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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 BEIJING**

THE DISPOSAL

On 28 September 2023 (after trading hours), the Vendor, an indirect non 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 and related shareholder's loans for a Consideration of RMB4,255,847,036.76. The Target Company primarily holds the Properties located in Dongcheng District, Beijing, 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 25 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 31 August 2023 in respect of the Public Tender conducted by Beijing 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 28 September 2023 and the Purchaser, being the qualified bidder with the highest effective bid price, was the successful bidder.

On 28 September 2023 (after trading hours), the Vendor, an indirect non 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 and related shareholder's loans for a Consideration of RMB4,255,847,036.76. The Target Company primarily holds the Properties located in Dongcheng District, Beijing, the PRC.

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THE EQUITY TRANSFER AGREEMENT

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

Date

28 September 2023

Parties

- (a) the Vendor, an indirect non 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 and related shareholder's loans of approximately RMB807,000,000. The Target Company primarily holds the Properties located in Dongcheng District, Beijing, 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 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 and related shareholder's loans is RMB4,255,847,036.76. As the Purchaser has already paid the security deposit for the Public Tender of RMB638,377,100 to the Beijing Assets Exchange, such amount will form part of the payment of the Consideration. The remaining balance of the Consideration of RMB3,617,469,936.76 will be paid by the Purchaser to the Beijing Assets Exchange within five business days from the date of the Equity Transfer Agreement taking effect. After the Purchaser has fully paid the Consideration to the Beijing Assets Exchange in accordance with the Equity Transfer Agreement, the Beijing Assets Exchange will issue the equity transfer certificate to the Vendor and the Purchaser. The Beijing 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 Beijing Assets Exchange. 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 to register the change of equity with the relevant PRC authorities within 4 business days after the Vendor received the total amount of the Consideration. The date of registration for the change of equity with the relevant PRC authorities will be the completion date, and the completion matters will be conducted between the parties within 10 days after such completion date.

Default in payment

If the Purchaser fails to pay any instalment of the Consideration or abide to its obligations in accordance with the terms of the Equity Transfer Agreement, the Purchaser will be liable to pay to the Vendor a penalty calculated based on 0.01% of the Consideration. If the default continues for more than thirty days from the relevant due date, the Vendor will be entitled to terminate the Equity Transfer Agreement, and the Purchaser will pay a penalty representing 5% of the Consideration to the Vendor.

BASIS OF THE CONSIDERATION

The Consideration is the outcome of the Public Tender conducted by Beijing 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 and related shareholder's loans that had been put forward by the Purchaser, which was accepted by the Group with reference to the appraised value of the equity interest and the related shareholder's loans of the Target Company as at 30 April 2023 of approximately RMB3,244,742,838.01 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 2013. 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 indirect subsidiary of the Company. The Target Company only holds and operates the Properties as of the date of this announcement. The Properties are named Beijing COFCO • Landmark Tower, comprising of three office and commercial buildings located at Andingmenwai Street in Dongcheng District, Beijing, the PRC with an aggregate gross floor area of approximately 81,454 square meters and 377 car park spaces. The Properties were developed by the Target Company and construction was completed in July 2018, and the Properties commenced operations in August 2018.

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:

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2022 RMB'000	For the six months period ended 30 June 2023 RMB'000
Revenue	180,727	153,538	78,288
Profit before taxation	48,572	12,161	14,753
Profit after taxation	36,101	10,411	11,099

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 RMB1,084,955,129 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 RMB1,845,759,714. For illustration purposes only, the estimated net asset value of the Target Company as at 30 April 2023 prepared based on Hong Kong Financial Reporting Standards is approximately RMB1,958,953,250. 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 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 RMB1,377,263,786.76, which is calculated by reference to the difference between (a) the consideration relating to the entire equity interest of the Target Company of RMB3,448,847,036.76, and (b) the estimated net asset value of the Target Company as at 30 April 2023 prepared based on Hong Kong Financial Reporting Standards of approximately RMB1,958,953,250 and the related transaction costs, taxes and expenses of the Disposal of approximately RMB112,630,000. 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 total amount of the Consideration of RMB4,255,847,036.76 minus the estimated related transaction costs, taxes and expenses of the Disposal of approximately RMB112,630,000, is approximately RMB4,143,217,036.76. The Group intends to apply the net proceeds from the Disposal to repay its offshore bank loan and interest of approximately USD375,000,000 and the remaining balance will be used to replenish its working capital.

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 and the properties located at the CBD of Lujiazui in the Pudong New Area of Shanghai the PRC pursuant to the disposal described in the Company's announcement dated 27 September 2023, the Group holds 20 investments properties and after completion of the disposals mentioned above, the Group will continue its operation 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 established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company. The Company and Joy City Commercial Property Fund Limited Partnership, through several wholly-owned intermediate holding companies, indirectly holds the entire equity interest of the Vendor as to 51% and 49%, respectively. Joy City Commercial Property

Fund Limited Partnership is a limited partnership established in the Cayman Islands and its general partner is Gracious Ever Limited, a wholly-owned subsidiary of the Company and its limited partners are Independent Third Parties. 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.

The Purchaser

The Purchaser is a company established in the PRC with limited liability. The equity interest of the Purchaser is directly and indirectly owned by China Post Group Corporation Limited (中國郵政集團有限公司), a state owned enterprise, as to approximately 75.01% (among which approximately 15.00%, 12.19% and 9.62% is indirectly held through Beijing China Post Asset Management Company Limited* (北京中郵資產管理有限公司), China National Philatelic Company Limited* (中國集郵有限公司) and Postal Scientific Research and Planning Institute Limited* (郵政科學研究規劃院有限公司), respectively) and directly owned by AIA Company Limited, a wholly-owned subsidiary of AIA Group Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1299), as to approximately 24.99%. The Purchaser is principally engaged in life insurance, health insurance and accident and personal injury insurance; the reinsurance of the aforementioned types of insurance; businesses permitted by applicable laws and regulations in the PRC to be conducted using insurance funds; and other businesses approved by the China Insurance Regulatory Commission.

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

LISTING RULES IMPLICATIONS

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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 25 October 2023 in order to allow sufficient time for the Company to prepare the necessary financial information to be included in the Circular.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Beijing Assets Exchange”	Beijing Assets and Equity Exchange* (北京產權交易所) and an Independent Third Party
“Board”	the board of Directors
“Company”	Joy City Property Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the main board of the Stock Exchange (Stock Code: 207)
“Consideration”	the total consideration for the entire equity interest of the Target Company and related shareholder’s loans of RMB4,255,847,036.76
“Director(s)”	director(s) of the Company
“Disposal”	the sale and purchase of the entire equity interest of the Target Company and related shareholder’s loans pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 28 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 named Beijing COFCO • Landmark Tower, comprising of three office and commercial buildings and 377 car park spaces located at Andingmenwai Street in Dongcheng District, Beijing, the PRC
“Public Tender”	the public tender for the sale of the entire equity interest of the Target Company through the Beijing Assets Exchange as described in the announcement of the Company dated 31 August 2023

“Purchaser”	China Post Life Insurance Company Limited (中郵人壽保險股份有限公司), 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
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Beijing Kunting Asset Management Company Limited* (北京昆庭資產管理有限公司), a company established in the PRC with limited liability and an indirect subsidiary of the Company as of the date of this announcement
“Vendor”	Xidan Joy City Co., Ltd.* (西單大悅城有限公司), a company established in the PRC and an indirect non 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, 28 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.