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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt about this circular or as to the action you should take, you should consult your stockbroker, 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 to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## JOY CITY PROPERTY LIMITED 大悦城地產有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 207)

### (1) CONTINUING CONNECTED TRANSACTIONS RENEWAL OF THE MASTER LEASE AGREEMENT; (2) PROPOSED RE-ELECTION OF NON-EXECUTIVE DIRECTOR; AND (3) NOTICE OF SGM

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



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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 13 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 14 to 15 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 25 of this circular.

A notice convening the SGM to be held at President Suite, World Trade Centre Club Hong Kong, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on Thursday, 29 December 2022 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you intend to attend and vote at the SGM, you are requested to complete and return the accompanying proxy form to the Company's branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM (or any adjournment thereof) should you so wish.

#### PRECAUTIONARY MEASURES FOR THE SGM

Please see page 1 of this circular for measures to be implemented at the SGM to safeguard the health and safety of Shareholders and to prevent the spread of the Novel Coronavirus (COVID-19) pandemic including, without limitation:

- Compulsory temperature screening/checks and health declaration
- Compulsory wearing of your own surgical face masks
- No distribution of refreshments, drinks, cake coupons or corporate gifts
- Be seated as indicated

Any person who does not comply with the precautionary measures may be denied entry into the SGM venue or be required to leave the SGM venue. The Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights and would like to encourage Shareholders to appoint the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM, instead of attending the SGM in person.

12 December 2022

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## PRECAUTIONARY MEASURES FOR THE SGM

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In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement the following preventive measures at the SGM to protect attending Shareholders, staff and other stakeholders from the risk of infection including, without limitation:

- (i) Compulsory body temperature checks will be conducted on every attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue;
- (ii) All attendees may be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the SGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue;
- (iii) Each attendee must wear a surgical face mask inside the meeting venue at all times. Please note that **NO** mask will be provided at the meeting venue and attendees should wear their own masks;
- (iv) **NO** refreshments or drinks will be served or taken away, and **NO** cake coupons or corporate gifts will be distributed; and
- (v) Be seated as indicated and to maintain a safe distance between seats.

To the extent permitted under law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue in order to ensure the safety of the attendees at the SGM. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines issued by the Government of Hong Kong (available at [www.chp.gov.hk/en/features/102742.html](http://www.chp.gov.hk/en/features/102742.html)), the Company reminds Independent Shareholders that physical attendance in person at the SGM is **NOT** necessary for the purpose of exercising voting rights. As an alternative, by using the form of proxy attached to this circular with voting instructions inserted, Independent Shareholders may appoint the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM instead of attending the SGM in person. The form of proxy should be returned to the Company's branch share registrar and transfer office in Hong Kong by the time specified, as set out in this circular.

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## DEFINITIONS

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

“Achieve Bloom”	Achieve Bloom Limited (得茂有限公司), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of COFCO Corporation, which is an indirect controlling shareholder of the Company
“Annual Caps”	the proposed annual caps for the transactions contemplated under the Master Lease Agreement for the years ended 31 December 2023, 2024 and 2025 as set out under the section headed “I. Master Lease Agreement – Annual Caps” in the Letter from the Board in this circular
“Board”	the board of Directors
“COFCO Corporation”	COFCO Corporation (中糧集團有限公司), a state-owned enterprise incorporated in the PRC in September 1952 under the purview of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), the holding company of Grandjoy Holdings Group and thus an indirect controlling shareholder of the Company
“COFCO Group”	COFCO Corporation and its subsidiaries
“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
“CPS”	the non-redeemable convertible preference shares of HK\$0.10 each in the share capital of the Company
“Director(s)”	the director(s) of the Company
“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, and thus a connected person of the Company, and a subsidiary of COFCO Corporation
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	an 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 Independent Shareholders in respect of the Master Lease Agreement, the transactions contemplated thereunder and the Annual Caps
“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 Independent Shareholders in respect of the Master Lease Agreement, the transactions contemplated thereunder and the Annual Caps
“Independent Shareholder(s)”	the Shareholder(s), other than (i) COFCO Corporation and its associates, including Grandjoy Holdings Group and Achieve Bloom; (ii) those who have a material interest in the Master Lease Agreement, the transactions contemplated thereunder, and the Annual Caps; and (iii) those who are required to abstain from voting at the SGM pursuant to the Listing Rules
“independent third party”	a person or party who is not a connected person (within the meaning of the Listing Rules) of the Company
“Latest Practicable Date”	7 December 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Lease Agreement”	the master lease agreement entered into between the Company and COFCO Corporation on 29 November 2013 (extended and supplemented by the supplemental agreements dated 3 November 2014, 21 December 2016, 30 December 2019 and 21 November 2022, respectively) for the leasing of properties by the Group to the COFCO Group
“Nomination Committee”	the nomination committee of the Board
“PRC”	the People’s Republic of China, which shall, for the purposes of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“SGM”	the special general meeting of the Company to be convened for (a) the Independent Shareholders to consider and, if thought fit, approve the Master Lease Agreement, the transactions contemplated thereunder and the Annual Caps; and (b) the Shareholders to consider and, if thought fit, approve the re-election of non-executive Director
“Shareholder(s)”	the shareholder(s) of the Company
“Shares”	the ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

*In this circular, unless the context otherwise requires, the terms “associate(s)”, “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.*

*Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.*

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## LETTER FROM THE BOARD

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

*Executive Director:*

Mr. CAO Ronggen

*Non-executive Directors:*

Mr. CHEN Lang (*Chairman*)

Mr. MA Dewei

Mr. LIU Yun

Mr. ZHU Laibin

*Independent non-executive Directors:*

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

Mr. LAM Kin Ming, Lawrence

Mr. CHAN Fan Shing

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Principal Place of Business in Hong Kong:*

33/F, COFCO Tower

262 Gloucester Road

Causeway Bay

Hong Kong

12 December 2022

*To the Shareholders and, for information only, the holders of the CPS*

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS  
RENEWAL OF THE MASTER LEASE AGREEMENT;  
(2) PROPOSED RE-ELECTION OF NON-EXECUTIVE DIRECTOR;  
AND  
(3) NOTICE OF SGM**

**INTRODUCTION**

Reference is made to the circular dated 5 November 2014 (the “**2014 Circular**”) and the announcements dated 30 December 2019 (the “**2019 Announcement**”) and 21 November 2022 in relation to, among other things, the continuing connected transaction under the Master Lease Agreement. As the Master Lease Agreement will expire on 31 December 2022, the Board announced that on 21 November 2022, the Company renewed the Master Lease Agreement by way of supplemental agreement for a term of three years from 1 January 2023 to 31 December 2025.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you, among other things, (i) details of the Master Lease Agreement; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Master Lease Agreement; (iv) details of the proposed re-election of a non-executive Director; and (v) the notice of the SGM.

### **I. MASTER LEASE AGREEMENT**

The Company entered into the Master Lease Agreement with COFCO Corporation to govern the terms of the lease of property by the Group to the COFCO Group. The renewal of the Master Lease Agreement is subject to the approval by the Independent Shareholders at the SGM.

#### **Major terms and pricing of the Master Lease Agreement**

As of the Latest Practicable Date, certain members of the Group entered into various lease agreements for the leasing of commercial premises to COFCO Group. These leased properties are generally occupied by relevant members of the COFCO Group as their headquarters, offices, sales offices or for other commercial uses. The lease agreements entered into by the Group and the COFCO Group will be subject to the terms and conditions of the Master Lease Agreement, which term will be, by a further supplemental agreement thereto, extended to 31 December 2025. Pursuant to the Master Lease Agreement, the rent and management fees payable by the COFCO Group are subject to the general pricing terms therein which provides that the rent and service fees are to be agreed and determined on an arm's length basis and shall be comparable to, or no less favourable to the Group than, the fair market rents or market prices for similar products and services offered by the Group to independent third parties, and are to be agreed between the relevant members of the Group and the COFCO Group having regard to the quality and nature of the relevant property, its location, neighbourhood area and ancillary infrastructure facilities, and based on the rents payable under leases in the same building as those with tenants which are independent third parties and the prevailing market rents for similar premises in the vicinity of the relevant property.

The Master Lease Agreement also provides that before the entering into a lease agreement, the relevant member of the Group shall:

- (a) when the price is the sole determining factor: (i) obtain quotations from not less than two independent third parties in relation to leasing of similar premises; or (ii) obtain from COFCO Group not less than two lease records of similar properties leased to it by other lessors, and in such case the rent payable by COFCO Group and other relevant conditions under such lease agreement shall not be less favourable from the Group's perspective than those quotations or lease records (as the case may be); or
- (b) when the price is one of the determining factors, conduct negotiations and, if necessary, obtain relevant quotation and/or pricing record to determine the overall terms of the transaction on an arm's length basis.

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## LETTER FROM THE BOARD

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For circumstances where price is one of the determining factors, it may arise due to practical conditions, such as the uniqueness of the property or its location, view and/or size as a batch of properties or level(s) in a building as a whole, that render it not practically feasible to obtain quotations from one or more independent third parties in relation to the leasing of comparable premises. The Group will attempt to obtain quotations from not less than two independent third parties in relation to leasing of similar premises to the extent possible, but in any event, the Group will obtain the pricing records for not less than two properties in the same building or nearby location that are leased by the Group to independent third parties to ensure that the rent payable by the COFCO Group shall not be less favourable from the Group's perspective than those lease records.

### REASONS AND BENEFITS FOR THE MASTER LEASE AGREEMENT

The Company considers that the leasing of the commercial premises by the Group to the COFCO Group is conducted in the Group's ordinary and usual course of business based on the commercial needs of the Group and the COFCO Group. The Group will obtain stable income from COFCO Group pursuant to the leasing arrangements. It is expected that the Group will continue to lease the commercial premises to the COFCO Group pursuant to the existing lease arrangements and may renew the same after they expire, or enter into new lease agreements with other members of the COFCO Group.

### ANNUAL CAPS

The existing annual caps for the transactions under the Master Lease Agreement for the three years ended 31 December 2020, 2021 and 2022 are set out as follows:

<b>Existing annual caps</b>	<b><i>RMB'000</i></b>
31 December 2020	250,000
31 December 2021	255,000
31 December 2022	260,000

The actual historical aggregate rent and management fees related to the leased premises paid by the COFCO Group to the Group for the years ended 31 December 2020 and 2021 and the nine months period ended 30 September 2022 are set out as follows:

<b>Historical transaction amounts between the Group and the COFCO Group (financial year/period ended):</b>	<b><i>RMB'000</i></b>
31 December 2020	161,338
31 December 2021	154,358
30 September 2022	106,908

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## LETTER FROM THE BOARD

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The Annual Caps for the transactions under the Master Lease Agreement for the years ended 31 December 2023, 2024 and 2025 are set out as follows:

<b>Annual Caps</b>	<i>RMB '000</i>
31 December 2023	245,000
31 December 2024	250,000
31 December 2025	255,000

The Annual Caps for the financial years ending 31 December 2023, 2024 and 2025 have been determined based on (a) the historical annual caps for the financial years ended 31 December 2020, 2021 and 2022 of RMB250 million, RMB255 million and RMB260 million, respectively; (b) the historical transaction amounts of the lease agreements between the Group and the COFCO Group for the financial years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022, which was below the historical annual caps for the relevant financial years due to the impact of COVID-19 policies and weak economic conditions; (c) the new lease agreements expected to be entered into by the Group with members of COFCO Group in respect of COFCO Plaza and COFCO Landmark in Beijing involving gross floor area of approximately 12,600 square meters in aggregate and the new lease agreement(s) expected to be entered into by the Group with members of COFCO Group in respect of Nanchang Joy City, Tianfu Joy City and Chongqing Joy City that will be completed by the Group involving gross floor area of approximately 6,130 square meters in aggregate, which is estimated to contribute up to approximately RMB62,000,000 for transactions under the Master Lease Agreement for the year ending 31 December 2023 after taking into account of the average rent per square meter of RMB40 to RMB400 in the relevant cities; and (d) an annual growth in the annual cap of approximately 2% for the year 2024 (compared to 2023) and approximately 2% for the year 2025 (compared to 2024) having taken into account of the projected increase in the prevailing market rent of the relevant properties in the coming years and the potential demand in the event of improvements in the COVID-19 conditions in the PRC, based on the average of the consumer price index in the PRC for the first ten months in 2022 published by the National Bureau of Statistics of China of approximately 2.01%.

### THE CONNECTED PERSONS

COFCO Corporation was the ultimate controlling shareholder of the Company interested in approximately 66.76% of the issued share capital of the Company in aggregate, which was held by Grandjoy Holdings Group and Achieve Bloom, both indirect subsidiaries of COFCO Corporation, as to approximately 64.18% and 2.58% of the issued share capital of the Company, respectively, as of the Latest Practicable Date. Therefore, COFCO Corporation, together with other members of the COFCO Group and their respective associates, are the Company's connected persons under Chapter 14A of the Listing Rules.

### INFORMATION ON THE COMPANY AND 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, including Beijing, Shanghai, Tianjin, Sanya, Chengdu and Hong Kong.

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## LETTER FROM THE BOARD

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### INTERNAL CONTROL MEASURES

The Company has established internal control measures to ensure that the continuing connected transactions contemplated under the Master Lease Agreement are in accordance with the pricing policies and the terms of the relevant agreement, and that the terms and conditions of the Master Lease Agreement are on normal commercial terms and terms no less favourable than those terms offered to the Group by independent third parties for similar leases and/or services. Such internal control measures employed by the Group include the following:

- (a) the finance department of the Company shall obtain and monitor all the quotations and/or pricing records as reference price of the transaction contemplated under the Master Lease Agreement, and to ensure the terms are in compliance with the Master Lease Agreement under which the transactions are entered into, and in this connection he/she must be satisfied that (i) the pricing policies and internal procedures adopted by the Company have been fully complied with; (ii) the transactions thereunder are on normal commercial terms; (iii) the rent of the relevant leases are no less favourable to the Group than the prices at which such leases are offered by the Group to independent third parties, before relevant orders are entered into;
- (b) the finance department of the Company will assign annual transaction limits to the relevant project companies of the Group in respect of leases to the Company's connected persons and such project companies will report on the usage of the annual transaction limits to the finance department of the Company on a monthly basis, and the finance department of the Company will review the transaction amounts of the continuing connected transactions contemplated under the Master Lease Agreement every month to ensure that the Annual Caps under the Master Lease Agreement are complied with. Further, the risk management personnel of the relevant project company will approve and monitor the use of the annual transaction limits in respect of leases to the Company's connected persons on a daily basis; and
- (c) the independent non-executive Directors shall, and the Company shall engage its external auditors to, conduct annual review of the continuing connected transactions in accordance with the Listing Rules requirements.

### THE DIRECTORS' VIEWS

Based on the above, the Directors (including the independent non-executive Directors, whose opinion has been included in the letter from the Independent Board Committee in this circular after taking into account the advice of the Independent Financial Adviser) are of the view that the terms and conditions of the Master Lease Agreement, the transactions contemplated thereunder and the Annual Caps are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

None of the Directors was considered to have a material interest in the continuing connected transactions contemplated under the Master Lease Agreement, therefore no Director was required to abstain from voting on the resolutions for approving the Master Lease Agreement and the transactions thereunder and the Annual Caps.

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## LETTER FROM THE BOARD

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In view of the nature of the transaction and the quotations and/or pricing records to be obtained and monitored by the finance department of the Group as reference price of the transactions contemplated under the Master Lease Agreement, the Directors consider that such procedures are sufficient for the purpose of ensuring that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders. Further details of the Master Lease Agreement are set out in the section headed “Continuing Connected Transactions” in the 2014 Circular and the 2019 Announcement.

Having considered that (i) the internal procedures in place for a member of the Group to obtain quotations and/or pricing records and/or conduct negotiations to assess and determine the rent before it enters into connected transactions; (ii) the reporting, approval and record-keeping procedures in place to ensure the strict compliance with the pricing policy of the connected transactions; and (iii) the internal control procedures to monitor the annual caps, pricing and terms of the connected transactions, the Directors are of the view that the internal control procedures of the Group on continuing connected transactions are sufficient and adequate to ensure the transactions will be conducted on normal commercial terms or better and not prejudicial to the interests of the Company and the Shareholders.

### LISTING RULES IMPLICATIONS

Pursuant to Rule 14A.54 of the Listing Rules, if the Company proposes to renew the Master Lease Agreement, the Company is required to re-comply with the announcement and shareholders’ approval requirements of the Listing Rules applicable to the relevant continuing connected transactions.

As one or more of the applicable percentage ratios of the Annual Caps for the Master Lease Agreement exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, Independent Shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.

## II. PROPOSED RE-ELECTION OF A NON-EXECUTIVE DIRECTOR

Reference is made to the Company’s announcement dated 30 September 2022 in relation to, among other things, the appointment of Mr. CHEN Lang (“**Mr. CHEN**”) as a non-executive Director. Pursuant to Article 83(2) of the bye-laws of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In this regard, Mr. CHEN, who was appointed as a non-executive Director on 30 September 2022 to fill the casual vacancy on the Board resulted from the resignation of Mr. YOU Wei from the position of executive Director, shall retire from office and shall be eligible for re-election at the SGM.

Details of Mr. CHEN who is proposed to be re-elected at the SGM (the “**Retiring Director**”) are set out in Appendix II to this circular.

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## LETTER FROM THE BOARD

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In considering and recommending Mr. CHEN to the Board for re-election at the SGM, the Nomination Committee and the Board have followed the nomination policy and board diversity policy for the re-appointment of Mr. CHEN as a non-executive Director. In reviewing the structure of the Board, the Nomination Committee and the Board has considered the board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, professional and qualifications, skills, knowledge, length of service and industry and regional experience, as set out in the board diversity policy and nomination policy of the Company. All Board appointments were based on meritocracy, and candidates would be considered against criteria including talents, skills and experience as may be necessary for the operation of the Board as a whole, with a view to maintaining a sound balance of the Board's composition.

In view of the above, on 16 November 2022, the Board has agreed with the Nomination Committee's recommendation for re-election of Mr. CHEN as a non-executive Director at the SGM. Mr. CHEN, who is also a member of the Nomination Committee, has abstained from voting on the resolution regarding re-election of himself as a Director. The Board considers that the re-election of Mr. CHEN as a non-executive Director is in the best interest of the Company and the Shareholders as a whole. The re-election of Mr. CHEN is subject to separate resolutions to be approved by the Shareholders at the SGM in accordance with the code provisions of the corporate governance code as set out in Appendix 14 to the Listing Rules.

### THE SGM

The SGM will be convened for the purpose of the Independent Shareholders and the Shareholders to consider and, if thought fit, pass the resolutions to approve the Master Lease Agreement, the transactions contemplated thereunder and the Annual Caps and the proposed re-election of non-executive Director respectively.

A notice convening the SGM to be held at President Suite, World Trade Centre Club Hong Kong, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on Thursday, 29 December 2022 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not the Shareholders are able to attend the meeting, the Shareholders are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM (not later than 11:00 a.m. on Tuesday, 27 December 2022) or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the SGM if they so wish and in such event, the form of proxy will be deemed to be revoked.

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## LETTER FROM THE BOARD

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In order to determine the list of Shareholders who will be entitled to attend and vote at the SGM, the register of members of the Company will be closed for registration of transfer of Shares from Thursday, 22 December 2022 to Thursday, 29 December 2022 (both days inclusive) during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Thursday, 29 December 2022 shall be entitled to attend and vote at the SGM. In order for the Shareholders to qualify for attending and voting at the SGM, all transfer documents, accompanied by the relevant Share certificates, should be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong on or before 4:30 p.m., Wednesday, 21 December 2022.

### VOTING AT THE SGM

Grandjoy Holdings Group and Achieve Bloom are associates of COFCO Corporation and held approximately 64.18% and 2.58% of the issued share capital of the Company as at the Latest Practicable Date, respectively, and are considered to be materially interested in the Master Lease Agreement. Grandjoy Holdings Group and Achieve Bloom are thus required to abstain from voting on the relevant resolutions to be proposed at the SGM to approve the Master Lease Agreement, the transactions contemplated thereunder and the Annual Caps. Save as disclosed, so far as the Company is aware having made all reasonable enquiries, no other Shareholder is required to abstain from voting on the resolution(s) to approve the Master Lease Agreement, the transactions contemplated thereunder and the Annual Caps.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders has a material interest in the matter relating to the proposed re-election of non-executive Director and is required to abstain from voting on the resolution approving the re-election of non-executive Director at the SGM.

The ordinary resolution(s) to approve (a) the Master Lease Agreement, the transactions contemplated thereunder and the Annual Caps; and (b) the proposed re-election of non-executive Director at the SGM will be taken by poll and announcement on the results of the SGM will be made by the Company after the SGM.

### RECOMMENDATIONS

Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on pages 14 to 15 of this circular and the letter from the Independent Financial Adviser set out on pages 16 to 25 of this circular, which contains, among other matters, its advice and recommendation to the Independent Board Committee and the Independent Shareholders in connection with the Master Lease Agreement, the transactions contemplated thereunder, and the Annual Caps and the principal factors considered by it in arriving at its advice and recommendation.

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## LETTER FROM THE BOARD

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The Independent Board Committee, having taken into account the advice and recommendation of the Independent Financial Adviser, is of the opinion that the terms and conditions of the Master Lease Agreement, the transactions contemplated thereunder and the Annual Caps are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM.

Therefore, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Master Lease Agreement, the transactions contemplated thereunder and the Annual Caps are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM approving the Master Lease Agreement, the transactions contemplated thereunder and the Annual Caps.

The Directors also recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the proposed re-election of non-executive Director.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
For and on behalf of the Board of  
**Joy City Property Limited**  
**CHEN Lang**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

12 December 2022

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
RELATING TO THE MASTER LEASE AGREEMENT**

We refer to the circular dated 12 December 2022 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 Independent Shareholders in respect of the Master Lease Agreement, the transactions contemplated thereunder and the Annual Caps, 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 13 of the Circular and the letter from the Independent Financial Adviser set out on pages 16 to 25 of the Circular, which contains, among other matters, its advice and recommendation to the Independent Board Committee and the Independent Shareholders in connection with the Master Lease Agreement, the transactions contemplated thereunder, the Annual Caps and the principal factors considered by it in arriving at its advice and recommendation.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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 and conditions of the Master Lease Agreement, the transactions contemplated thereunder and the Annual Caps are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM approving the Master Lease Agreement, the transactions contemplated thereunder and the Annual Caps.

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*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser in respect of the transactions contemplated under the Master Lease Agreement and the Annual Caps, which has been prepared for the purpose of inclusion in this circular.*



**DONGXING SECURITIES  
(HONG KONG) COMPANY LIMITED**  
Room 7503B-04  
International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

12 December 2022

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

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS RENEWAL OF THE MASTER LEASE AGREEMENT**

#### **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 Master Lease Agreement and the Annual Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 12 December 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As of the Latest Practicable Date, COFCO Corporation was the ultimate controlling shareholder of the Company interested in approximately 66.76% of the issued share capital of the Company in aggregate, which was held by Grandjoy Holdings Group and Achieve Bloom, both indirect subsidiaries of COFCO Corporation, as to approximately 64.18% and 2.58% of the issued share capital of the Company, respectively. Therefore, COFCO Corporation, together with other members of the COFCO Group and their respective associates, are the Company’s connected persons under Chapter 14A of the Listing Rules.

As one or more of applicable percentage ratio in respect of the Annual Caps exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, Independent Shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Board Committee, comprising all 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 consider and advise the Independent Shareholders in respect of the terms of the Master Lease Agreement and as to whether the Annual Caps are fair and reasonable and are in the interests of the Company and its 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 Independent Shareholders in this regard.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Save for this appointment as the Independent Financial Adviser in relation to this transaction, there were no other engagements between us and the Group in the past two years. Apart from normal professional fees paid or payable to us in connection with this transaction, no other arrangement exists whereby we had received or would receive any fees or benefits from the Company or any parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent in accordance with Rule 13.84 of the Listing Rules.

### BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, and representations made or referred to in the Circular and all information and representations which have been provided by the Directors and the Management, for which they are solely and wholly responsible, were true, accurate and complete at the time they were made and continue to be true as at the Latest Practicable Date.

We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the SGM.

As disclosed in the Circular, the Directors have collectively and individually accepted full responsibility for the Circular, which includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the 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 the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position, or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and/or the Management.

This letter is issued to the Independent Board Committee and the Independent Shareholders, solely in connection for their consideration of the Master Lease Agreement and the Annual Caps, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Master Lease Agreement and the Annual Caps and in giving our recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration of the following principal factors and reasons.

#### 1. Background information of the parties to the Master Lease Agreement

##### *a. Information on the Company and 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, including Beijing, Shanghai, Tianjin, Sanya, Chengdu and Hong Kong.

##### *b. Information on COFCO Corporation and the COFCO Group*

COFCO Corporation (中糧集團有限公司), as the controlling shareholder of the Company, is a state-owned enterprise incorporated in the PRC in September 1952 under the purview of State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) and is a world's leading supplier of diversified products and services in the agricultural products and food industry.

#### 2. Reasons and benefits for the renewal of the Master Lease Agreement

As disclosed in the Letter from the Board, the Company considers that the leasing of the commercial premises by the Group to the COFCO Group is conducted in the Group's ordinary and usual course of business based on the commercial needs of the Group and the COFCO Group. The Group will obtain stable income from COFCO Group pursuant to the leasing arrangements. It is expected that the Group will continue to lease the commercial premises to the COFCO Group pursuant to the existing lease arrangements and may renew the same after they expire, or enter into new lease agreements with other members of the COFCO Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered (i) the leasing of the commercial premises is conducted under the Group's principal business; and (ii) the reasons for and benefits of the Master Lease Agreement, in particular, the stable income generated from COFCO Group pursuant to the leasing arrangements, we concur with the Directors' view that the leasing under the Master Lease Agreement is conducted under the ordinary and usual course of business of the Group and is of the interests of the Company and the Shareholders as a whole.

### **3. Principal terms of the Master Lease Agreement**

As of the Latest Practicable Date, certain members of the Group entered into various lease agreements for the leasing of commercial premises to COFCO Group. These leased properties are generally occupied by relevant members of the COFCO Group as their headquarters, offices, sales offices or for other commercial uses. The lease agreements entered into by the Group and the COFCO Group will be subject to the terms and conditions of the Master Lease Agreement, which has, by a further supplemental agreement thereto, extended its term to 31 December 2025. Pursuant to the Master Lease Agreement, the rent and management fees payable by the COFCO Group are subject to the general pricing terms therein which provides that the rent and service fees are to be agreed and determined on an arm's length basis and shall be comparable to, or no less favourable to the Group than, the fair market rents or market prices for similar products and services offered by the Group to independent third parties, and are to be agreed between the relevant members of the Group and the COFCO Group having regard to the quality and nature of the relevant property, its location, neighbourhood area and ancillary infrastructure facilities, and based on the rents payable under leases in the same building as those with tenants which are independent third parties and the prevailing market rents for similar premises in the vicinity of the relevant property.

The Master Lease Agreement also provides that before the entering into a lease agreement, the relevant member of the Group shall:

- (a) when the price is the sole determining factor: (i) obtain quotations from not less than two independent third parties in relation to leasing of similar premises; or (ii) obtain from COFCO Group not less than two lease records of similar properties leased to it by other lessors, and in such case the rent payable by COFCO Group and other relevant conditions under such lease agreement shall not be less favourable from the Group's perspective than those quotations or lease records (as the case may be); or
- (b) when the price is one of the determining factors, conduct negotiations and, if necessary, obtain relevant quotation and/or pricing record to determine the overall terms of the transaction on an arm's length basis.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For circumstances where price is one of the determining factors, it may arise due to practical conditions, such as the uniqueness of the property or its location, view and/or size as a batch of properties or level(s) in a building as a whole, that render it not practically feasible to obtain quotations from one or more independent third parties in relation to the leasing of comparable premises. The Group will attempt to obtain quotations from not less than two independent third parties in relation to leasing of similar premises to the extent possible, but in any event, the Group will obtain the pricing records for not less than two properties in the same building or nearby location that are leased by the Group to independent third parties to ensure that the rent payable by the COFCO Group shall not be less favourable from the Group's perspective than those lease records.

### *Assessment on the principal terms of the Master Lease Agreement*

In order to assess the fairness and reasonableness of the terms of the Master Lease Agreement, we have obtained and reviewed the Master Lease Agreement, and noted that the pricing of the lease is determined based on the basis as mentioned above. Since the pricing of the lease shall be determined on an arm's length basis and shall be comparable to, or no less favourable to the Group than, the fair market rents or market prices for similar products and services offered by the Group to independent third parties, and are to be agreed between the relevant members of the Group and the COFCO Group having regard to the quality and nature of the relevant property, its location, neighbourhood area and ancillary infrastructure facilities, and based on the rents payable under leases in the same building as those with tenants which are independent third parties and the prevailing market rents for similar premises in the vicinity of the relevant property, we consider the terms of the Master Lease Agreement are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned.

We have also obtained the list of lease agreements under the Master Lease Agreement entered into between the Group and relevant members of the COFCO Group for the two years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022. We have, on a random basis, selected and reviewed 10 lease agreements entered into between the Group and the COFCO Group during the period. We noted that the lease agreements were entered into according to the pricing terms as stated above. Besides, we have also compared the rent per square meter of the lease to COFCO Group in the same building as those with tenants which are independent third parties and the prevailing market rents for similar premises in the vicinity of the relevant property. We noted that the rent charged by the Group are comparable to, or no less favourable to the Group than, the prevailing market price or price offered by the Group to independent third parties.

In addition, we have also compared the terms of the lease agreements of the Group offered to COFCO Group and independent third parties, we noted that apart from the rent as discussed in the above, other major terms of the lease agreements offered by the Group to the COFCO Group and independent third parties, such as rental purposes, deposit payment, payment terms and late fee, are generally comparable with each other.

Having considered that the above, we are of the view that the terms of the Master Lease Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4. The Annual Caps

The historical annual caps for the transactions under the Master Lease Agreement for the three years ended 31 December 2020, 2021 and 2022 are set out as follows:

<b>Existing annual caps</b>	<i>RMB'000</i>
31 December 2020	250,000
31 December 2021	255,000
31 December 2022	260,000

The actual historical aggregate rent and management fees related to the leased premises paid by the COFCO Group to the Group for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022 are set out as follows:

<b>Historical transaction amounts between the Group and the COFCO Group (financial year/period ended):</b>	<i>RMB'000</i>
31 December 2020	161,338
31 December 2021	154,358
30 September 2022	106,908

The Annual Caps for the transactions under the Master Lease Agreement for the years ending 31 December 2023, 2024 and 2025 are set out as follows:

<b>Annual Caps</b>	<i>RMB'000</i>
31 December 2023	245,000
31 December 2024	250,000
31 December 2025	255,000

The Annual Caps for the financial years ending 31 December 2023, 2024 and 2025 have been determined based on (a) the historical annual caps for the financial years ended 31 December 2020, 2021 and 2022 of RMB250 million, RMB255 million and RMB260 million, respectively; (b) the historical transaction amounts of the lease agreements between the Group and the COFCO Group for the financial years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022, which was below the historical annual caps for the relevant financial years due to the impact of COVID-19 policies and weak economic conditions; (c) the new lease agreements expected to be entered into by the Group with members of COFCO Group in respect of COFCO Plaza and COFCO Landmark in Beijing involving gross floor area of approximately 12,600 square meters in aggregate and the new lease agreement(s) expected to be entered into by the Group with members of COFCO Group in respect of Nanchang Joy City, Tianfu Joy City and Chongqing Joy City that will be completed by the Group involving gross floor area of approximately 6,130 square meters in aggregate, which is estimated to contribute up to approximately RMB62,000,000 for transactions under the Master Lease Agreement for the year ending 31 December 2023 after taking into account of the average rent per square meter of RMB40 to RMB400 in the relevant cities; and (d) an annual growth in the annual cap of approximately 2% for the year 2024

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(compared to 2023) and approximately 2% for the year 2025 (compared to 2024) having taken into account of the projected increase in the prevailing market rent of the relevant properties in the coming years and the potential demand in the event of improvements in the COVID-19 conditions in the PRC, based on the average of the consumer price index in the PRC for the first ten months in 2022 published by the National Bureau of Statistics of China of approximately 2.01%.

### **Our view on the Annual Caps**

To assess the fairness and reasonableness of the Annual Caps for the three years ending 31 December 2025, we have obtained and reviewed the calculation for the Annual Caps provided by the Management. We noted that the calculation of the Annual Caps is derived based on:

- (i) The existing leases which are expected to be renewed during the three years ending 31 December 2025, with rents increment during such period; and
- (ii) New leasing agreements which are expected to be entered into during the three years ending 31 December 2025.

We have discussed with the Management that it is expected most of the existing leases under the Master Lease Agreement will be renewed after the expiry in accordance with the pricing policies as stated in the Master Lease Agreement. As disclosed in the Letter from the Board, the historical transaction amount under the Master Lease Agreement amounted to RMB161.3 million, RMB154.4 million and RMB106.9 million for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022 respectively, representing utilization rates of 64.5%, 60.5% and 54.8% (on a pro-rata basis) of the existing annual caps respectively. As advised by the Management, it was mainly due to the impact of COVID-19 policies and weak economic conditions which led to slowdown in demand of the commercial premises of the Group from the COFCO Group. We also note from public information that the Group's property, especially those in Beijing, has experienced shutdowns times in the past two years and execution of the government's policy of mandating home office, which had directly impacted the leasing business.

As such, the Management expects following the improvement in the COVID-19 conditions in the PRC, the customer demand, including that from the COFCO Group will increase. We have also discussed with the Management and are given to understand that there will be new commercial properties anticipated to be completed by the Group during the three years ending 31 December 2025. Therefore, the Management expects there will be new leases entered into with the members of the COFCO Group. In particular, as disclosed in the Letter from the Board, there will be new lease agreements expected to be entered into by the Group with members of COFCO Group in respect of COFCO Plaza and COFCO Landmark in Beijing involving gross floor area of approximately 12,600 square meters in aggregate and the new lease agreement(s) expected to be entered into by the Group with members of COFCO Group in respect of Nanchang Joy City, Tianfu Joy City and Chongqing Joy City that will be completed by the Group involving gross floor area of approximately 6,130 square meters in aggregate, which is estimated to contribute up to approximately RMB62,000,000 for transactions under the Master Lease Agreement for the year ending 31 December 2023 after taking into account of the average rent per square meter of RMB40 to RMB400 in the relevant cities.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have obtained and reviewed the list of such new leases, indicating the location of the premises, gross floor area of each premise, proposed rent per square meter and the proposed tenants from the COFCO Group. We are also given to understand that the negotiation of the new leases with the COFCO Group is in progress. We have also compared the proposed rent per square meter of certain properties in the list to the existing leases in the relevant property or the lease record obtained from the member of COFCO Group for similar premises in the vicinity of the relevant property or public information obtained from the property agencies indicating the prevailing market rent of similar premises in the vicinity of the relevant property and we noted that the proposed rent per square meter is generally in line with the prevailing market rent. We have also reperformed the calculation of the estimated total rental of approximately RMB62,000,000 generated under the expected new leases and do not find any disagreement.

Furthermore, we have reviewed the customer price index in the PRC for the first ten months in 2022 published by the National Bureau of Statistics of China and have also reperformed the calculation of the average of the customer price index in the PRC for the first ten months in 2022 of approximately 2.01% and do not find any disagreement. In view of the above, we concur with the Management's view to estimate the annual growth in the Annual Caps of approximately 2% each for the year ending 31 December 2024 and 2025 to accommodate the projected increase in the prevailing market rent and the potential demand, which will generate more revenue to the Group and is in the interests of the Shareholders as a whole.

Taking into account the above, in particular (i) the historical transaction amounts for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022; (ii) by providing buffer for the Annual Caps will allow the Group to accommodate potential demand from the COFCO Group and generate more revenue; and (iii) the additional supply of commercial properties available for lease during the three years ending 31 December 2025, we are of the view that the Annual Caps are fair and reasonable and is in the interests of the Shareholders as a whole.

### INTERNAL CONTROL MEASURES

As stated in the Letter from the Board, the following internal control measures relating to the regulation of connected transactions of the Company in accordance with the Listing Rules were established by the Group:

- (a) the finance department of the Company shall obtain and monitor all the quotations and/or pricing records as reference price of the transaction contemplated under the Master Lease Agreement, and to ensure the terms are in compliance with the Master Lease Agreement under which the transactions are entered into, and in this connection he/she must be satisfied that (i) the pricing policies and internal procedures adopted by the Company have been fully complied with; (ii) the transactions thereunder are on normal commercial terms; (iii) the rent of the relevant leases are no less favourable to the Group than the prices at which such leases are offered by the Group to independent third parties, before relevant orders are entered into;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (b) the finance department of the Company will assign annual transaction limits to the relevant project companies of the Group in respect of leases to the Company's connected persons and such project companies will report on the usage of the annual transaction limits to the finance department of the Company on a monthly basis, and the finance department of the Company will review the transaction amounts of the continuing connected transactions contemplated under the Master Lease Agreement every month to ensure that the Annual Caps under the Master Lease Agreement are complied with. Further, the risk management personnel of the relevant project company will approve and monitor the use of the annual transaction limits in respect of leases to the Company's connected persons on a daily basis; and
- (c) the independent non-executive Directors shall, and the Company shall engage its external auditors to, conduct annual review of the continuing connected transactions in accordance with the Listing Rules requirements.

The Board considers that such internal control procedures on pricing can effectively ensure that the pricing and terms of the transactions contemplated under the Master Lease Agreement are conducted on normal commercial terms and on terms no less favourable than those terms for similar service provided by the Group to independent third parties, and in accordance with the pricing policies of the Group.

We have further reviewed the internal control documents regarding the continuing connected transactions between the Company and connected parties and as advised by the Management, we noted that (i) the Management and relevant personnel from the responsible departments as mentioned in the above internal control measures will supervise and monitor the connected transactions contemplated under the Master Lease Agreement on regular basis to ensure the relevant transactions are conducted on normal commercial terms, in the ordinary course of business and are in the interests of the Company and the Shareholders as a whole; (ii) independent non-executive Directors will review each year on the connected transactions contemplated under the Master Lease Agreement and confirm that the relevant transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and (iii) auditor of the Company will review and issue letter containing its findings and conclusions in respect of the Group's continuing connected transactions according to the Listing Rules.

In view of the above, we consider that the terms of reference, if implemented effectively by the Company, are sufficient to safeguard Shareholders' interest in the provision the Master Lease Agreement. Accordingly, we are of the view that the internal control procedures are in place and in compliance with the internal measures as mentioned above.

### OPINION AND RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that the Master Lease Agreement and the Annual Caps are (i) in the ordinary and usual course of the business of the Group; (ii) on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend Independent Shareholders to vote in favour of the relevant resolution for approving the Master Lease Agreement and the Annual Caps at the SGM.

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 14 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.*

**A. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**B. DISCLOSURE OF INTERESTS****1. Interests of Directors**

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is 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 Director/ Chief Executive	Company/Name of associated corporation	Capacity	Number of issued ordinary shares held (Note 1)	Approximate percentage of the issued share capital (%)
Mr. CAO Ronggen	The Company	Beneficial owner	3,451,663	0.02% (Note 2)
Mr. LAM Kin Ming, Lawrence	The Company	Beneficial owner	6,000	0.00% (Note 2)
Mr. CHAN Fan Shing	The Company	Beneficial owner	136,758	0.00% (Note 2)

*Notes:*

- 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 percentages (rounded to 2 decimal places) were calculated based on the total number of shares in issue of the Company 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 is taken or was deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

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

## **2. Interests of substantial shareholders**

So far as it is known to the Directors of the Company, 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 of the Company 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 Shareholder	Class of shares	Number of Shares/CPS (Note 1)	Approximate percentage of the Company's issued share capital (%)
COFCO Corporation	Ordinary shares	9,501,359,644 (L) (Note 2)	66.76%
	CPS	1,095,300,778 (L) (Note 3)	100%
COFCO (Hong Kong) Limited ("COFCO (HK)")	Ordinary shares	9,501,359,644 (L) (Note 2)	66.76%
	CPS	1,095,300,778 (L) (Note 3)	100%
Vibrant Oak Limited ("Vibrant Oak")	Ordinary shares	9,133,667,644 (L) (Note 2)	64.18%
Grandjoy Holdings Group	Ordinary shares	9,133,667,644 (L) (Note 2)	64.18%
Achieve Bloom	Ordinary shares	367,692,000 (L) (Note 2)	2.58%
	CPS	1,095,300,778 (L) (Note 3)	100%
Citigroup Inc.	Ordinary shares	1,112,905,624 (L) 1,112,905,624 (P)	7.82% 7.82%
GIC Private Limited	Ordinary shares	993,258,000 (L) (Note 4)	6.98%

*Notes:*

1. The percentages (round to 2 decimal places) of the Shares were calculated based on the total number of Shares in issue as at 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 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, was deemed to be interested in 9,501,359,644 Shares as at 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 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 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 Latest Practicable Date.
  4. GIC Private Limited held 993,258,000 Shares as investment manager as at Latest Practicable Date.
- L. indicates a long position.  
S. indicates a short position.  
P. indicates a lending pool.

**C. 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)).

**D. 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 2021, 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.

**E. COMPETING INTERESTS**

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.

**F. 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

The expert(s) 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(s) 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 2021 (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.

**G. MATERIAL ADVERSE CHANGE**

The Directors confirm that, as at the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**H. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available 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)) from the date of this circular up to and including the date of the EGM:

- (a) the Master Lease Agreement;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 14 to 15 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 16 to 25 of this circular;
- (d) the consent letter referred to in the paragraph headed "Expert's consent and qualifications" in this Appendix; and

(e) this circular.

**I. MISCELLANEOUS**

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

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## APPENDIX II      DETAILS OF RETIRING DIRECTOR TO BE RE-ELECTED

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Pursuant to the Listing Rules, the details of the Director who will retire at the SGM according to the bye-laws of the Company and will be proposed to be re-elected at the SGM are provided below:

**Mr. CHEN Lang (“Mr. CHEN”)**, aged 56, holds a master’s degree in Business Administration. He joined COFCO Corporation in April 2019 and is currently an Executive Vice President of COFCO Corporation, a director and chairman of Grandjoy Holdings Group and a non-executive director and chairman of the board of China Mengniu Dairy Company Limited, a company listed in Hong Kong.

Prior to joining COFCO Corporation, Mr. CHEN had served as an Executive Vice President of China Resources (Holdings) Company Limited until April 2019. At the same time, he served as the chairman and general manager of China Resources Development & Investment Co., Ltd., the chairman of China Resources Vanguard Co., Ltd., the chairman of China Resources Snow Breweries (China) Investment Co., Ltd., the chairman of China Resources Ng Fung Co., Ltd., and the chairman of China Resources C’estbon Beverage (China) Investment Co., Ltd., and vice-chairman and chief executive officer of China Resources Logic Limited (now renamed as China Resources Gas Group Limited).

Mr. CHEN was a vice chairman of the board of directors and a member of strategy committee of Shanxi Xinghuacun Fen Wine Factory Co., Limited (山西杏花村汾酒廠股份有限公司), a company listed in Shanghai, until June 2019; an executive director and the chairman of the board of directors of China Resources Beer (Holdings) Company Limited, a company listed in Hong Kong, until July 2019, and a non-executive director and chairman of the board of China Foods Limited, a company listed in Hong Kong, until September 2022.

Save as disclosed above, Mr. CHEN does not hold, and has not held, any other positions within the Group and is not connected with any Directors, substantial or controlling Shareholders or senior management of the Company, and Mr. CHEN has not held any directorship in any other public company the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

As at the Latest Practicable Date, Mr. CHEN does not have any interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

An appointment letter was entered into between Mr. CHEN and the Company pursuant to which he was appointed for a term of three years and subject to termination by giving three months’ prior written notice as a non-executive Director and is subject to retirement and re-election at the next general meeting of the Company and, thereafter, to retirement by rotation and re-election at annual general meetings of the Company in accordance with the bye-laws of the Company and the Listing Rules. Mr. CHEN is not entitled to any emolument for acting as a non-executive Director and the chairman of the Board unless otherwise determined by the Board according to the recommendation of the remuneration committee of the Board with reference to his job complexity, workload and responsibilities with the Company and the remuneration policy of the Company from time to time.

Save as disclosed above, the Board is not aware of any other matters in relation to the appointment of Mr. CHEN that is required to be disclosed pursuant to Rules 13.51(2) of the Listing Rules nor are there other matters that need to be brought to the attention of Shareholders.

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## NOTICE OF THE SGM

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### JOY CITY PROPERTY LIMITED

### 大悦城地產有限公司

*(incorporated in Bermuda with limited liability)*

**(Stock code: 207)**

## NOTICE OF THE SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “SGM”) of Joy City Property Limited (the “Company”) will be held at President Suite, World Trade Centre Club Hong Kong, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on Thursday, 29 December 2022 at 11:00 a.m. (Hong Kong time) for the purposes of considering, and if thought fit, pass the following resolution which will be proposed, with or without modification, as ordinary resolution. Capitalised terms contained in the circular dated 12 December 2022 issued by the Company (the “Circular”) shall have the same meanings when used herein unless otherwise specified.

### ORDINARY RESOLUTION

#### Resolution in relation to the renewal of the Master Lease Agreement

1. “**THAT**

- (a) the Master Lease Agreement, the terms and conditions thereof and the transactions contemplated thereunder (including the Annual Caps) be and are hereby approved, confirmed and ratified; and
- (b) any one Director of the Company be and is hereby authorised on behalf of the Company to do or take all acts, things and steps and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with paragraph (a) of this resolution.”

#### Resolution in relation to the re-election of non-executive Director

- 2 “**THAT** the re-election of Mr. CHEN Lang as a non-executive Director of the Company be and is hereby approved.”

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

The PRC, 12 December 2022

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## NOTICE OF THE SGM

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*Notes:*

- (1) The register of members of the Company will be closed for registration of transfer of Shares from Thursday, 22 December 2022 to Thursday, 29 December 2022 (both days inclusive) to determine the entitlement to attend and vote at the SGM. In order to qualify for attending and voting at the SGM, all transfer documents should be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong on or before 4:30 p.m., Wednesday, 21 December 2022.
- (2) Any member of the Company entitled to attend and vote at the SGM is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A member who is the holder of two or more Shares of the Company may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (3) Where there are joint registered holders of any Share, any one of such persons may vote at the SGM, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such Share shall alone be entitled to vote in respect thereof.
- (4) To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM (not later than 11:00 a.m. on Tuesday, 27 December 2022) or any adjournment thereof. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the SGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (5) The resolution at the SGM will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
- (6) **To safeguard the health and safety of Shareholders, staff and other stakeholders and to prevent the spreading of the Novel Coronavirus (COVID-19) pandemic, the following precautionary measures will be implemented at the SGM including, without limitation:**
  - (i) **Compulsory temperature screening/checks and health declaration**
  - (ii) **Compulsory wearing of your own surgical face masks**
  - (iii) **No distribution of refreshments, drinks, cake coupons or corporate gifts**
  - (iv) **Be seated as indicated**

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the SGM venue or be required to leave the SGM venue, at the absolute discretion of the Company as permitted by law.
- (7) **For the health and safety of Shareholders and all attendees, the Company reminds all Shareholders that physical attendance in person at the SGM is NOT necessary for the purpose of exercising voting rights and would like to encourage Shareholders to appoint the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM according to their indicated voting instructions as an alternative and to return their forms of proxy by the time specified above.**
- (8) In view of the travelling restrictions imposed by various jurisdictions including Hong Kong SAR to prevent the spread of COVID-19, certain Director(s) of the Company may attend the SGM through conference call or similar electronic means.
- (9) Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement(s) on such measures as appropriate.

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## NOTICE OF THE SGM

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- (10) If a black rainstorm warning signal is in force or a tropical cyclone warning signal no. 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 11:00 a.m. on the day of the SGM, the SGM will be adjourned. The Company will publish an announcement on the websites of Hong Kong Exchanges and Clearing Limited and the Company to notify shareholders of the date, time and venue of the adjourned meeting.

Shareholders should decide on their own whether they would attend the SGM under bad weather conditions having regard to their own situations and, if they choose to do so, they are advised to exercise care and caution.

- (11) As at the date of this notice, Mr. Cao Ronggen is the executive Director; Mr. CHEN Lang (*Chairman*), Mr. MA Dewei, Mr. LIU Yun and Mr. ZHU Laibin are the non-executive Directors; and Mr. Lau Hon Chuen, Ambrose, *GBS, JP*, Mr. Lam Kin Ming, Lawrence, and Mr. Chan Fan Shing are the independent non-executive Directors.