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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)

**VERY SUBSTANTIAL DISPOSAL  
RELATING TO THE SALE OF THE ENTIRE EQUITY INTEREST  
OF THE TARGET COMPANY  
HOLDING THE PROPERTIES IN SHANGHAI**

**THE DISPOSAL**

On 27 September 2023 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the entire equity interest of the Target Company for a Consideration of RMB4,142,392,338.41. The Target Company primarily holds the Properties located at the CBD of Lujiazui in the Pudong New Area of Shanghai, the PRC.

Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated in the Company's financial statements.

**LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio in respect of the Disposal exceeds 75%, the transactions contemplated under the Equity Transfer Agreement constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

A SGM will be convened for the Shareholders to consider and, if thought fit, to approve the Equity Transfer Agreement and the transactions contemplated thereunder. Voting by the Shareholders at the SGM will be taken by poll.

## **GENERAL**

A circular containing, amongst other things, (a) further information in relation to the Disposal; (b) the financial information of the Target Company; (c) the pro-forma financial information of the Remaining Group; (d) the details of the property valuation report; and (e) other information as required under the Listing Rules, together with a notice of the SGM, will be despatched to the Shareholders on or before 26 October 2023 in order to allow sufficient time for the Company to prepare the necessary financial information to be included in the Circular.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 28 July 2023 in respect of the Public Tender conducted by Shanghai Assets Exchange in relation to the disposal of the entire equity interest of the Target Company. The bidding period for the Public Tender expired on 22 September 2023 and the Purchaser, being the qualified bidder with the highest effective bid price, was the successful bidder.

On 27 September 2023 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the entire equity interest of the Target Company for a Consideration of RMB4,142,392,338.41. The Target Company primarily holds the Properties located at the CBD of Lujiazui in the Pudong New Area of Shanghai, the PRC.

Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated in the Company's financial statements.

## **THE EQUITY TRANSFER AGREEMENT**

The principal terms of the Equity Transfer Agreement are summarized below:

### **Date**

27 September 2023

### **Parties**

- (a) the Vendor, an indirect wholly-owned subsidiary of the Company; and
- (b) the Purchaser.

## **Subject matter**

Pursuant to the Equity Transfer Agreement, the Vendor has conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the entire equity interest of the Target Company. The Target Company primarily holds the Properties located at the CBD of Lujiazui in the Pudong New Area of Shanghai, the PRC. For further details of the Target Company, please refer to the section headed “Information on the Target Company” below.

As of the date of this announcement, the Vendor holds the entire equity interest of the Target Company. Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated in the Company’s financial statements.

## **Conditions Precedent**

The Equity Transfer Agreement will take effect upon:

- (a) the execution of the Equity Transfer Agreement by the Vendor and the Purchaser; and
- (b) the obtaining of the approval of the Shareholders of the Company at the SGM.

The conditions precedents above cannot be waived, among which condition precedent (a) has been fulfilled as of the date of this announcement. In addition, in the event that the approval of the Shareholders in respect of the Disposal at the SGM has not been obtained, the Equity Transfer Agreement will not take effect and the parties will negotiate on the practicable solution, and if the Equity Transfer Agreement is terminated, the Consideration (including the security deposit for the Public Tender) paid by the Purchaser will be refunded. Further, as of the date of this announcement, the Company does not have alternative or follow up plans for the disposal of the entire equity interest of the Target Company in the event that the Equity Transfer Agreement is terminated.

## **Consideration**

The Consideration for the entire equity interest of the Target Company is RMB4,142,392,338.41. As the Purchaser has already paid the security deposit for the Public Tender of RMB1,242,000,000 to the Shanghai Assets Exchange, such amount will form part of the payment of the Consideration. The remaining balance of the Consideration of RMB2,900,392,338.41 will be paid by the Purchaser to the Shanghai Assets Exchange within 5 business days from the date of the Equity Transfer Agreement. After the Purchaser has fully paid the Consideration to the Shanghai Assets Exchange in accordance with the Equity Transfer Agreement, the Shanghai Assets Exchange will issue the equity transfer certificate to the Vendor and the Purchaser. The Shanghai Assets Exchange will pay the total amount of the Consideration to the Vendor within 3 business days after the issuance of the equity transfer certificate by the Shanghai Assets Exchange and the Vendor’s request. The Vendor will bear its own portion of the related transaction costs, taxes and expenses of the Disposal and such amounts will be paid separately by the Vendor.

## **Completion**

The Vendor and the Purchaser will cooperate with the Target Company and complete the change of equity registration with the relevant PRC authorities within 10 business days from the date of issuance of the equity transfer certificate by the Shanghai Assets Exchange. Completion will take place within 10 business days from the date of registration for the change of equity with the relevant PRC authorities.

## **Default in payment**

If the Purchaser fails to pay any instalment of the Consideration in accordance with the terms of the Equity Transfer Agreement, the Purchaser will be liable to pay to the Vendor a daily default interest of 0.5%. If the default continues for more than sixty days from the relevant due date, the Vendor will be entitled to forfeit the security deposit and to terminate the Equity Transfer Agreement and request for compensation from the Purchaser. In addition, if the Equity Transfer Agreement is terminated due to any circumstances relating to the Purchaser, the Purchaser should compensate the Vendor and also pay a penalty representing 10% of the Consideration to the Vendor.

## **BASIS OF THE CONSIDERATION**

The Consideration is the outcome of the Public Tender conducted by Shanghai Assets Exchange in accordance with PRC laws and regulations and the Consideration represents the highest bidding price for the entire equity interest of the Target Company that had been put forward by the Purchaser, which was accepted by the Group with reference to the appraised value of the Target Company as at 31 March 2023 of approximately RMB4,142,392,338.41 based on the valuation report issued by an independent valuer. The valuation report was prepared based on the asset based approach and income approach appraisal methods on the assets and liabilities of the Target Company.

## **INFORMATION ON THE TARGET COMPANY**

The Target Company is a company established in the PRC with limited liability in 1998. As of the date of this announcement, the entire equity interest of the Target Company is held by the Vendor and therefore the Target Company is an indirectly wholly-owned subsidiary of the Company. The Target Company only holds and operates the Properties as of the date of this announcement. The Properties comprises buildings no. 5, 6 and 7 at Ocean One (海景壹號), a luxury residential project, which is managed as Fraser Suites serviced apartment (輝盛閣國際公寓) and located at the CBD of Lujiazui in the Pudong New Area of Shanghai, the PRC with an aggregate saleable floor area of approximately 49,212 square meters. The Properties were developed by the Target Company and construction was completed between 2008 and 2009. Buildings no. 5 and 6 commenced operations in late 2008 and building no. 7 commenced operations in mid-2010.

The financial results of the Target Company for the two years ended 31 December 2022 based on the audited financial statements of the Target Company prepared based on PRC GAAP and the financial results of the Target Company for the six months period ended 30 June 2023 based on the unaudited management accounts of the Target Company prepared based on PRC GAAP are as follows:

	<b>For the year ended 31 December 2021 RMB'000</b>	<b>For the year ended 31 December 2022 RMB'000</b>	<b>For the six months period ended 30 June 2023 RMB'000</b>
Revenue	251,869	235,702	87,650
(Loss)/Profit before taxation	(36,848)	(81,418)	206,301
(Loss)/Profit after taxation	(56,797)	(98,996)	253,516

The net asset value of the Target Company as at 30 June 2023 based on the unaudited management accounts of the Target Company prepared based on PRC GAAP was approximately RMB738,199,502 and the net book value of the Properties as at 30 June 2023 based on the unaudited management accounts of the Target Company prepared based on PRC GAAP was approximately RMB581,492,819. For illustration purposes only, the estimated net asset value of the Target Company as at 31 March 2023 prepared based on Hong Kong Financial Reporting Standards is approximately RMB3,860,434,606. The differences arising from the net asset value amounts prepared based on PRC GAAP and Hong Kong Financial Reporting Standards was mainly attributable to fair value adjustments pursuant to the Hong Kong Financial Reporting Standards.

## **FINANCIAL EFFECT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS**

As of the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company. Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated in the Company's financial statements. For illustration purposes only, it is expected that the Group will realise a net gain on the Disposal of approximately RMB279,887,732.41, which is calculated by reference to the difference between (a) the Consideration of RMB4,142,392,338.41, and (b) the estimated net asset value of the Target Company as at 31 March 2023 prepared based on Hong Kong Financial Reporting Standards of approximately RMB3,860,434,606 and the related transaction costs, taxes and expenses of the Disposal of approximately RMB2,070,000. The net gain on the Disposal above is calculated based on the information available as of the date of this announcement and will be subject to final audit and any further adjustments relating to Hong Kong Financial Reporting Standards.

The estimated net proceeds from the Disposal, calculated based on the Consideration of RMB4,142,392,338.41 minus the estimated related transaction costs, taxes and expenses of the Disposal of approximately RMB2,070,000, is approximately RMB4,140,322,338.41. The Group intends to apply the net proceeds from the Disposal to repay its existing indebtedness as to approximately 39%, to fund potential investments by the Group as to approximately 40% and to replenish its working capital as to approximately 21%.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Properties, which is held by the Target Company, is one of the major investment properties developed and held by the Group in the PRC. As the property industry in the PRC is recently undergoing substantial reorganisation, the Group considered that the industry trend to revitalise existing investments and reallocate and consolidate its resources on assets that have a greater business potential or stronger financial performance would facilitate the Group's stable and sustainable development. Such recent industry trend provided an opportunity for the Group to review its existing investments and identify assets with a higher market value and relatively lower returns for revitalisation. On this basis, the Company considers that the Disposal represents a good opportunity for the Group to unlock the value in the Properties and realise its investment in the Target Company. The cash inflows generated from the Disposal will facilitate the Group to optimize the allocation of resources for the development of its existing business and/or investments in other business opportunities and improving its gearing ratio, which will be beneficial for the Group's long term development. As of the date of this announcement, other than the Properties under the Disposal, the Group holds 21 investment properties, and after completion of the Disposal, the Group will continue its operations relating to the investment properties business segment.

Based on the above, the Directors are of the view that the Disposal and the terms of the Equity Transfer Agreement were entered into on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE PARTIES**

### **The Company**

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

### **The Vendor**

The Vendor is a company incorporated in Samoa with limited liability and a direct wholly-owned subsidiary of the Company. The Vendor is principally engaged in the development of and investment in properties in the PRC. As of the date of this announcement, the Vendor holds the entire equity interest of the Target Company.



“Consideration”	the total consideration for the entire equity interest of the Target Company of RMB4,142,392,338.41
“Director(s)”	director(s) of the Company
“Disposal”	the sale and purchase of the entire equity interest of the Target Company pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 27 September 2023 entered into by the Vendor and the Purchaser in relation to the Disposal
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which shall for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Properties”	the properties comprising of buildings no. 5, 6 and 7 at Ocean One (海景壹號), a luxury residential project, which is managed as Fraser Suites serviced apartment (輝盛閣國際公寓) and located at the CBD of Lujiazui in the Pudong New Area of Shanghai, the PRC
“Public Tender”	the public tender for the sale of the entire equity interest of the Target Company through the Shanghai Assets Exchange as described in the announcement of the Company dated 28 July 2023
“Purchaser”	Shanghai Yongpeng Shiye Limited* (上海邕鵬實業有限公司), a company established in the PRC with limited liability and an Independent Third Party
“Remaining Group”	the Group having excluded the Target Company
“RMB”	Renminbi, the lawful currency of the PRC

“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Equity Transfer Agreement and the transactions contemplated thereunder
“Shanghai Assets Exchange”	Shanghai United Assets and Equity Exchange* (上海聯合產權交易所) and an Independent Third Party
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shanghai Top Glory Real Estate Development Co., Ltd.* (上海鵬利置業發展有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as of the date of this announcement
“Vendor”	Jetway Developments Limited (亨達發展有限公司), a company incorporated in Samoa and a direct wholly-owned subsidiary of the Company
“%”	per cent

*In this announcement, unless the context requires otherwise, the terms “connected person”, “controlling shareholder(s)”, “percentage ratio(s)” and “subsidiary(ies)” shall have the meanings given to such terms in the Listing Rules.*

\* *English translations of the names are provided for ease of reference only and they are not official English names of the companies and authority concerned.*

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

The PRC, 27 September 2023

*As at the date of this announcement, the Board comprises Mr. CHEN Lang as Chairman and non-executive Director; Mr. CAO Ronggen as executive Director; Mr. MA Dewei, Mr. LIU Yun and Mr. ZHU Laibin as non-executive Directors; and Mr. LAU Hon Chuen, Ambrose, GBS, JP, Mr. LAM Kin Ming, Lawrence and Mr. CHAN Fan Shing as independent non-executive Directors.*