
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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MAJOR TRANSACTION EXTENSION OF FINANCIAL ASSISTANCE

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

A letter from the Board is set out on pages 4 to 9 of this circular.

The Company has obtained written Shareholders' approval for the 2022 Loan Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules from the relevant Shareholder who holds more than 50% of the total issued Shares giving the right to attend and vote at a general meeting. Accordingly, no Shareholders' meeting will be held to approve the 2022 Loan Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

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

17 February 2023

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DEFINITIONS

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

“2019 Announcement”	the announcement of the Company dated 24 December 2019 in relation to the provision of the Loan by Shanghai Yueyao to Shanghai Qiantan pursuant to the 2019 Loan Agreement
“2020 Announcement”	the announcement of the Company dated 24 December 2020 in relation to the provision of the Loan by Shanghai Yueyao to Shanghai Qiantan pursuant to the 2020 Loan Agreement
“2021 Announcement”	the announcement of the Company dated 16 December 2021 in relation to the provision of the Loan by Shanghai Yueyao to Shanghai Qiantan pursuant to the 2021 Loan Agreement
“2022 Announcement”	the announcement of the Company dated 23 December 2022 in relation to the provision of the Loan by Shanghai Yueyao to Shanghai Qiantan pursuant to the 2022 Loan Agreement
“2019 Loan Agreement”	the loan agreement entered into between Shanghai Yueyao and Shanghai Qiantan on 24 December 2019 in respect of the Loan
“2020 Loan Agreement”	the loan agreement entered into between Shanghai Yueyao and Shanghai Qiantan on 24 December 2020 in respect of the extension of the Loan
“2021 Loan Agreement”	the loan agreement entered into between Shanghai Yueyao and Shanghai Qiantan on 16 December 2021 in respect of the extension of the Loan
“2022 Loan Agreement”	the loan agreement entered into between Shanghai Yueyao and Shanghai Qiantan on 23 December 2022 in respect of the extension of the Loan
“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

DEFINITIONS

“Company”	Joy City Property Limited (大悦城地產有限公司), a company incorporated under the laws of Bermuda with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange (Stock code: 207)
“CPS”	the non-redeemable convertible preference shares of HK\$0.10 each in the share capital of the Company
“Directors”	the directors of the Company
“Grandjoy Holdings Group”	Grandjoy Holdings Group Co., Ltd.* (大悦城控股集團股份有限公司), a company established in the PRC whose A shares are listed on the Shenzhen Stock Exchange (stock code: 000031.SZ) and a controlling shareholder of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“independent third party(ies)”	person(s) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, is not a connected person of the Company pursuant to the Listing Rules
“Latest Practicable Date”	15 February 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan”	the unsecured revolving loan of an aggregate amount up to RMB1,100,000,000 agreed to be provided by Shanghai Yueyao to Shanghai Qiantan as extended pursuant to the 2022 Loan Agreement
“Loan Period”	the loan period of the 2022 Loan Agreement from 27 December 2022 to 26 December 2023
“Previous Loan Agreements”	the 2019 Loan Agreement, 2020 Loan Agreement and 2021 Loan Agreement
“PRC”	the People’s Republic of China, which shall, for the purpose of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Qiantan”	Shanghai Qiantan International Commercial Area Investment Group Co., Ltd* (上海前灘國際商務區投資(集團)有限公司), a company incorporated in the PRC and a substantial shareholder of Shanghai Yueyao
“Shanghai Yueyao”	Shanghai Yueyao Development Co., Ltd.* (上海悅耀置業發展有限公司), a company incorporated in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Written Approval”	the written approval in relation to the 2022 Loan Agreement and the transactions contemplated thereunder by Grandjoy Holdings Group pursuant to Rule 14.44 of the Listing Rules
“%”	per cent

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

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

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

LETTER FROM THE BOARD



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

Executive Director:

Mr. CAO Ronggen

Non-executive Directors:

Mr. CHEN Lang (*Chairman*)

Mr. MA Dewei

Mr. LIU Yun

Mr. ZHU Laibin

Independent non-executive Directors:

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

Mr. LAM Kin Ming, Lawrence

Mr. CHAN Fan Shing

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Principal place of business in Hong Kong:

33/F., COFCO Tower

262 Gloucester Road

Causeway Bay

Hong Kong

17 February 2023

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

Dear Sir or Madam,

MAJOR TRANSACTION EXTENSION OF FINANCIAL ASSISTANCE

I. INTRODUCTION

Reference is made to the 2019 Announcement, 2020 Announcement, 2021 Announcement and 2022 Announcement in relation to the provision of unsecured revolving loan facilities of an aggregate amount of up to RMB1,100,000,000 by Shanghai Yueyao to Shanghai Qiantan. As the loan pursuant to the 2021 Loan Agreement will expire on 26 December 2022, on 23 December 2022, the parties to the 2021 Loan Agreement agreed to enter into the 2022 Loan Agreement to extend the period of the Loan for one year.

The purpose of this circular is to provide you with, among other things, further details of the 2022 Loan Agreement and the transactions contemplated thereunder and such other information as required under the Listing Rules.

LETTER FROM THE BOARD

II. EXTENSION OF FINANCIAL ASSISTANCE

The principal terms of the 2022 Loan Agreement are set out below:

Provision of unsecured revolving loan facilities

The 2022 Loan Agreement was entered into between Shanghai Yueyao and Shanghai Qiantan on 23 December 2022 in respect of the extension of the Loan. Pursuant to the 2022 Loan Agreement, Shanghai Yueyao, an indirect non wholly-owned subsidiary of the Company, has agreed to provide unsecured revolving loan facilities in the aggregate amount of not more than RMB1,100,000,000 to Shanghai Qiantan. The loan period of the 2022 Loan Agreement is from 27 December 2022 to 26 December 2023. Save for the Loan Period, the terms and conditions of the 2022 Loan Agreement are mainly based on the 2021 Loan Agreement. Shanghai Qiantan may draw down and repay in whole or in part the Loan in accordance with the terms and conditions of the 2022 Loan Agreement during the Loan Period, provided that the aggregate amount drawn down under the Loan at any time during the Loan Period does not exceed RMB1,100,000,000. As at 31 December 2019, 31 December 2020 and 31 December 2021, the aggregate outstanding loan amounts under the Previous Loan Agreements were RMB1,000,000,000, RMB1,100,000,000 and RMB1,020,000,000, respectively.

The loan amount of up to RMB1,100,000,000 was determined based on negotiations between the relevant parties on arm's length basis with reference to, among other things, (a) the financing needs requested by Shanghai Qiantan; (b) the surplus funds available for Shanghai Yueyao; (c) Shanghai Yueyao's assessment on the source of funds for repayment and the business conditions and creditworthiness of Shanghai Qiantan; and (d) the profits attributable to the shareholding interest held by Shanghai Qiantan in Shanghai Yueyao.

Interest rate and payment

The interest rate for the amounts drawn down for the Loan under the 2022 Loan Agreement shall be determined with reference to the prevailing benchmark interest rate for demand deposits in the PRC as promulgated by the People's Bank of China from time to time. The interest payments on the outstanding principal amount shall be payable on a quarterly basis to Shanghai Yueyao.

Repayment date

The repayment date of the principal amount and the outstanding interest shall be on the date falling on the end of the Loan Period. Shanghai Yueyao may demand for an early repayment of the loan facilities pursuant to the 2022 Loan Agreement.

Pursuant to the Loan Agreement, in the event that Shanghai Qiantan is in default for any repayment of the loans, Shanghai Yueyao is entitled to remedies including, among other things, (a) request for Shanghai Qiantan to rectify the breach; (b) stop payment of any undrawn loan amounts to Shanghai Qiantan; (c) request for Shanghai Qiantan to bear the losses suffered by Shanghai Yueyao; and (d) request for a penalty payable by Shanghai Qiantan calculated based on the outstanding balance owed by Shanghai Qiantan and on a daily basis. In addition, as Shanghai Qiantan is a shareholder of Shanghai Yueyao, in the event of default for the Loan, Shanghai Yueyao will have the right to deduct the outstanding loan amount from any amount payable by Shanghai Yueyao to Shanghai Qiantan in accordance with PRC laws and regulations.

LETTER FROM THE BOARD

III. REASONS FOR AND BENEFITS OF THE EXTENSION OF THE FINANCIAL ASSISTANCE

As at the Latest Practicable Date, Shanghai Yueyao is held as to 50% by each of Twin Progress, an indirect wholly-owned subsidiary of the Company, and Shanghai Qiantan. The Group has control over the board of directors and the relevant activities of Shanghai Yueyao, and therefore, Shanghai Yueyao is accounted for as a subsidiary of the Group and the financial results, assets and liabilities of Shanghai Yueyao are consolidated into the accounts of the Group.

Shanghai Yueyao is principally engaged in the investment in and development of a commercial and residential properties in Qiantan, Pudong, Shanghai (the “Project”). The shareholders of Shanghai Yueyao have agreed in principle that the profits of Shanghai Yueyao will be distributed in proportion to their respective shareholding interests in Shanghai Yueyao, and the distribution of funds will be subject to further negotiations between the shareholders based on the actual progress of sales and development of the Project and the cash flow and financial position of Shanghai Yueyao. The sales of commercial and residential properties of the Project commenced in 2018 and such properties have been delivered in batches in 2019 and 2020, and the sales of residential car park spaces commenced in 2020 and such car park spaces have been delivered in batches in 2020, 2021 and 2022. As of the date of the 2022 Announcement, the Project is in its final stages with 229 residential car park spaces and one residential property of the Project remaining for sale, and Shanghai Yueyao has surplus cash remaining from the previous sales of properties of the Project. Shanghai Yueyao has distributed profits generated from sale of properties in the Project to its shareholders in 2020, 2021 and 2022, and given that the distributable reserves of Shanghai Yueyao is nearly fully utilised and Shanghai Yueyao has surplus cash remaining, Shanghai Yueyao has initiated the procedures for capital reduction as of the date of the 2022 Announcement for purposes of returning the residual capital and profits to its shareholders. Shanghai Yueyao agreed to continue providing a loan funded by the residual capital and profits from the Project and based on the same terms and conditions as the 2022 Loan Agreement to each of Twin Progress and Shanghai Qiantan on a pro rata basis according to their respective shareholding interest in Shanghai Yueyao to replenish the working capital of its shareholders on a short-term basis.

Further, the Company believes that there is sufficient protection to safeguard the interests of Shanghai Yueyao in respect of the loans provided by Shanghai Yueyao to Twin Progress and Shanghai Qiantan as a whole after taking into consideration of (a) the remedies available to Shanghai Yueyao pursuant to the relevant loan agreements in the event of default by the shareholders; (b) Shanghai Yueyao’s assessment on Twin Progress and Shanghai Qiantan which included the comparison of the aggregate maximum principal that may be drawn down under the loan agreements of RMB2,200,000,000 and related interest and potential penalties against the estimated share of profits and investment in the registered capital of Shanghai Yueyao for the shareholders as of the date of the 2022 Announcement, which yielded a shortfall of approximately RMB200,000,000, in light of the right to deduct by Shanghai Yueyao in accordance with the PRC laws and regulations in case of default by the relevant shareholders; and (c) the temporary shortfall of approximately RMB200,000,000 in the estimated share of profits and investment in the registered capital of Shanghai Yueyao as of the date of the 2022 Announcement from such comparison, which is managed by Shanghai Yueyao through the agreement by its shareholders to separately undertake on a pro rata basis that each shareholder will not draw down more than RMB995 million under the respective loan agreement, being RMB1,990 million in aggregate, and also taking into account of the sales of the remaining residential property and car park spaces of the Project in future and such shortfall will be avoided and Shanghai Yueyao’s right to demand for an early repayment of the loans pursuant to the relevant agreements. In any event, the shareholders of Shanghai Yueyao are expected to repay such loans prior to the winding up or deregistration of Shanghai Yueyao.

LETTER FROM THE BOARD

The Directors believe that it is in the interest of the Company to receive sales proceeds and profits generated from the Project at an earlier time by way of loans from Shanghai Yueyao to reduce the level of idle cash in Shanghai Yueyao and replenish the working capital of the Group to enhance the Group's liquidity. In addition, interest income will be generated from the Loan based on the outstanding principal amounts of the Loan, which will contribute to the income of the Group. Further, the terms of the 2022 Loan Agreement were negotiated on an arm's length basis between the relevant parties based on, among other things, the financing needs requested by Shanghai Qiantan and Shanghai Yueyao's assessment on the source of funds for repayment and the business conditions and creditworthiness of Shanghai Qiantan.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors was in any way materially interested in the 2022 Loan Agreement and the transactions contemplated thereunder.

IV. INFORMATION ON THE PARTIES

The Company

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

Shanghai Yueyao

Shanghai Yueyao is a company incorporated in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company. It is held as to 50% by each of Twin Progress and Shanghai Qiantan and it is principally engaged in real estate development, property investment and development and the investment and the development of the Project.

Shanghai Qiantan

Shanghai Qiantan is a company incorporated in the PRC and is a substantial shareholder of Shanghai Yueyao. Shanghai Qiantan is held as to 70% and 30% by Shanghai Lujiazui Group Co., Ltd* (上海陸家嘴(集團)有限公司) (a state-owned enterprise) and Shanghai Pudong Land Holding (Group) Co., Ltd.* (上海浦東土地控股(集團)有限公司) (which in turn is wholly-owned by Shanghai Pudong Development (Group) Co., Ltd.* (上海浦東開發(集團)有限公司), a state-owned enterprise), respectively. It is primarily engaged in industrial investment, domestic trade, investment consultation (except for brokerage services), storage (except for hazardous materials), exhibition and conference services, construction of municipal utilities, construction of ground and infrastructure, real estate development and operation.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save for Shanghai Qiantan's equity interest in Shanghai Yueyao, Shanghai Qiantan and its ultimate beneficial owners are Independent Third Parties.

LETTER FROM THE BOARD

V. FINANCIAL EFFECTS OF THE 2022 LOAN AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER

The Group will finance the loan under the 2022 Loan Agreement using its internal resources. As a result of entering into the 2022 Loan Agreement, it is expected that the loan receivables will be increased by RMB1,100,000,000 and the cash and cash equivalents will be decreased by the same amount. As such, the provision of the loan under the 2022 Loan Agreement will not have any effects to the total assets and liabilities of the Group.

The interest income to be received by the Company from the provision of the loan under the 2022 Loan Agreement will be recorded as revenue of the Group. Save for the above, the Directors expect that there will be no material effects on the Group's consolidated profit or loss account.

VI. LISTING RULES IMPLICATIONS

As the relevant percentage ratios as defined under Rule 14A.09(1) of the Listing Rules, namely the total assets, profits and revenue percentage ratios, in respect of Shanghai Yueyao are less than 5% for the year ended 31 December 2021, being the latest financial year as of the Company's announcement dated 23 December 2022, Shanghai Yueyao is an insignificant subsidiary of the Company pursuant to Rule 14A.09(1) of the Listing Rules and therefore Shanghai Qiantan, a substantial shareholder of Shanghai Yueyao, is not a connected person of the Company under the Listing Rules. Accordingly, transactions contemplated under the 2022 Loan Agreement do not constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the 2022 Loan Agreement exceeds 25% but are all less than 100%, the extension of the Loan pursuant to the 2022 Loan Agreement constitutes a major transaction of the Company, and is therefore subject to the reporting, announcement and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval in lieu of convening a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the 2022 Loan Agreement and the transactions contemplated thereunder; and (b) the written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at the general meeting to approve the 2022 Loan Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders have any material interest in the 2022 Loan Agreement and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the 2022 Loan Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Grandjoy Holdings Group holds 9,133,667,644 Shares (representing approximately 64.18% of the issued Shares). As the Company has obtained the Written Approval from Grandjoy Holdings Group in accordance with Rule 14.44 of the Listing Rules in lieu of a resolution to be passed at a general meeting of the Company. Accordingly, no extraordinary general meeting will be convened by the Company for the purpose of approving the 2022 Loan Agreement and the transactions contemplated thereunder.

VII. RECOMMENDATION

Based on the reasons set out in the above paragraph “III. REASONS FOR AND BENEFITS OF THE EXTENSION OF THE FINANCIAL ASSISTANCE” above, the Directors (including the independent non-executive Directors) consider the terms of the 2022 Loan Agreement are entered into on normal commercial terms or better, and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole. If a general meeting were to be convened for the approval of the 2022 Loan Agreement and the transactions contemplated thereunder, the Board would recommend its shareholders to vote in favour of the resolution to approve the 2022 Loan Agreement and the transactions contemplated thereunder at such general meeting.

VIII. ADDITIONAL INFORMATION

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

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

1. CONSOLIDATED FINANCIAL STATEMENTS

Details of the financial information of the Group for each of the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019 are disclosed in the following documents which have been published on both the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.joy-cityproperty.com):

- annual report of the Company for the year ended 31 December 2021 published on 28 April 2022 (pages 76 to 211) (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042800942.pdf>);
- annual report of the Company for the year ended 31 December 2020 published on 22 April 2021 (pages 113 to 247) (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042200785.pdf>); and
- annual report of the Company for the year ended 31 December 2019 published on 22 April 2020 (pages 141 to 295) (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0422/2020042200475.pdf>).

2. INDEBTEDNESS STATEMENT

Borrowings

The Group's indebtedness as at 31 December 2022, being the latest practicable date for the purpose of determining the indebtedness of the Group prior to the printing of this circular is summarized as follows:

(i) Bank borrowings

	<i>RMB'000</i>
– Short term bank loans, secured and guaranteed	108,150
– Short term bank loans, secured and unguaranteed	1,007,940
– Short term bank loans, unsecured and guaranteed	2,093,813
– Short term bank loans, unsecured and unguaranteed	1,722,050
– Long term bank loans, secured and guaranteed	1,181,311
– Long term bank loans, secured and unguaranteed	4,324,822
– Long term bank loans, unsecured and guaranteed	9,805,326
– Long term bank loans, unsecured and unguaranteed	4,179,675
	<u>24,423,087</u>

(ii) Loans from fellow subsidiaries

As at 31 December 2022, the Group had outstanding unsecured loans from fellow subsidiaries of approximately RMB1,290 million, of which were unsecured and unguaranteed.

(iii) Loans from non-controlling interests

As at 31 December 2022, the Group had outstanding loan from a non-controlling interest of a subsidiary of approximately RMB2,655 million, which was unsecured and unguaranteed.

(iv) Loans from third parties

As at 31 December 2022, the Group had outstanding loan from third parties of approximately RMB7,924 million, approximately RMB6,150 million was unsecured and guaranteed and approximately RMB1,774 million was secured and guaranteed.

(v) Loans from joint ventures

As at 31 December 2022, the Group had outstanding loan from a joint venture of approximately RMB6,114 million, which was unsecured and unguaranteed.

(vi) Loan from an associate

As at 31 December 2022, the Group had outstanding loan from an associate of approximately RMB289 million, which was unsecured and unguaranteed.

(vii) Bonds payable

As at 31 December 2022, the Group had a total amount of outstanding bonds payable of RMB3,980 million, which was unsecured and unguaranteed.

Charges

As at 31 December 2022, the Group's secured bank borrowings and loan from a third party were secured by certain of the Group's investment properties with a carrying amount of approximately RMB35,121 million, property, plant and equipment with a carrying amount of approximately RMB2,397 million, properties under development for sales with a carrying amount of approximately RMB17,371 million, right-of-use assets (leased land) with a carrying amount of approximately RMB1,380 million, and accounts receivable with a carrying amount of approximately RMB25 million.

Lease liabilities

As at 31 December 2022, the Group, as a lessee, had lease liabilities of carrying amounts of RMB203 million, which was unsecured and unguaranteed.

Contingent liabilities or guarantees

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

The construction costs of Chaoyang Joy City amounted to RMB3,377 million, including the cost for the non-compliant structure of RMB42 million. The non-compliant structure has been occupied as office and has not generated any revenue, and accordingly, the Directors believe that these would not be illegal revenue subject to confiscation.

Chaoyang Joy City generated revenue since the year 2010 and it has not received any notification from the relevant authorities with respect to the non-compliant structure since the commencement of operation. The aggregate revenue of the shopping mall of Chaoyang Joy City since it generated revenue up to 31 December 2022 amounted to RMB6,598 million.

The construction costs of Shenyang Joy City amounted to RMB1,943 million, including an estimated cost for the excess area of RMB81 million. The excess area has been utilized as passageways for commercial use and has generated only a small percentage of the aggregate revenue of Shenyang Joy City. Shenyang Joy City generated revenue since the year 2009 and it has not received any notification from the relevant authorities with respect to the excess area since the commencement of operation, and accordingly, the Directors believe that the likelihood for the confiscation of any illegal revenue is low, and any action taken by the authorities will have minimal impact on the income and performance of Shenyang Joy City. The aggregate revenue of Shenyang Joy City since it generated revenue up to 31 December 2022 amounted to RMB3,088 million.

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

As at 31 December 2022, the Group had provided guarantees to certain banks relating to mortgage facilities arranged for certain buyers of properties developed by the Group and the outstanding mortgage loans under these guarantees amounted to RMB4,457 million.

As at 31 December 2022, the Group had provided guarantees to associates and joint ventures relating to a bank loan and the guarantee were amounted to RMB1,661 million. In addition, an indirect wholly-owned subsidiary of the Company and the direct shareholder of the associate also entered into a share pledge of its 30% equity interest in the associate in favor of the bank.

General

Save as aforesaid and apart from intra-group liabilities, the Group did not have any debt securities, issued and outstanding, and authorized or otherwise created but unissued, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptance (other than normal trade bills) or similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities as at 31 December 2022.

3. WORKING CAPITAL

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

4. MATERIAL ADVERSE CHANGE

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

5. FINANCIAL AND TRADING PROSPECTS

As disclosed in the interim report 2022 of the Company, gross revenue of the Group amounted to approximately RMB9,134,276,000 for the six months ended 30 June 2022, representing an increase of approximately 95.5% compared to approximately RMB4,672,074,000 for the six months ended 30 June 2021. Gross profit and net profit of the Group amounted to approximately RMB4,091,924,000 and approximately RMB1,556,803,000 respectively for the six months ended 30 June 2022, representing an increase of approximately 91.2% and 63.8% respectively compared to approximately RMB2,139,698,000 and approximately RMB950,625,000, respectively, for the six months ended 30 June 2021. Total assets and total equity amounted to approximately RMB138,174,697,000 and approximately RMB59,120,673,000, respectively, as at 30 June 2022, representing an increase of approximately 5.5% and 1.9%, respectively, compared to approximately RMB131,020,391,000 and approximately RMB58,019,420,000, respectively, as at 31 December 2021.

The Group's liquidity remained on a healthy level and financial resources were also reasonably distributed. As at 30 June 2022, the Group's cash and bank balances, pledged deposits and restricted bank deposits amounted to RMB13,016,962,000. The majority of the Group's cash and bank balances, pledged deposits and restricted bank deposits are deposited with creditworthy banks with no recent history of default. As at 30 June 2022, the Group's net gearing ratio was 48.5%, based on the division of net debt by total equity.

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTEREST BY DIRECTORS

A. Interests of Directors

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she has taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange, were as follows:

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

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

Notes:

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

Save for those disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she has taken or was deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

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

B. Interests of substantial shareholders

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

Name of substantial shareholders	Class of shares	Number of shares held	Approximate percentage of the issued share capital
			(Note 1)
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%

Name of substantial shareholders	Class of shares	Number of shares held	Approximate percentage of the issued share capital
			(Note 1)
Grandjoy Holdings Group	Ordinary shares	9,133,667,644 (L) (Note 2)	64.18%
Achieve Bloom Limited ("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)	7.82%
		1,112,905,624 (P)	7.82%
GIC Private Limited	Ordinary shares	993,258,000 (L) (Note 4)	6.98%

Notes:

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

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

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have since 31 December 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.

5. MATERIAL CONTRACTS

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

6. LITIGATION AND CLAIMS

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

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

8. GENERAL

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

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

9. DOCUMENTS ON DISPLAY

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

- (a) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
- (b) the annual reports of the Company for the three years ended 31 December 2021, 31 December 2020 and 31 December 2019; and
- (c) the 2022 Loan Agreement.

10. MISCELLANEOUS

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