中粮
COFCO
自然之源 重塑你我

# JOY CITY PROPERTY LIMITED
# 大悅城地產有限公司

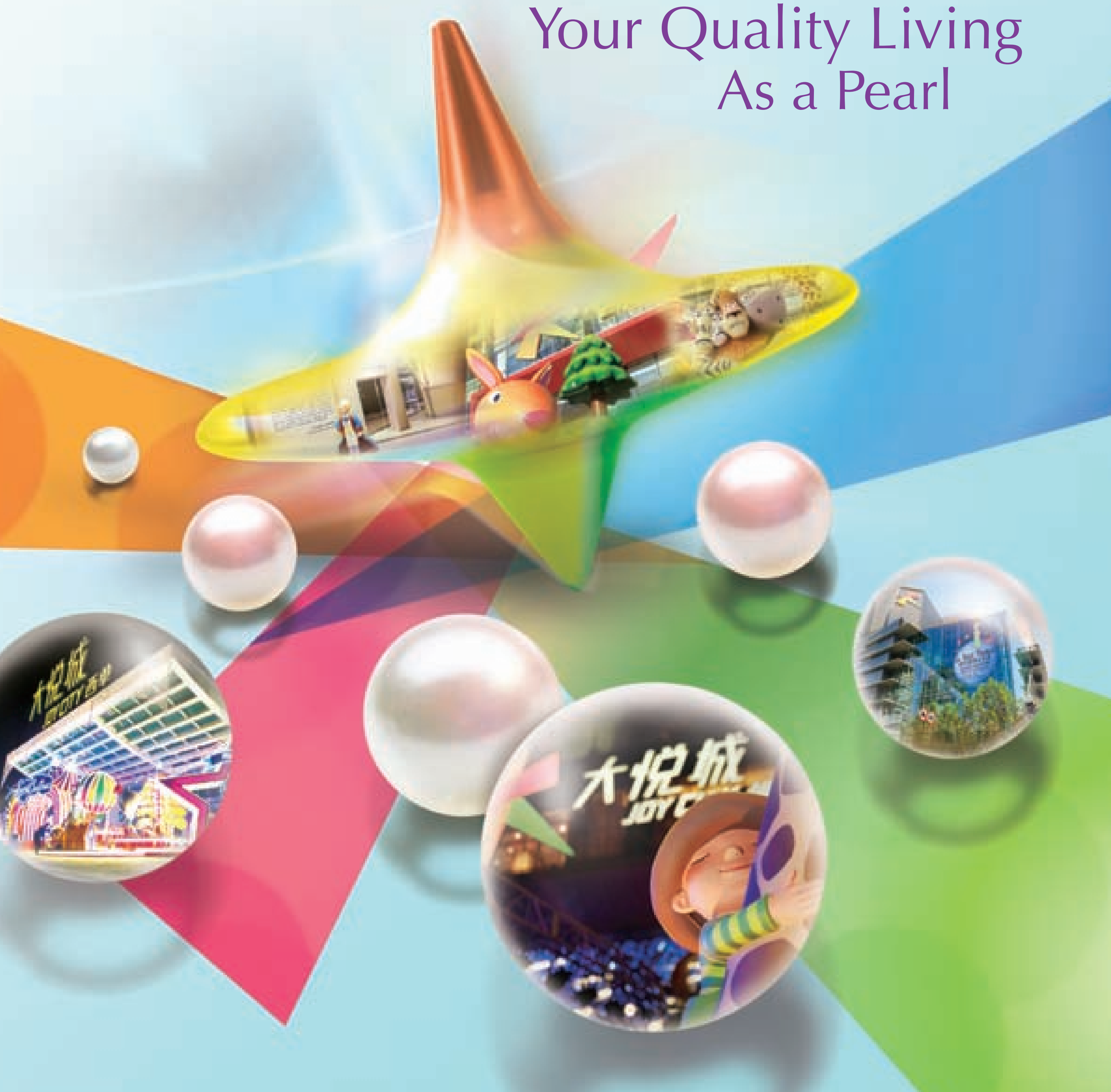
(incorporated in Bermuda with limited liability)

Stock Code:207

Annual Report 2014

Towards a Prosperous Future

## Your Quality Living As a Pearl



Integrity

Teamwork

Professional

Innovation

## Our missions

Contribute quality green living space and services, lead the trend of a fashionable lifestyle, in order to become a leader among real estate brands in the PRC with the most sustainable development capabilities.

## Our visions

Maximize the benefits of customers, shareholders and staff members whole-heartedly.

# Contents



6月10日
~7月10日
幾米完美小世界
My Little Perfect World
装置展
大悦城
JOY CITY 上海
MY LITTLE
PERFECT WORLD

# Company Profile

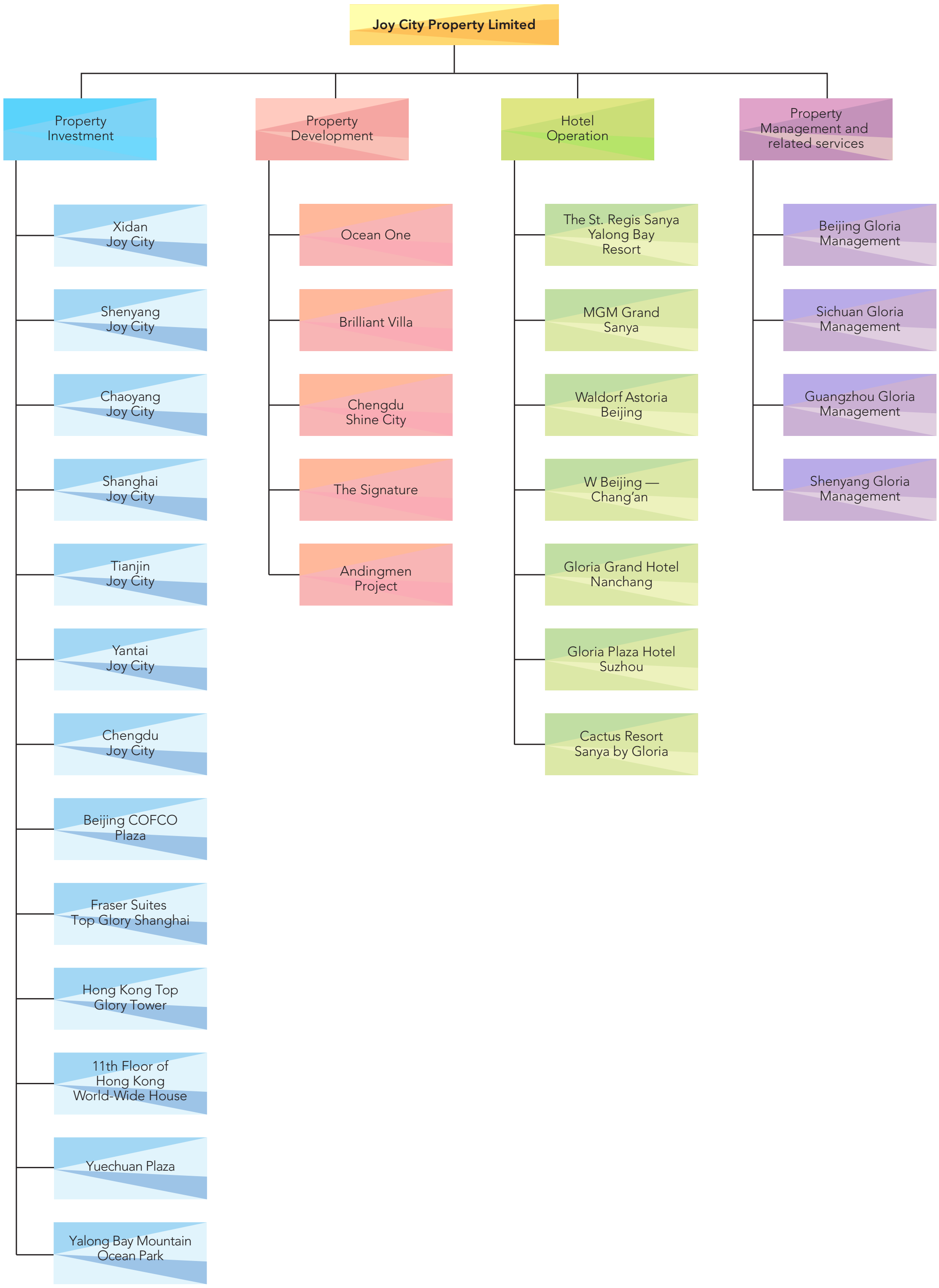
Joy City Property Limited (stock code: 207) is a leading commercial property developer and manager, focusing on the development, operation, sales, leasing and management of complexes and commercial properties in the PRC. COFCO Corporation, the ultimate controlling shareholder of Joy City Property Limited, is one of the 53 major state-owned enterprises under the administration of the Central Government of China, and has been selected as one of the Fortune Top 500 for more than 21 consecutive years. COFCO Corporation operates various businesses through its subsidiaries, which are leading enterprises in their respective industries and in which eight of the subsidiaries are listed in China or Hong Kong. COFCO Corporation is one of the 21 enterprises under the direct management of the central government with the approval of SASAC to engage primarily in the development, investment and management of real estate projects. Joy City Property Limited is the only platform for commercial property business of COFCO Corporation.

On 19 December 2013, the Company completed the acquisition of high quality and high-end properties from COFCO Corporation and completed the listing on the Main Board of the Hong Kong Stock Exchange. Further, the Company further completed the acquisition of 9 high-end property projects from COFCO Corporation on 4 December 2014. Such projects included six mixed-use Joy City complexes, and one commercial property project in Beijing and non-controlling interests in two property projects in Beijing and Shanghai. The Company was renamed from COFCO Land Holdings Limited to "Joy City Property Limited" with effect from 9 December 2014.

The Group mainly engages in the development, operation and management of mixed-use complexes under the brand of Joy City. It also engages in the development, sales, investment and management of other property projects. The Group has four business segments, namely investment properties, property development, hotel operation and property management and related services. As of 31 December 2014, the Group develops, holds and operates 25 property projects in eight cities, including Beijing, Shanghai, Tianjin, Sanya, Chengdu and Hong Kong. These projects include 6 Joy City complexes in 5 cities, namely Beijing, Shanghai, Tianjin, Shenyang and Yantai. The Group also has prime investment properties strategically located in first-tier cities, including Beijing COFCO Plaza and Hong Kong Top Glory Tower, as well as high quality properties held by the Group, namely Chengdu Shine City and The Signature in Sanya. The Group operates a number of international high-end luxury hotels, including Waldorf Astoria Beijing, W Beijing-Chang'an, The St. Regis Sanya Yalong Bay Resort and MGM Grand Sanya. These high quality property projects are strategically located in central districts of first or second-tier cities with good investment and appreciation potentials.

Looking forward, the Group will maintain the two-wheel-drive business strategy of "holding and selling properties". Leveraging on the great support of COFCO Corporation and the extensive experience of our management, the Group will grasp the investment opportunities in the changing property market of China for organic growth. The Group will enhance the competitiveness of its products and create value for its shareholders, customers and partners through asset structure optimization and asset quality improvement. The Group will persevere with the "young, fashionable, trendy and quality" brand spirit of Joy City to lead the trend of new city lifestyle of China. It is a mission of the Group to help the development of cities in China and become a leading complex and commercial property developer in the PRC.

# Major Business Structure



# Business Overview

(As of 31 December 2014)

## SUMMARY ON EACH PROJECT AND SEGMENT

| Category | | Projects |
|---|---|---|
| Investment Properties | Projects under construction and completed | Xidan Joy City, Shenyang Joy City, Chaoyang Joy City, Shanghai Joy City, Tianjin Joy City, Yantai Joy City, Chengdu Joy City, Beijing COFCO Plaza, Hong Kong Top Glory Tower, 11th Floor of Hong Kong World-Wide House, Fraser Suites Top Glory Shanghai, Yuenchuan Plaza, Yalong Bay Mountain Ocean Park |
| | Self-used properties | Ninghai Garden basement, Princess Palace I Clubhouse, Yalong Bay land for public facilities, Yalong Bay Administration Center |
| Property Development | Ocean One, Chengdu Shine City, The Signature, Brilliant Villa, Tianjin Joy City Mansion, the office buildings in Tianjin, Joy Street of Chengdu Joy City, the office buildings in Chengdu, Andingmen Project and Shanghai Joy City Phases 2 | |
| Hotel Operations | St. Regis Sanya Yalong Bay Resort, MGM Grand Sanya, Cactus Resort Sanya By Gloria, Waldorf Astoria Beijing, W Beijing-Chang'an, Gloria Plaza Hotel Suzhou, Gloria Grand Hotel Nanchang, Xidan Joy City Hotel | |
| Property Management and related services | Beijing Gloria Management, Sichuan Gloria Management, Guangzhou Gloria Management, Shenyang Gloria Management | |

## INVESTMENT PROPERTIES

| Name of Project | Address | Total Site Area | GFA | Intended Uses | Condition | Completion Date/Expected Completion Date | Rentable GFA | Effective Equity Attributable to the Group |
|---|---|---|---|---|---|---|---|---|
| Xidan Joy City | A 131 Xidan N St, Xicheng, Beijing, China | 14,541 | 185,654 | Complex | Operating | 2008 | 66,267 | 100% |
| Shenyang Joy City | Xiaodong Rd, Dadong District, Shenyang, Liaoning, China | 50,719 | 555,146 | Complex | Operating | 2011 | 121,643 | 100% |
| Chaoyang Joy City | 101 Chaoyang N Rd, Chaoyang, Beijing, China | 58,958 | 405,570 | Complex | Operating | 2010 | 112,538 | 90% |
| Shanghai Joy City | 166 Tibet N Rd, Zhabei District, Shanghai, China | 85,975 | 449,849 | Complex | Operating | 2011 (South tower of Phase I) 2015 (South tower of Phase II) | 94,721 | 100% |
| Tianjin Joy City | 2-6 Nanmen Outer St, Nankai District, Tianjin, China | 77,450 | 531,369 | Complex | Operating | 2012 | 83,965 | 100% |
| Yantai Joy City | 150 Beima Lu, Zhifu District, Yantai, Shandong, China | 40,762 | 219,964 | Complex | Operating | 2014 | 78,267 | 51% |

| Name of Project | Address | Total Site Area | GFA | Intended Uses | Condition | Completion Date/Expected Completion Date | Rentable GFA | Effective Equity Attributable to the Group |
|---|---|---|---|---|---|---|---|---|
| Chengdu Joy City | Joy Rd, Gaobei Village, Cuqiao, Wuhou District, Chengdu, Sichuan, China | 66,536 | 314,560 | Complex | Under construction | 2015 | 95,200 | 100% |
| Beijing COFCO Plaza | 8 Jianguomen Inner St, Chaoyang District, Beijing, China | 22,555 | 118,632 | Office & retail | Operating | 1996 | 107,743 | 100% |
| Yuechuan Plaza | Hedong Rd, Hedong District, Sanya, Hainan, China | 698 | 2,445 | Office | Self use | 1993 | 2,445 | 51% |
| Hong Kong Top Glory Tower | 262 Gloucester Rd, Causeway bay, Hong Kong SAR, China | 1,155 | 20,003 | Office & retail | Operating | 1993 | 15,738 | 100% |
| 11th Floor of Hong Kong World-Wide House | 19 Des Voeux Rd C, Hong Kong SAR, China | – | – | Office | Operating | 1981 | 1,309 | 100% |
| Fraser Suites Top Gory Shanghai | 600 Yincheng Middle Rd, Lujiazui Finance and Trade District, Pudong New District, Shanghai, China | 24,316 | 49,212 | Apartment | Operating | 2010 | 48,465 | 100% |
| Yalong Bay Mountain Ocean Park | Yalong Bay National Tourism and Resort District, Jiyang Town, Sanya, Hainan, China | 396,709 | 26,197 | Commercial | Under construction | 2015 | – | 51% |

## PROPERTY DEVELOPMENT

| Name of Project | Address | Total Site Area | GFA | Intended Uses | Condition | Completion Date/ Expected Completion Date | Operation Type | Effective Equity Attributable to the Group | Sold GFA | Unsold GFA |
|---|---|---|---|---|---|---|---|---|---|---|
| Ocean One | 600 Yincheng Middle Rd, Lujiazui Finance and Trade District, Pudong New District, Shanghai, China | 24,316 | 48,403 | Residential | Completed | 2010 | For sale | 100% | 43,078 | 5,325 |
| The Signature | Yalong Bay National Tourism and Resort District, Jiyang Town, Sanya, Hainan, China | 123,926 | 27,146 | Villa-styled apartment | Completed | 2011 | For sale | 41% | 22,688 | 4,458 |
| Chengdu Shine City | 2 Joy Rd, Gaobei Village, Cuqiao, Wuhou District, Chengdu, Sichuan, China | 88,832 | 326,530 | Residential and Commercial | Completed | 2014 | For sale | 30% | 190,403 | 120,680 |

| Name of Project | Address | Total Site Area | GFA | Intended Uses | Condition | Completion Date/ Expected Completion Date | Operation Type | Effective Equity Attributable to the Group | Sold GFA | Unsold GFA |
|---|---|---|---|---|---|---|---|---|---|---|
| Brilliant Villa | Yalong Bay National Tourism and Resort District, Jiyang Town, Sanya, Hainan, China | 224,384 | 116,596 | Residential | Under construction | 2015 | For sale | 41% | – | 78,712 |
| Tianjin Joy City Mansion | Junction of Nanmen Wai Main Street and Nanma Road, Tianjin, China | 32,630 | 151,520 | Residential | Occupied | 2012 | For sale | 100% | 99,248 | 14,086 |
| Joy Street of Chengdu Joy City | Joy Rd, Gaobei Village, Cuqiao, Wuhou District, Chengdu, Sichuan, China | 8,500 | 25,500 | Commercial | Under construction | 2012 | For sale | 100% | – | 24,803 |
| Office buildings in Tianjin | Junction of Nanmen Wai Main Street and Nanma Road, Tianjin, China | 44,820 | 82,322 | Commercial | Under construction | 2015 | For sale | 100% | – | 61,254 |
| Office buildings in Chengdu | Joy Rd, Gaobei Village, Cuqiao, Wuhou District, Chengdu, Sichuan, China | – | 10,770 | Commercial | Under construction | 2015 | For sale | 100% | – | 10,000 |
| Andingmen Project | 208 Anwai Avenue, Dongcheng District, Beijing, China | 13,030 | 102,390 | Commercial | Under construction | 2017 | For sale | 30% | – | 102,390 |
| Shanghai Joy City Phases 2 | 166 Tibet N. Rd, Zhabei District, Shanghai, China | 76,556 | 385,927 | Residential, commercial and apartment | Under construction | 2018 | For sale | 100% | – | 278,470 |

## HOTEL OPERATIONS

| Name of Project | Address | Total Site Area | GFA | Condition | Completion Date/ Expected Completion Date | Operation Type | No. of Guestroom | Effective Equity Attributable to the Group |
|---|---|---|---|---|---|---|---|---|
| The St. Regis Sanya Yalong Bay Resort | Yalong Bay National Tourism and Resort District (Gangcheng Rd) Jiyang Town, Sanya, Hainan, China | 204,032 | 90,869 | Operating | 2011 | Held | 373 guestrooms and 28 villa-styled suites | 51% |
| MGM Grand Sanya | Yalong Bay National Tourism and Resort District (Binhai Rd) Jiyang Town, Sanya, Hainan, China | 106,667 | 108,332 | Operating | 2011 | Held | 669 guestrooms and 6 villa rooms | 100% |

| Name of Project | Address | Total Site Area | GFA | Condition | Completion Date/ Expected Completion Date | Operation Type | No. of Guestroom | Effective Equity Attributable to the Group |
|---|---|---|---|---|---|---|---|---|
| Cactus Resort Sanya By Gloria | Yalong Bay National Tourism and Resort District (Longtan Rd) Jiyang Town, Sanya, Hainan, China | 90,012 | 38,500 | Operating | 1998 | Held | 563 guestrooms | 51% |
| Waldorf Astoria Beijing | 5 Jinyu Hutong, Dongcheng, Beijing, China | 6,149 | 44,180 | Operating | 2013 | Held | 171 guestrooms and 2 courtyard houses (including 1 Hutong guest room and 4 Hutong suites) | 51% |
| W Beijing-Chang'an | 2 Jianguomenan Avenue, Chaoyang, Beijing, China | 6,746 | 62,805 | Operating | 2014 | Held | 353 guestrooms | 100% |
| Gloria Grand Hotel Nanchang | 39 Yanjiang North Rd, Donghu District, Nanchang, Jiangxi, China | 4,050 | 37,329 | Operating | 1998 | Held | 327 guestrooms | 100% |
| Gloria Plaza Hotel Suzhou | 535 Ganjing East Rd, Pingjiang District, Suzhou, Jiangsu, China | 8,001 | 26,255 | Operating | 1997 | Held | 288 guestrooms | 100% |
| Xidan Joy City Hotel | B 131 Xidan N. St, Xicheng, Beijing, China | – | 32,885 | Operating | 2008 | Held | 300 guestrooms | 100% |

Note: The total site area of the Xidan Joy City Hotel is included in the Xidan Joy City complex.

# Major Events and Awards in 2014

## MAJOR EVENTS

### 21 February
Waldorf Astoria Beijing commenced operation

### 31 March
A ceremony for project commencement and signing of statement of responsibility for management of the targets of W Beijing-Chang'an was held

### 20 May
A ceremony for project commencement and brand promotion of Chengdu Joy City was held

### 26 June
A ceremony for project commencement and signing of statement of responsibility for management of the targets of Brilliant Villa was held

### 6 July
Yantai Joy City commenced operation

### 11 August
Sanya Yuesheng succeeded in the bid for the land use rights of the Land in Hongtang Bay Tourist Resort of Sanya.

### 1 October
Cheer Market of Tianjin Joy City was opened

### 26 October
Joy Street of Chengdu Joy City was opened for sale

### 27 October
The opening ceremony and press conference for the courtyard houses of Waldorf Astoria Beijing was held

### 1 November
W Beijing-Chang'an officially commenced operation

### 5 November
Waldorf Astoria Beijing provided hospitality to APEC guests

### 18 November
Issue of US$800 million guaranteed notes

### 4 December
Joy City Acquisition was completed

### 7 December
A topping out ceremony of Chengdu Joy City was held, and a press conference for the results of solicitation of tenants and mascot recruitment of Chengdu Joy City were held on the same date

### 9 December
The Company was renamed as Joy City Property Limited

### 9 December
Brilliant Villa was opened for sale

### 19 December
Innovative Art Themed Street Zone (顛覆藝術主題街區) of Tianjin Joy City was grandly opened

# Major Events and Awards in 2014

## AWARDS

The Company won the Golden Bauhinia Award of Securities in China for 2014 (2014年中國證券金紫荊獎)

The Company was named as the Most Valuable Commercial Property Enterprise in China for 2014 (2014年中國商業地產價值榜獎項)

The "3.8 Festival mobile payment" (3.8 節移動支付) of Joy City won the Gold Award of Shopping Mall in Asia-Pacific Region (亞太購物中心大獎金獎) by ICSC.

Joy 24 Hours Fashionable Walk of Joy City was granted the Outstanding Marketing Award of China (中國傑出行銷獎)

Joy City won the award of the Best O2O Example of Shopping Centre in China (中國購物中心最佳O2O案例獎)

Joy City won the award of the Premium Commercial Property Project of Catering Industry in China (中國餐飲業優選商業地產項目)

Xidan Joy City was named as the Top 10 Commercial Brand in Beijing (北京十大商業品牌)

Shenyang Joy City won the CCFA Golden Lily Award (CCFA金百合獎)

Chaoyang Joy City was awarded as the Project with Outstanding Contribution to Urban Development in China (中國城市貢獻榮譽獎)

Shanghai Joy City was awarded the Most Innovative Practices (最佳創新實踐獎) by Shanghai Shopping Centre Association for 2014

Tianjin Joy City was named as the Innovative and Motivated Shopping Centre (創新推動力購物中心獎)

Yantai Joy City received the Most Popular Shopping Centre Award (最受歡迎購物中心獎) for 2014

Chengdu Joy City was awarded the Potential Commercial Project of Chengdu for 2014 (2014年成都商業年度潛力項目獎)

The St. Regis Sanya Yalong Bay Resort was honored as the "Best Resort in China" of the "Golden Pillow" award for 2014

MGM Grand Sanya was honored as the Best Conference and Vacation Hotel (最佳會議度假酒店獎) of the 7th China Golden Chair Awards (第七屆中國金椅子獎) for 2014

Waldorf Astoria Beijing received the Gold Award of Asia Pacific Interior Design Awards (亞太區室內設計金獎)

W Beijing-Chang'an won the Annual Business Hotel Award

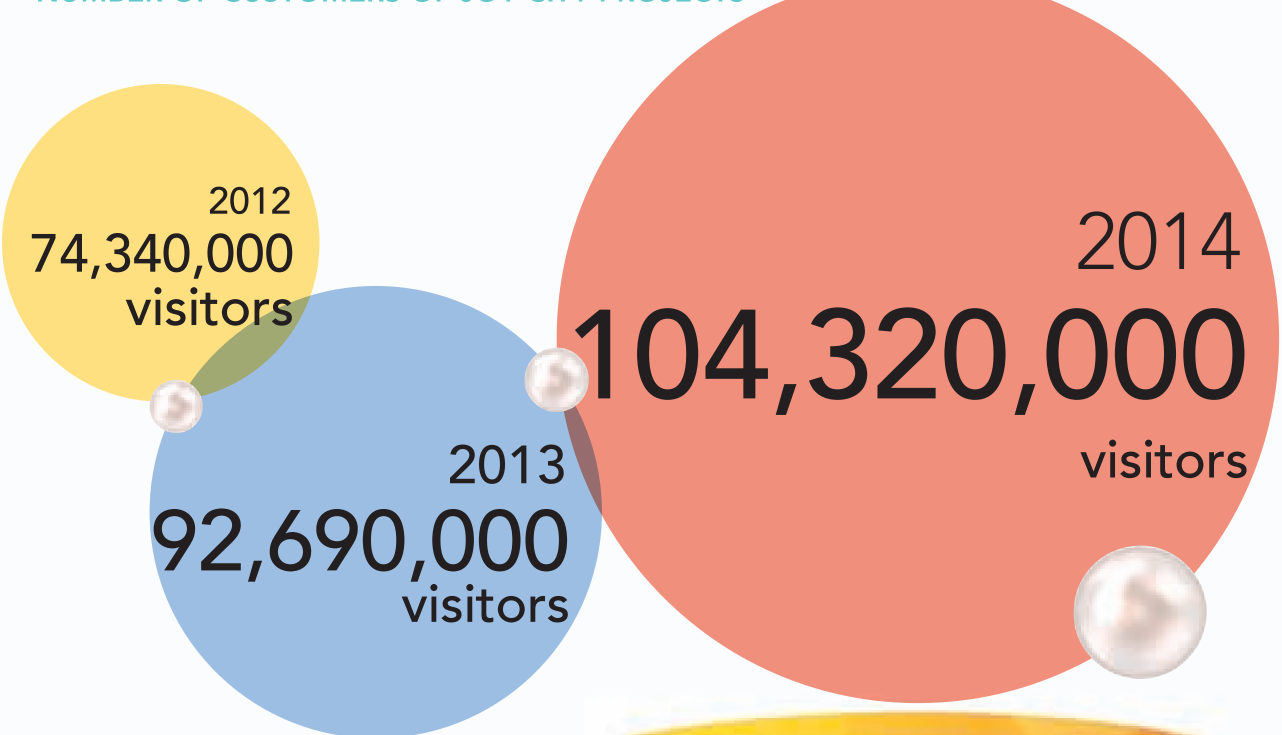
Beijing Gloria Management was named as the Top 100 Property Service Enterprises in China for 2014 (2014年中國物業服務百強企業) and the Top 10 Commercial Property Service Enterprises in China for 2014 (2014年中國商業物業服務TOP10企業)

## MAJOR DATA OF JOY CITY PROJECTS

| 2014 | Accumulated sales (in RMB ten thousand) | Increase compared to the corresponding period of last year (%) |
|---|---|---|
| Xidan Joy City | 360,138.10 | 2.50% |
| Shenyang Joy City | 88,045.10 | 38.00% |
| Chaoyang Joy City | 251,692.00 | 16.70% |
| Shanghai Joy City | 43,140.20 | 2.50% |
| Tianjin Joy City | 200,100.90 | 48.40% |
| Yantai Joy City | 24,171.90 | – |
| Total | 967,288.20 | 19.70% |

Note: Yantai Joy City commenced its operation on 6 July 2014.

## NUMBER OF CUSTOMERS OF JOY CITY PROJECTS

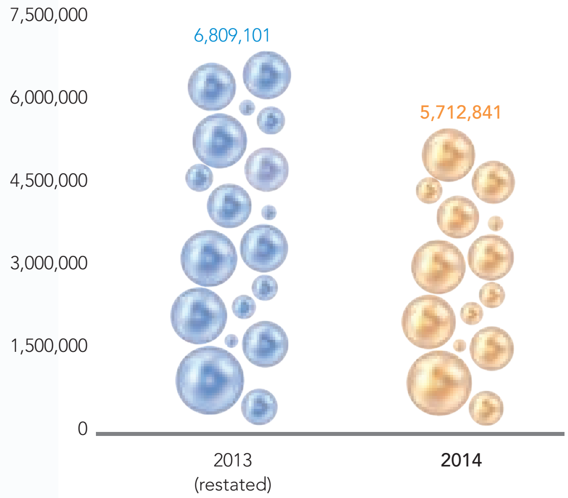


# Financial Highlights

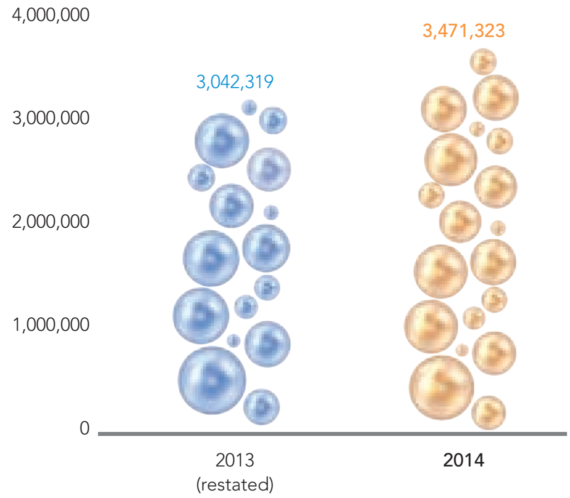
| Item | 2014<br>RMB'000 | 2013<br>(restated)<br>RMB'000 | Change<br>(%) |
|---|---|---|---|
| | **For the year ended 31 December** | | |
| Revenue | **5,712,841** | 6,809,101 | –16.1 |
| Includes: | | | |
| Gross rental income from investment properties | **2,008,659** | 1,694,259 | 18.6 |
| Property development | **2,020,641** | 3,650,070 | –44.6 |
| Hotel operations | **1,010,933** | 883,398 | 14.4 |
| Service income for primary land development | **220,877** | 116,712 | 89.2 |
| Property management and related services | **288,227** | 292,421 | –1.4 |
| Other property related service income | **163,504** | 172,241 | –5.1 |
| Gross profit | **3,394,792** | 3,670,710 | –7.5 |
| Gross profit margin (%) | **59.4** | 53.9 | – |
| Profit attributable to owners of the Company | **1,673,129** | 3,117,678 | –46.3 |
| Total assets | **65,081,301** | 61,772,051 | 5.4 |
| Equity attributable to owners of the Company | **19,716,539** | 25,588,872 | –22.9 |
| Basic earnings per share (RMB cent) | **16.8** | 51.3 | –67.3 |
| Net debt to total equity (%) | **54.7** | 32.5 | – |

Note: Net debt to total equity = (Interest bearing bank loans and other borrowings + Guaranteed Notes + borrowings from fellow subsidiaries and ultimate controlling shareholders – cash and bank balances – restricted bank deposits – pledged deposits)/total equity

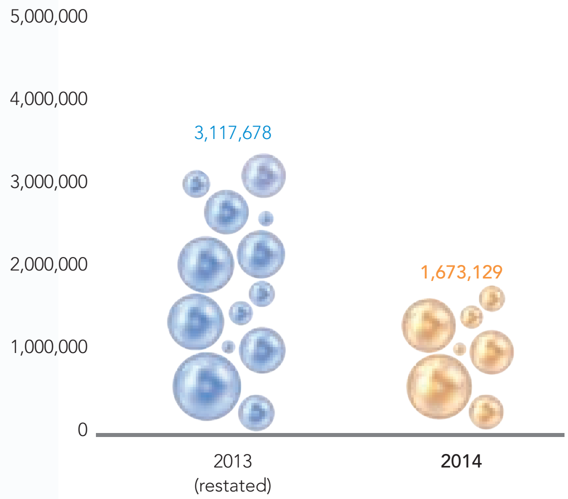
## Revenue
RMB'000



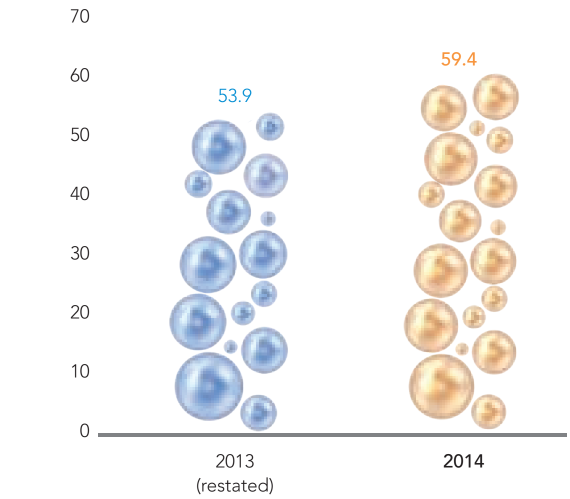

## Recurring Revenue
RMB'000




## Profit Attributable to owners of the Company
RMB'000

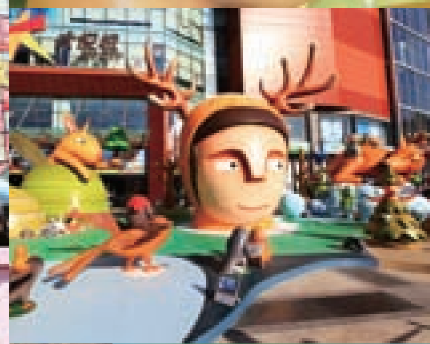


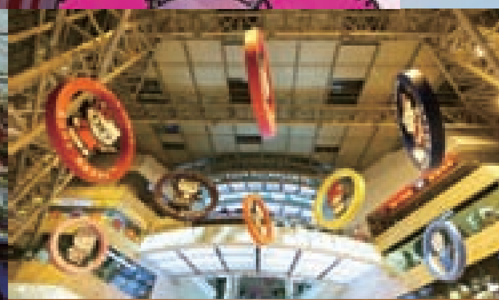

## Gross profit margin
%

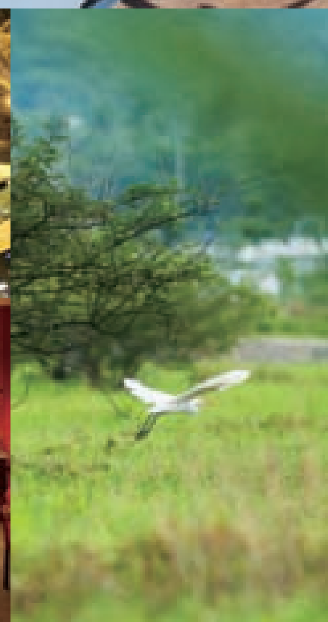


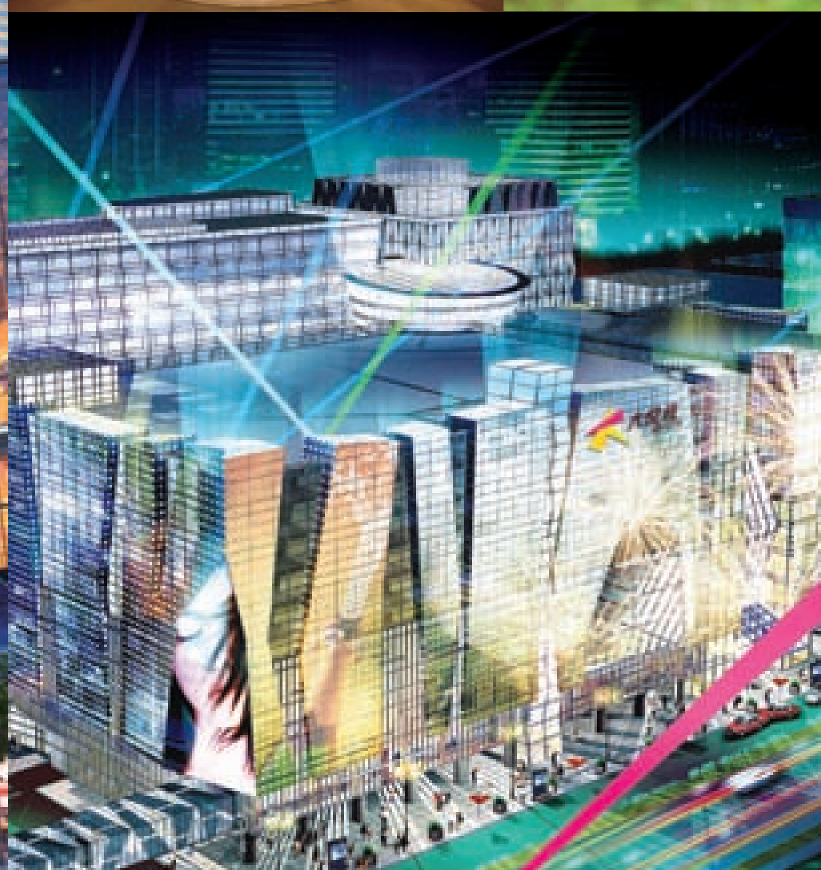

Note: Recurring revenue = gross rental income from investment properties + hotel operation income + property management and related services income + other property related services income


大悦城
JOY CITY

ANGRY BIRDS
SPACE






# BECOME a LEADER

among real estate brands in the PRC with sustainable development capabilities

# Chairman's Statement

Dear Shareholders,

I, on behalf of the Board, hereby present you with the annual results of the Group for the year ended 31 December 2014, and would like to express my appreciation for your great support over the year.

During the year, profits attributable to owners of the Company amounted to RMB1,673.1 million and earnings per share amounted to RMB0.168. The Board recommended the payment of a final dividend of HK$0.01 per share.

# Chairman's Statement

## REVIEW FOR 2014

In 2014, the general economic growth in China slowed down due to the austerity measures adopted by the central government of China to maintain steady economic growth and restructuring. With a 7.4% increase in GDP for the year, which is the lowest since 1990, China's economy is evolving with a new development trend. Mired in a tougher environment since 2008, the real estate industry maintained its meager growth while its contribution to China's GDP continued to drop. Coupled with greater market adjustment, competition of the industry intensified. With the new development trend of China's economy, the real estate industry of China was also in the face of a new development trend.

Under the new development trend, the real estate industry was characterised by stable growth, diversified adjustments and innovation. In particular, demand in the land market varied dramatically between cities. The demand of land in first-tier cities was still strong while the demand in second- and third-tier cities declined. Commercial properties market also experienced drastic changes. On one hand, directly affected by e-commerce, traditional operation mode of commercial property shifted to internet mode through innovation. On the other hand, due to the rapid development of commercial projects in the past few years, there was excessive number of similar commercial complexes and shopping centers in the first tier and second — and third tier cities. Projects faced intense competition in respect of quality and performance. Due to the significant decrease in transaction volume and prices of the residential market, inventory pressure in major cities as well as the extension of sales period, developers generally offered discounts to encourage sales volume and boost turnover. The supply and demand of office premises were strong in first-tier cities but were polarised among second-tier cities. Affected by government policies and the downturn of general economy, the high-end hotel market continued to experience challenging business operation. In face of unexpected challenges in the industry, real estate developers in the PRC have changed their strategies to focus on innovation and transformation in response to the ever-changing market environment.

In 2014, the management team of the Company was successful in meeting all the operating performance targets despite challenging external environment and pressure. The performance of property investment and hotel operation was particularly good and recorded significant growth in the relevant operating results.

**Investment Properties** — all Joy City projects achieved remarkable results in 2014 and successfully maintained two digit growth in sales. The excellent performance of Joy City demonstrated the proper positioning of the brand and the efforts of our team. The performance of the office of Beijing COFCO Plaza was good and secured its leading position in the region. Fraser Suites Top Glory Shanghai maintained its steady operating performance and good reputation in the high-end apartment market in Shanghai.

**Property Development** — Princess Palace III was sold out successfully. The sales of the Signature ranked first among villas with total sales of over RMB30 million in Hainan. Ocean One consolidated its leading position in the high-end market in Shanghai through enhancing its marketing. Joy Street of Chengdu Joy City and Brilliant Villa achieved remarkable results during their presales.

**Hotel Operation** — through effective revenue management and price sales strategy and improving management, the St. Regis Sanya Yalong Bay Resort and MGM Grand Sanya located in Sanya Yalong Bay recorded a significant growth in results, ranking top among the region. Waldorf Astoria Beijing attracted international delegations that featured heads of states and councils of APEC and ABAC. The marketing success of Waldorf Astoria Beijing represented its commitment to the legacy of Waldorf hotel services and boosted the steady growth of its market share. W Beijing-Chang'an, which marked its successful debut in 2014, received attention of the market in a short period of time. Over 200 corporate customers made reservation with the hotel two months upon the opening. The hotel received overwhelming market responses and set a stylish and dynamic model for the city.

**Property Management and Related Services** — the Group adhered to its customer-oriented strategy and placed emphasis on enhancing the quality of property management services. The Company was the first in the industry to issue the "Commercial Property Management Standardisation White Paper" (商業物業管理標準化白皮書), which is a set of commercial property management standards, in order to establish a model for the industry and enhance its brand value. Beijing Gloria Management, a subsidiary of the Company, was named again as one of "2014 Property Service Top 100 Enterprises" (2014年中國商業物業服務Top 10企業) and "2014 Commercial Property Management Top 10 Enterprises".

**Land Bank** — While valuing conventional development, the Group also reinforced unconventional practices of timely acquisition, cooperation and equity participation. It sought opportunities to attain land plots for high-quality complexes or land plots of mixed natures that include certain proportion for commercial use, with a view to further enriching its quality land bank.

In 2014, the Group acquired the C-06, C-07 and D-01 land parcels of Hong Tang Wan in Sanya, Hainan, with a total area of 149,785.58 sqm. As at 31 December 2014, the Group had an aggregate land reserve of approximately 900,000 sqm.

**Financial Capital** — the Group consistently implemented prudent financial policies. In 2014, in order to complete the Joy City Acquisition, the Group capitalized on overseas platform and issued Guaranteed Notes in the capital market in Hong Kong, which raised great attention of investors and recorded oversubscription. Upon the completion of the issuance of Guaranteed Notes and the Joy City Acquisition, the net interest-bearing debt to equity ratio increased slightly to 55%.

On 4 December 2014, the Joy City Acquisition was completed, marking the completion of the milestone integration of the commercial properties under COFCO Corporation. As a result, the Group enjoyed more reasonable allocation of resources and optimal asset portfolio and quality. The Group has become a unique commercial listed company featuring the urban complex mixed-use the brand of Joy City.

On 9 December 2014, the Company changed its name to "Joy City Property Limited", which better reflects the major operating business and focus of the Group. The name further underscores the clear positioning of Joy City's flagship brand and the aim of the Company to develop complex and commercial property projects.

## OUTLOOK FOR 2015

Looking to 2015 and beyond, the "Golden Age" of rapid growth of the real estate industry of China has passed and the industry will enter into the new normality with stable and reasonable development after market adjustments. Factors such as changing demographics, new urbanization initiatives and macro-economic growth will turn commercial properties that boot resident consumptions and residential property business that caters for the change in inelastic needs into the mainstream in the real estate market, which is in line with the strategy of introducing quality mainstream products to the mainstream customer segment of the Group. The Group remains confident in the real estate industry, especially in the long-term development of commercial properties.

In the future, the Group will strive to consolidate its leading position in mixed-use complex projects and commercial property development in China while further innovate and strengthen the flagship brand of Joy City. In 2015, adhering to its objectives to improve profits and maintain sustainable development by optimizing structure and refining management, it will exert effort to become the most sustainable real estate leading brand. In 2015, with the dedication and support by all members, the Group will strive to turn Joy City into a paradise.

**Zhou Zheng**
*Chairman*

Hong Kong, 30 March 2015



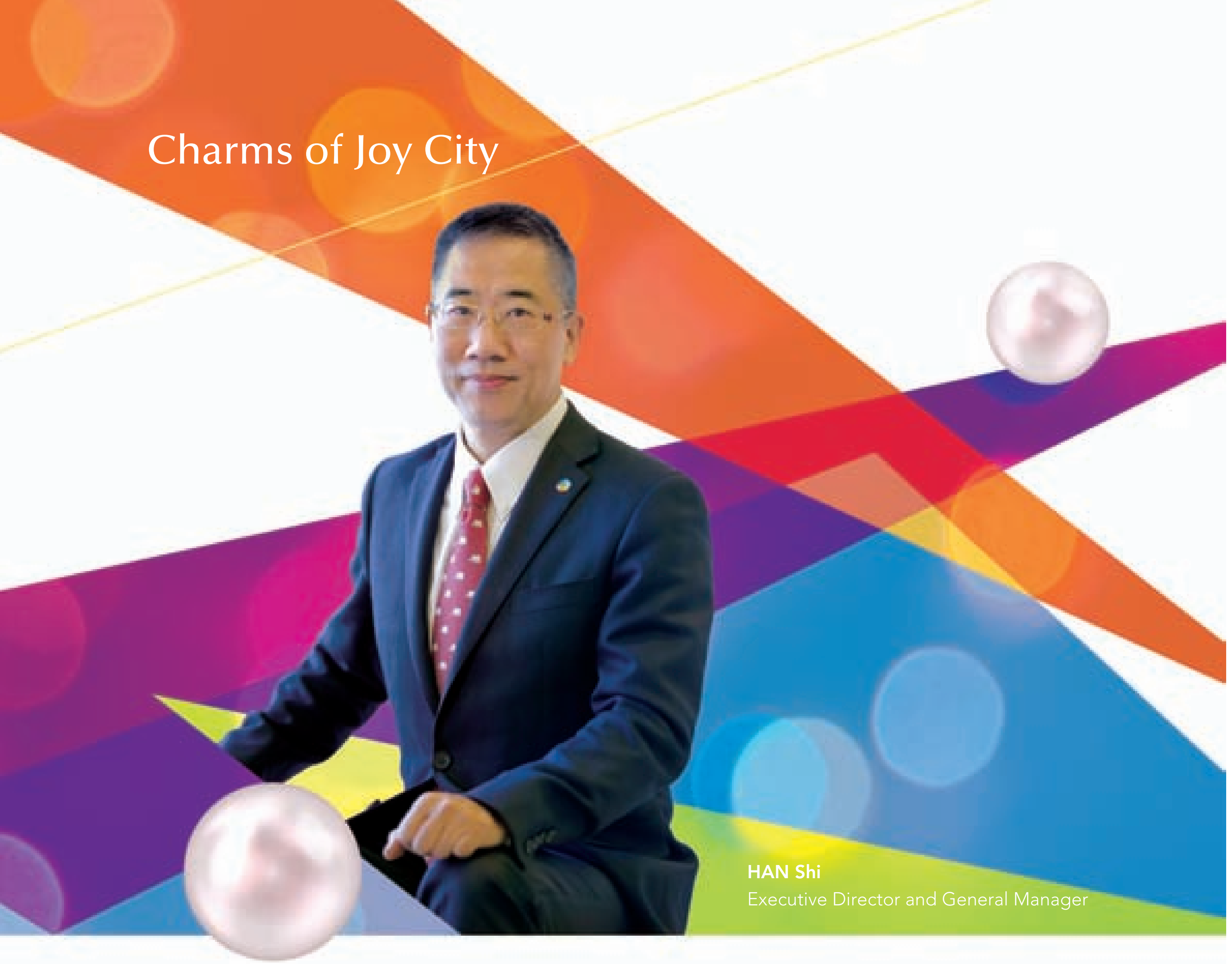







Towards a Prosperous Future
Your Quality Living
as a Pearl

# Charms of Joy City



**HAN Shi**
Executive Director and General Manager

A commercial complex represents the exploration of the diversity of urban life. Over eight years of development, Joy City has been devoted to realizing its goals of creating joy and happiness to people nearby to attract guests from afar. Throughout the scientific development cycle, Joy City has shifted its focus from project, industry, brand, and network development to advancements, management and explorations in recent years. With the synergy between various projects, Joy City no longer relies on the growth of individual projects, and its consolidated strengths in terms of products and brands continues to grow. Joy City has substantially evolved into a lifestyle center from a traditional commercial shopping center.

The Joy City brand is one of the most successful brands established by COFCO Corporation in recent years. Since its christening on 13 November 2006 by Ning Gaoning, the Chairman of COFCO Corporation, Joy City has established significant brand influence in major cities such as Beijing, Shanghai and Tianjin which formed its core value in just a couple of years. As the cooperation between Joy City and core tenants becomes more mature, the characteristics of the brand portfolio and core competitiveness of the professional team of Joy City have been manifested. Joy City has devoted great efforts in becoming a long-lasting brand.

Enhancement of innovation and efficiency is always the key to success in market competition. Endless innovation is the perpetual motion of Joy City to become a long-lasting brand. In addition to a shopping centre, Joy City is also a trendy brand to lead a healthy lifestyle for youngsters. In order to achieve this goal, continuous innovation and scientific management and operational approach which can lead the industry is the only way. In 2014, "Business Innovation" was the core theme of the development of Joy City. Through innovation and reform in products, services, data, marketing and culture, Joy City maintained sound growth momentum and reshaped urban lifestyle, marking a remarkable commercial success.

Joy City projects is the core of the two-wheels driving strategy of "holding and selling properties" of the Group. In 2014, the Group successfully completed the Joy City Acquisition and the Company was renamed as "Joy City Property Limited" on 9 December 2014. Such acquisition and renaming have enriched the property portfolio of the Company and enhanced the reputation of Joy City, turning the Group into a unique commercial property listed company under the brand of "Joy City" in the Hong Kong capital market and providing more opportunities for future capital operation.

Market competition is a long race without an end. In the future, adhering to the mission of building a long-lasting brand, we will continue to refine and reform our products, technology, management and teams in order to increase the core competitiveness of Joy City as a time-honored enterprise.

Joy City believes that adhering to our business philosophy to create value by satisfying customers' demands, keeping abreast of the market trend, operating in an efficient and scientific approach, and carrying out adjustments, improvements, refinements and reforms, corporate value of Joy City will achieve record high.

# Xidan Joy City

## Leading Fashionable Lifestyle Becoming Talk of the Town

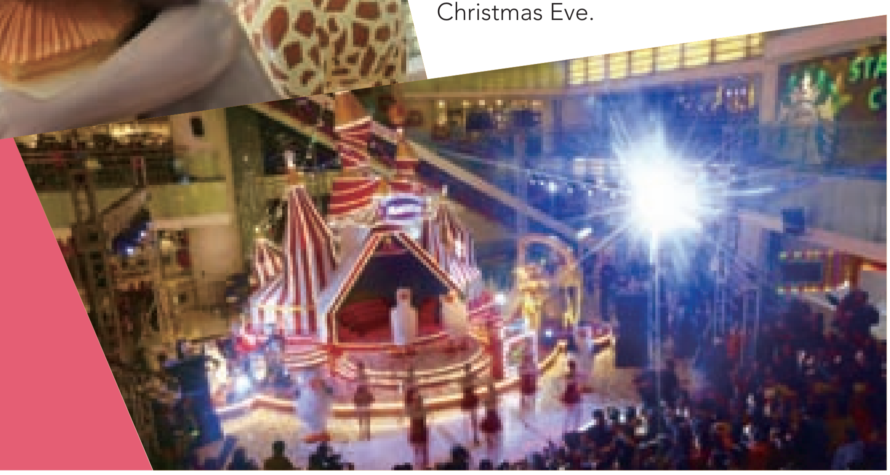
Innovation in marketing

### Highlights

2014 "Madagascar Christmas Carnival"(「馬達加斯加聖誕狂歡嘉年華」), jointly organised by Xidan Joy City and the Hollywood animation giant, had its lighting ceremony held at Christmas Eve, marking the official opening of the carnival. The large-scale "Madagascar" Christmas decoration has revealed itself for the first time in the mainland at Christmas Eve and greeted the chic public in Beijing. Moreover, metro line 4 and Joy City jointly introduced the first Christmas train to carry customers directly to Joy City.

### Achievements

Total visitors during Christmas reached 11.41 million, with 117,000 visitors and sales of RMB17.654 million at Christmas Eve.



# Shenyang Joy City

## Enriching culture of the city with creative display

Innovation in culture

### Highlights

Shenyang Joy City introduces various quality resources from first-tier cities to Shenyang and builds the image of Shenyang with numerous "new" and "exclusive" concepts, enabling consumers in Shenyang to experience the culture of innovation and art so as to cultivate their loyalty to the brand and form a quality customer base. In 2014, Shenyang Joy City cooperated with the top creative balloon decoration team in the world to hold a 4D balloon delicacy display, which was a successful marketing activity with cultural experience.

### Achievements

Consisting of 600,000 balloons, the 4D balloon display was set up by 30 staff with their hard work over five days and nights. The number of visitors in the first weekend after the launch of the display increased by 50% as compared with the prior week.

# Chaoyang Joy City

## Innovative O2O Platform

Innovation in data

### Highlights

The online platform provides closing loop of O2O transaction and comprehensive catering solutions through a wide range of services and functions. Shopping experience of consumers in the mall has been further enhanced through a variety of services and complete catering solutions including ordering dishes, positioning, take-away orders, queuing and payment.


### Achievements

Currently, over 30 restaurants in the mall have joined our O2O platform, forming a mobile product network including APPs, Wechat and touch-screen websites. On 11 November, we promoted the theme of "future commercial electronic appliance". In December, we entered into cooperation agreements with platforms such as Baidu Waimai (百度外賣), Taodiandain (淘點點) and Etaoshi(易淘食). It is the first tailor-made O2O platform in China, bringing an evident increase in online & offline sales in the mall. In recognition of these innovations, the Joy City brand was awarded the Best O2O Example of Shopping Centre in China for 2014 (2014年中國購物中心最佳O2O案例獎).

# Shanghai Joy City

## Enriching Urban Cultural Experience with Creative Exhibitions

Innovation in culture

### Highlights

Joy Space Art Exhibitions improves the number of customers for areas with low level of visitors through low-cost measures and enriches the artistic atmosphere of the shopping mall by integrating arts into our business. Our exhibitions focus on customers' experience to enhance consumers' satisfaction mentally. Sustainability is enhanced with flexible layouts.

### Achievements

Joy Space has held various arts exhibitions, such as the Joint Exhibition of New Chinese Illustrators (《中國新鋭插畫師聯展》) and the Exhibition of Excellent Artworks from Graduates of National Art Academies In China(《全國美術院校優秀畢業生作品展》) to enhance artistic atmosphere in the shopping mall and attract customers to visit areas with low level of visitors. It is also a good platform for young artists to show their talents to the public. Shanghai Joy City also raise the brand reputation of Joy City among students, young artists and arts lovers, nurture and explore potential customer base and accumulate resources and experience for the establishment of Easy Art Street, the second phase of the project.

# Tianjin Joy City

## Cheer Market — A Platform for Experience and Interaction

Innovation in products

### Highlights

Cheer Market represents a breakthrough of Tianjin Joy City against the homogenous competition with other shopping malls. It has created a new business mode, which is the first indoor shopping street in China with landscape as well as particular theme. It is popular with hipsters and media. All-round innovation concept: it has achieved innovation in various aspects including naming of zones, space design, software design, naming of streets, shop design and merchants marketing. "Shen Shou Si Street" (神獸寺街), Phase II of Cheer Market, is a fusion of movie, fantasy and surrealistic style featuring with the "Four Mascots of Tianjin". It is a creative surrealistic zone consisting of "Shen Shou Si" (神獸寺), virtual shops and antique graffiti.

### Achievements

There are 45 shops in total in Phases I and II of Cheer Market with a total operating area of 3,000 sq.m. The operating results for the first year of business was satisfactory with 8,000 visitors per day and over 15,000 visitors during weekends and holidays. Monthly sales for the first year amounted to RMB3,000/sq.m., overshooting the average level of the entire shopping mall by 30%. Based on the market and operation situations, it is expected that the monthly sales of the second year will be RMB5,000/sq.m., which will surpass the revenue level of comparable malls in the industry. The opening of Cheer Market has effectively increased the overall number of visitors and media exposure of the brand, leading to a growth in the number of visitors for the shopping mall by 10% and a growth in the number of customers aging 18 to 25 by 30%.

# Yantai Joy City

## "Joy" Services
Innovation in services

### Highlights

The "Joy Ladies" brand has been established since the opening of Yantai Joy City and enjoyed high reputation. Since the first day of business, "Joy Ladies", customer services employees of Yantai Joy City, has always been sensitive to customers' needs when they are on duty and dedicated to fulfill the needs immediately, so as to provide excellent mobile services to customers. During Christmas, New Year and Chinese New Year holidays, the "Joy Ladies" of Yantai Joy City set various game stalls for customers to play mini games. Customers breaking the record of "Joy Ladies" could get a tailor-made festival costume from the "Joy Ladies".



### Achievements

According to the marketing strategy of Joy City, Yantai Joy City provides excellent service to customers and promotes its brand through the "Joy Ladies". Visiting the teddy bears and challenging the "Joy Ladies" has become a hit in Yantai during festivals. This event has attracted a lot of customers and created a brand new recreational experience in Yantai.

# Chengdu Joy City

## Fusion of Nature and Shopping Centre

Innovation in products

### Highlights

Cooperating with RTKL, an internationally well-known architecture design company, we have built the first park that offers open space, entertainment and shopping experience in China based on the design of the internationally famous Jiuzhaigou Valley Scenic Area and Huanglong Scenic Area by combining nature and humanities and blending natural scenery with architecture. The overall landscape is comprised of the five theme plazas, gardens together with corridors. It is an environmental friendly and trendy architecture constructed of green materials.

### Achievements

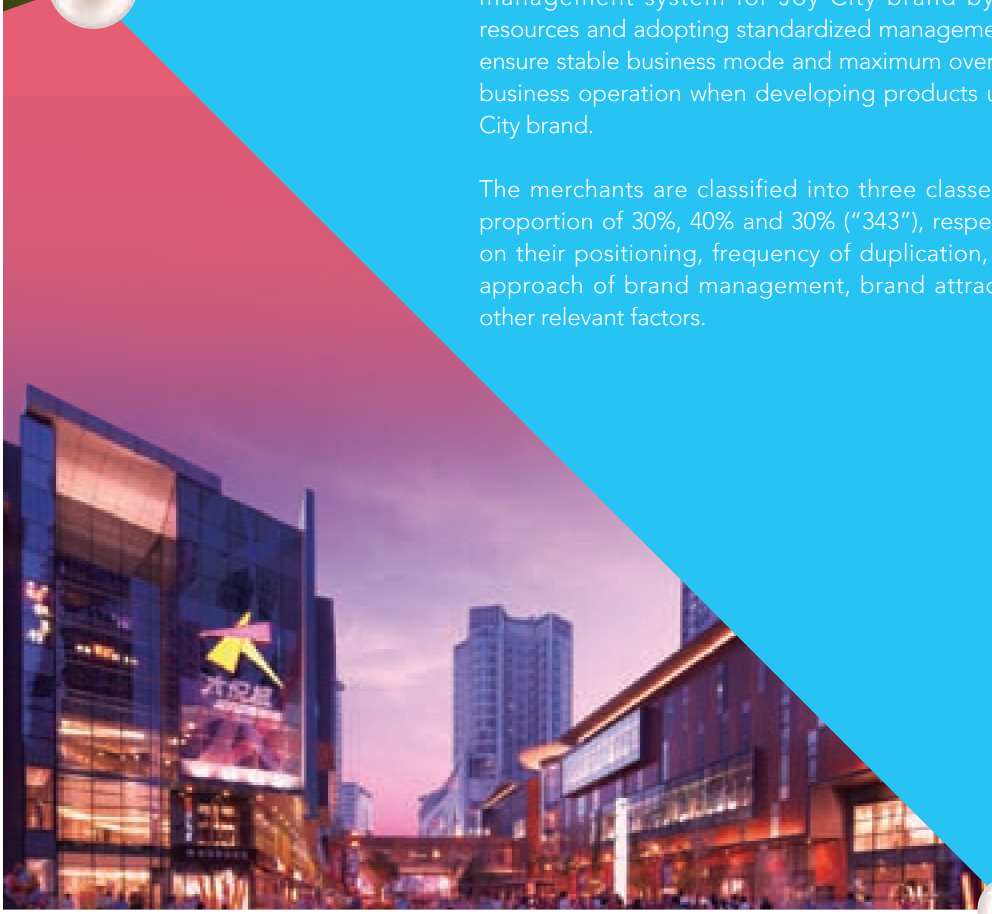
Inspired by Jiuzhai and Huanglong, Chengdu Joy City contains theme plazas of over 10,000 $m^2$ featuring different natural scenery, which are divided into zones with unique features. Coupled with green plants, waterscape, water effect and recreational facilities, visitors will find themselves in a park which allows large-scale commercial promotion activities to be held; Filled with romance and love, the plaza on the roof with the theme of wedding is the new hot spot for dating; The healthy and shining plaza is mainly for fitness, sports and spa. There is an outdoor interactive area which allows customers to be close to nature and enjoy the sunshine while doing sports; The theme street is designed with a pioneering and avant-garde style. It will be a stage for youngsters to enjoy nightlife and reveal their true self and personality.

# Management Strategies of Joy City Brand

## CLASSIFICATION MANAGEMENT SYSTEM OF JOY CITY 343 BRAND

In order to achieve economies of scale and maintain consistent and standard quality when developing products under the Joy City brand, the Group has formulated a classification management system for Joy City brand by integrating resources and adopting standardized management in order to ensure stable business mode and maximum overall benefits of business operation when developing products under the Joy City brand.

The merchants are classified into three classes based on a proportion of 30%, 40% and 30% ("343"), respectively, based on their positioning, frequency of duplication, contribution, approach of brand management, brand attractiveness and other relevant factors.



## Brands with strategic cooperation

# 30%

Brands which are consistent with the core positioning and brand portfolio of Joy City. Strategic cooperation has been formed.

## Brands with local characteristics

# 30%

Brands which allow Joy City to create own characters and a sense of novelty and promote integration of Joy City with local culture and feature.

## Brands recommended by headquarters

# 40%

A pool of brands with good cooperation relationship with Joy City and are recommended to all Joy City Projects. A relative large proportion of such brands may keep the flexibility and increase rental income of Joy City.

# Management Discussion and Analysis

## 1. MARKET REVIEW

In 2014, the central government of the PRC has emphasized that the PRC economy has been developing under a new trend. The economy showed a moderate growth with continuous refinement and upgrade of economic structure, which was driven by innovation instead of market factors and investment. Under such situation, the property market underwent significant change in 2014. In respect of policy, in response to the new development trend, the central government of the PRC managed the property market in response to the market trend with less administrative intervention. In respect of investment, the investment in the industry decreased significantly. With the increasingly intense competition, the industry has entered into a period of adjustment. In other words, the property industry in the PRC has been developing under a new trend. In the residential market, with the relaxation of administrative regulatory measures, market mechanism resumed its significant role. Lower prices and volume of the residential transactions posed greater pressures on most of commodity housing inventories in urban areas. The residential market focused on boosting transaction volume with high turnover rate at the expense of prices. Some of the real estate enterprises shifted their business development from residential properties to areas such as commercial properties, hotel accommodation and homes for the elderly. In addition, commercial properties market also experienced drastic changes. On one hand, directly affected by e-commerce, the traditional operation mode of commercial property shifted to internet mode through innovation. On the other hand, due to the rapid development of commercial projects in past few years, there was excessive number of similar commercial complexes and shopping centers in the first tier and second to third tier cities. Projects faced intense competition in respect of quality and performance. There were also huge differences in the supply and demand of office buildings among cities. Supply and demand were strong in first-tier cities, but in second-tier cities, the supply and demand were imbalanced. The anti-corruption policy and slower macro-economic growth of the PRC posed great pressure on the operation of high-end hotels. In response to the intense competition in the industry and complex and ever changing operation environment, the management of the Group focused on the uplift of ROE by refining the structure of assets and improving the quality of assets. The Group refined its structure and adopted delicacy management with an aim to enhance efficiency and create value. The Group was successful in meeting all the operating performance targets despite market pressure in four sectors, namely investment property, property development, hotel operation and property management and related services. The performance of property investment and hotel operation was particularly good and recorded significant growth in operating results.

## 2. BUSINESS REVIEW

Investment Properties — The investment properties of the Group are located in prime locations of first-tier and major second-tier cities in the PRC. With higher market recognition and brand reputation, these properties represent the core competitive edge of the Group. As of the end of 2014, the Group had six Joy City projects and four leased properties in Beijing, Shanghai and Hong Kong. Together with its projects under construction, such as Chengdu Joy City, its business scale continued to grow. Its extensive experience in investment property management over the years ensured stable enhancement in its operation efficiency. The total annual sales of six Joy City projects amounted to RMB9.673 billion, representing an increase of 19.72% as compared to the same period last year. Rental income amounted to RMB1.518 billion, representing an increase of 19.76% as compared to the same period last year. As a leading commercial property brand which strives for sustainable development in the PRC, the Group adheres to its prudent and sound principle in the development, positioning, design and operational details of each investment property. The Group also endeavored to provide optimal services for its customers and strategic partners in order to realize a win-win situation.

Property Development — The property development projects of the Group boasts unique and rare geographical resources and landscapes. During the year, the Group was committed to enhancing its high-end project quality and customer value experience. As a result, its products were well-received by the market. Located in Sanya, Hainan, The Signature is characterized by its spacious wood balcony which extends to the yard. With the introduction of the St. Regis Sanya Yalong Bay Resort and yacht club services, owners are able to enjoy customized services. Ocean One, which is situated at the prime location along Huangpu River, Shanghai, features high-end antiques, paintings and luxuries to create deluxe ambience for owners. During the year, the Joy Street of Chengdu Joy City and Brilliant Villa in Hainan, projects newly opened for sale, achieved remarkable results. During the year, sales revenue from property development of the Group amounted to RMB1,766 million.

Hotel Operation — The quality hotel properties of the Group are mainly located at the prime locations in the center of Beijing and Binhai district of Yalong Bay in Sanya. It engaged world-famous hotel management companies, such as Hilton, Starwood Group and MGM, and top hotel brands, such as Waldorf, St. Regis and W, for the initial planning of its projects and capitalized on their unique and excellent operation management expertise to ensure the professional operation of the Group in the hotel property industry. During the year, the hotel properties of the Group achieved satisfactory market performance in spite of huge operation pressure. St. Regis Sanya Yalong Bay Resort and MGM Grand Sanya which recorded higher growth rate in all of their results indicators have secured their leading position in the local market. Waldorf Astoria Beijing and W Beijing-Chang'an commenced operation on 21 February and 1 November 2014 respectively. Their uniqueness made them outstanding in the regional market and was soon well noticed and recognized within and outside the industry. They also won several awards and organized various major events.

Property Management and Related Services — The Group continued to pursue the industry benchmark of "exerting for excellence". It set the industry standards for commercial property management by releasing "COFCO Land Commercial Property Management Standardization White Paper" 《(中糧置地商業物業管理標準化白皮書》) jointly with the China Real Estate Top 10 Research Institute (中國房地產TOP 10研究組). It was the first in the industry to issue commercial property management standards with a view to establishing the industry rules for commercial property management, enhancing brand values and developing the "Commercial Property Management Demonstration Base in China" in the four well-established Joy City projects.

Land Bank — While valuing conventional development, the Group also reinforced its unconventional practices through timely acquisition, cooperation and equity participation. It sought opportunities to attain land plots for high-quality complexes or land plots of mixed natures that include certain proportion for commercial use, with a view to further enriching its quality land bank. In 2014, the Group acquired the C-06, C-07 and D-01 land parcels of Hongtang Bay in Sanya, Hainan, with a total area of 149,785.58 sqm. The Group has reserved undeveloped land use right for the gross area of approximately 558,500 sqm.

## 3. PROJECT DEVELOPMENT

### i. Investment Properties

# Xidan Joy City

Xidan Joy City is a mixed-use complex situated in the prime location of Xicheng District, Beijing. The project is approximately 200 meters away from Chang'an Street in the south and adjacent to Financial Street and commercial district in the north. Advantageously located, the project adjoins Xidan Station Line 1 and 4 of Beijing Subway and a number of bus stops.


## Trendsetter

Xidan Joy City is one of the most popular shopping centers in Beijing and attracts fashionable young people by bringing them fascinating shopping experience with anchor stores, including APPLE, ZARA, H&M and GAP. The sales volume of specialty stores of fashion brands in the shopping center, such as SEPHORA, MUJI, Ochirly and Teenie Weenie, ranked top among all stores of these brands in China.

## Vast variety of activities

Aiming to further improve its image and expand the brand advantage of Joy City, Xidan Joy City organized a number of promotion activities. Major promotion activities held during the year included "Queen from Star — 8 March Queen Festival of Xidan Joy City" (來自星星的女王特權 — 西單大悅城3.8女王節), "Super Power of Joy City Fans — The Amazing Spider-Man Exhibition" (悅粉都有超能力 — 超凡蜘蛛俠展), "The First Session of Golden Thumb Cup Mobile Game Competition of Xidan Joy City" (西單大悅城首屆金拇指杯手遊大賽), "I Wore a Red Scarf in Childhood — Transformer Exhibition" (童年模樣，我叫紅領巾 — 變形金剛電影主題展), "Lighting Ceremony of Christmas Lights" (聖誕景觀亮燈儀式) and "Christmas Carnival Xidan Joy City VS Madagascar" (西單大悅城VS馬達加斯加聖誕狂歡嘉年華). The activities kept up with the fashionable lifestyle of youngsters and setting the trend for different customer groups.


## Smart consumption

As a leading project in the commercial property industry in China, Xidan Joy City devoted itself to business exploration and innovation through adopting various optimization measures. Xidan Joy City cooperated with DropBeacon and established iBeacon system, allowing consumers to have a real time interaction with the shopping center at anytime based on the policy of precision marketing. Xidan Joy City also opened WeChat service account to provide consumers with numerous services, such as self-parking, ordering, shopping and reward program, and has become the first commercial project to feature WeChat Payment account in Beijing. During the year, the occupancy rate of Xidan Joy City Shopping Center reached 98.3%, contributing rental income of approximately RMB600 million. There were approximately 29.454 million consumers visiting the shopping center in the year, surpassing other commercial projects in the same commercial district to become the leader of the industry. The office premise and serviced apartments of Xidan Joy City maintained their sound operation through continuous adjustment of tenant and marketing strategies.

| | |
|---|---|
| Total site area | 14,541 sq meters |
| GFA | 185,654 sq meters |
| Leasable area (retail) | 52,625 sq meters |
| Leasable area (office) | 13,641 sq meters |
| GFA (11-storey services apartment) | 32,885 sq meters |
| Parking lots | Over 820 |

## Shenyang Joy City

Shenyang Joy City is located at the junction of Xiaodong Road and Dashenzi Street in Dadong District, Shenyang and is in the east of Shenyang Zhong Street, a popular commercial pedestrian street. Its location is right at the core of the local government construction project, "Golden Key" of Dongzhong Street. Shenyang Joy City is adjacent to Dongzhong Street Station of the Shenyang Metro and a number of bus stop with convenient transportation.

### Synergy of four wings

Shenyang Joy City comprises shopping center, residential apartments, car park and other recreational facilities. Shenyang Joy City consists of A, B, C, D wings and Wal-Mart Supermarket, which are connected by a commercial pedestrian street of 600 meters in length that adjoins Zhong Street. Shenyang Joy City is an international large shopping mall integrating shopping, dining, entertaining, culture and leisure into one. Stylish pedestrian street, modern metro hub and leading international shopping mall are the main features and highlights of the project.

### Significant uplift

Branding adjustment and upgrade of the project were carried out. Together with its promotion activities jointly organized with stores in the shopping center for special occasions, such as Valentine's Day and Labor Day, higher footfall of the shopping center was recorded, boosting sales volume and transaction volume. For instance, Shenyang Joy City cooperated with PoPoBoom, a top international balloon decoration team, and held "Gourmet Rhapsody" (美食狂想曲), a large 4D exhibition of balloon decoration with the theme of gourmet was well-received and the sales volume increased by approximately 40% during the activity.

During the year, the occupancy rate of Shenyang Joy City shopping center reached 86.1%, contributing rental income of approximately RMB130 million.

| | |
|---|---|
| Total site area | 50,719 sq meters |
| GFA | 555,146 sq meters |
| Leasable area | 121,643 sq meters |
| Parking lots | 997 |


## Chaoyang Joy City

Chaoyang Joy City is a mixed-use complex strategically located in central district of Chaoyang District, Beijing. It is approximately 5 kilometers away from Beijing CBD Commercial District and is surrounded by a number of high-end luxury apartments with a population of 2.5 million. The project boasts convenient transportation and is adjacent to Qingnian Road Station of Line 6 of the Beijing Subway and a number of bus stops.

### Landmark of East Beijing

Chaoyang Joy City has numerous anchor stores, including AEON Supermarket, Jinyi Cinema, GAP and ZARA, over 200 boutiques of famous fashionable brands and over 70 renowned restaurants, integrating shopping, dining, entertaining, culture, education and leisure into one. Chaoyang Joy City leads the fashionable lifestyle in East Beijing with its high-quality consumption environment.

### Perpetual innovation

Chaoyang Joy City attracted commercial and residential customers with high consumption power through its innovative consumption philosophy, diversified store portfolio, optimized tenant base and comfortable indoor environment. There were approximately 64,000 customers and 23.40 million customers visiting the shopping center daily on average and in the year respectively, demonstrating its strong market appeal. Innovative promotion activities held by The creative promotion campaigns of Chaoyang Joy City were well recognized by media, including "Jurassic" Asian 4D Balloon Festival ("奇幻侏羅紀"亞洲頂級4D主題氣球節), Aquarium Grand Sales (海洋悅購季), "100 Doraemon Secret Gadgets Exhibition" (100哆啦A夢秘密道具博覽) and large Christmas decoration with the theme of "Magical Journey in Freaky Forest" (怪誕森林奇遇記). These activities led the trend of interaction between new media and shopping center.

During the year, attributable to the adjustment and upgrading of marketing, brands, outlets, systems and footfall, the sales volume and rental of the shopping center showed a rapid growth. The occupancy rate of Chaoyang Joy City reached 97.7%, contributing rental income of approximately RMB420 million.

| | |
|---|---|
| Total site area | 58,958 sq meters |
| GFA | 405,570 sq meters |
| Leasable area (retail) | 112,538 sq meters |
| Parking lots | 1,800 |

## Shanghai Joy City

Shanghai Joy City is a mixed-use complex located at central district of Shanghai, Suhewan District, and is adjacent to the well-known commercial district on Nanjing Road East. Shanghai Joy City boasts convenient transportation and is linked with stations of Lines 8 and 12 of Shanghai Subway and a number of bus stops. Shanghai Joy City comprises shopping center, office and residential areas, serviced apartments and parking spaces. The project is developed in two phases. The south wing construction of the first phase was completed in May 2011. Comprising an 11-storey shopping center and basement for commercial use and over 400 parking spaces, it occupies a GFA of 63,922 sqm and has commenced operation. The north wing of the first phase comprises an 8-storey shopping center and over 200 parking spaces. The second phase comprises a skyscraper office building, a 3-storey serviced apartment building and a multiple-storey residential building, retail region, clubhouse and over 2,000 parking spaces. The second phase is currently under construction.

### Great place for dating

During the year, Shanghai Joy City attracted footfall by holding exhibition with the theme of special cultural topics. Shanghai Joy City organized "We are Le Petit Prince: Exhibition for the 50th Anniversary of the Establishment of Sino-French Diplomatic Relations"(我們都是小王子：中法建交50周年特展), "Exhibition of 111th Anniversary of Teddy Bear"(泰迪熊111周年紀念展)and "Exorcism" (捉妖記), a Chinese-haunted house for Halloween. With such popular activities for teenagers in Shanghai, Shanghai Joy City has become the first choice for dating and gathering.

| | |
|---|---|
| Total site area | 85,975 sq meters |
| GFA | 449,849 sq meters |
| Leasable area (opened) | 29,272 sq meters |
| Parking lots (opened) | 400 |


## Tianjin Joy City

Tianjin Joy City is a mixed-use complex located in Old Town, Nankai District, the central district of Tianjin, and has convenient transportation. Tianjin Joy City is located above Gulou Station of Line 2 of Tianjin Subway and is adjacent to stations of Line 1 of the Tianjin Subway and a number of bus stops.

The project comprises shopping center, office premises, quality residential apartments and serviced apartment. As of 31 December 2014, the construction of shopping center, residential apartments and serviced apartments was completed while the office premises were still under construction.

### Themed Street

During the year, Tianjin Joy City shopping center continuously organized innovative promotion activities with a view to positioning itself as an integrated services platform. It launched the trial of O2O mode and innovated its management incentive system. With these measures, Tianjin Joy City shopping center recorded a significant increase in its operation indicators. Cheer Market of Tianjin Joy City is the first indoor pedestrian street featuring Chinese literature and art to provide customers with a brand new and amazing shopping experience. Cheer Market has been upgraded to feature its Phase II, Shen Shou Si Street (神獸寺街).

### Online sales platform hitting record high

Customer were amazed with enhanced artistic and fashionable style of Cheer Market. "Crazy Shopping Festival" (瘋搶節) was highly popular in the market and the industry and has become the feature of Tianjin Joy City. Tianjin Joy City is not only a shopping center, but is also an efficient integrated online platform for sharing resources. "928 Joy City Crazy Shopping Festival III" (928大悅城瘋搶節第三季) attracted over 157,000 customers in a single day and contributed RMB150 million of sales volume, representing the highest record in terms of sales volume for a single day among all shopping centers in China. During the year, the occupancy rate of Tianjin Joy City reached 99% and the sales volume amounted to over RMB2,000 million. Tianjin Joy City attracted more than 18 million customers in the year and the rental income amounted to approximately RMB250 million.

| | |
|---|---|
| Total site area | 77,450 sq meters |
| GFA | 531,369 sq meters |
| Leasable area | 83,965 sq meters |
| Parking lots | 2,900 |

## Yantai Joy City

Yantai Joy City is in the northeast of the junction of Beima Road and Haigang Road of Zhifu District, Yantai and is the only commercial center in Yantai that enjoys the premium sea view. It is only a 5-minute drive from Yantai city center to Yantai Joy City. Adjacent to stations of Yantai Metro, train station of Yantai and a number of bus stops, Yantai Joy City is well located with convenient transportation.

Yantai Joy City is a complex comprising shopping center, residential apartments and recreational facilities.

### The opening brought joy to the city

Yantai Joy City shopping center opened on 6 July 2014. 60% of around 250 contracted brands entered the Yantai market for the first time. Yantai Joy City attracted 106,000 customers on the opening day and the sales volume reached RMB3.55 million with the number of members increasing by over 3,600 daily. Yantai Joy City attracted 1.1 million customers in a month after the opening and the number of members was over 80,000. Yantai Joy City shopping center sparked overwhelming responses in Yantai.

During the year, the occupancy rate of Yantai Joy City reached approximately 96%, contributing rental income of approximately RMB32.84 million.

| | |
|---|---|
| Total site area | 40,762 sq meters |
| GFA | 219,964 sq meters |
| Leasable area | 78,267 sq meters |
| Parking lots | 1,100 |



## Chengdu Joy City

Chengdu Joy City is located at 2.5 Ring in Wuhou District, Chengdu. Situated in the Outer Shuangnan luxury residential area, it is approximately 6.8 kilometers away from Tianfu Square in city center, which is part of an emerging commercial district in Chengdu. Chengdu Joy City comprises shopping center, a commercial district and office buildings.

Chengdu Joy City is expected to carry out trial operation at the end of 2015 and will position itself as a commercial complex that provides a variety of experiences and amenities combining dining, entertainment, shopping and leisure into one.

During the year, the main construction of the project is completed and 60% of contracted brands were well-known domestic and global anchor stores.

### Joy Park

Joy Park is based on the design of Jiuzhaigou Valley Scenic Area and Huanglong Scenic Area by blending natural scenery with architecture and has a perfect combination of entertainments and nature. It comprises 2 innovative separate buildings, 5 themed outdoor plazas, a 2,000 m corridor with a garden, a 30 m waterfall, a 300 sq m colorful atrium and a plaza with an exuberant garden engaging in various commercial activities, reflecting the trendy style of "Joy Park".

| | |
|---|---|
| Total site area | 66,536 sq meters |
| GFA | 314,560 sq meters |
| Leasable area | 95,200 sq meters |
| Parking lots | 1,908 |

## Beijing COFCO Plaza

Beijing COFCO Plaza is a complex located at central district of Beijing, comprising both office region and shopping center. COFCO Plaza adjoins Changan Street and is adjacent to Jianguomen Station and Beijing Station of the Beijing Subway. The project occupies a total site area of 22,555 sqm with a GFA of approximately 118,632 sqm, comprising one high-end shopping center, two Grade A office premises and over 300 parking spaces.

The office premises of Beijing COFCO Plaza, leveraging on its excellent geographical location, Beijing COFCO Plaza has attracted various domestic and overseas large-scale banks and enterprises. It has also become the first choice of office premises for domestic and overseas well-known financial enterprises in Beijing. These enterprises include global top 500 enterprises and financial companies, such as HSBC, P&G, IDG Capital Partners, Bosera Asset Management. Financial companies occupy over 50% of leasable area in total. During the year, the occupancy rate of office premises of COFCO Plaza reached approximately 88%, contributing rental income of approximately RMB170 million.

The shopping center of Beijing COFCO Plaza attracts numerous high-end furniture brands. Furniture brands account for 48.15% of all brands in COFCO Plaza, positioning COFCO plaza as a well-known luxury furniture center and the first choice for celebrities to purchase high-end furniture.


In order to enhance project image and occupancy rate, COFCO Plaza held various promotion activities and adopted various optimization measures. COFCO Plaza held a series of activities named "October Shopping Festival" (十月圍城) as well as promotion activities of office premises of COFCO Plaza. Leveraging on its geographical advantages, distinctive positioning and promotion activities, Beijing COFCO Plaza recorded excellent performance in rental income, rental growth and ancillary facilities and attracted high quality customers. During the year, the occupancy rate of COFCO Plaza reached 83%, contributing rental income of approximately RMB54.82 million.


## Fraser Suites Top Glory Shanghai

The project is located Lujiazui CBD in Pudong and along the Huangpu River, enjoying geographical advantages. The project is conveniently situated adjacent to Lujiazui Station of Line 2 of the metro, landmark commercial buildings and international shopping centers. Surrounded by stores of well-known brands and restaurants, the project is a top-grade high-end serviced apartment project in Shanghai.

The project consists of 3 serviced apartment buildings with a total of 185 rooms and over 300 parking spaces available for rent. With its prime location, luxury facilities and dedicated services, the project was honored as "China's Best High-end Serviced Apartment" of the 11th "Golden Pillow" award, the "Best Serviced Apartment in China" of the China Hotel Starlight Awards and the "Best Serviced Apartment in China" of the China Hotel Golden Horse Award in 2014.

During the year, the project achieved satisfactory operating results with an occupancy rate of 90% and an average rent of RMB1,914 per room per night, representing an increase of 3.1% as compared with the same period last year. The average rent of rentable rooms amounted to RMB1,721 per room per night, representing an increase of 1.65% as compared with the same period last year.

## Yalong Bay Mountain Ocean Park

Yalong Bay Mountain Ocean Park is located in the Yalong Bay National Tourism and Resort District. It is expected to consist of six themed park areas, offering activities such as butterfly watching, sightseeing, mountain trekking and water sports. The project occupies a total site area of 396,709 sqm with an expected GFA of approximately 26,197 sqm.

The construction of the project commenced on 13 September 2014. It is currently under construction.

## Hong Kong Top Glory Tower

Hong Kong Top Glory Tower is situated in Hong Kong's busiest commercial and business district — Causeway Bay, with a favorable geographical location. The famous Victoria Harbour is close by, providing fabulous harbour view at all times. It is also conveniently located for its proximity to the MTR routes no. 1 and 4.

Hong Kong Top Glory Tower occupies a total site area of 1,155 sqm with a leasable area of 15,738 sqm, including office and retail spaces. The 2,007 sqm parking garage contains 72 parking slots. The favorable location of Hong Kong Top Glory Tower makes it one of the top choices for offices for many internationally reputable companies. Its major clients include Amvig Investment Limited, Yongyou (Hong Kong) Company Ltd., Winners Products Engineering Limited and Scholastic Hong Kong Limited etc .

During the year, the combination of Hong Kong Top Glory Tower's favorable geographic location and pleasant office environment created good operating results in all aspects were achieved, with an occupancy rate of 91% and rent of approximately RMB64.01 million.

## 11th Floor of Hong Kong World-Wide House

The entire property of 11th Floor of Hong Kong World-Wide House is situated in a 27-storey commercial office building that was completed in 1981. 11th floor of World-Wide House is for rental purpose. The property has a saleable area of 1,309.38 sqm. The rental income was approximately RMB7.23 million during the year.


### ii. Property Development

## Ocean One

Situated in the CBD of Lujiazui in the Pudong new area of Shanghai, Ocean One is a first-class luxury residential project beside the Huangpu River. The project enjoys a view of the Huangpu River as well as the contemporary landmark in Shanghai such as the Oriental Pearl TV Tower and Jin Mao Tower. Surrounded by international financial institutions, this project is at a favorable geographical location.

The project comprises two luxury residential buildings with a total saleable area of 48,403 sqm. The project was developed by Shanghai Top Glory and its construction was completed at the end of 2012.

During the year, the contracted area of the project was 3,133 sqm and the contracted amount was approximately RMB393 million.

## The Signature

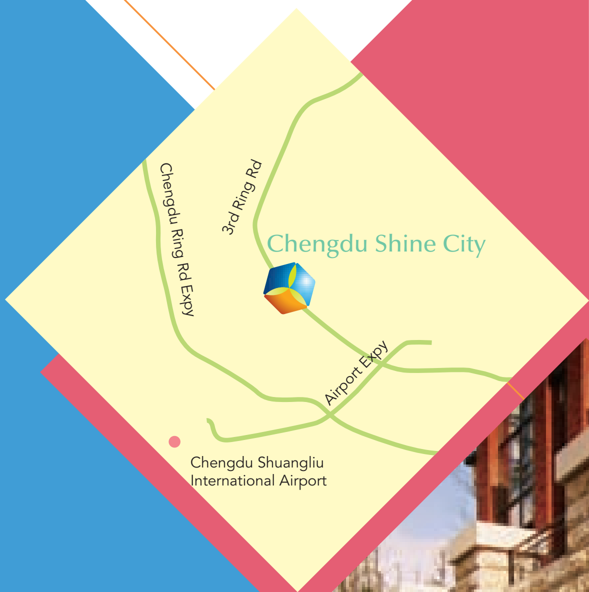
Situated in the St. Regis Sanya Yalong Bay Resort of Yalong Bay National Tourism and Resort District, The Signature, a top-notch coastal resort rarely found in China, enjoys the amazing views of Yalong Bay and the mangrove conservation area.

The project occupies a total site area of approximately 123,926 sqm with a saleable GFA of 27,146 sqm and 29 villa-styled apartments. The construction of the project was completed in 2011. Residents can enjoy and use the private beach of the St. Regis Sanya Yalong Bay Resort, as well as the high-end resort amenities including dozens of star-rated restaurants, two world-class golf clubs and Flowers Valley Shopping Centre. Residents can also enjoy personal butler services of the hotel and the professional services of Yalong Bay Yacht Club.

During the year, the contracted area of the project was 10,683 sqm with a contracted amount of approximately RMB615 million.

## Chengdu Shine City

The project is located at 2.5 Ring in the Wuhou District of Chengdu. Situated in the high-end residential area of external Shuangnan, the project is a major development area in Wuhou in the future. The project is conveniently located with a network of converging bus routes and metro lines, and a full support of commercial, educational and medical facilities, making it a congenial habitable community in the city.




The Company made a successful bid for the project lot in 2009. The project occupies a total site area of 88,832 sqm with saleable area of 311,083 sqm, comprising 3 Phases, of which Phase 1 and Phase 2 were completed in 2011 and 2012 respectively. Phase 3 comprises residential apartments and British Styled Commercial Street with its saleable GFA of 63,959 sqm.

During the year, the contracted area of 3 phases was 53,441 sqm and the contracted amount was RMB694 million.

## Chengdu Joy City • Joy Street

Joy Street is a pioneering brand-new product line of Chengdu Joy City in China and part of the saleable outdoor commercial district. Joy Street comprises three floors with a GFA of approximately 26,000 sqm. The theme of Joy Street is novelty, fashionable lifestyle and creativity.

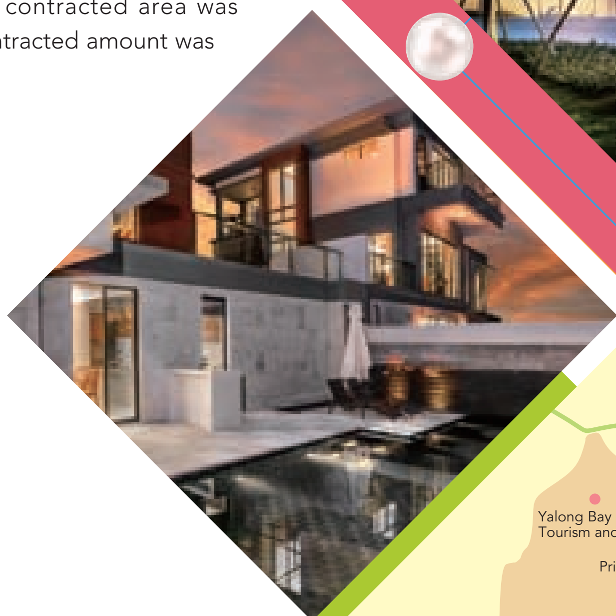
The project was opened for subscription on 26 October, 2014. The subscription amount within four hours of subscription was approximately RMB50 million. During the year, the contract amount was approximately RMB126 million.

## Brilliant Villa

The project is located at the central district of Yalong Bay, Sanya, set in the wonderful landscape of mangrove where water flows from the sea into the garden. Adjacent to Yalong Bay Golf Club and Sun Valley Golf Club, the project overlooks the splendid view of two golf courses. Also a feast to the eye is Yalong Bay Tropical Paradise Forest Park which is situated in close proximity to the project.

The project occupies a total site area of 220,000 sqm with a GFA of 117,000 sqm, comprising independent villas, terraced houses and boutique apartments and the first international exhibition center of Yalong Bay.

The project opened for sale on 9 December 2014 and recorded remarkable sales of RMB600 million on the opening day. During the year, the contracted area was approximately 4,144 sqm and the contracted amount was approximately RMB230 million.




### iii. Hotel Operation

## The St. Regis Sanya Yalong Bay Resort

The St. Regis Sanya Yalong Bay Resort is located in Yalong Bay National Tourism and Resort District in Sanya, Hainan, and is a first-class resort area in China. The resort is adjacent to golf club and mangrove conservation area. Meandering along the resort is an 800-meter long scenic coastal line. Operated and managed by Starwood Group, the resort occupies a total site area of approximately 204,032 sqm with a GFA of approximately 90,869 sqm and comprises 373 rooms and 28 villas.

The St. Regis Sanya Yalong Bay Resort is the first hotel that offers the exclusive St. Regis personal butler service to room guests in the island and is the only one in the island to provide yacht parking spaces of international standard. With an unprecedented passage for guests to land on the hotel directly from a yacht, the resort allows guests to enjoy the exclusive and luxury experiences of private parties on yachts, sunset cruises and romantic yacht wedding parties.

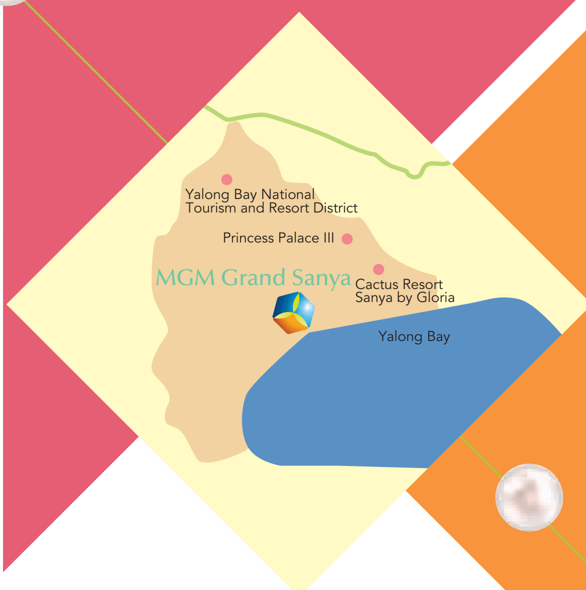
During the year, the average occupancy rate of the St. Regis Sanya Yalong Bay Resort was 69% and the average room rate was RMB2,345 per room per night. The average revenue per available room was RMB1,625 per room per night, representing an increase of 5% as compared with the same period last year and ranking second among its competitors. The resort was honored as the "Best Resort in China" of the "Golden Pillow for 2014" award.

## MGM Grand Sanya

MGM Grand Sanya is located in Yalong Bay National Tourism and Resort District in Sanya, Hainan, and is a first-class resort area in China with a total site area of approximately 106,667 sqm and a GFA of 108,332 sqm. The hotel comprises 675 rooms. Catering to different needs of its guests, the hotel also features 6 villas on the beachfront, 12 dining and entertainment facilities with various themes as well as high-end convention facilities with an area of over 4,000 sqm.

Since its commencement of operation, MGM Grand Sanya has positioned itself as family resort and large-scale convention in these three years. In 2014, the hotel served many prime ministers and presidents, and also organized various large-scale events, such as World Bridge Championships and World Series of Poker. The operation income and average revenue per available room of the hotel ranked first among all hotels in Yalong Bay. Its customer satisfaction, restaurant occupancy rate and other indicators also ranked top among all hotels on the island.

During the year, the average occupancy rate of MGM Grand Sanya was 67.4% and the average room rate was RMB1,632 per room per night. The average revenue of available room was RMB1,118, representing an increase of 13% as compared to the same period last year and ranking third among its competitors.




Leveraging on its unique operation philosophy and dedicated customer services, MGM Grand Sanya was honored "Best Conference and Vacation Hotel for the Year" Award ("年度最佳會議度假酒店"獎) of the 7th Golden Chair Award in 2014. In addition, MGM Grand Sanya was honored with various awards, including the "Best Resort in China" (中國最佳旅遊度假酒店獎) by the 9th China Hotel Starlight Awards" and the Top 10 Most Popular Hotels (十大最受歡迎酒店) by World Hotel Continental Diamond Awards.

## Waldorf Astoria Beijing

Waldorf Astoria Beijing is located in the prime area of the most famous Wangfujing commercial district in Beijing with a total site area of 6,149 sqm and a GFA of 44,180 sqm. It offers a total of 171 guest rooms and 2 luxury courtyards (consisting of 1 hutong guest room and 4 hutong suites). The hotel is under the operation and management of Hilton International Co., Ltd., a famous international hotel management company. Waldorf Astoria is a premium brand with over a hundred years of history under Hilton.

Since the trial run of Waldorf Astoria Beijing in November 2013, its quality products and high-end services have been well-received by its target customers and industry. The hotel successfully received celebrities from the political, commercial and entertainment industries, including the president of Israel, the president of Qatar, councils of APEC and ABAC, Li Ka-shing and Andy Lau. It hosted several press conferences of international luxury brands such as Cartier. Along with the successful introduction of Waldorf Astoria luxury courtyards, the hotel has become the best venue for holding business, recreational, entertainment, media and convention activities. Its average room rate was placed top 3 among hotels in Beijing and its customer satisfaction rate ranked top 5 among luxury hotels.


Waldorf Astoria won several awards in 2014 including the Gold Award of the 12th Session of Asia Pacific Interior Design Awards (第十二屆亞太區室內設計金獎) by the Hong Kong Interior Design Association.

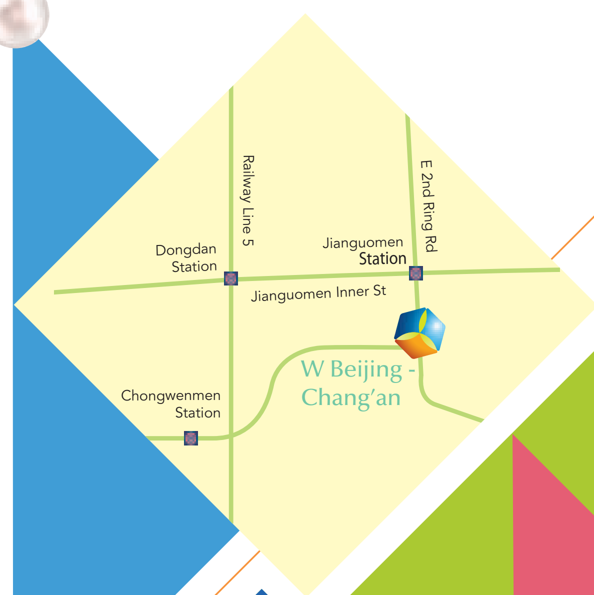
During the year, the average occupancy rate of Waldorf Astoria Beijing was 31% with an average room rate of RMB2,000 per room per night. The average revenue per available room was RMB620 per room per night, ranking top among its competitors.

## W Beijing-Chang'an

W Beijing-Chang'an is located in a commercial district surrounded by foreign embassies in the center of Beijing with a total site area of approximately 6,746 sqm, a GFA of approximately 62,805 sqm and a total of 353 guest rooms.

W Beijing-Chang'an is a luxury hotel operated and managed by Starwood Hotels and Resorts Worldwide, Inc. It has received lots of attention in the industry and market since its opening. Within two months of opening, it has entered into agreements with over 200 companies and managed to organise commercial annual activities of companies, such as HP and Apple, and celebrity events featuring Nicholas Tse, Miriam Yeung, Yuanyuan Gao, Yu Quan and Jolin Tsai.

W Beijing-Chang'an won the "Annual Business Hotel Award" in the 9th China Tourism Golden Awards by National Geographic Traveler Magazine China. Its Chinese restaurant, Yen, was awarded "The Best New Restaurant of Golden Fork Restaurant Awards 2014" by That's Beijing magazine.




## 4. LAND BANK

During the year, the Group newly acquired one land parcel for its land reserve with a GFA of 149,786 sqm. It is located in Hong Tang Wan Tourist Resort District of Sanya for residential and commercial uses and the consideration was approximately RMB845 million, which is equivalent to a floor area price of approximately RMB5,104/sqm. The newly acquired land reserve is held as to 100% by the Group for consolidating its leading position in the Sanya market.

In 2015, adhering to its guiding strategy and principle of stringent risk control, the Group will strive for development in strategic areas of core cities. It will take initiatives to strengthen communication with government and capitalize on the overall advantages of COFCO. Together with its active participation in public auctions and exploration of different modes for acquisition and equity cooperation, the Group will adopt diversified approaches to increase its land reserve and tactfully acquire land at lower cost. On the condition that financial soundness is guaranteed, the Group plans to acquire additional land reserves in 2015 prudently with an aim to maintain sufficient land reserves for project development in the coming 3 to 5 years.

## 5. FINANCIAL REVIEW

### Company's Overall Performance Review

On 4 December 2014, the Group completed the Joy City Acquisition. As the Company and the Joy City Projects acquired by the Company came under common control of COFCO Corporation and COFCO Corporation continued to control such companies after completion of the Joy City Acquisition, the Joy City Acquisition was deemed as a combination of businesses under common control and accounted for under merger basis. Therefore, the financial information for 2013 shall be restated. The operation income of the Group for 2014 amounted to RMB5,712.8 million (2013: RMB6,809.1 million). The profit for the year amounted to RMB1,947.3 million (2013: RMB3,543.2 million), representing a decrease of 45.0% as compared to the previous year. The profit attributable to the owners of the Company amounted to RMB1,673.1 million (2013: RMB3,117.7 million), representing a decrease of 46.3% over the previous year. Basis earning per share amounted to RMB0.168 (2013: RMB0.513).

### Revenue

For the year ended 31 December 2014, the Group's revenue amounted to RMB5,712.8 million, representing a drop of 16.1% as compared to RMB6,809.1 million for 2013.

| Revenue by Business Segments | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2014** | | 2013 (restated) | | |
| | **RMB'000** | **Percentage of total revenue (%)** | RMB'000 | Percentage of total revenue (%) | **Annual change (%)** |
| Property Investment | **2,008,659** | **35.2** | 1,694,259 | 24.9 | 18.6 |
| Property and land development | **2,241,518** | **39.2** | 3,766,782 | 55.3 | –40.5 |
| Hotel operations | **1,010,933** | **17.7** | 883,398 | 13.0 | 14.4 |
| Property management and related services | **451,731** | **7.9** | 464,662 | 6.8 | –2.8 |
| Total | **5,712,841** | **100.0** | 6,809,101 | 100.0 | –16.1 |

For the year ended 31 December 2014, the Group's rental income from investment properties accounted for 35.2% to the total revenue, representing an increase of 18.6% as compared to that in 2013, mainly attributable to the rapid increase in rental income from Chaoyang Joy City, Tianjin Joy City and Shenyang Joy City through innovating and optimising business mix and tenancy structure with annual rental income increasing by over 20%. Xidan Joy City, which is a mature property project, maintained its steady growth of over 10%. The development of Yantai Joy City also contributed to the increase in rental income. Revenue from properties and land development accounted for 39.2% of total revenue, representing a year-on-year decrease of 40.5%, mainly due to a decrease in saleable area as compared to that in 2013 as the sales of Ocean One and Tianjin Joy City was at the final stage. Revenue from hotel operations accounted for 17.7% of total revenue, representing a year-on-year increase of 14.4%, mainly attributable to the growth in operating revenue as a result of improving operating results of MGM Grand Sanya and St. Regis Sanya Yalong Bay Resort. The newly-opened W Beijing-Chang'an and Waldorf Astoria Beijing also contributed to the increase in revenue. Revenue from property management and related services accounted for 7.9% of total revenue, representing a slight decrease of 2.8% as compared to that in 2013.

## Cost of Sales and Gross Profit Margin

For the year ended 31 December 2014, the Group's cost of sales was approximately RMB2,318.0 million, and the overall gross profit margin was 59.4%, representing an increase of 5.5 percentage points as compared to 53.9% for the same period of 2013. During the year, the gross profit margin recorded a slight growth for property investment and property development, and the gross profit margin from hotel operation maintained at the same level compared with that in 2013. Gross profit margin from primary land development recorded a significant growth due to the settlement income from primary land development in Chengdu. In respect of property management and related services, gross profit margin was stable as compared with 2013.

| | Year ended 31 December | |
|---|---|---|
| **Distribution of gross profit by business segment** | **Gross profit margin for 2014 (%)** | Gross profit margin for 2013 (%) (restated) |
| Property Investment | **78.7** | 75.5 |
| Property and land development | **55.6** | 49.7 |
| Hotel operations | **40.8** | 40.7 |
| Property management and related services | **34.3** | 34.1 |
| The Group | **59.4** | 53.9 |

## Other Income

For the year ended 31 December 2014, the Group's other income was approximately RMB116.0 million, representing a decrease of 62.4% as compared to RMB308.3 million for 2013. Such significant decrease in 2014 is mainly due to the significant decrease in interest income as compared to that in 2013 after the recovery of loans to fellow subsidiaries and an associate by the end of 2013, which generated interest income to the Group in 2013.

## Other Gains and Losses

For the year ended 31 December 2014, other gains and losses of the Group decreased by RMB53.9 million to approximately a gain of RMB163.9 million from a gain of RMB217.8 million for 2013, primarily due to (1) the higher non-recurring gain from the equity transfer of Sanya Tian'en Real Estate Co., Ltd. in 2013 than the gain from the disposal of Shanghai COFCO Tower in 2014 and (2) decrease in exchange gains in 2014 comparing with that in 2013 as a result of changes in foreign exchange rate.

## Fair Value Gain of Investment Properties

For the year ended 31 December 2014, the fair value gain of investment properties held by the Group was RMB1,921.1 million, as compared to RMB3,681.6 million in 2013. The gain on fair value recorded in 2014 was mainly contributed by Yantai Joy City, Shenyang Joy City, Chaoyang Joy City and Xidan Joy City, while the gain on fair value in 2013 was mainly contributed by Beijing COFCO Plaza, Xidan Joy City, Chaoyan Joy City and Fraser Suites Top Glory Shanghai. Such gains in 2014 and 2013 were mainly attributable to the general increase of average monthly rental income of such properties as well as the market rental level of comparable properties.

## Distribution and Selling Costs

For the year ended 31 December 2014, the Group's distribution and selling costs amounted to RMB489.3 million, representing an increase of 1.8% as compared with RMB480.4 million for 2013, mainly due to (1) higher commissions in relation to sales of The Signature and Brilliant Villa in Hainan, which was partially offset by the decrease in commission from Ocean One Suites; and (2) the increase in advertising and promotion expenses and the salaries of staff incurred during the operation of the three new projects, namely, Yantai Joy City, W Beijing – Chang' an and Waldorf Astoria Beijing. Selling and marketing expenses accounted for 8.6% (2013:7.1%) of the total revenue.

## Administrative Expenses

For the year ended 31 December 2014, the Group's administrative expenses amounted to RMB983.9 million, representing an increase of 5.9% as compared with RMB928.7 million for 2013, primarily due to (1) pre-opening expenses and costs (including the purchase of consumables, payroll costs and training costs) of W Beijing – Chang' an (operation started in November 2014) and Yantai Joy City (operation started in July 2014); (2) relevant administrative expenses, tax expenses including property tax, water bills and electricity bills and remuneration of staff incurred during the operation of the three new projects, W Beijing – Chang' an, Waldorf Astoria Beijing and Yantai Joy City; (3) increased management fee paid to third party hotel management company as a result of the increase in revenue of hotels in Sanya and Beijing. The administrative expenses mainly included, amongst others, staff salaries, social insurance and benefits for staff, insurance expenses, depreciation and amortisation, travel and entertainment expenses, certain taxation expenses, overhead costs and professional third-party service fees, which accounted for 17.2% of the Group's total revenue (2013: 13.6%).

## Finance Costs

For the year ended 31 December 2014, the Group's finance costs increased by 6.0% to RMB926.5 million from RMB874.2 million for 2013.

The weighted average borrowing cost of the Group in 2014 was 6.05% (2013: 6.34%).

## Taxation

For the year ended 31 December 2014, the Group's income tax expense was RMB1,238.9 million, representing a decrease of 39.7% as compared to RMB2,055.4 million for 2013, primarily due to a decrease in land appreciation tax and enterprise income tax as a result of the decrease in property development revenue and the decrease in deferred income tax as a result of the decrease in the growth of fair value of investment property. In 2014, the effective tax rate of the Group slightly increased to 38.9% (2013: 36.7%).

## Profit Attributable to Owners of the Company

For the year ended 31 December 2014, profit attributable to owners of the Company was RMB1,673.1 million, representing a decrease of 46.3% as compared to that of RMB3,117.7 million for 2013. Basic earnings per share for 2014 were RMB0.168, representing a decrease of 67.3% as compared to RMB0.513 for 2013.

## Investment Properties

As at 31 December 2014, the Group had 13 investment property projects in Beijing, Shanghai, Hong Kong and Chengdu, including offices, retail buildings and serviced apartments. As at 31 December 2014, our investment properties increased to RMB40,699.3 million from RMB37,116.9 million as at 31 December 2013, primarily attributable to an increase in the cost of construction and development and the value of investment properties after revaluation.

## Leasehold Lands and Land Use Rights

As at 31 December 2014, land use rights amounted to RMB853.7 million, mainly including the land use rights of hotels and the land use right as well as the waters use right of Yalong Bay.

## Properties under Development for Sale

The properties under development for sale increased from RMB6,326.2 million as at 31 December 2013 to RMB9,307.8 million as at 31 December 2014 which was mainly due to the increase in costs and expenses incurred for the construction of Brilliant Villa in Hainan (formerly known as Yalong International Exhibition Center), Hong Tang Wan, Hainan (海南紅塘灣), Andingmen project, the second phase of Shanghai Joy City, office buildings of Tianjin Joy City, office buildings of Chengdu Joy City and shops in Joy Street.

## Properties Held for Sale

As at 31 December 2014, properties held for sale mainly included Ocean One Suites , villa-styled apartments of The Signature and apartments of Tianjin Joy City. As at 31 December 2014, properties held for sale dropped to RMB533.9 million from RMB1,372.6 million as at 31 December 2013, mainly because the sales of Ocean One Suites, multi-storey commercial apartments and villa-styled apartments of Princess Palace III, villa-styled apartments of The Signature and apartments and residential units of Tianjin Joy City were carried forward.

## Accounts Receivable

As at 31 December 2014, accounts receivable included rental receivables, property management fee receivables and hotel operation receivables. Accounts receivable of RMB163.8 million as at 31 December 2013 decreased to RMB124.6 million as at 31 December 2014, mainly due to the earlier recovery of rental receivables.

## Accounts Payable

As at 31 December 2014, accounts payable primarily included trade payables and accrued expenses related to construction (including construction cost of properties under construction (involving properties constructed for sale) and other project-related expenses), which decreased to RMB1,132.2 million from RMB1,788.8 million as at 31 December 2013, mainly due to projects progress payments for Tianjin Joy City, Shenyang Joy City and Ocean One.

## Bank Borrowings

Bank borrowings increased from RMB13,664.8 million as at 31 December 2013 to RMB14,734.9 million as at 31 December 2014, representing an increase of 7.8%. As at 31 December 2014, the total Bank borrowings at fixed interest rates and floating interest rates were RMB1,240.0 million and RMB13,494.9 million respectively.

Analysis on the Group's Bank Borrowings:

| | At 31 December | |
|---|---|---|
| | **2014** | 2013 (restated) |
| | **(RMB'000)** | (RMB'000) |
| Carrying amount repayable: | | |
| Within 1 year | **5,574,204** | 2,841,799 |
| Within the 2nd year | **1,488,927** | 4,924,073 |
| Within the 3rd to the 5th year (inclusive) | **3,475,052** | 1,646,640 |
| Over five years | **4,196,737** | 4,252,298 |
| Total | **14,734,920** | 13,664,810 |

Bank borrowings of approximately RMB5,574.2 million is repayable within one year and is shown as current liabilities. All the Group's bank borrowings are denominated in Renminbi and Hong Kong dollars. There is no material seasonal impact on the Group's needs for borrowings.

As at 31 December 2014, the Group had banking facilities of approximately RMB22,715.3 million, of which RMB16,543.6 million was utilized and all were denominated in Renminbi and Hong Kong dollars.

## Guaranteed Notes

On 18 November 2014, Double Rosy Limited, a wholly-owned subsidiary of the Group, issued five-year guaranteed notes of US$800 million guaranteed by the Company to an independent third party at a coupon rate of 3.625%. COFCO (HK), an intermediate controlling shareholder of the Company, entered into a Keepwell Deed and a Deed of Equity Interest Purchase Undertaking to provide support to the issue of such guaranteed notes. The net proceeds (after deducting underwriting commissions and estimated offering expenses) received by Double Rosy Limited was approximately US$791 million. The net proceeds were used for general corporate purposes and to on-lend to the Company for partial payment of consideration in relation to the Joy City Acquisition which was completed on 4 December 2014. Please refer to Notes 2 and 36 to the consolidated financial statements for details.

## Net Gearing Ratio

| | At 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | | (restated) |
| | **(RMB'000)** | (RMB'000) |
| Bank borrowings (current and non-current) | **14,734,920** | 13,664,810 |
| Guaranteed Notes | **4,862,299** | – |
| Borrowings from fellow subsidiaries and ultimate holding company (current and non-current) | **1,614,650** | 4,965,817 |
| Total interest-bearing liabilities | **21,211,869** | 18,630,627 |
| Less: Cash and bank balances | **6,368,077** | 9,011,883 |
| Restricted bank deposits and pledged deposits | **87,979** | 30,526 |
| Net debt | **14,755,813** | 9,588,218 |
| Total equity | **26,953,642** | 29,542,974 |
| Net debt to total equity ratio | **54.7%** | 32.5% |

## Liquidity

The Group previously financed its working capital and capital expenditures by cash flows from operating activities, commercial bank loans and issue of share capital. In 2014, the Group issued Guaranteed Notes of US$800 million to finance the Joy City Acquisition. In the future, the Group will continue to rely on cash flows from operating activities and business loans, and will also consider the issuance of bonds or other securities.

As at 31 December 2014, the Group had cash and bank balances (including restricted bank deposits and pledged deposits) of RMB6,456.1 million, mainly denominated in Renminbi, Hong Kong dollars and U.S. dollars. (2013: RMB9,042.4 million).

The Group's net cash inflow for the year ended 31 December 2014 amounted to RMB-2,962.3 million, which include:

1) Net cash inflow from operating activities of RMB-895.1 million, mainly attributable to the revenue from property sales, property leasing, hotel operations, and other property services, which were partially offset by the payment of land premium and construction cost and taxation cost.

2) Net cash inflow from investment activities amounted to RMB-2,343.5 million, primarily attributable to the proceeds due to the recovery of related subsidiaries, the disposal of the equity in Shanghai COFCO Tower, which were partially offset by the purchase of investment properties, property, plant and equipment and fixed deposits with a term of over three years.

3) Net cash inflow from financing activities was approximately RMB276.3 million, primarily attributable to the issuance of Guaranteed Notes, perpetual bonds, additional bank loans and borrowings from affiliated subsidiaries, which were partly offset by the costs of Joy City Acquisition, settlement of bank loans and other borrowings and borrowings from ultimate controlling shareholders and payment of interests.

## Equity and Non-redeemable Convertible Preference Shares

On 1 August 2014, the Company entered into Jetway Acquisition Agreement with Grow Wealth. According to the terms and conditions of the Jetway Acquisition Agreement, the Company has conditionally agreed to acquire, and Grow Wealth has conditionally agreed to sell, 22% of the issued share capital of Jetway and the outstanding shareholder's loan of HK$69,904,943 (equivalent to US$ 9,020,000) owing by Jetway to Grow Wealth. The consideration for Jetway Acquisition was HK$1,018,921,728, which was satisfied by the issue and allotment of 509,460,864 new ordinary shares of the Company to Grow Wealth at the issue price of HK$2.0.

On 1 August 2014, the Company entered into Yalong Acquisition Agreement with Woo+Woo. According to the terms and conditions of Yalong Acquisition Agreement, the Company has conditionally agreed to acquire, and Woo+Woo has conditionally agreed to sell, 32.43% of the issued share capital of Yalong (HK) and the outstanding shareholder's loan of HK$174,014,191 owing by Yalong (HK) to Woo+Woo. The consideration for the Yalong Acquisition was HK$998,446,456, which was satisfied by the issue and allotment of 499,223,228 new ordinary shares of the Company to Woo+Woo at the issue price of HK$2.0.

The above two transactions were completed on 19 August 2014.

The following are the adjustments made following the issue of consideration shares mentioned above:

## Equity

| **Issued and fully paid:** | **No. of shares** | **Amount** (HK$'000) | **Amount** (RMB'000) |
|---|---|---|---|
| Ordinary shares of par value HK$0.10/share | | | |
| At 1 January 2014 | 8,478,732,480 | 847,873 | 667,941 |
| Allotment and issuance | 1,008,684,092 | 100,868 | 80,100 |
| At 31 December 2014 | 9,487,416,572 | 984,741 | 748,041 |

As at 31 December 2014, the Company had 1,095,300,778 non-redeemable convertible preference shares. Save for this non-redeemable convertible preference shares, there is no other issued convertible securities.

Details of movements in share capital during the year are set out in Note 37 to the consolidated financial statements.

## Pledge of Assets

As at 31 December 2014, the Group's bank and other borrowings was secured by the pledge over the Group's investment properties of RMB32,346.3 million, fixed assets of RMB4,264.9 million, and leasehold land and land use rights of RMB706.1 million.

## Contingent Liabilities

As at 31 December 2014, details for the Group's contingent liabilities and non-compliances issues are set out in Note 41 to the consolidated financial statements. In the opinion of the directors of the Company, the fair value of the financial guarantee contracts at initial recognition and subsequently at the end of each reporting period is not significant as the default rate is low. Then, based on the reasons and circumstances of those non-compliances and the PRC legal advice, the risk of the Group will be subject to any fine, penalty or demolishment or confiscation order is not probable, and accordingly, no provision has been made in the consolidated financial statements.

## Capital Commitments

As at 31 December 2014, the capital expenditure contracted for the constructing and developing of investment properties and the acquisition of property, plant and equipment was approximately RMB894.6 million (as at 31 December 2013: RMB1,098.6). Our Directors considered that the amount was not material and the Group has sufficient funds to settle the expenditures.

## Interest Rate Risk

The Group has bank balances bearing floating interests, deposits in non-banking financial institutions as well as bank borrowings and other borrowings with floating rate. The Group is also exposed to interest rate risk due to the bank borrowings and other borrowings with floating interests based on the benchmark lending rate of the People's Bank of China or other floating rates. The effective interest rate and repayment term of bank borrowings and other borrowings of the Group are disclosed in Notes 25 and 35 to the consolidated financial statements. The Group's strategy is to balance the interest rate risk through negotiation of terms for the bank and other borrowings bearing interests.

## Foreign Exchange Risk

The operations of the Group are mainly conducted in RMB. Save for the bank deposits denominated in foreign currencies and bank borrowings and Guaranteed Notes denominated in USD and HKD, the Group is not exposed to any material risk directly arising from the volatility of exchange rate. The Group will pay close attention to the change of exchange rate and will consider to carry out hedging activities when appropriate to reduce the exchange rate risk.

## 6. EVENTS AFTER THE END OF THE REPORTING PERIOD

### 1. Proposed rights issue and convertible preference shares issue

On 30 March 2015, the Company proposed rights issue on the basis of one rights share for every two existing shares at a subscription price of HK$1.35 each share on a non-underwritten basis.

The Company proposed to raise up to HK$6,404 million (approximately RMB5,152 million), by issuing up to 4,743.7 million rights shares to the qualifying shareholders. The estimated net proceeds of the Rights Issue of HK$6,364 million (approximately RMB5,050 million) are intended to be used for settling the remaining balance of the consideration of the Acquisition in an amount of HK$6,229.9 million (details of which are set out in Note 2 to the consolidated financial statements), with any remaining amount to be used as general working capital of the Group.

In the event that there is an under-subscription of the Rights Issue and not all of the rights shares proposed to be issued by the Company under Rights Issue are allotted to the shareholders, the net proceeds of the Rights Issue may not be sufficient to satisfy the remaining balance of the consideration of the Acquisition. Under such circumstances, the Company will consider meeting such shortfall by issuing additional CPS of not more than 4,485,812,677 new CPS (which are convertible into not more than 4,485,812,677 Conversion Shares) to Achieve Bloom at the subscription price of HK$1.35 pursuant to the Rights Issue. The maximum proceeds from the issue of new CPS will be approximately HK$6,055,847,113 and the Company intends to apply all funds raised from the issue of new CPS to settle any shortfall arising in the event that the net proceeds of the Rights Issue is insufficient to satisfy the remaining balance of the consideration of the Acquisition.

For details, please refer to the announcement dated 27 February 2015 and the prospectus dated 30 March 2015 of the Company.

### 2. Proposed acquisition of the entire interests in Zhejiang Herun

On 3 February 2015, Speedy Cosmo, Shanghai Wanliang and Zhejiang Herun entered into Zhejiang Herun Acquisition Agreement, pursuant to which, Speedy Cosmo acquired the entire interests in Zhejiang Herun from Shanghai Wanliang at a consideration of RMB43,760,000.

In accordance with the Zhejiang Herun Acquisition Agreement, Speedy Cosmo committed to increase the registered capital of Zhejiang Herun by RMB2,450,000,000 after the completion of Zhejiang Herun Acquisition. The increased portion of the registered capital of Zhejiang Herun shall be paid by the Group within one year after Zhejiang Herun obtained the business licence in respect of the increase in registered capital.

The transaction contemplated under the Zhejiang Herun Acquisition Agreement was approved by independent shareholders at the special general meeting held on 24 March 2015.

For details, please refer the announcements dated 3 February 2015 and 24 March 2015, circular dated 6 March 2015 and Note 53 to the consolidated financial statements.

## 7. USE OF PROCEEDS FROM THE 2013 PLACING

The Company entered into a placing agreement on 29 November 2013 for the issuance and allotment of 1,955,174,000 Shares to professional and institutional investors. The 2013 Placing was completed on 19 December 2013. The net proceeds from the 2013 Placing were approximately HK$3,770.5 million (equivalent to approximately RMB3,003.6 million). As at 30 March 2015, such net proceeds were utilized in the following manner:

| Planned use of the net proceeds | Amount as disclosed in circular dated 30 November 2013 | Amount utilized as of 30 March 2015 | Balance as of 30 March 2015 |
|---|---|---|---|
| Funding capital contributions of the project companies and continual development of existing projects by the Group, including the construction and development of Chengdu Joy City | RMB1,201.4 million (representing approximately 40% of the net proceeds) | RMB900.0 million | RMB301.4 million |
| Development of new projects of the Company, with a focus on potential new mixed-use complex projects in the PRC under "Joy City" brand | RMB1,501.8 million (representing approximately 50% of the net proceeds) | RMB453.5 million | RMB1,048.3 million |
| General working capital and for other general corporate purposes | RMB300.4 million (representing approximately 10% of the net proceeds) | RMB60.1 million | RMB240.3 million |
| Total | RMB3,003.6 million | RMB1,413.6 million | RMB1,590.0 million |

The unutilised balance of the net proceeds from the 2013 Placing were mainly placed as short-term deposits with several license banks in Hong Kong. The Company will utilise the net proceeds in accordance with its planned business strategies in relation to the development of new projects with a focus on potential new mixed-use complex projects in the PRC under the "Joy City" brand.

## 8. EMPLOYEES AND REMUNERATION POLICIES

For the details of employees and remuneration policies of the Group during the year, please refer to "Corporate Social Responsibility Report — Employee Development".

## 9. OUTLOOK

In 2015, it is expected that the real estate market will see slower growth under new development trend with diversified performance in different cities and intensified competition in the industry. The prospects of shopping mall and office building markets in first-tier cities and quality second-tier cities will remain strong. The residential market will continue to face inventory pressure while the development among cities will become more diversified. The high-end hotel market will still be mired in substantial operation pressure.

Looking forward, mid- to long-term economic development will continue to be driven by factors such as population, economic growth and new urbanization. Yet, these factors have already changed to a certain extent. Development of the real estate industry remains uncertain after the end of its rapid growth driven by residential properties.

The Company will cope with the changes and seize the great opportunities from the real estate industry and the reform of state assets whereby COFCO Corporation is admitted into the pilot scheme of the reform of the State Capital Investment Corporation. The Company will also adhere to the two-wheels driving strategy. Guided by the management policy of "organizational optimization, refined management, efficiency improvement and value creation", the Company will continue to introduce quality mainstream products to the mainstream customer segment. Efforts will also be made to provide high-quality green living spaces and services and lead the trend towards a fashionable living style. We believe that, with our focus on urban layout of first-tier and second-tier core cities, brand advantages of Joy City urban complexes and competitive edges of COFCO Corporation as a government-invested enterprise, we will be able to maintain our growth momentum and continue to provide quality products and services, turning Joy City into a time-honoured enterprise.

# Profile of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. ZHOU Zheng**, aged 52, was appointed as an executive Director with effect from 28 August 2012. With effect from 19 December 2013, he was appointed as the Chairman of the Board and chairman of the Nomination Committee and resigned as a member of the Remuneration Committee. With effect from 26 August 2014, he was appointed as the chairman of the Executive Committee. He is a director of Achieve Bloom, the controlling shareholder of the Company.

Mr. Zhou is the chairman of COFCO Property (stock code: 000031), a company listed on the Shenzhen Stock Exchange, and a vice president of COFCO Corporation. He was the general manager of COFCO Property from June 2008 to January 2011. Prior to joining COFCO Property, he had held various management positions and directorships with the packaging business of COFCO Corporation. He is a non-executive director of CPMC Holdings Limited (stock code: 00906), a company listed on the Main Board of the Stock Exchange.

Mr. Zhou is a qualified senior engineer in the PRC and has over 20 years of experience in corporate management. Currently, he is a council member of the China Real Estate Association. In February 2007, he was awarded the Governmental Special Allowance by the State Council for his outstanding contribution to the development of the packaging industry in the PRC.

Mr. Zhou received a bachelor's degree in Aeronautical Machinery Processing from Nanchang Institute of Aeronautical Technology (now known as Nanchang Hangkong University) in the PRC in July 1983 and a master's degree in Aeronautical and Aerospace Manufacturing Engineering from Beijing University of Aeronautics & Astronautics in the PRC in March 1992.

**Mr. HAN Shi**, aged 47, was appointed as an executive Director with effect from 28 August 2012. He was appointed as the general manager of the Company with effect from 19 December 2013. He was appointed as a member of the Executive Committee with effect from 26 August 2014. He is a director of Achieve Bloom, the controlling shareholder of the Company.

Mr. Han joined COFCO Corporation in August 1990 and has more than 20 years of management experience in project management, project investment and general management. Since 2007, he has been responsible for overseeing the commercial real estate business of the COFCO Group, and the establishment and development of the "Joy City" brand. He has extensive experience in the development, operation and management of mixed-used complexes. He was a director of COFCO Property (stock code: 000031), a company listed on the Shenzhen Stock Exchange, during the period from January 2011 to September 2013 and was responsible for the daily management of COFCO Property and is subsidiaries. He is also a qualified senior economist in the PRC.

Mr. Han received a bachelor's degree in Economics from University of International Business and Economics in the PRC in June 1990, and finished his study for the degree of Executive Master of Business Administration with Cheung Kong Graduate School of Business in the PRC in October 2012.

# Profile of Directors and Senior Management

## NON-EXECUTIVE DIRECTORS

**Mr. SHI Zhuowei**, aged 63, was appointed as a non-executive Director with effect from 28 August 2012.

Mr. Shi joined COFCO Corporation in July 1993 and was the chairman of COFCO Land from July 2011 to May 2013. He has extensive management experience in project management, project investment, human resources development and general management.

Mr. Shi graduated from University of International Business and Economics in the PRC, with a graduate level diploma in Business Administration in July 2001.

**Mr. MA Jianping**, aged 51, was appointed as an executive Director with effect from 28 August 2012. He was re-designated as a non-executive Director and resigned as the chairman of the Board and the chairman of the Nomination Committee, and was appointed as a member of the Remuneration Committee with effect from 19 December 2013. He is a director of Achieve Bloom, the controlling shareholder of the Company.

Mr. Ma joined COFCO Corporation in August 1986. He has been a vice president of COFCO Corporation since May 2010 and the director of the strategy department of COFCO Corporation since January 2006. He is also a director of COFCO Property (stock code: 000031), a company listed on the Shenzhen Stock Exchange, and a non-executive director of China Foods Limited (stock code: 00506), a company listed on the Main Board of the Stock Exchange. He is also the deputy managing director of COFCO (HK) and a director of certain other subsidiaries of COFCO Corporation. He was a non-executive director of China Mengniu Dairy Company Limited (stock code: 02319), a company listed on the Main Board of the Stock Exchange from August 2009 to March 2014. He has extensive experience in corporate finance, investment, strategic planning and management and has worked in Japan for over five years and in Hong Kong for over four years.

Mr. Ma received a degree of Executive Master of Business Administration from University of International Business and Economics in the PRC in December 2005.

**Mr. MA Wangjun**, aged 50, was appointed as a non-executive Director and a member of the Audit Committee with effect from 28 August 2012. He is a director of Achieve Bloom, the controlling shareholder of the Company.

Mr. Ma joined COFCO Corporation in August 1988 and is currently the chief accountant of COFCO Corporation. He is a qualified senior accountant in the PRC and has extensive experience in corporate finance and asset management. He is a non-executive director of China Agri-Industries Holdings Limited (stock code: 00606), a company listed on the Main Board of the Stock Exchange and was a non-executive director of China Mengniu Dairy Company Limited (stock code: 002319), a company listed on the Main Board of the Stock Exchange, from March 2010 to April 2012.

Mr. Ma received a bachelor's degree in Economics from Beijing Technology and Business University in the PRC in July 1986 and an Executive Master of Business Administration from Cheung Kong Graduate School of Business in the PRC in September 2007.

**Ms. JIANG Hua**, aged 60, was appointed as a non-executive Director with effect from 27 March 2013.

Ms. Jiang joined COFCO Corporation in September 2004 and was a director of COFCO Corporation during the period from September 2004 to December 2012, and was re-appointed as a director of COFCO Corporation since December 2013. She is a member of the Chinese Communist Party Committee of COFCO Corporation. Ms. Jiang acted as the deputy general manager of China National Tourism Trading & Service Company Limited from August 1998 to March 2002 and the vice president of China National Native Produce & Animal By-Products Import & Export Corporation from March 2002 to August 2004. She had previously served in several government departments in the PRC, including as the chief of Harbin Real Estate Administration Bureau from June 1987 to April 1990, the assistant to the mayor of Harbin Municipal government from March 1995 to August 1996 and the head of the Department of International Liaison of National Tourism Administration from August 1996 to August 1998. She has extensive experience in corporation management, administrative management and government relations.

Ms. Jiang graduated from the Harbin Institute of Technology in the PRC, with a master's degree in Engineering in March 1995.

# Profile of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. LAU Hon Chuen, Ambrose**, *GBP, JP*, aged 67, was appointed as an independent non-executive Director with effect from 2 August 1995. He is currently the chairman of each of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee.

The table below sets out Mr. Lau's directorships in a number of companies listed on the Main Board of the Stock Exchange:

| Name of the listed companies | Stock code | Position |
|---|---|---|
| Franshion Properties (China) Limited | 00817 | independent non-executive director |
| Glorious Sun Enterprises Limited | 00393 | independent non-executive director |
| Yuexiu Transport Infrastructure Limited | 01052 | independent non-executive director |
| Yuexiu Property Company Limited | 00123 | independent non-executive director |
| OCBC Wing Hang Bank, Limited* | 00302 | independent non-executive director |
| Brightoil Petroleum (Holdings) Limited | 00933 | independent non-executive director |
| The People's Insurance Company (Group) of China Limited | 01339 | independent non-executive director |
| Qin Jia Yuan Media Services Company Limited | 02366 | former independent non-executive director from December 2003 to 8 August 2012 |

* Withdrawal of listing took place with effect from 16 October 2014

Mr. Lau is also a director of OCBC Wing Hang, Wing Hang Bank (China) Limited, Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Chu & Lau Nominees Limited, Sun Hon Investment and Finance Limited, Wydoff Limited and Wytex Limited. He served as the chairman of the Central and Western District Board from 1988 to 1994, the president of the Law Society of Hong Kong from 1992 to 1993, a member of the Bilingual Laws Advisory Committee from 1988 to 1997 and a member of the Legislative Council of Hong Kong from 1995 to 2004 (from 1997 to 1998, he was a member of the Provisional Legislative Council).

Mr. Lau graduated from the University of London in July 1969 with a Bachelor of Laws Degree. He is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. He is the senior partner of Messrs. Chu & Lau, Solicitors & Notaries and is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference.

**Mr. LAM Kin Ming, Lawrence**, aged 59, was appointed as an independent non-executive Director with effect from 21 September 2004. He is a member of each of the Audit Committee, Remuneration Committee and Nomination Committee.

Mr. Lam is the senior vice president of the Enterprise Solutions Commercial Group of HKT Trust and HKT Limited (stock code: 006823), a company listed on the Main Board of the Stock Exchange and a member of the PCCW group.

Mr. Lam graduated from the University of Toronto with a bachelor's degree in Commerce in September 1978.

**Mr. WU Kwok Cheung**, *MH*, aged 82, was appointed as an independent non-executive Director with effect from 28 August 2006 and is a member of each of the Audit Committee, Remuneration Committee and Nomination Committee.

Mr. Wu served as a member of the Governance Committee of United Christian Hospital from April 2004 to March 2013. He has over 30 years of experience in management and administration.

## SENIOR MANAGEMENT

**Mr. YAO Changlin**, aged 47, was appointed as a deputy general manager of the Company with effect from 19 December 2013.

Mr. Yao joined COFCO Corporation in February 2002. Prior to that, Mr. Yao worked in the accounting department of China Feed Group (中國飼料集團) during the period from March 1993 to December 1995 and the finance department of China Grain Trading Company (中國糧貿公司) from December 1995 to February 2002. Mr. Yao has more than 20 years of experience in finance, property development, hotel development and management.

Mr. Yao received a bachelor's degree in Economics from Anhui University of Finance and Economics in the PRC in July 1989 and finished his study for the degree of Executive Master of Business Administration from Cheung Kong Graduate School of Business in the PRC in October 2012.

**Mr. XU Guorong**, aged 48, was appointed as a deputy general manager of the Company with effect from 19 December 2013.

Mr. XU joined COFCO Corporation in 1988 and has more than 20 years of experience in corporate management. Mr. Xu received a bachelor's degree in Economics from the University of International Business and Economics in the PRC in June 1988.

**Mr. YU Fuping**, aged 55, was appointed as a deputy general manager of the Company with effect from 19 December 2013.

Mr. Yu joined COFCO Corporation in July 1980 and has more than 30 years of experience in financial management, import and export trading, property development and management. From July 2007 to July 2009, he was also the vice mayor of Bengbu city and a member of the Bengbu Committee, Anhui Province.

Mr. Yu obtained a master's degree in Economics from Zhongnan University of Economics and Law in the PRC in June 1999.

**Ms. XU Hanping**, aged 48, was appointed as the chief financial officer of the Company with effect from 19 December 2013.

Ms. Xu joined COFCO Corporation in August 1988 and has more than 20 years of experience in financial management and accounting. Ms. Xu served as a deputy general manager in the finance and capital management department of COFCO Corporation from February 2007 to December 2010 and the general manager of the finance department of the real estate hotel business division of COFCO Corporation from December 2010 to January 2012.

Ms. Xu received a bachelor's degree in Accounting from Xiamen University in the PRC in July 1988 and a master's degree in Business Administration from Murdoch University in Australia in February 2002. Ms. Xu became a Certified Public Accountant in the PRC in March 2006.

# Corporate Social Responsibility Report


## I. PUBLIC WELFARE

The Group has inherited COFCO Corporation's core philosophy of "Going Back to Nature and Renew Ourselves". We are very enthusiastic in public welfare activities. Charity and public welfare are always the priority of the Group as they are our direct contribution to the society.

Since the beginning of 2014, staff of MGM Grand Sanya became friends with the children from Rehabilitation Centre of the Bright Connection (三亞光明連接腦殘疾兒童康復中心) and made donations, arranged visits and brought happiness to them. Staff of MGM Grand Sanya had arranged a number of visits to the rehabilitation centre during the year.

From 12 May to 29 August, Tianjin Joy City organized the first Joy Elite Competition (大悅精英挑戰賽) in order to provide an innovative platform for talented and open-minded university students to start their business so as to explore and nurture university talents with commercial potential, creativity and leadership.

On 20 May, Waldorf Astoria Beijing assisted WEConnect International to organize events for 2014. On 10 July, Waldorf Astoria Beijing participated in the Half The Sky, a China Young Artists Project. On 22 October, Waldorf Astoria Beijing arranged for the visit by BN Vocational School.

On 23 August, a charity event was held at the atrium on the third floor of Shanghai Joy City. ten deaf children from Suzhou Little Red Cap Volunteers Association (蘇州小紅帽義工協會) were invited to participate in the teddy bear display event named " Vision Project" (瞳行項目).

In the future, the Group will continue to integrate relevant resources and pay attention to charity. As a state-owned enterprise, the Group will provide support and express our care for public welfare by actively joining charity events and fulfilling our social responsibility, aiming to become a role model in the industry.

## II. GREEN STRATEGY, ENERGY CONSERVATION AND EMISSION REDUCTION

In 2014, the Group allocated more funds and technical supports for energy conservation and emission reduction and adopted various means to strengthen the promotion of "green industrial chain and low carbon products" ("綠色產業鏈、低碳好產品"). Activities with the theme of "Join Hands to Achieve Energy Reduction and Low Carbon for a Pollution-free Environment" ("携手節能低碳、共建碧水藍天") were held to advocate an energy-saving working environment and establish the responsibility of energy conservation among all staff. Adhering to the principle of "green development with energy conservation and low carbon", the Group adopted measures such as design optimization in the course of project development in order to reduce energy consumption, and volume of our energy and water consumption and major pollutant emission density in the course of production complied with national standards, and total volume of emissions was lower than the quota set by the environmental protection authority.

In particular, the Group put a great emphasis on resource and water conservation and developed energy-saving technology. In addition to the general installation of sound control lights, solar photovoltaic, solar water heater and other energy-saving devices, Shanghai Joy City and MAM Grand Sanya also established energy monitoring system and installed relevant hardware and software facilities to process and publish the energy consumption data collected and transmitted by the system. All departments adopted streamlined management to enhance efficiency of energy conservation. In the future, the Group will rely on the system to enhance relevant system development, refine the energy management indicators and further improve the energy management system.

## III. EMPLOYEE DEVELOPMENT

As of 31 December 2014, the Group had 6,961 employees. The Group places a lot of emphasis on the "Selection, Employment, Development and Retainment" of talents, and believes that talents are the major foundation of the Group's development. The Group aim to establish a stable, efficient and quality team of key personnel by enhancing the vitality and competitiveness of all departments and encouraging learning of innovation so as to facilitate the implementation of strategies and development of businesses. According to the features of real estate industry and relevant positions, the Group have established a dual career development path based on our corporate value and development so as to provide a clear development path for each employee, allocate employees to the most suitable positions according to their abilities and motivate rapid growth and promotion of employees.

The Group has highly emphasized on staff training and development. Adhering to the principle of "contributing to business development and increasing the return of human resources", the Group have established a series of comprehensive and multi-layered training programs covering different stages of our employees' career, such as Future Stars Training Program, Golden Seeds Program, Golden Helmsman, Team Members Swapping, Team Members Training and Team Member Competition, to establish a unique employee training and development system of the Group.

Future Stars Training Program is a comprehensive development program set up for the new graduates recruited from universities which track and provide opinions on their development from internship period to probationary period. Through the 1+1+1 mode of development, i.e. "1 Week of Intensive Training, 1 Quarter of Career Transformation and 1 Year of Business Improvement", the development process of the new recruits is constantly monitored to ensure that there is a smooth transition for every new member from campus to professional position.

Golden Helmsman and Golden Seeds Programs are special intensive training programs of the Group. Aiming to organize a program for complex development, Golden Helmsman adopts four development approaches including intensive trainings, action learning, mentoring and job rotation. It is a simplified version of the "five forces" model for managers to improve the leadership and professional knowledge of trainees. In 2014, two intensive trainings were held to enhance the credibility, organizational ability and ability relating to project planning and positioning, business development and operation of trainees. The second section of special business training course of Golden Seeds Program was a special training program for business management candidate of the Group. After stringent selection, a total of 36 candidates were selected to the training program. The program comprised professional course focusing on the five stages of complex development and management course with a major theme of levels of leadership. It included 5 sections of intensive trainings with action learning and benchmark management learning. In 2014, according to the schedule of training programs, three sections of training in respect of site selection and feasibility study, planning and positioning and business solicitation were completed.

Team Members Swapping, Team Member Training and Team Member Competition are the job rotation and selection programs specially designed by the Group for its employees to strengthen the communication between talents and refine allocation of personnel. In 2014, the first section of Team Members Swapping, an employee development program, commenced and a total of 16 employees with high business potential were selected as the first batch of participants. Team Member Training program focuses on rotation training for young talents of the head office of the Group at the frontline and mentors are appointed to closely monitor their development. Employees with less than 3 years of working experience are required to participate frontline rotation training for six to twelve months in order to enhance their understanding to the major business of the Company and gain more professional knowledge so as to lay a solid foundation for career development. Team Member Competition is a public recruitment platform for talent selection and reserve so as to revitalize the recruitment mechanism of the Group.

In addition, the Group also provides special training allowances to encourage employees to participate in professional qualification trainings that are beneficial to their personal growth and consistent with the Group's development needs after work so as to support employees' self-learning and improvement and create a win-win situation.

In order to attract and retain professionals, the Group provides competitive salaries and comprehensive benefits including pension insurance, medical insurance, maternity insurance, work injury insurance, unemployment insurance, housing provident fund, commercial health insurance, accident insurance and enterprise annuity. Aiming to maintain high efficiency and competitive incentives the Group has further refined the assessment and incentive mechanism to align the interests of employees with those of the Group.

According to the MPF Exempted ORSO Scheme and Mandatory Provident Fund Schemes, the Group offers retirement benefits and medical insurance to employees in Hong Kong. In the PRC, the Group pays a monthly pension insurance based on a percentage of the employee's social security base in accordance with the laws and regulations of the relevant provincial and municipal government in the PRC. When an employee reaches the statutory retirement age, he/she can collect a basic pension from social security department and enjoy the benefit of basic pension insurance for the protection of basic livelihood after retirement To further motivate the employees and to enhance the Group's cohesiveness and competitiveness, the Company has also established a multi-level pension insurance structure and introduces an "Enterprise Annuity" supplementary pension plan to the eligible subsidiaries so as to better protect employees' living standard after retirement.

## IV. SAFETY AND ENVIRONMENTAL PROTECTION

According to the applicable laws, administrative regulations, national standards and industrial standards relating to production safety, and pursuant to the objectives of optimizing structure and refining management in order to enhance efficiency and create value, the Group implemented various measures in respect of safety and environmental protection work, such as organising trainings, inspection and assessment, so as to maintain the stable development of all businesses in a safe environment in 2014.

### (1) Assignment of safety and environmental protection responsibilities at all levels

In 2014, the subsidiaries of the Group entered into the Responsibility Statements on Safety and Environmental Protection, and the relevant duties were allocated to frontline positions at different levels in order to facilitate the implementation of all safety and environmental protection work and strengthen safety management effectively.

### (2) Refined systems

In 2014, aiming to refine the system and enhance its effectiveness, the Group established frontline unit management system and formulated and modified various policies for production safety and set up a model unit of the frontline system in order to improve the frontline unit structure.

### (3) Inspection of safety production

In 2014, the Group further modified the principles of inspection to focus on refining inspection procedures and extending the scope of inspections. The Group identified potential dangers and strengthening accountability in order to avoid safety production accidents.

In 2014, the Group initiated 3 thorough production safety inspections on its subsidiaries. Each of the subsidiaries commenced a thorough production safety self-inspection covering all projects of subsidiaries on a quarterly basis. Each project was inspected regularly in accordance with the "Safety and Environmental Protection Inspection and Potential Danger Investigation System".

### (4) Implementation of risk identification for projects under construction and strengthened SCCP management on operation projects

According to the Six Steps of Risk Control at Source (危險源管控六步法) formulated based on the successful experience in pilot projects as well as the construction progress of each project, we realised risk management at source, implement comprehensive monitoring during the construction progress and adopt dynamic management.

### (5) Strengthened management of contractors

The Group conducted special contractor assessments on all units in respect of system and regulations, qualification assessment, safety agreement, trainings on safety technology, safety meetings, safety inspections, rectifications of potential dangers and incentives and penalties, in order to improve identified weaknesses.

### (6) Improved emergency management standard with better contingency system

In 2014, p, the Group carried out the pilot scheme in Tianjin Company and further revised the documents relating to the three-level contingency system of the Group, organized emergency trainings and drills, and evaluated the effectiveness of preliminary contingency measures of Joy City projects in order to improve the overall contingency management. In addition, the Group formulated the Guidelines of Assessment Standards of Preliminary Contingency Measures on Incidents regarding Safety Production of COFCO Land (《中糧置地安全生產事故初始應急效能標準評估細則》)(the "Guidelines") to further raise the effectiveness of contingency measures of frontline operation.

### (7) Enhanced staff capacity through education and trainings

In 2014, pursuant to the annual plan of major work and specific tasks , the Group arranged safety trainings, including fire safety, corporate systems, dangerous task management, hidden pipelining, SCCP management and control, and emergency plans, with a total of 232 training sections and 9,677 staff being trained.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Company has adopted all code provisions in the CG Code as its own code on corporate governance. The Board considers that during the year ended 31 December 2014, the Company had complied with all code provisions as set out in the CG Code.

## SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions. After specific enquiry by the Company, all Directors confirmed that they had complied with the required standards set out in the Model Code throughout the year ended 31 December 2014.

The Company has also adopted a code for securities transactions by relevant employees (the "Employees Trading Code") based on the Model Code concerning dealings by relevant employees in the securities of the Company. Relevant employees who are likely to be in possession of unpublished inside information of the Group are required to comply with the Employees Trading Code in respect of their dealings in the securities of the Company. The terms of the Employees Trading Code are no less exacting than the required standards set out in the Model Code.

## BOARD OF DIRECTORS

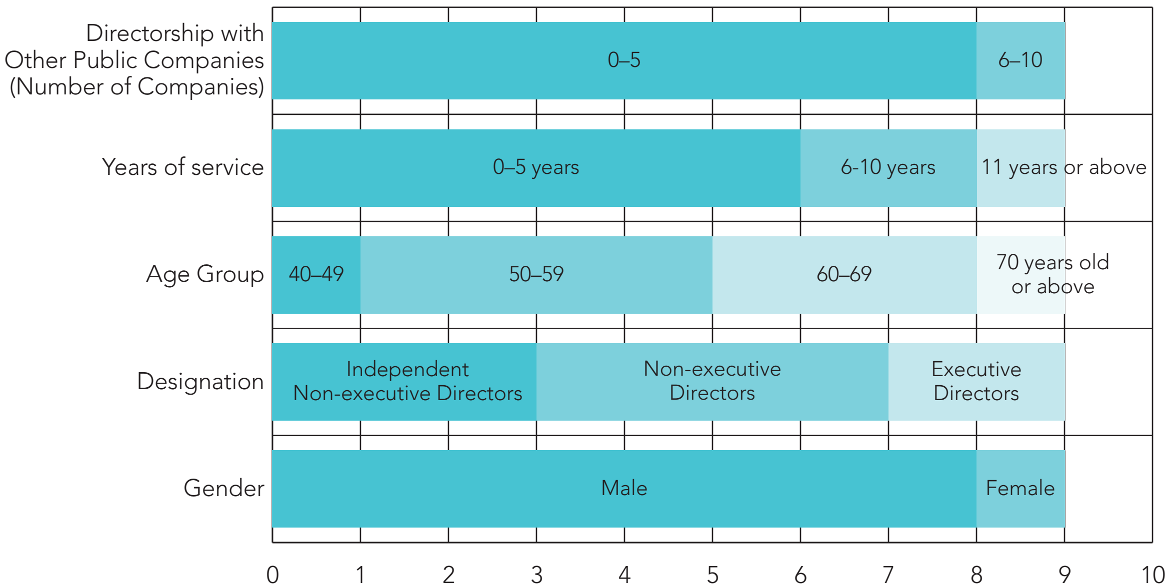
### Chairman and Chief Executive

The respective roles and responsibilities of the chairman of the Board and the general manager are clearly divided. As the chairman of the Board, Mr. ZHOU Zheng takes lead in formulating overall strategies and policies of the Company, and ensures effective performance by the Board of its functions, including compliance with good corporate governance practices. As the general manager of the Company, Mr. HAN Shi oversees the financial management and daily operations of the Group.

## Board Composition and Diversity

At the date of this Corporate Governance Report, the Board, chaired by Mr. ZHOU Zheng, comprises two (2) executive Directors, four (4) non-executive Directors and three (3) independent non-executive Directors. The two (2) executive Directors are Mr. ZHOU Zheng and Mr. HAN Shi; the four (4) non-executive Directors are Mr. SHI Zhuowei, Mr. MA Jianping, Mr. MA Wangjun and Ms. JIANG Hua; and the three (3) independent non-executive Directors are Mr. LAU Hon Chuen, Ambrose, *GBS, JP*, Mr. LAM Kin Ming, Lawrence and Mr. WU Kwok Cheung, *MH*.

**No. of Directors**




The composition of the Board satisfies the requirements of Rule 3.10(1) (every board of directors of a listed issuer must include at least three (3) independent non-executive directors) and Rule 3.10 (2) (at least one (1) independent non-executive director must have appropriate qualifications), and Rule 3.10A (independent non-executive directors representing at least one-third of the board of directors) of the Listing Rules.

None of the Directors are involved in any relationship as defined in Appendix 16 to the Listing Rules.

As part of high standards of corporate governance, the Board has adopted a board diversity policy. Under the board diversity policy, selection of candidates for Board appointment is made in accordance with gender, age, cultural and educational background, work or professional experience, the Group's specific needs from time to time and other objective criteria considered by the Board. Board appointments will be based on merit and the contribution that the chosen candidate(s) will bring to the Board.

## Appointment, Re-Election and Removal

The term of office of each Director is three (3) years, subject to retirement by rotation in accordance with bye-law 84 of the Bye-laws.

The Company has received annual written confirmation of independence pursuant to R3.13 of the Listing Rules from each independent non-executive Director for the year ended 31 December 2014, and, as agreed by the Nomination Committee, the Board considers each of them to be independent.

All current Directors have signed formal appointment letters or service contracts with the Company with respect to their directorship with the Company.

## Roles and Responsibilities of Directors

The Board is responsible for overseeing the Group's business and affairs with the objective of enhancing Shareholders' value, setting and approving the Group's strategic direction, and reviewing and planning all other important matters for the Company, examples of which are highlighted as follows:

- to review the effectiveness and adequacy of the Company's internal control and risk management system, in light of the scale and strategy of the Company's business;
- to review material contracts;
- to review the Group's dividend policy, significant changes in accounting policy, major financing arrangements and other related finance matters; and
- to approve all announcements and circulars issued by the Company in accordance with the Listing Rules.

As regards the corporate governance functions, the duties of the Board are to develop and review the Company's corporate governance policies and practices, to monitor continuous professional development of the Directors and senior management, to oversee the Company's policy and practice on legal and regulatory compliance, to develop the Directors' manual and update the same if necessary, and to review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

The Board is also responsible for preparing the consolidated financial statements of the Group for the year ended 31 December 2014. The consolidated financial statements are prepared on a going concern basis and give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year ended 31 December 2014.

Regarding code provision A.6.6 (directors shall disclose to the issuer the number and nature of offices held in public companies or organizations and other significant commitments as well as their identities and the time involved), the Board has resolved that each Director is required to disclose such information to the Company twice per year. For the year ended 31 December 2014, each Director has disclosed to the Company such information twice .

The management is primarily responsible for effective implementation of the strategies and decisions formulated by the Board as well as daily operation of the Company.

## Board Proceedings

Attendance record of each Director during the year ended 31 December 2014 is set out below:

Meetings held in the year ended 31 December 2014

| | Board Meeting | Audit Committee Meeting | Remuneration Committee Meeting | Nomination Committee Meeting | Executive Committee Meeting | Annual General Meeting (Note 1) | Special General Meetings (Note 2) |
|---|---|---|---|---|---|---|---|
| **Number of Meetings** | 4 | 3 | 1 | 1 | 3 | 1 | 2 |
| **Directors** | | | | | | | |
| **Executive Directors** | | | | | | | |
| Mr. ZHOU Zheng *(chairman)* | 4 (100%) | | 1 (100%) | | 3 (100%) | 1 (100%) | 2 (100%) |
| Mr. HAN Shi | 4 (100%) | | | | 3 (100%) | 1 (100%) | 2 (100%) |
| **Non-executive Directors** | | | | | | | |
| Mr. SHI Zhuowei | 4 (100%) | | | | | 0 (0%) | 0 (0%) |
| Mr. MA Jianping | 3 (75%) | 3 (100%) | | 1 (100%) | | 1 (100%) | 0 (0%) |
| Mr. MA Wangjun | 4 (100%) | | | | | 0 (0%) | 0 (0%) |
| Ms. JIANG Hua | 4 (100%) | | | | | 0 (0%) | 0 (0%) |
| **Independent Non-executive Directors** | | | | | | | |
| Mr. LAU Hon Chuen, Ambrose, *GBS, JP* | 4 (100%) | 3 (100%) | 1 (100%) | 1 (100%) | | 1 (100%) | 2 (100%) |
| Mr. LAM Kin Ming, Lawrence | 4 (100%) | 3 (100%) | 1 (100%) | 1 (100%) | | 1 (100%) | 2 (100%) |
| Mr. WU Kwok Cheung, *MH* | 4 (100%) | 3 (100%) | 1 (100%) | 1 (100%) | | 1 (100%) | 2 (100%) |

Note:

1. The annual general meeting of the Company was held on 4 June 2014, and more details are set out in the circular dated 17 April 2014 and the poll results announcement dated 4 June 2014.

2. Two special general meetings were both held on 27 November 2014, and more details are set out in the circular dated 4 November 2014, the circular dated 5 November 2014 and the poll results announcement dated 27 November 2014.

### Directors' Training

During the year ended 31 December 2014, the Company arranged for investment banks to provide the Directors with various seminars on the development of real estate market and the perception of capital market on listed property development companies in China. Such training aims to help each Director keep abreast of the trends of real estate market and the capital market. In addition, individual Directors attended other programmes to refresh their knowledge and skills relevant to their roles, functions and duties as Directors. All Directors have provided the Company with records on their participation in continuous professional development during their directorship with the Company throughout the year ended 31 December 2014. Such information is summarized in the following table:

Responsibilities of Directors and Training

| Names of Directors | Attending briefings, seminars or conference | Reading materials relevant to each director's duties and responsibilities |
|---|---|---|
| **Executive Directors** | | |
| Mr. ZHOU Zheng *(chairman)* | ✓ | ✓ |
| Mr. HAN Shi | ✓ | ✓ |
| **Non-executive Directors** | | |
| Mr. SHI Zhuowei | ✓ | ✓ |
| Mr. MA Jianping | ✓ | ✓ |
| Mr. MA Wangjun | ✓ | ✓ |
| Ms. JIANG Hua | ✓ | ✓ |
| **Independent Non-executive Directors** | | |
| Mr. LAU Hon Chuen, Ambrose, *GBS, JP* | ✓ | ✓ |
| Mr. LAM Kin Ming, Lawrence | ✓ | ✓ |
| Mr. WU Kwok Cheung, *MH* | ✓ | ✓ |

Each current Director has received a Director's handbook which sets out, among other items, the duties of Directors and the Terms of References of the Board committees. Director's handbook is updated from time to time to align with the amendments (if any) to the relevant rules and regulations.

## BOARD COMMITTEES

### Remuneration Committee

Currently, the Remuneration Committee comprises one (1) non-executive Director and three (3) independent non-executive Directors, namely Mr. LAU Hon Chuen, Ambrose, *GBS, JP*, Mr. MA Jianping, Mr. LAM Kin Ming, Lawrence and Mr. WU Kwok Cheung, *MH*, chaired by Mr. LAU Hon Chuen, Ambrose, *GBS, JP*.

The Board has adopted the model, pursuant to which the Remuneration Committee makes recommendations to the Board on the remuneration packages of individual executive Directors, non-executive Directors and senior management (if any).

The major roles and functions of the Remuneration Committee are as follows:

- to make recommendations to the Board on the policy and structure for remuneration of Directors and senior management (if any) of the Company;
- to make recommendations to the Board on the remuneration packages (including benefits in kind, pension rights and compensation payments) of individual executive Directors and senior management (if any);
- to make recommendations to the Board on the remuneration of non-executive Directors;
- to review and approve compensation payable to executive Directors and senior management (if any) for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and
- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

The updated Terms of Reference of the Remuneration Committee are posted on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.joy-cityproperty.com).

During the year ended 31 December 2014, the Remuneration Committee held one(1) meeting with various written resolutions passed. Its major work performed is summarized as follows:

- reviewed the remuneration policy of the Company;
- approved the discretionary bonus of the general manager; and
- reviewed the remuneration packages of executive Directors and the independent non-executive Directors.

The Remuneration Committee's recommendations made after such review were adopted by the Board.

The attendance record of each member of Remuneration Committee is shown under the section headed "Board Proceedings".

### Nomination Committee

Currently, the Nomination Committee comprises one (1) executive Director and three (3) independent non-executive Directors, namely Mr. ZHOU Zheng, Mr. LAU Hon Chuen, Ambrose, *GBS, JP*, Mr. LAM Kin Ming, Lawrence and Mr. WU Kwok Cheung, *MH*, chaired by Mr. ZHOU Zheng.

The major roles and functions of the Nomination Committee are as follows:

- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors;
- to review the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board at least once annually, and make recommendations on any proposed changes to the Board according to the corporate strategy of the Company;
- to assess the independence of independent non-executive Directors and review the annual confirmations on their independence of independent non-executive Directors;
- to regularly review the time required from a Director to perform his/her responsibilities; and
- to give adequate consideration to the Board Diversity Policy in carrying out its responsibilities under its Terms of Reference.

The updated Terms of Reference of the Nomination Committee are posted on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www. joy-cityproperty.com).

During the year ended 31 December 2014, the Nomination Committee held one (1) meeting. Its major work performed is summarized as follows:

- reviewed the structure, size and composition of the Board;
- made recommendation to the Board on the retirement of Directors by rotation in the annual general meeting;
- assessed the independence of independent non-executive Directors; and
- reviewed the contribution required from the Directors to perform their responsibilities and whether they have spent sufficient time performing them.

The attendance record of each member of Nomination Committee is shown under the section headed "Board Proceedings".

### Audit Committee

Currently, the Audit Committee comprises one (1) non-executive Director and three (3) independent non-executive Directors, namely Mr. LAU Hon Chuen, Ambrose, *GBS, JP*, Mr. MA Wangjun, Mr. LAM Kin Ming, Lawrence and Mr. WU Kwok Cheung, *MH*, chaired by Mr. LAU Hon Chuen, Ambrose, *GBS, JP*.

The major roles and functions of the Audit Committee are as follows:

- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, the remuneration and terms of engagement of the external auditor, and any questions of their resignation or dismissal;

- to review and monitor the independence of external auditor and the objectivity and effectiveness of its audit process;
- to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- to monitor the integrity of the interim and annual financial statements of the Group, and to review significant financial reporting judgments contained therein;
- to review the financial controls, internal controls and risk management systems of the Group;
- to consider any findings of major investigations on internal control matters and response from the management;
- to review the financial and accounting policies and practices of the Group;
- to review the external auditor's letter to management and ensure that the Board will provide a timely response; and
- to serve as the Company's channel of communication with the external auditor for overseeing their relations.

The updated Terms of Reference of the Audit Committee are posted on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.joy-cityproperty.com).

The Audit Committee held three (3) meetings during the year ended 31 December 2014, and the external auditor had attended all meetings. Its major work performed included:

- reviewed the consolidated financial statements of the Group for the year ended 31 December 2013, and made recommendation to the Board for approval;
- reviewed the interim financial statements of the Group for the six months ended 30 June 2014, and made recommendation to the Board for approval;
- reviewed matters relating to the financial and accounting policies and practices of the Group;
- reviewed the effectiveness of internal control and risk management systems of the Company, and considered whether any major control deficiency had been identified;
- reviewed and assessed the adequacy of resources, qualifications and experience of staff responsible for accounting and financial reporting function of the Company, and their training programmes;
- formulated the whistle-blowing arrangement of the Group, and made recommendation to the Board for approval;

- reviewed the independence of external auditor;
- made recommendation to the Board on the re-appointment of the existing external auditor of the Company; and
- reviewed the audit plan of the external auditor for the year ended 31 December 2014.

The attendance record of each member of Audit Committee is shown under the section headed "Board Proceedings".

### Executive Committee

The Executive Committee was established on 26 August, 2014. Currently, the Executive Committee comprises two (2) non-executive Directors, namely Mr. ZHOU Zheng and Mr. HAN Shi, chaired by Mr. ZHOU Zheng.

The major roles and functions of the Executive Committee are to carry out the normal and/or ordinary business and operation, risk control, corporate governance, internal control and management of human resources of the Group.

The updated Terms of Reference of the Executive Committee are posted on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www. joy-cityproperty.com).

The Executive Committee held three (3) meetings during the year ended 31 December 2014. Its major work performed is summarized as follows:

- approved the establishment of wholly-owned subsidiaries;
- approved the signing of loan agreements with subsidiaries; and
- considered to suspend an acquisition project.

The attendance record of each member of Executive Committee is shown under the section headed "Board Proceedings".

### Company Secretary

All Directors may seek the advice and assistance of the company secretary in respect of their duties and the effective operation of the Board and the Board committees. The company secretary is also responsible for facilitating good information flow among the Directors.

During the year ended 31 December 2014, the company secretary undertook over fifteen (15) hours of professional training to update his skills and knowledge.

## AUDITOR'S REMUNERATION

During the year ended 31 December 2014, the remuneration paid or to be payable to the external auditor Deloitte Touche Tohmatsu was:

| Services rendered | Fees paid/payables<br>RMB'000 |
|---|---|
| **Audit services** | 3,566 |
| **Non-audit services** | 4,260 |
| | 7,826 |

The audit services provided by Deloitte Touche Tohmatsu mainly involved the audit of the Group's consolidated financial statements which were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the year ended 31 December 2014.

The non-audit services provided by Deloitte Touche Tohmatsu mainly involved the review of the 2014 unaudited interim financial information of the Group, which was prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA and services rendered in relation to the Joy City Acquisition during the year ended 31 December 2014.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

Management provides each Director a monthly financial reporting update with balanced and understandable assessment of the performance, financial position and prospects of the Group every month to facilitate the Board as a whole and each Director to discharge their duties under the Listing Rules.

The Directors acknowledge their responsibilities for preparing all information and representations contained in the financial statements of the Company for the year. The Directors consider that the financial statements have been prepared in accordance with the generally accepted accounting principles in Hong Kong, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and the management. After appropriate enquires, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to operate as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

Deloitte Touche Tohmatsu, the auditors of the Company, acknowledged their reporting responsibilities in the independent Auditors' Report on the audited financial statements for the year ended 31 December 2014.

### Assessment of Internal Control System

The Board has the overall responsibility for overseeing the implementation and the maintenance of effective internal controls of the Company to adequately safeguard assets of the Company and the interest of its shareholders. The Directors confirm that the Company, through its senior management, internal control departments and the monitoring team, exercises full control over the administrative procedures, management and systems of the Company, and ensures the compliance with relevant regulations. Monitoring measures cover all material aspects, including compliance, monitoring environment, risk assessment, information and communication, anti-fraud management programs, financial reporting and disclosure, sales management, fixed asset management, human resources, procurement, cash management, budget management, investment management, tax administration, contracts and legal management and information technology systems.

## SHAREHOLDERS' RIGHTS

### Procedures for Shareholders to Convene a Special General Meeting ("SGM")

Pursuant to bye-law 58 of the Bye-laws and section 74 of the Companies Act 1981 of Bermuda, Shareholders holding not less than one-tenth (10%) of the total voting rights of the Company at the date of deposit of the requisition are entitled, by written requisition to the Board or the company secretary, to request the Board to call a SGM (the "SGM Requisitionists"). Such written requisition must state the purposes of the proposed SGM, and must be signed by the SGM Requisitionists and deposited at the registered office of the Company. It may consist of several documents in like form, each signed by one or more SGM Requisitionists.

If the Board does not proceed duly to convene a SGM within twenty-one (21) days from the date of the deposit of the requisition, the SGM Requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM provided that it is held within three (3) months from the date of deposit of the requisition. The SGM Requisitionists shall convene such SGM in the same manner, as nearly as possible, as that in which SGMs are to be convened by the Board, pursuant to section 74(4) of the Companies Act 1981 of Bermuda.

### Putting Forward a Proposal by Shareholder(s) at General Meetings

(a) A Shareholder or Shareholders holding not less than 5% of the total voting rights of the Company on the date of the requisition or (b) not less than one hundred (100) Shareholders acting together, may submit a written request putting forward a proposal (which may properly be put to a general meeting) for consideration at a general meeting. Such written request must be signed by the requisitionists, and may consist of several documents in like form, each signed by one or more requisitionists. After that, it must be deposited at the registered office of the Company, together with a sum reasonably sufficient to meet the Company's expenses in giving effect thereto, not less than six (6) weeks before the general meeting (in case of a requisition requiring notice of a resolution) or not less than one (1) week before the general meeting (in case of any other requisition). If such written request is confirmed to be proper and in order, necessary arrangement will be made to put such written request to the general meeting.

## Procedures for Nomination and Election of Director by Shareholders

Pursuant to bye-law 85 of the Bye-laws, if a Shareholder wishes to propose a person other than a retiring Director (the "Candidate") for election as a Director at a general meeting, such Shareholder is required to lodge the following documents (which shall be addressed to the company secretary) at the head office (33/F., Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong) or the Registration Office (Tricor Progressive Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong) within the Notice Period:

(a) a written notice signed by a Shareholder duly qualified to attend and vote at a general meeting, stating the intention to propose the Candidate for election; and

(b) a written notice signed by the Candidate of his/her willingness to be elected, which includes the information of the Candidate as required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and the Candidate's consent to the publication of such information (collectively referred to as the "Notices for Director's Election").

"Notice Period" means at least seven (7) days prior to the date of such general meeting appointed for considering such election of Director. However, if the Notices for Director's Election are submitted after the dispatch of the notice of such general meeting appointed for considering such election of Director, then the Notice Period shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

## Change(s) in the Company's constitutional documents

There was no change to the Memorandum and Bye-laws during the year ended 31 December 2014.

## Communications with Shareholders and the Investment Community

The Board recognizes the importance of balanced, clear and timely communications with Shareholders and other interested parties to enable them to keep abreast of the Group's business affairs and development. The Board has taken various steps to maintain on-going and regular dialogues with Shareholders and public investors, including:

- convening annual general meetings and special general meetings in which members of the Board and the external auditor attended to answer questions by the Shareholders;
- posting on the Company's website the information released by the Company to the Stock Exchange. Such information includes financial statements including interim and annual reports, announcements, circulars and notices of general meetings and associated explanatory documents (if any);
- the Company's website containing the designated email address and contact details to enable Shareholders and the investment community to make enquiry in respect of the Company;
- formulating a shareholders' communication policy to ensure that Shareholders are provided with ready and timely access to accurate and comprehensive information about the Group and its development, and if necessary, reviewing such policy to ensure its effectiveness;
- shareholders may at any time send their enquiries and concerns to the Board by post to the following address or via email (207ir@cofco.com) or in person through participation in general meetings:

  Joy City Property Limited
  33/F., Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong

The Board protects the privacy of Shareholders' information in the possession of the Company and the Company will not disclose Shareholders' information without their consent, unless otherwise required by law.

## INVESTOR RELATIONS

The Company considers it crucial to provide investors with accurate information in a timely manner and maintain communication with investors through effective communication channels, with an aim to enhance mutual understanding between investors and the Company and improve the transparency of the Company's information disclosure.

In accordance with the Listing Rules, the Company shall duly disseminate its corporate information via various channels, including annual reports, announcements and company website. After formal announcement of its results in accordance with the Listing Rules, the Company will arrange for meetings during which the management will answer questions from investors. The Company shall meet overseas investors and facilitate communication with them through analysts' conference and roadshows.

In 2014, the Company held the following major investors relationship activities:

| Month | Activity |
|---|---|
| March | Announcement of final results for 2013:<br>— Press conference of results announcement<br>— Media meeting |
| June | JP Morgan Global China Summit 2014 (Beijing) |
| August | Announcement of interim results for 2014:<br>— Press conference of results announcement<br>— Media meeting |
| September | Exchange meeting of listing companies in autumn organized by Haitong Securities (Suzhou) (海通證券秋季上市公司交流會) |
| November | Morgan Stanley Asia Pacific Summit 2014 (Singapore) (摩根史丹利2014年亞太峰會) |

# Directors' Report

The Board is pleased to present its report and the audited consolidated financial statements of the Group for the year ended 31 December 2014, which were approved by the Board on 30 March 2015.

## PRINCIPAL ACTIVITIES

The Company is primarily engaged in property development, operation, sale, leasing and management of mixed-use complexes and other commercial properties such as shopping centres, hotels, offices, serviced apartments and resort and tourist properties. The principal businesses of the Company are divided into four major areas, namely property investment, property development, hotel operations and property management and related services.

## RESULTS AND DIVIDEND

The Group's results for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 121 of this Annual Report.

The Board recommended the payment of a final dividend of HK1 cent per share (2013: Nil) for the year ended 31 December 2014. It is expected that the final dividend will be paid on Friday, 10 July 2015 to shareholders whose names appear on the register of members of the Company on Wednesday, 10 June 2015 subject to the approval of shareholders at the AGM to be held by the Company on 2 June 2015.

## FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for each of the five financial years ended 31 December 2014 is set out on page 118 of this Annual Report.

## BANK BORROWINGS

Details of movements in the Group's bank borrowings during the year ended 31 December 2014 are set out in Note 35 to the consolidated financial statements.

## SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and associates are set out in Notes 51 and 21 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2014 are set out in Note 37 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

## RESERVES

Details of movements in the Company's and the Group's reserves during the year are set out in Note 52 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2014, the reserves available for distribution of the Company, before the final dividend proposed by the Board which is subject to approval by the shareholders at the forthcoming AGM, amounted to RMB384,776,000. As at 31 December 2014, the Company's share premium in the amount of RMB13,329,919,000 (as at 31 December 2013: RMB11,808,027,000) may be distributed in the form of fully paid bonus shares.

## MAJOR CUSTOMERS AND SUPPLIERS

The sales to major customers and purchases from major suppliers by the Group for the year are as follows:

| | **Percentage of total turnover for the year ended 31 December 2014** (%) |
|---|---|
| Top five customers | 7.5 |
| Largest customer | 1.8 |

| | **Percentage of total purchases for the year ended 31 December 2014** (%) |
|---|---|
| Top five suppliers | 42.6 |
| Largest supplier | 15.1 |

The Group's top five customers and suppliers above are independent third parties. To the knowledge of the Directors, none of the Directors, their associates or any Shareholders holding more than 5% interest in Shares had any interest in these top five customers or suppliers.

## DIRECTORS

The Directors during the year ended 31 December 2014 and up to the date of this Annual Report were:

### Executive Directors:

Mr. ZHOU Zheng *(Chairman)*
Mr. HAN Shi

### Non-executive Directors:

Mr. SHI Zhuowei
Mr. MA Jianping
Mr. MA Wangjun
Ms. JIANG Hua

### Independent Non-executive Directors:

Mr. LAU Hon Chuen, Ambrose, *GBS, JP*
Mr. LAM Kin Ming, Lawrence
Mr. WU Kwok Cheung, *MH*

The non-executive Directors and independent non-executive Directors are appointed with specific terms.

Pursuant to bye-law 84(1) of the Bye-laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Pursuant to bye-law 84(2) of the Bye-laws, a retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment. In this regard, Mr. HAN Shi, Mr. MA Jianping and Mr. LAM Kin Ming, Lawrence, shall retire from office and, being eligible, offer themselves for re-election at the AGM.

## DIRECTORS' PROFILE

Each Director's profile is set out on pages 67 to 71 of this Annual Report. Save as disclosed in the Profile of Directors and Senior Management section, none of the Directors is involved in any relationship as set out in paragraph 12 of Appendix 16 to the Listing Rules.

## DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the AGM has any service contract with any member of the Group that is not determinable by the Group within one year without compensation (other than statutory compensation).

## DIRECTORS' INTERESTS IN CONTRACTS

No Director had any material interest, either directly or indirectly, in any contract of significance to the Group's business to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during or at the end of the year ended 31 December 2014.

## DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

The Board is authorised by the Shareholders to fix the Directors' remuneration at general meetings. The Directors' emoluments are determined by the Board based on the recommendation by the Remuneration Committee with reference to their job complexity, workload, responsibilities and the Company's remuneration policy.

The Directors' remuneration for the year ended 31 December 2014 is set out in Note 15 to the consolidated financial statements.

The remuneration of each independent non-executive Director will be increased from HK$120,000 per annum to HK$300,000 per annum with retrospective effect from 1 January 2014. In addition, each independent non-executive Director shall be entitled to an additional fee of HK$5,000 for each extra meeting or each extra set of written resolutions (other than the minimum number of regular board meetings per year required, from time to time, by the Listing Rules or if applicable the laws of Bermuda) which shall require his attendance, undertaking or participation, provided that such extra meeting or such extra set of written resolutions resolves or considers one or more of the following matters: (I) a notifiable transaction (Chapter 14 of the Listing Rules), (II) a connected transaction (Chapter 14A of the Listing Rules), (III) any material matters or events required to be disclosed under Chapter 13 of the Listing Rules and/or (IV) a transaction falling under the Takeovers Codes.

Details of the emoluments paid to the senior management in 2014 by bands are as follows:

| Emolument Band | Number of Individuals |
|---|---|
| RMB2,000,000 to RMB3,000,000 | 2 |

Of the 5 senior management appointed by the Group, only two individual's emolument is paid or payable by the Group for the year.

## DIRECTORS' INTERESTS IN A COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, during the year and up to the date of this annual report, the following Director is considered to have business interest which is likely to compete directly or indirectly with the business of the Group:

Ms. JIANG Hua, a non-executive Director, is a director of COFCO Corporation. COFCO Corporation holds equity interests in certain companies which are engaged in the development, operation, sale, leasing or management of property projects and such businesses compete or may compete with the Group's business. However, COFCO Corporation and its subsidiaries (excluding COFCO Property and its subsidiaries) shall not engage in the Restricted Business in competition with the Group in the PRC and Hong Kong pursuant to the Non-Competition Undertaking, more particulars of which are set out below in this Annual Report. In addition, the product positioning and business strategies of the Group and COFCO Property are different and the potential competition from COFCO Property is minimal. Therefore, the Directors are of the view that the businesses of COFCO Corporation do not compete directly with the businesses of the Group.

Save as disclosed above, none of the Directors is considered to have business interests which are likely to compete directly or indirectly with the business of the Group.

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### Aggregate long position(s) in the shares, underlying shares and debentures of the Company and its associated corporations

| Name of Directors/ Chief Executive | Company/ Name of associated corporations | Capacity | Number of issued ordinary shares held (Note 1) | Number of underlying shares held | Approximate percentage of the issued share capital |
|---|---|---|---|---|---|
| Mr. MA Jianping | China Foods Limited | Beneficial owner | – | 600,000 (Note 2) | 0.0214% (Note 4) |
| Mr. HAN Shi | China Agri-Industries Holding Limited | Beneficial owner | 153,400 | – | 0.0029% (Note 5) |
| Mr. MA Wangjun | China Agri-Industries Holding Limited | Beneficial owner | – | 583,000 (Note 3) | 0.0111% (Note 5) |
| Mr. LAM Kin Ming, Lawrence | The Company | Beneficial owner | 6,000 | – | 0.00006% (Note 6) |

Notes:

1. Long positions in the shares of the Company or its associated corporations, other than equity derivatives such as share options, warrants or convertible bonds.

2. Long positions in the underlying shares of China Foods Limited under share options granted to Mr. MA Jianping pursuant to the share option scheme of China Foods Limited.

3. Long positions in the underlying shares of China Agri-Industries Holdings Limited under share options granted to Mr. MA Wangjun pursuant to the share option scheme of China Agri-Industries Holdings Limited.

4. The percentage (rounded to 4 decimal places) was calculated based on the total number of shares of China Foods Limited in issue as at 31 December 2014, i.e. 2,797,223,396 shares.

5. The percentages (rounded to 4 decimal places) were calculated based on the total number of shares of China Agri-Industries Holdings Limited in issue as at 31December 2014, i.e. 5,249,880,788 shares.

6. The percentage (rounded to 5 decimal places) was calculated based on the total number of Shares in issue as at 31 December 2014, i.e. 9,487,416,572 shares.

Save as disclosed herein, as at 31 December 2014, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed herein, at no time during the year ended or as at 31 December 2014 was the Company or any of the Company's subsidiaries or holding companies or any subsidiary of any of the Company's holding companies a party to any arrangement to enable the Directors or their respective associates to acquire benefits by an acquisition of shares in, or debentures of, the Company or any other body corporate.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the interests and short positions of substantial shareholders in the shares and underlying shares of the Company as recorded in the register of interests of the Company required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

### Aggregate long position(s) in the shares and underlying shares of the Company

| | | Number of shares held (Note 1) | | | | |
|---|---|---|---|---|---|---|
| Number of substantial shareholders | Class of shares | Directly beneficially owned | Through controlled corporation(s) | As Investment Manager | Total | Approximate percentage of the issued share capital (Note 2) |
| Achieve Bloom | Ordinary shares | 6,359,043,360 | – | – | 6,359,043,360 | 67.03% |
| | CPS | 1,095,300,778 | – | – | 1,095,300,778 | 100% |
| COFCO (HK) | Ordinary shares | – | 6,359,043,360 (Note 3) | – | 6,359,043,360 | 67.03% |
| | CPS | – | 1,095,300,778 (Note 4) | – | 1,095,300,778 | 100% |
| COFCO Corporation | Ordinary shares | – | 6,359,043,360 (Note 3) | – | 6,359,043,360 | 67.03% |
| | CPS | – | 1,095,300,778 (Note 4) | – | 1,095,300,778 | 100% |
| GIC Private Limited | Ordinary shares | – | – | 775,000,000 | 775,000,000 | 8.17% |
| Grow Wealth | Ordinary shares | 509,460,864 | – | – | 509,460,864 | 5.37% |
| Kwai Kui Man | Ordinary shares | – | 509,460,864 (Note 5) | – | 509,460,864 | 5.37% |
| Woo+Woo | Ordinary shares | 499,223,228 | – | – | 499,223,228 | 5.26% |
| Woo Yeung Ming Lau | Ordinary shares | – | 499,223,228 (Note 6) | – | 499,223,228 | 5.26% |

Notes:

1. Long positions in the Shares and CPS, other than equity derivatives such as share options, warrants or convertible bonds.

2. The percentages (rounded to 2 decimal places) of the Shares were calculated based on the total number of Shares in issue as at 31 December 2014, i.e. 9,487,416,572 Shares, and assuming that 1,095,300,778 CPS were not fully converted into 1,095,300,778 Shares.

   The percentages of CPS were calculated based on 1,095,300,778 CPS in issue as at 31 December 2014.

3. COFCO (HK), through its wholly-owned subsidiary, Achieve Bloom, was deemed to be interested in 6,359,043,360 Shares as at 31 December 2014.

   COFCO Corporation, through its wholly-owned subsidiary, COFCO (HK), was deemed to be interested in 6,359,043,360 Shares as at 31 December 2014.

4. COFCO (HK), through its wholly-owned subsidiary, Achieve Bloom, was deemed to be interested in 1,095,300,778 CPS as at 31 December 2014.

   COFCO Corporation, through its wholly-owned subsidiary, COFCO (HK), was deemed to be interested in 1,095,300,778 CPS as at 31 December 2014.

5. Kwai Kui Man, through its wholly-owned subsidiary, Grow Wealth, was deemed to be interested in 509,460,864 Shares as at 31 December 2014.

6. Woo Yeung Ming Lau, through its non-wholly-owned subsidiary, Woo+Woo, was deemed to be interested in 499,223,228 Shares as at 31 December 2014.

Save as disclosed herein, as at 31 December 2014, the Company had not been notified of any other persons who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register of interests of the Company required to be kept under Section 336 of the SFO.

## SUFFICIENCY OF PUBLIC FLOAT

Based on publicly available information and to the knowledge of the Directors, 24.80% of the Company's total issued Shares (excluding the CPS) was held by the public as at the date of this Annual Report. The public float fell below 25% of issued share capital of the Company as required under Rule 8.08(1)(a) of the Listing Rules.

The insufficient public float of the Company was due to the fact that prior to the sale and purchase of all respective issued share capital and relevant shareholder's loans of Fortune Set Limited, Mega Health and Kersen Properties Limited pursuant to the Joy City Acquisition Agreement dated 12 September 2014, GIC Private Limited, an independent third party of the Company holding approximately 8.17% of the issued share capital of the Company, became a non-public shareholder by virtue of its related company becoming a substantial shareholder of the subsidiaries of the Company upon completion of the Joy City Acquisition. Upon notification of the insufficient public float, the Company has sought possible arrangement with Achieve Bloom and GIC Private Limited regarding restoration of the Company's public float with the expectation that the public float of the Company shall remain at no less than 25% immediately after the completion of Rights Issue, expected to be on or around 30 April 2015.

## CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

### Overview

Set out below is the information in relation to connected transactions and continuing connected transactions that existed during the year ended 31 December 2014 which are required to be disclosed in this Annual Report in accordance with Chapter 14A of the Listing Rules, mainly comprising of transactions between the Company and the COFCO Group (which for the purpose of this section, includes the associates of COFCO Corporation).

### The Connected Persons

COFCO Corporation is indirectly holding 67.03% of the issued share capital of the Company as at 31 December 2014 and is the controlling shareholder of the Company. COFCO Corporation, together with other members of the COFCO Group and their respective associates, will continue to be the Company's connected persons under Chapter 14A of the Listing Rules. COFCO Corporation is a state-owned enterprise incorporated in the PRC under the purview of SASAC. COFCO Corporation is engaged in a wide range of businesses through its subsidiaries including property development and management in the PRC and overseas, agricultural commodities trading, agricultural products cultivation and processing, processing of animal by-products, food and beverages, dairy products and packaging materials, hotel management and provision of logistics and financial services in the PRC.

### Connected Transactions

(a) Jetway Acquisition and Yalong Acquisition

On 1 August 2014, the Company and Grow Wealth entered into the Jetway Acquisition Agreement pursuant to which the Company has agreed to acquire 22 ordinary shares of US$1.00 each in Jetway (representing 22% of the issued share capital of Jetway) and the shareholder's loan of HK$69,904,943. The consideration of HK$1,018,921,728 shall be satisfied by the issue and allotment of 509,460,864 consideration shares to Grow Wealth at the Issue Price of HK$2 per share. On the same date, the Company and Woo + Woo entered into the Yalong Acquisition Agreement pursuant to which the Company has agreed to acquire, and Woo + Woo has agreed to sell 1,005,309 ordinary shares, approximately 32.43% of the issued share capital, in Yalong (HK), a non-wholly-owned subsidiary of the Company, and the shareholder's loan of HK$174,014,191. The consideration of HK$998,446,456 shall be satisfied by the issue and allotment of 499,223,228 new shares to Woo + Woo at the Issue Price of HK$2 per share. The Jetway Acquisition and Yalong Acquisition are to increase the effective interest in the property portfolio of the Group and maximise the profit contribution of Jetway and Yalong (HK) to the Group, which will have an effect of increasing the core earnings per share of the Company.

Each of Grow Wealth and Woo + Woo is a connected person of the Company by virtue of their respective shareholdings in Jetway and Yalong (HK).

Both Jetway Acquisition and Yalong Acquisition were completed on 19 August 2014. Upon completion, Jetway and Yalong (HK) became wholly-owned subsidiaries of the Company.

(b) **Joy City Acquisition**

On 12 September 2014 and 3 November 2014, the Company entered into the Joy City Acquisition Agreement and a supplemental agreement with COFCO Land, Sheen Jade Limited, and Magic Grain, respectively, pursuant to which the Company has agreed to purchase, and each of COFCO Land and Sheen Jade Limited has agreed to sell, all respective issued share capital in Fortune Set Limited, Mega Health and Kersen Properties Limited and the shareholder's loans of HK$995,940,574.66. The Consideration is HK$12,459,785,372, of which not less than 50% shall be paid upon completion. The remaining balance of the Consideration shall be fully paid within six months after the completion date.

Fortune Set Limited, Mega Health and Kersen Properties Limited, are companies indirectly owned by COFCO Corporation which hold the Joy City Projects and other businesses. These Joy City Projects, namely Xidan Joy City, Shenyang Joy City, Chaoyang Joy City, Shanghai Joy City, Tianjin Joy City and Yantai Joy City, were or will be developed into mixed-use complexes under the flagship brand "Joy City (大悅城)". The Joy City Acquisition will (1) strengthen the Company's leading position as a mixed-use complex and commercial property developer with the addition of mixed-use complexes under the flagship brand "Joy City (大悅城)" to its existing property portfolio and (2) will have a larger property portfolio with a potential to attain a more steady and sustainable return.

Achieve Bloom is a connected person of the Company by virtue of it being a controlling shareholder of the Company. Each of COFCO Land, Sheen Jade Limited and Magic Grain is an associate of Achieve Bloom and therefore a connected person of the Company.

Completion of the Joy City Acquisition took place on 4 December 2014, and HK$6,229,892,686 (representing 50% of the Consideration) was settled by the Company. Upon completion, Fortune Set Limited, Mega Health and Kersen Properties Limited became wholly-owned subsidiaries of the Company.

## Continuing Connected Transactions

Set out below is a summary of the continuing connected transactions of the Company during the year ended 31 December 2014:

(a) Leasing of properties to the COFCO Group
(b) Provision of project consultation, property management and hotel management services
(c) Provision of insurance services by the COFCO Group
(d) Sourcing of staple supplies and catering services from the COFCO Group
(e) Entrusted arrangements with respect to certain Retained Joy City Projects
(f) Advance from Shanghai Top Glory to Taiwan Hotel Ltd
(g) Entrusted arrangements with respect to certain projects owned by the Company
(h) Existing Leases with respect to leasing of properties to the COFCO Group
(i) Existing leases with respect to leasing of properties by the COFCO Group

## Details of Continuing Connected Transaction

(a) **Leasing of properties to the COFCO Group**

As of 31 December 2014, the Company has entered into various lease agreements for the leasing of commercial premises to the COFCO Group. The lease agreements were entered into mainly by (i) Beijing COFCO Plaza Co. for the leasing of commercial premises in Beijing COFCO Plaza; (ii) Bapton for the leasing of commercial premises in Top Glory Tower; (iii) Yantai Joy City Limited for the leasing of commercial premises in Yantai Joy City; and (iv) COFCO Shanghai for the leasing of commercial premises in Shanghai COFCO Tower. These leased properties are generally occupied by relevant members of the COFCO Group as their headquarters, offices, sales offices or for other commercial uses. The above (iii) and (iv) constituted continuing connected transactions upon completion of the Joy City Acquisition on 4 December 2014.

The Company considers that the leasing of the commercial premises to the COFCO Group is conducted in the Company's ordinary and usual course of business based on the commercial needs of the Company and the COFCO Group. It is expected that the Company will continue to lease the commercial premises to the COFCO Group pursuant to the existing lease arrangements and may renew the same after they expire, or enter into new lease agreements with other members of the COFCO Group. To better regulate the arrangements, the Company entered into the Master Lease Agreement on 29 November 2013, followed by a supplemental agreement on 3 November 2014 to extend its term to 31 December 2016, with COFCO Corporation to govern the terms of the lease arrangements between the Company and the COFCO Group.

The 2014 Annual Caps and the actual amounts for the rent and management fees payable under the Master Lease Agreement during the year are set out below:

| **Annual Caps (financial year ended 31 December 2014) (RMB'000)** | **Actual Amounts (financial year ended 31 December 2014) (RMB'000)** |
|---|---|
| 111,000 | 99,945.6 |

Pursuant to the Master Lease Agreement, save and except for the Existing Leases (details of which are set out in the paragraph headed "Existing Leases with respect to leasing of properties to the COFCO Group" in this section), the rent and management fees payable by the COFCO Group are subject to the general pricing terms as set out in the paragraph headed "Common terms of the Master Agreements" below, and are to be agreed between the relevant members of the Group and the COFCO Group having regard to the quality and nature of the relevant property, its location, neighborhood area and ancillary infrastructure facilities, and based on the rents payable under leases in the same building as those with tenants which are independent third parties and the prevailing market rents for similar premises in the vicinity of the relevant property.

(b) **Provision of project consultation, property management and hotel management services**

(i) *Provision of project consultation and property management services by the Group to the COFCO Group*

The Group, through its members including Beijing Gloria Management, has been providing project consultation and property management services for its own property projects, as well as property projects of the COFCO Group and to other external customers.

In their ordinary and usual course of business, Beijing Gloria Management and other members of the Group have entered into project consultation and property management agreements with members of the COFCO Group, pursuant to which the Group provides project consultation and property management services to the property projects owned and developed by the COFCO Group.

Specifically, the project consultation and property management services provided by the Group to the (former) COFCO Group for its major property projects during the year include but are not limited to the following projects:

| Relevant member of the Group | Relevant member of the (former) COFCO Group | Property management services provided to the COFCO Group |
|---|---|---|
| Beijing Gloria Management | Joy City (Tianjin) Co., Ltd.[1] (大悅城(天津)有限公) | Provision of project consultation and property management services for Tianjin Joy City |
| Beijing Gloria Management | Shanghai Xinlan Real Estate Development Co., Ltd.[1] (上海新蘭房地產開發有限公司) | Provision of property management services for Shanghai Joy City |
| Beijing Gloria Management | Beijing Hongtaijiye Real Estate Co., Ltd.[1] (北京弘泰基業房地產有限公司) | Provision of property management services for Chaoyang Joy City and its residential units |
| Beijing Gloria Management | Xidan Joy City Co., Ltd.[1] (西單大悅城有限公司) | Provision of property management services for Xidan Joy City |
| Beijing Gloria Management | Yantai Joy City Co., Ltd.[1] (煙台大悅城有限公司) | Provision of project consultation services for Yantai Joy City |
| Beijing Gloria Management | COFCO Property Investment (Beijing) Co., Ltd. (中糧地產投資(北京)有限公司) | Provision of project consultation services and property management services for COFCO Shine City International Residence Community (中糧祥雲國際生活區) |
| Beijing Gloria Management | COFCO Corporation and other members of the COFCO Group | Provision of property management services for COFCO Fortune Plaza (中糧福臨門大廈) |
| Beijing Gloria Management | COFCO Shanghai[2] | Provision of property management services for Shanghai COFCO Tower |
| Beijing Gloria Management | Beijing COFCO Plaza Co.[1] | Provision of property management services for Beijing COFCO Plaza |

1. Became a subsidiary of the Company following the completion of the Joy City Acquisition on 4 December 2014 and ceased to constitute a continuing connected transaction.

2. Became a subsidiary of the Company following the completion of the Joy City Acquisition on 4 December 2014 and ceased to constitute a continuing connected transaction after it was transferred to an independent third party on 25 December 2014.

The project consultation and property management services provided by the Group include the following:

(a) project planning and development consultation services during the initial development stage, including land development planning, government approvals and corporate structure consultation, construction consultation and agency services, facilities and greenery planning, consultancy and advisory services on security systems, fire service systems, communication and network systems; and

(b) property management services after completion of project development, including maintenance, repair and management of public facilities and public areas, managing car parking lots, cleaning services, security services, collecting rent from tenants and managing the leasing arrangements with tenants.

The Annual Caps and the actual amounts for project consultation and property management services provided by the Group pursuant to the Master Property Management Agreement are set out below:

| **Annual Caps (financial year ended 31 December 2014) (in RMB'000)** | **Actual amounts (financial year ended 31 December 2014) (RMB'000)** |
|---|---|
| 44,000 | 16,053.4 |

Certain of the companies listed above, namely Joy City (Tianjin) Co., Ltd., Shanghai Xinlan Real Estate Development Co., Ltd., Beijing Hongtaijiye Real Estate Co., Ltd., Xidan Joy City Co., Ltd., Yantai Joy City Co., Ltd., COFCO Shanghai and Beijing COFCO Plaza Co., have become subsidiaries of the Company following the completion of the acquisition of the Joy City Projects on 4 December 2014 and the provision of project consultation services and property management services to these companies ceased to be continuing connected transactions.

(ii) *Provision of hotel and property management services by the COFCO Group to the Group*
During the year, certain members of the COFCO Group have also provided hotel and property management services to the hotel projects and property projects developed by the Group, which include but are not limited to the following:

| Relevant member of the COFCO Group | Relevant member of Group | Hotel and property management services provided to the Group |
|---|---|---|
| Gloria International Hotel Limited | Nanchang Gloria Hotel (PRC) | Provision of hotel management services for Gloria Grand Hotel Nanchang |
| Gloria International Hotel Limited | Suzhou Gloria Hotel (PRC) | Provision of hotel management services for Gloria Plaza Hotel Suzhou |
| Gloria International Hotel Management (Beijing) Co., Ltd. (凱萊國際酒店管理（北京）有限公司) | Yalong Development (Sanya) | Provision of hotel management services for Cactus Resort Sanya by Gloria |
| Top Glory Properties Management (HK) Limited | Bapton | Provision of property consultancy and rental management services for Top Glory Tower |
| COFCO Property Group Shenzhen Property Management Co., Ltd., Shenyang Branch* (中糧地產集團深圳物業管理有限公司瀋陽分公司) | Shenyang Development Co., Ltd. (瀋陽開發) | Provision of property management services for Shenyang Joy City |

* Constituted continuing connected transactions following the completion of the Joy City Acquisition on 4 December 2014

The hotel and property management services provided by the COFCO Group to the Group include the following:

(a) hotel management services, including operating and managing restaurants, shops, recreational facilities and other facilities in the hotel premises, marketing services, catering services, setting and implementing policies and standards for use of hotel rooms, maintaining common area and public facilities, as well as other general property management services; and

(b) property management services, including maintenance, repair and management of building, cleaning services, security services, fire and safety services, environmental conservation, customer services, staff recruitment and training, preparing budgets, collecting rent from tenants and managing the leasing arrangements with tenants.

The Annual Caps and the actual amounts for the service fees for the hotel and property management services payable by the Company pursuant to the Master Property Management Agreement during the year are set out below:

| Annual Caps (financial year ended 31 December 2014) (in RMB'000) | Actual amounts (financial year ended 31 December 2014) (RMB'000) |
|---|---|
| 11,000 | 7,424.7 |

The Company considers that it will be beneficial for the Group to continue to provide project consultation and property management services to the COFCO Group, and for the COFCO Group to continue to provide hotel and property management services to the Group. To better regulate the arrangements, the Company and COFCO Corporation entered into the Master Property Management Agreement on 29 November 2013, followed by a supplemental agreement on 3 November 2014 to extend its term to 31 December 2016, to govern the terms of the provision of project consultation, hotel and property management services.

Pursuant to the Master Property Management Agreement, the service fees for the project consultation, hotel and property management services are subject to the general pricing terms as set out in the paragraph headed "Common terms of Master Agreements" below. Detailed terms of the project consultation, hotel and property management services to be provided by the Group and the COFCO Group (as the case may be) and the pricing terms shall be set out in the specific property management service contracts to be entered into between the relevant members of the Group and the COFCO Group which are ancillary to and subject to the terms and conditions of the Master Property Management Agreement.

The consideration to be paid by the respective members of the COFCO Group or the Group (as the case may be) pursuant to the Master Property Management Agreement shall be agreed between the relevant members of the Group and the COFCO Group having regard to various factors such as the nature and scope of the services to be provided, the costs of providing such services and the market rate for similar services offered by other independent third party suppliers, or based on a prescribed fee schedule or charging rate as agreed between the relevant parties from time to time.

(c) Provision of insurance services by the COFCO Group

The COFCO Group conducts insurance business and provides insurance consultancy and brokerage services in the PRC through its members including AVIVA-COFCO Life Insurance Co., Ltd. (中英人壽保險有限公司) and AON-COFCO Insurance Brokerage Co., Ltd. (中怡保險經紀有限責任公司). The Group has been purchasing insurance products from the COFCO Group covering medical, accident and life insurance for its staff, and receiving insurance consultancy and brokerage services from the COFCO Group which include sourcing and referral of insurance products and services for the Group, general liaison with insurers on behalf of the Group and regular review of the insurance coverage of the Group.

The Company considers that it will be beneficial for the Group to continue to purchase insurance products and receive insurance consultancy and brokerage services from the COFCO Group, as insurance services are generally required by the Group's ordinary course of business and the Group will have access to full insurance consultancy services provided by the COFCO Group. To better regulate the arrangements, the Company entered into the Master Insurance Agreement on 29 November 2013 with COFCO Corporation for the provision of insurance services by the COFCO Group to the Group with effect from 19 December 2013 to 31 December 2015.

The Annual Caps and the actual amounts for the insurance premium and consultancy fees payable pursuant to the Master Insurance Agreement during the year are set out below:

| **Annual Caps (financial year ended 31 December 2014) (in RMB'000)** | **Actual amounts (financial year ended 31 December 2014) (RMB'000)** |
|---|---|
| 1,490 | 393.1 |

Pursuant to the Master Insurance Agreement, the service fees payable under the Master Insurance Agreement by the Group are to be agreed and determined on an arm's length basis between the relevant members of the Group and the COFCO Group from time to time, which shall be comparable to, or no less favourable to the Group than the market prices for similar products and services offered by independent third parties to the Group, and shall be agreed between the relevant members of the Group and the COFCO Group having regard to various factors such as the nature and coverage of the insurance policies, the scope of the insurance consultancy and brokerage services provided by the COFCO Group and the market fees for similar insurance services offered by other independent insurers, or based on a prescribed fee schedule or charging rate as agreed between the relevant parties from time to time. Detailed terms of the insurance services and the pricing terms shall be set out in the specific service contracts or confirmation orders to be entered into between the relevant member of the Group and the COFCO Group which are ancillary to and subject to the terms and conditions of the Master Insurance Agreement.

The relevant member of the Group shall, before it enters into specific agreements pursuant to the Master Insurance Agreement,

(i) obtain price quotations from independent third parties for the provision of the same or similar services required by the Group; or

(ii) request the COFCO Group to provide it with sales records of the same or similar services offered by it to its customers, as the reference market price of such products and services.

If the relevant member of the Group proceeds to enters into a transaction with the COFCO Group for the services contemplated under the Master Insurance Agreement, the price and other conditions at which such services are to be offered shall be no less favourable to the Group than any of the price quotations or sales records.

(d) Sourcing of staple supplies and catering services from the COFCO Group

During the year under review, the Group has been sourcing certain staple supplies from the COFCO Group, including agricultural products, food, beverage, wine and confectionary, packaging materials and daily supplies such as oil, rice, sugar and tea, mainly used in the Group's ordinary business operations, the catering services provided in the hotels and other commercial properties operated by the Group and as the Group's staff benefits and corporate gifts to its customers and business partners. The COFCO Group also provides conference room facilities, accommodation, car parking lots and catering services to the Group for its general corporate uses, corporate events and promotional activities.

The Company considers that it will be beneficial to the Group to continue to source staple supplies and catering services from the COFCO Group as it will allow the Group to benefit from bulk purchase discounts and ensure a stable and reliable staple supply and provision of services which is crucial for its property and hotel business. To better regulate the arrangements, the Company entered into the Master Sourcing Agreement on 29 November 2013 with COFCO Corporation for the supply of staple supplies and catering services by the COFCO Group to the Group, followed by a supplemental agreement on 3 November 2014 to extend its term to 31 December 2016.

The Annual Caps and the actual amounts for the purchase amounts for staple supplies and catering services payable by the Company pursuant to the Master Sourcing Agreement during the year are set out below:

| **Annual Caps (financial year ended 31 December 2014) (in RMB'000)** | **Actual amounts (financial year ended 31 December 2014) (RMB'000)** |
|---|---|
| 9,200 | 3,250.4 |

Pursuant to the Master Sourcing Agreement, the prices for the staple supplies and catering services are subject to the general pricing terms as set out in the paragraph headed "Common Terms of the Master Agreements" below, and shall be agreed between the relevant members of the Group and the COFCO Group having regard to various factors such as the quantity and quality of the supplies and services, the market prices for the staple supplies and catering services, the prices offered by other independent third party suppliers and the procurement or manufacturing costs of the relevant members of the COFCO Group, or based on a prescribed fee schedule or purchase price as agreed between the relevant parties from time to time. Detailed terms of the provision of staple supplies and catering services and the pricing terms will be set out in the specific service contracts or confirmation orders to be entered into between the relevant members of the Group and the COFCO Group which are ancillary to and subject to the terms and conditions of the Master Sourcing Agreement.

## COMMON TERMS OF THE MASTER AGREEMENTS

Each of the Master Agreements is a framework agreement comprising the general terms and conditions upon which the Group and the COFCO Group are to carry out the particular type of Non-Exempt Continuing Connected Transaction contemplated thereunder. The common terms of the Master Agreements are set out below:

Term: Each Master Agreement was approved by the Independent Shareholders at the SGM dated 18 December 2013, and has become effective from 19 December 2013 to 31 December 2016, which can be renewed on terms to be agreed upon between the Company and COFCO Corporation subject to compliance with the applicable provisions of the Listing Rules.

Framework agreement: The Master Agreements are framework agreements which contain general terms and conditions upon which the Group and the COFCO Group are to carry out the particular type of transaction contemplated thereunder. Members of the Group and the COFCO Group may from time to time enter into specific agreements in respect of the leases, services and/or products to be provided or received by the Group, provided that the terms of such detailed agreements are not inconsistent with the terms of the relevant Master Agreement. The actual services and/or products to be provided or received by the Group are subject to such detailed agreements entered into between the relevant members of the Group and the COFCO Group from time to time during the terms of the Master Agreements.

Pricing basis: The purchase amounts, rent and service fees payable under each of the Master Agreements by the Group or the COFCO Group (as the case may be) are to be agreed and determined on an arm's length basis between the relevant members of the Group and the COFCO Group from time to time, which shall be comparable to, or no less favourable to the Group than, the fair market rents or market prices for similar products and services offered by independent third parties to the Group or by the Group to independent third parties.

The relevant member of the Group shall, before it enters into specific agreements in respect of the leases, services and/or products pursuant to the Master Agreements,

(a) when the price is the sole determining factor: (i) obtain quotations from not less than two independent third party suppliers of the same or similar products and/or services required by the Group; or (ii) request COFCO Group to provide it with not less than two records of same or similar products and/or services offered by it to other customers, and in such case the purchase amounts rent and service fees payable by the Group and other relevant conditions under the Master Agreements shall not be less favourable from the Group's perspective than those quotations or records (as the case may be); or

(b) when the price is one of the determining factors, conduct negotiations and, if necessary, obtain relevant quotation and/or pricing record to determine the overall terms of the transaction on an arm's length basis.

Termination: The Master Agreements may be terminated by either party giving the other party a written notice not less than 30 days before the intended date of termination.

(e) **Entrusted arrangements with respect to certain Retained Joy City Projects**

The Company entered into five Retained Joy City Projects Entrustment Contracts on 29 November 2013 with the following members of the COFCO Group which directly hold the respective Retained Joy City Projects, pursuant to which the Company was granted the right to manage the respective businesses and underlying assets (including the relevant Retained Joy City Projects) of these companies. Details of the parties to the Retained Joy City Projects Entrustment Contracts and the entrustment arrangements are set out below:

| Relevant member of the former COFCO Group | Relevant member of the Group | Relevant Retained Joy City Project entrusted to the Group | Entrustment fee per annum (RMB'000) |
|---|---|---|---|
| Joy City (Tianjin) Co., Ltd.* (大悅城（天津）有限公司) | The Company | Tianjin Joy City | 500.0 |
| Shanghai Xinlan Real Estate Development Co., Ltd.* (上海新蘭房地產開發有限公司) | The Company | Shanghai Joy City | 500.0 |
| Beijing Hongtaijiye Real Estate Co., Ltd.* (北京弘泰基業房地產有限公司)) | The Company | Chaoyang Joy City | 500.0 |
| Xidan Joy City Co., Ltd.* (西單大悅城有限公司)) | The Company | Xidan Joy City | 500.0 |
| Yantai Joy City Co., Ltd.* (煙台大悅城有限公司) | The Company | Yantai Joy City | 500.0 |

The English names of the Chinese companies marked with "*" are translations of their Chinese names and are included for identification purpose only, and should not be regarded as their official English translation.

The Retained Joy City Projects Entrustment Contracts have become effective on 19 December 2013 upon the approval of the Independent Shareholders at the SGM dated 18 December 2013 until the expiry of their initial terms on 31 December 2015. All of the above Retained Joy City Projects were acquired by the Company pursuant to the exercise of the Call Options during the term of the Retained Joy City Projects Entrustment Contracts. The relevant contract has been terminated upon completion of the Joy City Acquisition.

(f) **Advance from Shanghai Top Glory to Taiwan Hotel Ltd**

Taiwan Hotel Ltd is a non-wholly-owned subsidiary of the Company which is owned as to 51% by COFCO (BVI) No. 97 (a wholly-owned subsidiary of the Company) and 49% by COFCO Corporation. As the then indirect ultimate controlling shareholder of Taiwan Hotel Ltd, COFCO Corporation has been providing shareholder's loans to Taiwan Hotel Ltd for its operating costs and business expansion prior to 19 December 2013. For the purpose of minimising the financial reliance by the Group on the COFCO Group, all amounts due to the COFCO Group were repaid before 19 December 2013. Please refer to the section headed "Relationship with Controlling Shareholders — Independence from the COFCO Group — Financial independence" in the Company's circular dated 30 November 2013 for details.

As part of the arrangement to repay the amounts due from the Group to the COFCO Group, Shanghai Top Glory, a subsidiary of the Company, made available an intra-group advance to Taiwan Hotel Ltd in replacement of the existing shareholder loans provided by COFCO Corporation. In this connection, Shanghai Top Glory, Taiwan Hotel Ltd and China Construction Bank Beijing Branch entered into the Entrustment Loan Agreement on 1 November 2013, pursuant to which Shanghai Top Glory entrusted China Construction Bank Beijing Branch to lend RMB663.3 million to Taiwan Hotel Ltd. China Construction Bank Beijing Branch has received the same amount of cash deposit from Shanghai Top Glory and the corporate guarantee from Shanghai Top Glory as the security of the Entrustment Loan. The Entrustment Loan is for a term of one year from 1 November 2013 with a fixed interest rate of 6.68% per annum, which was determined with reference to the relevant PBOC benchmark lending rates for one-year term loan and the prevailing market lending rates generally offered by commercial banks in the PRC.

As of the expiry date of the Entrustment Loan Agreement, Taiwan Hotel Ltd repaid a total of RMB100 million to Shanghai Top Glory, and there is an outstanding balance of RMB563.3 million of the original Entrustment Loan. Shanghai Top Glory, Taiwan Hotel Ltd and China Construction Bank Beijing Branch entered into the Entrustment Loan Extension Agreement on 31 October 2014 to extend the maturity date of the outstanding balance of RMB563.3 million of the original Entrustment Loan for a further term of six months from 1 November 2014 to 30 April 2015. The interest rate on the Entrustment Extension Loan during the extension period under the Entrustment Loan Extension Agreement is a fixed rate of 6.73% per annum, which was determined with reference to The People's Bank of China (中國人民銀行) benchmark lending rates for one-year term loan and the prevailing market lending rates generally offered by commercial banks in the PRC. Save and except for such terms and conditions as amended by the Entrustment Loan Extension Agreement (including the amount of the Entrustment Extension Loan, the maturity date and the new applicable interest rate), the other terms of the Entrustment Loan Agreement shall continue to be in force.

The Entrustment Extension Loan was intended to be a short-term intra-group financing arrangement amongst the members of the Group to enable Taiwan Hotel Ltd, a non-wholly-owned subsidiary of the Company, to obtain financing from another subsidiary of the Company to support its business operations upon repayment of the shareholder loans then owing by Taiwan Hotel Ltd to the Company's ultimate controlling shareholder, COFCO Corporation. As the planned capital injection by the shareholder(s) of Taiwan Hotel Ltd scheduled for 2014 has been postponed to the first half of 2015, it is expected that Taiwan Hotel Ltd will repay the Entrustment Extension Loan with the funding from its shareholder(s) upon completion of the capital injection. In a long run, Taiwan Hotel Ltd will be financed by the capital contributions from its shareholder(s), cash generated from its operating activities and other internal resources.

(g) Entrusted arrangements with respect to certain projects owned by the Group

Zhuoyuan Property, Shanghai Top Glory and COFCO Chengdu entered into three Group Entrustment Contracts on 26 September 2012 with COFCO Property, pursuant to which the management of the business and operations of certain project companies of the Group or companies holding interests in the relevant project company were entrusted to COFCO Property. The relevant parties to the Group Entrustment Contracts and the relevant properties and projects entrusted to COFCO Property are set out below:

| Member of the Group | Member of the COFCO Group | Relevant properties and projects entrusted to the COFCO Group | Entrustment fee per annum (RMB'000) |
|---|---|---|---|
| Zhuoyuan Property | COFCO Property | Chengdu Joy City | 500.0 |
| Shanghai Top Glory | COFCO Property | Ocean One and Fraser Suites Top Glory Shanghai | 500.0 |
| COFCO Chengdu | COFCO Property | Chengdu Shine City* | 500.0 |

* COFCO Chengdu holds a 30% equity interest in Chengdu Yuecheng, which holds Chengdu Shine City.

Each of the Group Entrustment Contracts has a term of three years commencing from 26 September 2012 and will expire in September 2015. Pursuant to the Group Entrustment Contracts, COFCO Property shall provide management services or implement operational policies for each of Zhuoyuan Property, Shanghai Top Glory and COFCO Chengdu and their respective underlying projects. COFCO Property shall receive an annual fee of RMB500,000 for each company while the profits and losses generated from these projects shall belong to the Group. The Group does not intend to renew or extend the terms of the Group Entrustment Contracts after they expire in September 2015. Each relevant member of the Group shall pay an entrustment fee of RMB500,000 per annum for the services provided by COFCO Property, and the aggregate entrustment fee for the Group Entrustment Contracts amounts to RMB1,500,000 per annum.

The Group Entrustment Contracts were entered into by members of the Group in September 2012, which have taken effect and will continue after completion of the Acquisition until the expiry of their terms.

(h) **Existing Leases with respect to leasing of properties to the COFCO Group**

During the year, Beijing COFCO Plaza Co., a member of the Group, was a party to five Existing Leases with respect to the leasing of commercial premises and a shopping mall unit in Beijing COFCO Plaza to certain members of the COFCO Group. The Existing Leases are summarised as follows:

| Member of the COFCO Group (as tenant) | Address of the property leased | Effective period of the lease agreements | Total annual rent and management fee for the year ended 31 December 2014 RMB'000 |
|---|---|---|---|
| COFCO Coca-Cola Beverages (China) Investment Ltd. (中糧可口可樂飲料（中國）投資有限公司) | Units 1101-06 of Tower A of Beijing COFCO Plaza | 1 August 2011 to 30 October 2014[1] | 1,524.0 |
| COFCO Coca-Cola Supply Chain (Tianjin) Investment Ltd.* (中糧可口可樂供應鏈（天津）有限公司) | Units 1101-06 of Tower A of Beijing COFCO Plaza | 1 August 2011 to 30 October 2014[1] | 6,208.8 |
| Junding Chateau Wine Sales Co., Ltd.* (北京君頂名莊酒業銷售有限公司) | Units 1317-19 of Tower B of Beijing COFCO Plaza | 1 July 2012 to 30 June 2014[2] | 784.9 |
| Beijing Junding Hua Yue Hotel Management Co., Ltd.* (北京君頂華悅酒店管理有限公司) | 5th floor of Tower C of Beijing COFCO Plaza | 1 October 2010 to 30 September 2018[3] | 4,656.8 |
| China Tea Joint Stock Co., Ltd.* (中國茶葉股份有限公司) | Shop F116 of Beijing COFCO Plaza | 1 March 2013 to 30 April 2015 | 238.7 |

1 The leases have been expired and renewed until 31 October 2016 .
2 The lease has been expired and terminated.
3 With mutual agreement, the lease has been early terminated.

Details of the Existing Leases are set out in the Company's circular dated 30 November 2013.

The ongoing transactions under the Existing Leases constitute continuing connected transactions of the Company upon the completion of the Acquisition on 19 December 2013. Accordingly, pursuant to Rule 14A.41 of the Listing Rules, the Company is required to comply with the applicable annual review, reporting and disclosure requirements of the Listing Rules in respect of the transactions under the Existing Leases.

The Company will comply in full with all relevant reporting, disclosure and, if applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation of such contract during their terms. Upon expiry of any of the Existing Leases, any new lease agreement to be entered into with the relevant members of the COFCO Group for the leasing of the respective property under the Existing Leases will be governed by the Master Lease Agreement and subject to the general pricing terms as set out in the paragraph headed "Common Terms of Master Agreements" above, and the annual rent and management fee under the new lease agreements shall be comparable to the rent of the leases in the same building as those with tenants which are independent third parties and the then prevailing market rent of Beijing COFCO Plaza.

(i) **Existing Leases with respect to leasing of properties by the COFCO Group**

As at 31 December 2014, a member of COFCO Group was a party to an existing lease with respect to the leasing of commercial premises and parking spaces in COFCO Fortune Plaza in Beijing to COFCO Investment, a member of the Group. The existing lease is summarised as follows:

| Member of the Group (as tenant) | Address of the property leased | Effective period of the lease agreement | Total annual rent and management fee for the year ended 31 December 2014 RMB'000 |
|---|---|---|---|
| COFCO Investment | 12th floor and 19 parking spaces on B4 of COFCO Fortune Plaza in Beijing | 1 January 2014 to 30 December 2014 | 10,744.7 |

The Annual Caps for the rent and management fees payable under or ancillary to the lease is RMB11,150,000 for the year ended 31 December 2014.

Details of the existing lease is set out in the Company's circular dated 5 November 2014.

The ongoing transactions under the existing lease constitute continuing connected transactions of the Company upon the completion of the Joy City Acquisition on 4 December 2014. Accordingly, pursuant to Rule 14A.41 of the Listing Rules, the Company is required to comply with the applicable annual review, reporting and disclosure requirements of the Listing Rules in respect of the transactions under the existing lease.

## CONFIRMATION FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that all the continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better (save and except for the Existing Leases with respect to leasing of properties to the COFCO Group); and (iii) according to their respective agreements governing them on the terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

Deloitte Touche Tohmatsu, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu has provided a letter to the Board confirming (i) nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board; (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company; (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the continuing connected transactions have exceeded the maximum aggregate annual value in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

## CONTRACT(S) OF SIGNIFICANCE

(a) COFCO Corporation and the Company entered into the trademark licence agreement on 29 November 2013, pursuant to which COFCO Corporation granted licences to the Group to use certain trademarks bearing the "COFCO (中糧)" and "Joy City (大悅城)" brands on a royalty-free basis from 29 November 2013 until 31 December 2015. The trademark licence agreement may be terminated by either party giving the other party a written notice of not less than 30 days before the intended date of termination.

(b) the acquisition agreement dated 23 September 2013 entered into among the Company, Achieve Bloom and COFCO Land, a connected person of the Company, in relation to the acquisition of companies holding a commercial property portfolio for a consideration of approximately HK$14,167 million;

(c) the entrustment loan agreement dated 1 November 2013 entered into among Shanghai Top Glory, Taiwan Hotel Ltd, both being subsidiaries of the Company, and China Construction Bank Beijing Branch in connection with the Entrustment Loan in an amount of RMB663.3 million arranged by Shanghai Top Glory for the benefit of Taiwan Hotel Ltd and the Entrustment Loan Extension Agreement in relation thereto dated 31 October 2014;

(d) the deed of indemnity dated 22 November 2013 provided by COFCO Corporation in favour of the Company in connection with the properties acquired by the Company pursuant to the acquisition agreement referred to in paragraph (b) above, under which COFCO Corporation has undertaken to indemnify the Company against all penalties, losses and expenses that have been or will be suffered or incurred by the Group arising from, or in connection with certain non-compliances;

(e) the non-competition undertaking dated 29 November 2013 executed by COFCO Corporation in favour of the Company, incidental to the acquisition agreement referred to in paragraph (b) above, under which COFCO Corporation has undertaken in favour of the Company for itself and on behalf of its subsidiaries (excluding COFCO Property, a connected person of the Company, and its subsidiaries) that it shall not engage in certain restricted businesses subject to the terms and condition therein;

(f) the sponsor agreement dated 29 November 2013 entered into among the Company, Achieve Bloom, COFCO Land and HSBC Corporate Finance (Hong Kong) Limited in relation to their rights and obligations in connection with the new listing application of the Company;

(g) the Jetway Acquisition Agreement dated 1 August 2014 entered into between the Company and Grow Wealth, a connected person of the Company, in relation to the acquisition of minority interest in Jetway for a consideration of HK$1,018,921,728;

(h) the Yalong Acquisition Agreement dated 1 August 2014 entered into between the Company and Woo + Woo, a connected person of the Company, in relation to the acquisition of minority interest in Yalong (HK) for a consideration of HK$998,446,456;

(i) the Joy City Acquisition Agreement dated 12 September 2014 in relation to the Joy City Acquisition and the supplemental agreement dated 3 November 2014 thereto;

(j) the deed of indemnity provided by COFCO Corporation in favor of the Company in connection with the properties to be acquired by the Company pursuant to the Joy City Acquisition Agreement referred to in paragraph (i) above, under which COFCO Corporation has undertaken to indemnify the Company against all penalties, losses and expenses that have been or will be suffered or incurred by the Group arising from, or in connection with certain non-compliances;

(k) the Zhejiang Herun Acquisition Agreement dated 3 February 2015 entered into among the Speedy Cosmo, an indirect wholly-owned subsidiary of the Company, and Shanghai Wanliang, a connected person of the Company, in relation to the acquisition of the entire equity interest of Zhejiang Herun, a connected person of the Company, for a consideration of approximately RMB43.76 million;

(l) the irrevocable undertaking dated 27 February 2015 from Achieve Bloom to the Company agreeing to subscribe or procure the subscription for its entitlement of rights shares pursuant to the Rights Issue; and

(m) the subscription letter dated 27 February 2015 entered into by the Company and Achieve Bloom in relation to the proposed issuance of new CPS.

## DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

On 28 November 2013, Bapton, an indirect wholly-owned subsidiary of the Company, as borrower, and The Hongkong and Shanghai Banking Corporation Limited, as lender, entered into a facility agreement with respect to a one year term-loan facility of HK$1,250 million (the "Facility"). Pursuant to the facility agreement, if (i) COFCO Corporation does not or ceases to maintain directly or indirectly more than 50% of all the issued ordinary share capital of, or carry directly or indirectly more than 50% of voting right in, the Company; or (ii) COFCO Corporation does not or ceases to have management control over the Company, it would constitute an event of default under the facility agreement and the lender may cancel the commitment under the Facility and/or declare that the whole or any part of the loan under the Facility, together with accrued interest, be immediately due and payable. Details of the transactions are set out in the announcement dated 29 November 2013.

## MANAGEMENT CONTRACTS

With respect to each Group Entrustment Contract, please refer to the section "Continuing Connected Transactions".

Save as disclosed herein, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year ended 31 December 2014.

## CONVERTIBLE SECURITIES, WARRANTS OR OPTIONS

On 19 December 2013, the Acquisition was completed and upon completion, the Company issued 1,095,300,778 CPS to Achieve Bloom as part of settlement of the consideration for the Acquisition. Currently, the Company has two classes of shares, being the ordinary shares and the CPS.

The major terms of the CPS are as follows:

| | |
|---|---|
| Nominal value: | Non-redeemable convertible preference shares of HK$0.10 each created as a new class of shares in the share capital of the Company. |
| Conversion ratio: | The CPS shall be convertible at the option of its holder, without the payment of any additional consideration therefor, into such number of fully-paid Shares at the conversion ratio of one CPS for one Share. |
| Conversion rights: | Holders of the CPS will have the right to convert all or such number of CPS into Conversion Shares at any time after the issuance of the CPS, provided that they may not exercise the conversion rights as to such number of CPS the conversion of which would result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules. |
| Redemption: | The CPS shall be non-redeemable by the Company or their holders. |

| | |
|---|---|
| Dividend and distribution entitlement: | Each CPS shall confer on its holder the right to receive any dividend pari passu with holders of Shares on the basis of the number of Share(s) into which each CPS may be converted and on an as converted basis.<br><br>The holders of the CPS shall have priority over the Shareholders on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company (but not on conversion of CPS or any repurchase by the Company of CPS or Shares). |
| Voting rights: | The holders of the CPS shall be entitled to receive notices of and to attend general meetings of the Company, but the CPS shall not confer on their holders the right to vote at a general meeting of the Company, unless a resolution is to be proposed at a general meeting for the winding-up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the CPS or vary the restrictions to which the CPS are subject. |
| Transferability: | The CPS (including the Conversion Shares once converted from the CPS) may be transferred by their holders without restriction. |
| Ranking: | Save as expressly provided in the Bye-laws and save and except for the voting rights and distribution entitlements upon liquidation, winding-up or dissolution of the Company, each CPS shall have the same rights as each of the Shares.<br><br>The Conversion Shares will be issued as fully paid and rank pari passu in all respects with the Shares in issue as at the date of conversion. |
| Adjustment: | If and whenever the Shares are consolidated or sub-divided into a different nominal amount, then the same consolidation or subdivision shall be effected on the CPS, in which case the conversion ratio shall remain as one CPS for one Share (as consolidated or sub-divided, as the case may be). |
| Listing: | No listing has been sought for the CPS on the Stock Exchange or any other stock exchange. However, an application has been made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares. |

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY 'S LISTED SECURITIES

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## NON-COMPETITION UNDERTAKING

Pursuant to the Non-Competition Undertaking, COFCO Corporation has undertaken in favour of the Company for itself and on behalf of its subsidiaries during the term of the Non-Competition Undertaking, COFCO Corporation shall not, and shall procure that none of its subsidiaries (excluding COFCO Property and its subsidiaries) shall, directly or indirectly, whether as principal or agent, and whether undertaken solely or jointly and whether through intermediate holding companies or otherwise, carry on, engage, invest, participate or otherwise be interested in any business or company which is directly or indirectly engaged in the Restricted Business in competition with the Group in the PRC and Hong Kong. After review of all relevant information on 31 December 2014, the Independent Board Committee considered that COFCO Corporation had complied with the Non-Competition Undertaking for the year ended 31 December 2014.

## REGULATORY COMPLIANCE

As disclosed in the Company's circular dated 30 November 2013, there were certain non-compliances relating to the Group or its property projects during the year under review. As at the date of this Annual Report, the respective progress of the remedial measures taken by the Group in respect of those non-compliances which may be remedied remained substantially the same as described in the Company's circular dated 30 November 2013 with the exception of the following: –

(1) Sanya Hongxia has obtained the construction permit and pre-sale permit for the international exhibition center of Yalong Bay, Sanya, and it has not been subject to any fines or other legal or administrative sanctions imposed by any government authorities in respect of the aforementioned;

(2) Sanya Hongxia has fully repaid the outstanding land premium in respect of the villa-styled apartment of Princess Palace III and obtained the relevant building ownership certificates. Sanya Hongxia has not been subject to any fines or other legal or administrative sanctions imposed by any government authorities in respect of the aforementioned; and

(3) Sichuan Gloria Management has passed the annual reviews for the foreign exchange registration certificate and the approval certificate for 2013.

## CORPORATE GOVERNANCE

The Company's principal corporate governance practices are set out in the Corporate Governance Report on pages 77 to 89 of this Annual Report.

## CLOSURE OF REGISTER OF MEMBERS

For determining the eligibility of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 29 May 2015 to Tuesday, 2 June 2015, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents, accompanied by the relevant share certificate(s), must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 28 May 2015.

For the purposes of ascertaining shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 8 June 2015 to Wednesday, 10 June 2015, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the propose final dividend, all transfer documents, accompanied by the relevant share certificate(s), must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 5 June 2015.

## AUDIT COMMITTEE

The audited consolidated results of the Group for the year ended 31 December 2014 have been reviewed by the Audit Committee. Information on the work of Audit Committee and its composition are set out in the Corporate Governance Report.

## SUBSEQUENT EVENTS

Details of significant subsequent events after the end of the reporting period are set out in Note 53 to the consolidated financial statements.

## RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in normal course of business are set out in Note 49 to the consolidated financial statements. In relation to those related party transactions that constituted connected transactions under the Listing Rules, they have complied with applicable requirements in accordance with the Listing Rules.

## AUDITOR

Deloitte Touche Tohmatsu will retire and, being eligible, offers themselves for re-appointment at the AGM during which a resolution for their re-appointment as auditor of the Company and authorising the Directors to fix their remuneration will be proposed.

ON BEHALF OF THE BOARD

**ZHOU Zheng**
*Chairman*

Hong Kong
30 March 2015

# Five Years Financial Summary

| | 1.1.2014 to 31.12.2014 RMB'000 | 1.1.2013 to 31.12.2013 (restated) RMB'000 | 1.1.2012 to 31.12.2012 (restated) RMB'000 | 1.1.2011 to 31.12.2011 (restated) RMB'000 | 1.1.2010 to 31.12.2010 RMB'000 |
|---|---|---|---|---|---|
| CONSOLIDATED RESULTS | | | | | |
| Revenue | **5,712,841** | 6,809,101 | 6,647,771 | 4,668,599 | 3,459,113 |
| Profit for the year attributable to owners of the Company | **1,673,129** | 3,117,678 | 1,782,618 | 1,726,154 | 1,938,287 |
| CONSOLIDATED ASSETS AND LIABILITIES | | | | | |
| Total assets | **65,081,301** | 61,772,051 | 54,554,054 | 48,882,490 | 17,610,669 |
| Total liabilities | **(38,127,659)** | (32,229,077) | (34,352,504) | (34,861,408) | (9,781,823) |
| Total equity | **26,953,642** | 29,542,974 | 20,201,550 | 14,021,082 | 7,828,846 |
| Equity attributable to owners of the Company | **19,716,539** | 25,588,872 | 16,936,613 | 11,311,866 | 4,860,653 |

As detailed in Note 2 to the consolidated financial statements, the Group has applied the principles of merger accounting to account for the Acquisition (as defined in Note 2 to the consolidated financial statements) and the consolidated financial statements of the Group have been prepared as if the Target Companies (as defined in Note 2 to the consolidated financial statements) and its subsidiaries had been subsidiaries of the Group since they first came under common control of COFCO Corporation. Accordingly, the financial information for the three years ended 31 December 2013 had been restated. However, in the opinion of the directors, it is not practicable to restate the financial information for the year ended 31 December 2010 as the consolidated financial statements of the Target Group (as defined in Note 2 to the consolidated financial statements) have not been prepared for that year.

Deloitte.
德勤

**TO THE MEMBERS OF JOY CITY PROPERTY LIMITED**
(formerly COFCO Land Holdings Limited)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Joy City Property Limited (formerly COFCO Land Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 121 to 234, which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# Independent Auditor's Report

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong

30 March 2015

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

| | Notes | Year ended 31 December 2014 RMB'000 | 2013 RMB'000 (restated) (Note 2) |
|---|---|---|---|
| Revenue | 6 | **5,712,841** | 6,809,101 |
| Cost of sales and services | 11 | **(2,318,049)** | (3,138,391) |
| Gross profit | | **3,394,792** | 3,670,710 |
| Other income | 8 | **116,035** | 308,257 |
| Other gains and losses, net | 9 | **163,926** | 217,843 |
| Distribution and selling costs | | **(489,331)** | (480,446) |
| Administrative expenses | | **(983,899)** | (928,678) |
| Fair value gain of investment properties | 17 | **1,921,121** | 3,681,589 |
| Finance costs | 10 | **(926,492)** | (874,249) |
| Share of (loss)/profit of an associate | | **(10,006)** | 3,596 |
| Profit before tax | 11 | **3,186,146** | 5,598,622 |
| Income tax expense | 12 | **(1,238,850)** | (2,055,447) |
| Profit for the year | | **1,947,296** | 3,543,175 |
| Other comprehensive income/(expense): | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translating foreign operations | | **8,646** | (50,100) |
| Hedging instrument in cash flow hedge: | | | |
| Fair value loss during the year | | **–** | (169) |
| Reclassification adjustment for (gain)/loss included in profit or loss | | **(608)** | 638 |
| Other comprehensive income/(expense) for the year | | **8,038** | (49,631) |
| Total comprehensive income for the year | | **1,955,334** | 3,493,544 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | **1,673,129** | 3,117,678 |
| Holders of perpetual capital instruments | | **45,419** | – |
| Non-controlling interests | | **228,748** | 425,497 |
| | | **1,947,296** | 3,543,175 |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | **1,681,167** | 3,068,047 |
| Holders of perpetual capital instruments | | **45,419** | – |
| Non-controlling interests | | **228,748** | 425,497 |
| | | **1,955,334** | 3,493,544 |
| Basic earnings per share | 14 | **RMB16.8 cents** | RMB51.3 cents |
| Diluted earnings per share | 14 | **N/A** | N/A |

# Consolidated Statement of Financial Position

At 31 December 2014

| | Notes | At 31 December 2014 RMB'000 | At 31 December 2013 RMB'000 (restated) (Note 2) | At 1 January 2013 RMB'000 (restated) (Note 2) |
|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | |
| Investment properties | 17 | **40,699,312** | 37,116,930 | 32,744,576 |
| Property, plant and equipment | 18 | **5,963,010** | 5,392,350 | 4,826,182 |
| Leasehold land and land use rights | 19 | **853,692** | 768,485 | 1,197,205 |
| Intangible assets | 20 | **18,617** | 8,409 | 8,580 |
| Interest in an associate | 21 | **89,290** | 99,296 | 91,778 |
| Available-for-sale investments | 22 | **1,510** | 1,510 | 1,510 |
| Goodwill | 23 | **184,297** | 184,297 | 184,297 |
| Deposits and prepayments | 30 | **46,252** | 55,789 | 86,567 |
| Deferred tax assets | 24 | **49,528** | 158,116 | 230,045 |
| Loans to fellow subsidiaries | 25 | **–** | 230,792 | 800,000 |
| Amount due from the ultimate holding company | 31 | **20,000** | 20,000 | 20,000 |
| | | **47,925,508** | 44,035,974 | 40,190,740 |
| **CURRENT ASSETS** | | | | |
| Inventories | 26 | **29,581** | 27,231 | 29,382 |
| Properties held for sale | 27 | **533,928** | 1,372,550 | 2,267,180 |
| Properties under development for sale | 28 | **9,307,789** | 6,326,162 | 4,454,145 |
| Accounts receivable | 29 | **124,601** | 163,760 | 233,289 |
| Deposits, prepayments and other receivables | 30 | **609,151** | 658,679 | 851,717 |
| Amounts due from the ultimate holding company | 31 | **965** | 727 | 170,545 |
| Amounts due from the immediate holding company | | **–** | – | 45,657 |
| Amounts due from an intermediate holding company | | **–** | – | 29 |
| Amounts due from fellow subsidiaries | 31 | **19,769** | 9,115 | 163,015 |
| Amounts due from non-controlling interests | 31 | **–** | 35 | – |
| Amounts due from an associate | | **–** | – | 321,962 |
| Loans to fellow subsidiaries | | **–** | – | 1,000,000 |
| Loan to an associate | | **–** | – | 600,000 |
| Tax recoverable | | **73,953** | 135,409 | 217,328 |
| Restricted bank deposits | 32 | **87,979** | 20,275 | 254,977 |
| Pledged deposits | 32 | **–** | 10,251 | 10,637 |
| Cash and bank balances | 32 | **6,368,077** | 9,011,883 | 3,743,451 |
| | | **17,155,793** | 17,736,077 | 14,363,314 |

| | Notes | At 31 December 2014 RMB'000 | 2013 RMB'000 (restated) (Note 2) | At 1 January 2013 RMB'000 (restated) (Note 2) |
|---|---|---|---|---|
| **CURRENT LIABILITIES** | | | | |
| Accounts payable | 33 | **1,132,219** | 1,788,782 | 2,064,488 |
| Other payables and accruals | 34 | **3,256,527** | 2,834,541 | 3,021,880 |
| Deposits received in respect of pre-sale of properties | | **449,487** | 844,470 | 1,480,709 |
| Amounts due to the ultimate holding company | 31 | **331,002** | 288,439 | 1,285,202 |
| Amounts due to the immediate holding company | | **–** | – | 3,470,035 |
| Amounts due to an intermediate holding company | | **–** | – | 90 |
| Amounts due to fellow subsidiaries | 31 | **5,074,208** | 873,725 | 1,577,572 |
| Amounts due to non-controlling interests | 31 | **108,421** | 277,641 | 287,634 |
| Amounts due to an associate | | **–** | – | 30,122 |
| Loans from the ultimate holding company | 25 | **–** | 3,470,183 | 2,888,996 |
| Loans from fellow subsidiaries | 25 | **1,159,150** | 972,134 | 490,075 |
| Bank borrowings | 35 | **5,574,204** | 2,841,799 | 3,427,769 |
| Income tax and land appreciation tax payables | | **875,833** | 1,529,911 | 1,191,341 |
| Derivative financial instruments | | **–** | 213 | – |
| | | **17,961,051** | 15,721,838 | 21,215,913 |
| **NET CURRENT (LIABILITIES)/ASSETS** | | **(805,258)** | 2,014,239 | (6,852,599) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **47,120,250** | 46,050,213 | 33,338,141 |
| **NON-CURRENT LIABILITIES** | | | | |
| Rental deposits received | | **287,157** | 217,902 | 223,973 |
| Loans from the ultimate holding company | | **–** | – | 108,000 |
| Loans from a fellow subsidiary | 25 | **455,500** | 523,500 | 475,000 |
| Bank borrowings | 35 | **9,160,716** | 10,823,011 | 8,263,717 |
| Deferred tax liabilities | 24 | **5,400,936** | 4,942,042 | 4,065,198 |
| Guaranteed notes | 36 | **4,862,299** | – | – |
| Derivative financial instruments | | **–** | – | 703 |
| Deferred income | | **–** | 784 | – |
| | | **20,166,608** | 16,507,239 | 13,136,591 |
| **NET ASSETS** | | **26,953,642** | 29,542,974 | 20,201,550 |

# Consolidated Statement of Financial Position

At 31 December 2014

| | Notes | At 31 December 2014 RMB'000 | At 31 December 2013 RMB'000 (restated) (Note 2) | At 1 January 2013 RMB'000 (restated) (Note 2) |
|---|---|---|---|---|
| **CAPITAL AND RESERVES** | | | | |
| Share capital | 37 | **748,041** | 667,941 | 43,410 |
| Reserves | 39 | **18,968,498** | 24,920,931 | 16,893,203 |
| Equity attributable to owners of the Company | | **19,716,539** | 25,588,872 | 16,936,613 |
| Perpetual capital instruments | 40 | **3,767,649** | – | – |
| Non-controlling interests | | **3,469,454** | 3,954,102 | 3,264,937 |
| **TOTAL EQUITY** | | **26,953,642** | 29,542,974 | 20,201,550 |

The consolidated financial statements on pages 121 to 234 were approved and authorised for issue by the Board of Directors on 30 March 2015 and are signed on its behalf by:

**ZHOU Zheng**
*DIRECTOR*

**HAN Shi**
*DIRECTOR*

# Consolidated Statement of Changes in Equity

At 31 December 2014

| | Attributable to owners of the Company | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Ordinary share capital RMB'000 (Note (f)) (Note 37) | Share premium RMB'000 (Note (f)) | Non-redeemable convertible preference shares RMB'000 (Note (f)) (Note 38) | Special reserve RMB'000 (Note (f)) | Other reserve RMB'000 (Note (b)) | Capital reserve RMB'000 (Note (g)) | Statutory reserve RMB'000 (Note (a)) | Property revaluation reserve RMB'000 | Hedging reserve RMB'000 | Foreign currency translation reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 | Perpetual capital instruments RMB'000 (Note 40) | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2013 (as originally stated) | 43,410 | – | – | 250,269 | (269,546) | – | 229,051 | 17,000 | 139 | (171,638) | 5,514,288 | 5,612,973 | – | 3,775,504 | 9,388,477 |
| Effect of business combination under common control (Note 2) | – | – | – | – | – | 5,524,511 | 49,652 | – | – | – | 5,749,477 | 11,323,640 | – | (510,567) | 10,813,073 |
| At 1 January 2013 (restated) | 43,410 | – | – | 250,269 | (269,546) | 5,524,511 | 278,703 | 17,000 | 139 | (171,638) | 11,263,765 | 16,936,613 | – | 3,264,937 | 20,201,550 |
| Profit and total comprehensive income/(expense) for the year | – | – | – | – | – | – | – | – | 469 | (50,100) | 3,117,678 | 3,,068,047 | – | 425,497 | 3,493,544 |
| Arising from the Reverse Takeover Transaction (Note (c)): | | | | | | | | | | | | | | | |
| Issue of Consideration Shares | 470,810 | 8,945,394 | – | (9,416,204) | – | – | – | – | – | – | – | – | – | – | – |
| Issue of non-redeemable convertible preference shares | – | – | 1,722,317 | (1,722,317) | – | – | – | – | – | – | – | – | – | – | – |
| Elimination of shareholder's loan owing by the COFCO Land Subsidiaries | – | – | – | – | 2,617,690 | – | – | – | – | – | – | 2,617,690 | – | – | 2,617,690 |
| Reattribute of non-controlling interests of the Company | – | – | – | – | – | – | – | – | – | – | 39,374 | 39,374 | – | (39,374) | – |
| Partial disposal of interest in a subsidiary to a non-controlling interest (Note (d)) | – | – | – | – | – | (89,206) | – | – | – | – | – | (89,206) | – | 475,806 | 386,600 |
| Placing of new shares (Note 37) | 153,721 | 2,920,711 | – | – | – | – | – | – | – | – | – | 3,074,432 | – | – | 3,074,432 |
| Share issue expenses (Note 37) | – | (58,078) | – | – | – | – | – | – | – | – | – | (58,078) | – | – | (58,078) |
| Dividend declared to non-controlling interests | – | – | – | – | – | – | – | – | – | – | – | – | – | (206,000) | (206,000) |
| Statutory reserve appropriation | – | – | – | – | – | – | 68,559 | – | – | – | (68,559) | – | – | – | – |
| Contribution from non-controlling interests | – | – | – | – | – | – | – | – | – | – | – | – | – | 33,236 | 33,236 |
| At 31 December 2013 (restated) | 667,941 | 11,808,027 | 1,722,317 | (10,888,252) | 2,348,144 | 5,435,305 | 347,262 | 17,000 | 608 | (221,738) | 14,352,258 | 25,588,872 | – | 3,954,102 | 29,542,974 |

# Consolidated Statement of Changes in Equity

At 31 December 2014

| | Attributable to owners of the Company | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Ordinary share capital RMB'000 (Note (f)) (Note 37) | Share premium RMB'000 (Note (f)) | Non-redeemable convertible preference shares RMB'000 (Note (f)) (Note 38) | Special reserve RMB'000 (Note (f)) | Other reserve RMB'000 (Note (b)) | Capital reserve RMB'000 (Note (g)) | Statutory reserve RMB'000 (Note (a)) | Property revaluation reserve RMB'000 | Hedging reserve RMB'000 | Foreign currency translation reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 | Perpetual capital instruments RMB'000 (Note 40) | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2014 (restated) | 667,941 | 11,808,027 | 1,722,317 | (10,888,252) | 2,348,144 | 5,435,305 | 347,262 | 17,000 | 608 | (221,738) | 14,352,258 | 25,588,872 | - | 3,954,102 | 29,542,974 |
| Profit and other comprehensive income/(expense) for the year | - | - | - | - | - | - | - | - | (608) | 8,646 | 1,673,129 | 1,681,167 | 45,419 | 228,748 | 1,955,334 |
| Acquisition of non-controlling interests (Note (e)) | 80,100 | 1,521,892 | - | - | - | (74,981) | - | - | - | - | - | 1,527,011 | - | (1,348,612) | 178,399 |
| Issue of perpetual capital instruments (Note 40) | - | - | - | - | - | - | - | - | - | - | - | - | 3,767,649 | - | 3,767,649 |
| Interest payable on perpetual capital Instruments (Note 40) | - | - | - | - | - | - | - | - | - | - | - | - | (45,419) | - | (45,419) |
| Acquisition of Joy City Properties (Note 2): Consideration paid and payable | - | - | - | (9,869,396) | - | - | - | - | - | - | - | (9,869,396) | - | - | (9,869,396) |
| Elimination of shareholders' loans owing by the Target Companies | - | - | - | - | 788,885 | - | - | - | - | - | - | 788,885 | - | - | 788,885 |
| Dividend declared to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | (190,071) | (190,071) |
| Statutory reserve appropriate | - | - | - | - | - | - | 62,881 | - | - | - | (62,881) | - | - | - | - |
| Contribution from non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | 825,287 | 825,287 |
| At 31 December 2014 | 748,041 | 13,329,919 | 1,722,317 | (20,757,648) | 3,137,029 | 5,360,324 | 410,143 | 17,000 | - | (213,092) | 15,962,506 | 19,716,539 | 3,767,649 | 3,469,454 | 26,953,642 |

Notes:

(a) The amount mainly represents statutory reserve of the companies registered in the People's Republic of China ("PRC"). According to the relevant laws in the PRC, companies established in the PRC are required to transfer their net profit after tax, as determined under the PRC GAAP, to a non-distributable reserve fund before the distribution of a dividend to equity owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

(b) Other reserve as at 1 January 2013 included balances arising on using the principles of merger accounting to account for business combinations involving entities under common control of RMB288,561,000 during the year ended 31 December 2012.

(c) On 19 December 2013, a very substantial acquisition, connection transaction and reverse takeover involving a new listing application of the Company was completed. The Company acquired from COFCO Land Limited ("COFCO Land"), a fellow subsidiary, the equity interests in certain subsidiaries of COFCO Land (collectively "COFCO Land Subsidiaries") and the shareholder's loan of HK$3,329 million (equivalent to approximately RMB2,618 million) which were outstanding and owing by certain of the COFCO Land Subsidiaries to COFCO Land immediately before the completion of the acquisition of the COFCO Land Subsidiaries (together with the acquisition of the COFCO Land Subsidiaries, referred to as the "Transaction"), by the allotment and issue of 5,988,199,222 ordinary shares of the Company at the issue price of HK$2.00 each (the "Consideration Shares") and 1,095,300,778 new non-redeemable convertible preference shares of the Company at the issue price of HK$2.00 each to Achieve Bloom Limited ("Achieve Bloom"), the immediate holding company of the Company and COFCO Land.

COFCO Land is the immediate holding company of the COFCO Land Subsidiaries immediately before the completion of the reverse takeover transaction (the "Reverse Takeover Transaction"). The Transaction involves acquisition of assets from COFCO Land within 24 months of Achieve Bloom gaining control of the Company on 23 July 2012 (the "2012 Acquisition") and, pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), constitutes a reverse takeover of the Company by the COFCO Land Subsidiaries. As the Group and the COFCO Land Subsidiaries came under common control of Achieve Bloom from 23 July 2012 and Achieve Bloom continued to control the Company upon completion of the Transaction, the Transaction is considered as a combination of businesses under common control and accounted for under merger basis. In applying merger accounting, the 2012 Acquisition would be reflected in the consolidated financial statements of the Group as a reverse acquisition of the Company by the COFCO Land Subsidiaries which is deemed as the accounting acquirer taking into consideration of the requirements under Hong Kong Financial Reporting Standard 3 (Revised) *Business Combinations*.

(d) Upon completion of a group restructuring which involved the disposal of 48% and 49% equity interests in Joy Sincere (Hong Kong) Limited ("Joy Sincere (HK)") and Sino Melody Limited ("Sino Melody") respectively during the year ended 31 December 2013, Sino Melody is 51% held by Joy Sincere (HK) and the Group's continuing effective interest in Joy Sincere (HK) and Sino Melody reduced to 52% and 26.5% respectively. The aggregate proceeds on disposal of RMB386,600,000 were received in cash. An amount of RMB475,806,000 (being the proportionate share of the carrying amount of the net assets of Joy Sincere (HK) and Sino Melody) has been transferred to non-controlling interests. The difference of RMB89,206,000 between the increase in the non-controlling interests and the consideration received has been debited to capital reserve.

(e) On 19 August 2014, the Company completed the acquisition of non-controlling interests in certain subsidiaries of the Group together with shareholders' loans from the non-controlling shareholders of RMB178,399,000. The aggregate consideration of the acquisition was RMB1,601,992,000, which was satisfied by the issue and allotment of 1,008,684,000 ordinary shares of the Company of HK$2 each to the non-controlling shareholders. The difference of RMB74,981,000 between the consideration and the decrease in the non-controlling interests of RMB1,348,612,000 and shareholders' loans of RMB178,399,000 has been debited to capital reserve.

(f) Issued equity comprises of ordinary share capital of the Company, share premium, non-redeemable convertible preference shares and special reserve.

(g) Capital reserve mainly included capital contribution from COFCO Corporation, the ultimate holding company, of which included capital contribution of RMB4,208,294,000 to a subsidiary of the Group during the year ended 31 December 2012.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2014

| | Year ended 31 December 2014 RMB'000 | 2013 RMB'000 (restated) |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before tax | **3,186,146** | 5,598,622 |
| Adjustments for: | | |
| Finance costs | **926,492** | 874,249 |
| Interest income | **(74,189)** | (248,263) |
| Share of loss/(profit) of an associate | **10,006** | (3,596) |
| Gain on disposal of an associate | **–** | (231,988) |
| Gain on disposal of a subsidiary | **(106,115)** | – |
| Impairment loss on property, plant and equipment | **96** | 85,374 |
| Reversal of impairment loss on property, plant and equipment | **(30,235)** | – |
| Amortisation of intangible assets | **5,253** | 3,469 |
| Amortisation of leasehold land and land use rights | **25,329** | 25,011 |
| Depreciation of property, plant and equipment | **309,650** | 255,717 |
| Fair value gain of investment properties | **(1,921,121)** | (3,681,589) |
| Impairment loss/(reversal of impairment loss) on accounts receivable | **6,498** | (10,337) |
| (Reversal of impairment loss)/impairment loss on other receivables | **(6,416)** | 27,026 |
| Exchange gain, net | **(46,388)** | – |
| Reversal of impairment on inventories, net | **–** | (32) |
| Loss on disposal of property, plant and equipment, net | **2,812** | 402 |
| Operating cash flows before movements in working capital | **2,287,818** | 2,694,065 |
| (Increase)/decrease in inventories | **(2,350)** | 2,183 |
| Decrease in properties held for sale | **842,542** | 1,033,633 |
| Increase in properties under development for sale | **(2,035,560)** | (1,605,020) |
| Decrease in accounts receivable | **32,551** | 79,867 |
| Decrease in deposits, prepayments and other receivables | **225,721** | 151,723 |
| Decrease in accounts payable | **(654,487)** | (275,706) |
| (Decrease)/increase in other payables and accruals | **(37,306)** | 371,944 |
| Decrease in deposits received in respect of pre-sale of properties | **(394,983)** | (636,239) |
| Increase in deferred income | **–** | 896 |
| Increase in other financial liabilities | **–** | 469 |
| Increase/(decrease) in rental deposits received | **44,624** | (69) |
| Increase in amounts due from the ultimate holding company | **(238)** | (727) |
| Increase in amounts due from fellow subsidiaries | **(10,654)** | (8,750) |
| (Decrease)/increase in amounts due to the ultimate holding company | **(2,953)** | 5,455 |
| Increase in amounts due to fellow subsidiaries | **6,626** | 13,093 |
| Cash generated from operations | **301,351** | 1,826,817 |
| PRC Enterprise Income Tax and Hong Kong profits tax paid | **(469,869)** | (386,164) |
| Land Appreciation Tax paid | **(726,573)** | (299,338) |
| **NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES** | **(895,091)** | 1,141,315 |

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | | (restated) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest received | **75,927** | 248,263 |
| Payments for property, plant and equipment | **(860,341)** | (869,325) |
| Payments for intangible assets | **(15,461)** | (3,298) |
| Payments for investment properties | **(1,461,400)** | (1,319,059) |
| Payments for leasehold land and land use rights | **(108,631)** | (3,778) |
| Payments for loans to fellow subsidiaries | **–** | (430,792) |
| Proceeds from disposal of property, plant and equipment | **1,733** | 5,647 |
| Proceeds from disposal of an associate | **–** | 232,754 |
| Proceeds from disposal of a subsidiary (Note 48) | **160,811** | – |
| Payments for acquisition of a subsidiary | **–** | (6,800) |
| Advance to fellow subsidiaries | **–** | (138,800) |
| Repayment from fellow subsidiaries | **–** | 301,450 |
| Advance to an associate | **–** | (1,866) |
| Repayment from an associate | **–** | 323,828 |
| Repayment of loans to fellow subsidiaries | **230,792** | 2,000,000 |
| Repayment of loan to an associate | **–** | 600,000 |
| Repayment from the ultimate holding company | **–** | 170,545 |
| Repayment from the immediate holding company | **–** | 45,657 |
| Repayment from an intermediate holding company | **–** | 29 |
| Advance to non-controlling interests | **–** | (35) |
| Repayment from non-controlling interests | **35** | – |
| Increase in restricted bank deposits | **(622,975)** | (888,485) |
| Decrease in restricted bank deposits | **555,271** | 1,104,502 |
| Decrease in pledged deposits | **10,251** | 19,073 |
| Increase in non-pledged time deposits with original maturity of more than three months when acquired | **(309,500)** | – |
| **NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES** | **(2,343,488)** | 1,389,510 |

# Consolidated Statement of Cash Flows

For the year ended 31 December 2014

| | Year ended 31 December 2014 RMB'000 | Year ended 31 December 2013 RMB'000 (restated) |
|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Interest paid | **(1,054,850)** | (871,878) |
| Proceeds from guaranteed notes | **4,857,774** | – |
| Issue of perpetual capital instruments | **3,767,649** | – |
| Interest paid on perpetual capital instruments | **(37,936)** | – |
| Proceeds from bank borrowings | **5,981,209** | 5,834,824 |
| Repayment of bank borrowings | **(4,911,099)** | (3,856,268) |
| Proceeds from placing of new shares (Note 37) | **–** | 3,074,432 |
| Share issue expenses (Note 37) | **–** | (58,078) |
| Loans from fellow subsidiaries | **1,374,000** | 1,339,634 |
| Repayment of loans from fellow subsidiaries | **(1,254,984)** | (809,075) |
| Loans from the ultimate holding company | **–** | 893,187 |
| Repayment of loans from the ultimate holding company | **(3,470,183)** | (432,000) |
| Repayment to the immediate holding company | **–** | (862,723) |
| Advance from the ultimate holding company | **–** | 228,851 |
| Repayment to the ultimate holding company | **–** | (1,219,069) |
| Advance from fellow subsidiaries | **156,068** | 4,093 |
| Repayment to fellow subsidiaries | **(68,886)** | (696,405) |
| Repayment to an intermediate holding company | **–** | (90) |
| Repayment to an associate | **–** | (30,122) |
| Advance from non-controlling interests | **–** | 24,993 |
| Repayment to non-controlling interests | **(13,027)** | (18) |
| Disposal of partial interest in a subsidiary | **–** | 386,600 |
| Dividend paid to non-controlling interests | **(167,865)** | (206,000) |
| Acquisition of subsidiaries accounted for under merger accounting (Note 2) | **(4,954,820)** | – |
| Contribution from non-controlling interests | **73,264** | – |
| Net payment on interest rate swap | **–** | (490) |
| **NET CASH GENERATED FROM FINANCING ACTIVITIES** | **276,314** | 2,744,398 |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | **(2,962,265)** | 5,275,223 |
| Cash and cash equivalents at beginning of year | **9,011,883** | 3,743,451 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | **8,959** | (6,791) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **6,058,577** | 9,011,883 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | |
| Cash and bank balances | **4,380,525** | 5,764,105 |
| Non-pledged time deposits | **1,987,552** | 3,247,778 |
| Cash and bank balances as stated in the consolidated statement of financial position | **6,368,077** | 9,011,883 |
| Non-pledged time deposits with original maturity of more than three months when acquired (Note 32) | **(309,500)** | – |
| Cash and cash equivalents as stated in the consolidated statement of cash flows | **6,058,577** | 9,011,883 |

## 1. GENERAL INFORMATION

Joy City Property Limited (formerly COFCO Land Holdings Limited) (the "Company", together with its subsidiaries, collectively referred to as the "Group") was incorporated in Bermuda with limited liability and its ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to a special resolution in relation to the change of company name passing at the special general meeting of the Company on 27 November 2014, the name of the Company was changed from COFCO Land Holdings Limited to Joy City Property Limited with effective from 9 December 2014.

The principal activity of the Company is investment holding. The Company's subsidiaries are principally involved in investment holding, property investment and development, property management and hotel operations.

In the opinion of the directors of the Company, the ultimate holding company of the Company is COFCO Corporation, a company established in the People's Republic of China (the "PRC").

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which most of the group entities operate (the functional currency of most of the entities comprising the Group).

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

On 4 December 2014, a very substantial acquisition and connected transaction in relation to the acquisition of Joy City Projects (which comprise mixed-use complex projects which are or to be developed under the brand of "Joy City" including Beijing Xidan Joy City, Shenyang Joy City, Beijing Chaoyang Joy City, Shanghai Joy City, Tianjin Joy City and Yantai Joy City) was completed. The Company acquired (i) from Sheen Jade Limited ("Sheen Jade") all the issued share capital of Fortune Set Limited ("Fortune Set") after the transfer by Magic Grain Limited, an indirect wholly-owned subsidiary of COFCO Corporation, of its entire issued share capital in Fortune Set to Sheen Jade in 2014 (the "Restructuring"); (ii) from COFCO Land Limited ("COFCO Land") all the issued share capital of Kersen Properties Limited ("Kersen Properties") and Mega Health Limited ("Mega Health") (collectively, together with Fortune Set, the "Target Companies"); and (iii) the shareholders' loans of HK$995.9 million (approximately RMB788.9 million) which were outstanding and owing by certain of the Target Companies to COFCO Land as of the date of the acquisition agreement dated 12 September 2014 (together with the acquisition of the Target Companies, referred to as the "Acquisition"), by cash consideration of HK$12,459.8 million (approximately RMB9,869.4 million).

The Group has settled HK$6,229.9 million of the consideration in early December 2014 and the remaining consideration of HK$6,229.9 million are deferred by the Group in accordance with the supplementary agreement to the acquisition agreement relating to the Acquisition. The deferred consideration does not bear interest and repayable within 6 months from the completion date of the Acquisition.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

Both COFCO Land and Sheen Jade (Magic Grain Limited before the Restructuring) are indirect wholly-owned subsidiaries of COFCO Corporation, the ultimate holding company of the Company. The Target Companies and their subsidiaries (the "Target Group") are principally engaged in investment holding, property investment and development, property management and hotel operations.

The details of the Acquisition are set out in the Company's circular dated 5 November 2014.

As the Group and the Target Group were under common control of COFCO Corporation and COFCO Corporation will continue to control the Group and the Target Group upon completion of the Acquisition, the Acquisition is considered as a combination of businesses under common control and accounted for under the principles of merger accounting, pursuant to which the consolidated financial statements of the Group have been prepared as if the Target Companies and its subsidiaries had been subsidiaries of the Group since the beginning of year 2013.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows have been prepared as if the Target Companies and its subsidiaries had been subsidiaries of the Group throughout the years ended 31 December 2013 and 2014, or since their respective dates of incorporation/establishment where this is a shorter period. The consolidated statements of financial position of the Group as at 1 January 2013 and 31 December 2013 have been restated to include the assets and liabilities of the companies now comprising the Group. Respective notes to the consolidated financial statements have also been restated. All significant intra-group transactions, balances, income and expenses are eliminated on combination.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

The effects of the combination of the Target Group on the result of the Group for the year ended 31 December 2013 and the financial position of the Group at 31 December 2013 and 1 January 2013 are summarised below:

**Year ended 31 December 2013**

| | 2013 RMB'000 (previously reported) | Combination of subsidiaries under common control RMB'000 | Combination adjustments RMB'000 (Note) | 2013 RMB'000 (restated) |
|---|---|---|---|---|
| Revenue | 3,922,552 | 2,870,561 | 15,988 | 6,809,101 |
| Cost of sales and services | (1,584,452) | (1,551,022) | (2,917) | (3,138,391) |
| Gross profit | 2,338,100 | 1,319,539 | 13,071 | 3,670,710 |
| Other income | 281,806 | 26,218 | 233 | 308,257 |
| Other gains and losses, net | 238,448 | (20,605) | – | 217,843 |
| Distribution and selling costs | (231,973) | (248,467) | (6) | (480,446) |
| Administrative expenses | (566,161) | (359,514) | (3,003) | (928,678) |
| Fair value gain of investment properties | 3,076,090 | 647,499 | (42,000) | 3,681,589 |
| Finance costs | (169,092) | (705,157) | – | (874,249) |
| Share of (loss)/profit of associates | (8,297) | 791,530 | (779,637) | 3,596 |
| Share of loss of a joint venture | – | (11,893) | 11,893 | – |
| Profit before tax | 4,958,921 | 1,439,150 | (799,449) | 5,598,622 |
| Income tax expense | (1,694,830) | (368,536) | 7,919 | (2,055,447) |
| Profit for the year | 3,264,091 | 1,070,614 | (791,530) | 3,543,175 |
| Other comprehensive expense: | | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | | |
| Exchange differences on translating foreign operations | (50,100) | – | – | (50,100) |
| Hedging instrument in cash flow hedge: | | | | |
| Fair value loss during the year | (169) | – | – | (169) |
| Reclassification adjustment for loss included in profit or loss | 638 | – | – | 638 |
| Other comprehensive expense for the year | (49,631) | – | – | (49,631) |
| Total comprehensive income for the year | 3,214,460 | 1,070,614 | (791,530) | 3,493,544 |
| Profit/(loss) for the year attributable to: | | | | |
| Owners of the Company | 2,007,981 | 1,109,697 | – | 3,117,678 |
| Non-controlling interests | 1,256,110 | (39,083) | (791,530) | 425,497 |
| | 3,264,091 | 1,070,614 | (791,530) | 3,543,175 |
| Total comprehensive income/(expense) attributable to: | | | | |
| Owners of the Company | 1,958,350 | 1,109,697 | – | 3,068,047 |
| Non-controlling interests | 1,256,110 | (39,083) | (791,530) | 425,497 |
| | 3,214,460 | 1,070,614 | (791,530) | 3,493,544 |

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

**At 31 December 2013**

| | 31 December 2013 RMB'000 (previously reported) | Combination of subsidiaries under common control RMB'000 | Combination adjustments RMB'000 (Note) | 31 December 2013 RMB'000 (restated) |
|---|---|---|---|---|
| NON-CURRENT ASSETS | | | | |
| Investment properties | 13,238,730 | 23,524,200 | 354,000 | 37,116,930 |
| Property, plant and equipment | 4,896,293 | 494,113 | 1,944 | 5,392,350 |
| Leasehold land and land use rights | 589,155 | 179,330 | – | 768,485 |
| Intangible assets | 1,146 | 7,263 | – | 8,409 |
| Interests in associates | 213,581 | 1,552,390 | (1,666,675) | 99,296 |
| Interest in a joint venture | – | 116,335 | (116,335) | – |
| Available-for-sale investments | 1,510 | 53 | (53) | 1,510 |
| Goodwill | 184,297 | – | – | 184,297 |
| Deposits and prepayments | – | 55,789 | – | 55,789 |
| Deferred tax assets | 158,116 | – | – | 158,116 |
| Loans to fellow subsidiaries | – | 230,792 | – | 230,792 |
| Amount due from the ultimate holding company | – | 20,000 | – | 20,000 |
| | 19,282,828 | 26,180,265 | (1,427,119) | 44,035,974 |
| CURRENT ASSETS | | | | |
| Inventories | 13,235 | 13,996 | – | 27,231 |
| Properties held for sale | 852,781 | 519,769 | – | 1,372,550 |
| Properties under development for sale | 469,356 | 5,856,806 | – | 6,326,162 |
| Accounts receivable | 47,157 | 116,502 | 101 | 163,760 |
| Deposits, prepayments and other receivables | 456,241 | 202,310 | 128 | 658,679 |
| Amounts due from the ultimate holding company | 727 | – | – | 727 |
| Amounts due from fellow subsidiaries | 8,750 | 365 | – | 9,115 |
| Amounts due from non-controlling interests | 35 | – | – | 35 |
| Tax recoverable | 128,125 | 7,284 | – | 135,409 |
| Restricted bank deposits | – | 20,275 | – | 20,275 |
| Pledged deposits | 4,042 | 6,209 | – | 10,251 |
| Cash and bank balances | 7,941,122 | 1,066,818 | 3,943 | 9,011,883 |
| | 9,921,571 | 7,810,334 | 4,172 | 17,736,077 |

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

**At 31 December 2013 (continued)**

| | 31 December 2013 RMB'000 (previously reported) | Combination of subsidiaries under common control RMB'000 | Combination adjustments RMB'000 (Note) | 31 December 2013 RMB'000 (restated) |
|---|---|---|---|---|
| CURRENT LIABILITIES | | | | |
| Accounts payable | 630,172 | 1,156,474 | 2,136 | 1,788,782 |
| Other payables and accruals | 1,432,699 | 1,398,065 | 3,777 | 2,834,541 |
| Deposits received in respect of pre-sale of properties | 755,980 | 88,490 | – | 844,470 |
| Amounts due to the ultimate holding company | 5,455 | 228,851 | 54,133 | 288,439 |
| Amounts due to the immediate holding company | – | 857,771 | (857,771) | – |
| Amounts due to fellow subsidiaries | 13,093 | 2,705 | 857,927 | 873,725 |
| Amounts due to non-controlling interests | 275,485 | 2,156 | – | 277,641 |
| Loans from fellow subsidiaries | – | 972,134 | – | 972,134 |
| Loans from the ultimate holding company | – | 3,470,183 | – | 3,470,183 |
| Bank borrowings | 1,860,085 | 981,714 | – | 2,841,799 |
| Income tax and land appreciation tax payables | 1,446,550 | 83,056 | 305 | 1,529,911 |
| Derivative financial instruments | 213 | – | – | 213 |
| | 6,419,732 | 9,241,599 | 60,507 | 15,721,838 |
| NET CURRENT ASSETS/(LIABILITIES) | 3,501,839 | (1,431,265) | (56,335) | 2,014,239 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 22,784,667 | 24,749,000 | (1,483,454) | 46,050,213 |
| NON-CURRENT LIABILITIES | | | | |
| Rental deposits received | 2,210 | 215,692 | – | 217,902 |
| Loans from a fellow subsidiary | – | 523,500 | – | 523,500 |
| Bank borrowings | 2,357,073 | 8,465,938 | – | 10,823,011 |
| Deferred tax liabilities | 2,360,383 | 2,514,721 | 66,938 | 4,942,042 |
| Deferred income | 784 | – | – | 784 |
| | 4,720,450 | 11,719,851 | 66,938 | 16,507,239 |
| NET ASSETS | 18,064,217 | 13,029,149 | (1,550,392) | 29,542,974 |
| CAPITAL AND RESERVES | | | | |
| Share capital | 667,941 | – | – | 667,941 |
| Reserves | 12,576,800 | 12,348,556 | (4,425) | 24,920,931 |
| Equity attributable to owners of the Company | 13,244,741 | 12,348,556 | (4,425) | 25,588,872 |
| Non-controlling interests | 4,819,476 | 680,593 | (1,545,967) | 3,954,102 |
| TOTAL EQUITY | 18,064,217 | 13,029,149 | (1,550,392) | 29,542,974 |

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

**At 1 January 2013**

| | 1 January 2013 RMB'000 (previously reported) | Combination of subsidiaries under common control RMB'000 | Combination adjustments RMB'000 (Note) | 1 January 2013 RMB'000 (restated) |
|---|---|---|---|---|
| NON-CURRENT ASSETS | | | | |
| Investment properties | 10,186,577 | 22,161,999 | 396,000 | 32,744,576 |
| Property, plant and equipment | 4,306,844 | 517,129 | 2,209 | 4,826,182 |
| Leasehold land and land use rights | 1,011,761 | 185,444 | – | 1,197,205 |
| Intangible assets | 1,455 | 7,125 | – | 8,580 |
| Interests in associates | 218,125 | 760,860 | (887,207) | 91,778 |
| Interest in a joint venture | | 128,228 | (128,228) | – |
| Available-for-sale investments | 1,510 | 53 | (53) | 1,510 |
| Goodwill | 184,297 | – | – | 184,297 |
| Deposits and prepayments | 45,078 | 41,489 | – | 86,567 |
| Deferred tax assets | 230,045 | – | – | 230,045 |
| Loans to fellow subsidiaries | 800,000 | | – | 800,000 |
| Amount due from the ultimate holding company | – | 20,000 | – | 20,000 |
| | 16,985,692 | 23,822,327 | (617,279) | 40,190,740 |
| CURRENT ASSETS | | | | |
| Inventories | 14,760 | 14,622 | – | 29,382 |
| Properties held for sale | 1,529,657 | 737,523 | – | 2,267,180 |
| Properties under development for sale | 38,876 | 4,415,269 | – | 4,454,145 |
| Accounts receivable | 93,503 | 139,777 | 9 | 233,289 |
| Deposits, prepayments and other receivables | 666,173 | 185,248 | 296 | 851,717 |
| Amounts due from the ultimate holding company | 170,545 | – | – | 170,545 |
| Amounts due from the immediate holding company | 45,657 | – | – | 45,657 |
| Amounts due from an intermediate holding company | 29 | – | – | 29 |
| Amounts due from fellow subsidiaries | 161,435 | 1,580 | – | 163,015 |
| Amounts due from an associate | 320,041 | 1,921 | – | 321,962 |
| Loans to an associate | 600,000 | | – | 600,000 |
| Loans to fellow subsidiaries | 1,000,000 | | – | 1,000,000 |
| Tax recoverable | 173,100 | 44,228 | – | 217,328 |
| Restricted bank deposits | – | 254,977 | – | 254,977 |
| Pledged deposits | 10,637 | – | – | 10,637 |
| Cash and bank balances | 2,891,403 | 845,033 | 7,015 | 3,743,451 |
| | 7,715,816 | 6,640,178 | 7,320 | 14,363,314 |

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

**At 1 January 2013 (Continued)**

| | 1 January 2013 RMB'000 (previously reported) | Combination of subsidiaries under common control RMB'000 | Combination adjustments RMB'000 (Note) | 1 January 2013 RMB'000 (restated) |
|---|---|---|---|---|
| CURRENT LIABILITIES | | | | |
| Accounts payable | 838,679 | 1,223,733 | 2,076 | 2,064,488 |
| Other payables and accruals | 1,243,703 | 1,774,341 | 3,836 | 3,021,880 |
| Deposits received in respect of pre-sale of properties | 1,018,466 | 462,243 | – | 1,480,709 |
| Amounts due to the ultimate holding company | 1,219,069 | – | 66,133 | 1,285,202 |
| Amounts due to the immediate holding company | 3,470,035 | 882,399 | (882,399) | 3,470,035 |
| Amounts due to an intermediate holding company | 90 | – | – | 90 |
| Amounts due to fellow subsidiaries | 688,173 | 6,847 | 882,552 | 1,577,572 |
| Amounts due to non-controlling interests | 287,616 | – | 18 | 287,634 |
| Amounts due to an associate | 122 | 30,000 | – | 30,122 |
| Loans from fellow subsidiaries | 66,000 | 424,075 | – | 490,075 |
| Loans from the ultimate holding company | 12,000 | 2,876,996 | – | 2,888,996 |
| Bank and other borrowings | 1,380,958 | 2,046,811 | – | 3,427,769 |
| Income tax and land appreciation tax payables | 1,105,147 | 85,942 | 252 | 1,191,341 |
| | 11,330,058 | 9,813,387 | 72,468 | 21,215,913 |
| NET CURRENT LIABILITIES | (3,614,242) | (3,173,209) | (65,148) | (6,852,599) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 13,371,450 | 20,649,118 | (682,427) | 33,338,141 |
| NON-CURRENT LIABILITIES | | | | |
| Rental deposits received | 2,279 | 221,694 | – | 223,973 |
| Loans from the ultimate holding company | 108,000 | – | – | 108,000 |
| Loans from a fellow subsidiary | – | 475,000 | – | 475,000 |
| Bank and other borrowings | 2,158,360 | 6,105,357 | – | 8,263,717 |
| Derivative financial instruments | 703 | – | – | 703 |
| Deferred tax liabilities | 1,713,631 | 2,275,132 | 76,435 | 4,065,198 |
| | 3,982,973 | 9,077,183 | 76,435 | 13,136,591 |
| NET ASSETS | 9,388,477 | 11,571,935 | (758,862) | 20,201,550 |
| CAPITAL AND RESERVES | | | | |
| Share capital | 43,410 | – | – | 43,410 |
| Reserves | 5,569,563 | 11,328,065 | (4,425) | 16,893,203 |
| Equity attributable to owners of the Company | 5,612,973 | 11,328,065 | (4,425) | 16,936,613 |
| Non-controlling interests | 3,775,504 | 243,870 | (754,437) | 3,264,937 |
| TOTAL EQUITY | 9,388,477 | 11,571,935 | (758,862) | 20,201,550 |

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

The effects of the combination of the Target Group on the Group's equity at 1 January 2013 are summarised below:

| | 1 January 2013 RMB'000 (previously reported) | Combination of subsidiaries under common control RMB'000 | Combination Adjustments RMB'000 (Note) | 1 January 2013 RMB'000 (restated) |
|---|---|---|---|---|
| Ordinary share capital | 43,410 | – | – | 43,410 |
| Capital reserve | – | 5,524,511 | – | 5,524,511 |
| Special reserve | 250,269 | – | – | 250,269 |
| Other reserve | (269,546) | – | – | (269,546) |
| Statutory reserve | 229,051 | 49,930 | (278) | 278,703 |
| Property revaluation reserve | 17,000 | – | – | 17,000 |
| Hedging reserve | 139 | – | – | 139 |
| Foreign currency translation reserve | (171,638) | – | – | (171,638) |
| Retained profits | 5,514,288 | 5,753,624 | (4,147) | 11,263,765 |
| Equity attributable to owners of the Company | 5,612,973 | 11,328,065 | (4,425) | 16,936,613 |
| Non-controlling interests | 3,775,504 | 243,870 | (754,437) | 3,264,937 |
| Total equity | 9,388,477 | 11,571,935 | (758,862) | 20,201,550 |

Note: The adjustments represent elimination of shareholders' loans and the consolidation adjustments using the principles of merger accounting for certain entities held by both the Group and the Target Group. These entities include 上海中糧置業發展有限公司 ("Shanghai COFCO Property Development Co., Ltd."), which is owned as to 50% by the Group (accounted for as an associate) and 50% by the Target Group (accounted for as a joint venture), 北京中糧廣場發展有限公司 ("COFCO Plaza Development Co Ltd"), which is owned as to 60% by the Group (accounted for as a subsidiary) and 40% by the Target Group (accounted for as an associate), and 瀋陽凱萊物業管理有限公司 ("Shenyang Gloria Properties Management Co., Ltd."), which is owned as to 90.91% by the Group (accounted for as a subsidiary) and 9.01% by the Target Group (accounted for as an available-for-sale investment).

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

The effects of the above business combination under common control on the Group's basic and diluted earnings per share for the year ended 31 December 2013 are as follows:

| | **Impact on basic earnings per share** RMB cents | **Impact on diluted earnings per share** RMB cents |
|---|---|---|
| Figures before adjustments | 33.0 | N/A |
| Effect arising from business combination under common control | 18.3 | N/A |
| Figures after adjustments | 51.3 | N/A |

No diluted earnings per share is presented as there was no potential ordinary share in issue during that year.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new Interpretation issued by The Hong Kong Institute of Certified Public Accountants which are effective for the financial year ended 31 December 2014.

### Amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities*

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

### Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

The Group has applied the amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 *Fair Value Measurements*.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

### Amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

The Group has applied the amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### HK(IFRIC) – Int 21 *Levies*

The Group has applied HK(IFRIC) – Int 21 *Levies* for the first time in the current year. HK(IFRIC) – Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC) – Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 9 | *Financial Instruments*[1] |
| HKFRS 15 | *Revenue from Contracts with Customers*[2] |
| Amendments to HKFRS 11 | *Accounting for Acquisitions of Interests in Joint Operations*[4] |
| Amendments to HKAS 1 | *Disclosure Initiative*[4] |
| Amendments to HKAS 16 and HKAS 38 | *Clarification of Acceptable Methods of Depreciation and Amortisation*[4] |
| Amendments to HKAS 16 and HKAS 41 | *Agriculture: Bearer Plants*[4] |
| Amendments to HKAS 19 | *Defined Benefit Plans: Employee Contributions*[3] |
| Amendments to HKAS 27 | *Equity Method in Separate Financial Statements*[4] |
| Amendments to HKFRS 10 and HKAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | *Investment Entities: Applying the Consolidation Exception*[4] |
| Amendments to HKFRSs | *Annual Improvements to HKFRSs 2010–2012 Cycle*[5] |
| Amendments to HKFRSs | *Annual Improvements to HKFRSs 2011–2013 Cycle*[3] |
| Amendments to HKFRSs | *Annual Improvements to HKFRSs 2012–2014 Cycle*[4] |

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 July 2014
4 Effective for annual periods beginning on or after 1 January 2016
5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

Other than as further explained below, the directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the Group's consolidated financial statements.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### HKFRS 9 *Financial Instruments* (continued)

Key requirements of HKFRS 9 are described below: (continued)

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future would not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2014 and the new hedge accounting requirements would not have significant impact on the Group's consolidated financial statements as the Group's hedging activity is insignificant.

### HKFRS 15 *Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### HKFRS 15 *Revenue from Contracts with Customers* (continued)

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance which for the current year continue to be those of the predecessor Companies Ordinance (Cap 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Account and Audit", which are set out in Sections 76 to 87 of Schedule 11 to that Ordinance.

### Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. For non-financial assets, fair value measurement takes into account a market participant's ability to generate economic benefits by using the assets in its highest and best use or selling it to another market participants that use the asset in its highest and best use. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of preparation (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another HKFRS.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains and losses arising from changes in fair value of investment property are included in profit or loss for the period in which they arise.

Property under construction or development for future use as an investment property is classified as investment property under development and is initially measured at cost and subsequently at fair values using the fair value model. If the fair value cannot be reliably determined, the investment property under development will be measured at cost less impairment until such time as fair value can be determined or development is completed, in which time any difference between the fair value and the previous carrying amount is recognised in profit or loss in that period.

Construction costs incurred for investment properties under development are capitalised as part of the carrying amount of the investment properties under development.

Borrowing costs are capitalised as part of the carrying amount of the investment properties under development in accordance with the Group's accounting policy.

### Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes, (other than construction in progress as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leasehold land and land use rights

Leasehold land and land use rights represent the Group's interests in land held under operating leases and are initially recognised at cost and subsequently amortised on the straight-line basis over the lease terms.

### Properties held for sale/Properties under development for sale

Properties under development for sale under current assets are properties under development held for future sale in the ordinary course of business and are stated at the lower of cost and net realisable value. Cost includes the costs of land and development expenditure incurred and, where appropriate, borrowing costs capitalised. Net realisable value is determined based on prevailing market conditions. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated cost to completion. Upon completion, the properties are transferred to properties held for sale.

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised. Net realisable value is determined based on prevailing market conditions.

### Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

### Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in associates (continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

### Impairment losses on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### Financial assets

The Group's financial assets are classified into the following specified categories: loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including accounts and other receivables, amounts due from and/or loans to fellow subsidiaries, holding companies, an associate and non-controlling interests, pledged/restricted bank deposits and cash and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables or held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

Financial assets (continued)

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.; or
- significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates.

For certain categories of financial assets, such as accounts receivable, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts and other receivables, where the carrying amount is reduced through the use of an allowance account. When an account receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

Financial assets (continued)

*Impairment of financial assets* (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

*Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

*Financial liabilities*

Financial liabilities of the Group (including accounts and other payables, amounts due to holding companies, fellow subsidiaries, an associate and non-controlling interests, loans from fellow subsidiaries and holding companies, bank borrowings and guaranteed notes) are subsequently measured at amortised cost using the effective interest method.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### Financial liabilities and equity instruments (continued)

*Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

#### Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

#### Hedge accounting

The Group designates the derivatives as hedging instruments for a cash flow hedge of the interest payments on the variable-rate bank loan (cash flow hedges).

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

*Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains and losses, net" item.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### Hedge accounting (continued)

*Cash flow hedges* (continued)

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

#### Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligation is discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### The Group as lessor

Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised a straight-line basis over the lease term.

#### The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

### Leasehold land and building for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leasehold land and building for own use (continued)

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'leasehold land and land use rights' in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on the weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

For the purposes of measuring deferred tax liabilities for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*, such properties are presumed to be recovered through sale. Such a presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation (continued)

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

The employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Group's PRC companies are required to contribute certain percentage of their payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts. Specifically, revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers, at which time all of the following criteria are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the properties;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

Deposits received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Rental income in respect of properties under operating leases is recognised on a straight-line basis over the respective lease term.

Revenue from the provision of property agency and management services is recognised when the relevant services are provided.

Revenue from hotel operations and management is recognised when the relevant services are provided.

Primary land development income, which relates to the provision of land development service, is recognised when such services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefit will flow to the Group and the amount of revenue can be measured reliability. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Critical judgments in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### Deferred tax on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties located in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred tax on investment properties located in Hong Kong, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties.

With regards to the Group's investment properties located in Mainland China, the directors of the Company considered that they are held under a business model whose objective is to consume substantially all of the economic benefits embodied in these investment properties over time. Therefore, the directors of the Company have determined that the presumption that the carrying amounts of investment properties located in Mainland China measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group recognised deferred taxes on changes in fair value of the Group's investment properties located in Mainland China on the basis that the entire carrying amounts of these properties are recovered through use.

#### Revenue recognition of income from primary land development

The Group has entered project management service contracts with the PRC local government in relation to primary land development projects. The Group generates service income from conducting land preparation work on primary land held by the PRC local government to make it ready for construction use. The service fees are paid by the PRC local government to the Group based on the land development progress. The Group is entitled to a final service fee with reference to the transfer price of the relevant land use right on the relevant primary land parcel. In making their judgement, the directors of the Company considered the detailed criteria for the recognition of revenue from providing services set out in HKAS 11 *Construction Contract*. Revenue is recognised only to the extent of contract costs incurred that it is possible to be recoverable. Service fees received before the related work is performed are included in other payables and accruals.

#### Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out through operating leases.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Critical judgments in applying accounting policies (continued)

**Classification between investment properties and owner-occupied properties**

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation of uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year from the end of each reporting period.

**Valuation of investment properties**

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the directors of the Company have exercised their judgments and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the amount of gain or loss would be recognised in profit or loss. Details are set out in Note 17.

**Deferred tax**

At 31 December 2014, deferred tax assets of RMB240,307,000 (31 December 2013 (restated): RMB331,195,000) mainly in relation to unrealised profit on intra-group transfer of land and land appreciation tax ("LAT") have been recognised as set out in Note 24. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The directors of the Company determine the deferred tax assets based on the enacted or substantially enacted tax rates and the best knowledge of profit projections of the subsidiaries for coming years during which the deferred tax assets are expected to be utilised. The directors of the Company will review the assumptions and profit projections by the end of each reporting period. In cases where the actual future profits generated are less than expected or there is a downward revision of estimated future profits, a reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Key sources of estimation uncertainty (continued)

LAT

Certain subsidiaries of the Group are subject to LAT in the PRC. However, the implementation of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their LAT calculations with the local tax authorities in the PRC.

Accordingly, significant judgement is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the period in which such tax is finalised with local tax authorities.

Impairment of property, plant and equipment

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable in accordance with the accounting policies as disclosed in the relevant parts in Note 4 to the consolidated financial statements. The recoverable amount of the property, plant and equipment is the greater of the fair value less costs of disposal and value in use, the calculations of which involve the use of estimates. The carrying amount of property, plant and equipment at 31 December 2014 was RMB5,963,010,000 (31 December 2013 (restated): RMB5,392,350,000).

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed, at the end of each reporting period based on changes in circumstances.

Impairment on properties held for sale/properties under development for sale

Impairment on properties held for sale/properties under development for sale is made based on the assessment of net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the properties are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period. Significant management estimates are required in the estimates. Where the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying amounts of properties held for sale/properties under development for sale and the amount of impairment loss/write-back of impairment loss in the periods in which such estimates have been changed.

The aggregate carrying amount of properties held for sale as at 31 December 2014 was RMB533,928,000 (31 December 2013 (restated): RMB1,372,550,000). The aggregate carrying amount of properties under development for sale as at 31 December 2014 was RMB9,307,789,000 (31 December 2013 (restated): RMB6,326,162,000).

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Key sources of estimation uncertainty (continued)

**Recognition and allocation of construction cost on properties under development for sale**

Development costs of properties are recorded as properties under development for sale during the construction stage and will be transferred to completed properties held for sale upon completion. Apportionment of these costs will be recognised in profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

## 6. REVENUE

An analysis of the Group's revenue, which is also turnover of the Group, for the year is as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | | (restated) |
| Property investment and development: | | |
| Gross rental income from investment properties | **2,008,659** | 1,694,259 |
| Sales of properties held for sale | **2,020,641** | 3,650,070 |
| Service income for primary land development | **220,877** | 116,712 |
| Property management and related services | **288,227** | 292,421 |
| Other property related service income | **163,504** | 172,241 |
| | **4,701,908** | 5,925,703 |
| Hotel operations: | | |
| Hotel room revenue | **698,972** | 602,604 |
| Other ancillary service | **311,961** | 280,794 |
| | **1,010,933** | 883,398 |
| Total revenue | **5,712,841** | 6,809,101 |

## 7. SEGMENT INFORMATION

The Group is organised into certain business units according to the nature of goods sold or services provided. The operating segments of the Group are determined by the directors of the Company based on the business units by reference to the goods sold or services provided. These business units are the basis of internal reports provided to the directors of the Company, the chief operating decision maker, for the purpose of resource allocation and performance assessment. The operating segments of the entities comprising the Group with similar economic characteristics and similar nature of goods sold or services provided have been aggregated into the following reportable segments.

| | |
|---|---|
| Property investment | Property letting |
| Property and land development | Development and sale of properties, and development of lands |
| Hotel operations | Hotel ownership and management |
| Property management and related services | Provision of agency services and property management services |

Information regarding the above segments is reported below.

### Segment revenue and segment results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

| | Property investment RMB'000 | Property and land development RMB'000 | Hotel operations RMB'000 | Property management and related services RMB'000 | Segment total RMB'000 | Inter segment elimination RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2014** | | | | | | | |
| *Segment revenue* | | | | | | | |
| External customers | 2,016,619 | 2,241,518 | 1,010,933 | 451,731 | 5,720,801 | – | 5,720,801 |
| Inter-segment revenue | 3,020 | – | – | 7,960 | 10,980 | (10,980) | – |
| Consolidated | 2,019,639 | 2,241,518 | 1,010,933 | 459,691 | 5,731,781 | (10,980) | 5,720,801 |
| Rental adjustments | | | | | | | (7,960) |
| Revenue as presented in consolidated profit or loss and other comprehensive income | | | | | | | 5,712,841 |
| Segment results | 1,172,842 | 1,173,287 | (92,582) | 117,261 | 2,370,808 | | 2,370,808 |
| Unallocated corporate income and other gains | | | | | | | 105,741 |
| Unallocated corporate expenses and other losses | | | | | | | (381,141) |
| Gain on disposal of a subsidiary | | | | | | | 106,115 |
| Fair value gain of investment properties | | | | | | | 1,921,121 |
| Finance costs | | | | | | | (926,492) |
| Share of loss of an associate | | | | | | | (10,006) |
| Profit before tax as presented in consolidated statement of profit or loss and other comprehensive income | | | | | | | 3,186,146 |

## 7. SEGMENT INFORMATION (continued)

| | Property investment RMB'000 | Property and land development RMB'000 | Hotel operations RMB'000 | Property management and related services RMB'000 | Segment total RMB'000 | Inter segment elimination RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2013** (restated) | | | | | | | |
| *Segment revenue* | | | | | | | |
| External customers | 1,694,259 | 3,766,782 | 883,398 | 464,662 | 6,809,101 | – | 6,809,101 |
| Inter-segment revenue | 45 | – | 40 | 3,774 | 3,859 | (3,859) | – |
| Consolidated | 1,694,304 | 3,766,782 | 883,438 | 468,436 | 6,812,960 | (3,859) | 6,809,101 |
| Segment results | 1,020,298 | 1,738,639 | (73,828) | 118,208 | 2,803,317 | | 2,803,317 |
| Unallocated corporate income and other gains | | | | | | | 191,581 |
| Unallocated corporate expenses and other losses | | | | | | | (439,200) |
| Gain on disposal of an associate | | | | | | | 231,988 |
| Fair value gain of investment properties | | | | | | | 3,681,589 |
| Finance costs | | | | | | | (874,249) |
| Share of profit of an associate | | | | | | | 3,596 |
| Profit before tax as presented in consolidated statement of profit or loss and other comprehensive income | | | | | | | 5,598,622 |

Inter-segment revenue was charged at prices agreed between group entities.

Segment revenue represents revenue earned by each segment without rental adjustments for property letting relating to the recognition of rental income from operating lease on a straight-line basis over the term of the relevant lease. Segment results represents the profit earned/loss incurred by each segment without allocation of certain items incurred for management purpose, including certain other income, other gains and losses, distribution and selling costs, administrative expenses, fair value gain of investment properties, finance costs, share of results of an associate, gain on disposal of a subsidiary and an associate, and income tax expense. The above is the measure reported to the directors of the Company for the purposes of resource allocation and performance assessment.

## 7. SEGMENT INFORMATION (continued)

### Segment assets and liabilities

Segment assets and liabilities are not disclosed in the consolidated financial statements as they are not regularly provided to the directors of the Company for the purposes of resource allocation and performance assessment.

### Geographical information

The following table sets out information about the Group's revenue from external customers by geographical location. The geographical location of customers is based on the location at which the services were provided or the goods and properties were delivered.

| | Year ended 31 December | |
|---|---|---|
| | 2014<br>RMB'000 | 2013<br>RMB'000<br>(restated) |
| Mainland China | **5,636,468** | 6,733,471 |
| Hong Kong | **76,373** | 75,630 |
| | **5,712,841** | 6,809,101 |

Information about the Group's non-current assets by location is detailed below.

| | At 31 December | |
|---|---|---|
| | 2014<br>RMB'000 | 2013<br>RMB'000<br>(restated) |
| Mainland China | **45,170,331** | 41,252,473 |
| Hong Kong | **2,489,842** | 2,158,786 |
| | **47,660,173** | 43,411,259 |

Non-current assets exclude goodwill, deferred tax assets, available-for-sale investments, loans to fellow subsidiaries, amount from the ultimate holding company, and deposits included in deposits and prepayments under non-current assets.

### Information about major customer

No revenue from transaction with single external customer is amounted to 10% or more of the Group's revenue for both 2014 and 2013.

## 7. SEGMENT INFORMATION (continued)

### Other information

Amounts included in the measure of segment profit or loss.

| | Property and land development RMB'000 | Property investment RMB'000 | Property management and related services RMB'000 | Hotel operations RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2014** | | | | | |
| Impairment loss/(reversal of impairment loss) on accounts and other receivables, net | **8,313** | **(13,078)** | **(1,595)** | **6,442** | **82** |
| Depreciation of property, plant and equipment | **58,360** | **39,717** | **10,164** | **201,409** | **309,650** |
| Amortisation of leasehold land and land use rights | **2,410** | **–** | **1,229** | **21,690** | **25,329** |
| Loss/(gain) on disposal of property, plant and equipment, net | **3,368** | **(1,394)** | **213** | **625** | **2,812** |
| (Reversal of impairment loss)/impairment loss on property, plant and equipment | **(30,235)** | **96** | **–** | **–** | **(30,139)** |
| **Year ended 31 December 2013** (restated) | | | | | |
| Impairment loss on accounts and other receivables,net | 9,456 | 6,568 | 425 | 240 | 16,689 |
| Depreciation of property, plant and equipment | 55,057 | 15,846 | 6,694 | 175,565 | 253,162 |
| Amortisation of leasehold land and land use rights | 2,410 | – | 1,229 | 21,372 | 25,011 |
| Reversal of impairment loss on inventories, net | – | (32) | – | – | (32) |
| (Gain)/loss on disposal of property, plant and equipment, net | – | (238) | 8 | 632 | 402 |
| Impairment loss on property, plant and equipment | 85,374 | – | – | – | 85,374 |

## 8. OTHER INCOME

| | Year ended 31 December | |
|---|---|---|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| | | (restated) |
| Interest income from: | | |
| Banks | 72,972 | 38,919 |
| Deposits placed with a non-banking financial institution* | – | 4,897 |
| Loans to fellow subsidiaries | 1,217 | 108,245 |
| Loans to an associate | – | 95,968 |
| Government grants** | 5,123 | 54,464 |
| Others | 36,723 | 5,764 |
| | 116,035 | 308,257 |

* The non-banking financial institution is COFCO Finance Corporation Limited ("COFCO Finance"), a fellow subsidiary of the Group.

** Various government grants have been received for developments in certain provinces in Mainland China. The government grants mainly related to discretionary awards granted by local governments to certain subsidiaries of the Group to award their contributions to the local development and seashore environment improvement. There are no unfulfilled conditions or contingencies relating to these grants.

## 9. OTHER GAINS AND LOSSES, NET

| | Year ended 31 December | |
|---|---|---|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| | | (restated) |
| Gain on disposal of an associate | – | 231,988 |
| Gain on disposal of a subsidiary (Note 48) | 106,115 | – |
| Impairment loss on property, plant and equipment (Note 18) | (96) | (85,374) |
| Reversal of impairment loss on properties, plant and equipment (Note 18) | 30,235 | – |
| Reversal of impairment loss on inventories, net | – | 32 |
| (Impairment loss)/reversal of impairment loss on accounts receivable, net | (6,498) | 10,337 |
| Reversal of impairment loss/(impairment loss) on other receivables, net | 6,416 | (27,026) |
| Loss on disposal of property, plant and equipment, net | (2,812) | (402) |
| Compensation to tenants for early termination of rental agreements | – | (6,350) |
| Exchange gains, net | 46,388 | 109,463 |
| Others | (15,822) | (14,825) |
| | 163,926 | 217,843 |

## 10. FINANCE COSTS

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | | (restated) |
| Interest on: | | |
| Bank borrowings wholly repayable within five years | **476,848** | 469,635 |
| Bank borrowings not wholly repayable within five years | **417,870** | 314,060 |
| Loans from COFCO Finance | **48,826** | 54,102 |
| Loans from the ultimate holding company | **186,130** | 228,851 |
| Loans from fellow subsidiaries | **45,302** | 42,100 |
| Guaranteed notes (Note 36) | **22,082** | – |
| Total interest expenses | **1,197,058** | 1,108,748 |
| Less: Interest capitalised: | | |
| Investment properties under development (Note 17) | **(39,276)** | (53,430) |
| Construction in progress under property, plant and equipment (Note 18) | **(32,718)** | (68,243) |
| Properties under development for sale (Note 28) | **(197,964)** | (113,464) |
| | **(269,958)** | (235,137) |
| Reclassification adjustment on cash flow hedge | **(608)** | 638 |
| Finance costs | **926,492** | 874,249 |

Borrowing costs capitalised to investment properties, property, plant and equipment, and properties under development for sale were based on actual borrowing costs incurred for respective specific borrowings as disclosed in Note 35.

## 11. PROFIT BEFORE TAX

| | Year ended 31 December 2014 RMB'000 | 2013 RMB'000 (restated) |
|---|---|---|
| Profit for the year has been arrived at after charging/(crediting): | | |
| Directors' emoluments (Note 15) | **4,360** | 288 |
| Depreciation and amortisation including: | | |
| Amortisation of intangible assets | **5,253** | 3,469 |
| Amortisation of leasehold land and land use rights | **25,329** | 25,011 |
| Depreciation of property, plant and equipment* | **309,650** | 253,162 |
| Total depreciation and amortisation | **340,232** | 281,642 |
| Cost of sales and services including: | | |
| Cost of properties sold | **936,324** | 1,822,297 |
| Cost of properties letting | **428,062** | 415,040 |
| Cost of primary land development services provided | **58,196** | 71,355 |
| Cost of property management and related services | **245,078** | 261,361 |
| Cost of hotel services provided | **598,892** | 523,423 |
| Other direct costs | **51,497** | 44,915 |
| | **2,318,049** | 3,138,391 |
| Gross rental income for investment properties | **(2,008,659)** | (1,694,259) |
| Less: Direct operating expenses incurred for investment properties that generated rental income during the year | **428,062** | 415,040 |
| | **(1,580,597)** | (1,279,219) |
| Employee benefits expense (including directors' emoluments (Note 15)): | | |
| Salaries, allowances and other benefits | **617,967** | 573,242 |
| Retirement benefit scheme contributions | **84,255** | 79,748 |
| | **702,222** | 652,990 |
| Auditors' remuneration | **3,250** | 2,050 |

* Depreciation of property, plant and equipment of RMB242,816,000 for the year ended 31 December 2014 (2013 (restated): RMB187,926,000) was included in cost of sales and services on the consolidated statement of profit or loss and other comprehensive income.

## 12. INCOME TAX EXPENSE

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | | (restated) |
| Current tax: | | |
| Mainland China | | |
| Charge for the year | **312,527** | 526,214 |
| Underprovision in prior years | **1,075** | – |
| LAT | **227,965** | 564,545 |
| Dividend withholding tax | **55,047** | 7,126 |
| Hong Kong | | |
| Charge for the year | **7,312** | 8,565 |
| | **603,926** | 1,106,450 |
| Deferred tax (Note 24) | **634,924** | 948,997 |
| | **1,238,850** | 2,055,447 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax ("EIT") at 25% for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use right and all property development expenditures.

Pursuant to the rules and regulations of the British Virgin Islands and Samoa, the Group is not subject to any income tax in the British Virgin Islands and Samoa.

## 12. INCOME TAX EXPENSE (continued)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | | (restated) |
| Profit before tax | **3,186,146** | 5,598,622 |
| Tax at PRC EIT rate of 25% (2013: 25%)* | **796,536** | 1,399,655 |
| Lower tax rates for entities of the Group operating in other jurisdictions | **(24,190)** | (26,195) |
| PRC LAT | **227,965** | 564,545 |
| Tax effect of PRC LAT | **(56,991)** | (141,136) |
| Tax effect of expenses not deductible for tax purpose | **82,573** | 135,275 |
| Tax effect of income not taxable for tax purpose | **(23,956)** | (81,315) |
| Tax effect of tax losses not recognised | **152,356** | 154,982 |
| Tax effect of unrecognised deductible temporary difference | **9,202** | 1,329 |
| Tax effect of reversal of tax losses previously recognised as deferred tax assets | **3,963** | 27,445 |
| Tax effect of utilisation of, and recognition of deferred tax on, tax losses not previously recognised | **(11,848)** | (40,412) |
| Tax effect of share of loss/(profit) of an associate | **2,501** | (899) |
| Effect of withholding tax on undistributed profits | **65,434** | 33,948 |
| Underprovision in prior years | **1,075** | – |
| Others | **14,230** | 28,225 |
| Income tax expense for the year | **1,238,850** | 2,055,447 |

* The PRC EIT rate is used as it is the domestic tax rate in the jurisdiction where the operation of the Group is substantially based.

## 13. DIVIDENDS

No dividend in respect of ordinary shares has been proposed, paid or declared by the Company for the current and prior years. Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2014 of HK1 cent per share (2013: Nil) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

## 14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary shareholders of the Company is based on the following data:

| | Year ended 31 December 2014 RMB'000 | Year ended 31 December 2013 RMB'000 (restated) |
|---|---|---|
| **Earnings** | | |
| Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company) | **1,673,129** | 3,117,678 |

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|---|---|
| **Number of shares ('000)** | | |
| For the purpose of basic earnings per share: | | |
| Weighted average number of ordinary shares | **8,851,807** | 4,987,776 |
| Number of non-redeemable convertible preference shares (Note 38) | **1,095,301** | 1,095,301 |
| Weighted average number of shares for the purpose of basic earnings per share | **9,947,108** | 6,083,077 |

The weighted average number of shares used for the purpose of calculating basic earnings per share for the year ended 31 December 2013 is calculated on the basis of the number of the Consideration Shares (excluding the Consideration Shares deemed to be issued for shareholder's loan) and non-redeemable convertible preference shares issued pursuant to the Reverse Takeover Transaction as the consideration to acquire the COFCO Land Subsidiaries as defined in Note (c) to the consolidated statement of changes in equity, the weighted average number of shares of the Company in issue during that year and the weighted average number of shares deemed to be issued for the shareholder's loan from the completed date of the Reverse Takeover Transaction.

The weighted average number of shares used for the purpose of calculating basic earnings per share for the year ended 31 December 2014 is calculated on the basis of the number of the weighted average number of ordinary shares of the Company and non-redeemable convertible preference shares in issue during the year.

No diluted earnings per share for the years ended 31 December 2014 and 2013 is presented as there was no potential ordinary share in issue during both years.

## 15. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

Details of the emoluments paid to the directors of the Company for the year are as follows:

| | Directors' fees RMB'000 | Salaries and other benefits RMB'000 | Retirement benefit scheme contributions RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **2014** | | | | |
| *Executive directors* | | | | |
| Mr. ZHOU Zheng | – | 1,183 | 8 | 1,191 |
| Mr. HAN Shi | – | 2,252 | 8 | 2,260 |
| *Non-executive directors* | | | | |
| Mr. SHI Zhuowei | – | – | – | – |
| Mr. MA Jianping | – | – | – | – |
| Mr. MA Wangjun | – | – | – | – |
| Ms. JIANG Hua | – | – | – | – |
| *Independent non-executive directors* | | | | |
| Mr. LAU Hon Chuen, Ambrose | 303 | – | – | 303 |
| Mr. LAM Kin Ming, Lawrence | 303 | – | – | 303 |
| Mr. WU Kwok Cheung | 303 | – | – | 303 |
| Total | 909 | 3,435 | 16 | 4,360 |

| | Directors' fees RMB'000 | Salaries and other benefits RMB'000 | Retirement benefit scheme contributions RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **2013** | | | | |
| *Executive directors* | | | | |
| Mr. MA Jianping (Note (a)) | – | – | – | – |
| Mr. ZHOU Zheng (Note (a)) | – | – | – | – |
| Mr. HAN Shi | – | – | – | – |
| *Non-executive directors* | | | | |
| Mr. SHI Zhuowei | – | – | – | – |
| Mr. MA Jianping (Note (a)) | – | – | – | – |
| Mr. MA Wangjun | – | – | – | – |
| Ms. JIANG Hua (Note (b)) | – | – | – | – |
| *Independent non-executive directors* | | | | |
| Mr. LAU Hon Chuen, Ambrose | 96 | – | – | 96 |
| Mr. LAM Kin Ming, Lawrence | 96 | – | – | 96 |
| Mr. WU Kwok Cheung | 96 | – | – | 96 |
| Total | 288 | – | – | 288 |

## 15. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS (continued)

Notes:

(a) Mr. MA Jianping was re-designated as a non-executive director from an executive director and Mr. ZHOU Zheng was appointed as the chairman of the Company with effect from 19 December 2013. Mr. ZHOU Zheng is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

(b) Ms. JIANG Hua was appointed as a non-executive director of the Company on 27 March 2013.

None of the directors has waived or agree to waive any emoluments in the current and prior years.

## 16. EMPLOYEE'S EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one of them (2013 (restated): nil) are directors of the Company. The emoluments of the 4 (2013 (restated): 5) highest paid individuals are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | | (restated) |
| Salaries and other allowances | **8,253** | 10,784 |
| Retirement benefit scheme contributions | **591** | 117 |
| | **8,844** | 10,901 |

The emoluments of the above individuals fell within the following bands:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | | (restated) |
| *Number of individuals* | | |
| HK$1,500,001 – HK$2,000,000 (approximately RMB1,183,000 to RMB1,578,000) | **–** | 1 |
| HK$2,000,001 – HK$2,500,000 (approximately RMB1,578,000 to RMB1,972,000) | **1** | 2 |
| HK$2,500,001 – HK$3,000,000 (approximately RMB1,972,000 to RMB2,367,000) | **2** | 1 |
| HK$3,000,001 – HK$3,500,000 (approximately RMB2,367,000 to RMB2,762,000) | **1** | – |
| HK$4,500,001 – HK$5,000,000 (approximately RMB3,551,000 to RMB3,945,000) | **–** | 1 |
| | **4** | 5 |

Saved as disclosed above, the directors of the Company confirm that no housing or other allowances, benefits in kind, contributions to pension scheme, discretionary bonus, inducement to join the Group, compensation for loss of any office in connection with the management of the affairs of any member of the Group has been made to the five highest paid individuals during the year ended 31 December 2014 (2013 (restated): Nil).

## 17. INVESTMENT PROPERTIES

| | Completed investment properties RMB'000 | Investment properties under development RMB'000 | Total RMB'000 |
|---|---|---|---|
| **At fair value** | | | |
| At 1 January 2013 (restated) | 30,103,276 | 2,641,300 | 32,744,576 |
| Additions on subsequent expenditure (restated) | 128,954 | 575,708 | 704,662 |
| Interest capitalised (restated) (Note 10) | – | 53,430 | 53,430 |
| Change in fair value recognised in profit or loss (restated) | 3,457,027 | 224,562 | 3,681,589 |
| Exchange realignment (restated) | (67,327) | – | (67,327) |
| At 31 December 2013 (restated) | 33,621,930 | 3,495,000 | 37,116,930 |
| Additions on subsequent expenditure | 173,608 | 1,793,706 | 1,967,314 |
| Reclassification | 2,086,994 | (2,086,994) | – |
| Interest capitalised (Note 10) | – | 39,276 | 39,276 |
| Change in fair value recognised in profit or loss | 1,552,226 | 368,895 | 1,921,121 |
| Disposal of a subsidiary (Note 48) | (352,000) | – | (352,000) |
| Exchange realignment | 6,671 | – | 6,671 |
| At 31 December 2014 | 37,089,429 | 3,609,883 | 40,699,312 |

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The Group's completed investment properties and investment properties under development are analysed as follows:

| | At 31 December | |
|---|---|---|
| | **2014 RMB'000** | 2013 RMB'000 (restated) |
| Properties held under medium term leases (10 to 50 years): | | |
| – in Mainland China | **33,000,483** | 29,575,200 |
| Properties held under long term leases (over 50 years): | | |
| – in Mainland China | **5,298,700** | 5,274,400 |
| – in Hong Kong | **2,400,129** | 2,267,330 |
| | **40,699,312** | 37,116,930 |

## 17. INVESTMENT PROPERTIES (continued)

Details of the Group's investment properties and investment properties under development as at 31 December 2014 are as follows:

| | At 31 December 2014 RMB'000 | 2013 RMB'000 (restated) |
|---|---|---|
| Commercial properties located in Hong Kong | **2,400,129** | 2,267,330 |
| Commercial properties located in Mainland China | **33,104,183** | 29,656,600 |
| Residential properties located in Mainland China | **5,195,000** | 5,193,000 |
| | **40,699,312** | 37,116,930 |

At 31 December 2014, the Group's investment properties with an aggregate carrying amount of RMB32,346,259,000 (31 December 2013 (restated): RMB26,676,055,000), respectively, were pledged to secure banking facilities granted to the Group (Note 44).

At 31 December 2014, land use rights and/or building ownership certificates in respect of investment properties of the Group with an aggregate carrying amount of RMB3,322,000,000 (31 December 2013 (restated): RMB5,352,787,000) had not been issued by the relevant PRC authorities.

### Fair value measurement of the Group's investment properties

In estimating the fair value of the investment properties, the Group uses market observable data to the extent it is available. The management of the Group works closely with the valuer to establish the appropriate valuation techniques and inputs to the model.

The fair value of the Group's investment properties and investment properties under construction in Hong Kong and Mainland China at 31 December 2014 has been arrived at on the basis of a valuation carried out as at that date by Savills Valuation and Professional Services Limited ("Savills"), independent qualified professional valuers not connected with the Group. The address of Savills is 23rd Floor, Two Exchange Square, Central, Hong Kong.

For completed investment properties, the valuations were arrived at by making reference to the comparable market transactions as available in the market and where appropriate, by valuing the properties on the basis of capitalisation of the rental income derived from the existing tenancy agreements with due allowance for the reversionary income potential of the properties.

For investment properties under development, the valuations were arrived at with adoption of direct comparison approach by making reference to comparable sales transactions as available in the relevant markets and where applicable, by taking into account the costs that will be expended to complete the developments to reflect the quality of the completed development.

There has been no change in the valuation technique during the current year.

## 17. INVESTMENT PROPERTIES (continued)

### Fair value measurement of the Group's investment properties (continued)

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The amount of the change in fair value recognised in profit or loss were related to investment properties held at the end of each reporting period.

The fair values of the Group's investment properties at 31 December 2014 and 2013 are grouped into Level 3 of fair value measurement. There were no transfers into or out of Level 3 during the both years.

The following table gives information about how the fair values of the Group's major investment properties as at 31 December 2014 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements is observable.

| Major investment properties of the Group | Fair value hierarchy | Value technique(s) and key input(s) | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|
| Property 1 – Beijing COFCO Plaza, Beijing (completed investment property) | Level 3 | Income method – Capitalisation approach<br><br>The key inputs are capitalisation rate and monthly rent | Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 6% (2013: 6%) for both office and shop. | A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. |
| | | | Monthly unit rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB268 (2013: RMB268)/ sq.m./month for office and RMB490 (2013: RMB490)/ sq.m./month for shop. | A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa. |

## 17. INVESTMENT PROPERTIES (continued)

### Fair value measurement of the Group's investment properties (continued)

| Major investment properties of the Group | Fair value hierarchy | Value technique(s) and key input(s) | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|
| Property 2 – Fraser Suites Top Glory, Shanghai (completed investment property) | Level 3 | Income method – Capitalisation approach<br><br>The key inputs are capitalisation rate and monthly rent. | Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 2.5% (2013: 2.5%). | A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. |
| | | | Monthly unit rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB214 to RMB224 (2013: RMB224)/ sq.m./month. | A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa. |
| Property 3 – Top Glory Tower, Hong Kong (completed investment property) | Level 3 | Income method – Capitalisation approach<br><br>The key inputs are capitalisation rate and monthly rent. | Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.75% (2013: 3.85%) for office and 3.5% (2013: 3.5%) for shop. | A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. |
| | | | Monthly unit rent, using direct market comparables and taking into account of time, location and individual factors such as street frontage, size of property and age and condition, of RMB378 to RMB433 (2013: RMB362 to RMB417)/sq.m. on gross area per month for office and RMB1,441 (2013: RMB1,455)/sq.m. on gross area per month for shop. | A slight increase in the monthly unit rent used would result in a significant increase in fair value measurement of the investment properties, and vice versa. |

## 17. INVESTMENT PROPERTIES (continued)

### Fair value measurement of the Group's investment properties (continued)

| Major investment properties of the Group | Fair value hierarchy | Value technique(s) and key input(s) | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|
| Property 4 – Xidan Joy City (completed investment property) | Level 3 | Income method – Capitalisation approach<br><br>The key inputs are capitalisation rate and monthly rent. | Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 6% (2013: 6%) for office and 6.5% (2013: 6.5%) for shop. | A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. |
| | | | Month unit rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB280 to RMB325 (2013: RMB276 to RMB311)/sq.m./month for office and RMB233 to RMB1,550 (2013: RMB159 to RMB1,510)/sq.m./ month for shop. | A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa. |
| Property 5 – Chaoyang Joy City (completed investment property) | Level 3 | Income method – Capitalisation approach<br><br>The key inputs are capitalisation rate and monthly rent. | Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 6.5% (2013: 6.5%) for shop. | A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. |
| | | | Month unit rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB109 to RMB726 (2013: RMB104 to RMB695)/ sq.m./month for shop. | A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa. |

## 17. INVESTMENT PROPERTIES (continued)

### Fair value measurement of the Group's investment properties (continued)

| Major investment properties of the Group | Fair value hierarchy | Value technique(s) and key input(s) | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|
| Property 6 – Tianjin Joy City (completed investment property) | Level 3 | Income method – Capitalisation approach<br><br>The key inputs are capitalisation rate and monthly rent. | Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 7% (2013: 7%) for shop. | A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. |
| | | | Month unit rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB208 to RMB520 (2013: RMB198 to RMB495)/sq.m./month for shop. | A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa. |
| Property 7 – Shanghai Joy City (completed investment property) | Level 3 | Income method – Capitalisation approach<br><br>The key inputs are capitalisation rate and monthly rent. | Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 6.5% (2013: 6.5%) for shop. | A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. |
| | | | Month unit rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB158 to RMB790 (2013: RMB155 to RMB775)/sq.m./month for shop. | A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa. |

## 18. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold properties RMB'000 | Leasehold improvements RMB'000 | Hotel properties RMB'000 | Equipment, furniture and fixtures RMB'000 | Motor vehicles RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Costs:** | | | | | | | |
| At 1 January 2013 (restated) | 828,978 | 54,437 | 3,380,109 | 1,025,401 | 112,483 | 428,259 | 5,829,667 |
| Additions (restated) | 17,097 | 9,143 | 282 | 58,199 | 23,893 | 737,546 | 846,160 |
| Interest capitalised during the year (Note 10) (restated) | – | – | – | – | – | 68,243 | 68,243 |
| Reclassification (restated) | – | – | (72,238) | 75,188 | – | (2,950) | – |
| Disposals (restated) | – | – | – | (14,455) | (3,562) | – | (18,017) |
| Exchange realignment (restated) | – | (794) | – | (537) | (48) | – | (1,379) |
| At 31 December 2013 (restated) | 846,075 | 62,786 | 3,308,153 | 1,143,796 | 132,766 | 1,231,098 | 6,724,674 |
| Additions | – | 18,188 | 111 | 66,583 | 1,500 | 737,219 | 823,601 |
| Interest capitalised during the year (Note 10) | – | – | – | – | – | 32,718 | 32,718 |
| Reclassification | – | 19,006 | 1,604,943 | 314,439 | – | (1,938,388) | – |
| Disposals | – | (12,478) | – | (10,458) | (1,701) | – | (24,637) |
| Written off | (98,343) | (6,372) | – | (3,822) | (453) | – | (108,990) |
| Disposal of a subsidiary (Note 48) | – | – | – | (2,866) | – | – | (2,866) |
| Transfer to construction in progress (Note) | (79,465) | – | – | – | – | 30,235 | (49,230) |
| Exchange realignment | – | 18 | – | 148 | 4 | – | 170 |
| At 31 December 2014 | 668,267 | 81,148 | 4,913,207 | 1,507,820 | 132,116 | 92,882 | 7,395,440 |
| **Accumulated depreciation:** | | | | | | | |
| At 1 January 2013 (restated) | 126,360 | 29,248 | 363,369 | 429,578 | 54,930 | – | 1,003,485 |
| Charge for the year (restated) | 20,024 | 9,824 | 108,572 | 98,523 | 16,219 | – | 253,162 |
| Written back on disposals (restated) | – | – | – | (6,142) | (3,271) | – | (9,413) |
| Exchange realignment (restated) | – | (164) | – | (90) | (30) | – | (284) |
| At 31 December 2013 (restated) | 146,384 | 38,908 | 471,941 | 521,869 | 67,848 | – | 1,246,950 |
| Charge for the year | 14,031 | 7,445 | 137,338 | 134,725 | 16,111 | – | 309,650 |
| Written back on disposals | – | (11,529) | – | (7,214) | (1,349) | – | (20,092) |
| Written off | (44,501) | (5,246) | – | (3,651) | (453) | – | (53,851) |
| Disposal of a subsidiary (Note 48) | – | – | – | (1,194) | – | – | (1,194) |
| Transfer to construction in progress (Note) | (49,230) | – | – | – | – | – | (49,230) |
| Exchange realignment | – | 18 | – | 82 | 1 | – | 101 |
| At 31 December 2014 | 66,684 | 29,596 | 609,279 | 644,617 | 82,158 | – | 1,432,334 |
| **Accumulated impairment** | | | | | | | |
| At 1 January 2013 (restated) | – | – | – | – | – | – | – |
| Provided during the year (restated) (Note) | 84,077 | 1,126 | – | 171 | – | – | 85,374 |
| At 31 December 2013 (restated) | 84,077 | 1,126 | – | 171 | – | – | 85,374 |
| Provided during the year | – | – | – | 35 | 61 | – | 96 |
| Written off | (53,842) | (1,126) | – | (171) | – | – | (55,139) |
| Reversal of impairment (Note) | (30,235) | – | – | – | – | – | (30,235) |
| At 31 December 2014 | – | – | – | 35 | 61 | – | 96 |
| **Net carrying amounts:** | | | | | | | |
| At 31 December 2014 | 601,583 | 51,552 | 4,303,928 | 863,168 | 49,897 | 92,882 | 5,963,010 |
| At 31 December 2013 (restated) | 615,614 | 22,752 | 2,836,212 | 621,756 | 64,918 | 1,231,098 | 5,392,350 |

## 18. PROPERTY, PLANT AND EQUIPMENT (continued)

Note: During the year ended 31 December 2013, impairment loss of RMB85.4 million was made relating to the abandonment of certain properties located in Sanya, Mainland China for future redevelopment purpose. During the current year, the redevelopment plan was fixed and approved by local government. According to the approved redevelopment plan, certain of the abandoned properties (the "Properties") will not be demolished and become part of the redevelopment project (the "Project"). Accordingly, the impairment loss made relating to the Properties has been reversed at its net carrying amount of RMB30.2 million (representing original cost of RMB79.4 million and accumulated depreciation that would have been determined had no impairment loss been recognised for the Property of RMB49.2 million), and the net carrying amount was reclassified as construction in progress.

In the opinion of the directors of the Company, the Project is a separate cash-generating unit and the recoverable amount of the Project has been determined based on a value in use calculation using cash flow projections based on financial budget covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 10%. The growth rate used to extrapolate the cash flows beyond the five-year period is zero. The recoverable amount of the Project is well above its net carrying amount. Accordingly, the directors of the Company consider that no impairment loss on the Project (which included the Properties) is necessary.

The properties of the Group shown above are held under the following lease terms:

| | At 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 (restated) |
| **Leasehold properties** | | |
| Held in Hong Kong under long lease (over 50 years) | **3,636** | 3,919 |
| Held in Mainland China under: | | |
| Long lease (over 50 years) | **101,760** | 105,341 |
| Medium term lease (10 to 50 years) | **496,187** | 506,354 |
| | **601,583** | 615,614 |
| **Hotel properties** | | |
| Held in Mainland China under medium term lease (10 to 50 years) | **4,303,928** | 2,836,212 |

The above items of property, plant and equipment, less their estimated residual value, if any, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

| | |
|---|---|
| Leasehold properties | 1.8% to 10% |
| Leasehold improvements | Over the shorter of the term of the lease, and 10% to 25% |
| Hotel properties | 2.5% to 10% |
| Equipment, furniture and fixtures and motor vehicles | 5% to 20% |

At 31 December 2014, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB4,264,888,000 (31 December 2013 (restated): RMB3,534,561,000) were pledged to secure banking facilities granted to the Group (Note 44).

At 31 December 2014, building ownership certificates in respect of certain leasehold properties and hotel properties of the Group in Mainland China with an aggregate net carrying amount of approximately RMB4,046,682,000 (31 December 2013 (restated): RMB2,723,264,000) had not been issued by the relevant PRC authorities.

## 19. LEASEHOLD LAND AND LAND USE RIGHTS

The carrying amount of leasehold land and land use rights is analysed as follows:

| | At 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 (restated) |
| Leasehold land in Hong Kong | | |
| Long term lease (over 50 years) | **13,666** | 14,733 |
| Land use rights in Mainland China | | |
| Long term lease (over 50 years) | **334,556** | 346,656 |
| Medium term lease (10 to 50 years) | **532,094** | 432,561 |
| | **880,316** | 793,950 |
| Analysed for reporting purposes as: | | |
| Current assets (included in deposits, prepayments and other receivables (Note 30)) | **26,624** | 25,465 |
| Non-current assets | **853,692** | 768,485 |
| | **880,316** | 793,950 |

The amortisation of leasehold land and land use rights are charged to profit or loss on a straight-line basis over the term of the leases.

During the year ended 31 December 2014, the Group was in the process of obtaining title deeds from relevant government authorities for its land use rights in Mainland China amounting to RMB4,212,000 (31 December 2013 (restated): RMB4,334,000).

At 31 December 2014, land use rights with an aggregate carrying amount of RMB706,084,000 (31 December 2013 (restated): RMB441,817,000) were pledged to secure certain banking facilities granted to the Group (Note 44).

## 20. INTANGIBLE ASSETS

| | RMB'000 |
|---|---|
| **Costs:** | |
| At 1 January 2013 (restated) | 15,571 |
| Additions (restated) | 3,298 |
| At 31 December 2013 (restated) | 18,869 |
| Additions | 15,461 |
| At 31 December 2014 | 34,330 |
| **Accumulated amortisation:** | |
| At 1 January 2013 (restated) | 6,991 |
| Amortisation provided during the year (restated) | 3,469 |
| At 31 December 2013 (restated) | 10,460 |
| Amortisation provided during the year | 5,253 |
| At 31 December 2014 | 15,713 |
| **Net carrying amounts:** | |
| At 31 December 2014 | 18,617 |
| At 31 December 2013 (restated) | 8,409 |

Intangible assets, which mainly represent purchased computer software, are stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

## 21. INTEREST IN AN ASSOCIATE

| | At 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | | (restated) |
| Cost of investments, unlisted | **88,500** | 88,500 |
| Share of post-acquisition profits | **790** | 10,796 |
| | **89,290** | 99,296 |

## 21. INTEREST IN AN ASSOCIATE (continued)

At 31 December 2014 and 2013, the Group had interests in the following associate:

| Company name | Place of establishment | Place of operations | Proportion of ownership interest and proportion of voting rights held by the Group At 31 December 2014 | 2013 | Principal activity |
|---|---|---|---|---|---|
| 成都悦城實業有限公司 (Chengdu Yuecheng Real Estate Co., Ltd.*) | PRC | Chengdu, PRC | **30%** | 30% | Property development |

* The English name is translation of its Chinese name and is included for identification purpose only, and should not be regarded as its official English translation.

Summarised financial information in respect of the assets, liabilities, revenue and expenses in aggregate for the associate which is accounted for using the equity method is set out below:

| | At 31 December 2014 RMB'000 | 2013 RMB'000 (restated) |
|---|---|---|
| Current assets | **1,137,989** | 1,470,025 |
| Non-current assets | **1,846** | 1,856 |
| Total assets | **1,139,835** | 1,471,881 |
| Current liabilities | **650,201** | 1,140,894 |
| Non-current liabilities | **192,000** | – |
| Total liabilities | **842,201** | 1,140,894 |
| Net assets | **297,634** | 330,987 |

## 21. INTEREST IN AN ASSOCIATE (continued)

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | | (restated) |
| Revenue | **643,537** | 460,370 |
| (Loss)/profit and total comprehensive (expense)/income for the year | **(33,353)** | 11,987 |
| (Loss)/profit and total comprehensive (expense)/income for the year shared by the Group | **(10,006)** | 3,596 |

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated statement of financial position.

| | At 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | | (restated) |
| Net assets of the associate | **297,634** | 330,987 |
| Proportion of the Group's ownership in the associate | **30%** | 30% |
| Share of net assets of the associate | **89,290** | 99,296 |
| Carrying amount of the Group's interest in an associate | **89,290** | 99,296 |

## 22. AVAILABLE-FOR-SALE INVESTMENTS

| | At 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | | (restated) |
| Equity investments in the PRC: | | |
| Unlisted equity securities | **1,510** | 1,510 |

The above unlisted equity securities were issued by private entities established in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

## 23. GOODWILL

The amounts of goodwill capitalised as an asset or recognised in the consolidated statement of financial position, arising from the Reverse Takeover Transaction in 2013 (as set out in Note (c) to the consolidated statement of changes in equity), are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | | (restated) |
| **Cost and carrying amount** | | |
| Balance at end of year | **184,297** | 184,297 |

Goodwill is tested for impairment at least annually or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable in accordance with the accounting policies of the Group and the requirements of HKAS 36 Impairment of Assets ("HKAS 36"). The directors of the Company have assessed the impairment of goodwill in accordance with HKAS 36, which requires the recoverable amount of a cash generating unit (i.e. the Company and its subsidiaries upon completion of the Reverse Takeover Transaction) determined as the higher of its value in use or fair value less costs of disposal. Goodwill has been allocated to the group of cash generating units ("CGUs") comprising the Property Investment segment (as set out in Note 7), that is expected to be benefit from the synergies of the Reverse Takeover Transaction.

Based on the business model of the Group, the directors of the Company have performed the assessment on impairment by reference to the cashflow forecast prepared by the management of the Company. The directors of the Company determined that the aggregate recoverable amount of CGUs was higher than the carrying amount of goodwill.

## 24. DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior years:

### Deferred tax assets

| | Unrealised profit on intra-group transfer of land RMB'000 | Land appreciation tax RMB'000 | Tax losses RMB'000 | Impairment of assets RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| At 1 January 2013 (restated) | 165,137 | 91,879 | 31,429 | 232 | 13,792 | 302,469 |
| (Charged)/credited to profit or loss (restated) (Note 12) | (63,953) | 84,880 | (27,445) | 21,378 | 13,886 | 28,746 |
| Exchange realignment (restated) | – | – | (20) | – | – | (20) |
| At 31 December 2013 (restated) | 101,184 | 176,759 | 3,964 | 21,610 | 27,678 | 331,195 |
| (Charged)/credited to profit or loss (Note 12) | (69,326) | 900 | (3,936) | (21,343) | 2,817 | (90,888) |
| At 31 December 2014 | 31,858 | 177,659 | 28 | 267 | 30,495 | 240,307 |

### Deferred tax liabilities

| | Investment properties RMB'000 | Tax depreciation allowance RMB'000 | Dividend withholding tax RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2013 (restated) | 3,835,055 | 233,903 | 42,143 | 26,521 | 4,137,622 |
| Charged/(credited) to profit or loss (restated) (Note 12) | 866,711 | 90,006 | 26,822 | (5,796) | 977,743 |
| Exchange realignment (restated) | – | (244) | – | – | (244) |
| At 31 December 2013 (restated) | 4,701,766 | 323,665 | 68,965 | 20,725 | 5,115,121 |
| Charged/(credited) to profit or loss (Note 12) | 471,771 | 63,886 | 10,387 | (2,008) | 544,036 |
| Disposal of a subsidiary (Note 48) | (67,442) | – | – | – | (67,442) |
| At 31 December 2014 | 5,106,095 | 387,551 | 79,352 | 18,717 | 5,591,715 |

## 24. DEFERRED TAX (continued)

### Deferred tax liabilities (continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

| | At 31 December | |
|---|---|---|
| | 2014<br>RMB'000 | 2013<br>RMB'000<br>(restated) |
| Deferred tax assets | **49,528** | 158,116 |
| Deferred tax liabilities | **(5,400,936)** | (4,942,042) |
| | **(5,351,408)** | (4,783,926) |

At 31 December 2014, the Group had tax losses of RMB2,092,760,000 (31 December 2013 (restated): RMB1,602,291,000) arose in Mainland China to carry forward to set off against future taxable income which will expire within 1 to 5 years from each of the financial year end date. A deferred tax asset has been recognised in respect of RMB112,000 (31 December 2013 (restated): RMB13,241,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB2,092,648,000 (31 December 2013 (restated): RMB1,589,050,000) due to the unpredictability of future profit streams.

The unrecognised tax losses will expire in the following years:

| | At 31 December | |
|---|---|---|
| | 2014<br>RMB'000 | 2013<br>RMB'000<br>(restated) |
| To be expired on: | | |
| 31 December 2014 | **–** | 39,380 |
| 31 December 2015 | **112,768** | 112,768 |
| 31 December 2016 | **242,683** | 242,683 |
| 31 December 2017 | **561,017** | 608,389 |
| 31 December 2018 | **585,814** | 585,830 |
| 31 December 2019 | **590,366** | – |
| Total unused tax losses not recognised as deferred tax assets | **2,092,648** | 1,589,050 |

At 31 December 2014, the Group had estimated unused tax losses of RMB181,364,000 (31 December 2013 (restated): RMB152,658,000) arose in Hong Kong available for offset against future profits. A deferred tax asset has been recognised in respect of nil (31 December 2013 (restated): RMB3,888,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB181,364,000 (31 December 2013 (restated): RMB148,770,000) due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

## 24. DEFERRED TAX (continued)

### Deferred tax liabilities (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2014, deferred tax liabilities on certain undistributed profits of the PRC subsidiaries of approximately RMB131,538,000 (31 December 2013 (restated): RMB139,695,000), which were generated after 1 January 2008, have not been recognised as of 31 December 2014, because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## 25. LOANS TO/FROM FELLOW SUBSIDIARIES AND THE ULTIMATE HOLDING COMPANY

| | At 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 (restated) |
| **Classified under non-current assets** | | |
| Loans to fellow subsidiaries (note (a)) | **–** | 230,792 |
| **Classified under current liabilities** | | |
| Loans from fellow subsidiaries (note (b)) | **1,159,150** | 972,134 |
| Loans from the ultimate holding company (note (c)) | **–** | 3,470,183 |
| **Classified under non-current liabilities** | | |
| Loans from a fellow subsidiary (note (d)) | **455,500** | 523,500 |

Notes:

(a) At 31 December 2013, loans to fellow subsidiaries classified under non-current assets were unsecured, bore interest at a rate of 0.3859% per annum and were fully repaid during the current year.

(b) The loans from fellow subsidiaries classified under current liabilities are unsecured, bear interest at rates ranging from 5.36% to 6.65% (2013 (restated): 5.36% to 6.65%) per annum as at 31 December 2014 and are repayable within twelve months from the end of the reporting period. Included in the above loans from fellow subsidiaries are loans from COFCO Finance, a non-banking financial institution, of RMB512,500,000 (2013 (restated): RMB303,000,000) as at 31 December 2014.

(c) The loans from the ultimate holding company, COFCO Corporation, classified under current liabilities were unsecured, bore interest at 6% per annum as at 31 December 2013 and were fully repaid during the current year.

(d) The loans from a fellow subsidiary, COFCO Finance, classified under non-current liabilities is unsecured, bear interest at rates ranging from 6% to 6.15% (2013 (restated): 6% to 6.65%) per annum as at 31 December 2014 and is not repayable within twelve months from the end of the reporting period.

## 25. LOANS TO/FROM FELLOW SUBSIDIARIES AND THE ULTIMATE HOLDING COMPANY (continued)

The maturity profile of the loans from fellow subsidiaries is as follows:

| | At 31 December 2014 RMB'000 | 2013 RMB'000 (restated) |
|---|---|---|
| Carrying amount of loans from fellow subsidiaries repayable*: | | |
| Within one year | **1,159,150** | 972,134 |
| In the second year | **59,500** | 465,000 |
| In the third to fifth year inclusive | **396,000** | 58,500 |
| Total loans from fellow subsidiaries | **1,614,650** | 1,495,634 |
| Less: Amounts due within twelve months shown under current liabilities | **(1,159,150)** | (972,134) |
| Amounts shown under non-current liabilities | **455,500** | 523,500 |

* The amounts due are based on scheduled repayment dates set out in the respective loan agreements.

Certain loans from fellow subsidiaries are under corporate guarantee executed by related parties as follows:

| | At 31 December 2014 RMB'000 | 2013 RMB'000 (restated) |
|---|---|---|
| Guaranteed by: | | |
| Ultimate holding company | **50,000** | 346,000 |
| Fellow subsidiaries | **–** | 228,000 |
| | **50,000** | 574,000 |

## 26. INVENTORIES

| | At 31 December 2014 RMB'000 | 2013 RMB'000 (restated) |
|---|---|---|
| Raw materials | **25,661** | 22,848 |
| Consumables | **3,920** | 4,383 |
| | **29,581** | 27,231 |

## 27. PROPERTIES HELD FOR SALE

| | At 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | | (restated) |
| Completed properties held for sale | **533,928** | 1,372,550 |

The Group's properties for sale are located in Mainland China. They are stated at the lower of cost and net realisable value.

Included in the completed properties held for sale is carrying amount of RMB131,186,000 (2013: Nil) of which is expected to be sold after more than twelve months from the end of the reporting period.

At 31 December 2014, properties held for sale purpose with a carrying amount of nil (31 December 2013 (restated): RMB488,897,000) were pledged to secure certain banking facilities granted to the Group (Note 44).

## 28. PROPERTIES UNDER DEVELOPMENT FOR SALE

| | At 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | | (restated) |
| **At cost:** | | |
| At beginning of the year/period | **6,326,162** | 4,454,145 |
| Additions | **2,035,560** | 2,193,297 |
| Injected by non-controlling shareholders (Note 48(a)) | **752,023** | – |
| Transfer from leasehold land and land use rights* | **–** | 406,000 |
| Transfer to properties held for sale upon completion | **(3,920)** | (840,744) |
| Interest capitalised during the year (Note 10) | **197,964** | 113,464 |
| At 31 December | **9,307,789** | 6,326,162 |

* The Group has decided the development plan of a piece of land during 2013 to construct properties for sale. Accordingly, the carrying amount of the land was reclassified from leasehold land and land use rights to properties under development for sale during that year.

The Group's properties under development are on lands under medium-term leases (10 to 50 years) located in Mainland China.

Included in the properties under development for sale as at 31 December 2014 is carrying amount of RMB7,408,422,000 (31 December 2013 (restated): RMB5,845,466,000) of which the development is expected to be completed and available for sale after more than twelve months from the end of the reporting period.

## 29. ACCOUNTS RECEIVABLE

| | At 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | | (restated) |
| Receivables from sale of properties | **–** | 1,042 |
| Rental receivables | **52,108** | 72,068 |
| Property management fee receivables | **16,470** | 12,819 |
| Receivables from hotel operations and related services | **32,763** | 40,113 |
| Less: Allowance for doubtful debts | **(24,532)** | (18,034) |
| | **76,809** | 108,008 |
| Rental adjustments* | **47,792** | 55,752 |
| | **124,601** | 163,760 |

* Rental adjustments relating to the recognition of rental income from operating lease on a straight-line basis over the term of the relevant lease.

In respect of sale of properties, a minimum down payment is required in accordance with the terms of the related sale and purchase agreements and in general consideration in cash is fully received prior to the delivery of the properties to the customers.

In general, rental income, property management fee income and income from hotel operations and related services are received in the month when the relevant services provided, except for certain tenants and customers of which credit period of up to 30 to 60 days are granted.

The Group does not hold any collateral over the above balances.

The following is an aged analysis of accounts receivable, excluding rental adjustments and net of impairment losses, presented based on invoice date, except for aged analysis of rental receivables, which presented based on the date of rental demand notice issued, and for aged analysis of receivables from sale of properties, which presented based on the delivery date of the property, at the end of the reporting period:

| | At 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | | (restated) |
| Less than 3 months | **52,645** | 82,546 |
| 3 months to 1 year | **10,874** | 19,142 |
| 1 to 2 years | **9,862** | 3,944 |
| 2 to 3 years | **2,884** | 2,376 |
| Over 3 years | **544** | – |
| | **76,809** | 108,008 |

## 29. ACCOUNTS RECEIVABLE (continued)

Movements in the allowance for doubtful debts during the current and prior years:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 (restated) |
| At the beginning of the year | **18,034** | 28,371 |
| Impairment loss/(reversal of impairment loss), net | **6,498** | (10,337) |
| At the end of the year | **24,532** | 18,034 |

The following is the aged analysis of the Group's accounts receivable that are past due but not impaired.

| | At 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 (restated) |
| Overdue by: | | |
| Less than 3 months | **36,587** | 39,122 |
| 3 months to 1 year | **10,874** | 17,826 |
| 1 to 2 years | **9,862** | 3,944 |
| 2 to 3 years | **2,884** | 2,376 |
| Over 3 years | **544** | – |
| | **60,751** | 63,268 |

Receivables that were past due but not impaired mainly relate to a number of independent tenants and customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

## 30. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | At 31 December 2014 RMB'000 | At 31 December 2013 RMB'000 (restated) |
|---|---|---|
| **Classified under non-current assets** | | |
| Prepaid construction costs | **36,252** | 25,789 |
| Other deposits | **10,000** | 30,000 |
| | **46,252** | 55,789 |

| | At 31 December 2014 RMB'000 | At 31 December 2013 RMB'000 (restated) |
|---|---|---|
| **Classified under current assets** | | |
| Deferred sales proceeds from disposal of a subsidiary (Note 48) | **171,935** | – |
| Payments on behalf of government in relation to primary land development | **146,239** | 155,111 |
| Receivables in relation to relocation arrangement* | **69,242** | 113,766 |
| Prepayments to suppliers | **45,517** | 54,653 |
| Receivable from a government-related entity | **32,881** | 32,881 |
| Current portion of leasehold land and land use rights (Note 19) | **26,624** | 25,465 |
| Other deposits paid | **36,642** | 21,119 |
| Prepaid LAT and business tax | **24,847** | 17,404 |
| Receivables from tenants for utility expenses paid on behalf | **18,188** | 21,727 |
| Receivables from a former shareholder of a subsidiary | **15,379** | 15,379 |
| Receivables from tenants for decoration expenses paid on behalf | **10,175** | – |
| Other interest receivable | **3,013** | 4,751 |
| Receivables from a former associate | **–** | 152,246 |
| Others receivables | **56,352** | 98,476 |
| | **657,034** | 712,978 |
| Less: Allowance for doubtful debts | **(47,883)** | (54,299) |
| | **609,151** | 658,679 |

* The balances are receivables from residents previously resided in the construction sites of the Group's properties development projects and represent the excess of the market value of properties provided to these former residents for relocation purpose over the agreed amount of relocation compensation provided to them.

## 30. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (continued)

Movements in the allowance for doubtful debts during the current and prior years:

| | Year ended 31 December | |
|---|---|---|
| | 2014<br>RMB'000 | 2013<br>RMB'000<br>(restated) |
| At the beginning of the year | **54,299** | 27,273 |
| (Reversal of impairment loss)/impairment loss, net | **(6,416)** | 27,026 |
| At the end of the year | **47,883** | 54,299 |

## 31. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES, THE ULTIMATE HOLDING COMPANY AND NON-CONTROLLING INTERESTS

The amount due from the ultimate holding company classified under non-current assets is unsecured, interest-free and not expected to be repaid within twelve months from the end of the reporting period.

The amounts due from/to the ultimate holding company, fellow subsidiaries and non-controlling interests classified under current assets and current liabilities, respectively, are unsecured, interest-free and repayable on demand.

Included in amounts due to non-controlling interests as at 31 December 2014 was dividend payable to non-controlling interests of RMB22,206,000 (2013 (restated): Nil). Included in amounts due to the ultimate holding company as at 31 December 2014 was interest payable on perpetual capital instruments of RMB7,483,000 (2013 (restated): Nil).

The following information is disclosed pursuant to Section 161B of the predecessor Hong Kong Companies Ordinance (Cap 32):

| | At 31 December | |
|---|---|---|
| | 2014<br>RMB'000 | 2013<br>RMB'000<br>(restated) |
| ***Amounts due from fellow subsidiaries*:*** | | |
| Name of fellow subsidiaries: | | |
| 中糧置地管理有限公司 (COFCO Land Management Co., Ltd**) ("COFCO Land Management") | **284** | 40 |
| 烟台中糧博瑞房地產發有限公司 (Yantai COFCO Real Estate Development Co., Ltd**) ("Yantai Real Estate") | **34** | – |
| 中糧信託有限責任公司 (COFCO Trust Co., Ltd**) ("COFCO Trust") | **9** | – |
| | **327** | 40 |

## 31. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES, THE ULTIMATE HOLDING COMPANY AND NON-CONTROLLING INTERESTS (continued)

| | At 31 December | |
|---|---|---|
| | 2014<br>RMB'000 | 2013<br>RMB'000<br>(restated) |
| ***Maximum amount outstanding during the year*** | | |
| Name of fellow subsidiaries: | | |
| COFCO Land Management | **284** | 40 |
| Yantai Real Estate | **34** | – |
| COFCO Trust | **9** | – |

* Certain directors of these companies are also directors of the Group.

** The English names are translations of their Chinese names and are included for identification purpose only, and should not be regarded as their official English translation.

Analysis of amounts due from/to fellow subsidiaries, the ultimate holding company and non-controlling interests denominated in currencies other than the functional currency of the entities comprising the Group to which they relate:

| | At 31 December | |
|---|---|---|
| | 2014<br>RMB'000 | 2013<br>RMB'000<br>(restated) |
| *Denominated in Hong Kong dollars:* | | |
| Amounts due to fellow subsidiaries | **4,914,576** | 858,681 |
| Amounts due to non-controlling interests | **–** | 57,472 |
| | **4,914,576** | 916,153 |

## 32. CASH AND BANK BALANCES, PLEDGED DEPOSITS AND RESTRICTED BANK DEPOSITS

| | At 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | | (restated) |
| Cash at banks and on hand | **4,380,525** | 5,764,105 |
| Non-pledged time deposits with an original maturity of: | | |
| Three months or less when acquired | **1,678,052** | 3,203,111 |
| Three months to one year when acquired | **309,500** | – |
| Deposits with a non-banking financial institution* | **–** | 44,667 |
| Cash and bank balances | **6,368,077** | 9,011,883 |
| Pledged deposits: | | |
| For banking facilities granted to the Group | **–** | 6,209 |
| For guarantees provided by the Group in respect of loan facilities utilised by property buyers (Note 41) | **–** | 4,042 |
| Pledged deposits (Note 44) | **–** | 10,251 |
| Restricted bank deposits** | **87,979** | 20,275 |

* Represented deposits placed with COFCO Finance, a fellow subsidiary of the Group.

** The amounts represent deposits received in respect of pre-sale of properties placed to specific bank accounts which are restricted as to use until the completion of the sale of relevant properties. These deposits are expected to be released within twelve months after the end of the reporting period.

Cash at banks earns interest at rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one week and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks.

The bank balances, deposits and deposits with COFCO Finance, carry variable interest rates as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **%** | % |
| | | (restated) |
| Interest rate per annum | **0.001 to 3.25** | 0.001 to 3.3 |

## 32. CASH AND BANK BALANCES, PLEDGED DEPOSITS AND RESTRICTED BANK DEPOSITS (continued)

Analysis of cash and bank balances denominated in currencies other than the functional currency of the entities comprising the Group to which they relate:

| | At 31 December 2014 RMB'000 | At 31 December 2013 RMB'000 (restated) |
|---|---|---|
| Denominated in Hong Kong dollars | **1,649,150** | 386,347 |
| Denominated in United States dollars | **181,756** | 459,850 |
| | **1,830,906** | 846,197 |

## 33. ACCOUNTS PAYABLE

| | At 31 December 2014 RMB'000 | At 31 December 2013 RMB'000 (restated) |
|---|---|---|
| Trade payable | **336,891** | 677,780 |
| Accrued expenditure on construction | **795,328** | 1,111,002 |
| | **1,132,219** | 1,788,782 |

Accounts payable, including trade payable and accrued expenditure on construction, mainly comprise construction costs and other project-related expenses in relation to properties under development for sale which are payable based on project progress measured by the Group. Trade payable are generally with credit period of 60 to 90 days, except for the retention monies of certain construction costs of which the credit period is up to 2 years. The Group has financial risk management policies in place to ensure that all payables within the credit timeframe.

The following is an aged analysis of trade payable at the end of the reporting period based on invoice date.

| | At 31 December 2014 RMB'000 | At 31 December 2013 RMB'000 (restated) |
|---|---|---|
| Within 1 year | **144,993** | 537,650 |
| 1 to 2 years | **158,073** | 118,711 |
| 2 to 3 years | **19,215** | 11,349 |
| Over 3 years | **14,610** | 10,070 |
| | **336,891** | 677,780 |

## 34. OTHER PAYABLES AND ACCRUALS

| | At 31 December 2014 RMB'000 | 2013 RMB'000 (restated) |
|---|---|---|
| Construction costs payable for property, plant and equipment | **660,350** | 706,626 |
| Construction costs payable for investment properties | **1,003,372** | 497,458 |
| Receipts of credit card payments on behalf of tenants | **255,946** | 263,202 |
| Rental deposits received | **232,023** | 256,654 |
| Other deposits received | **228,549** | 149,007 |
| Salaries and payroll payable | **217,422** | 157,620 |
| Rental receipts in advance | **162,557** | 136,304 |
| Receipts in advance from customers | **41,357** | 26,761 |
| Other receipts in advance | **24,014** | 23,248 |
| Other tax payable | **65,354** | 51,347 |
| Consideration payable for acquisition of subsidiaries | **52,895** | 52,895 |
| Interest payables | **51,488** | 24,386 |
| Promotional fees payable | **55,323** | 39,532 |
| Listing fee payable | **10,055** | 18,672 |
| Receipts in advance relating to primary land development | **–** | 220,877 |
| Deferred income | **–** | 112 |
| Other payables and accruals | **195,822** | 209,840 |
| | **3,256,527** | 2,834,541 |

## 35. BANK BORROWINGS

| | At 31 December 2014 RMB'000 | 2013 RMB'000 (restated) |
|---|---|---|
| Bank loans: | | |
| Secured | **10,815,178** | 10,617,700 |
| Unsecured | **3,919,742** | 3,047,110 |
| | **14,734,920** | 13,664,810 |
| Represented: | | |
| Fixed-rate borrowings | **1,240,000** | 7,857,124 |
| Floating-rate borrowings | **13,494,920** | 5,807,686 |
| | **14,734,920** | 13,664,810 |

## 35. BANK BORROWINGS (continued)

Details of securities for the secured bank loans are set out in Note 44. Certain of bank loans are under corporate guarantee executed by a related party as follows:

| | At 31 December 2014 RMB'000 | At 31 December 2013 RMB'000 (restated) |
|---|---|---|
| Guaranteed by a fellow subsidiary | **334,000** | – |

Included in bank borrowings as at 31 December 2014 was a bank loan of RMB640,000,000 (31 December 2013 (restated): RMB640,000,000) secured by the beneficial interest of a hotel property. The loan carried fixed interest rate at 6.55% per annum and repayable on 26 June 2015 pursuant to the contract term.

The maturity profile of the above bank loans is as follows:

| | At 31 December 2014 RMB'000 | At 31 December 2013 RMB'000 (restated) |
|---|---|---|
| Carrying amount of bank loans repayable*: | | |
| Within one year | **5,574,204** | 2,841,799 |
| In the second year | **1,488,927** | 4,924,073 |
| In the third to fifth years, inclusive | **3,475,052** | 1,646,640 |
| Beyond five years | **4,196,737** | 4,252,298 |
| Total bank borrowings | **14,734,920** | 13,664,810 |
| Less: Amounts due within twelve months shown under current liabilities | **(5,574,204)** | (2,841,799) |
| Amounts shown under non-current liabilities | **9,160,716** | 10,823,011 |

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 31 December 2014, bank borrowings amounted to RMB640,957,000 (2013 (restated): RMB1,097,184,000) are denominated in Hong Kong dollars.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

| | Year ended 31 December 2014 % | Year ended 31 December 2013 % (restated) |
|---|---|---|
| Effective interest rate per annum | **1.61 to 7.07** | 1.61 to 7.86 |

## 36. GUARANTEED NOTES

On 18 November 2014, Double Rosy Limited (the "Issuer"), a wholly-owned subsidiary of the Company, issued 3.625% Guaranteed Notes due 2019 (the "Notes") in the aggregate principal amount of US$800 million to independent third parties. The Notes are unconditionally and irrevocably guaranteed by the Company and supported by a Keepwell Deed and a Deed of Undertaking to be executed by COFCO (Hong Kong) Limited, an intermediate holding company of the Company.

The Notes bears interest on their outstanding principal amount from and including 18 November 2014 at the rate 3.625% per annum payable semi-annually in arrears on 18 May and 18 November in each year. Unless previously redeemded or purchased and cancelled, the Notes will be redeemed at their principal amount on 18 November 2019.

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the trustee of the Notes and the noteholders at their principal amount (together with accrued but unpaid interest to the date of redemption) in the event of certain changes affecting taxes of the Bermuda, British Virgin Islands or the PRC or any political subdivision or any authority thereof or therein having power to tax.

At any time following the occurrence of a Change of Control (as defined in the Terms and Conditions of the Notes), the holder of each Note will have the right, at such holders' option, to require the Issuer to redeem all, but not some only, of such holders' Notes on the Change of Control Put Date (as defined in the Terms and Conditions of the Notes) at 101 per cent. of their principal amount, together with accrued but unpaid interest to the Change of Control Put Date.

The Issuer may at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the noteholders, redeem the Notes, in whole but not in part, at the Make Whole Price as of, and accrued and unpaid interest, if any, to (but excluding), the redemption date. "Make Whole Price" means, with respect to a Note at the redemption date, the amount calculated by the Quotation Agent (as defined in the Terms and Conditions of the Notes) to be the greater of (1) the present value of the principal amount of the Notes, assuming a scheduled repayment thereof on the maturity date plus all required remaining scheduled interest payments due on such Note through 18 November 2019 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate (as defined in the Terms and Conditions of the Notes) plus 50 basis points, and (2) the principal amount of such Notes.

The Issuer may, on giving notice to the Trustee and the noteholders by the date falling four calendar months after 18 November 2014 in accordance with the Terms and Conditions of the Notes if the Very Substantial Acquisition (as defined in the Terms and Conditions of the Notes) has not been completed by the date falling three calendar months after 18 November 2014, redeem the Notes, in whole but not in part, at 101 per cent. plus accrued and unpaid interest, if any, to (but excluding), the redemption date specified in such notice.

In the opinion of the directors of the Company, the fair value of all early redemption options is insignificant on initial recognition and at the end of the reporting period.

## 36. GUARANTEED NOTES (continued)

The movements of guaranteed notes issued during the year were as follows:

| | RMB'000 |
|---|---|
| Upon issuance on 18 November 2014 | **4,911,760** |
| Direct transaction costs | **(53,986)** |
| Carrying amount at the issuance date | **4,857,774** |
| Interest charge (Note 10) | **22,082** |
| Exchange differences | **(17,557)** |
| Carrying amount at 31 December 2014 | **4,862,299** |

## 37. SHARE CAPITAL

### Ordinary share capital of the Company

| | Number of shares | Amount HK$'000 | (RMB equivalent) RMB'000 |
|---|---|---|---|
| Authorised: | | | |
| *Ordinary shares of HK$0.10 each* | | | |
| At 1 January 2013 | 8,500,000,000 | 850,000 | 689,223 |
| Increase on 18 December 2013 (Note (a)) | 20,404,699,222 | 2,040,470 | 1,604,279 |
| At 31 December 2013 and 2014 | 28,904,699,222 | 2,890,470 | 2,293,502 |
| Issued and fully paid: | | | |
| *Ordinary shares of HK$0.10 each* | | | |
| At 1 January 2013 | 535,359,258 | 53,536 | 43,410 |
| Issue of Consideration Shares (Note (b)) | 5,988,199,222 | 598,820 | 470,810 |
| Placing of new shares (Note (c)) | 1,955,174,000 | 195,517 | 153,721 |
| At 31 December 2013 and at 1 January 2014 | 8,478,732,480 | 847,873 | 667,941 |
| Issue of shares for acquisition of non-controlling interests (Note (d)) | 1,008,684,092 | 100,868 | 80,100 |
| At 31 December 2014 | 9,487,416,572 | 948,741 | 748,041 |

Notes:

(a) Following the passing of the ordinary resolution at the special general meeting on 18 December 2013, the authorised share capital of the Company has been increased from HK$850,000,000 to HK$3,000,000,000 and the creation of 1,095,300,778 CPS (as defined in Note 38), such that following such increase, the authorised share capital of the Company has become HK$3,000,000,000 divided into 28,904,699,222 shares and 1,095,300,778 CPS.

(b) As disclosed in Note (c) in the consolidated statement of changes in equity, the consideration of the Reverse Takeover Transaction was partly satisfied by the allotment and issue of 5,988,199,222 ordinary shares of the Company and 1,095,300,778 CPS of the Company to Achieve Bloom. The Reverse Takeover Transaction was completed on 19 December 2013. The Consideration Shares were issued on the completion date at the issue price of HK$2.00 per share, resulting in credits to ordinary share capital of the Company of HK$598,820,000 (approximately RMB470,810,000) and share premium of the Company of HK$11,377,578,000 (approximately RMB8,945,394,000).

(c) Pursuant to a placing agreement signed on 29 November 2013, 1,955,174,000 ordinary shares of HK$0.10 each were placed at HK$2.00 per share on 19 December 2013, all shares were issued and allotted to independent third parties, resulting in credits to ordinary share capital of the Company of HK$195,517,000 (approximately RMB153,721,000) and share premium of the Company of HK$3,714,831,000 (approximately RMB2,920,711,000), before share issue expenses of HK$73,870,000 (approximately RMB58,078,000).

(d) Pursuant to the acquisition agreement in respect of the acquisition of equity interests of certain non-wholly-owned subsidiaries of the Group and shareholder's loans of RMB178,399,000 from the then non-controlling shareholders signed on 1 August 2014, the consideration shall be HK$2,017,368,184 (approximately RMB1,601,992,000), which was satisfied by the issue and allotment of 1,008,684,092 shares of HK$0.10 (each were placed at HK$2.00 per share) to non-controlling shareholders. The acquisition was completed on 19 August 2014.

## 38. NON-REDEEMABLE CONVERTIBLE PREFERENCE SHARES

Non-redeemable convertible preference shares ("CPS") with a par value HK$0.10 each were created as a new class of shares in the share capital of the Company on 19 December 2013. Upon the completion date of the Reverse Takeover Transaction on 19 December 2013, the Company issued 1,095,300,778 CPS (which are convertible into 1,095,300,778 new ordinary shares of the Company (the "Shares") at HK$2.00 each to be allotted and issued credited as fully paid by the Company upon the exercise of the conversion rights attaching to the CPS (the "Conversion Shares")) as part of the consideration of the Reverse Takeover Transaction as mentioned in Note (c) to the consolidated statement of changes in equity, resulting in credits to equity of HK$2,190,602,000 (approximately RMB1,722,317,000).

The CPS shall be convertible at the option of its holder, without the payment of any additional consideration therefor, into such number of fully-paid Shares at the conversion ratio of one CPS for one Share. Holders of the CPS will have the right to convert all or such number of CPS into the Conversion Shares at any time after the issuance of the CPS, provided that they may not exercise the conversion rights as to such number of CPS the conversion of which would result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules. The CPS shall be non-redeemable by the Company or their holders.

Each CPS shall confer on its holder the right to receive any dividend pari passu with holders of Shares on the basis of the number of Share(s) into which each CPS may be converted and on an as converted basis. The holders of the CPS shall have priority over the ordinary shareholders of the Company on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company (but not on conversion of CPS or any repurchase by the Company of CPS or Shares).

The holders of the CPS shall be entitled to receive notices of and to attend general meetings of the Company, but the CPS shall not confer on their holders the right to vote at a general meeting of the Company, unless a resolution is to be proposed at a general meeting for the winding-up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the CPS or vary the restrictions to which the CPS are subject.

The CPS (including the Conversion Shares once converted from the CPS) may be transferred by their holders without restriction. Save as expressly provided in the Bye-laws and save and except for the voting rights and distribution entitlements upon liquidation, winding-up or dissolution of the Company, each CPS shall have the same rights as each of the Shares.

The Conversion Shares upon conversion of the CPS will be issued as fully paid and will rank pari passu in all respects with the Shares in issue as at the date of conversion. Listing approval for the Conversion Shares has been granted by the Stock Exchange.

If and whenever the Shares are consolidated or sub-divided into a different nominal amount, then the same consolidation or subdivision shall be effected on the CPS, in which case the conversion ratio shall remain as one CPS for one Share (as consolidated or sub-divided, as the case may be).

No listing will be sought for the CPS on the Stock Exchange or any other stock exchange.

## 39. RESERVES

The reconciliation of each component of the Group's total equity, including share premium and reserves, is set out in the consolidated statement of changes in equity.

## 40. PERPETUAL CAPITAL INSTRUMENTS

In October 2014, a wholly-owned subsidiary of the Company, the ultimate holding company and a bank (the "Bank") has entered into an entrustment loan agreement (the "Perpetual Loan Agreement") pursuant to which the ultimate holding company shall entrust the bank to lend RMB3,768 million (the "Perpetual Loan") to the Group for the purpose of repaying part of the loans from the ultimate holding company. The Perpetual Loan Agreement took effect on 20 October 2014 and the Perpetual Loan had been granted to the Group. The Perpetual Loan bears interest at 6.5% per annum. Interest payments on the Perpetual Loan are paid annually in arrears from 1 January 2014 and can be deferred at the discretion of the Group. Neither the ultimate holding company nor the bank would request for repayment of the principal and accrued interest save and except the Group elects to repay the principal and accrued interest at its sole discretion, or in the event of liquidation.

Under the Perpetual Loan Agreement, no guarantee of any kind is required to be given by any member of the Group to either the ultimate holding company or the Bank for the Perpetual Loan.

## 41. CONTINGENT LIABILITIES

### Guarantees

| | At 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 (restated) |
| Guarantees provided by the Group in respect of loan facilities utilised by property buyers | – | 80,848 |

The Group has pledged certain bank deposits (details set out in Note 32) and provided guarantees to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's properties. These guarantees will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as security of the mortgage loans granted.

In the opinion of the directors of the Company, the fair value of the financial guarantee contracts at initial recognition and subsequently at the end of each reporting period is not significant as the default rate is low.

## 41. CONTINGENT LIABILITIES (continued)

### Non-compliances

(a) The Group has some non-compliances which mainly relating to the failure to commerce construction according to the applicable PRC laws, the failure to complete relevant approval procedures in relation to the construction and refurbishment of a property, and the actual GFA of a property in excess of the permitted GFA under the construction permit. The Group may be subject to a maximum penalty of RMB220 million (31 December 2013 (restated): RMB109.6 million). Based on the reasons and circumstances of these non-compliances and the PRC legal advice, the directors of the Company consider that the risk of the Group being subject to the penalty is remote, and accordingly, no provision has been made in the consolidated financial statements.

(b) In addition to the above non-compliances, the Group has also certain non-compliance incidents which are relating to the failure to comply with certain terms and conditions of the relevant construction works planning permits in respect of two projects, Chaoyang Joy City and Shenyang Joy City. The Group may be subject to a fine of up to 10% of the construction costs, demolishment of the relevant property and confiscation of any illegal revenue.

The construction costs of Chaoyang Joy City amounted to RMB3,276 million, including the cost for the non-compliant structure of RMB42 million. The non-compliant structure has been occupied as office and has not generated any revenue. Chaoyang Joy City generated revenue since the year 2010. The aggregate revenue of the shopping mall of Chaoyang Joy City since it generated revenue up to 31 December 2014 amounted to RMB1,457 million.

The construction costs of Shenyang Joy City amounted to RMB1,814 million, including an estimated cost for the excess area of RMB81 million. Shenyang Joy City generated revenue since the year 2009. The aggregate revenue of Shenyang Joy City since it generated revenue up to 31 December 2014 amounted to RMB939 million.

Based on the reasons and circumstances of these non-compliances and the PRC legal advice, the management of the Group considers that the risk of the Group will be subject to any fine, penalty or demolishment or confiscation order is not probable, and accordingly, no provision has been made in the consolidated financial statements. In addition, COFCO Corporation, the ultimate holding company of the Company, has undertaken to the Company to indemnity the Company against all penalties, losses and expenses that have been or will be suffered or incurred by the Group arising from, or in connection with the above non-compliances.

## 42. OPERATING LEASE ARRANGEMENTS

### The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of office premises and residential premises which fall due as follows:

| | At 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | | (restated) |
| Within one year | **1,394,994** | 1,331,732 |
| In the second to fifth year inclusive | **2,189,096** | 2,101,702 |
| After five years | **970,893** | 332,691 |
| | **4,554,983** | 3,766,125 |

Leases are negotiated for an average term of 1 to 15 years with fixed rentals. Certain lease arrangements contain rental escalation clauses which increase the monthly rental on a yearly basis.

### The Group as lessee

The Group leases various office premises under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | At 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | | (restated) |
| Within one year | **3,190** | 5,734 |
| In the second to fifth year inclusive | **766** | 1,328 |
| | **3,956** | 7,062 |

## 43. CAPITAL COMMITMENTS

The Group had the following commitments as at the end of each reporting period:

| | At 31 December 2014 RMB'000 | 2013 RMB'000 (restated) |
|---|---|---|
| Capital commitments in respect of: | | |
| Purchase of property, plant and equipment | | |
| Contracted, but not provided for | **93,525** | 423,879 |
| Constructing and developing investment properties: | | |
| Contracted, but not provided for | **801,087** | 674,676 |
| | **894,612** | 1,098,555 |

## 44. PLEDGE OF ASSETS

The carrying amount of the non-current and current assets pledged to banks and to secure loan facilities granted to the Group and guarantee provided by the Group in respect of loan facilities utilised by property buyers is as follows:

| | At 31 December 2014 RMB'000 | 2013 RMB'000 (restated) |
|---|---|---|
| Investment properties | **32,346,259** | 26,676,055 |
| Property, plant and equipment | **4,264,888** | 3,534,561 |
| Completed properties held for sale | **–** | 488,897 |
| Leasehold land and land use rights | **706,084** | 441,817 |
| Pledged deposits | **–** | 10,251 |
| | **37,317,231** | 31,151,581 |

## 45. CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each reporting period are as follows:

| | At 31 December 2014 RMB'000 | 2013 RMB'000 (restated) |
|---|---|---|
| *Financial assets:* | | |
| Loans and receivables (including cash and bank balances) | **7,136,835** | 9,982,207 |
| Available-for-sale investments | **1,510** | 1,510 |
| *Financial liabilities:* | | |
| Derivative instrument in designated hedge accounting relationship | **–** | 213 |
| Amortised cost | **30,393,119** | 23,768,612 |
| Rental deposits received | **519,180** | 474,556 |

## 46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investments, amounts due from/to fellow subsidiaries, the ultimate holding company and non-controlling interests, loans from/to fellow subsidiaries and the ultimate holding company, accounts and other receivables, accounts and other payables, bank borrowings, pledged deposits, restricted bank deposits and cash and bank balances, guaranteed notes and derivative financial instruments. Details of these financial instruments are disclosed in respective notes to the consolidated financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

#### Currency risk

The Group collects most of its revenue in RMB and most of the expenditures including expenditures incurred in property sales as well as capital expenditures are also denominated in RMB.

The Group has account balances denominated in foreign currencies, hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2014, the group entities with RMB as functional currency have bank balances denominated in foreign currencies which mainly consist of HK$ and US$ as set out in Note 32, amounts due to fellow subsidiaries and non-controlling interests which mainly consist of HK$ as set out in Note 31, and bank borrowings which mainly consist of HK$ as set out in Note 35 which expose the Group to foreign currency risk.

*Sensitivity analysis*

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US$/HK$ while all other variables are held constant, which represents the directors of the Company's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding US$/HK$ denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive number below indicates an increase in post-tax profit where RMB weakens 5% against US$/HK$ and vice versa.

| | **2014**<br>**RMB'000** | 2013<br>RMB'000<br>(restated) |
|---|---|---|
| Increase/(decrease) in post-tax profit for the year: | | |
| – if RMB weakens against US$ | **(195,413)** | 19,199 |
| – if RMB strengthens against US$ | **195,413** | (19,199) |
| – if RMB weakens against HK$ | **(163,091)** | 67,927 |
| – if RMB strengthens against HK$ | **163,091** | (67,927) |

## 46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Market risk (continued)

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings, loans from fellow subsidiaries and the ultimate holding company and guaranteed notes (see Notes 25, 35 and 36 respectively for details of these borrowings).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and deposits with a non-banking financial institution, and variable-rate bank borrowings. The interest rates and terms of repayment of the interest-bearing bank borrowings of the Group are disclosed in Note 35. It is the Group's policy to negotiate the terms of the interest-bearing bank borrowings in order to balance the interest rate exposure.

The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. No sensitivity analysis has been presented for the exposure to interest rates for bank balances and deposits with a non-banking financial institution as the management of the Group considers that, taking into account that the fluctuation in interest rates on bank balances and deposits with a non-banking financial institution is minimal, the impact of profit or loss for the year is insignificant.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the benchmark interest rate quoted by the People's Bank of China arising from the Group's RMB denominated bank borrowings.

The analysis is prepared assuming the variable-rate bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease during the year is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower during the year and all other variables were held constant, the impact on post-tax profit after taking into account the interest capitalisation effect is set out below.

| | 2014<br>RMB'000 | 2013<br>RMB'000<br>(restated) |
|---|---|---|
| Increase/(decrease) in post-tax profit for the year: | | |
| – interest rates 50 basis points higher | **(52,866)** | (22,245) |
| – interest rates 50 basis points lower | **52,866** | 22,245 |

## 46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk management

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets stated in the consolidated statement of financial position and the financial guarantee contracts.

At as 31 December 2014, the Group's credit risk is primarily attributable to its amounts due from fellow subsidiaries and the ultimate holding company, accounts and other receivables, restricted bank deposits, pledged deposits, and cash and bank balances. In order to minimise the credit risk of accounts receivable, management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For the amounts due from fellow subsidiaries and the ultimate holding company, the management of the Group is in the opinion that the failure of these entities to make required payments is unlikely after considering their past settlement records.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risks of the Group on liquid funds are limited because the counterparties are banks with good reputation. The Group has no significant concentration of credit risk on liquid funds, with exposure spread over a number of banks.

### Liquidity risk management

At 31 December 2014, the Group's net current liabilities amounted to RMB805,258,000, which was mainly attributable to short-term bank borrowings of RMB5,574,204,000 and amounts due to fellow subsidiaries of RMB5,074,208,000, which included the remaining balance of the consideration payable for the Acquisition (see Note 2 above for details of the Acquisition) of HK$6,229.9 million.

As disclosed in Note 53, subsequent to 31 December 2014, the Company proposed rights issue on the basis of one rights share for every two existing shares at a subscription price of HK$1.35 each (the "Rights Issue"). The estimated net proceeds of the Rights Issue of approximately HK$6,364,006,000 (approximately RMB5,050,374,000) are intended to be used for settling the above remaining balance of the consideration of the Acquisition, with any remaining amount to be used as general working capital of the Group.

As at 31 December 2014, the Group had an aggregate unutilised banking facilities of approximately RMB6,172 million.

## 46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk management (continued)

After considering the above factors and the available unutilised banking facilities, the directors of the Company considers that the Group has sufficient financial resources to meet its financial obligations and finance its operations in the foreseeable future.

The following tables detail the contractual maturity of the Group for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest rate tables

| | Weighted average effective interest rate % | Repayable on demand or within 1 year RMB'000 | 1 to 2 years RMB'000 | 2 to 5 years RMB'000 | Over 5 years RMB'000 | Total undiscounted cash flows RMB'000 | Total carrying amount RMB'000 |
|---|---|---|---|---|---|---|---|
| **At 31 December 2014** | | | | | | | |
| Accounts payable | – | 1,123,168 | 5,176 | 3,875 | – | 1,132,219 | 1,132,219 |
| Other payables | – | 2,535,400 | – | – | – | 2,535,400 | 2,535,400 |
| Bank borrowings | 1.61% to 7.07% | 6,243,706 | 1,972,462 | 4,528,997 | 5,043,476 | 17,788,641 | 14,734,920 |
| Amounts due to the ultimate holding company | – | 331,002 | – | – | – | 331,002 | 331,002 |
| Amounts due to fellow subsidiaries | – | 5,074,208 | – | – | – | 5,074,208 | 5,074,208 |
| Amounts due to non-controlling interests | – | 108,421 | – | – | – | 108,421 | 108,421 |
| Loans from fellow subsidiaries | 5.36% to 6.65% | 1,222,233 | 84,120 | 466,881 | – | 1,773,234 | 1,614,650 |
| Guaranteed notes | 3.88% | 177,493 | 177,493 | 5,428,833 | – | 5,783,819 | 4,862,299 |
| | | 16,815,631 | 2,239,251 | 10,428,586 | 5,043,476 | 34,526,944 | 30,393,119 |
| Rental deposits received | | 232,023 | 110,623 | 111,894 | 64,640 | 519,180 | 519,180 |

## 46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk management (continued)

Liquidity and interest rate tables (continued)

| | Weighted average effective interest rate % | Repayable on demand or within 1 year RMB'000 | 1 to 2 years RMB'000 | 2 to 5 years RMB'000 | Over 5 years RMB'000 | Total undiscounted cash flows RMB'000 | Total carrying amount RMB'000 |
|---|---|---|---|---|---|---|---|
| **At 31 December 2013** (restated) | | | | | | | |
| Accounts payable | – | 1,757,411 | 3,365 | 28,006 | – | 1,788,782 | 1,788,782 |
| Other payables | – | 1,909,398 | – | – | – | 1,909,398 | 1,909,398 |
| Bank borrowings | 1.61% to 7.86% | 3,481,891 | 5,384,307 | 2,676,681 | 6,125,460 | 17,668,339 | 13,664,810 |
| Amounts due to the ultimate holding company | – | 288,439 | – | – | – | 288,439 | 288,439 |
| Amounts due to fellow subsidiaries | – | 873,725 | – | – | – | 873,725 | 873,725 |
| Amounts due to non-controlling interests | – | 277,641 | – | – | – | 277,641 | 277,641 |
| Loans from fellow subsidiaries | 5.36% to 6.65% | 1,037,159 | 478,756 | 59,289 | – | 1,575,204 | 1,495,634 |
| Loans from the ultimate holding company | 6% | 3,643,694 | – | – | – | 3,643,694 | 3,470,183 |
| | | 13,269,358 | 5,866,428 | 2,763,976 | 6,125,460 | 28,025,222 | 23,768,612 |
| Rental deposits received | | 256,654 | 99,742 | 68,397 | 49,763 | 474,556 | 474,556 |
| Financial guarantee contracts | | 80,848 | – | – | – | 80,848 | – |
| *Derivative-net settlement* | | | | | | | |
| Derivative financial instrument-Interest rate swap | – | 213 | – | – | – | 213 | 213 |

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

## 46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Fair value

Except for derivative financial instruments, there is no financial instrument measured at fair value on a recurring basis. The fair values of financial assets and financial liabilities measured at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flows analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statements of financial position approximate their respective fair values at the end of each reporting period.

## 47. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Apart from the above, the Group's overall strategy remains unchanged throughout the current and prior years.

The capital structure of the Group consists of net debt (which includes bank borrowings, loans from and/or amounts due to the ultimate holding company, fellow subsidiaries and non-controlling interests, and guaranteed notes) and equity attributable to the Company (comprising issued equity, non-redeemable convertible preference shares, reserves and retained profits as disclosed in consolidated statement of changes in equity).

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and takes appropriate actions to balance its overall capital structure. Neither Company nor any of its subsidiaries is subject to externally imposed capital requirements.

## 48. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### Disposal of a subsidiary

On 25 December 2014, the Group disposed of its 100% equity interests in 上海中糧置業發展有限公司 (Shanghai COFCO Property Development Co., Ltd.*) whose operating business is property investment to Ever Summit Limited, an independent third party to the Group. There was no disposal of subsidiary during the prior year.

* The English name is translation of its Chinese name and is included for identification purpose only, and should not be regarded as its official English translation.

Consideration

| | As at 25 December 2014 RMB'000 |
|---|---|
| Consideration received in cash and cash equivalents | 171,935 |
| Deferred sales proceeds (Note 30) | 171,935 |
| Total consideration | 343,870 |

## 48. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

### Disposal of a subsidiary (continued)

Analysis of assets and liabilities over which control was lost

| | As at 25 December 2014 RMB'000 |
|---|---|
| Non-current assets | |
| Investment properties (Note 17) | 352,000 |
| Property, plant and equipment (Note 18) | 1,672 |
| Current assets | |
| Accounts receivable | 110 |
| Deposits, prepayments and other receivables | 420 |
| Cash and bank balances | 11,124 |
| Current liabilities | |
| Accounts payable | (2,076) |
| Other payables and accruals | (3,814) |
| Amounts due to the ultimate holding company | (54,133) |
| Income tax and land appreciation tax payables | (106) |
| Non-current liabilities | |
| Deferred tax liabilities (Note 24) | (67,442) |
| Net assets disposed of | 237,755 |

Gain on disposal of a subsidiary

| | RMB'000 |
|---|---|
| Consideration received and receivable | 343,870 |
| Net assets disposed of | (237,755) |
| Gain on disposal (included in other gains and losses, net) (Note 9) | 106,115 |

Net cash inflow on disposal of a subsidiary

| | RMB'000 |
|---|---|
| Consideration received in cash and cash equivalents | 171,935 |
| Less: Cash and cash equivalents disposed of | (11,124) |
| Net cash inflow | 160,811 |

## 48. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

### Non-cash transactions

(a) Contribution from non-controlling interests of RMB752,023,000 during the year ended 31 December 2014 was made through the injection of properties under development for sale. Contribution from non-controlling interests of RMB33,236,000 during the year ended 31 December 2013 was directly settled through the amounts due to non-controlling interests.

(b) On 4 December 2014, the Group completed the Acquisition (details of which are as set out in Note 2) and the deferred consideration of approximately RMB4,914.6 million which is repayable within 6 months from the completion date of the Acquisition has been recorded as amounts due to fellow subsidiaries. Included in amounts due to fellow subsidiaries of RMB873,725,000 as at 1 January 2014, of which RMB788,885,000 was eliminated upon the Acquisition during the current year.

(c) On 19 August 2014, the Company completed the acquisition of non-controlling interests in certain subsidiaries of the Group together with shareholders' loans from non-controlling shareholders of RMB178,399,000. The aggregate consideration of the acquisition was RMB1,601,992,000, which was satisfied by the issue and allotment of 1,008,684,000 ordinary shares of the Company of HK$2 each to the non-controlling shareholders.

(d) During the prior year, the Reverse Takeover Transaction involve the issue of the Consideration Shares and non-redeemable convertible preference shares in principal sum of RMB9,416,204,000 and RMB1,722,317,000, respectively, as set out in Note (c) to the consolidated statement of changes in equity, which are non-cash in nature.

(e) Included in an amount due to the immediate holding company of RMB3,470,035,000 as at 1 January 2013, of which RMB2,617,690,000 was eliminated during the prior year as set out in Note (c) to the consolidated statement of changes in equity.

## 49. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements and the group reorganisation as disclosed in the consolidated statement of changes in equity, the Group had the following material transactions with related parties during the year.

## 49. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### Related party transactions

During the year, the Group had the following material transactions with related parties.

| | Year ended 31 December 2014 RMB'000 | 2013 RMB'000 (restated) |
|---|---|---|
| Leasing of properties to: | | |
| Fellow subsidiaries* | **89,601** | 60,663 |
| Intermediate holding company* | **6,870** | 5,350 |
| Ultimate holding company* | **153** | 15,800 |
| Leasing of properties from: | | |
| Ultimate holding company* | **10,745** | 9,968 |
| Provision of project consultation by: | | |
| Fellow subsidiary | **4,162** | 49,679 |
| Provision of hotel management service by: | | |
| Fellow subsidiary* | **6,082** | 6,834 |
| Provision of property management service by: | | |
| Fellow subsidiary* | **1,343** | 2,441 |
| Provision of property management service to: | | |
| Fellow subsidiary | **8,232** | 20,374 |
| Ultimate holding company | **2,192** | 8,768 |
| Provision of insurance service by: | | |
| Fellow subsidiary* | **393** | 605 |
| Sourcing of staple supplies and catering service to: | | |
| Fellow subsidiary | **197** | – |
| Ultimate holding company | **846** | – |
| Sourcing of staple supply and catering service from: | | |
| Fellow subsidiaries* | **3,250** | 3,640 |
| Leasing of parking lot from: | | |
| Fellow subsidiaries | **86** | 88 |
| Interest income from: | | |
| An associate | **–** | 95,968 |
| Fellow subsidiaries | **1,217** | 113,142 |
| Interest expense to: | | |
| Fellow subsidiaries | **94,128** | 96,202 |
| Ultimate holding company | **186,130** | 228,851 |
| Property management fee to: | | |
| Fellow subsidiaries* | **2,000** | 500 |

* These related party transactions also constituted connected transactions or continuing connected transactions according to the Listing Rules.

## 49. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### Related party balances

Certain deposits included in cash and bank balances are placed with COFCO Finance. COFCO Finance, a fellow subsidiary, is a non-banking financial institution regulated by the People's Bank of China (the "PBOC") and the China Banking Regulatory Commission. In the PRC, deposit rates are set by the PBOC which is applicable to all financial institutions. The interest rates offered by COFCO Finance are the same as the rates promulgated by the PBOC. The deposits placed with COFCO Finance by the Group at 31 December 2014 amounted to nil (31 December 2013 (restated): RMB44,667,000), and the loans from COFCO Finance to the Group at 31 December 2014 amounted to RMB968,000,000 (2013 (restated): RMB826,500,000).

Details of the Group's balances with related parties are disclosed in Notes 25 and 31. Except for balances with related parties below which are trade in nature, the remaining balances are non-trade in nature. The following is an aged analysis of balances with related parties which are trade in nature at the end of the reporting period based on invoice date.

| | At 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | | (restated) |
| Amounts due from the ultimate holding company: | | |
| Within 1 year | **965** | 727 |
| Amounts due from fellow subsidiaries: | | |
| Within 1 year | **19,582** | 8,677 |
| 1 to 2 years | **27** | 281 |
| 2 to 3 years | **4** | 157 |
| Over 3 years | **156** | – |
| | **19,769** | 9,115 |
| Amounts due to the ultimate holding company: | | |
| Within 1 year | **2,502** | 5,455 |
| Amounts due to fellow subsidiaries: | | |
| Within 1 year | **11,725** | 10,961 |
| 1 to 2 years | **6,479** | 216 |
| 2 to 3 years | **213** | – |
| Over 3 years | **2,242** | 2,855 |
| | **20,659** | 14,032 |

## 49. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### Compensation of key management personnel of the Group

| | Year ended 31 December | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 (restated) |
| Salaries, allowance and other benefits | **15,374** | 13,522 |
| Retirement benefit scheme contributions | **959** | 323 |
| | **16,333** | 13,845 |

The key management personnel of the Group includes the directors and certain top executives of the Company. The remuneration of certain of these directors and top executives was borne by the ultimate holding company or fellow subsidiaries during the current and prior years. Further details of directors' emoluments are included in Note 15.

### Guarantee provided

Corporate guarantees were executed by the ultimate holding company and certain fellow subsidiaries in relation to certain loans from fellow subsidiaries and bank borrowings; Details of which are disclosed in the Notes 25 and 35 respectively above.

### Transactions with other government-related entities in the PRC

The Group itself is part of a larger group of companies under COFCO Corporation which is controlled by the PRC government. Thus, the directors of the Company consider that the Group is ultimately controlled by the PRC government. In addition, the Group operates in an economic environment currently predenominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC government-related entities"). Apart from the transactions and balances with the ultimate holding company, an intermediate holding company and fellow subsidiaries set out in "Related party transactions" and "Related party balances" above, the Group also conducts businesses with other PRC government-related entities in the ordinary course of business. Certain of the Group's bank deposits and bank borrowings are entered into with certain banks which are PRC government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the directors of the Company are of the opinion that separate disclosures would not be meaningful. In addition, the Group entered into various transactions, including purchases of land use rights, construction of properties and other operating expenses with other PRC government-related entities in the ordinary course of business. The pricing and the selection of suppliers and service providers are not dependent on whether the counterparties are PRC government-related entities or not. In the opinion of the management of the Group, the above transactions are collectively significant transactions of the Group with PRC government-related entities.

## 50. COMPOSITION OF THE GROUP

### Details of non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

| Name of subsidiary | Place of incorporation/ establishment and place of business | Proportion of ownership interests held by non-controlling interests | Profit allocated to non-controlling interests RMB'000 | Accumulated non-controlling interests RMB'000 (Note (a)) |
|---|---|---|---|---|
| **Year ended 31 December 2014** | | | | |
| Yalong Development Company Limited and its subsidiaries ("Yalong Development group") (Note (b)) | **PRC** | **49.2%** | **184,892** | **2,106,881** |
| Joy Sincere (Hong Kong) Limited and its subsidiaries ("Joy Sincere HK") (Note (c)) | **Hong Kong** | **48.0%** | **45,053** | **529,989** |
| Beijing Hongtaijiye Real Estate Co., Ltd. | **PRC** | **10.0%** | **16,783** | **285,713** |
| Individually immaterial subsidiaries with non-controlling interests | | | **(17,980)** | **546,871** |
| Total | | | **228,748** | **3,469,454** |
| **Year ended 31 December 2013** (restated) | | | | |
| Yalong Development (HK) Company Limited and its subsidiaries ("Yalong HK") (Note (b)) | Hong Kong | 32.4% | 394,780 | 2,477,779 |
| Joy Sincere HK (Note (c)) | Hong Kong | 48.0% | (64,142) | 411,663 |
| Jetway Development Limited and its subsidiary (Note (d)) | Samoa/PRC | 22.0% | 91,193 | 924,587 |
| Beijing Hongtaijiye Real Estate Co., Ltd. | PRC | 10.0% | 25,059 | 268,930 |
| Individually immaterial subsidiaries with non-controlling interests | | | (21,393) | (128,857) |
| Total | | | 425,497 | 3,954,102 |
| Yalong Development group (Note (b)) | PRC | 49.2% | 309,438 | 2,060,989 |

Notes:

(a) The amounts represent the consolidated amount of these non-wholly-owned subsidiaries and their respective subsidiaries/associates, as applicable.

(b) Yalong HK holds 50.8% equity interest in Yalong Development group. During the year, the Group acquired the remaining 32.4% equity interests of Yalong HK from the non-controlling shareholders. Subsequent to such acquisition, Yalong HK becomes a wholly-owned subsidiary of the Group.

(c) Joy Sincere HK is 52% held by Mega Health Limited, a wholly-owned subsidiary, and Joy Sincere HK holds 51% equity interest in Sino Melody Limited ("Sino Melody"). Sino Melody holds 66.67% equity interests in Yantai Joy City. The remaining 33.33% equity interests of Yantai Joy City is held by a wholly-owned subsidiary of the Group. The profit or loss allocated to non-controlling interests and the accumulated non-controlling interests of Joy Sincere HK and its subsidiaries was disclosed after consideration of the non-controlling interest in Joy Sincere HK and Sino Melody.

(d) During the year, the Group acquired the remaining 22% equity interest in Jetway Development Limited from the non-controlling shareholders. Subsequent to such acquisition, Jetway Development Limited becomes a wholly-owned subsidiary of the Group.

## 50. COMPOSITION OF THE GROUP (continued)

### Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect of each of the subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Yalong Development group

| | At 31 December | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| Current assets | **2,718,385** | 2,783,761 |
| Non-current assets | **2,413,746** | 2,452,475 |
| Current liabilities | **800,990** | 1,413,425 |
| Non-current liabilities | **632,366** | 216,719 |
| Total equity | **3,698,775** | 3,606,092 |

| | Year ended 31 December | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| Revenue | **1,576,925** | 1,807,974 |
| Other income, and other gains and losses, net | **93,191** | 259,070 |
| Fair value gain/(loss) of investment properties | **22,420** | (600) |
| Share of loss of an associate | **–** | (3,924) |
| Total expenses | **(1,358,553)** | (1,492,839) |
| Profit and total comprehensive income for the year | **333,983** | 569,681 |
| Dividends declared to non-controlling interests | **139,000** | 140,000 |
| Net cash (outflow)/inflow from: | | |
| Operating activities | **(820,932)** | 986,196 |
| Investing activities | **(319,461)** | 97,887 |
| Financing activities | **155,081** | (854,002) |
| Net cash (outflow)/inflow | **(985,312)** | 230,081 |

## 50. COMPOSITION OF THE GROUP (continued)

### Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Joy Sincere HK

| | At 31 December 2014 RMB'000 | At 31 December 2013 RMB'000 (restated) |
|---|---|---|
| Current assets | **334,592** | 51,739 |
| Non-current assets | **2,339,453** | 963,739 |
| Current liabilities | **695,174** | 121,013 |
| Non-current liabilities | **896,429** | 53,634 |
| Total equity | **1,082,442** | 840,831 |

| | Year ended 31 December 2014 RMB'000 | Year ended 31 December 2013 RMB'000 (restated) |
|---|---|---|
| Revenue | **49,205** | – |
| Other income, and other gains and losses, net | **8,261** | 156 |
| Fair value gain/(loss) of investment properties | **209,759** | (115,248) |
| Total expenses | **(175,305)** | (15,826) |
| Profit/(loss) and total comprehensive income/(expense) for the year | **91,920** | (130,918) |
| Dividends declared to non-controlling interests | **–** | – |
| Net cash (outflow)/inflow from: | | |
| Operating activities | **(12,622)** | (66,831) |
| Investing activities | **(606,393)** | (316,438) |
| Financing activities | **891,951** | 306,191 |
| Net cash inflow/(outflow) | **272,936** | (77,078) |

## 50. COMPOSITION OF THE GROUP (continued)

### Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Beijing Hongtaijiye Real Estate Co., Ltd.

| | At 31 December | |
|---|---|---|
| | 2014<br>RMB'000 | 2013<br>RMB'000<br>(restated) |
| Current assets | **192,397** | 209,914 |
| Non-current assets | **5,491,474** | 5,315,312 |
| Current liabilities | **399,332** | 384,777 |
| Non-current liabilities | **2,427,409** | 2,451,151 |
| Total equity | **2,857,130** | 2,689,298 |

| | Year ended 31 December | |
|---|---|---|
| | 2014<br>RMB'000 | 2013<br>RMB'000<br>(restated) |
| Revenue | **489,075** | 427,633 |
| Other income, and other gains and losses, net | **(21,279)** | 2,199 |
| Fair value gain of investment properties | **130,465** | 351,927 |
| Total expenses | **(430,429)** | (531,166) |
| Profit and total comprehensive income for the year | **167,832** | 250,593 |
| Dividends declared to non-controlling interests | **–** | – |
| Net cash inflow/(outflow) from: | | |
| Operating activities | **258,415** | 17,667 |
| Investing activities | **(125,841)** | 62,993 |
| Financing activities | **(153,102)** | (115,815) |
| Net cash outflow | **(20,528)** | (35,155) |

## 50. COMPOSITION OF THE GROUP (continued)

### Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Yalong HK

| | At 31 December 2013 RMB'000 |
|---|---|
| Current assets | 2,951,586 |
| Non-current assets | 2,446,580 |
| Current liabilities | 1,835,260 |
| Non-current liabilities | 216,719 |
| Total equity | 3,346,187 |

| | Year ended 31 December 2013 RMB'000 |
|---|---|
| Revenue | 1,807,974 |
| Other income, and other gains and losses, net | 269,293 |
| Fair value loss of investment properties | (600) |
| Share of loss of an associate | (3,924) |
| Total expenses | (1,500,150) |
| Profit and total comprehensive income for the year | 572,593 |
| Dividends declared to non-controlling interests | 206,000 |
| Net cash inflow/(outflow) from: | |
| Operating activities | 982,297 |
| Investing activities | 101,914 |
| Financing activities | (506,435) |
| Net cash inflow | 577,776 |

## 50. COMPOSITION OF THE GROUP (continued)

### Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Jetway Developments Limited and its subsidiary

| | At 31 December 2013 RMB'000 |
|---|---|
| Current assets | 3,768,900 |
| Non-current assets | 5,205,758 |
| Current liabilities | 3,381,868 |
| Non-current liabilities | 1,390,124 |
| Total equity | 4,202,666 |

| | Year ended 31 December 2013 RMB'000 |
|---|---|
| Revenue | 1,310,576 |
| Other income, and other gains and losses, net | 167,315 |
| Fair value gain of investment properties | 110,592 |
| Total expenses | (1,173,969) |
| Profit and total comprehensive income for the year | 414,514 |
| Dividends declared to non-controlling interests | – |
| Net cash inflow/(outflow) from: | |
| Operating activities | 627,335 |
| Investing activities | 246,691 |
| Financing activities | (544,118) |
| Net cash inflow | 329,908 |

## 51. DETAILS OF SUBSIDIARIES

Particulars of the principal subsidiaries at the end of the reporting period are as follows:

| Company name | Issued and fully paid-up ordinary capital | Proportion of ownership interest and voting rights held by the Company | | | | Principal activities |
|---|---|---|---|---|---|---|
| | | Directly | | Indirectly | | |
| | | 2014 | 2013 | 2014 | 2013 | |
| **Entities incorporated in Hong Kong and operating principally in Hong Kong** | | | | | | |
| Bapton Company Limited | HK$2 | – | – | 100% | 100% | Property investment |
| Hope HK No. 1 Limited | HK$20 (Ordinary) HK$8,500,020 (Non-voting deferred shares) | – | – | 100% | 100% | Property investment |
| **Entities established in the PRC and operating principally in the PRC** | | | | | | |
| 中糧置業投資有限公司 (COFCO Commercial Property Investment Co., Ltd*) (Note 2) | RMB5,000,000,000 | – | – | 100% | 100% | Investment holding |
| 西單大悅城有限公司 (Xidan Joy City Co., Ltd*) (Notes 5) | RMB1,025,000,000 | – | – | 100% | 100% | Property investment and development |
| 北京弘泰基業房地產有限公司 (Beijing Hongtaijiye Real Estate Co., Ltd.*) (Note 5) | RMB1,055,000,000 | – | – | 90% | 90% | Property investment and development |
| 大悅城（天津）有限公司 (Joy City (Tianjin) Co., Ltd.*) (Note 5) | RMB1,370,000,000 | – | – | 100% | 100% | Property investment and development |
| 大悅城（上海）有限責任公司 (Joy City (Shanghai) Co., Ltd*) (Note 5) | RMB520,000,000 | – | – | 100% | 100% | Property management |
| 上海新蘭房地產開發有限公司 (Shanghai Xinlan Real Estate Development Co., Ltd.*) (Note 5) | RMB4,200,000,000 | – | – | 100% | 100% | Property investment and development |
| 瀋陽大悅城房產開發有限公司 (Shenyang Joy City Real Estate Development Co., Ltd.*) (Note 2) | USD67,500,000 | – | – | 100% | 100% | Property investment and development |

## 51. DETAILS OF SUBSIDIARIES (continued)

| Company name | Issued and fully paid-up ordinary capital | Proportion of ownership interest and voting rights held by the Company | | | | Principal activities |
|---|---|---|---|---|---|---|
| | | Directly | | Indirectly | | |
| | | 2014 | 2013 | 2014 | 2013 | |
| **Entities established in the PRC and operating principally in the PRC (continued)** | | | | | | |
| 瀋陽大悅城商業管理有限公司 (Shenyang Joycity Commercial Management Co., Ltd.*) (Note 5) | RMB1,080,000 | – | – | 100% | 100% | Property management |
| 煙台大悅城有限公司 (Yantai Joy City Co., Ltd*) ("Yantai Joy City Co") (Notes 1 and 6) | RMB750,000,000 | – | – | 100% | 100% | Property investment and development |
| 北京昆庭資產管理有限公司 (Beijing Kunting Asset Management Co., Ltd*) (Notes 5 and 7) | RMB214,863,720 | – | – | 22% | 100% | Property management |
| 中糧酒店（北京）有限公司 (COFCO Hotel (Beijing) Co., Ltd.*) (Note 2) | US$32,000,000 | – | – | 100% | 100% | Hotel ownership and operations |
| 中糧酒店（三亞）有限公司 (COFCO Hotel (Sanya) Limited.*) (Note 2) | US$93,000,000 | – | – | 100% | 100% | Hotel ownership and operations |
| 蘇州凱萊大酒店有限公司 (Suzhou Gloria Plaza Hotel Co., Ltd.*) (Note 2) | US$15,130,000 | – | – | 100% | 100% | Hotel ownership and operations |
| 南昌凱萊大飯店有限公司 (Nanchang Gloria Grand Hotel Co., Ltd.*) (Note 2) | US$14,400,000 | – | – | 100% | 100% | Hotel ownership and operations |
| 台灣飯店有限公司 (Taiwan Hotel Co. Ltd.*) (Note 1) | US$7,022,000 | – | – | 51% | 51% | Hotel ownership and operations |
| 三亞亞龍開發股份有限公司 (Yalong Development Company Limited*) (Note 1) | RMB671,000,000 | – | – | 50.8% | 50.8% | Property development |

## 51. DETAILS OF SUBSIDIARIES (continued)

| Company name | Issued and fully paid-up ordinary capital | Proportion of ownership interest and voting rights held by the Company | | | | Principal activities |
|---|---|---|---|---|---|---|
| | | Directly | | Indirectly | | |
| | | 2014 | 2013 | 2014 | 2013 | |
| **Entities established in the PRC and operating principally in the PRC (continued)** | | | | | | |
| 三亞亞龍熱帶海岸公司管理有限公司 (Sanya Yalong Tropical Coast Park Management Co., Ltd.*) (Notes 4 and 5) | RMB3,000,000 | – | – | 100% | 100% | Provision of tourism service |
| 三亞虹霞開發建設有限公司 (Sanya Hongxia Development & Construction Co., Ltd.*) (Notes 3 and 5) | RMB2,539,500,000 | – | – | 80% | 80% | Property development |
| 三亞亞龍物業管理有限公司 (Sanya Yalong Property Management Co., Ltd.*) (Notes 4 and 5) | RMB500,000 | – | – | 100% | 100% | Property management |
| 三亞悅晟開發建設有限公司 (Sanya Yuesheng Development Company Limited) (Notes 4 and 5) | RMB15,000,000 | – | – | 100% | N/A | Property development |
| 北京中糧廣場發展有限公司 (Beijing COFCO Plaza Development Co., Ltd.*) (Note 1) | US$33,300,000 | – | – | 100% | 100% | Property investment |
| 北京凱萊物業管理有限公司 (Beijing Gloria Properties Management Co., Ltd.*) (Note 1) | RMB5,000,000 | – | – | 82.8% | 82.8% | Property management |
| 四川凱萊物業管理有限公司 (Sichuan Gloria Properties Management Co.,Ltd.*) (Note 1) | RMB500,000 | – | – | 94% | 94% | Property management |
| 凱萊物業管理（廣州）有限公司 (Gloria Properties Management (Guangzhou) Co., Ltd.*) (Note 1) | RMB1,200,000 | – | – | 87.5% | 87.5% | Property management |

## 51. DETAILS OF SUBSIDIARIES (continued)

| Company name | Issued and fully paid-up ordinary capital | Proportion of ownership interest and voting rights held by the Company | | | | Principal activities |
|---|---|---|---|---|---|---|
| | | Directly | | Indirectly | | |
| | | 2014 | 2013 | 2014 | 2013 | |
| **Entities established in the PRC and operating principally in the PRC (continued)** | | | | | | |
| 瀋陽凱萊物業管理有限公司 (Shenyang Gloria Properties Management Co., Ltd.*) (Note 1) | US$70,400 | – | – | 100% | 100% | Property management |
| 上海鵬利置業發展有限公司 (Shanghai Top Glory Real Estate Development Co., Ltd.*) (Note 2) | US$70,000,000 | – | – | 100% | 78% | Property investment and development |
| 中糧鵬利（成都）實業發展有限公司 (COFCO Top Glory (Chengdu) Real Estate Development Co., Ltd.*) (Note 2) | US$18,000,000 | – | – | 100% | 100% | Property development |
| 卓遠地產（成都）有限公司 (Zhuoyuan Property (Chengdu) Co., Ltd.*) (Note 2) | US$20,000,000 | – | – | 100% | 100% | Property development |

* The English names are translations of their Chinese names and are included for identification purpose only, and should not be regarded as their official English translation.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Company during the year ended 31 December 2014. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes:

1. These companies are sino-foreign equity joint ventures.
2. These companies are wholly-foreign owned enterprises.
3. Subsidiary held by a non-wholly-owned subsidiary of the Company.
4. Subsidiaries wholly-owned by non-wholly-owned subsidiaries of the Company.
5. These companies are PRC limited liability companies.
6. Subsidiary held by a wholly-owned subsidiary and a non-wholly-owned subsidiary of the Company.
7. Beijing Kunting Asset Management Co., Ltd is 22.22% held by Xidan Joy City Co., Ltd and 70% held by 中國土產畜產進出口總公司 ("China National Native Produce & Animal By-products Import & Export Corporation") ("China Native Produce and Animal By-products"), a subsidiary of COFCO Corporation. China Native Produce and Animal By-products has agreed to act in concert in any decisions made by Xidan Joy City Co in the shareholders' and directors' meetings and, accordingly, Beijing Kunting Asset Management is accounted for as a subsidiary by virtue of the Group's control over the Beijing Kunting Asset Management Co., Ltd.

## 52. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

| | At 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Unlisted investments in subsidiaries | **23,317,429** | 11,313,272 |
| Amounts due from subsidiaries | **1,208,225** | 43,852 |
| Accounts receivables | **2,000** | – |
| Other current assets | **2,144,459** | 3,043,003 |
| TOTAL ASSETS | **26,672,113** | 14,400,127 |
| Amounts due to subsidiaries | **5,324,813** | 346,384 |
| Amounts due to fellow subsidiaries | **4,914,575** | – |
| Other current liabilities | **14,772** | 18,672 |
| TOTAL LIABILITIES | **10,254,160** | 365,056 |
| NET ASSETS | **16,417,953** | 14,035,071 |
| CAPITAL AND RESERVES | | |
| Share capital (Note 37) | **748,041** | 667,941 |
| Reserves (Note) | **15,669,912** | 13,367,130 |
| TOTAL EQUITY | **16,417,953** | 14,035,071 |

Note:

**Reserves of the Company**

| | Share premium RMB'000 | Non-redeemable convertible preference shares RMB'000 (Note 38) | Foreign currency translation reserve RMB'000 | Capital re-demption reserve RMB'000 | Contributed surplus RMB'000 | Retained profits/ (Accumulated deficits) RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2013 | – | – | – | 1,931 | 227,703 | (364,648) | (135,014) |
| Loss for the year | – | – | – | – | – | (31,466) | (31,466) |
| Exchange difference on translation | – | – | 3,266 | – | – | – | 3,266 |
| Profit/(loss) and total comprehensive income/ (expense) for the year | – | – | 3,366 | – | – | (31,466) | 28,200 |
| Issue of Consideration Shares (Note 37) | 8,945,394 | – | – | – | – | – | 8,945,394 |
| Placing of new shares (Note 37) | 2,920,711 | – | – | – | – | – | 2,920,711 |
| Share issue expense (Note 37) | (58,078) | – | – | – | – | – | (58,078) |
| Issue of non-redeemable convertible preference shares (Note 38) | – | 1,722,317 | – | – | – | – | 1,722,317 |
| At 31 December 2013 | 11,808,027 | 1,722,317 | 3,266 | 1,931 | 227,703 | (396,114) | 13,367,130 |
| Profit and total comprehensive income for the year | – | – | – | – | – | 780,890 | 780,890 |
| Issue of new shares (Note 37) | 1,521,892 | – | – | – | – | – | 1,521,892 |
| At 31 December 2014 | 13,329,919 | 1,722,317 | 3,266 | 1,931 | 227,703 | 384,776 | 15,669,912 |

The consolidated profit attributable to owners of the Company for the year ended 31 December 2014 includes a profit of RMB885,123,000 (2013: loss of RMB31,466,000) which has been dealt with in the financial statements of the Company.

## 53. EVENTS AFTER THE END OF THE REPORTING PERIOD

### Proposed rights issue

Subsequent to 31 December 2014, the Company proposed rights issue on the basis of one rights share for every two existing shares at a subscription price of HK$1.35 each share on a non-underwritten basis (the "Rights Issue").

The Company proposes to raise up to HK$6,404 million (approximately RMB5,152 million), before expenses, by issuing up to 4,743.7 million rights shares to the qualifying shareholders. The estimated net proceeds of the Rights Issue of HK$6,364 million (approximately RMB5,050 million) are intended to be used for settling the remaining balance of the consideration of the Acquisition (details of which are set out in Note 2) in an amount of HK$6,229.9 million, with any remaining amount to be used as general working capital of the Group.

The major shareholders of the Company have irrevocably and unconditionally undertaken to the Company to accept and take up a maximum of up to 3,597,416,284 rights shares (representing approximately 75.84% of the total rights shares initially offered by the Company) under the Rights Issue, subject to the Company meeting the minimum public float requirement under the Listing Rules immediately upon completion of the Rights Issue.

In the event that there is an under-subscription of the Rights Issue and not all of the rights shares proposed to be issued by the Company under Rights Issue are allotted to the shareholders, the net proceeds of the Rights Issue may not be sufficient to satisfy the remaining balance of the consideration of the Acquisition. Under such circumstances, the Company will consider meeting such shortfall by issuing additional CPS of not more than 4,485,812,677 new CPS (which are convertible into not more than 4,485,812,677 Conversion Shares) to Achieve Bloom at an issue price the same as the subscription price pursuant to the Rights Issue. Based on the issue price of the new CPS of HK$1.35, the maximum proceeds from the issue of new CPS will be approximately HK$6,055,847,113 (approximately RMB4,777,276,000) and the Company intends to apply all funds raised from the issue of new CPS to settle any shortfall arising in the event that the net proceeds of the Rights Issue is insufficient to satisfy the remaining balance of the consideration of the Acquisition. The Company and Achieve Bloom entered into a subscription letter in relation to the proposed issuance of the new CPS on 27 February 2015, pursuant to which Achieve Bloom agreed to subscribe for the new CPS proposed to be issued and allotted by the Company to it at an issue price of HK$1.35 per new CPS, subject to the certain conditions.

Further details of the above Rights Issue are set out in the Company's announcement dated 27 February 2015 and the Company's prospectus dated 30 March 2015.

## 53. EVENTS AFTER THE END OF THE REPORTING PERIOD (continued)

### Proposed acquisition of a property investment company

On 3 February 2015, the Group, 上海萬良企業管理諮詢有限公司 (Shanghai Wanliang Enterprise Management Consultancy Company Limited*) (the "Vendor"), a company incorporated in the PRC with limited liability, and 浙江和潤天成置業有限公司 (Zhejiang Herun Tiancheng Real Estate Company Limited*) (the "Acquiree"), a company incorporated in the PRC with limited liability, entered into an acquisition agreement (the "Acquisition Agreement") pursuant to which the Vendor has conditionally agreed to sell and the Group has conditionally agreed to acquire the entire equity interest in the Acquiree at a consideration of RMB43.8 million in accordance with the terms and conditions of the Acquisition Agreement.

Following the completion of the acquisition, the Acquiree will become an indirect wholly-owned subsidiary of the Company.

The Group has also, pursuant to the Acquisition Agreement, committed to increase the registered capital of the Acquiree by RMB2,450 million after the completion of the acquisition. The increased portion of the registered capital of the Acquiree shall be paid up by the Group within one year after the Acquiree obtaining the business licence in respect of the increase in registered capital.

The principal asset of the Acquiree is two pieces of lands located in Gongshu District, Hangzhou City, the PRC (the "Lands"). It is planned that the Lands will be developed into commercial and residential properties. Both the Vendor and the Acquiree is an indirect wholly-owned subsidiary of COFCO Corporation, the ultimate holding company of the Company.

The transaction contemplated under the Acquisition Agreement was approved at the special general meeting held on 24 March 2015. Further details of the above acquisition are set out in the Company's announcement dated 3 February 2015 and the Company's circular dated 6 March 2015.

* The English names are translations of their Chinese names and are included for identification purpose only, and should not be regarded as their official English translation.

# Definitions

In this annual report, the following expressions have the following meanings unless the context requires otherwise:

| | |
|---|---|
| "Achieve Bloom" | Achieve Bloom Limited (得茂有限公司), a company incorporated in the BVI with limited liability on 10 June 2011, a wholly-owned subsidiary of COFCO (HK) and a controlling shareholder of the Company |
| "Acquisition" | has the meaning ascribed to it in the announcement of the Company dated 24 September 2013 |
| "Annual Caps" | the maximum aggregate annual transaction amounts set for the Non-Exempt Continuing Connected Transactions |
| "AGM" | the annual general meeting of the Company to be held on Tuesday, 2 June 2015 or any adjournment thereof |
| "Audit Committee" | the audit committee under the Board |
| "Bapton" | Bapton Company Limited, a company incorporated in Hong Kong with limited liability on 22 August 1986 and wholly-owned by Elab, Corp. |
| "Beijing COFCO Plaza Co." | Beijing COFCO Plaza Development Co. Ltd. (北京中糧廣場發展有限公司), a company incorporated in the PRC with limited liability on 14 September 1987 and a wholly-owned subsidiary of the Company |
| "Beijing Gloria Management" | Beijing Gloria Properties Management Co., Ltd. (北京凱萊物業管理有限公司), a company incorporated in the PRC with limited liability on 24 February 2000 and owned as to 82.8% by Gloria Properties Management Limited (凱萊物業管理有限公司), a wholly-owned subsidiary of the Company, and 17.2% by Beijing Kai Da Jing Sheng Trading & Management Co. Ltd* (北京凱達景晟經貿發展有限公司), an independent third party |
| "Board" | the board of Directors |
| "BVI" | British Virgin Islands |
| "Bye-laws" | the bye-laws of the Company, as may be amended from time to time |
| "Call Options" | the call options granted by COFCO Corporation to the Company for the acquisition of the Joy City Projects or interests in the respective companies holding such Joy City Projects |

# Definitions

| | |
|---|---|
| "Candidate(s)" | has the meaning ascribed to it in the section headed "Shareholders' Rights" of the Corporate Governance Report |
| "CG Code" | the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules |
| "Chengdu Yuecheng" | Chengdu Yuecheng Real Estate Co., Ltd. (成都悅城實業有限公司), a company incorporated in the PRC with limited liability on 13 October 2009 and owned as to 30% by COFCO Chengdu and 70% by COFCO Property Chengdu Co., Ltd.* (中糧地產成都有限公司), a subsidiary of COFCO Property |
| "China"or"PRC" | the People's Republic of China, which shall, for the purposes of this annual report, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| "COFCO Chengdu" | COFCO Top Glory (Chengdu) Real Estate Development Co., Ltd* (中糧鵬利(成都)實業發展有限公司), a company incorporated in the PRC with limited liability on 12 September 2005 and wholly-owned by Winson Overseas Limited |
| "COFCO (HK)" | COFCO (Hong Kong) Limited (中糧集團(香港)有限公司) (formerly known as Top Glory Company Limited (鵬利有限公司), Top Glory Holding Company Limited (鵬利控股有限公司), Top Glory Holding Company Limited (鵬利集團有限公司) and COFCO (Hong Kong) Limited (中國糧油食品集團(香港)有限公司)), a company incorporated in Hong Kong with limited liability on 14 August 1981 and wholly-owned by COFCO Corporation, an indirect controlling shareholder of the Company |
| "COFCO Corporation" | COFCO Corporation (中糧集團有限公司), a state-owned enterprise incorporated in the PRC in September 1952 under the purview of SASAC |
| "COFCO Group" | COFCO Corporation and its subsidiaries, excluding the Group |
| "COFCO Land" | COFCO Land Limited (中糧置地有限公司), a company incorporated in Hong Kong with limited liability on 23 June 2011 and wholly-owned by Achieve Bloom |
| "COFCO Property" | COFCO Property (Group) Co., Ltd. (中糧地產(集團)股份有限公司), a company incorporated in the PRC with limited liability on 8 October 1993, which is listed on the Shenzhen Stock Exchange (stock code: 000031) and owned as to approximately 50.65% by COFCO Corporation |

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| "COFCO Shanghai" | Shanghai COFCO Property Development Co., Ltd.* (上海中糧置業發展有限公司) (formerly known as Shanghai Liang Jie Property Co., Ltd.* (上海良界房地產有限責任公司)), a company incorporated in the PRC with limited liability on 1 December 1994 and a wholly-owned subsidiary of the Company upon completion of Joy City Acquisition and, as at 25 December 2015, an independent third party |
| "Company" | Joy City Property Limited (formerly known as COFCO Land Holdings Limited), a company incorporated under the laws of Bermuda with limited liability on 23 September 1992, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 00207) |
| "Consideration" | HK$12,459,785,372, being the consideration of the Joy City Acquisition |
| "controlling shareholder(s)" | has the meaning given to it under the Listing Rules and in the context of the Company, means Achieve Bloom, COFCO (HK) and COFCO Corporation |
| "Conversion Shares" | the new Shares to be allotted and issued by the Company upon the exercise of the conversion rights attaching to the CPS |
| "CPS" | the non-redeemable convertible preference shares of HK$0.10 each in the share capital of the Company |
| "Director(s)" | director(s) of the Company |
| "Entrustment Extension Loan" | the outstanding balance of the Entrustment Loan in an amount of RMB563.3 million arranged by Shanghai Top Glory for the benefit of Taiwan Hotel Ltd subject to the terms and conditions of the Entrustment Loan Extension Agreement |
| "Entrustment Loan" | the entrustment loan in an amount of RMB663.3 million arranged by Shanghai Top Glory for the benefit of Taiwan Hotel Ltd subject to the terms and conditions of the Entrustment Loan Agreement |
| "Entrustment Loan Extension Agreement" | the entrustment loan extension agreement dated 31 October 2014 entered into by Shanghai Top Glory, Taiwan Hotel Ltd and China Construction Bank Beijing Branch in connection with the Entrustment Extension Loan |
| "Entrustment Loan Agreement" | the entrustment loan agreement dated 1 November 2013 entered into between Shanghai Top Glory, Taiwan Hotel Ltd and China Construction Bank Beijing Branch in connection with the Entrustment Loan |

# Definitions

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| "Existing Leases" | five existing lease agreements entered into between the Group and the COFCO Group under which the rent and management fees payable were significantly below the prevailing market rent |
| "Executive Committee" | Executive Committee of the Board |
| "GFA" | gross floor area |
| "Group" | the Company and its subsidiaries |
| "Group Entrustment Contracts" | the three entrusted operation and management contracts all dated 26 September 2012 entered into between relevant members of the Group and COFCO Property |
| "Grow Wealth" | Grow Wealth Limited, a company incorporated in the BVI with limited liability |
| "Guaranteed Notes" | the US$800 million 3.625% guaranteed notes due 2019 issued by Double Rosy Limited and guaranteed by the Company |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Independent Board Committee" | an independent committee of the Board, comprising all the independent non-executive directors (being Mr. LAU Hon Chuen, Ambrose, *GBS, JP*, Mr. LAM Kin Ming, Lawrence and Mr. WU Kwok Cheung, *MH*) |
| "independent third party" | a party who is not a connected person (within the meaning of the Listing Rules) of the Group |
| "Jetway" | Jetway Developments Limited (亨達發展有限公司), a company incorporated in Samoa with limited liability, which was owned as to 78% by the Company and 22% by Grow Wealth immediately before completion of the Jetway Acquisition Agreement and is wholly-owned by the Company immediately after completion of the Jetway Acquisition Agreement |
| "Jetway Acquisition" | the acquisition of 22 ordinary shares of US$1.00 each in Jetway, representing 22% of the issued share capital of Jetway immediately before completion of the Jetway Acquisition Agreement, and the shareholder's loan in an amount of HK$69,904,943 (equivalent to US$9,020,000) outstanding and owing by Jetway to Grow Wealth immediately before completion of the Jetway Acquisition Agreement as contemplated under the Jetway Acquisition Agreement |

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| "Jetway Acquisition Agreement" | an acquisition agreement dated 1 August 2014 entered into between the Company and Grow Wealth in relation to the Jetway Acquisition |
| "Joy City Acquisition" | has the same meaning as those defined as "Acquisition" in the circular of the Company dated 5 November 2014 |
| "Joy City Acquisition Agreement" | has the same meaning as those defined as "Acquisition Agreement" in the circular of the Company dated 5 November 2014 |
| "Joy City Project(s)" | the mixed-use complex projects which are or to be developed under the brand of "Joy City (大悅城)", including Xidan Joy City, Shenyang Joy City, Chaoyang Joy City, Shanghai Joy City, Tianjin Joy City and Yantai Joy City, the subject of the Joy City Acquisition |
| "Listing Committee" | the Listing Committee of the Stock Exchange |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| "Magic Grain" | Magic Grain Limited (妙稻有限公司), a company incorporated in the BVI with limited liability, a member of the COFCO Group |
| "Master Agreements" | collectively the Master Lease Agreement, the Master Property Management Agreement and the Master Sourcing Agreement, and "Master Agreement" shall refer to any one of them |
| "Master Insurance Agreement" | the master insurance agreement entered into between the Company and COFCO Corporation on 29 November 2013 for the provision of insurance services by the COFCO Group to the Group |
| "Master Lease Agreement" | the master lease agreement entered into between the Company and COFCO Corporation on 29 November 2013 (extended and supplemented by a supplemental agreement thereto) for the leasing of properties by the Group to the COFCO Group |
| "Master Property Management Agreement" | the master property management agreement entered into between the Company and COFCO Corporation on 29 November 2013 (extended and supplemented by a supplemental agreement thereto) for the provision of project consultation, property management and hotel management services |
| "Master Sourcing Agreement" | the master sourcing agreement entered into between the Company and COFCO Corporation on 29 November 2013 (extended and supplemented by a supplemental agreement thereto) for the sourcing of staple supplies and catering services by the Group from the COFCO Group |

# Definitions

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| "Mega Health" | Mega Health Limited (兆康有限公司), a company incorporated in the BVI with limited liability, a member of the Group |
| "Memorandum" | the memorandum of association of the Company |
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules |
| "Nanchang Gloria Hotel (PRC)" | Nanchang Gloria Grand Hotel Co., Ltd. (南昌凱萊大飯店有限公司) (formerly known as Nanchang Ruifeng Industrial Co., Ltd.* (南昌瑞豐實業有限公司)), a company incorporated in the PRC with limited liability on 17 July 1992 and wholly-owned by Gloria Plaza Hotel (Nanchang) Limited |
| "Nomination Committee" | the nomination committee under the Board |
| "Non-Competition Undertaking" | the deed of non-competition dated 29 November 2013 executed by COFCO Corporation in favour of the Company in relation to the Acquisition |
| "Non-Exempt Continuing Connected Transaction(s)" | the transactions to be carried out pursuant to the Connected Transaction Agreements, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules |
| "Notice Period" | has the meaning ascribed to it in the section headed "Shareholders' Rights" of the Corporate Governance Report |
| "Notices for Director's Election" | has the meaning ascribed to it in the section headed "Shareholders' Rights" of the Corporate Governance Report |
| "PBOC" | The People's Bank of China (中國人民銀行), the central bank of the PRC |
| "PRC government" or "Chinese government" | the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) |
| "Remuneration Committee" | the remuneration committee under the Board |
| "Restricted Business" | (a) the development, operation, sale, leasing or management of any property project which is wholly designated for commercial purpose such as offices, retail, shopping malls, hotels, resorts or serviced apartments; and/or (b) the development, operation, sale, leasing or management of any mixed-use complex project |

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| "Retained Joy City Projects" | Tianjin Joy City, Shanghai Joy City, Beijing Chaoyang Joy City, Beijing Xidan Joy City, Yantai Joy City and Shenyang Joy City, which are developed under the brand of "Joy City (大悅城)" and were retained by COFCO Corporation on 19 December 2013 |
| "Retained Joy City Projects Entrustment Contracts" | the five entrusted operation and management contracts entered into between relevant members of the COFCO Group and the Company on 29 November 2013 for the entrustment of the Retained Joy City Projects (except for Shenyang Joy City) to the Group |
| "Rights Issue" | has the meaning ascribed to it in the prospectus of the Company dated 30 March 2015 |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Sanya Hongxia" | Sanya Hongxia Development & Construction Co., Ltd.* (三亞虹霞開發建設有限公司), a company incorporated in the PRC with limited liability on 14 November 2007 and owned as to 80% by Yalong Development (Sanya) and 20% by COFCO Hainan Investment Development Co., Ltd.* (中糧海南投資發展有限公司), a wholly-owned subsidiary of COFCO Corporation |
| "SASAC" | the 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) |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "SGM" | has the meaning ascribed to it in the section headed "Shareholders' Rights" of the Corporate Governance Report |
| "SGM Requisitionists" | has the meaning ascribed to it in the section headed "Shareholders' Rights" of the Corporate Governance Report |
| "Shanghai Top Glory" | Shanghai Top Glory Real Estate Development Co., Ltd. (上海鵬利置業發展有限公司), a company incorporated in the PRC with limited liability on 5 May 1998 and wholly-owned by Jetway |
| "Shanghai Wanliang" | 上海萬良企業管理諮詢有限公司 (in English, for identification purpose only, Shanghai Wanliang Enterprise Management Consultancy Company Limited), a company incorporated in the PRC with limited liability |
| "Shareholders" | the holders of the Shares and the CPS |
| "Shares" | ordinary shares of HK$0.10 each in the share capital of the Company |

# Definitions

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| "Shenyang Development" | Shenyang Joy City Real Estate Development Co., Ltd.* (瀋陽大悅城房產開發有限公司) (formerly known as Shenyang Top Glory Plaza Real Estate Development Limited* (瀋陽鵬利廣場房產開發有限公司)), a company incorporated in the PRC with limited liability on 15 October 1992, a member of the Group |
| "Sichuan Gloria Management" | Sichuan Gloria Properties Management Co. Ltd.* (四川凱萊物業管理有限公司), a company incorporated in the PRC with limited liability on 8 February 2002 and owned as to 94% by Gloria Management and 6% by Chengdu Gloria Property Development Co., Ltd.* (成都凱萊物業發展有限公司), a subsidiary of COFCO Corporation |
| "Speedy Cosmo" | Speedy Cosmo Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company |
| "sq meters" or "sqm" | square meters |
| "State Council" | the State Council of the PRC (中華人民共和國國務院) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Suzhou Gloria Hotel (PRC)" | Suzhou Gloria Plaza Hotel Co., Ltd.* (蘇州凱萊大酒店有限公司), a company incorporated in the PRC with limited liability on 27 March 1997 and wholly-owned by Gloria Plaza Hotel (Suzhou) Limited |
| "Taiwan Hotel Ltd" | Taiwan Hotel Co., Ltd.* (台灣飯店有限公司), a company incorporated in the PRC with limited liability on 2 January 1986 and owned as to 51% by COFCO (BVI) No. 97 Limited and 49% by COFCO Corporation |
| "Takeovers Codes" | the Codes on Takeovers and Mergers and Share Buy-backs |
| "US$" | United States Dollars, being the lawful currency of the United States of America |
| "Woo + Woo" | Woo +Woo Investments Limited, a company incorporated in the BVI with limited liability, a shareholder of Yalong (HK) holding 32.43% of its total issued share capital immediate before completion of Yalong Agreement |
| "Yalong Acquisition" | the acquisition of 1,005,309 ordinary shares in Yalong (HK), representing approximately 32.43% of the issued share capital of Yalong (HK), and the shareholder's loan in the amount of HK$174,014,191 outstanding and owing by Yalong (HK) to Woo + Woo immediately before completion of the Yalong Acquisition Agreement as contemplated under the Yalong Acquisition Agreement |

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| "Yalong Acquisition Agreement" | an acquisition agreement dated 1 August 2014 entered into between the Company and Woo + Woo in relation to the Yalong Acquisition |
| "Yalong (HK)" | Yalong Development (HK) Company Limited (亞龍灣開發股份（香港）有限公司), a company incorporated in Hong Kong with limited liability, which was owned as to 67.57% by Wise Ever Limited (a wholly-owned subsidiary of the Company) and 32.43% by Woo + Woo immediately before completion of the Yalong Acquisition Agreement and is wholly-owned by the Company immediately after completion of the Yalong Acquisition Agreement |
| "Yalong Development (Sanya)" | Yalong Development Company Limited (三亞亞龍灣開發股份有限公司) (formerly known as Sanya Yalong Bay Development Co., Ltd.* (三亞牙龍灣開發股份有限公司)), a company incorporated in the PRC with limited liability on 28 May 1992 and owned as to 50.82% by Yalong (HK), 4.90% by Zhong Gu Group Sanya Trading Co., Ltd.* (中谷集團三亞貿易有限公司), a subsidiary of COFCO Corporation, 1.27% by Mingcheng Investment & Consultation Co., Ltd.* (明誠投資諮詢有限公司), a subsidiary of COFCO Corporation, and 43.01% by certain other corporate and individual shareholders who are independent third parties |
| "Zhejiang Herun" | 浙江和潤天成置業有限公司 (in English, for identification purpose only, Zhejiang Herun Tiancheng Real Estate Company Limited), a company incorporated in the PRC with limited liability |
| "Zhejiang Herun Acquisition" | the acquisition of the entire equity interest in Zhejiang Herun in accordance with the terms and conditions of the Zhejiang Herun Acquisition Agreement |
| "Zhejiang Herun Acquisition Agreement" | the sale and purchase and capital injection agreement dated 3 February 2015 and entered into between Speedy Cosmo, Shanghai Wanliang and Zhejiang Herun |
| "Zhuoyuan Property" | Zhuoyuan Property (Chengdu) Co., Ltd.* (卓遠地產(成都)有限公司), a company incorporated in the PRC with limited liability on 19 December 2006 and wholly-owned by Upper International Limited |
| "%" | per cent |

# Corporate Information

## DIRECTORS

### Executive Directors

Mr. ZHOU Zheng *(Chairman)*
Mr. HAN Shi

### Non-executive Directors

Mr. SHI Zhuowei
Mr. MA Jianping
Mr. MA Wangjun
Ms. JIANG Hua

### Independent Non-executive Directors

Mr. LAU Hon Chuen, Ambrose, *GBS, JP*
Mr. LAM Kin Ming, Lawrence
Mr. WU Kwok Cheung, *MH*

## AUDIT COMMITTEE

Mr. LAU Hon Chuen, Ambrose, *GBS, JP* *(Committee Chairman)*
Mr. MA Wangjun
Mr. LAM Kin Ming, Lawrence
Mr. WU Kwok Cheung, *MH*

## REMUNERATION COMMITTEE

Mr. LAU Hon Chuen, Ambrose, *GBS, JP* *(Committee Chairman)*
Mr. MA Jianping
Mr. LAM Kin Ming, Lawrence
Mr. WU Kwok Cheung, *MH*

## NOMINATION COMMITTEE

Mr. ZHOU Zheng *(Committee Chairman)*
Mr. LAU Hon Chuen, Ambrose, *GBS, JP*
Mr. LAM Kin Ming, Lawrence
Mr. WU Kwok Cheung, *MH*

## EXECUTIVE COMMITTEE

Mr. ZHOU Zheng *(Committee Chairman)*
Mr. HAN Shi

## COMPANY SECRETARY

Ms. NG Chi Man

## AUDITOR

Deloitte Touche Tohmatsu

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

## REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

## PRINCIPAL OFFICE IN HONG KONG

33/F., Top Glory Tower
262 Gloucester Road
Causeway Bay, Hong Kong

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Progressive Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

## COMPANY WEBSITE

www.joy-cityproperty.com

## STOCK CODE

207

中粮 COFCO
自然之源 重塑你我

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