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## **JOY CITY PROPERTY LIMITED**

**大悅城地產有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 207)**

### **DISCLOSEABLE TRANSACTION - ACQUISITION OF THE ENTIRE INTEREST IN GAIN SUCCESS LIMITED**

#### **THE ACQUISITION**

The Board is pleased to announce that on 22 November 2016 (after trading hours), the Buyer (a wholly-owned subsidiary of the Company) and the Sellers entered into the Sale and Purchase Agreement, pursuant to which the Buyer has conditionally agreed to acquire, and the Sellers have conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company.

The preliminary Purchase Price is determined at RMB1,395,687,455 (equivalent to approximately HK\$1,573,846,959), which will be adjusted with reference to the amount of current assets and indebtedness of the Target Group as at the Completion Date. Notwithstanding the aforesaid adjustments, the Buyer and the Sellers agreed that the Purchase Price shall not exceed RMB1,450,000,000 (equivalent to approximately HK\$1,635,092,500).

The Purchase Price shall be satisfied by cash instalments by the Buyer to the Sellers at and after Completion in accordance with the Sale and Purchase Agreement.

The Target Company indirectly holds the interests in the Target Property, which is the retail property known as Parkside Plaza located in Putuo District, Shanghai, PRC.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

#### **IMPLICATIONS OF THE ACQUISITION UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios exceed 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the announcement requirement, but is exempt from the shareholders' approval requirement pursuant to Chapter 14 of the Listing Rules.

## **THE ACQUISITION**

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The principal terms of the Sale and Purchase Agreement are set out below:

## **THE SALE AND PURCHASE AGREEMENT**

**Date:** 22 November 2016

### **Parties:**

- (1) the Buyer (a wholly-owned subsidiary of the Company); and
- (2) the Sellers.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the Sellers and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

### **Subject matter of the Acquisition**

As at the date of this announcement, the entire issued share capital of the Target Company is owned as to approximately 80% and 20% by West Heaven and Eagle Development, respectively. The Buyer has conditionally agreed to purchase, and the Sellers have conditionally agreed to sell, the Sale Shares, which represent the entire issued share capital of the Target Company, subject to the terms and conditions of the Sale and Purchase Agreement.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

The principal business of the Target Group is the investment and management of the Target Property. Please refer to the paragraph headed "Information on the Target Group" below for further information on the business and financial information of the Target Group.

### **Consideration**

The preliminary Purchase Price is determined at RMB1,395,687,455 (equivalent to approximately HK\$1,573,846,959), which will be adjusted with reference to the amount of current assets and indebtedness of the Target Group as at the Completion Date in accordance with the Sale and Purchase Agreement.

In determining the amount of the preliminary Purchase Price, the Buyer and the Sellers have taken into account of, amongst other matters, the amount of current assets and indebtedness of the Target Group as at 31 July 2016 based on its management accounts. The difference between the actual amounts of the current assets and indebtedness of the Target Group as at 31 July 2016 and the Completion Date shall be paid to the Buyer or the Sellers (as the case may be) after determination of the completion accounts pursuant to the Sale and Purchase Agreement. Notwithstanding the aforesaid adjustments, the Buyer and the Sellers agreed that the Purchase Price shall not exceed RMB1,450,000,000 (equivalent to approximately HK\$1,635,092,500).

The Purchase Price shall be payable in cash instalments by the Buyer to the Sellers upon and after Completion as follows:

- (a) the payment on or before the Completion Date by the Buyer to the Sellers of an amount of RMB1,390,687,455 (to be settled in two portions);
- (b) the payment within five Business Days from the expiry of twelve months and thirty-six months from the Completion Date of the amounts of RMB4,000,000 and RMB1,000,000, respectively, which in aggregate amounts to RMB5,000,000 as a holdback amount, such payments being subject to deduction of any indemnity and/or claims by the Buyer pursuant to the Sale and Purchase Agreement (if applicable).

The Purchase Price will be satisfied with internal resources of the Group and/or external debt financing.

### **Basis of the determination of the Purchase Price**

The Target Group is holding the Target Property as its main assets, and is principally engaged in the development and investment in the Target Property.

The Purchase Price was determined after arm's length negotiation among the parties to the Sale and Purchase Agreement, and represented the estimated value of the share capital of the Target Company as at Completion, by reference to (i) the reference price of the Target Property at an amount of RMB2,185 million, for which the Buyer had considered and compared with market value of properties in the same district of comparable size, conditions and uses; (ii) the addition of the compensation in relation to the termination of certain lease agreements in relation to the Target Property received by the Target Group, and the deduction of a discounted amount in relation to the conditions of the Target Property; (iii) the adjustment of certain current assets and indebtedness of the Target Group as at 31 July 2016 and as at Completion; and (iv) capitalisation of shareholders' loans owed by the Target Group to the Sellers prior to the date of the Sale and Purchase Agreement.

### **Completion**

Completion shall take place on 30 November 2016, or such other date as may be agreed by the parties in writing.

### **Conditions precedent**

Completion of the Sale and Purchase Agreement is conditional on the fulfilment of the following conditions precedent:

- (a) certain lease agreements in relation to premises in the Target Property having been terminated without additional compensation or payment from the Target Group and the Buyer having received written evidence of the termination; and
- (b) Shanghai Gao Xing having obtained vacant possession of the premises at the B1 floor of the Target Property.

The Sellers and the Buyer confirmed that the above conditions have been satisfied as at the date of the Sale and Purchase Agreement.

## INFORMATION ON THE TARGET GROUP

### The business of the Target Group

The Target Company is an investment holding company the major investment is its wholly-owned subsidiary Shanghai Gao Xing, which holds the interests in the Target Property. The Target Group is primarily engaged in the investment and management of the Target Property.

The Target Property is the retail property known as Parkside Plaza located at No.178 and No.196 Daduhe Road and No.56/136, Lane 168, Daduhe Road in Putuo District, Shanghai in the PRC, which mainly comprises of commercial properties leased to third party retail operators. The Target Property is a shopping mall which commenced operations in December 2011 and is currently in operation.

### Financial information of the Target Group

Set out below is the audited financial information of the Target Group for the years ended 31 December 2014 and 2015:

	For the year ended 31 December	
	2014	2015
Revenue	RMB83.8 million	RMB94.2 million
Profit (loss) before taxation	RMB34.1 million	RMB(268.2 million)
Profit (loss) after taxation	RMB13.8 million	RMB(291.4 million)

According to the unaudited financial information of the Target Group, the net asset value of the Target Group as of 31 July 2016 was approximately RMB27.3 million. Amongst the liabilities of the Target Group as at 31 July 2016, shareholders' loans in an amount of approximately RMB1,260 million had been capitalised prior to the date of the Sale and Purchase Agreement.

### REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the development, operation, sales, leasing and management of mixed-use complexes and commercial properties. The Acquisition is in line with the Group's business and growth strategy of actively exploring suitable properties with high investment value at prime locations of PRC first-tier cities, with an objective of generating stable and considerate income to the Group.

The Target Property is situated in Putuo District, Shanghai in the PRC, which is within the core commercial area of Shanghai. In consideration of the strategic location and potential of the Target Property, it is expected to achieve stable financial return to the Group. In addition, the Board believes that the Acquisition provides an excellent investment opportunity and further strengthens the Group's established presence in the property market in Shanghai.

The Directors (including the independent non-executive Directors) consider the terms of the Sale and Purchase Agreement are on normal commercial terms and fair and reasonable, and the Acquisition is in the interest of the Company and its Shareholders as a whole.

## **INFORMATION ON THE PARTIES TO THE SALE AND PURCHASE AGREEMENT**

The Buyer is a limited liability company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company, which is principally engaged in investment holding.

West Heaven, one of the Sellers, is a 75%:25% joint venture between Grosvenor Vega China Retail Fund L.P. and Bright East Enterprises Ltd. Grosvenor Vega China Retail Fund L.P. is managed by Grosvenor Vega Fund Management Limited, an affiliate of the Grosvenor Group, which is a limited liability company incorporated in the Cayman Islands.

Grosvenor Group is a privately-owned property company with limited liability and has offices in 19 of the world's most dynamic cities. The Grosvenor Group has regional investment and development businesses in Britain and Ireland, the Americas, Asia Pacific and Europe. Their international fund management business operates in Continental Europe and China. They also have indirect investments managed centrally.

Eagle Development, one of the Sellers controlled and managed by an individual who is an independent third party of the Company, is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

## **IMPLICATIONS OF THE ACQUISITION UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios exceed 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules is subject to the announcement requirement, but is exempt from the shareholders' approval requirement pursuant to Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions shall (unless the context otherwise requires) have the following meanings:

<b>Acquisition</b>	the sale and purchase of the Sale Shares as contemplated under the Sale and Purchase Agreement
<b>Board</b>	the board of Directors
<b>Buyer</b>	Spring Wisdom Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
<b>Company</b>	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)
<b>Completion</b>	the completion of the Acquisition subject to the terms and conditions of the Sale and Purchase Agreement
<b>Completion Date</b>	the date of Completion
<b>Director(s)</b>	the director(s) of the Company
<b>Eagle Development</b>	Eagle Development Holding Corporation, one of the Sellers, a company incorporated in the British Virgin Islands with limited liability

<b>Group</b>	the Company and its subsidiaries
<b>HK\$</b>	Hong Kong Dollar, the lawful currency of Hong Kong
<b>Hong Kong</b>	the Hong Kong Special Administrative Region of the PRC
<b>Listing Rules</b>	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>PRC</b>	The People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
<b>Purchase Price</b>	the purchase price for the Acquisition, which will be determined as set out in the paragraph headed “Consideration”
<b>RMB</b>	Renminbi, the lawful currency of the PRC
<b>Sale and Purchase Agreement</b>	the sale and purchase agreement dated 22 November 2016 entered into among the Buyer and the Sellers in respect of the Acquisition
<b>Sale Shares</b>	the entire issued share capital of the Target Company
<b>Sellers</b>	West Heaven and Eagle Development
<b>Shanghai Gao Xing</b>	Shanghai Gao Xing Real Estate Ltd (上海高星置業有限公司), a wholly-owned subsidiary of the Target Company established in the PRC which holds the entire interest in the Target Property
<b>Share(s)</b>	the ordinary share(s) in the issued share capital of the Company
<b>Shareholder(s)</b>	holder(s) of the Shares
<b>Stock Exchange</b>	The Stock Exchange of Hong Kong Limited
<b>Target Company</b>	Gain Success Limited, a company incorporated in Hong Kong with limited liability, which is owned as to approximately 80% and 20% respectively by West Heaven and Eagle Development as at the date of this announcement
<b>Target Group</b>	the Target Company and its subsidiary, namely Shanghai Gao Xing
<b>Target Property</b>	the retail property known as Parkside Plaza situated in Putuo District, Shanghai in the PRC
<b>West Heaven</b>	West Heaven Limited, one of the Sellers, a company incorporated in the Cayman Islands with limited liability
<b>%</b>	per cent

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

*Certain amounts and percentage figures set out in this announcement 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.*

By order of the Board  
**Joy City Property Limited**  
**Zhou Zheng**  
Chairman

The PRC, 22 November 2016

*As at the date of this announcement, the Board comprises Mr. ZHOU Zheng as the Executive Director; Mr. MA Jianping, Mr. MA Wangjun, Ms. JIANG Hua and Ms. WU Xiaohui as Non-executive Directors; and Mr. LAU Hon Chuen, Ambrose, GBS, JP, Mr. LAM Kin Ming, Lawrence and Mr. WU Kwok Cheung, MH as Independent Non-executive Directors.*