;
- (f) other than the portion placed with strategic investors, not less than 70% of the remaining Units of the Consumer Infrastructure REIT shall be offered to offline investors; and
- (g) there is no other circumstance leading to the failure of the Public Offering.

As of the Latest Practicable Date, save for item (b) above, none of the conditions precedent above have been fulfilled and/or waived (as the case may be). The Company has submitted the PN15 Application to the Stock Exchange, and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### C. Reasons and benefits for the Proposed Spin-off

With reference to the Letter of the Board, the main reasons for and benefits of the Proposed Spin-off are as follows:

- (i) the Proposed Spin-off provides an alternative equity-based financing method for the Company, which will diversify the fundraising methods and platforms of the Group. Through the Proposed Spin-off, the Company will have the opportunity to realise the market value of properties that are in the mature and developed stage and enhance the Company's rolling investment capability and sustainable operation of the Project, which will be beneficial to the Company's long-term performance;
- (ii) the estimated gross proceeds from the listing of the Consumer Infrastructure REIT, (with reference to, and being not less than, the preliminary valuation of the Project and also taking into account of the Company's assessment on the Project based on the information available as at the Latest Practicable Date including, among other things, the income contributed by the Project to the Group, the business prospects of the Project, the financial impact and the potential tax and other related costs involved in the establishment of the Consumer Infrastructure REIT), is expected to be approximately RMB3,348,000,000. Based on such estimated gross proceeds, and excluding the subscription amount by the Group for 40% of the total Units and related costs and taxes, the estimated net proceeds to be received by the Group from the Proposed Spin-off will be approximately RMB1,670,000,000. The use of the net proceeds from the Proposed Spin-off by the Remaining Group will be subject to the applicable PRC laws and regulations and the approval of the relevant PRC authorities and, as of the Latest Practicable Date, the Remaining Group plans to apply, within three years after the completion of the Public Offering, not less than 90% of the net proceeds received from the Proposed Spin-off in the development (including, among other things, the acquisition of land and construction) and operation of shopping mall(s) in the PRC, which the Remaining Group is exploring the suitable opportunity with potential business prospects, and the remaining balance of not more than 10% will be used as working capital for the Group.
- (iii) as the Company, through the Project Company, will subscribe 40% of the total Units of the Consumer Infrastructure REIT, the Company will continue to benefit from the business prospects and financial results of the Consumer Infrastructure REIT in the long term, through stable return that it will receive in the form of distribution as a holder of the Units of the Consumer Infrastructure REIT and the fee in relation to the services provided by the Operation Manger.
- (iv) the Proposed Spin-off provides an opportunity for the Group to improve the Group's profile, strengthen the influence of its brand and thereby enhance its ability to attract strategic investors; and
- (v) the Proposed Spin-off will provide the Consumer Infrastructure REIT with a separate listing platform in the PRC for its business development and expansion, which will enable it to have direct access to the PRC capital market.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As of the Latest Practicable Date, other than the Project, the Group holds 19 investments properties and the Group will continue its operations relating to the investment properties business segment after the Proposed Spin-off.

We have discussed with the Management in relation to the reasons for the Proposed Spin-off and we understood that the Proposed Spin-off will allow the Company to open up a different channel and a separate listing platform to raise fund. We are also given to know that, the Project is a mature property with a high occupancy rate hence a stable cash inflow to the Group, which is considered to be a suitable project in the Consumer Infrastructure REIT and to realise its market value. Although the Project will cease to be consolidated in the financial statements of the Group upon the completion of the Proposed Spin-off, the Group will continue to indirectly hold 40% of the total Units of the Consumer Infrastructure REIT and hence enjoying the future distribution, and as the Operation Manager of the Project is an indirectly wholly owned subsidiary of the Company, the Company will be able to continue to manage and market the Project under the Group's brand "Joy City", generate return for the unit holders including itself as well as receiving the fee in relation to the services provided by the Operation Manager.

In addition, we have discussed with the Management in relation to the use of the net proceeds of RMB1,670,000,000 received from the Proposed Spin-off and we understood the Remaining Group plans to apply not less than 90% of the net proceeds (i.e. RMB1,503,000,000) in the development (including, among other things, the acquisition of the land and construction) and operation of shopping mall(s) in the PRC, which is in line with the Group's business and will further strengthen its portfolio and presence in the PRC.

In view of the above, we are of the view that the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole.

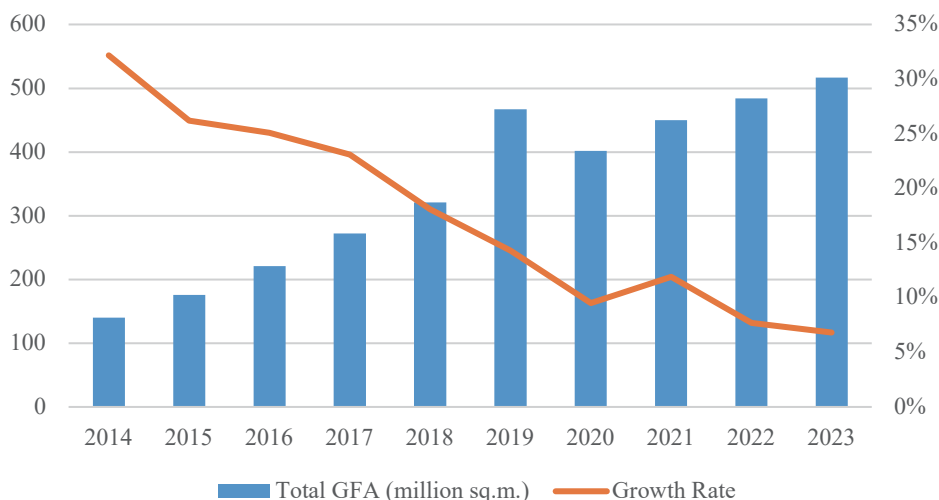
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### Industry overview

#### Shopping centre market in the PRC

From 2014 to 2023, the total GFA of shopping centre market in the PRC increased from 140 million square metres in 2014 to 517 million square metres in 2023, with a CAGR of 15.6%.

#### Total GFA of Shopping Centre (China), 2014-2023



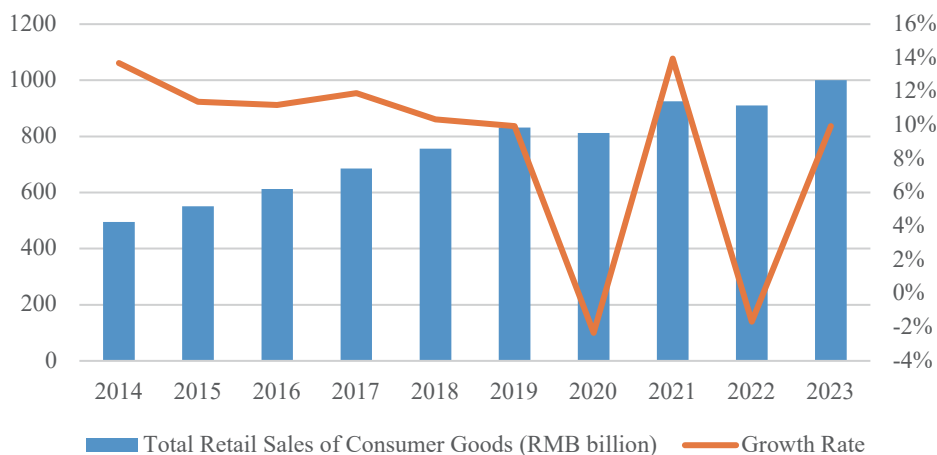
Note: Shopping centres only include malls with GFA of 30,000 square metres or more

Source: Winshang (赢商网)

#### Total retail sales of consumer goods in Chengdu

From 2014 to 2023, the total retail sales of consumer goods in Chengdu increased from RMB494.44 billion in 2014 to RMB1,000.16 billion in 2023, with a CAGR of 8.1%.

#### Total Retail Sales of Consumer Goods, Chengdu 2014-2023



Source: Chengdu Municipal Statistics Bureau

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

In September 2020, the State Council of PRC issued the “Opinions on Accelerating the Development of New Consumption by Leading with New Formats and Models” (State Council Document No. [2020] 32) 《關於以新業態新模式引領新型消費加快發展的意見》(國辦發[2020] 32號). It emphasized the firm implementation of the strategy to expand domestic demand and accelerate the growth and quality improvement of new consumption by leading with new formats and models. Under relevant policy guidance, shopping centre in PRC has gradually evolved from a simple shopping function to a comprehensive consumption format that integrates consumption, experience, entertainment, socializing, and leisure to meet the diverse demands of residents.

In December 2022, the Central Economic Work Conference pointed out that recovering and expanding consumption industry should be given priority. It emphasized the need to enhance consumption capacity, improve consumption conditions, and innovate consumption scenarios. Under the policy guidance strongly supported by the central government, local governments have also introduced corresponding supportive policies to promote consumption.

In March 2023, the National Development and Reform Commission (the “NDRC”) issued the “Notice on Standardizing and Efficiently Carrying Out the Declaration and Recommendation Work for Real Estate Investment Trusts (REITs) Projects in the Infrastructure Field” (NDRC Investment [2023] No. 236) 《關於規範高效做好基礎設施領域不動產投資信托基金 (REITs) 項目申報推薦工作的通知》(發改投資[2023]236號). The notice stated that it supports the issuance of infrastructure REITs that enhance consumption capacity, improve consumption conditions, and innovate consumption scenarios. It also prioritizes the issuance of infrastructure REITs for urban and rural commercial network projects such as department stores, shopping centres, and farmers’ markets, as well as community commercial projects that ensure basic livelihood.

Having considered the above, we are of the view that the prospect of the PRC’s shopping centre market is generally positive.

After taking into account of (i) the reasons and benefits for the Proposed Spin-off; (ii) the background information of each party; (iii) the prospect of the PRC’s shopping centre industry; and (iv) the Group will hold 40% of the total Units of the Consumer Infrastructure REIT through the Project Company, which the Company would continue to enjoy the benefits arising from the future business development and growth of the Consumer Infrastructure REIT, we are of the view that the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole.

### *Trading multiples analysis*

As mentioned above, under the proposed offering structure, the REIT Manager will set up the Consumer Infrastructure REIT as a publicly-listed consumer type infrastructure securities investment fund for Public Offering on the Shenzhen Stock Exchange at the expected size of approximately RMB3,348,000,000 (based on the preliminary valuation of the Project and the information available as of the Latest Practicable Date). It is currently expected that 40% of the total Units of the Consumer Infrastructure REIT will be subscribed by the Group through the Project Company at an expected aggregate price of approximately RMB1,339,200,000 and 60% of the total Units of the Consumer Infrastructure REIT will be subscribed by external investors at an expected aggregate price of approximately RMB2,008,800,000.

We have performed our independent analysis on the expected size of Public Offering (“**the Expected Offering Size**”). We noted that the trading multiples analysis, such as price to earnings ratio (the “**PER**”) and price to book ratio (the “**PBR**”), are commonly adopted valuation methods in the market. We searched for REITs listed on the Stock Exchange, the Shenzhen Stock Exchange and the Shanghai Stock Exchange which have similar lines of business as the Project Company (i.e. mainly engaged in investment in commercial properties such as shopping centres, hotels and office spaces for rental income).

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

To the best of our knowledge and as far as we are aware of, we have identified four REITs listed on the Shenzhen Stock Exchange and the Shanghai Stock Exchange (“**PRC Comparable REITs**”) and 10 REITs listed on the Stock Exchange (“**HK Comparable REITs**”, together with PRC Comparable REITs, the “**Comparable REITs**”) which met the said criteria and they are exhaustive.

### *PRC Comparable REITs*

Company name	Stock code	Principal business	PBR <i>(Note 1)</i>	PER <i>(Note 2)</i>
Harvest Wumart Consumption REIT* (嘉實物美消費REIT)	508011.CH	Investment in a portfolio of commercial properties in Beijing	10.6	35.3
CAMC-Jinmao Shopping Mall REIT* (華夏金茂購物中心REIT)	508017.CH	Investment in a shopping centre in Changsha, Hunan	21.9 <i>(Note 3)</i>	88.6 <i>(Note 3)</i>
CAMC-China Resources Commercial REIT* (華夏華潤商業REIT)	180601.CH	Investment in a shopping centre in Qingdao, Shandong	3.0	74.9
CICC-SCPG Consumer REIT* (中金印力消費REIT)	180602.CH	Investment in a shopping centre in Hangzhou, Zhejiang	2.9	25.6
		<b>Maximum</b>	<b>10.6</b>	<b>74.9</b>
		<b>Minimum</b>	<b>2.9</b>	<b>25.6</b>
		<b>Average</b>	<b>5.5</b>	<b>45.3</b>
		<b>Median</b>	<b>3.0</b>	<b>35.3</b>
The Project <i>(Note 4)</i>			<b>2.9</b>	<b>30.8</b>

Source: Bloomberg, as of 19 June 2024, and respective prospectus and related announcements of the PRC Comparable REITs



---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

*HK Comparable REITs*

Company name	Stock code	Principal business	PBR <i>(Note 1)</i>	Adjusted PER <i>(Note 5)</i>
Link REIT	823.HK	Investment in non-residential properties such as shopping malls, car parks, and office spaces in Hong Kong for rental income	0.5	22.7
Yuexiu Real Estate Investment Trust	405.HK	Investment in a diversified portfolio of income-generating properties in China, including commercial, office, and retail properties for rental income	0.3	N/A <i>(Note 6)</i>
Fortune Real Estate Investment Trust	778.HK	Investment in a portfolio of retail and commercial properties in Hong Kong and China for rental income	0.3	21.3
Prosperity REIT	808.HK	Investment in a portfolio of commercial properties in Hong Kong for rental income	0.3	22.0
Champion REIT	2778.HK	Investment in a diversified portfolio of commercial properties in Hong Kong, including office buildings and retail spaces, for rental income	0.2	12.6

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

Company name	Stock code	Principal business	PBR <i>(Note 1)</i>	Adjusted PER <i>(Note 5)</i>
Hui Xian Real Estate Investment Trust	87001.HK	Investment in commercial properties in China, primarily focused on hotel and prime retail properties, for rental income	0.2	69.5
Sunlight Real Estate Investment Trust	435.HK	Investment in a portfolio of retail and commercial properties in Hong Kong for rental income	0.2	11.2
China Merchants Commercial Real Estate Investment Trust	1503.HK	Investment in a variety of commercial properties in China, including office buildings and shopping centres, for rental income	0.3	10.8
Regal Real Estate Investment Trust	1881.HK	Investment in a portfolio of commercial properties in Hong Kong, including hotel and retail spaces, for rental income	0.1	N/A <i>(Note 6)</i>
Spring Real Estate Investment Trust	1426.HK	Investment in a portfolio of retail and commercial properties in Hong Kong, China and England for rental income.	0.4	45.5
		<b>Maximum</b>	<b>0.5</b>	<b>69.5</b>
		<b>Minimum</b>	<b>0.1</b>	<b>10.8</b>
		<b>Average</b>	<b>0.3</b>	<b>27.0</b>
		<b>Median</b>	<b>0.3</b>	<b>21.7</b>
The Project <i>(Note 7)</i>			<b>1.3</b>	<b>23.1</b>

*Source: Bloomberg, as of 19 June 2024, and respective latest published annual report/annual results announcement and interim report of the HK Comparable REITs*

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*Notes:*

1. The PBRs of the Comparable REITs were calculated based on their respective then latest published net assets value attributable to the shareholders, their respective closing prices as quoted on the Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange and the total issued shares as at the Latest Practicable Date.
2. The PERs of the PRC Comparable REITs were calculated based on their respective then annualised latest published net profit for the period, their respective closing prices as quoted on the Shenzhen Stock Exchange or the Shanghai Stock Exchange and the total issued shares as at the Latest Practicable Date.
3. CAMC-Jinmao Shopping Mall REIT recorded very low net asset value and net profit, resulting in significantly high PBR and PER which we consider as outlier and is excluded from the calculation of range, average and median of the PRC Comparable REITs for comparison purpose.
4. The implied PBR and PER of the Project is based on the Expected Offering Size and the unaudited net asset value as of 31 December 2023 and the profit for the year ended 31 December 2023 of the Project which were prepared in accordance with the PRC GAAP.
5. The adjusted PERs of the HK Comparable REITs were calculated based on their respective then latest published net profit for the year, which the impact caused by the change in fair value of investment properties (net of deferred tax) is adjusted, their respective closing prices as quoted on the Stock Exchange and the total issued shares as at the Latest Practicable Date.
6. The companies are loss-making (after the adjustment of the impact caused by the change in fair value of investment properties and its related deferred tax) for their then latest financial year, the adjusted PERs are not available.
7. The implied PBR and adjusted PER of the Project is based on the Expected Offering Size and the unaudited net asset value as of 31 December 2023 and the net profit, which the impact from the change in fair value of investment properties (net of deferred tax) is adjusted, for the year ended 31 December 2023 of the Project which were prepared in accordance with HKFRSs.

From the tables above, excluding the outlier of CAMC-Jinmao Shopping Mall REIT, which recorded very low net asset value and net profit resulting in significantly high PBR and PER, the PBRs of the PRC Comparable REITs ranged from 2.9 times to 10.6 times, with an average of approximately 5.5 times and a median of approximately 3.0 times, while the PERs of the PRC Comparable REITs ranged from approximately 25.6 times to 74.9 times, with an average of approximately 45.3 times and a median of approximately 35.3 times. The PBRs of the HK Comparable REITs ranged from 0.1 times to 0.5 times, with an average of approximately 0.3 times and a median of approximately 0.3 times, while the adjusted PERs of the HK Comparable REITs ranged from approximately 10.8 times to 69.5 times, with an average of approximately 27.0 times and a median of approximately 21.7 times.

To compare the PRC Comparable REITs, the implied PBR of the Project of 2.9 times is within the range of the PBRs of the PRC Comparable REITs and the implied PER of the Project of 30.8 times is within the range of the PERs of the PRC Comparable REITs. To compare the HK Comparable REITs, the implied PBR of the Project of 1.3 times is higher than the range of the PBRs of the HK Comparable REITs. We note that, most of the HK Comparable REITs has been heavily impacted by the market condition in 2023 and recorded a fair value decrease in investment properties and led to a net loss or small amount of net profit, which the respective PER might not be indicative or meaningful to compare to the Project. As such, we have adjusted the impact caused the change in fair value of investment properties and its related deferred tax with the best information available so that the comparison is more meaningful, focusing on the profits from the operations which we are of the view that the adjustment is fair and reasonable. We note that the adjusted implied PER of the Project is 23.1 times, which is within the range of the adjusted PERs of the HK Comparable REITs. In light of the above comparison as a whole, it indicates that the Expected Offering Size was not undervalued.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### D. Assessment of the Expected Offering Size

To assess the fairness and reasonableness of the Expected Offering Size, we have reviewed and considered the property valuation report of the Property (the “**Property Valuation Report**”) prepared by the Savills Valuation and Professional Services (China) Limited (“**SVPSCL**” or the “**Valuer**”) as contained in the Appendix II to this Circular, which states that the valuation of the Property was approximately RMB3,114,000,000 as at 31 March 2024. We have performed the works as required under Note 1(d) to Rule 13.80 of the Listing Rules and paragraph 5.3 of the Corporate Finance Adviser Code of Conduct in respect of the Property Valuation Report, which included (i) assessment of the Valuer’s experience in valuing property similar to the Property; (ii) obtaining information on the Valuer’s track records on other property valuations; (iii) inquiry on the Valuer’s current and prior relationship with the Group and other parties to the Proposed Spin-off; (iv) review of the terms of the Valuer’s engagement, in particular its scope of work, for the assessment of the valuation of the Property; and (v) discussion with the Valuer regarding the bases, methodology and assumptions adopted in the Property Valuation Report.

#### *Valuer*

For our due diligence purpose, we have reviewed and enquired into the qualifications and experience of the Valuer in relation to the preparation of the Valuation Report. We understand that Ms. Jennie C.W. Chang (“**Ms. Chang**”), a Senior Associate Director of SVPSCL and a Member of the Hong Kong Institute of Surveyors (“**HKIS**”) (General Practice Division) and a Member of the Royal Institution of Chartered Surveyors (“**RICS**”) with over 16 years’ experience in valuation of properties in the PRC and has sufficient knowledge of the relevant market, the skills and understanding to handle the subject valuation exercise competently. As such, we are of the view that the Valuer and Ms. Chang are qualified, experienced and competent in performing property valuations and providing a reliable opinion in respect of the valuation of the Property.

We have also enquired with the Valuer as to their independence from the Group and were given to understand that the Valuer is an independent third party of the Group and its connected persons including other parties to the Proposed Spin-off. The Valuer also confirmed to us that they were not aware of any relationship or interest between themselves and the Group or any other parties that would reasonably be considered to affect their independence to act as the independent valuer for the Company. The Valuer confirmed to us that apart from normal professional fees payable to them in connection with their engagement for the valuation, no arrangements exist whereby they will receive any fee or benefit from the Group and its connected persons including other parties to the Proposed Spin-off.

Furthermore, we noted from the engagement letters entered into between the Company and the Valuer that the scope of work was appropriate for the Valuer to form opinions required to be given and there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Valuer.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Valuation assumptions*

We have reviewed the Property Valuation Report and understand that it was carried out on the assumptions of (i) the legal opinion issued by the Group's PRC legal adviser and prepared the valuation on the basis that transferable land use rights in respect of the property for the Group respective specific terms at nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid; (ii) the owners of the property has good legal title and has free and uninterrupted rights to occupy, use, transfer, lease or assign the property for the whole of the respective unexpired terms as granted; and (iii) the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value. During the course of our discussion with the Valuer, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology and the principal basis and assumptions adopted in arriving at the valuation of the Property. Based on our discussion with the Valuer, we are of the view that the adoption of the above basis and key assumptions is reasonable and relevant and they are in line with market practice.

### *Valuation methodologies*

As discussed with the Valuer, we note that direct comparison method is regarded as the most preferable method for property valuation which involves analysis of sales comparable in the market of similar properties compared with the Property. However, due to insufficient recent commercial sales comparable of similar properties in the vicinity of the Property, the Valuer has adopted the income capitalization method, whereby the rental incomes of contractual tenancies for the unexpired term and the reversionary market rents after the expiry of the tenancies of the property are capitalised using the market yield rate, in the valuation of the commercial portion instead given there are sufficient rentals in the letting of similar commercial comparable available for reference. While for car parking portion, as there is sufficient sale comparable in the market of similar properties compared with the Property, the Valuer therefore have adopted the direct comparison method with reference to sale of comparable properties as available in the market assuming sale with the benefit of vacant possession. In view of the above, we agree with the Valuer that income capitalization method is adopted for commercial portion and direct comparison method for car parking portion in the valuation of the Property with the information available in the market for reference.

Moreover, we have further discussed with the Valuer on the alternative approach to cross-check the valuation and we are given to understand that the Valuer will select the most appropriate approach for the valuation and the application of cross-checking is determined on case-by-case basis. The Valuer is of the view that the selected valuation approach and comparables are sufficient and representative to derive the valuation. We further note that the Valuer has identified three commercial comparables and three car parking space comparables all located in Wuhou District. We understood that the selected comparables are relevant to the Property in terms of usage (i.e. commercial unit or car parking space, as the case may be) and location (i.e. all located in Wuhou District of Chengdu, which are same as the Property) and we concur with the Valuer's view that the valuation approach is sufficient and the selected comparables are fair and representative samples in the valuation.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

In respect of the monthly unit rates, we note that the Valuer has adopted RMB200 per sq.m. for commercial portion and RMB120,000 per lot of parking space, which are consistent with the selected market comparables with adopted adjustments. We have discussed with the Valuer and note that the adjustments are normally made to reflect factors including but not limited to time, location, size, floor level, building age and building quality, which is in line with the market practice. In light of the above, we are of the view that the Valuer has considered the relevant adjusting factors in arriving the monthly unit rates adopted for the valuation while the monthly unit rates are consistent with the selected market comparables and we do not consider them unreasonable.

We note that the Valuer have performed the site visit in April 2024 and inspected exterior and where possible, the interior of the property and did not note any serious defects. We also noted from the Property Valuation Report that the Valuer has no reason to doubt the truth and accuracy of the information provided to them by the Group and they have relied on the Company's confirmation that no material facts have been omitted from the information provided. The Valuer considered that they have been provided with sufficient information for them to reach an informed view.

After taken into account of the above, we consider that the methodology, together with the underlying bases, and assumptions are fair and reasonable and that the Property Valuation Report is an appropriate reference for determining the valuation of the Project.

### **E. Financial effect of the Proposed Spin-Off**

Upon completion of the Proposed Spin-off, the Consumer Infrastructure REIT will indirectly hold the entire interest in the Project and it is anticipated that the Company, through the Project Company, will hold 40% of the total Units of the Consumer Infrastructure REIT. Therefore, the Proposed Spin-off will result in the reduction of the Company's indirect interest in the Project from 100% to 40% and the financial results of the Project will cease to be consolidated in the Group's financial statements upon completion of the Proposed Spin-off. Further, the Consumer Infrastructure REIT will be recognised as an associate on the Group's consolidated financial statements after completion of the Proposed Spin-off.

The overall impact on profit or loss that the Company expects to record from the Proposed Spin-off will mainly include the difference between the consideration for the transfer of the entire equity interest in the New Project Company, which holds the Project, by the Project Company to the SPV, which will depend on, among other things, the offer price of the Consumer Infrastructure REIT, and the carrying value of the Project in the consolidated accounts of the Company, and the relevant transaction costs. For illustration purposes only, the expected net size of the Public Offering after fees directly payable in relation to the Public Offering is RMB3,342,000,000 (based on the expected size of the Public Offering of RMB3,348,000,000 with reference to, and being not less than, the preliminary valuation of the Project and also taking into account of the Company's assessment of the Project based on the information available as at the Latest Practicable Date including, among other things, the income contributed by the Project to the Group, the business prospects of the Project, the financial impact and the potential tax and other related costs involved in the establishment of the Consumer Infrastructure REIT) minus the unaudited net asset value of the Project as at 31 December 2023 prepared based on HKFRSs of approximately RMB2,671,475,000 and related costs of approximately RMB1,672,000, is approximately RMB668,853,000.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Upon completion of the Proposed Spin-off, it is estimated that the retained earnings of the Group will be increased by approximately RMB119,000,000, which is mainly contributed by the net gain on disposal before tax of approximately RMB668,853,000, as deducted by related tax. The total assets of the Group is estimated to decrease by approximately RMB328,000,000, which is mainly due to the net effect of the increase in cash and cash equivalents of approximately RMB1,670,000,000 and investment in associate of approximately RMB1,339,000,000 offset by the decrease in assets relating to the Project of approximately RMB3,337,000,000. The total liabilities of the Group is estimated to decrease by approximately RMB447,000,000, which is mainly due to the net effect of the decrease in liabilities relating to the Project of approximately RMB666,000,000 offset by the increase in deferred tax liabilities of approximately RMB219,000,000. The estimations above are calculated based on the information available as of the Latest Practicable Date, for illustration purposes only.

The actual amount of gain or loss and the impact on the Group's consolidated balance sheet as a result of the Proposed Spin-off will be assessed after its completion and will be subject to the review and final audit by the auditors of the Company and any further adjustments relating to HKFRSs.

### OPINION AND RECOMMENDATION

Having taken into account that above factors and reasons, we are of the opinion that (i) the terms of the Proposed Spin-off are fair and reasonable; and (ii) the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Shareholders to vote in favour of the resolution to be proposed at the Proposed Spin-off and the transactions contemplated thereunder if a general meeting were to be convened by the Company.

Yours faithfully,  
For and on behalf of  
**Dongxing Securities (Hong Kong) Company Limited**  
**TSANG Wing Ngai**  
*Executive Director*  
*Investment Banking Department*

*Mr. TSANG Wing Ngai is a licensed person registered with the Securities and Future Commission since 2008 and is currently a responsible officer of Dongxing Securities (Hong Kong) Company Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Mr. TSANG has over 15 years of experience in the corporate finance industry, and has participated in the provision of independent financial advisory services for various connected transactions involving companies listed in Hong Kong.*

## 1. CONSOLIDATED FINANCIAL STATEMENTS

Details of the financial information of the Group for each of the financial years ended 31 December 2023, 31 December 2022 and 31 December 2021 are disclosed in the following documents which have been published on both the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.joy-cityproperty.com>):

- annual report of the Company for the year ended 31 December 2023 published on 23 April 2024 (pages 82 to 215) (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0423/2024042301147.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>); and
- 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>).

## 2. INDEBTEDNESS STATEMENT

### Borrowings

The Group's indebtedness as at 30 April 2024, being the latest practicable date for the purpose of determining the indebtedness of the Group prior to the printing of this circular is summarized as follows:

#### (i) *Bank borrowings*

	<i>RMB'000</i>
– Short term bank loans, secured and guaranteed	18,976
– Short term bank loans, secured and unguaranteed	959,379
– Short term bank loans, unsecured and guaranteed	2,934,653
– Short term bank loans, unsecured and unguaranteed	3,010,783
– Long term bank loans, secured and guaranteed	242,500
– Long term bank loans, secured and unguaranteed	6,826,872
– Long term bank loans, unsecured and guaranteed	12,192,432
– Long term bank loans, unsecured and unguaranteed	3,187,997
	<u>29,373,592</u>



**(ii) Loans from fellow subsidiaries**

As at 30 April 2024, the Group had outstanding loans from fellow subsidiaries of approximately RMB218 million, which were unsecured and unguaranteed.

**(iii) Loan from a non-controlling interest**

As at 30 April 2024, the Group had outstanding loan from a non-controlling interest of a subsidiary of approximately RMB57 million, which was unsecured and unguaranteed.

**(iv) Loans from third parties**

As at 30 April 2024, the Group had outstanding loans from third parties of approximately RMB5,199 million, approximately RMB3,450 million of which was unsecured and guaranteed and approximately RMB1,749 million was secured and guaranteed.

**(v) Loans from a joint venture**

As at 30 April 2024, the Group had outstanding loans from a joint venture of approximately RMB5,825 million, which was unsecured and unguaranteed.

**(vi) Loan from an associate**

As at 30 April 2024, the Group had outstanding loan from an associate of approximately RMB245 million, which was unsecured and unguaranteed.

**(vii) Bonds payable**

As at 30 April 2024, the Group had a total amount of outstanding bonds payable of RMB3,991 million, which was unsecured and unguaranteed. As at 30 April 2024, the Group had a total amount of bonds authorised but not issued of RMB2,300 million.

**Charges**

As at 30 April 2024, 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 RMB22,043 million, property, plant and equipment with a carrying amount of approximately RMB1,979 million, properties under development for sales with a carrying amount of approximately RMB11,227 million, right-of-use assets (leased land) with a carrying amount of approximately RMB1,210 million, and accounts receivable with a carrying amount of approximately RMB3 million.

**Lease liabilities**

As at 30 April 2024, the Group, as a lessee, had lease liabilities of carrying amounts of RMB330 million, which was unsecured and unguaranteed.

**Contingent liabilities or guarantees**

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

The construction costs of Chaoyang Joy City amounted to RMB3,418 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 30 April 2024 amounted to RMB7,557 million.

The construction costs of Shenyang Joy City amounted to RMB2,049 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 30 April 2024 amounted to RMB3,503 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 30 April 2024, 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 RMB4,357 million. As at 30 April 2024, the Group had provided guarantees to associates relating to bank loans and the guarantee were amounted to RMB196 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 30 April 2024.

**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 Proposed Spin-off 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. FINANCIAL AND TRADING PROSPECTS

As disclosed in the annual report of the Company published on 23 April 2024, gross revenue of the Group amounted to approximately RMB13,272,094,000 for the year ended 31 December 2023, representing a decrease of approximately 36.29% compared to approximately RMB20,831,357,000 for the year ended 31 December 2022. Gross profit and net profit of the Group amounted to approximately RMB5,641,491,000 and approximately RMB1,419,626,000 respectively for the year ended 31 December 2023, representing a decrease of approximately 11.94% and an increase of approximately 28.99% respectively compared to approximately RMB6,406,358,000 and approximately RMB1,100,578,000, respectively, for the year ended 31 December 2022. For further details, please refer to the annual report of the Company for the year ended 31 December 2023.

Looking forward to 2024, with the improvement of consumers' pursuit of scene and sense of experience, more shopping malls will go deep into "experience, circle and social interaction" and create a rich variety of business categories. Marketing innovation has become a "booster" for the in-depth operation of shopping malls. The shopping malls hold various activities and exhibitions, use various marketing innovations means and methods to create new consumption spaces, and interact with consumers in the virtual and real world, effectively improving the spatial value of "novelty", "good-looking" and "fun" of shopping malls, thereby attracting consumers' attention and participation, and further transforming these measures into operating results. In the future, the Group will continue to pursue its positioning as "a service provider of urban operation and better life", take meeting consumer needs as the basic point, and take the leading trends and creating consumption scenarios as the development point, capitalize on the opportunities arising in the industry, consolidate resources in various areas and further optimise operating capacity, so as to achieve favorable operating results.

Save and except for the transactions already disclosed in announcements and circulars of the Company prior to the Latest Practicable Date and acquisitions, disposals and investments in joint ventures by the Group in its ordinary course of business which have not materialized into and/or constituted discloseable inside information of the Company or information that is 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.

*The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services (China) Limited, an independent valuer, in connection with their opinion of market value of the property held by the Group as at 31 March 2024.*



The Directors  
Joy City Property Limited  
33/F., COFCO Tower  
262 Gloucester Road  
Causeway Bay  
Hong Kong S.A.R  
The People's Republic of China

Savills Valuation and  
Professional Services (China) Limited  
Room 1208, 12/F  
1111 King's Road  
Taikoo Shing, Hong Kong

25 June 2024

T: (852) 2801 6100

F: (852) 2530 0756

savills.com

Dear Sirs,

**RE: CHENGDU JOY CITY (成都大悦城), NO. 518 DAYUE ROAD, WUHOU DISTRICT, CHENGDU, SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA (THE "PROPERTY")**

In accordance with the instructions from Joy City Property Limited (the "**Company**") for us to value the property held by the Company and its subsidiaries (collectively referred to as the "**Group**") in the People's Republic of China (the "**PRC**") on a 100% interest basis, we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of market value of the property as at 31 March 2024 (the "**valuation date**") for incorporation in a circular.

#### **BASIS OF VALUATION**

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

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

Our valuation has been undertaken in accordance with the latest edition of Royal Institution of Chartered Surveyors (the “RICS”) Valuation – Global Standards, the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors (“HKIS”), which incorporates the International Valuation Standards (“IVS”), and, where applicable, the relevant RICS, HKIS or jurisdictional supplement. We have also complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### **IDENTIFICATION AND STATUS OF THE VALUER**

The subject valuation exercise is handled by our Ms. Jennie C.W. Chang, who is a Senior Associate Director of Savills Valuation and Professional Services (China) Limited (“SVPSCL”) and a Member of the HKIS (General Practice Division) and a Member of the RICS with over 16 years’ experience in valuation of properties in the PRC and has sufficient knowledge of the relevant market, the skills and understanding to handle the subject valuation exercise competently.

Prior to your instructions for us to provide this valuation services in respect of the property, we had been involved in valuation of the property in the past 12 months.

We are independent of the Group. We are not aware of any instances which would give rise to potential conflict of interest from us in the subject exercise. We confirm that we are in the position to provide objective and unbiased valuation for the Property.

### **VALUATION METHODOLOGY**

Direct comparison Method is regarded as the most preferable method for property valuation. It involves the analysis of sales comparable in the market of similar properties compared with the property. However, there are insufficient recent commercial sales comparable of similar properties in the vicinity of the property for reference in our valuation. Instead, in the locality of the property, there are sufficient rentals in the lettings of similar commercial comparable available for reference in valuation.

Hence, in undertaking our valuation of commercial portion of the property, we have adopted the income capitalization method whereby the rental incomes of contractual tenancies for the unexpired terms and the reversionary market rents after the expiry of tenancies of the property are capitalized using market yield rate.

For the car parking portion of the property, as there are sufficient sale comparable in the market of similar properties compared with the property, we have adopted the direct comparison method by making reference to sale of comparable properties as available in the market assuming sale with the benefit of vacant possession.

**TITLE INVESTIGATION**

In respect of the property in the PRC, we have been provided with copies of the title documents relating to the property. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies provided to us. In the course of our valuation, we have relied on the information and advice given by the Group and the legal opinion issued by Dentons Law Offices (北京大成(成都)律師事務所) (the “Group’s PRC legal adviser”) on 19 September 2023 regarding the title to the property.

**SOURCE OF INFORMATION**

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, tenancy details, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on the information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to our valuation. We have also sought confirmation from the Group that no material facts have been omitted from the information supplied.

**VALUATION ASSUMPTIONS**

In valuing the property in the PRC, unless otherwise stated, we have relied on the legal opinion issued by the Group’s PRC legal adviser and prepared our valuation on the basis that transferable land use rights in respect of the property for their respective specific terms at nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid. Therefore, unless otherwise stated, we have also prepared our valuation on the basis that the owner of the property has good legal title and has free and uninterrupted rights to occupy, use, transfer, lease or assign the property for the whole of the respective unexpired terms as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property or 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 outgoings of an onerous nature which could affect its value.

**SITE INSPECTION**

We have inspected exterior and where possible, the interior of the property. Site inspection of the property was carried out by our Mrs. Yulia Xu (Manager) in April 2024. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

**CURRENCY**

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

We enclose herewith our valuation report.

Yours faithfully,  
For and on behalf of  
**Savills Valuation and Professional Services (China) Limited**

**Jennie C.W. Chang**  
*MRICS MHKIS RPS(GP)*  
Senior Associate Director

*Note:* Ms. Jennie C.W. Chang is a professional surveyor who has over 16 years’ experience in valuation of properties in the PRC.

Encl.



## VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2024						
Chengdu Joy City (成都大悦城), No.518 Dayue Road, Wuhou District, Chengdu, Sichuan Province, PRC.	<p>The property is a large-scale commercial development erected on three parcels of land with a total site area of approximately 68,747.98 sq.m.</p> <p>The property is situated at the intersection of Taiyue Road and Yunjin Road in Wuhou District of Chengdu. Developments in the vicinity are dominated by various residential and commercial buildings. It takes about a 33-minute drive from the property to the city center of Chengdu.</p> <p>According to the information provided by the Group, the property comprises various commercial units and 633 car parking spaces with a total gross floor area of approximately 172,540.69 sq m. Breakdown of areas and uses of the property are listed as follows:</p>	<p>As at the valuation date, portion of the property with a total lettable floor area of approximately 84,312.54 sq m was subject to various tenancies with the latest one due to expire on 30 April 2034 at a total monthly rental of approximately RMB20,868,000, exclusive of VAT and management fee.</p> <p>The remaining portion of the property with a total lettable floor area of approximately 2,843.01 sq m was vacant.</p>	RMB3,114,000,000 (Renminbi Three Billion One Hundred and fourteen Million)						
<p><b>Approximate Gross Floor Area</b> (sq m)</p>									
<table border="0"> <tr> <td style="padding-right: 20px;">Commercial</td> <td style="text-align: right;">137,403.86</td> </tr> <tr> <td>Car Parks</td> <td style="text-align: right;">35,136.83</td> </tr> <tr> <td colspan="2" style="border-top: 1px solid black;"></td> </tr> </table>		Commercial	137,403.86	Car Parks	35,136.83				
Commercial	137,403.86								
Car Parks	35,136.83								
<table border="0"> <tr> <td style="padding-right: 20px;">Total</td> <td style="text-align: right;">172,540.69</td> </tr> <tr> <td colspan="2" style="border-top: 3px double black;"></td> </tr> </table>		Total	172,540.69						
Total	172,540.69								

As advised by the Group, the property was completed in 2015.

The land use rights of the property have been granted for a term expiring on 3 September 2047 for wholesale retail (underground), wholesale retail, commercial (logistic transaction), wholesale retail (underground car parking spaces) and car parking spaces use.

Notes:

1. Pursuant to eight Real Estate Ownership Certificates, the land use rights of three parcel of land with a total site area of approximately 68,747.98 sq.m. and the buildings ownerships of the property with a total gross floor area of approximately 172,540.69 sq.m. are vested in Chengdu Boyue Commercial Management Co., Ltd. (成都博悅商業管理有限公司) (“Chengdu Boyue”), an indirect wholly-owned subsidiary of the Company, for a term expiring on 3 September 2047 for various purposes. Detail of the said Certificates are listed as follows:

Certificate No.	Land Use	Site Area (Sq.m.)	Gross Floor Area (sq.m.)
Chuan(2023) Cheng Du Shi Bu Dong Chan Quan Di No. 0285164	Wholesale retail (underground)/Commercial (logistic transaction)		13,333.32
Chuan(2023) Cheng Du Shi Bu Dong Chan Quan Di No. 0285158		37,867.16	81,673.41
Chuan(2023) Cheng Du Shi Bu Dong Chan Quan Di No. 0285060	Wholesale retail/Commercial (logistic transaction)		173.37
Chuan(2023) Cheng Du Shi Bu Dong Chan Quan Di No. 0284073			837.04
Chuan(2023) Cheng Du Shi Bu Dong Chan Quan Di No. 0285163	Wholesale retail (underground)/Commercial (logistic transaction)		1,029.62
Chuan(2023) Cheng Du Shi Bu Dong Chan Quan Di No. 0285133	Wholesale retail (underground car parking spaces)/Car parking spaces	2,212.09	35,136.83
Chuan(2023) Cheng Du Shi Bu Dong Chan Quan Di No. 0285162	Wholesale retail (underground)/Commercial (logistic transaction)		12,671.37
Chuan(2023) Cheng Du Shi Bu Dong Chan Quan Di No. 0285153	Wholesale retail/Commercial (logistic transaction)	28,668.73	27,685.73
	<b>Total:</b>	<b>68,747.98</b>	<b>172,540.69</b>

2. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal adviser, which contains, inter alia, the following information:
- Chengdu Boyue is the legal owner of the property, which is protected under the PRC laws;
  - Chengdu Boyue is entitled to occupy, use, lease, transfer or by other means to dispose of the property; and
  - The property is not subject to mortgage, seizure, any other encumbrances and limitation of the property rights.
3. In undertaking our valuation of the property, we have made reference to various market comparables of similar developments which have characteristics comparable to the property. We have identified and analysed three commercial comparable and three car parking space comparable all located in Wuhou District. The selected comparable are relevant to the property in terms of usage and location. The monthly unit rents of the market comparables are in a range between RMB183 to 216 per sq.m. (GFA) for commercial units (1/F), and the unit rates of the market comparables are in a range from RMB120,000 to 130,000 per lot for car parking spaces. Due adjustments to the unit rents of these comparables have been made to reflect factors including but not limited to time, location, size, floor level, building age and building quality in arriving at the key assumptions.

We consider that the relevant comparable have met our selection criteria are included and they are set out in the following tables with adopted adjustments which are exhaustive, fair and representative.

#### List of Commercial Rental Comparable

	Comparable 1	Comparable 2	Comparable 3
Development	A commercial unit at Yulin Road West	A commercial unit at Wuhou Starry Street	A commercial unit at Chengdu Jinnan Paradise Walk
District	Wuhou	Wuhou	Wuhou
City	Chengdu	Chengdu	Chengdu
Year of Completion	2010	2020	2015
Usage	Commercial	Commercial	Commercial
GFA (sq m)	63.00	36.00	40.00
Unit Rent (RMB/sq m/month)	183.00	216.00	190.00
Adjustment			
Time		0.00% – 0.00%	
Location		0.00% – 5.00%	
Age		-2.50% – 2.50%	
Size		0.00% – 0.00%	
Floor Level		0.00% – 0.00%	
Building Quality		0.00% – 0.00%	

#### List of Car Parking Space Sale Comparable

	Comparable 1	Comparable 2	Comparable 3
Development	A car parking space at Chunghua Park	A car parking space at Poly Garden	A car parking space at Langqiao
District	Wuhou	Wuhou	Wuhou
City	Chengdu	Chengdu	Chengdu
Year of Completion	2006	2017	2009
Usage	Car Parking Space	Car Parking Space	Car Parking Space
Unit Rate (RMB/Unit)	120,000	120,000	130,000
Adjustment			
Time		0.00% – 0.00%	
Location		-5.00% – 0.00%	
Age		-1.00% – 4.50%	
Size		0.00% – 0.00%	
Floor Level		0.00% – 0.00%	
Building Quality		0.00% – 0.00%	

In our valuation, we have adopted average monthly unit rents of approximately RMB200 per sq.m. (GFA). for commercial units (1/F) and average unit rates of approximately 120,000 per lot for car parking spaces, which are consistent with the relevant market comparables.

- Based on our market research, the market yields of comparable commercial developments are in a range between 5.3% to 5.6% as at the valuation date. Due adjustments to the market yield of these market comparables have been made to reflect factors including but not limited to location, size and quality in arriving at the key assumptions.

In our valuation, we have adopted a market yield rate of 5.5% for commercial units, which is consistent with the relevant comparables.

5. In undertaking our valuation of the commercial portion of the property, we have collected the tenancies schedule from the Group. The contractual tenancies for the unexpired terms of each commercial unit are capitalized based on the actual monthly rent receivable. After expiry of the tenancies, we have applied our average monthly unit rents which is derived from comparable with appropriate adjustments as mentioned in Note 3 above to estimate the monthly income of the property. The estimated monthly income of the property is then capitalized for the remaining land use term of the property by using market yield rate as mentioned in Note 4 above.

Based on the above, the market value of the commercial portion of the property as at 31 March 2024 is RMB3,038,000,000.

In valuing the car parks portion of the property, we have adopted direct comparison method, where number of car parks is multiplied by our adopted average unit rate which is derived from comparable with appropriate adjustments as mentioned in Note 3 above of each car park.

Based on the above, the market value of the car park portion of the property as at 31 March 2024 is RMB76,000,000.

Therefore, the total market value of the property as at 31 March 2024 is RMB3,114,000,000.

## 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 (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which are (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she has taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules (the “Model Code”), to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Directors/ chief executive	Company/ name of associated corporations	Capacity	Number of issued ordinary shares held <sup>(Note 1)</sup>	Approximate percentage of the issued share capital
Mr. YAO Changlin	The Company	Beneficiary owner	2,345,442	0.02% <sup>(Note 2)</sup>
Mr. LAM Kin Ming, Lawrence	The Company	Beneficial owner	6,000	0.00% <sup>(Note 2)</sup>
Mr. CHAN Fan Shing	The Company	Beneficial owner	136,758	0.00% <sup>(Note 2)</sup>

*Notes:*

- Long positions in the shares of the Company or its associated corporations, other than equity derivatives such as share options, warrants or convertible bonds.
- The percentage (rounded to 2 decimal places) was calculated based on the total number of Shares in issue as at the Latest Practicable Date, i.e. 14,231,124,858 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 director and chairman of Grandjoy Holdings Group; (ii) Mr. YAO Changlin is a director and general manager of Grandjoy Holdings Group; (iii) Mr. LIU Yun is an employee of COFCO Corporation; and (iv) Mr. ZHU Laibin is a deputy general manager of COFCO Corporation.

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 <sup>(Note 1)</sup>
COFCO Corporation	Shares	9,501,359,644 (L) <sup>(Note 2)</sup>	66.76%
	CPS	1,095,300,778 (L) <sup>(Note 3)</sup>	100%
COFCO (Hong Kong) Limited ("COFCO (HK)")	Shares	9,501,359,644 (L) <sup>(Note 2)</sup>	66.76%
	CPS	1,095,300,778 (L) <sup>(Note 3)</sup>	100%
Vibrant Oak Limited ("Vibrant Oak")	Shares	9,133,667,644 (L) <sup>(Note 2)</sup>	64.18%
Grandjoy Holdings Group	Shares	9,133,667,644 (L) <sup>(Note 2)</sup>	64.18%

Name of substantial shareholders	Class of shares	Number of shares held	Approximate percentage of the issued share capital <sup>(Note 1)</sup>
Achieve Bloom Limited (“Achieve Bloom”)	Shares	367,692,000 (L) <sup>(Note 2)</sup>	2.58%
	CPS	1,095,300,778 (L) <sup>(Note 3)</sup>	100%

## 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.
- L. Indicates a long position.

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 2023, 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 following are contracts entered into by the Group (not being contracts entered into in the ordinary course of business of the Group) within two years immediately preceding the date of this circular and which are or may be material:

- (a) the equity transfer agreement dated 27 September 2023 entered into by Jetway Developments Limited (as vendor) and Shanghai Yongpeng Shiye Limited\* (上海邕鵬實業有限公司) (as purchaser), an Independent Third Party, in relation to the disposal of the entire equity interest of Shanghai Top Glory Real Estate Development Co., Ltd.\* (上海鵬利置業發展有限公司) at the total consideration of RMB4,142,392,338.41;
- (b) the equity transfer agreement dated 28 September 2023 entered into by Xidan Joy City Co., Ltd.\* (西單大悅城有限公司) (as vendor) and China Post Life Insurance Company Limited (中郵人壽保險股份有限公司) (as purchaser), an Independent Third Party, in relation to the sale and purchase of the entire equity interest of Beijing Kunting Asset Management Company Limited\* (北京昆庭資產管理有限公司) and related shareholder's loan at the total consideration of RMB4,255,847,036.76; and
- (c) the definitive agreements pertaining to the Proposed Spin-off in relation to the respective transfers of the entire equity interest of the SPV and the New Project Company.

#### 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'S CONSENT AND QUALIFICATIONS**

The following are the qualifications of the expert(s) who have given opinions or advices which are contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Dongxing Securities (Hong Kong) Company Limited	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Savills Valuation and Professional Services (China) Limited	Independent Valuer

The expert above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s), report(s) and/or opinion(s) and the references to its name included herein in the form and context in which it is respectively included.

The expert above confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which have since 31 December 2023 (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.

**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](http://www.hkexnews.hk)) and the Company ([www.joy-cityproperty.com](http://www.joy-cityproperty.com)) for a period of 14 days from the date of this circular:

- (a) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 23 to 24 of this circular;
- (c) the letter from Dongxing Securities (Hong Kong) Company Limited, the text of which is set out on pages 25 to 45 of this circular;
- (d) the Property Valuation Report prepared by Savills Valuation and Professional Services (China) Limited;
- (e) the written consent of each of the experts referred to in the paragraph headed “8. Expert’s Consent and Qualifications” in this appendix;
- (f) the annual reports of the Company for each of the financial years ended 31 December 2021, 31 December 2022 and 31 December 2023; and
- (g) the definitive agreements pertaining to the Proposed Spin-off in relation to the respective transfers of the entire equity interest of the SPV and the New Project Company.

**11. MISCELLANEOUS**

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