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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 PROVISION OF THE GUARANTEE**

### **PROVISION OF THE GUARANTEE**

The Board announces that on 26 June 2018 (after trading hours), the Company entered into the Investment Agreement, pursuant to which, amongst other terms, it agreed to guarantee the obligations of the Investment Company under the Investment Agreement and other relevant agreements in favour of the JV Partner and Shui On Development, subject to a maximum compensation amount of RMB3,000,000,000 in accordance with the terms of the Investment Agreement. As at the date of this announcement, the Investment Company is held as to 50% by the Company and 50% by the Investor (which is an Independent Third Party of the Company).

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the maximum compensation amount under the Guarantee exceeds 5% but are all less than 25%, the provision of the Guarantee constitutes a discloseable transaction of the Company pursuant to the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **BACKGROUND**

On 26 June 2018 (after trading hours), the Company, the Investment Company, the JV Partner and Shui On Development entered into the Investment Agreement in relation to, among other things, the acquisition by the Investment Company (as the purchaser) of 50% equity interest of the Project Company from the JV Partner. In connection with the aforesaid acquisition by the Investment Company and the joint holding and development of the land project held by the Project Company between the Investment Company and the JV Partner, the Company agreed to provide the Guarantee in favour of the JV Partner and Shui On Development to guarantee the obligations of the Investment Company under the Investment Agreement and other relevant agreements.

As at the date of this announcement, the Investment Company is held as to 50% by the Company and 50% by the Investor (which is an Independent Third Party of the Company), as such the Investment Company is not a subsidiary of the Company and an Independent Third Party of the Company.

## **PROVISION OF THE GUARANTEE**

The principal terms of the Guarantee under the Investment Agreement are summarised below:

### **Term and the maximum amount**

The Guarantee involves the Company guaranteeing all the obligations of the Investment Company under the Investment Agreement and other relevant agreements in favour of the JV Partner and Shui On Development, which shall be effective during the term of the Investment Agreement. Pursuant to the Investment Agreement, for the period up to 1 January 2020, the Guarantee is subject to a maximum compensation amount of RMB3,000,000,000 in accordance with the terms of the Investment Agreement.

For the period commencing 1 January 2020, the maximum compensation amount of RMB3,000,000,000 shall be subject to amicable and good faith negotiation and consultation among the parties to the Investment Agreement, upon which the parties shall, on or before 10 January 2020, enter into a written agreement to remove the maximum compensation amount of both the Guarantee and the guarantee provided by Shui On Development under the Investment Agreement. If the maximum amount of the Guarantee is so adjusted, the Company shall re-comply with the applicable Listing Rules in relation to the provision of financial assistance under Chapter 14 of the Listing Rules.

### **Consideration**

The Guarantee is provided in consideration of the JV Partner and Shui On Development transferring its 50% equity interest of the Project Company to the Investment Company, for forming a joint venture between the Investment Company and the JV Partner through their respective interest in the Project Company with an objective of cooperation and joint development of the land project held by the Project Company. In consideration of the Company providing the Guarantee, pursuant to the Investment Agreement, Shui On Development also provided a reciprocal guarantee for all the obligations of the JV Partner under the Investment Agreement and other relevant agreements in favour of the Company and the Investment Company. The Company will not receive any fee or commission for providing the Guarantee.

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

The Directors believe that the provision of the Guarantee will facilitate the formation of the joint venture in the Project Company between the Investment Company and the JV Partner, and the alliance between the Company and Shui On Land Limited as long term partners. As at the date of this announcement, the Project Company is an indirect wholly-owned subsidiary of Shui On Land Limited, a reputable property developer in the PRC which shares are listed on the Main Board of the Stock Exchange (stock code: 272). The Project Company holds two parcels of land located in Hongkou District, Shanghai, the PRC, which the JV Partner has agreed to jointly develop and share the relevant return with the Investment Company pursuant to the Investment Agreement. The Project Company is a single purpose joint venture company formed on an arm's length basis with the sole purpose of developing the two parcels of land held by it for sale, which is revenue in nature and in the ordinary course of business of the Group. The Investment Agreement will allow the Investment Company to leverage on the land resources of the JV Partner and Shui On Development's strong development capabilities, which will contribute return to the Investment Company and thus benefit the Company. The Investment Company is currently held as to 50% by the Company, hence it is in the interest of the Company to guarantee its performance and obligations under the Investment Agreement and other relevant agreements to the JV Partner and Shui On Development.

The Directors consider the terms of the Guarantee are entered into on normal commercial terms, and are fair and reasonable and in the interests of the Company and its 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.

### **The Investment Company**

The Investment Company is a company incorporated in the British Virgin Islands with limited liability. The Investment Company was formed as a joint venture on arm's length basis and on normal commercial terms between the Company and the Investor. The Investment Company was a single purpose joint venture company solely for the investment in the Project Company, which business is of revenue nature and in the ordinary and usual course of business of the Group. As at the date of this announcement, the Investment Company is held as to 50% by the Company and 50% by the Investor (which is an Independent Third Party of the Company), as such the Investment Company is not a subsidiary of the Company and an Independent Third Party of the Company.

### **Shui On Development, the JV Partner and the Project Company**

Shui On Development is an exempted company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of Shui On Land Limited, which shares are listed on the Main Board of the Stock Exchange (stock code: 272). Shui On Development is principally engaged in investment holding and debt financing.

The JV Partner is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investing and holding real estate projects. As at the date of this announcement, the JV Partner is a wholly-owned subsidiary of Shui On Development.

The Project Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in the development and investment of two parcels of land, namely Lots 1 and 7, of the Rui Hong Xin Cheng Project, with a site area of approximately 73,000 square meters, which are located at Plots 129 and 130, Jiaxing Road and Xingang Road Sub-districts, Hong Kou District, Shanghai, the PRC. As at the date of this announcement, the Project Company is a wholly-owned subsidiary of the JV Partner.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Investment Company, the Investor, Shui On Development, the JV Partner and the Project Company and their respective ultimate beneficial owners are Independent Third Parties of the Company.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the maximum compensation amount under the Guarantee exceeds 5% but are all less than 25%, the provision of the Guarantee constitutes a discloseable transaction of the Company pursuant to the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

|                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “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)                                                                                                                                                                                                                                                                                               |
| “Director(s)”                  | director(s) of the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| “Group”                        | the Company and its subsidiaries                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| “Guarantee”                    | the guarantee provided by the Company for the obligations of the Investment Company under the Investment Agreement and other relevant agreements, which is subject to a maximum compensation limit of RMB3,000,000,000 in accordance with the terms of the Investment Agreement                                                                                                                                                                                                      |
| “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                                                                                                                                                                                                                                                                                            |
| “Investment Agreement”         | the investment framework agreement (as amended or supplemented in writing from time to time, if any) entered into among the Company, the Investment Company, the JV Partner and Shui On Development on 26 June 2018 in relation to, among other things, the acquisition of 50% equity interest in the Project Company by the Investment Company, the formation of joint venture between the Investment Company and the JV Partner, and the provision of the Guarantee by the Company |
| “Investment Company”           | Hill Bloom Limited, a company incorporated in the British Virgin Islands with limited liability and is a joint venture formed and equally held between the Company and the Investor with the main purpose of holding the investment in the Project Company                                                                                                                                                                                                                           |
| “Investor”                     | the joint venture partner of the Company for the joint investment in the Investment Company, which is an Independent Third Party of the Company                                                                                                                                                                                                                                                                                                                                      |
| “JV Partner”                   | Rainbow Yield Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Shui On Development                                                                                                                                                                                                                                                                                                                  |
| “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                                                                                                                                                                                                                                                                                                                   |
| “Project Company”              | Colour Bridge Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the JV Partner as at the date of this announcement                                                                                                                                                                                                                                                                                      |
| “RMB”                          | Renminbi, the lawful currency of the PRC                                                                                                                                                                                                                                                                                                                                                                                                                                             |

|                       |                                                                                                                                                                    |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Shui On Development” | Shui On Development (Holding) Limited, an exempted company incorporated in the Cayman Islands with limited liability and an Independent Third Party of the Company |
| “Stock Exchange”      | The Stock Exchange of Hong Kong Limited                                                                                                                            |
| “%”                   | per cent.                                                                                                                                                          |

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

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

Hong Kong, 26 June 2018

*As at the date of this announcement, the Board comprises Mr. ZHOU Zheng (Chairman) and Mr. CAO Ronggen as executive Directors; Mr. JIANG Chao, Mr. ZENG Xianfeng and Mr. JIANG Yong 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.*