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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)

CONTINUING CONNECTED TRANSACTIONS RELATING TO THE FINANCIAL SERVICES AGREEMENT

SUMMARY

The Board announces that on 30 September 2016, the Company, COFCO Finance and the Management Company (a wholly-owned subsidiary of the Company) entered into the Financial Services Agreement, pursuant to which COFCO Finance shall provide the depository services and the entrustment loan services to the Group. The Financial Services Agreement shall be for a term commencing on the date of the agreement and ending on 31 December 2017.

LISTING RULES IMPLICATIONS

COFCO Finance is an indirectly wholly-owned subsidiary of COFCO Corporation, a controlling shareholder of the Company. Therefore, COFCO Finance is a connected person of the Company under the Listing Rules.

As certain applicable percentage ratios of the maximum daily balance of deposits under the depository services exceed 0.1% but are all below 5%, the depository services under the Financial Services Agreement are subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios for the annual handling fee to be charged by COFCO Finance for the entrustment loan services is less than 0.1%, the entrustment loan services under the Financial Services Agreement are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A the Listing Rules.

INTRODUCTION

The Board announces that on 30 September 2016, the Company, COFCO Finance and the Management Company entered into the Financial Services Agreement, to provide a more efficient employment of funds within the Group, to reduce the external loans of the Group effectively and to better facilitate intra-Group settlement services. Under the Financial Services Agreement, COFCO Finance shall provide the depository services and the entrustment loan services to the Group.

The principle terms of the Financial Services Agreement are as follows:

THE FINANCIAL SERVICES AGREEMENT

Date

30 September 2016

Parties

- (a) the Company;
- (b) the Management Company (a wholly-owned subsidiary of the Company); and
- (c) COFCO Finance.

Depository services

COFCO Finance will provide RMB depository services to the Management Company and certain subsidiaries of the Group which will participate in the Group's integrated funds management arrangements. For this purpose, the Management Company and the relevant subsidiaries will open and maintain RMB depository accounts with COFCO Finance.

The depository services provided by COFCO Finance to the Group and the Management Company are solely for the purpose of facilitating the entrustment loan services as described below. The title of the funds in respect of the entrustment loans pursuant to the Financial Services Agreement will be rested with the relevant subsidiary of the Group and will not be passed to COFCO Finance.

Entrustment loan services

- (a) Loan amount

To maximise the utilisation of the Group's fund for its operation, according to the Finance Service Agreement, certain subsidiaries of the Group may, through COFCO Finance, acting as a financial agent in an entrustment loan arrangement, advance entrustment loan to the Management Company in such amount and from time to time at the request of the Management Company. After such entrustment loan is advanced to the Management Company, the Management Company may, by way of further entrustment loan arrangements through COFCO Finance (or other qualified financial institutions), further advance such funds to certain of the Company's subsidiaries which are in need of fund. The Management Company acts as lender while COFCO Finance, which possesses the appropriate licence and qualification under the PRC laws, acts as financial agent in the entrustment loan arrangements.

As COFCO Finance is only acting as a financial agent in the entrustment loan arrangement(s) rather than as the lender, COFCO Finance shall not advance any entrustment loan as described

above to the Group's subsidiaries without the Management Company's instruction. By way of collecting and consolidating funds from certain subsidiaries of the Company, the Management Company would be able to allocate such centralised fund by the entrustment loan arrangements as described above among the Company's subsidiaries.

(b) Interest rate and implementation

Interest of the entrustment loan will be payable by the Management Company to subsidiaries of the Group which advanced the loan to the Management Company through COFCO Finance as the agent, to be determined by the Management Company with reference to the interest rates of PBOC and the prevailing market conditions.

(c) Purpose and benefits of the loans

As part of the integrated funds management of the Group, the Management Company will be collecting excess funds from certain subsidiaries of the Group and on-lend such funds to other subsidiaries which are in need of funds. Certain lending arrangements may be effected by way of entrustment loan through COFCO Finance which possesses the appropriate licence for lending in accordance with the requirements of the PRC laws. The Directors are of the view that the consolidation of the Group's intra-group depository and financing functions would enhance its treasury management capabilities and substantially, attaining a more effective utilisation of the available funds to reduce the Group's finance costs.

Charges

The depository services are provided by COFCO Finance on a free-of-charge basis, and as a financial institution which takes the deposits, COFCO Finance shall pay interests to the subsidiaries of the Group and the Management Company at such rate to be determined in accordance with the standard RMB deposit rates promulgated by the PBOC from time to time.

COFCO Finance will charge handling fees for the entrustment loan services provided to the Group, which are equal to or more favourable to the Group as compared with other independent financial institutions providing similar services.

Term

The Financial Services Agreement shall be for a term commencing on the date of the agreement and ending on 31 December 2017.

Set-off

If COFCO Finance is in breach of any provisions of the Financial Services Agreement or applies the funds deposited with it by the Management Company and the subsidiaries of the Company in inappropriate ways, which results in the Management Company and/or the subsidiaries of the Company fails to recover such deposit funds, the Management Company and the Company will be entitled to use such deposit funds to set off any amounts payable by the Management Company or the subsidiaries of the Company to COFCO Finance. COFCO Finance will not be entitled to such set off rights.

Termination

The Financial Services Agreement shall only be terminated by consent of all the parties.

In addition to the termination events provided by the Contract Laws of the PRC, the Financial Services Agreement will be terminated with immediate effect if COFCO Finance fails to satisfy any of the following operation conditions:

- (i) the capital adequacy ratio is not less than 12%;
- (ii) the non-performing assets ratio is not more than 2%;
- (iii) the bad loan ratio is not more than 3%;
- (iv) the self-owned fixed assets to equity ratio is not more than 10%; or
- (v) the investment balance to net capital ratio is not more than 70%.

Upon termination of the Financial Services Agreement, the Management Company and the subsidiaries of the Company may withdraw their respective deposit with COFCO Finance at any time, and will be entitled to the above-mentioned set off rights.

Implementation agreements

The Management Company, COFCO Finance and the respective subsidiaries of the Company may, from time to time and as necessary, enter into separate implementation agreements to effect the entrustment loans, provided that any such implementation agreement are entered into in accordance with the terms of the Financial Services Agreement and subject to the annual caps as determined by the Board.

PROPOSED ANNUAL CAPS AND BASIS

Depository services

The Board proposed that the maximum daily balance of deposits (including the corresponding interests accrued thereon) placed by the Group with COFCO Finance pursuant to the Financial Services Agreement shall not exceed RMB550 million (equivalent to approximately HK\$639 million) on any day throughout the term of the Financial Services Agreement.

In determining the above maximum daily balance of deposits as the proposed annual caps, the Company has taken into account the following factors:

- (i) the treasury management of the Company with regard to the business development plans and the financial needs of the Group;
- (ii) the expected amount of interest income from COFCO Finance compared with interest income that could otherwise be obtained by placing deposits with independent commercial banks;
- (iii) the control of financial risks in selecting financial services providers; and
- (iv) the benefit to the Group and the Shareholders as a whole.

Handling fee for the entrustment loan

The Board proposed that the aggregate annual handling fees charged by COFCO Finance for providing the entrustment loans to the Management Company under the Financial Services Agreement for each of the financing years ending 31 December 2016 and 31 December 2017 shall not exceed RMB5,000,000 (equivalent to approximately HK\$5,807,500).

In determining the above proposed annual caps for handling fees, the Company has taken into account the following factors:

- (i) the expected amount of handling fees to COFCO Finance compared with such fees that could otherwise be charged by independent commercial banks for entrustment loan services of similar nature and amount; and
- (ii) the treasury management of the Company with regard to the business development plans and the anticipated capital and financing needs of the Group for the two years ending 31 December 2017.

REASONS AND BENEFITS FOR THE FINANCIAL SERVICES AGREEMENT

Reasons and benefits

COFCO Finance is a non-banking financial institution subject to regulations by the PBOC and CBRC, and is authorised to provide various kinds of financial services to the Group, including deposit taking and entrustment loan services. The main reasons for and benefits of the Arrangements are as follows:

- (i) the use of COFCO Finance as a vehicle through which the funds of the Group, including the Management Company, would allow a more efficient deployment of funds between subsidiaries of the Company;
- (ii) the Arrangements would allow the greater utilisation of available funds, utilise the collected funds to repay the external commercial loans of the subsidiaries of the Company and optimise the efficiency of the Group's funds;
- (iii) the Arrangements would promote liquidity among the Group, including the Management Company, enhance the overall ability of the Group to repay debts, and assist in monitoring and controlling financial risks;
- (iv) the Arrangements would save financial costs, thereby increasing the profitability of the Group and benefitting the Shareholders, including the minority Shareholders;
- (v) the Arrangements would allow a prompt and accurate monitoring and regulation of the application of funds of the Group including the Management Company;
- (vi) COFCO Finance was established in 2002 with a complete corporate structure, and its internal control mechanism is standardised. Since its incorporation, COFCO Finance's operation has been stable, financial performance has been excellent and no violation of any rules has occurred;
- (vii) COFCO Finance has well established operating networks with seven major domestic banks, namely the Industrial and Commercial Bank of China, China Construction Bank, Bank of China, Agricultural Bank of China, China Merchants Bank, Bank of Communications and China

CITIC Bank and such network has become the necessary and efficient channel of collecting the funds of the subsidiaries of the Company;

- (viii) COFCO Finance has comparatively strong financing ability through credit lines of not less than RMB9 billion arranged with such domestic banks;
- (ix) the Company believes that COFCO Finance may provide more diversified and flexible financial services to the Group compared with a single or a small number of third-party commercial banks; and
- (x) the Company believes that the risk profile of COFCO Finance, as a financial services provider to the Group, is not greater than that of independent commercial banks in the PRC.

Risk management

In order to safeguard the interests of the Shareholders, the Group will adopt the following guidelines and principles in monitoring the Arrangements:

- (i) the title of the funds in respect of the entrustment loans pursuant to the Financial Services Agreement will not be passed to COFCO Finance;
- (ii) funds received by the Management Company pursuant to the Financial Services Agreement should only be applied for intra-Group use;
- (iii) specifically designated personnel from the Management Company will be responsible for and monitoring the daily operations under the Arrangements;
- (iv) specifically designated personnel from the finance department of the Company will be responsible for regular monitoring of the Arrangements, who will report to the general manager of the finance department and the management of the Company on a weekly basis;
- (v) the finance department of the Company will require COFCO Finance to appoint external auditors to examine the internal controls, risk management, completeness and impartiality of the operational system in respect of the Arrangements and to provide relevant risk management report on quarterly basis;
- (vi) under the relevant rules of the PBOC and CBRC, the clients of COFCO Finance are restricted to COFCO Corporation and COFCO Corporation's subsidiaries (including the Company and its subsidiaries). COFCO Finance is hence exposed to a lower level of potential risk than, if clients included, external entities;
- (vii) the Arrangements are non-exclusive, and the Company retains its own discretion in electing its provider for financial services;
- (viii) where COFCO Finance is in breach of any provisions of the Financial Services Agreement or applies the funds deposited with it in any an inappropriate ways which results in the Management Company and/or the subsidiaries of the Company fails to recover such deposit funds, the Management Company and the Company will be entitled to a set-off right against COFCO Finance as set out in the paragraph headed "Set-off" above;

- (ix) in addition to the termination events provided by the Contract Laws of the PRC, the Financial Services Agreement is subject to stricter termination events compared to normal CBRC requirements as set out in the paragraph headed “Termination” above; and
- (x) the Company will review the Arrangements and summarise the experience and supplement the inadequacies.

Guarantee letters from COFCO Corporation

To support COFCO Finance’s obligations under the Financial Services Agreement, COFCO Corporation issued a guarantee letter to the Management Company and the subsidiaries of the Company on 30 September 2016, which unconditionally and irrevocably guarantee that, during the term of the Financial Services Agreement and upon its renewal, COFCO Corporation will:

- (i) maintain its actual control of COFCO Finance, and guarantee the proper and orderly operation of COFCO Finance;
- (ii) in terms of financial services, use its best endeavors and take all reasonable steps to guarantee that COFCO Finance will perform its obligations in respect of the financial services contemplated under the Financial Services Agreement; and
- (iii) in case of extreme situation where COFCO Finance face difficulty in making payment, undertake to increase relevant capital in accordance with the actual need for payment.

Directors’ views

The Directors (including the independent non-executive Directors) are of the view that the Financial Services Agreement was entered into on normal commercial terms which are fair and reasonable and in the interests of the Shareholders as a whole, and that the annual caps mentioned above are fair and reasonable. The Arrangements are also in the ordinary and usual course of business of the Group.

None of the Directors was considered to have a material interest in the Financial Services Agreement under the Listing Rules, therefore no Director was required to abstain from voting on the resolution for approving the Financial Services Agreement and the transactions thereunder.

LISTING RULES IMPLICATIONS

COFCO Finance is an indirectly wholly-owned subsidiary of COFCO Corporation, a controlling shareholder of the Company. Therefore, COFCO Finance is a connected person of the Company under the Listing Rules. The depositary services and the entrustment loan services under the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios of the maximum daily balance of deposits under the depositary services exceed 0.1% but are all below 5%, the depositary services under the Financial Services Agreement are subject to the reporting and announcement requirements but is exempt from independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios for the annual handling fee to be charged by COFCO Finance for the entrustment loan services is less than 0.1%, the entrustment loan services under the Financial Services Agreement are exempt from the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A the Listing Rules.

INFORMATION ON THE PARTIES

The Company and the Group

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

The Management Company

The Management Company is a wholly-owned subsidiary of the Company which is primarily engaging in providing corporate management consultancy, business information consultancy, marketing and planning, technical advisory and services, to other subsidiaries of the Company.

COFCO Corporation

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

COFCO Finance

COFCO Finance is a non-bank finance subsidiary of COFCO Corporation established in the PRC on 24 September 2002 with approval of PBOC. It is subject to the supervision of the CBRC. According to its business licence, it is authorised to provide to the Group all services set out in the Financial Services Agreement. Such services include but not limited to (i) provide financial and financing consultation services, credit appraisal and relevant consulting services and agency business services; (ii) assist the Group to implement the payables and receivables of the transaction amounts; (iii) provide guarantees to the Group; (iv) conduct intra-Group transfer of settlement and other relevant settlements; and (v) provide loans and financing leases to the Group.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings.

“Arrangements”	the financial services arrangements and transactions under the Financial Services Agreement
“Board”	the board of directors of the Company
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“COFCO Corporation”	中糧集團有限公司 (COFCO Corporation), a state-owned enterprise incorporated in the PRC in September 1952 under the purview of State-owned Assets Supervision and Administration

	Commission of the State Council (國務院國有資產監督管理委員會), and a controlling shareholder holding 66.83% of interests in the Company
“COFCO Finance”	COFCO Finance Company Limited (中糧財務有限責任公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of COFCO Corporation
“Company”	Joy City Property Limited (大悅城地產有限公司), a company incorporated under the laws of Bermuda with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“Financial Services Agreement”	the financial services agreement dated 30 September 2016 entered into between the Company, the Management Company and COFCO Finance in relation to the financial services to be provided by COFCO Finance to the Management Company and the Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management Company”	大悅城商業管理（北京）有限公司 (Joy City Commercial Management (Beijing) Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“PBOC”	People’s Bank of China (中國人民銀行)
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

For the purpose of this announcement and for illustration only, the exchange rate of RMB1.00 = HK\$1.1615 has been used, where applicable. No representation is made that any amount has been, could have been or may be exchanged at such rate or any other rate or at all on the date or dates in question or any other date.

In this announcement, unless the context requires otherwise, the terms “connected person(s)”, “controlling shareholder(s)”, “percentage ratio” 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
Zhou Zheng
Chairman

The PRC, 30 September 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.