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COFCO
自然之源 重塑你我

STRENGTHENING OPERATION,
IMPROVING SERVICE AND
ENCOURAGING INNOVATION

2016
Annual Report

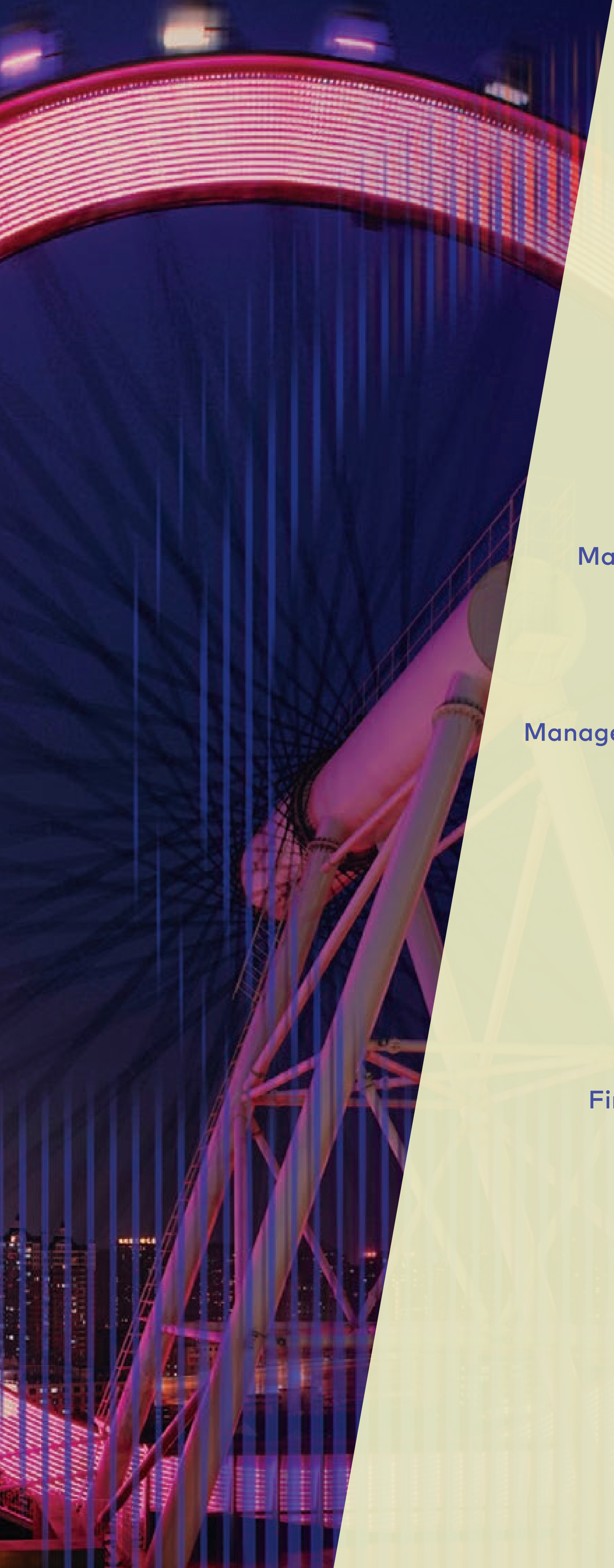
大悅城地產有限公司
JOY CITY PROPERTY LIMITED
(incorporated in Bermuda with limited liability)
Stock Code:207

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.



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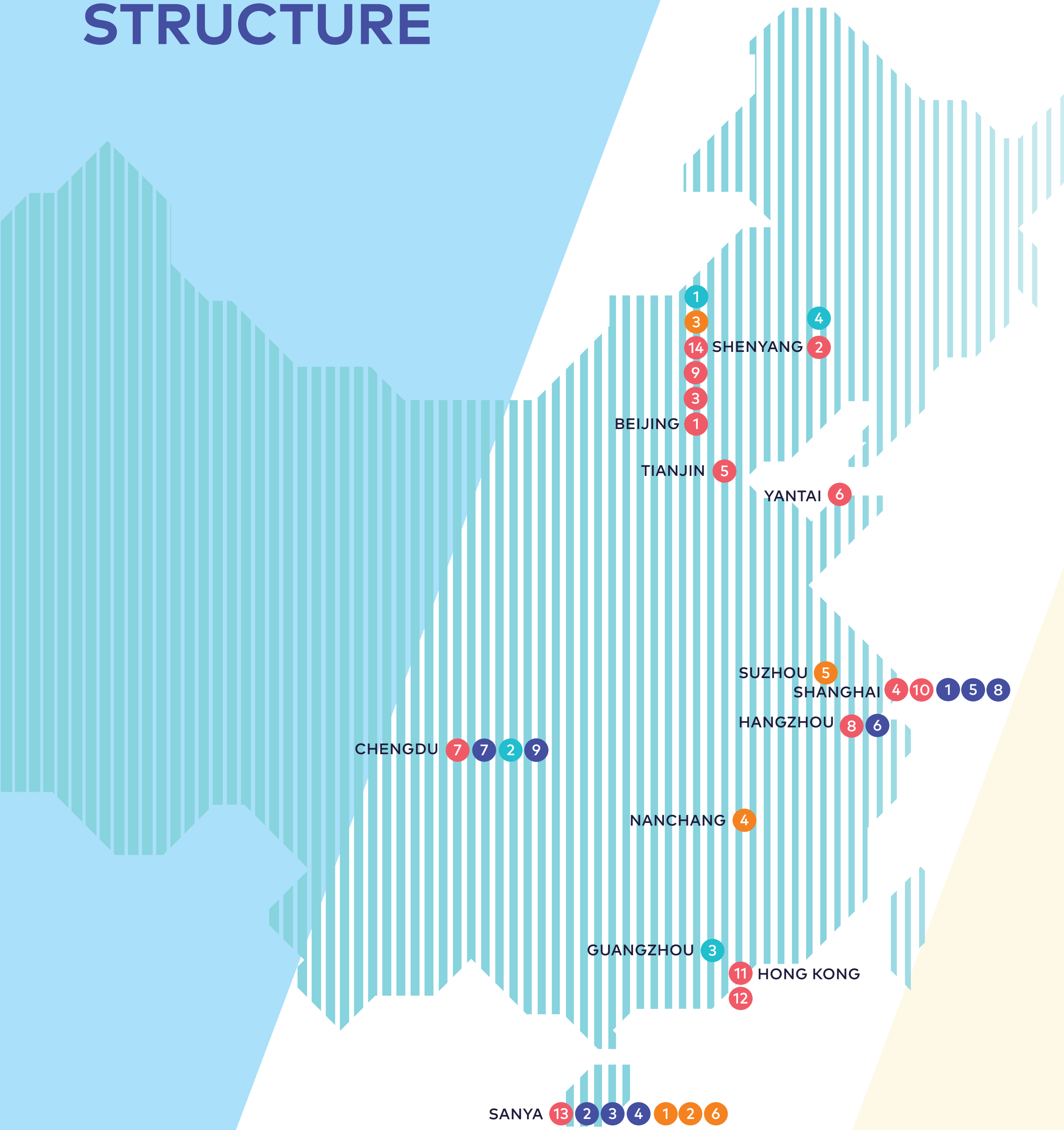
COMPANY PROFILE

Joy City Property Limited is a leading commercial property developer and operator, 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 Global 500 for more than 23 consecutive years. COFCO Corporation is one of the 21 enterprises under the direct management of the central government with the approval of SASAC to principally engage 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.

The Group mainly engages in the development, operation and management of urban 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 2016, the Group's projects include 9 Joy City urban complexes in 7 cities, namely Beijing, Shanghai, Tianjin, Shenyang, Yantai, Hangzhou and Chengdu. The Group also has quality investment properties strategically located in prime locations in first-tier cities, including Beijing COFCO Plaza and Hong Kong COFCO Tower, as well as high quality properties held for sale, namely Shanghai Jing'an Joy City • Joy Mansion One, Shanghai Qiantan One and Brilliant Villa in Hainan. The Group has a number of international high-end luxury hotels, including W Beijing-Chang'an, The St. Regis Sanya Yalong Bay Resort and MGM Grand Sanya. The Group's property projects are strategically located in central districts of first- or second-tier cities with superior quality as well as good investment and appreciation potentials. Meanwhile, leveraging its precise positioning with emerging middle class aged between 18 to 35 as its target customer group and upholding the brand spirit of "young, fashionable, trendy and quality", the Group's Joy City Projects have established its differentiated competitiveness through continuous product innovation and refined operation. The Group also accelerated its light assets development by such means as entrusted management and acquisition at low cost, thereby creating favourable conditions for Joy City to achieve development with "light assets, low cost, short turnover and high return". In 2016, Tianjin He Ping Joy City, the first entrusted management project of Group, commenced operation on 24 December. We have also entered into framework agreements for two projects, namely Kunming Luosiwan and Guiyang Joy City. In addition, the Group has successfully acquired the Parkside Plaza Project in Shanghai, which will be developed into the second Joy City in Shanghai.

Looking forward, the Group will move ahead with "becoming the leader among real estate brands with the most sustainable development strength" as its mission and guidance. On the basis of maintaining the two-wheel-drive strategy of "holding and selling properties", the Group will strengthen the integration with the finance sectors and put in use the "general asset management" model under the balanced development approach so as to maximise the value for its shareholders, customers and partners. Meanwhile, the Group will persevere with the spirit of "young, fashionable, trendy and quality" of the Joy City brand to lead the new trend of urban 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



1. Xidan Joy City
2. Shenyang Joy City
3. Chaoyang Joy City
4. Shanghai Jing'an Joy City
5. Tianjin Joy City
6. Yantai Joy City
7. Chengdu Joy City
8. Hangzhou Joy City
9. Beijing COFCO Plaza
10. Fraser Suites Top Glory Shanghai
11. Hong Kong COFCO Tower
12. 11th Floor of Hong Kong World-Wide House
13. Yalong Bay Love Cube Coastal Paradise
14. COFCO•Landmark Tower

1. Ocean One
2. Brilliant Villa
3. The Signature
4. Hainan COFCO•Hong Tang Joy Sea
5. Shanghai Jing'an Joy City•Joy Mansion One
6. Hangzhou Joy City•Joy Mansion
7. Chengdu Joy City•Joy Street
8. Shanghai Qiantan One
9. Chengdu COFCO Plaza

1. The St. Regis Sanya Yalong Bay Resort
2. MGM Grand Sanya
3. W Beijing — Chang'an
4. Gloria Grand Hotel Nanchang
5. Gloria Plaza Hotel Suzhou
6. Cactus Resort Sanya by Gloria

1. Beijing Gloria Management
2. Sichuan Gloria Management
3. Guangzhou Gloria Management
4. Shenyang Gloria Management

- Property Investment
- Property Development
- Hotel Operation
- Property Management and related services

MAJOR EVENTS AND AWARDS IN 2016

MAJOR EVENTS

2.22 Shanghai Joy City became one of the first shopping malls approved to adopt the Apple Pay technology in Shanghai.

3.24 Shanghai Jing'an Joy City co-organised Suzhou River International Canoe Marathon 2016.

4.23 The "Joy City Shopping Festival" recorded single-day sales of over RMB 175 million.

6.22 Xidan Joy City and Ant Check Later jointly developed the commercial payment and consumption scenarios for the future.

7.26 Joy City Property and Hengfeng Weiye Real Estate Development Co., Ltd. (恒豐偉業房地產開發有限公司) entered into a strategic cooperation agreement for expanding Joy City brand's presence into Guiyang.

9.8 Tianjin He Ping Joy City held a handover ceremony for successful store handover.

9.10 "Joy City Shopping Festival" created another commercial miracle with single-day sales of over RMB 256 million.

9.12 Hangzhou Joy City held a groundbreaking ceremony for commencement of construction.

9.23 Joy City's JOY 24 Hours campaign was completed smoothly and attracted wide public attention.

9.24 Joy City Property's 2016 "Joy City Run" event was held in Beijing.

10.18 "Focusing on Capital Forum & Client Reciprocal Banquet 2016" was held by the Company.

11.30 Joy City Property successfully acquired Parkside Plaza, a retail property in Shanghai, for developing Shanghai Changfeng Joy City Project.

12.16 Taste Good of Shenyang Joy City grand opened and kick off a new era for membership system.

12.17 The sales results of Shanghai Jing'an Joy City reached a new high thanks to its sixth anniversary event.

12.23 Grand opening of 4½ Street District of Shenyang Joy City took place, embarking on a scenario revolution of shopping malls in Northeastern regions.

12.24 Tianjin He Ping Joy City commenced operation following a grand opening.

12.25 Aiyue Bay in Yantai Joy City completed its upgrade and re-opened.

AWARDS

The Group won various awards in respect of the commercial property industry in the PRC.

The Company won 4 awards in the ICSC China Shopping Center Awards

The Company won the China Daily Asia Pacific Retail Leadership Award for 2016

The Company was accredited as one of the Top 100 China Commercial Property Enterprises for 2016

The Company won the China Securities Golden Bauhinia Award for 2016

The Company won various awards at the Sixth Annual Conference for China Commercial Property Enterprises (2016)

The Company won the Best Investor Relations and Best Investment Value Award of China's Financing Listed Companies for 2016

Joy City was accredited as the "Most Influential Shopping Mall Brand in China for the year 2016-2017"

Shanghai Jing'an Joy City won the Top 10 Benchmarking Commercial Property Projects in China Award for 2015

The WeChat account of Shanghai Jing'an Joy City was elected as the Top 10 Accounts with Best Contents (Commercial) by fellow experts

Yantai Joy City was accredited as the "Outstanding Enterprise in terms of Economic Development" in Yantai City

Hangzhou Joy City was honored with various awards by the media industry

Chengdu Joy City won the “China’s Commercial Property Innovative Project” award

Yantai Joy City won the "New Technology Marketing" award from ICSC

Xidan Joy City won the 9th Commercial Property Gold Award for 2016

Shanghai Jing'an Joy City was awarded the “Integration and Innovation Award of Commercial Tourism and Culture” by Shanghai Council of Shopping Centers

The St. Regis Sanya Yalong Bay Resort won the Hurun Hot Hotel Awards 2016

COFCO Yalong Bay International Convention Center won the 53th “Gold Nugget Award” in the US

Tianjin Joy City won CCFA Golden Lily Award for 2016

Shanghai Jing'an Joy City won Jinding Award for China’s Shopping Malls

Xidan Joy City and Chaoyang Joy City were awarded the Annual Industrial Award by Mall China

Hangzhou Joy City won the Special Contribution Award for Investment in Hangzhou at the Second World Hangzhou Entrepreneur Conference

Shanghai Jing'an Joy City won two prestigious industrial awards for its use of payment scenarios

W Beijing-Chang’an won the 13th Golden Pillow Award of China Hotels

FINANCIAL HIGHLIGHTS

Item	For the year ended 31 December 2016 RMB'000	2015 (Restated) RMB'000	Change (%)
Revenue	6,987,097	5,382,474	29.8
Includes: Gross rental income from investment properties and related property management services	3,123,460	2,656,746	17.6
Property development	2,752,066	1,476,454	86.4
Hotel operations	1,010,405	1,139,411	–11.3
Primary land development	4,186	30,000	–86.0
Property management and related services	76,855	59,395	29.4
Other property related services	20,125	20,468	–1.7
Gross profit	3,760,189	2,900,169	29.7
Profit attributable to owners of the Company	797,581	726,147	9.8
Core net profit attributable to owners of the Company (Note 1)	318,551	302,776	5.2
Basic earnings per share (RMB cent)	5.2	5.3	–1.9

Item	For the year ended 31 December 2016 RMB'000	2015 (Restated) RMB'000	Change (%)
Total assets	82,550,683	73,087,104	12.9
Equity attributable to owners of the Company	26,203,351	25,107,923	4.4
Net debt to total equity ratio (%) (Note 2)	30.1	62.9	–32.8 (Note 3)

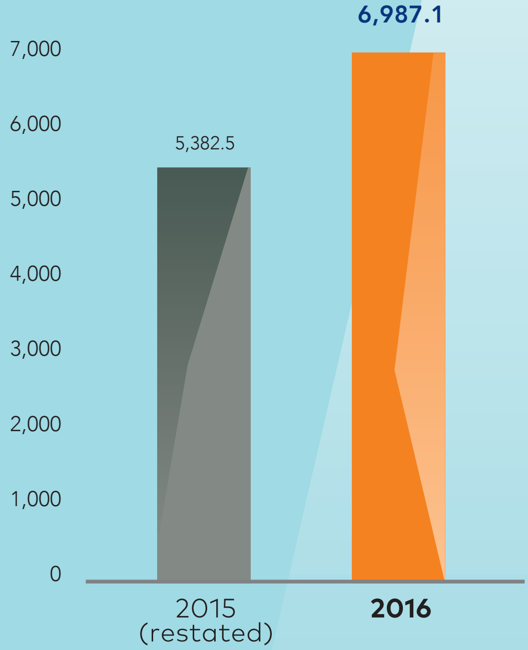
Notes:

1. Core net profit attributable to owners of the Company = profit attributable to owners of the Company – foreign exchange gain/loss – fair value gains after tax of investment property attributable to owners of the Company

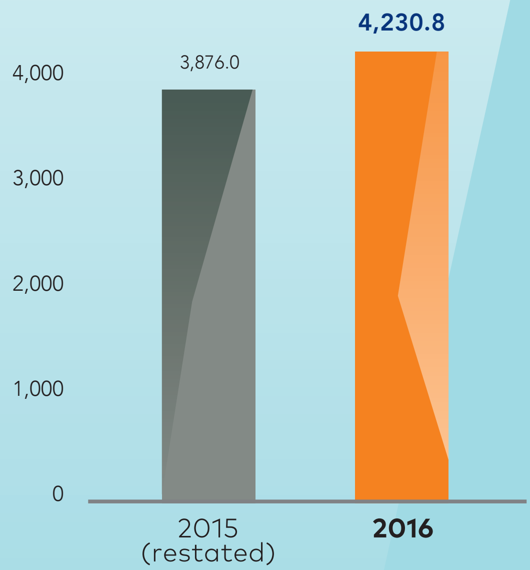
2. Net debt to total equity ratio = (bank borrowings + guaranteed notes + loans from fellow subsidiaries and the ultimate holding company and loans from non-controlling interests + corporate bonds – cash and bank balances – restricted bank deposits – pledged deposits)/ total equity

3. Change in percentage

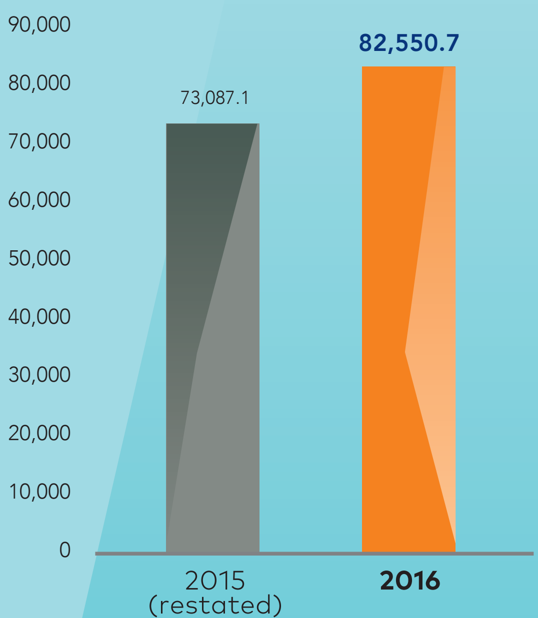
REVENUE
RMB: million



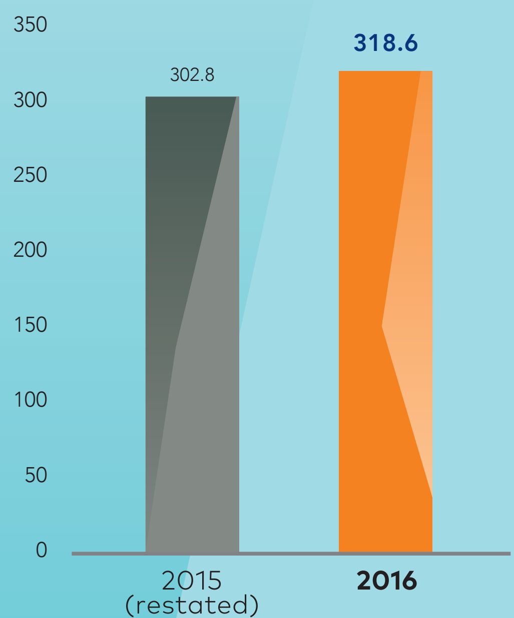
RECURRING REVENUE (note 4)
RMB: million



TOTAL ASSETS
RMB: million



CORE NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
RMB: million



Note 4: Recurring income = gross rental income from investment properties and related property management services + revenue from hotel operations + revenue from property management and related services + revenue from other property related services

CHAIRMAN'S STATEMENT

Dear Shareholders,

I, on behalf of the Board, hereby present you with the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 (the "period under review" or the "Year"), and would like to express my appreciation for your great support throughout the year.

During the period under review, profits attributable to owners of the Company amounted to RMB 797.6 million and earnings per share amounted to RMB 0.052. The Board recommended the payment of a final dividend of HK4 cents per share. The proposed final dividend is subject to approval at the forthcoming annual general meeting of the Company.

2016 IN REVIEW

In 2016, against the backdrop of supply-side structural reform, the Chinese economy has maintained steady growth and the industrial structure continued to improve. Final consumption accounted for approximately 58% of the GDP, which is truly the "largest driving force" for economic growth. The transformation and upgrade of consumption has also boosted the market demand. Meanwhile, as affected by factors such as weakening profitability of traditional development businesses, more real estate corporates have switched to the commercial properties sector, resulting in rapid growth of investment in commercial properties. For the whole year of 2016, the transaction volume of the commercial property market in the PRC increased by 52% year-on-year to RMB 209 billion, which hits a record high and represents new development opportunities for commercial properties. During such times of continuous reform and development of the industry, the ability of managing and controlling business operation has also become one of the important indicators of the overall competitiveness of real estate corporates. Thus, it will become a new issue for commercial properties as to the method of further enhancing the business operating capacity of enterprises, achieving business diversity and speeding up the growth of result performance. Grasping the market opportunities brought by the prosperous development and inventory consolidation in the commercial property market, Joy City Property steadily expanded the presence of Joy City with its strong brand advantages, precise positioning of target customer, industry-leading general asset management model, excellent management and balanced development approach.

Investment Properties — Amid the intense competitive environment with impact from e-commerce, economic bubbles and problem of homogenization, Joy City projects of the Group provided its customers with superior consumption experience and services by leveraging its precise positioning with emerging middle class aged between 18 to 35 as its target customer group and upholding the brand spirit of "young, fashionable, trendy and quality" as well as continuous efforts in product innovation. The Group operated its business with craftsmanship spirit and achieved both qualitative and quantitative enhancement against the market trend, with sales amounting to approximately RMB 14.6 billion (representing a year-on-year increase of 23.0%) and rental income amounting to approximately RMB 2.1 billion (representing a year-on-year increase of 21.5%) respectively, which is in line with the benchmark level of the industry. 2016 witnessed the official launch of Joy City's "general asset management" model, that is, to accelerate its light assets development by such means as entrusted management and acquisition at low cost, thereby enabling Joy City to achieve development with "light assets, low cost, short turnover and high return". In 2016, Tianjin He Ping Joy City, the first entrusted management project of Group, commenced operation on 24 December. We have also entered into framework agreements with two projects, namely Kunming Luosiwan and Guiyang Joy City, which are currently under preparation.

Property Development — The Group's property development projects are located in first- or key second-tier cities and command prime locations or splendid views which stand out in the market. During the period under review, the Group continued to insist on improving the high-end quality and customer experience of products, which are well received by the market.

Hotel Operations — The Group's premium hotel properties are primarily located at the prime locations in the center of Beijing city and the waterfront of Yalong Bay, Sanya. The hotels are commissioned to be managed by international hotel management companies such as Starwood Group and MGM. The hotels are also operated under the first class brands including St. Regis, W and MGM. During the period under review, the operating results of the hotel properties of the Group remained stable.

Property Management and Related Services — Guided by new ideas such as "Green, Environmental Protection, Technology, Humanities and Health", the Group has comprehensively established its property management system under the "Smart Green" concept and hence maximized the property value through the construction and operation of the innovative EISS platform, the establishment of gateway such as official WeChat APP for its properties and obtaining standard certifications for property management efficiency of Joy City.

Land Bank — The Group adopted the development strategy under a balanced approach by both conventional and unconventional ways. Under the strategy, the Group 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.

Financial Capital — The Group consistently implemented prudent financial policies. In January 2016, the Company issued corporate bonds through its PRC subsidiary, COFCO Commercial Property Investment Co., Ltd, to replace part of the domestic bank loans, which effectively reduced the finance costs of the Company. In October 2016, the Company repaid certain foreign currency borrowings with overseas reserve capital, resulting in a significant decrease in finance costs. In October 2016, the Company has received the approval from the National Association of Financial Market Institutional Investors that it could issue Medium-term Notes with a total issue size amounting to RMB 10 billion, which effectively expanded the financing channels for the Company. As at the end of 2016, the Group's net gearing ratio reduced to 30.1%, representing a substantial decrease as compared to 62.9% at the beginning of year.

2017 OUTLOOK

Business transformation is closely related to the economic environment. Looking into 2017 and beyond, along with consumption upgrade driven by supply-side structural reform and accelerated new mode urbanization and regional economies integration, consumption behavior will gradually enter into a phase that place more emphasis on culture and economic efficiencies. The rapidly rising middle class has resulted in complex demand of consumers, who will focus more on consumption scenario and product experience. As such, cross-sector cooperation, internet big data, shopping experience and service and operation models will be the key elements in achieving breakthrough and innovation in commercial properties in the future.

Looking forward, the Group will seize the new opportunities brought by industry integration and development and continue to maintain the two-wheel-drive development strategy of "holding and selling properties" under a balanced approach and uphold the business principle of "system optimization, quality and efficiency enhancement, innovation and change and compulsory enforcement". From the perspective of enhancing operational capability and efficiency, we will strive to enhance consumer experience by continuously developing the O2O e-commerce platform and elevate the operation efficiency by revitalizing our asset stock with asset securitization. Moreover, benefiting from the cross-sector cooperation and business upgrade, our comprehensive competitiveness will be enhanced and continual consolidation and improvement will be achieved in brand influence, business innovation and resources integration of "Joy City" urban complexes in the industry. Under our profound financial ideology of "general asset management", we will achieve remarkable transformation against the industry's new normal and build Joy City a long-lasting brand in the property industry in the PRC.

JOY-FULL OCCASIONS

The Joy City brand has gone through a decade-long journey since the opening of Xidan Joy City. At present, commercial real estate industry has entered the "Silver Age" in which rapid replacement is a norm and accordingly, shopping malls are facing tougher challenges. In the future, Joy City will strive to achieve the transformation and upgrade from the development and operation model to the asset management model by integrating the channels, consumers and assets. Next, Joy City will optimise the asset structure and drive the composite appreciation of commercial property assets and brand assets, aiming to increase shareholder return.

GLORIOUS TEN YEARS

Joy City strongly believes that only by learning from experience and daring to change can help us stand against the fierce competitions in the commercial property industry. Joy City has perfectly matched its positioning with market demand and aligned the promotion campaigns of its brand with the features of its customers. Leveraging its keen market vision, refined product designs and statistical research on consumer group, Joy City has become a legend in the business world in a mere decade.

2016.12
Tianjin Heping JOY CITY

2016 — ENHANCING ASSET MANAGEMENT

2015.12
Shanghai Jing'an JOY CITY

2015.12
Chengdu JOY CITY

2015 — VALUE ENHANCEMENT

2014.7
Yantai JOY CITY

2014 — FOCUS ON INNOVATION

2013 — REFINING EXPERIENCE

2012 — INTEGRATING MANAGEMENT

2011.12
Tianjin JOY CITY

2011 — QUALITY UPGRADING

2010.12
Shanghai Jing'an JOY CITY

2010.05
Chaoyang JOY CITY

2010 — CITY EXPANDING

2009.05
Shenyang JOY CITY

2009 — BRAND CONSOLIDATION

2008 — INDUSTRY REDEFINING

2007.12
Xidan JOY CITY

2007 — LAUNCHING JOY CITY PROJECTS


蓼科牛
TMSB
ミルフィーユステーキ
バーガー
SINCE
1980
深夜食堂
天神屋台手帳
新
中
國
宮
FEATURE
PRESENTATION

THEMED STREET BURST WITH JOY

Leveraging its abundant resources available for events and sophisticated market experience, Joy City recognised that only innovative mindsets can stand out from the increasingly competitive commercial real estate industry. As such, Joy City keenly seized the opportunities arising from the market segments to cater to the customer demands in a detailed manner. We introduced various diversified but unique themed street districts. Joy City actively attempted to incorporate cross-disciplinary elements, such as arts, entertainment and education, into the street district vibes, integrating various shopping malls into a new age highlighting their respective street districts, scenarios and themes.

SUPER FACTORY（超級工廠）
TIANJIN JOY CITY

Featuring the crafting zone as a brand new concept, the "Super Factory" themed street district made its debut on 1 October 2016. The Craftsman Club of the Super Factory is the first professional crafting zone for urban craftsmen in China, representing one-stop services that include craftsmanship courses, sales of raw materials and tools and artwork exhibition sales. In order to attract the emerging middle class in the city who seek cultural experience and personal development, Super Factory has respectively set up nine workshops, each with a specific category, namely, wood, cloth, iron, leather, pottery, photo, bakery, fiber art and painting. This is another breakthrough product of Joy City highlighting a shopping mall oriented with constantly expanding and refining customer experiences, in response to the call of the times and the growing demands.

"SOUTH END (南岸里)" & "HI ALLEY (Hi內)"

TIANJIN HE PING JOY CITY

Featuring an array of specialty food stores, "South End" street district came into operation on 24 December 2016. The street is overwhelmed with exotic elements that make customers feel like walking into a Southeast Asian night market where they can hunt for snacks. We have introduced sought-after brands to be our tenants, offering our customers a variety of dining options from Japanese cuisine to hotpot to drop by and enjoy a hearty meal after work. The cluster of restaurants would be a heaven for late-night diners.

"Hi Alley" street district also came into operation on 24 December 2016. Being a hub of lingerie brands, this "secret palace" is exclusive designed for female customers under the theme of ocean and brings together many well-known brands in the PRC and overseas such as Aimer and Triumph with a view to provide the most comfortable and caring shopping experience for urban ladies.

4½

SHENYANG JOY CITY

In December 2016, 4½ street district was officially opened in Shenyang Joy City, which marks the establishment of the first experiential street district featuring easy art lifestyle in northeastern region. Occupying 5,000 sqm, the street is the first commercial real estate that embodies the design of ramp-style vertical transportation in China and incorporates the concept of easy art lifestyle. The 4½ street district converges a selection of stylish designer brands and craftsman across China and introduces an array of featured stores, including ceramic gallery, creative puzzle game store from Taiwan, light salon-themed perfume shop, physical bookstore of Dangdang.com (當當網), painting gallery, and experimental retail store for fashionable and trendy items.

AIYUE BAY (愛悅灣)
YANTAI JOY CITY

The themed street district "Aiyue Bay" on the roof of Yantai Joy City was unveiled on 25 December 2016 after its upgrade. The "Aiyue Bay", upon completion of upgrade, is the first project to realise an in-depth integration of themed street district and arts in China. The project features sumptuous scenery such as mural gallery, original sculpture, Lego wall, Juliet sculpture and churches, which are now the art and cultural icons of Aiyue Bay. The street boasts a variety of one-of-a-kind stores, including artistic bookstore, quality cafe, handicraft workshop, gym, bourgeois restaurant, garden house and others. Situated at the forefront of Taiping Bay embodying hundred years of history with Yantai Mountain in the distance, Aiyue Bay represents people's desire for ambience life of "Leisure Space•Joyful Living" (悅生活 • 慢空間).

DEVELOPMENT OF DIFFERENTIATED MEMBER CENTRE TO ACHIEVE WIN-WIN COLLABORATION AMONG ALL PARTIES

Taste Good (良食局) is a member experience centre developed by Joy City. In contrast to traditional commercial member centre, Taste Good presents an innovative idea to achieve win-win collaboration among consumers, third party tenants and Joy City through redemption of experimental-based and differentiated products with membership points.

Taste Good is a place to realise the value difference among different members. With a focus on the management of customer flow, Joy City established a platform, i.e. Taste Good, for transforming the same into brand value enhancement. Taste Good offers both physical goods and experimental goods, which are available for redemption with membership points. On one hand, Taste Good aims to encourage members to redeem gifts with their points by introducing new experimental goods, thereby promote consumption. On the other hand, it seeks to organise exclusive activities for its members in collaboration with third parties.

Taste Good is a membership platform for win-win collaboration among all parties. Instead of saying Taste Good offer redemption of products, it may be more appropriate to say that Taste Good offer a resources platform that is almost inaccessible by members on their own. Taste Good is very selective in terms of cooperation with third parties. This will not only benefit its members, but will also provide it advantages from this membership system through the help of third parties, which will in turn add value to members' interests and provide the company with a profit model via platform promotion in achieving win-win collaboration among consumers, third party tenants and Joy City.

Joy City officially launched its new App on 1 December 2016. All Joy City points can be deposited and exchanged "one-counter-through" in form of "Taste Good Tickets (良票)" nationwide. As one of the functions of the App, members can exchange their points under Taste Good online and use it for gift redemption in physical stores. This is how we manage customer flow by leveraging the O2O business philosophy by virtue of both online and physical stores.

In December 2016, Taste Good in Shenyang Joy City, Tianjin Heping Joy City and Yantai Joy City came into operation successively. To date, a total of 4 Taste Good Stores are located in Joy City nationwide. It is expected that 4 more Taste Good Stores will be opened in 2017. In 2016, Joy City has attracted 607,000 new members, representing a year-on-year growth of 39.6% to 2,140,000 members in total. The proportion of consumption by members accounted for 23.1% of the total revenue, demonstrating the brilliant business philosophy of Joy City.


TASTE
MILK

GENERAL ASSET MANAGEMENT STRATEGY

Adhering to its operating strategy of **"customer management"**, Joy City further boosts the members' economic demand so as to drive the sales growth and in turn, increase the rental income and rate of return on investment to fulfill the required return on capital and even attract the influx of social capital. Based on the above, Joy City will focus on developing the **"general asset management"** platform in order to achieve the principle of **"light asset, short turnover, high return"**.

By revitalising its asset stock, Joy City aims to create a sustainable capital cycle, which can facilitate the upgrade and transformation from the development and operation mode to asset management mode. Further, Joy City will optimise the asset structure and drive the composite appreciation of the commercial property assets and brand equity so as to increase shareholders' value.

Revitalising the asset stock is the first step of the general asset management strategy. With its high-quality commercial brand and the operating capacity, Joy City will cooperate with investors with rich experience in commerce and establish a fund company to unleash the potential asset value.

Creating a sustainable capital cycle platform is the second step of the general asset management strategy. Exploring diversified financing channels not only can provide support to the development of other businesses and thus expand the revenue from other businesses apart from rental income of commercial properties, but also can lower its gearing ratio, and improve the capital structure so as to reduce the financing cost and increase the flexibility of future financing.

Joy City's expansion model

Asset management and capital cycle of Joy City

TIANJIN HE PING JOY CITY

2016.12.24
Opening date

68,000 sqm
Commercial area

Tianjin He Ping Joy City is the first entrusted management project of Joy City Property. Located in the busiest core business district at Binjiang Road, Tianjin, He Ping Joy City is the first novel shopping mall in Tianjin featured with slow living and high quality. Located right above the interchange station for Metro Line 1 and Line 3, the property is surrounded by mid-to-high-end office buildings where white-collars gather. Tianjin He Ping Joy City attracted over 100,000 visitors and achieved total online and offline sales of nearly RMB 10,000,000 on its first day.

The major customers of Tianjin He Ping Joy City are urban young people aged between 22 to 35. Tianjin He Ping Joy City offers superior interactive experience with Joy City-themed street product lines, such as "South End (南岸里)", "Hi Alley (Hi 內)" and "Super Factory (超級工廠)". 182 renowned brands have become its tenants, which include UGG, Evisu and Replay, among which more than 40 brands first entered into Tianjin market.

KUNMING LUOSIWAN JOY CITY

End of 2017

Expected opening time

318,000 sqm

Commercial area

In August 2016, Joy City Property and Kunming Roswell Investment and Development Co., Ltd. (昆明螺螄灣投資發展股份有限公司) signed a strategic cooperation agreement. Upon completion, Kunming Luosiwan Joy City will bring vitality to regional development from multiple dimension and respects, and will become the largest shopping mall with the most diversified business portfolio in Kunming and even in Yunnan Province.

Kunming is a category-one national port connecting three provinces in Southwestern China. In 2015, the GDP of Kunming reached RMB 397 billion. The project is located at the intersection of First Ring Road and a number of main highways, which is not only the gateway to Kunming Nanshi district, but also a time-honored commercial area. Integrating with regional characteristics, the project positioned itself as a "Lounge (會客廳)" of Kunming drawing on the concept of CITY LIVE. It features a floating staircase-like reading room, an outdoor pop-up store for crossover events with trendy brands and the "Rose Square (玫瑰廣場)" that covers three themed street districts.

GUIYANG JOY CITY

End of 2018

Expected opening time

135,000 sqm

Commercial area

In July 2016, Joy City Property and Guizhou Hengfeng Weiye Real Estate Development Company Limited (貴州恒豐偉業房地產開發有限公司) signed a strategic cooperation agreement. Guiyang Joy City is located in Daximen Commercial District (大西門商圈) within First Ring Road of Guiyang. It is one of the oldest commercial districts in Guiyang with extremely heavy pedestrian flow. The shops operating here are mostly traditional department stores, which offer a sound environment for conducting business. The debut of Guiyang Joy City will make up for the lack of one-stop shopping center in the commercial district.

Guiyang is a national cluster region for big data industry. In 2015, its GDP growth rate ranked number one among all provincial capitals in China. Adjacent to the Riverside Park, Guiyang Joy City connects the park and the shopping mall via skywalk, making it the first city park shopping center in the country. Besides, it is expected that the project will apply the face recognition system in its membership management and services, together with the smart shopping experience such as car parking, restaurant reservation and payment, which allows Guiyang Joy City to become the largest and the smartest urban complex benchmark with the most diversified business portfolio in Guiyang city center.


ZARA


大悦城
JOY CITY
SISLEY

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

1

In 2016, against the backdrop of supply-side structural reform, the Chinese economy has accelerated its structural adjustment and continued to nurture new functions. The economy operated steadily with GDP maintaining mid-to-high speed growth of 6.7%. The real estate industry has become a "stabilizer" for economic growth.

From the perspective of industry development, the overall supply and demand of commercial properties has improved from last year with a general increase in operating revenue of enterprises. However, the competition faced by the business has also intensified. Thus, it will become a new issue as to the method of further enhancing the business operating capacity of enterprises, achieving business diversity and speeding up the growth of result performance. Cross-sector cooperation and business upgrade is one of the directions for enterprises seeking breakthroughs. As for property sales, in 2016, various demands continued to emerge and the sales performance of real estate corporates has improved significantly with increasing industry concentration. Meanwhile, as affected by factors such as weakening profitability of traditional development business, more real estate corporates have switched to the commercial properties sector, with more focus on operation of self-owned properties and continuous increase of operating income. As such, the ability in managing and controlling business operation has also become one of the important indicators of the overall competitiveness of real estate corporates. In the commercial segment, as the supply in the office market hit new high, the inventory level and hence the operating pressure increased. However, the frenzy of investment in the office market of first-tier cities remained. In terms of hotel market, with the increase in the household income, consecutive openings of Express Railway lines and sustained improvement of tourism infrastructure, the demand for local and commercial tours kept on growing, therefore, the hotel market in first-tier cities and holiday destinations saw improvement.

BUSINESS REVIEW

2

In 2016 under review, the Group recorded relatively stable business performance in its four business segments, namely investment properties, property development, hotel operation and property management and related services.

INVESTMENT PROPERTIES — In 2016, the Group's investment properties maintained sound operation. The operation of Joy City recorded steady growth, with sales amounting to approximately RMB 14.6 billion (representing a year-on-year increase of 23.0%) and rental income amounting to RMB 2.1 billion (representing a year-on-year increase of 21.5%) respectively, which is in line with the benchmark level of the industry. The two "Joy City Shopping Festival" held during the year have achieved dual breakthrough in terms of sales and customer flows. In particular, the single-day sales of "910 Shopping Festival" reached RMB 256 million and customer flow exceeded 10 million headcounts, which hits a new record for both single-day customer flow and sales of shopping mall in the PRC. Meanwhile, Joy City adopted the "activating stunned fish" low cost expansion model and expanded Joy City Projects by such means as entrusted management and acquisition at low cost. In 2016, Tianjin He Ping Joy City, the first entrusted management project of the Group, commenced operation after a grand opening on 24 December 2016. We have also entered into framework agreements for two projects, namely Kunming Luosiwan and Guiyang Joy City, which are currently under preparation. In addition, the Group also successfully acquired the Parkside Plaza Project in Shanghai, which was another strategic layout of Joy City Projects in Shanghai.

PROPERTY DEVELOPMENT — In 2016, the Group continued to insist on improving the high-end quality and customer experience, which are well received by the market. Among which, Hainan COFCO • Hong Tang Joy Sea, being the prime project with a waterfront view along the only remaining primary coastline of Sanya, has attracted nationwide attention. Phase one of the project achieved a brilliant start with additional supply of Shanghai Jing'an Joy City • Joy Mansion One. Against the backdrop of strengthened measures implemented in respect of macroeconomic regulation and control, Shanghai Joy City • Joy Mansion One broke the opening sales record for luxury properties in terms of the pace for contracted sales.

HOTEL OPERATIONS — The hotel operations of the Group continued to strengthen its refined operation. Gross operating profit and RevPAR increased by 25% and 1% year-on-year, respectively. Amid the depressed high-end hotel market in general, the results of hotel operations basically remained stable.

PROPERTY MANAGEMENT AND RELATED SERVICES — The Group is committed to building a property management system under the "Smart Green" concept. It has successfully enhanced the level of standardization and refined property management through intelligent management measures such as property management rotation, mobile APP and EISS system, thereby enhancing the competitiveness of its products and level of customer satisfaction.

3

XIDAN JOY CITY

(owned as to 51% by the Group)

Xidan Joy City is situated in the prime location of Xicheng District, Beijing. The project occupies a total site area of 14,541 sqm with a gross floor area of 185,654 sqm and a leasable area (retail) of 65,954 sqm.

Continuous brand adjustment to create new highlights

In 2016, Xidan Joy City continued to step up its efforts in brand adjustment with a view to developing the most powerful brand portfolio in Beijing, featuring highlight zones such as the International Cosmetic Zone (the first of its kind in Northern China and ranked top three nationwide) and the Ultimate Sports Zone (comprising flagship stores of the largest sports brand in Beijing). The project also has two unique themed streets — the Experiential Chic Street and Trendy Food Street. All these new highlights have led a fashionable trend and helped the project to realise enhancement in both rental and sales per square meter.

Steady growth of sales performance

During the period under review, the shopping mall of Xidan Joy City was ranked 12th in China with the total sales of approximately RMB 4,100 million. The highest single-day sales amounted to approximately RMB 34.45 million which hit a record high.

SHENYANG JOY CITY

(owned as to 100% by the Group)

Shenyang Joy City is situated in the prime location of Zhong street (a commercial street), Dadong District, Shenyang. The project occupies a total site area of 50,719 sqm with a gross floor area of 555,146 sqm and a leasable area (retail) of 113,595 sqm.

Enhanced competitive edges of brands

Shenyang Joy City continued to introduce exclusively-featured brands with an aim to become a hub for trendy fashion brands and successfully attracted first-class trendy fashion brands such as BOY LONDON, EVISU, Under Armour and MISS SIXTY to set up their businesses in the property. Meanwhile, Shenyang Joy City kept abreast of the fashion trends and introduced several sought-after fashion brands, such as PANDORA, MAC, MAKE UP FOREVER, UGG and Swarovski to the property.

Continued to innovate

Shenyang Joy City continued to innovate and made a number of unprecedented breakthroughs in the industry. In December 2016, the general upgrade of the club house was completed and marked the opening of the first Taste Good, an O2O-themed member experience centre, in northeastern region. During Christmas in 2016, the 4½ Street District officially opened, which is the first street district characterized by easy art and lifestyle experience in northeastern region, turning a new page of commercial payment scenario reform of shopping centres in Shenyang.

Steady growth of sales performance

Through brand upgrade, Shenyang Joy City maintained a steady growth in its overall operating results. Both sales and rental income recorded double-digit growth, which has consolidated its leading position among its peers in Shenyang.

CHAOYANG JOY CITY

(owned as to 45.90% by the Group)

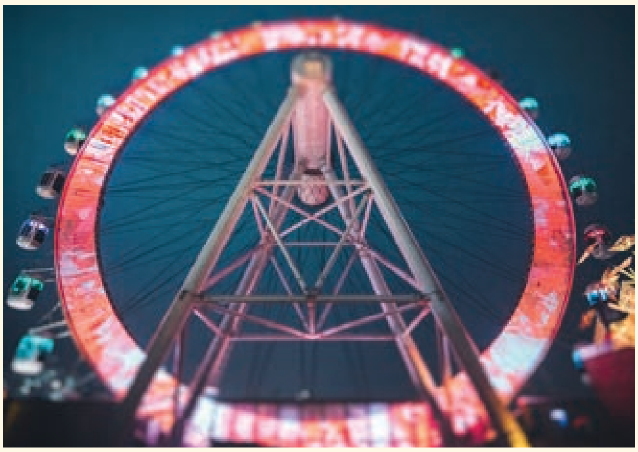
Chaoyang Joy City is located in the prime zone of Chaoyang District, Beijing. The project occupies a total site area of 58,958 sqm with a gross floor area of 405,570 sqm and a leasable area (retail) of 123,501 sqm.

Optimized customer group with a focus of customer quality

In 2016, Chaoyang Joy City switched the focus of its promotional activities from boosting customer flow to enhancing customer quality with an aim to continuously optimize the brand ecosystem and reinforce the brand's tonality and atmosphere that resonate with the Lifestyle concept. Over 30 events under different themes were held during the year, which have drawn heated discussion on featured brands such as Issey Miyake and Victoria's Secret among industrial peers and consumers. While ensuring the quality and purity of its customer group, the project has gained popularity and stronger tonality, and thus continuing to be highly involved and sensational in the industry.

Surging sales performance

By optimising the brand ecosystem, strengthening its product quality, enhancing shopping experience and implementing precise marketing measures through the use of big data and VIP system, Chaoyang Joy City has guaranteed sustainable and rapid growth in its projects' operating results, with year-on-year growth of 28.7% and 15.4% in terms of sales and average unit purchase, respectively. Sales attributable to members accounted for 28.2%. All of which signified that Chaoyang Joy City had significantly augmented its influence in the industry.



SHANGHAI JING'AN JOY CITY

(owned as to 51% by the Group)

Shanghai Jianan Joy City's Joy urban complex is located at the core district of the CBD of Suhewan Gold Coast. The project occupies a total site area of 78,076 sqm with a gross floor area of 437,609 sqm and a leasable area (retail) of 66,203 sqm.

Business upgrade gained momentum from featured brands

Shanghai Jing'an Joy City continued to introduce featured brands, including 49 brands which make their first debut in Shanghai. Following the opening in May, core slight luxury brands such as Kate Spade and MICHAEL KORS topped the sales chart in eastern China. The first offline Xiaomi flagship store in Shanghai recorded an average monthly sales of over RMB 10 million. The unit rent of Ramen Champion, the Japanese brand's first restaurant in China, increased by 112%; while the unit rent of the first Shanghai Animation Film Studio café in China increased by 75%, thereby achieving business upgrade through brands with excellent performance in terms of sales per square meter.

Pioneer intelligent shopping system that provided all-rounded experience

Shanghai Jing'an Joy City has developed a pioneer intelligent shopping system. Users can enjoy an all-rounded experience in the interactive shopping scenario and exchange with other users whenever and whatever they want. Meanwhile, the use of APP/Light APP has facilitated the upgrade of consumption model by creating an interactive online shopping scenario. Users' activities and data can be monitored on a real-time basis and customer experience can be enhanced through the data feedbacks.

Steady growth of sales performance

During the period under review, Shanghai Jing'an Joy City achieved a rapid growth of its sales performance, with a year-on-year increase of 111% and 164% in terms of customer flow and sales, respectively. On the day of its anniversary, the single-day sales reached a new high of RMB 23 million.

TIANJIN JOY CITY

(owned as to 51% by the Group)

Tianjin Joy City is located in Old Town, the central district of Tianjin. The project occupies a total site area of 77,450 sqm with a gross floor area of 531,369 sqm and a leasable area (retail) of 88,138 sqm.

Innovative-themed streets continued to roll out while Taste Good remained profitable

Tianjin Joy City constantly explored street models with different social functions, such as Cheer Market, No. 5 PARK, Super Factory and IF Street, the first outdoor street of Joy City series. Taste Good became profitable only 3 months since commencement of operation. Currently, it has successfully expanded a total of three shops to Anshan West Road and He Ping Joy City. In 2016, Tianjin Joy City topped the regional markets with its commercial sale segment.

Continued sales growth

During the period under review, the growth of Tianjin Joy City's result performance remained steady while rental income increased by 9% year-on-year.

YANTAI JOY CITY

(owned as to 51% by the Group)

Yantai Joy City is in the northeast of the junction of Beima Road and Haigang Road of Zhifu District, Yantai. The project occupies a total site area of 40,762 sqm with a gross floor area of 219,964 sqm and a leasable area (retail) of 77,990 sqm.

Strive for sales growth and focus on management

In 2016, Yantai Joy City adopted a series of measures to strive for sales growth and better result performance including introduction of new businesses, stores adjustment, brand upgrade and regional adjustments. It also comprehensively strengthened the refined operation of Joy City by way of BI innovation, membership management and services and property management, thereby enhancing the overall efficiency through management.

Steady growth of sales performance

By brand upgrade, hosting campaigns and sales incentives, Yantai Joy City maintained a steady growth of its overall operating results. With the relatively steady overall customer flow, the clutch rate and average sales per square meter increased significantly at a year-on-year sales growth of approximately 25%.

CHENGDU JOY CITY

(owned as to 100% by the Group)

Chengdu Joy City is located in Wuhou District, Chengdu. The project occupies a total site area of 66,536 sqm with a gross floor area of 314,560 sqm and a leasable area (retail) of 92,450 sqm.

Outstanding performance achieved in the first year operation

Chengdu Joy City continued to optimise the brand portfolio and has become a benchmark project for fashion and entertainment experience in southwestern region. It is the most diversified fast fashion brand portfolio, the largest children-themed center and the most unique themed street in southwestern region. The two "Joy City Shopping Festival" held in April and September set new single-day sales records of Chengdu shopping malls successively. Building on this success, Chengdu Joy City achieved steady growth in its results and saw outstanding performance in the first year since the commencement of operation.

Sales Performance

By adhering to the business approach of "solidifying foundation, enhancing service quality, strengthening cooperation and dedicating to innovation", the overall operating result of Chengdu Joy City has shown a steady month-on-month growth and recorded sales of approximately RMB 840 million during the first year after its opening.

HANGZHOU JOY CITY

(owned as to 55% by the Group)

Hangzhou Joy City is located in Gongshu District at the city center of Hangzhou. The project occupies a total site area of 75,371 sqm with a planned gross floor area of 307,062 sqm.

Currently, the project is still under development and is expected to commence operation in 2018.

BEIJING COFCO PLAZA

(owned as to 51% by the Group)

Beijing COFCO Plaza is located at the core area of the Second Ring in Beijing. The project occupies a site area of 22,555 sqm and a gross floor area of approximately 118,632 sqm.

In 2016, the project carried out upgrade and transformation on the shopping mall of Tower C. During the period under review, the transformation works progressed as planned, which has provided momentum for future growth of results.

During the period under review, the occupancy rate and rental income of COFCO Plaza offices increased by 6% and approximately 17% year-on-year, respectively.

FRASER SUITES TOP GLORY SHANGHAI

(owned as to 100% by the Group)

The project is located in the core area of Lujiazui CBD in Pudong New Area, Shanghai.

The project consists of 3 serviced apartment buildings with a total of 185 rooms and more than 300 car parking slots available for leasing. During the period under review, the project had an average rent of RMB 1,952 per room per night stay with an occupancy rate of 82% and its operating results remained stable.

HONG KONG COFCO TOWER

(owned as to 100% by the Group)

The project is situated at Causeway Bay, Hong Kong. The project occupies a total site area of 1,155 sqm with a leasable area of 14,915 sqm.

During the period under review, the project had a relatively substantial improvement in its operating results and a year-on-year growth of approximately 15.5% in its rental income.

11TH FLOOR OF HONG KONG WORLD-WIDE HOUSE

(owned as to 100% by the Group)

The entire property of 11th Floor of Hong Kong World-Wide House is for rental purpose. The property has a saleable area of 1,309 sqm.

During the period under review, the project maintained stable growth in operating results with average rent increased by approximately 11.3% year-on-year.

YALONG BAY LOVE CUBE COASTAL PARADISE

(owned as to 51% by the Group)

The project is situated at the coastal strip of Yalong Bay National Tourism and Resort District in Sanya, Hainan, with a total planned site area of 380,600 sqm and a gross floor area of approximately 20,362 sqm.

The project is mainly comprised of coastal area and mountainous rainforest area. With beautiful sceneries of mountains and seas, the resort is a comprehensive scenic spot, featuring a variety of experiences including coastal tourism, rainforest sightseeing, aquatic sports, leisure and entertainment.

The whole project was opened in August 2016.

PROJECT DEVELOPMENT | INVESTMENT PROPERTIES

COFCO • LANDMARK TOWER

(owned as to 51% by the Group)

The project is located at a prime location in Andingmenwai Dajie, Dongcheng District, Beijing and is adjacent to the Andingmen subway station of No. 2 subway line. It occupies a site area of 13,030 sqm and gross floor area of approximately 81,698 sqm. In the future, it will be developed into a block of international Class A office building.

During the period under review, the construction of the project progressed smoothly.

PROJECT DEVELOPMENT | PROPERTY DEVELOPMENT

OCEAN ONE

(owned as to 100% by the Group)

Located at the core area of Lujiazui CBD in Pudong New Area of Shanghai, the project is a first-class luxury residential project beside the Huangpu River.

During the period under review, the contracted sales area of the residential project was 620.7 sqm with a contracted sales amount of RMB 118.6 million.

BRILLIANT VILLA

(owned as to 41% by the Group)

Located at the core hinterland of Yalong Bay National Tourism and Resort District, Sanya, Hainan, the project is a first-class luxury residential project in Yalong Bay.

The project occupies a total site area of 220,000 sqm, comprising 7 apartment buildings, 171 villas, 6 town houses and an international exhibition center.

During the period under review, the contracted sales area of the project, comprising apartment buildings, town houses and villas, was 43,507.6 sqm in total and the contracted sales amount was approximately RMB 1,083.2 million.

HAINAN COFCO • HONG TANG JOY SEA

(owned as to 51% by the Group)

The project is located in Hong Tang Wan Tourist Resort District in Sanya, Hainan. It is an integrated resort comprising high-end leisure tourism properties and featured commercial properties.

During the period under review, the contracted sales area of the residential project was 12,631.2 sqm and the contracted sales amount was RMB 260.6 million.

SHANGHAI JING'AN JOY CITY • JOY MANSION ONE

(owned as to 51% by the Group)

The project is located at Suhewan area, Zhabei District, Shanghai. The project is a high-end residential project with well-developed and comprehensive commercial ancillary facilities in the traditional core district in Shanghai.

During the period under review, the contracted sales area of the residential project was approximately 24,149.8 sqm and the contracted sales amount amounted to approximately RMB 2,627.2 million.

SHANGHAI QIANTAN ONE

(owned as to 50% by the Group)

The project is situated in the riverside in Zhonghuan, Pudong, Shanghai. The project will be developed into a model community for high-end quality enhancement project in Qiantan.

During the period under review, the progress of preliminary work of the project was satisfactory.

CHENGDU COFCO PLAZA

(owned as to 69.65% by the Group)

The project is situated in Tongzilin area, Wuhou District, Chengdu, which is the gateway to Financial City and Tianfu New Area of Chengdu.

The project is currently at the preparatory stage, which is initially positioned to be comprised of apartments and ancillary commercial properties.

PROJECT DEVELOPMENT | HOTEL OPERATION

THE ST. REGIS SANYA YALONG BAY RESORT

(owned as to 51% by the Group)

The project is located in Yalong Bay National Tourism and Resort District in Sanya, Hainan, which is a first-class resort area in China. The resort is adjacent to golf club and mangrove conservation area, and is a first-class luxury resort hotel operated and managed by Starwood Group.

The resort occupies a total site area of approximately 204,032 sqm with a total GFA of approximately 90,869 sqm and comprises 373 rooms and 28 villas.

During the period under review, the average occupancy rate of the resort was 66% and the average room rate was RMB 1,820 per room per night, ranking second among its competitors.

MGM GRAND SANYA

(owned as to 100% by the Group)

MGM Grand Sanya is located in Yalong Bay National Tourism and Resort District in Sanya, Hainan, which is a first-class resort area in China. The project is a high-end luxury resort hotel operated and managed by Diaoyutai MGM Group.

The hotel occupies a total site area of approximately 106,999 sqm with a total GFA of approximately 100,900 sqm and comprises 675 rooms in total, including 6 villas.

During the period under review, the average occupancy rate of the hotel was 83% and the average room rate was RMB 1,282 per room per night, ranking second among its competitors.

W BEIJING CHANG'AN

(owned as to 100% by the Group)

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

During the period under review, the average occupancy rate of the hotel was 55% and the average room rate was RMB 1,041 per room per night. The operating revenue increased by 21% year-on-year, with all key indicators recorded a significant increase as compared to 2015.

LAND BANK

4

In 2016, the Group continued to adhere to strategic guiding principles and maintain a balanced development model with the integration of conventional development and low cost expansion. While taking part in competitions in the open market in a positive and moderate manner, the Group gave full play to the advantage as a state-owned corporate to secure land under the strategy of "low cost expansion" through multiple channels such as strategic cooperation, equity merger and acquisition as well as resource revitalisation with an aim to alleviate funding pressure.

FINANCIAL REVIEW

5

Company's Overall Performance Review

The Group acquired 69.65% equity interests in Sichuan China Jiucheng Corporation. As the Group and Sichuan Jiu Cheng in Chengdu came under common control of COFCO Corporation since November 2014 and COFCO Corporation continued to control such companies after completion of the acquisition, the acquisition was deemed as a combination of businesses under common control and accounted for under the principles of merger accounting. Therefore, the financial information of the Group for the year of 2014 and 2015 shall be restated.

For the year ended 31 December 2016, the Group's operating revenue was RMB 6,987.1 million (2015: RMB 5,382.5 million), representing a year-on-year increase of 29.8%, mainly due to the significant increase of revenue due to the outstanding results performance of property development and investment property leasing business.

For the year ended 31 December 2016, the profit of the Group amounted to RMB 1,275.2 million (2015: RMB 959.8 million), of which the profit attributable to the owners of the Company amounted to RMB 797.6 million (2015: RMB 726.1 million). Excluding the change in fair value of investment properties after tax and the change in exchange rate, the core net profit amounted to RMB 599.8 million (2015: RMB 500.7 million), representing a year-on-year increase of 19.8%, of which the core net profit attributable to the owners of the Company amounted to RMB 318.6 million (2015: RMB 302.8 million), representing a year-on-year increase of 5.2%.

Revenue

For the year ended 31 December 2016, the Group's revenue amounted to RMB 6,987.1 million, representing an increase of 29.8% as compared to RMB 5,382.5 million for last year.

	Year ended 31 December				
Revenue by Business Segments	2016		2015 (restated)		Annual change (%)
	RMB'000	Percentage of total revenue (%)	RMB'000	Percentage of total revenue (%)	
Investment properties	3,123,460	44.7	2,656,746	49.3	17.6
Property and land development	2,756,252	39.4	1,506,454	28.0	83.0
Hotel operations	1,010,405	14.5	1,139,411	21.2	–11.3
Property management and related services	96,980	1.4	79,863	1.5	21.4
The Group	6,987,097	100.0	5,382,474	100.0	29.8

For the year ended 31 December 2016, with a view to fully reflect the overall results of its investment properties, the Group presented the revenue related to property management received in relation to its investment property projects, such as management fee, promotion fee, advertisement service fee and car park income, by consolidating it into gross rental income from investment properties. Operating revenue in 2015 has been restated on the same basis. In 2016, the Group's rental income from investment properties and related property management services accounted for 44.7% of the total revenue, representing an increase of 17.6% as compared to the corresponding period of 2015. In particular, the retail rental income from Joy City projects amounted to RMB 2,103.7 million, representing an increase of 21.5% as compared to RMB 1,731.0 million for the corresponding period of 2015, mainly due to the sound operation of Chaoyang Joy City, Tianjin Joy City and Shenyang Joy City with their operating results improved significantly as compared to the corresponding period last year, as well as the increase in revenue contributed by Shanghai Jing'an Joy City (North Tower) and Chengdu Joy City for the first full year after they were put into operation.

Revenue from development and sales of properties and rental income from land development accounted for 39.4% of the total revenue, representing an increase of 83.0% as compared to the corresponding period of 2015. In 2016, settlement area and unit price of settlement were 68,624 sqm and RMB 40,103 respectively, representing an increase of 48.9% and 25.2% as compared to the corresponding period of 2015 respectively, mainly due to the significant increase of revenue resulting from the delivery and settlement of Shanghai Jing'an Joy City • Joy Mansion One and Brilliant Villa.

Revenue from hotel operations accounted for 14.5% of the total revenue, representing a decrease of 11.3% as compared to the corresponding period of 2015. The decrease in the revenue from hotel operations was mainly due to the effect of policy changes from Business Tax to Value-Added Tax and the reason that COFCO (BVI) 97 and Waldorf Astoria Beijing ceased to be consolidated in the Group's consolidated financial statements since 31 December 2015, after COFCO (BVI) 97, which was a then wholly-owned subsidiary of the Group and owned 91.64% interest in Waldorf Astoria Beijing, became a 40%-owned joint venture of the Group following the issue of new shares by the Group to a third party investor who was independent of the Group in December 2015. Revenue from property management and other related services accounted for 1.4% of the total revenue, representing an increase of 21.4% as compared to the corresponding period of 2015.

Cost of Sales and Services and Gross Profit Margin

For the year ended 31 December 2016, the Group's cost of sales and services was approximately RMB 3,226.9 million, and the overall gross profit margin was 53.8%, which basically remained flat as compared to 53.9% for the corresponding period last year. During the year, the gross profit margin of investment properties basically remained flat as compared to last year. During the year, the gross profit margin of property and land development and hotel operations recorded a slight increase, while the gross profit margin of property management and related services recorded a slight decline.

	Year ended 31 December	
Gross profit by business segments	Gross profit margin for 2016 (%)	Gross profit margin for 2015 (%) (restated)
Investment properties	70.8	70.4
Property and land development	40.8	38.1
Hotel operations	38.7	37.7
Property management and related services	33.7	35.6
The Group	53.8	53.9

Other Income

For the year ended 31 December 2016, the Group's other income was approximately RMB 111.0 million, representing an increase of 59.2% as compared to RMB 69.7 million for the corresponding period last year, mainly due to the increase in interest income from bank deposits, interest income form loans to joint ventures and income from government grants.

Other Gains and Losses

For the year ended 31 December 2016, other gains and losses of the Group was approximately RMB -164.2 million, representing a decrease of 164.1% as compared to RMB 256.0 million for the corresponding period last year, which is mainly due to (1) the fact that there is no gain from disposal of subsidiaries in 2016, while gain from disposal of COFCO (BVI) 97 of RMB 579.5 million was recorded in 2015; (2) the consistent depreciation of Renminbi, which is the principal currency for the Group's income, and the exchange loss incurred when part of the borrowings denominated in USD and HKD and notes denominated in USD were translated according to the exchange rates. In order to avoid the exchange loss, in 2016, the Group made early repayment of borrowings denominated in foreign currencies in the amount equivalent to approximately RMB 3,627.4 million to lower the proportion of borrowings denominated in foreign currencies, and disposed the equity interests in certain projects at the consideration settled in USD, as such, the exchange loss has decreased significantly as compared to 2015; (3) the payment of compensation of approximately RMB 20.3 million by COFCO Plaza in relation to the refurbishment of tenants due to its upgrade and renovation.

Fair Value Gain of Investment Properties

For the year ended 31 December 2016, the fair value gain of investment properties held by the Group was approximately RMB 1,006.8 million (2015: RMB 964.1 million). The gain on fair value recorded in 2016 was mainly contributed by Shanghai Jing'an Joy City, Chaoyang Joy City, Tianjin Joy City, Xidan Joy City, Chengdu Joy City, Yantai Joy City, office buildings in Shanghai Qiantan One and Hangzhou Joy City, while the gain on fair value in 2015 was mainly contributed by Chaoyang Joy City, Chengdu Joy City and Hong Kong COFCO Tower. Such fair value gains in 2016 and 2015 were mainly attributable to the general increase in average monthly rents of such property projects as well as the market rental rate of comparable properties.

Distribution and Selling Costs

For the year ended 31 December 2016, the Group's distribution and selling costs amounted to RMB 592.9 million, representing an increase of 3.9% as compared with RMB 570.8 million for the corresponding period last year, mainly due to the increase in promotion fee resulting from the commencement of operation of Shanghai Jing'an Joy City (North Tower) and Chengdu Joy City. Selling and marketing expenses accounted for 8.5% of the total revenue (2015: 10.6%).

Administrative Expenses

For the year ended 31 December 2016, the Group's administrative expenses amounted to RMB 958.6 million, representing a decrease of 1.7% as compared with RMB 975.0 million for the corresponding period last year. 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 13.7% of the total revenue (2015: 18.1%).

Finance Costs

For the year ended 31 December 2016, the Group's finance costs amounted to RMB 704.6 million, representing a decrease of 26.4% as compared with RMB 957.2 million for the corresponding period last year.

For the year ended 31 December 2016, the Group's weighted average borrowing cost rate was 4.31% (2015: 5.58%). The decrease was mainly attributable to the successful issuance of corporate bonds of RMB 3 billion with a fixed interest of 3.2%. The corporate bonds so issued replaced the domestic borrowings with a higher interest, which effectively reduced the average finance costs of the Group. Besides, the Group endeavored to maintain a good relationship with the banks, with an aim to constantly renew the contracts on bank loans in order to reduce the interest rate of loans.

Taxation

For the year ended 31 December 2016, the Group's tax expense was RMB 1,182.1 million, representing an increase of 70.8% as compared to RMB 692.0 million for the corresponding period last year, primarily due to the increase in land appreciation tax and enterprise income tax as a result of the increase in property development revenue in 2016 and the reversal of tax over-provision in prior years made in 2015. In 2016, the effective tax rate of the Group was 48.1% (2015: 41.9%), representing an increase as compared to the corresponding period last year.

Profit Attributable to Owners of the Company

For the year ended 31 December 2016, profit attributable to owners of the Company was RMB 797.6 million, representing an increase of 9.8% as compared to RMB 726.1 million for last year. Basic earnings per share for the year were RMB 0.052, which basically remained flat as compared to RMB 0.053 for the corresponding period of 2015.

Investment Properties

As of 31 December 2016, investment properties mainly included Joy City Projects, Beijing COFCO Plaza, Fraser Suites Top Glory Shanghai and Hong Kong COFCO Tower. As at 31 December 2016, investment properties increased to RMB 50,101.2 million from RMB 46,032.5 million as at 31 December 2015, primarily attributable to the increase in property market value after revaluation, the acquisition of Shanghai Changfeng Joy City project, and the increase in the purchase and construction cost of the investment properties of Shanghai Qiantan One and Hangzhou Joy City Project during the year.

Leasehold Land and Land Use Rights

As at 31 December 2016, leasehold land and land use rights amounted to RMB 896.5 million, mainly including the land use rights of hotels and the land and waters use right of Yalong Bay.

Properties under Development for Sale

The properties under development for sale decreased from RMB 12,342.1 million as at 31 December 2015 to RMB 11,320.6 million as at 31 December 2016, which was mainly due to the transferred-out cost of the completion of the residential project of Shanghai Jing'an Joy City • Joy Mansion One.

Properties Held for Sale

As at 31 December 2016, properties held for sale mainly included the residential properties of Ocean One, the villas and apartments of Brilliant Villa, the office buildings of Tianjin Joy City, the office buildings and Joy Street of Chengdu Joy City. Properties held for sale increased from RMB 2,789.0 million as at 31 December 2015 to RMB 4,641.8 million as at 31 December 2016, mainly because of the transferred-in cost of the completion of the residential project of Shanghai Jing'an Joy City • Joy Mansion One.

Accounts Receivable

As at 31 December 2016, accounts receivable included receivables from sales of properties, rental receivables, property management fee receivables, hotel operation receivables and other accounts receivable. Accounts receivable increased from RMB 133.4 million as at 31 December 2015 to RMB 202.0 million as at 31 December 2016 was mainly due to the increase in rental receivables, hotel operation receivables and property management fee receivables.

Accounts Payable

As at 31 December 2016, accounts payable primarily included trade payables and accrued expenditure on construction including construction cost of properties under construction involving properties constructed for sale and other project-related expenses. Accounts payable increased from RMB 1,236.4 million as at 31 December 2015 to RMB 1,865.9 million as at 31 December 2016 was mainly due to the increase in accounts payable related to construction cost of properties under development for the residential project of Shanghai Jing'an Joy City • Joy Mansion One.

Bank Borrowings

Bank borrowings decreased from RMB 17,334.4 million as at 31 December 2015 to RMB 10,530.7 million as at 31 December 2016, representing a decrease of approximately 39.2%. As at 31 December 2016, all bank borrowings were carried at floating rates and amounted to RMB 10,530.7 million.

Analysis on the Group's bank borrowings is as follows:

Item	31 December	
	2016	2015 (Restated)
	(RMB'000)	(RMB'000)
Carrying amount repayable:		
Within 1 year	2,910,317	2,330,477
With the 2nd year	882,627	3,300,716
Within the 3rd to the 5th year (inclusive)	1,974,868	7,119,361
Over five years	4,762,884	4,583,869
Total	10,530,696	17,334,423

Bank borrowings of approximately RMB 2,910.3 million is repayable within one year and is shown as current liabilities. All the Group's borrowings are denominated in Renminbi. There is no material seasonal impact on the Group's needs for borrowings.

As at 31 December 2016, the Group had banking facilities of approximately RMB 26,289.1 million, of which approximately RMB 15,867.8 million was utilised and all were denominated in Renminbi.

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 the independent third parties at a coupon rate of 3.625%. COFCO (HK), an intermediate holding company of the Company, entered into a Keepwell Deed and a Deed of Undertaking to provide support for 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, which were used for general corporate purposes and to on-lend to the Company for partial payment of consideration in relation to the acquisition of Joy City Projects which was completed on 4 December 2014.

Corporate Bonds

On 14 January 2016, a wholly-owned subsidiary of the Group issued 5-year domestic corporate bonds in the principal amount of RMB 3 billion, which will be due on 14 January 2021, to supplement the working capital of the Group. The corporate bonds bear interest on its outstanding principal amount at the rate of 3.20% per annum payable annually in arrears on 14 January each year. Pursuant to the terms and conditions of the corporate bonds, the coupon rate may be adjusted at the option of the subsidiary from 14 January 2019 on the condition that the subsidiary will have to announce the adjustment to the coupon rate within 20 trading days before 14 January 2019. Otherwise, the coupon rate will remain the same until the maturity date. The holders of the corporate bonds may, on giving notice to the subsidiary within 5 trading days after the announcement of the coupon rate adjustment made by the subsidiary, require early redemption of all or part of such holder's corporate bonds, together with interest accrued but unpaid to such date.

Net Gearing Ratio

Item	At 31 December	
	2016	2015 (Restated)
	(RMB'000)	(RMB'000)
Bank borrowings (current and non-current)	10,530,696	17,334,423
Guaranteed notes	5,540,527	5,171,889
Corporate bonds	3,080,174	—
Borrowings from fellow subsidiaries, ultimate controlling company and non-controlling interests (current and non-current)	2,165,888	2,289,540
Total interest-bearing borrowings	21,317,285	24,795,852
Less: Cash and bank balances	8,791,101	3,276,823
Restricted and pledged bank deposits	36,591	519,157
Net debt	12,489,593	20,999,872
Total equity	41,506,631	33,374,527
Net debt to total equity ratio	30.1%	62.9%

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 successfully issued guaranteed notes of US$800 million for the acquisition of Joy City Projects. In the future, the Group will continue to rely on cash from operating activities and business loans, and will also consider the issuance of bonds or other securities.

As at 31 December 2016, the Group had cash and cash equivalents (including restricted bank deposits and pledged deposits) of RMB 8,827.7 million, mainly denominated in Renminbi, Hong Kong dollars and U.S. dollars (2015: RMB 3,796.0 million).

The Group's net cash inflow for the year ended 31 December 2016 amounted to RMB 5,396.5 million, which included:

Net cash inflow from operating activities of RMB 4,046.6 million, mainly attributable to the proceeds from property sales and deposits received from property presales, the revenue from property leasing, hotel operations, which were partly offset by the payment for land premium and construction costs and taxation;

Net cash outflow from investment activities amounted to RMB 1,071.6 million, primarily attributable to the acquisition of equity interests in Shanghai Gao Xing Real Estate Ltd by the Group, the purchase and construction of investment properties, as well as the purchase of property, plant and equipment, which were partly offset by the recovery of borrowings to associates; and

Net cash inflow from financing activities was RMB 2,421.5 million, primarily attributable to the issuance of corporate bonds, disposal of equity interests in certain subsidiaries, additional borrowings from fellow subsidiaries and additional loans from ultimate controlling shareholder, which were offset by the settlement of bank loans, borrowings from fellow subsidiaries and perpetual capital instruments as well as payment of interests.

Equity and Non-redeemable Convertible Preference Shares

Equity

Issued and fully paid	No. of shares	Amount (HK$'000)	Amount (RMB'000)
Ordinary shares of HK$0.10 each			
As at 31 December 2015 and 31 December 2016	14,231,124,858	1,423,112	1,122,414

As at 31 December 2016, the Company issued 1,095,300,778 non-redeemable convertible preference shares. Save for these non-redeemable convertible preference shares, there are no other issued convertible securities.

Details of movements in equity during the year are set out in Note 38 to the consolidated financial statements.

Pledge of Assets

As at 31 December 2016, the Group's bank and other borrowings were secured by the pledge of the Group's investment properties of RMB 35,213.7 million, fixed assets of RMB 2,675.9 million, properties under development for sale of RMB 5,695.1 million, land use rights of RMB 570.4 million, trade receivables of RMB 25.5 million and bank deposits of RMB 5.7 million.

Contingent Liabilities

As at 31 December 2016, details for the Group's contingent liabilities and non-compliance issues are set out in Note 42 to the consolidated financial statements. The directors of the Company considered, based on the reasons and circumstances of those non-compliances and the PRC legal advice, the Group is unlikely to be subject to any fine, penalty or demolishment or confiscation, and accordingly, no provision has been made in the consolidated financial statements.

Capital Commitments

As at 31 December 2016, the capital expenditure contracted for the purchase and construction of investment properties and the purchase of property, plant and equipment was approximately RMB 1,892.4 million (as at 31 December 2015: RMB 1,539.9 million). The directors of the Company considered that the amount was not material and the Group has sufficient funds to settle the expenditures.

Interest Rate Risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans from ultimate holding company, fellow subsidiaries and non-controlling interests, guaranteed notes and corporate bonds, and also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank borrowings. The Group's policies are to negotiate the terms of the interest-bearing borrowings in order to reduce the interest rates, and explore direct financing at low interest rates such as an issuance of corporate bonds to replace the borrowings at high interest rates.

Foreign Exchange Risk

The daily transaction currency for the principal business operations of the Group is Renminbi. Save for certain bank deposits and notes denominated in foreign currencies, 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 financial environment where it operates and adjust its funding policy accordingly, such as domestic corporate bonds, to act against the change of external environment.

MATERIAL TRANSACTIONS

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On 18 August 2016, the Company entered into the Share Purchase Agreement with the Fund, pursuant to which the Company agreed to sell and the Fund agreed to purchase 49% of the equity of each of the Target Companies (namely Fortune Set, Sunny Ease and Vivid Star) under the Company for a total Consideration of approximately RMB 9.3 billion, subject to adjustment. The total Consideration represents a premium of approximately 22% over 49% of the aggregate equity of each of the Target Companies attributable to the Company (as at 29 February 2016). The transaction was completed on 30 September 2016 at the final consideration of approximately RMB 9.4 billion, which was beneficial for the Company's combination of real estate asset management, brand development and efficient capital management while improving its financial position.

For details, please refer to the announcements dated 18 July, 29 July and 18 August 2016, and the circular dated 24 August 2016 of the Company.

EMPLOYEES AND REMUNERATION POLICIES

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For the details of employees and remuneration policies of the Group during the year, please refer to the "Environmental, Social and Governance Report".

OUTLOOK

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Looking forward to 2017, from the perspective of the economic structure, although new growth dynamics including new technologies, products and formats will continuously undergo a rapid growth, its proportion in economic sector accounts less than 20% which hardly poses a significant influence to real estate industry. The intricate political and economic environment in the world will pose direct impact on the foreign trade economy of the PRC whereas the significance of domestic consumption and investment demand to maintaining a stable macro economy is getting more apparent. And the acceleration of new urbanization and integration of regional economy will, under such macroeconomic environment, bring favorable predominance to long-term development of commercial real estates. Therefore, the Company will place its emphasis on better exploring potential business opportunities for commercial real estates, enhancing both its competitiveness and operational effectiveness in commercial real estate projects.

Looking forward, the Group will seize the new opportunities arising from industry consolidation. Moreover, the Group will continue to maintain the two-wheel-drive development strategy of holding and selling properties under a balanced approach and uphold the business approach of "system optimization, quality and efficiency enhancement, innovation and change and compulsory enforcement". From the perspective of enhancing quality and efficiency, we will strive to enhance consumer experience by continuously developing the O2O e-commerce platform and elevate the resource utilisation efficiency by revitalizing its asset stock with asset securitization. Moreover, benefiting from the cross-sector cooperation and business upgrade, our comprehensive competitiveness will be enhanced with continual consolidation and improvement will be achieved in brand influence, business innovation and resources integration of "Joy City" urban complexes in the industry. Under our profound financial ideology of "general asset management", we will achieve admirable transformation against the industry's new normal and build Joy City a long-lasting brand in the property industry in the PRC.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

The following sets out the profile of the Directors and senior management of the Company as at the date of this Annual Report:

EXECUTIVE DIRECTORS

Mr. ZHOU Zheng, aged 54, was appointed as an executive Director with effect from 28 August 2012. He was also appointed as the chairman of the Board and chairman of the nomination committee and resigned as a member of the Remuneration Committee since 19 December 2013, the chairman of the Executive Committee since 26 August 2014, and the general manager of the Company with effect from 17 February 2016.

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 was a non-executive director of CPMC Holdings Limited (stock code: 00906), a company listed on the Main Board of the Stock Exchange from June 2008 to February 2016.

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 of the PRC 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. CAO Ronggen, aged 53, was appointed as an executive Director, a member of Executive Committee and a member of Remuneration Committee with effect from 7 December 2016.

Mr. Cao, joined Shenzhen Baoheng (Group) Co., Ltd. (was acquired by COFCO Corporation and renamed as COFCO Property (stock code: 000031)), a company listed on the Shenzhen Stock Exchange, in July 1988. He was an assistant engineer of Shenzhen Baohing Electric Wire & Cable Manufacture Co. Ltd.. He worked at various departments of Baoan Country City Construction Development Company, such as managerial office department, from January 1992 to August 1993. He was the securities department manager of COFCO Property from September 1993 to November 1998, the board secretary of COFCO Property from December 1998 to June 1999, the manager of Shenzhen Baoan Fuan Industrial Co., Ltd ("Baoan Fuan Industrial") from February 1999 to November 2000, the general manager assistant of COFCO Property and the manager of Baoan Fuan Industrial from December 2000 to June 2002. He had been the deputy general manager of COFCO Property since July 2002 to November 2016.

Mr. Cao graduated from Harbin Institute of Technology in the PRC, with a bachelor's degree in engineering.

NON-EXECUTIVE DIRECTORS

Ms. WU Xiaohui, aged 56, was appointed as a non-executive Director with effect from 11 June 2015.

Ms. Wu joined COFCO Corporation in August 1986 and had served in various positions. She was a director of the finance department of COFCO Corporation from July 2000 to February 2002 and was the chief financial officer of COFCO Corporation from February 2002 to November 2012. She has been the vice president of COFCO Corporation since November 2012, mainly responsible for financial businesses of COFCO Corporation. Ms. Wu is a non-executive director of Xingda International Holdings Limited (stock code: 01899), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Ms. Wu was also the external supervisor of Industrial Bank Co. Ltd (stock code: 601166), a company listed on the Shanghai Stock Exchange, from June 2006 to October 2013. Ms. Wu has obtained a qualification certificate as a senior accountant and has over 30 years of experience in finance and accounting.

Ms. Wu received a bachelor's degree in economics from The First Branch Campus of Renmin University of China (中國人民大學一分校) in July 1986 and a master's degree in economics from the Capital University of Economics and Business (首都經濟貿易大學) in July 2002.

Mr. JIANG Chao, aged 58, was appointed as a non-executive Director with effect from 16 January 2017.

Mr. Jiang joined COFCO Corporation in June 1994 and had served in various positions. He was a general manger of training division of human resources department of COFCO Corporation from August 2000 to October 2007, a deputy director of human resources department of COFCO Corporation from October 2006 to October 2007, a deputy general manager and the general manager of human resources department of China Agri-Industries Limited from October 2007 to January 2014, and a deputy general manager of COFCO Trading Limited from January 2014 to October 2016.

Mr. Jiang holds an Executive Master of Business Administration from Cheung Kong Graduate School of Business in the PRC (中國長江商學院) in 2007.

Mr. ZENG Xianfeng, aged 49, was appointed as a non-executive Director and a member of Audit Committee with effect from 16 January 2017.

Mr. Zeng joined COFCO Corporation in September 1996 and had served in various positions, including a manager of finance department and a deputy general manager of COFCO Futures Co., Ltd. (中糧期貨有限公司) from September 1996 to January 2006, a deputy general manager and executive deputy general manager of the oilseeds division of China Agri-Industries Holdings Limited ("China Agri-Industries") and a deputy general manager of finance department of China Agri-Industries from January 2006 to July 2012, the general manager of the oilseeds division of China Agri-Industries from July 2012 to August 2014, and a deputy general manager of China Agri-Industries from March 2014 to November 2016.

Mr. Zeng has professional qualification certificate in finances, accounting and futures and holds a Bachelor's degree in Economics and a Master's degree in Economics from Beijing Technology and Business University.

Mr. JIA Peng, aged 56, was appointed as a non-executive Director with effect from 16 January 2017.

Mr. Jia joined China National Native Produce and Animal By-Products Import & Export Corporation (中國土產畜產進出口總公司), a member of COFCO Corporation, in 1993 and had served in various positions, including the general manager of China TuXi Africa SanLi Co., Ltd (中國土畜非洲三利有限公司), a deputy general manager of China Feed Import and Export Corporation (中國飼料進出口公司), the general manager of China's native products of Yunnan Tea Import and Export Company (中國土產畜產雲南茶葉進出口公司), the general manager and chairman of Yunnan Chinese Tea Industry Limited (雲南中茶茶業有限公司), the deputy general manager and general manager of China Tea Limited (中國茶葉有限公司). Mr. Jia had been the general manager assistant of China National Native Produce and Animal By-Products Import & Export Corporation since March 2012. Mr. Jia is currently the chairman of Xiamen Tea Import & Export Co., Ltd. (廈門茶葉進出口有限公司), Fujian Tea Import & Export Limited (福建茶葉進出口有限責任公司), Fujian Quanzhou Ruilong Tea Industry Co., Ltd (福建泉州瑞龍茶業有限公司), Hunan Chinese Tea Industry Limited (湖南中茶茶業有限公司), Yunnan Chinese Tea Industry Limited (雲南中茶茶業有限公司), Guangxi Chinese Tea Industry Limited (廣西中茶茶業有限公司), and Hunan Monkey King Tea Industry Limited (湖南猴王茶葉有限公司).

Mr. Jia received a bachelor's degree in arts from Anhui University (安徽大學) in July 1983.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Hon Chuen, Ambrose, *GBP, JP*, aged 69, 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
China Jinmao Holdings Group 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
Brightoil Petroleum (Holdings) Limited	00933	independent non-executive director
The People's Insurance Company (Group) of China Limited	01339	independent non-executive director

Mr. Lau is also a director of OCBC Wing Hang Bank, Limited, OCBC Wing Hang Bank (China) Company Limited, Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Cinda Financial Holdings Co., Limited, Chu & Lau Nominees Limited, Sun Hon Investment and Finance Limited, Wydoff Limited, Wytex Limited, Helicoin Limited, Wyman Investments Limited, Trillions Profits Nominees & Secretaries Services Limited & Polex 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 obtained a Bachelor of Laws Degree from University of London in 1969. 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 61, 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 was the senior vice president of the Enterprise Solutions Commercial Group of HKT Trust and HKT Limited (stock code: 06823), 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 84, 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 49, 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 50, 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. LI Wenyao, aged 53, was appointed as a deputy general manager of the Company with effect from 25 August 2015.

Mr. Li worked for COFCO Corporation from June 1993 to March 2012. From April 2012 to April 2015, he was the first secretary of Commercial Office of Embassy of the People's Republic of China in the Republic of Portugal. He has more than 20 years of experience in human resources and administration.

Mr. Li obtained a bachelor's degree in Economics from the University of International Business and Economics in July 1986.

Ms. XU Hanping, aged 50, 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.

Environmental, Social and Governance Report

The Group is convinced that sound performance in the area of environmental, social and governance ("ESG") is vital to the Group's businesses and the sustainable development of the communities in which the Group operates. Not only do we strive to deliver strong financial performance, but we are also committed to enhancing environmental protection, social responsibility and effective corporate governance.

The Board is responsible for the ESG strategies and reports of the Group. We have formed an ESG working group, comprising the management staff and employees of various functional departments. Through review on the Group's operations and internal discussion, the working group identifies relevant ESG issues and assesses the significance of such issues to the businesses and stakeholders of the Group. Those significant ESG issues so identified are incorporated into this ESG report as required by Appendix 27 to the Listing Rules (the "ESG Reporting Guide").

The table below sets forth the ESG issues which are considered to be material to the Group based on the assessment by the ESG working group, and the scope of the ESG Reporting Guide covered by such issues. This ESG report primarily covers the policies, measures and performance of the Group during the period from 1 January 2016 to 31 December 2016 (the "Year"):

Scope of the ESG Reporting Guide	Significant ESG issues of the Group
Environmental	
Emissions	Control system of energy conservation and emission reduction as well as emission management
Use of Resources	Formulating standards of energy conservation and emission reduction as well as implementing measures on energy conservation refurbishment
The Environment and Natural Resources	Developing green buildings and promoting the green and low-carbon life concept
Social	
Employment	Equal recruitment and talent-oriented
Health and Safety	Emphasising safety and safeguarding health
Development and Training	Smooth development channels, diversed training system and care for employees
Labor Standards	Protecting labor rights and eliminating child labors
Supply Chain Management	Revising systems and procedures and introducing tripartite assessment
Product Liability	Building confident environment and emphasising customer experience
Anti-corruption	Anti-corruption mechanism and monitoring procedures and anti-corruption education and trainings
Community Investment	Caring donation and poverty alleviation

Environmental

The Group upholds the principle of "protecting and improving the environment, safeguarding human health and facilitating sustainable development of the economy and society". It actively fulfils the environmental responsibility and complies with the environment-related laws and regulations. The Group insists on implementing green strategy and consistently enforces the environmental protection system in every stage of corporate management. Besides, it strives to achieve the ultimate goal of green development relying on the innovation of environmental technologies and actively participates in "clean water and blue sky" (碧水藍天) campaigns.

Emissions

The Group actively promotes the operating principle and policy of low carbon and environmental protection with an aim to push forward the process of energy conservation and emission reduction by constantly improving the control system of energy conservation and emission reduction and carrying out emission management and control. In 2016, the Group established dedicated teams for energy conservation and emission reduction and prepared the "Manual of Joy City on Energy Conservation and Emission Reduction" (2016 Edition), which provides practicable operational standards to various units of the Group in respect of energy conservation and emission reduction and regulates and guides the commencement of relevant works within the Group. Moreover, the Group strictly monitors the emission status to minimise the impact of emissions on the environment through active and effective control.

Emission Management

Wastewater Discharge

The sources of the Group's wastewater are mainly from public green areas, air conditioning systems, toilets, etc.. The Group implements strict monitoring and control over the above wastewater discharge in order to control the discharge of sewage.

Greenhouse Gases Emission

The Group's emission of greenhouse gases is mainly from purchased electricity. The Group actively pushes forward the energy conservation refurbishment to reduce the emission of greenhouse gases and protect the green ecological environment.

Solid Waste

All of our commercial real estates have commissioned professional companies to clean up solid waste while carrying out sorting recycling for recyclable materials and harmless treatment for hazardous waste.

Use of Resources

The Group constantly facilitates the implementation of energy conservation and emission reduction. The Group implemented a series of measures including energy conservation refurbishment, use of clean energy and raw materials, application of advanced technology and equipment, improvement of management and comprehensive utilisation of resources. All these measures fully enhanced the efficiency of resources utilisation, reduced energy consumption at source and protected resources. As a result, the electricity consumption registered a year-on-year decrease of 9.57% over 2015 whereas the average electricity consumption decreased by 23.4% and achieved industry-leading level comparing with our counterparts.

Standards for operational management stage

- Establish relevant systems and procedures, such as energy conservation management system, construction projects management system and operational management system to ensure energy conservation and emission reduction of projects;
- Standards for self-assessment report on Joy City's energy conservation and emission reduction;
- Standards for commercial project equipment maintenance;
- Standards for review on energy of Joy City;
- Standards for energy conservation management of property equipment operation;
- Standards for energy conservation management of central air-conditioning system.

Standards for energy conservation refurbishment stage

- Compare the high energy-consuming equipment adopted in commercial projects held by the Group with those in the elimination list set out in Notice No. 14 issued by Ministry of Industry and Information Technology of the People's Republic of China, so as to gradually replace the existing equipment;
- Provide advanced technical proposals for energy conservation and emission reduction so that each project can take reference of relevant proposals according to their specific needs.

Saving water

In order to reduce wasting water resources and to value, cherish and save water, we will conduct daily maintenance and management of water-supplying equipment, and examine and replace obsolete water pipes and other water facilities on a regular basis, thus refraining from leaking and "leaving the water tap on". We will also actively focus on water conservation refurbishment while vigorously promote the use of water-saving switches and sanitary wares.

Saving paper

We encourage double-sided printing and amendments on soft copies to avoid wasting paper, as well as implement measures on waste paper recycling and reuse.

Saving electricity

We will ensure that lighting, air-conditioners and computers are timely switched off when not in use. We will also encourage the air-conditioners in offices are set at the energy-saving mode of 26℃ and actively promote the improvement and use of energy-saving equipment.

Tianjin Joy City

In addition to ensuring the overall lighting demand met during business hours, Tianjin Joy City adjusted the lighting hours of public areas according to the length of daytime during the whole year. In order to maintain the overall comfort, Tianjin Joy City adopted energy-saving measures such as reasonably adjusting the outflow water temperature of the air-conditioner according to the changes in outdoor temperature and humidity and the demand of indoor cooling load. The energy consumption for the year decreased by approximately 3.02% as compared to the corresponding period last year.

Chengdu Joy City

Chengdu Joy City flexibly adjusted the operating hours of air-conditioning systems according to the changes in seasons, weather and floor temperature. Ventilation system was switched on or off according to changes in passenger flow and traffic flow; while the lighting of the basement was replaced with 11W light tubes with 17 kWh of electricity saved for each light tube on average.

Shenyang Joy City

Ordinary lightings used in light boxes signage were replaced with LED lamps, thereby reducing electric power consumption by over 10KW/h. T5 lighting belt along the balustrade in Zone B were replaced with LED lamps, thereby reducing electric power consumption by over 30KW/h; Lighting belt used for escalator decoration were replaced with LED lamps, thereby reducing electric power consumption by over approximately 20KW.

Yantai Joy City

Yantai Joy City made improvements on the mainframe of the air-conditioning system, thereby increasing the overall operation efficiency of the unit by approximately 3%. During winter, the project pre-heated return water in the heating supply system, thereby raising the temperature of such water by approximately 2% and increasing the heat supply efficiency of direct-fired units by approximately 3%.

The Environment and Natural Resources

The Group has been concerning reducing the impact of operation on environment and natural resources. It puts environmental protection in practice in consideration of its own business features while developing green buildings and promoting the green and low-carbon life concept. Meanwhile, it accelerates the green development process and leads a sustainable development approach for the environment in the industry.

Developing green buildings

Adhering to the principle of "developing green buildings", Joy City has successively conducted energy-saving work for green buildings regarding the projects held under the Group since 2012, which has promoted the concept of green property design and improved the indoor environment quality. Meanwhile, the planning and design department of the Group has improved and enhanced the green energy-saving management model and experience in project operation regarding property design stage to control the amount of building materials used through green design in real practice, so as to achieve "green development through energy conservation".

- Apart from promoting the improvement of indoor environment quality, Chaoyang Joy City achieved an energy saving amount of RMB 5 million per year through a long period of testing, adjustment and upgrade since 2012. In addition, Chaoyang Joy City has created demonstration projects for energy management system, which objectively judges the energy conservation level of projects with the data collected, thereby providing a quantitative and reliable base for the proposal, implementation and review of energy-saving management measures.

- Shenyang Joy City has commenced the improvement of indoor environment quality during winter since 2015. Currently, the comfort level of indoor environment has been substantially improved. Shenyang Joy City will also optimise systematic energy conservation in the future. To date, enhancement of comfort level of indoor environment and green energy conservation in Shanghai Jing'an Joy City has also commenced smoothly.


LEED

COFCO LANDMARK

Beijing, China

PRE-CERTIFICATION

PLATINUM

SUCCESSFUL CASE

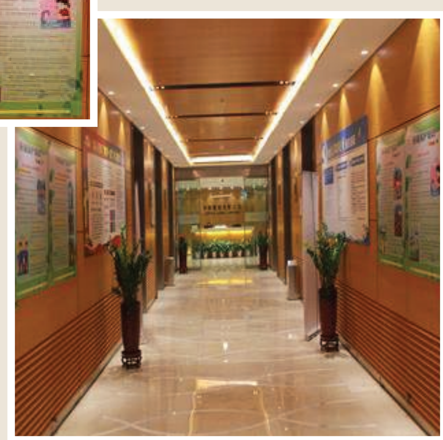
Obtaining Green Building Certification

The Group is committed to promoting the construction and upgrade of its green buildings, while continuously pushing ahead the development of the COFCO• Landmark Tower Project, with a view to building it into a highly efficient and environmentally-friendly green building project that is in line with national and international standards.

The technological highlights of this green building project include high-efficiency curtain wall system, efficient refrigerating system, high-efficiency cooling resources, high-efficiency transmission and distribution system and energy-saving technology for air-conditioning system. Based on the simulated calculation of energy-saving rate versus energy consumption, the energy-saving rate of the building is at least 14%. Featuring high indoor air quality and fresh air volume and utilisation of unconventional water resources gained through water-saving appliances and rainwater pools, the project was awarded LEED-CS and Platinum Pre-certification for design phase in the U.S..

Promoting green and low-carbon life

Our commitment regarding the environment and the future is to insist on integrating the concept of energy conservation and low-carbon level into our operation and services. We will focus on developing a low-carbon working habit within the Group through specialised training on energy saving and emission reduction, putting up posters for energy saving and environmental protection and issuing relevant initiatives. By doing so, we hope to encourage our staff to play an active role in "saving a drop of water, a unit of electricity and a piece of paper" campaign. Accordingly, we will be able to promote the idea of "starting from small details and actions" regarding conservation. Besides, the Group promotes green travelling to reduce the pollution of exhaust gas emission. We will also actively participate in social promotion on the concept of low-carbon level and launch themed activities such as "green development through energy conservation" and "green development by leading a low-carbon and innovative life", in order to put green production and green lifestyle into practice together with our citizens.



SUCCESSFUL CASE

Beijing marathon

In order to promote a healthy lifestyle and encourage low-carbon travelling, the Group organised a pastoral marathon under the theme of "Joyful Health, Joyful Life" at COFCO Farm during the "Energy Saving and Emission Reduction Week" in June 2016, attracting nearly 300 members of Joy City to participate in the event. The activity has successfully conveyed the low-carbon life concept of "green travelling and healthy life" to consumers of Joy City.

Social

While committed to promoting long-term internal development in a highly efficient manner, the Group also serves as a role model in leading the industry and stakeholders to fulfil their social responsibilities, which has created more possibilities and greater long-term values for the stakeholders and achieved a win-win situation by joining hands with them. Besides, the Group also shows concern for its staff by safeguarding their rights and interests and creating valuable development opportunities and resources for them. Supply chain is monitored and reviewed, seeking to achieve a win-win situation through cooperation with suppliers. Moreover, by upholding the customer-oriented principle, the Group strictly controls the quality of products, fulfils its product responsibilities and hence creates a more refreshing and caring experience for its customers. Meanwhile, the Group has also formulated relevant policies on anti-corruption and conducted reviews within the Company to avoid the risk of corruption. It also strives to provide more opportunities and possibilities to communities in which it operates by participating in public welfare activities, with a view to promoting development of the communities with its workforce and facilitating the sustainable development of enterprises and the society through cooperating with various stakeholders.

Employment

Upholding the belief of "contributing to business development and increasing the return of human resources" and adhering to the people-oriented principle, the Group has established a personnel selection mechanism based on the multi-dimensional approach of "Selection, Employment, Development and Retainment". The mechanism helps to ensure equal employment opportunities, diverse recruitment channels as well as protection of staff's rights and interests, which has enabled the Group to attract and establish a competent and highly efficient staff team to facilitate growth of both the company and its staff. As of the end of 2016, the Group had 6,075 employees.

Committed to providing equal employment opportunities: The Group, with sound recruitment process in place, guaranteed that its recruitment will be conducted in a fair and transparent manner, so as to provide an equal career platform and equal opportunities for applicants of different races, genders and educational backgrounds to commence a good career start.

Establishment of diverse recruitment channels: The Group cooperated with recruitment websites such as Zhaopin.com (智聯招聘) and Ganji (趕集網), so as to attract talents through proactive recruitment strategies targeting both school campuses and the society.

Protection of legitimate rights and interest of its staff: The Group attaches great importance to the protection of rights and interests for employees, and strictly complies with the relevant provisions of national and local employee rights and interests. The Group adopts a fair and reasonable remuneration incentive scheme and optimises the performance assessment system and social welfare scheme on an ongoing basis. It implements a policy of "equal pay for equal work", pursuant to which the same welfare project scheme will be provided to all staff that have entered into labor contracts and established labor relationships. The Group also provides a remuneration package that offers a higher wage rate than the local minimum wage standard to its employees. According to national and local policies, the Company and all of its enterprises have maintained social insurances and strived to provide competitive remuneration benefits for its staff, so as to build up a stable and quality team of talents that operates efficiently.

According to the Mandatory Provident Fund Schemes (the "MPF Scheme"), the Group offers retirement benefits and medical insurance to employees in Hong Kong. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the Group and its employees are each required to make contributions at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the MPF Scheme vest in employees immediately. In the PRC, the Group pays a monthly pension insurance based on a certain proportion of the employee's social security base in accordance with the laws and regulations of the relevant provincial and municipal governments in the PRC. When an employee reaches the statutory retirement age, he/she can collect a basic pension from social security departments and enjoy the benefit of basic pension insurance for the protection of basic livelihood after retirement. In addition, to further motivate the employees and to enhance the Group's cohesiveness and competitiveness, the Group has also established a multi-level pension insurance system and introduces an "Enterprise Annuity" supplementary pension plan to the eligible subsidiaries so as to better protect employees' living standard after retirement.

Health and Safety

The Group always places the fulfilment of health and safety responsibilities as its top priority for ensuring business survival and development. In this regard, it actively builds up a safe and harmonious environment for development, strictly abides by the relevant laws and regulations and enhances its safety and health management, with a view to creating a secure and safe working and shopping environment for promoting more harmonious and sustainable development of the company.

Ensuring Well-being of its Staff

The Group always cares about the occupational health of its staff and makes consistent efforts in improving the safety and health management system. It has established a physical examination system for new staff upon joining of the company, while regular physical examinations will be conducted for existing employees on annual basis. The Group maintains personal health records for all its staff, in particular, physical examination reports will be kept in their respective records after the examination. The Group also provides its staff with pleasant working conditions and environment to ensure that they are well protected during their term of employment with the Company.

Fostering a Safe Environment

The Company has always adhered to "people-oriented" and "Life is most valuable" philosophy and is committed to developing a safe and comfortable working and shopping environment. The Company initiated various activities such as safety training, safety inspection, safety awareness education and emergency drills and competency competitions to ensure the safety of life and property of our staff and customers. Meanwhile, the Company actively developed activities targeting to establish itself as the role model enterprise for safe production and thus fostering a safer and more harmonious living and working environment, as well as a safe, reliable and cozy shopping environment for customers and also providing the Company with favorable conditions for achieving sustainable and healthy development.

Safety Inspection: The Group conducts targeted potential safety risks investigation, including 24-hour regular inspection, centralized inspection in headquarters during spring and autumn, daily random inspection, special inspection and seasonal inspection, with a view to identify and eliminate potential safety risks in a timely manner and thus effectively preventing various kind of accidents.

Safety Training: The Group implements the All-staff Safety Training Programme, with an aim to integrate safety training into work in relation to the "One Position with Dual Responsibility" system, thereby creating a working environment that "All staff are aware of and maintain safe operation (人人講安全、人人維持安全)". During the year, 933 trainings were organized by various units with 45,291 participants attended.

Fire Safety: The Group builds up and refines the dynamic management system for basic information on fire safety for Joy City Projects and hotel operations, and commences visual management of fire safety, thus initially achieving regulated, standardized and visualized management of equipment and facilities such as use of labels, host computers, blueprints and ledgers.

Food Safety: The Group establishes and optimizes the risk control system for food safety and also develops key control points and dynamic grading management for food safety of F&B services. Moreover, the Group implements strict requirements on F&B tenants' qualifications. Comprehensive inspection will be conducted on F&B tenants and a comprehensive supervision system will be established covering all stages from procurement, entering stores, inspection to sales. The Group also holds regular special training and evaluation with a focus on the control in weak areas and control points, which ensures the food safety of consumers and safeguards food safety operation.

SUCCESSFUL CASE

Promotional Event — "Safety Production Month"

In order to lift up the safety standard of Joy City, the Group initiated a special event named "Safety Production Month" in June 2016 to identify and address potential safety risks, launch safety training, safety knowledge competition, fire safety skills and emergency drills at the Group level, which further fulfilled its safety responsibility. As a result of the event, the safety awareness was strengthened and the safety standard was enhanced, developing a satisfactory atmosphere of "strengthening the rule of law and ensuring safety production". The Group was awarded the titles of "Advanced Unit of 2016 National Safety Month and Safety Miles" issued by the Safety Production Commission of the State Council.

Staff Training and Development

The Group highly values staff training and development. The Group has established a professional learning team with multiple dimensions and channels by building up constantly innovative learning organisations. Besides, the Group provides appropriate career development training courses to staff working on different positions and encourages active learning among our staff so as to ensure the knowledge of our staff can be kept updated and provide them with promising career opportunities and a satisfactory workplace.

One Star

Future Stars: During the "May 4 Youth Festival Parade", the Group organised a thanksgiving event for the staff of Future Stars Training Program to encourage new recruits to adapt to the change in role and quicken the integration into working life.

Two Golden

Golden Helmsman: 36 trainees were selected from 70 managers via internal referral to participate in targeted trainings and 12 out of the 36 students were promoted, representing a promotion rate of 33%.

Golden Seed: Trainees were selected by the Group to receive professional trainings, upon which 20 of them were promoted, representing a promotion rate of 47.6%.

Three Teams

Team Members Training: In 2016, the Group sent a number of young talents to the Outstanding Project of the Group (本集團優秀項目) for training. Up to now, there are a total of 18 people who received trainings under the Team Members Training.

Feedback from trainees of Team Members Training

Working at Strategic Operations Department was very down-to-earth. I gained solid experience in the property industry and found answers to difficult jargons and specialised issues. It's been a rewarding experience!

Yu Yong, Strategic Department

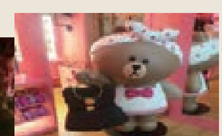
Feedback from trainees of Team Members Training

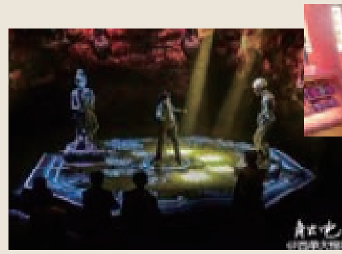
The experience and knowledge that I gained from Team Members Training have encouraged me to view work and life with a more positive attitude. I feel like becoming passionate about work and gained wisdom having gone through the on-the-job trainings.

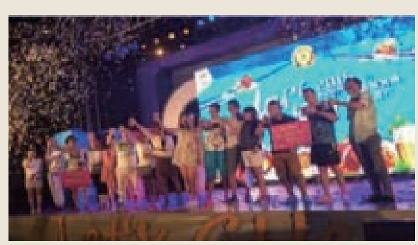
Gu Jie, Budget and Contract Department

Team Members Competition: Shanghai Changfeng Joy City carried out internal selection and provided 19 positions. A total of 46 staff from all branches signed up for the selection. 23 outstanding reserve talents were allocated to the project.

Team Members Swapping: During the year, a total of 20 Team Members Swapping, an employee development program, were conducted and the participation from urban companies reached 100% for the first time.







SUCCESSFUL CASE

Golden Podium

The Group integrated the current teaching system, syllabus design, institutional system and selected projects to promote the establishment of the business school.

The Group organised an internal trainer competition. Through the mashup of competition and training and the mix of online and offline learning (80 trainees with 42 cumulative study hours), 30 junior internal trainers and 20 intermediate internal trainers were selected, and 2 out them were officially awarded the "Top 100 Excellent Lecturer in China" (全國百強好講師) from China Training.

Landmark Intelligence show

The Group endeavors to provide employees with exclusive training programs and learning platforms for professional public lectures. A total of 15 sessions were held throughout the year. To integrate online and offline resources, innovative learning mode is adopted, such as online sharing with urban companies by video connection, aiming to promote employees' development and individual growth.

Labor Standards

During the reporting period, the Group strictly complies with the management policies under the relevant international and national standards, laws, rules and regulations, or those of the places where it operates in respect of child labor and forced labor prevention. Adhering to employ our employees in accordance with laws, we have developed necessary procedures of information collection and approval of recruitment to ensure labor standards are implemented and executed.

Supply Chain Management

Under the guidance approach of "precision management, enhancement of quality and effectiveness, reinforced transformation, pursuing tradition and making innovation" and according to the Group's "13th Five Year" strategic plan, the Group has adjusted the tender and purchase management system to strengthen centralised purchase. Moreover, quality assessment by a third party is introduced and inspection of construction has commenced. We collaborated with suppliers and working partners to develop a system of supply chain management with integrity to ensure the fairness, safety and high efficiency of the supply chain.

Strengthen centralised purchase: "Administrative measures for the centralised purchase management of Joy City Property (大悅城地產集中採購管理辦法)" was issued and prepared by the Group to ensure successful implementation and application of centralised purchase. By joining the associated purchase campaign run by China Urban Realty Association (中城聯盟), centralised purchase of a total of 9 items of materials was completed and the categories of centralised purchase of the Group were increased to 19 items, enabling the Group to maintain a leading position in terms of centralised purchase within the industry.

Third party assessment: The Group has introduced an industry-leading third party quality evaluation agency and commenced the respective assessment on the supply of certain modelling commercial property companies (標杆商務地產企業). A total of 19 project evaluation summary reports, 11 urban company evaluation reports and an overall evaluation report of the Group were prepared, promoting the improvement of our supply chain system.

Commence construction inspection: The Group has made a comprehensive and specialised inspection on the tenders and purchases of 13 urban projects. A comprehensive quantitative assessment is carried out on the tender agency and staffing for the construction, and the actual condition of construction and the compliance, facilitating a responsible supply chain management system for the Group.

Product Responsibility

In addition to the strict compliance of the requirements of the relevant laws and regulations, the Group always persists in the concept of "customer-demand oriented". Brand positioning in young and fashionable customers, we continue to transform and innovate service model, create a safe and healthy shopping environment for customers and provides high-quality products, services and projects, increasing customer satisfaction constantly.

Create fashionable lifestyle

"New Fashionable City (時尚新城)" is the brand essence of the Group. Adhering to the policy of innovation and transformation, the Group expects to develop a leading brand industry. Further, we create a leading fashion trend of an era, gather various trendy brands, develop a fashionable shopping environment and strive to inspire youngsters in change of lifestyle in an advanced manner.

Select brands: We have developed a module brand base with more than 300 domestic and foreign renowned fashion brands featuring modernity, trendiness and designs. To cater to the emerging middle class aging between 18 and 35 and pursuing quality of life with a strong brand consciousness, we deliver innovative and trendy products and services, striving to lead a fashionable and trendy lifestyle.

Develop a fashionable environment: We adhere to the concept of fashionable lifestyle. Various distinctive fashionable shopping environments are developed based on the on-site conditions of Joy City shopping centers in different areas throughout China, endeavoring to attract more youngsters by a comfortable and leisure shopping atmosphere.

Value Customer Experience

The Group advocates the service philosophy of "Enjoy what brings you joy" (享你所享　悅你所悅) and maintains constructive communication with its customers. It keeps abreast of customers' demand on an ongoing basis, so as to maintain creativity and energy of its services and comprehensively enhance customers' comfort level in its shopping centres. If the Group is aware of any violation against the relevant legal requirements on its products and/or services, the Group will take necessary measures to correct those actions and immediately inform the relevant department of the deadlines for such rectification.

Shenyang Joy City
"LOVEPARK" Themed Pedestrian Street

Tianjin Joy City
IF Street and Queen Park (皇后公園)

Beijing Xidan Joy City
a cool styled building featuring a glass-topped square (天幕廣場), a central stage and the Asia's longest 6-storey escalator

Hangzhou Joy City
the only Joy City project with river-front view and a canal port in China

- Improve traditional business model by establishing mobile-end service channels, such as WeChat public account, APP, etc., so as to provide customers with more convenient experience and services.
- Continue to develop membership system and improve service quality. By strengthening the protection for members' rights and interests in the appropriate aspects, the Group provides members with better rewards during the operation of its shopping mall, for instance, points earned from certain projects can be used to settle car parking fees.
- Maintain communication with customers through various channels, such as company website, telephone, direct mail and marketing materials. It has also built up an effective mechanism for customers to raise their suggestions, opinions and questions through faster and smoother procedures.
- Integrate leisure and entertainment elements into its businesses, such as ice-skating club, cinema, beauty salon and fitness center, so as to provide one-stop shopping experience to fulfil all ranges of demand of the young customers.
- Value security of customers' privacy. Personal information of customers is encrypted to ensure high level of security of their information.
- Pay extra attention to ensure the authenticity of advertisements and adopt stringent measures to combat false advertisement, so as to ensure that customers can enjoy the same shopping experience as described in the promotion.

SUCCESSFUL CASE

Launch of Joy City APP, targeting young customers via online marketing

In order to provide better shopping experience to the customers, we have launched both WeChat public account and APP, so that customers can get information about Joy City more directly and conveniently and enjoy our online convenient services. These have greatly enhanced customers' shopping experience as well as our service quality and professional capability.

Anti-corruption

The Group continues to develop an honest practice that is recognised by all staff. Effective monitoring measures and stringent monitoring system have been adopted to ensure compliance with the requirements of relevant laws and regulations. Moreover, the Group continues to promote anti-corruption education, with a view to foster an honest culture with self-awareness, self-discipline and self-control, which has enabled the Group to achieve zero corruption risk among the Company and the employees.

Anti-corruption Mechanism and Monitoring Procedures

In order to strengthen the establishment of anti-corruption system, eradicate illegal behaviors and maintain a team of honest staff, the Group strictly complies with the requirements of the anti-corruption system of the government and the Party and cautiously formulates the anti-corruption system for internal use after taking into account the condition of the Company.

We always give special attention to our anti-corruption work. On the basis of our comprehensive anti-corruption system, we continue to optimise organisational structure and staffing, step up efforts in anti-corruption monitoring of the Company, so as to ensure the prevention and control of the occurrence of corruption in key areas and key procedures and effective regulation of the use of regulatory power. The establishment of monitoring mechanism has effectively promoted the development of good practice in the Company and facilitated the sound and rapid development of the Group.

Effectiveness of Anti-corruption Education and Training

We have devoted considerable efforts in launching anti-corruption education and pushing forward the work in relation to anti-corruption, with an aim to cultivate anti-corruption awareness in every employee's mind. We have also adjusted our governance style, seeking to nurture a positive working attitude among leading cadre and staff and foster a general working atmosphere of integrity. We have attained a number of substantial achievements. During the reporting period, there was no litigation involving corruption or bribery of the Group.

Community Investment

On the basis of providing excellent commercial property services, we also put much effort on contributing to the society actively. Through diversified means such as public participation in sports (全民運動) and fund-raising, we lead our "Joy City fans" to share our enthusiasm and compassion and join hands to build a harmonious and friendly youth era, so as to better fulfill our social responsibilities and realise harmonious and synergic development with the society.

Charitable Donation

Adhering to the concept of "Joy City Filled with Love" (大悅你我 愛滿全城), the Group insists on integrating sports with love and linking art with charity. It brings "Joy City fans" to actively engage in charitable events in a fashionable and healthy way, showing their compassion and contributing our love and influence on the society.

SUCCESSFUL CASE

Shanghai Jing'an Joy City Sponsored Canoeing Competition on Suzhou River, Jing'an

Shanghai Jing'an Joy City sponsored the 2016 International Canoeing Marathon on Suzhou River, Jing'an, Shanghai (2016年上海•靜安蘇州河國際皮划艇馬拉松賽), and provided free venues for holding the warm-up events of indoor canoeing competition. The competition unveiled the new image of "International Jing'an Makes Dreams Come True" (國際靜安，圓夢福地) and effectively promoted the sportsmanship on water, which has in turn facilitated the exchange of sports culture on a regional and international level.

"Joy City Run" (悦城跑) Event

On 5 September 2016, the Group organised the "Joy City Run" event. By combining online smart running app and offline personalised experience event, we attracted 91,993 runners to participate and accumulated more than 1,000,000 charity miles. We tailored made a 2-week competition schedule and selected 10 "Joy Runners" (悦跑達人) to attend Joy City Property's 2016 "Joy City Run" ceremony. The event has raised RMB 100,000, which were all donated to UNICEF to spread the positive energy from charity and sporty, healthy and sunny side of life.

The Group donated RMB 100,000 to the "Check Out for Children" project of UNICEF

Attracted 91,993 runners to participate

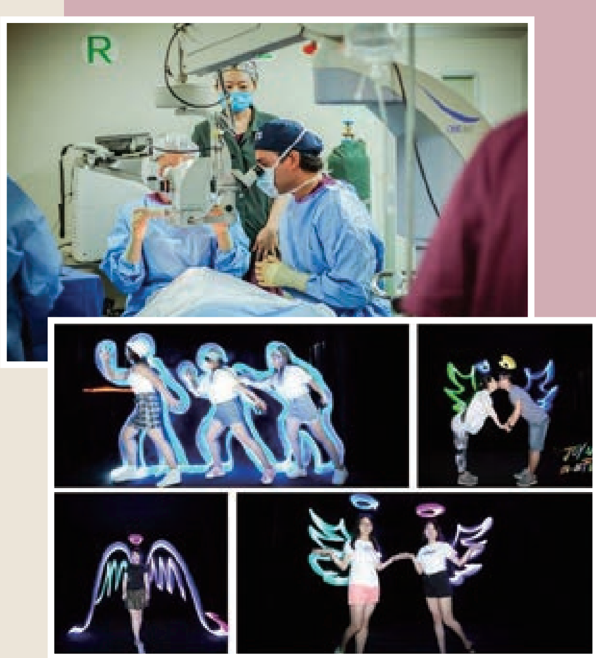
Accumulated more than 1,000,000 charity miles

Online

The cooperation between the Group and Codoon APP breaks the boundary between cities and enables smart running anytime, anywhere.

Offline

W Beijing-Chang'an and Chaoyang Joy City of the Group cooperated with utmost efforts to extend the vitality of the online platform and realise the closed-loop O2O experience by organising personalised sports parties and brand events.



Joy City joined hands with Orbis, an international charitable organisation, in organising the "Joy Up, Light it Up!" (JOY UP 一起FUN光芒) campaign

Joy City joined hands with Orbis, an international charitable organisation committed to helping the blinds and preventing blindness, in organising the 24-hour campaign — "Joy Up, Light it Up!". With the slogan of "Light it Up!", the campaign aimed to express concern about the treatment and prevention of blindness in the society. From 20 June to 3 September, eight Joy Cities across seven cities joined this event. The "Light it Up!" campaign of Joy City was kicked off simultaneously via online and offline platforms. On the offline front, Joy City built a mysterious black box "Light-Your-Dream Factory" (光影夢工廠) comprising a light painter's studio and a portrait painting hall, delivering the parade of lights across seven cities. On the online front, a charitable donation on Wechat H5 was launched, and all the proceeds raised via online and offline platforms were donated to the Orbis Flying Eye Hospital project. The campaign lasted 74 days and comprised a journey of more than 2,000 kilometers across the southern and northern China with nearly 10,000 participants who interacted with each other, resulting in more than 20,000 pieces' artwork of light image. In addition, five underprivileged children were subsidised for their eye surgery and over 2,000 underprivileged children received screening for eye diseases.

Poverty Alleviation

The Group takes the initiative to take part in social charitable events and actively participate in community development by fully leveraging its own appeal and influence. These include sponsoring the relief work in disaster areas, making donation to the needy in the society and carrying out targeted poverty alleviation work, to better fulfill the responsibility and commitment of an outstanding enterprise.

SUCCESSFUL CASE

Participation in the social donation campaign "Bringing warmth in Spring (春風送暖)"

To help those living in disaster areas and poverty regions practically, Xidan Joy City participated in donation campaign "Bringing warmth in Spring" organised by the Beijing Municipal Government and donated RMB 20,000 to the Xicheng District Civil Affairs Bureau. The proceeds raised were either donated to poverty regions such as Inner Mongolia, Tibet, Xinjiang, Sichuan, Jiangxi and Qinghai, used in the Beijing-Tianjin-Hebei joint development, or some public welfare programs of the city to help those suffered from disaster and poverty, the elderly and disabled, and for educational and medical use. Through this campaign, Joy City devoted its love to the needy living in disaster areas and poverty regions, and made a better fulfillment of its social responsibility.

SUCCESSFUL CASE

Participation in precise poverty relief campaign (精準扶貧工程) in Sanya

To respond actively to the central government's policy of "winning the tough battle against poverty (打贏脱貧攻堅戰)", Hainan Company has visited the poor, jointly devised plans and followed up with the poverty relief work carried out. By offering education sponsorship, providing job opportunities for children from poor peasant families and donating physical assets and cash, we have given strong support in accomplishing the mission of precise poverty relief for which the overall strategies were deployed targetting Sanya. The successful implementation of the precise poverty relief campaign and relevant measures enabled the targets of the campaign to receive the warmth, care and benefits from the government and the society, thus facilitating the integration and development between the Company and the areas in which it operates.

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 2016, the Company had complied with all code provisions as set out in the CG Code, except for the deviation from code provision A.2.1. The reason for the deviation from code provision A.2.1 is set out in the paragraph headed "Board of Directors — Chairman and General Manager" below.

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 2016. 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

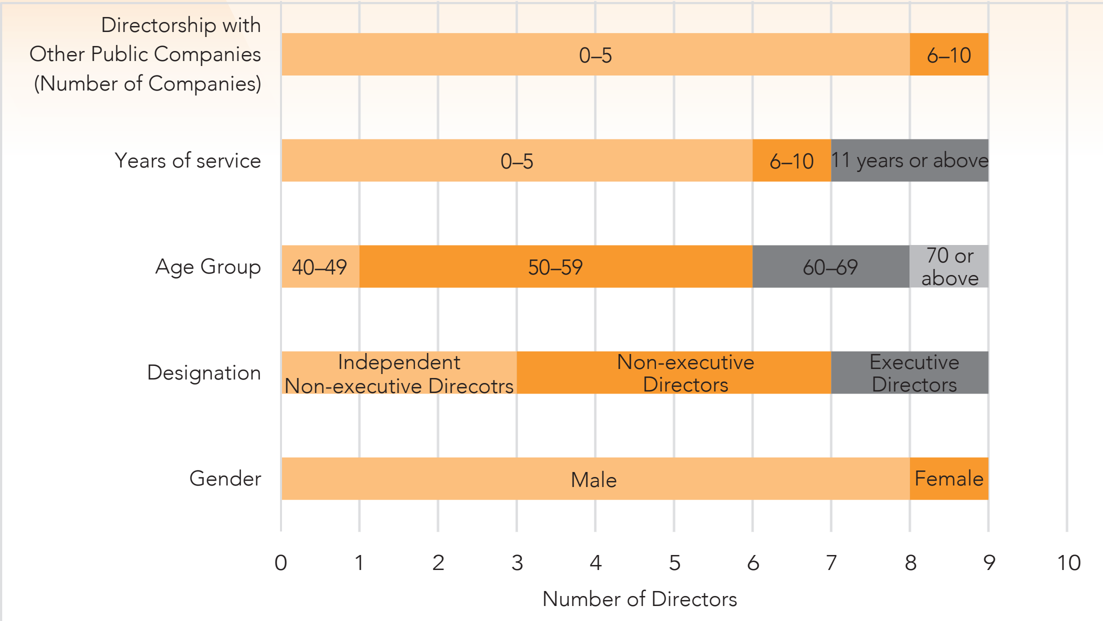
Chairman and General Manager

The respective roles and responsibilities of the chairman of the Board and the general manager were clearly divided. As the chairman of the Board, Mr. ZHOU Zheng took lead in formulating overall strategies and policies of the Company, and ensured 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 oversaw the financial management and daily operations of the Group before his resignation.

On 17 February 2016, Mr. HAN Shi resigned as an executive director and the general manager (equivalent to chief executive officer) of the Company and Mr. ZHOU Zheng was appointed as the general manager of the Company. Currently, Mr. ZHOU Zheng performs the duties of the chairman of the Board and the general manager at the same time. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Board believes that Mr. ZHOU Zheng, having joined the Group since August 2012, has accumulated extensive experience in the property investment and development, property management and hotel operations industry, such that vesting both of the roles of chairman and general manager with Mr. ZHOU Zheng is beneficial to the business prospects and management of the Group and it will be more effective in developing the Company's long term strategies and executing business plan. The Board shall nevertheless review the structure from time to time and consider making appropriate arrangement(s) where appropriate.

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. CAO Ronggen; the four (4) non-executive Directors are Ms. WU Xiaohui, Mr. JIANG Chao, Mr. ZENG Xianfeng and Mr. JIA Peng; 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*.



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 byelaw 84 of the Bye-laws.

The Company has received annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each independent non-executive Director for the year ended 31 December 2016, 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 2016. 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 2016, and of the Group's profit and cash flows for the year ended 31 December 2016.

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 2016, 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 2016 is set out below:

	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	4	2	5	1	2
Directors							
Executive Directors							
Mr. ZHOU Zheng *(chairman)*	4 (100%)			2 (100%)	5 (100%)	1 (100%)	2 (100%)
Mr. HAN Shi [Note 3]	N/A				5 (100%)	N/A	N/A
Mr. CAO Ronggen [Note 4]	N/A		N/A		N/A	N/A	N/A
Non-executive Directors							
Mr. MA Jianping [Note 5]	0 (0%)		2 (50%)			0 (0%)	0 (0%)
Mr. MA Wangjun [Note 5]	2 (50%)	1 (33.33%)				0 (0%)	0 (0%)
Ms. JIANG Hua [Note 5]	2 (50%)					0 (0%)	0 (0%)
Ms. WU Xiaohui	2 (50%)					0 (0%)	0 (0%)
Independent Non-executive Directors							
Mr. LAU Hon Chuen, Ambrose, *GBS, JP*	4 (100%)	3 (100%)	4 (100%)	2 (100%)		1 (100%)	1 (50%)
Mr. LAM Kin Ming, Lawrence	4 (100%)	3 (100%)	4 (100%)	2 (100%)		1 (100%)	2 (100%)
Mr. WU Kwok Cheung, *MH*	4 (100%)	3 (100%)	4 (100%)	2 (100%)		1 (100%)	2 (100%)

Notes:

1. The annual general meeting of the Company was held on 2 June 2016, and more details are set out in circular dated 21 April 2016 and the poll results announcement dated 2 June 2016.

2. Two special general meetings were held on 2 June 2016 and 9 September 2016 respectively, and more details are set out in the circulars dated 18 May 2016 and 24 August 2016 respectively and the poll results announcements dated 2 June 2016 and 9 September 2016 respectively.

3. Mr. HAN Shi was resigned as an Executive Director on 17 February 2016 and ceased to act as a member of Executive Committee.

4. Mr. CAO Ronggen was appointed as an Executive Director, a member of Executive Committee and a member of Remuneration Committee on 7 December 2016.

5. Mr. MA Jianping, Mr. MA Wangjun and Ms. JIANG Hua were resigned as Non-executive Directors on 16 January 2017. Mr. MA Jianping ceased to act as a member of Remuneration Committee and Mr. MA Wangjun ceased to act as a member of Audit Committee accordingly.

Directors' Training

During the year ended 31 December 2016, 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 2016. 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*	√	√
Mr. CAO Ronggen*		√
Non-executive Directors		
Mr. MA Jianping	√	√
Mr. MA Wangjun	√	√
Ms. JIANG Hua	√	√
Ms. WU Xiaohui	√	√
Independent Non-executive Directors		
Mr. LAU Hon Chuen, Ambrose, *GBS, JP*	√	√
Mr. LAM Kin Ming, Lawrence	√	√
Mr. WU Kwok Cheung, *MH*	√	√

* Mr. HAN Shi was resigned as an Executive Director on 17 February 2016.
Mr. CAO Ronggen was appointed as an Executive Director on 7 December 2016.

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) executive Director and three (3) independent non-executive Directors, namely Mr. LAU Hon Chuen, Ambrose, *GBS, JP*, Mr. CAO Ronggen, 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 2016, the Remuneration Committee held four (4) meetings with various written resolutions passed. Its major work performed is summarized as follows:

- reviewed the remuneration policy of the Company;
- reviewed the remuneration management system;
- approved the discretionary bonus of the general manager;
- reviewed the remuneration packages of executive Directors, the independent non-executive Directors and senior management;
- reviewed the directors' letters of appointment and service of contracts; and
- reviewed the bonus for share award scheme.

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, re-appointment or renewal of service contracts 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 2016, the Nomination Committee held two (2) meetings. Its major work performed is summarized as follows:

- nominated new director;

- 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. ZENG Xianfeng, 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 risk management and 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 2016, 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 2015, and made recommendation to the Board for approval;
- reviewed the interim financial statements of the Group for the six months ended 30 June 2016, 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 for the year ended 31 December 2015 and for the six months ended 30 June 2016;
- 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;
- 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 2016.

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

Executive Committee

Currently, the Executive Committee comprises two (2) Executive Directors, namely Mr. ZHOU Zheng and Mr. CAO Ronggen, 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 five (5) meetings during the year ended 31 December 2016. Its major work performed is summarized as follows:

- approved the establishment of wholly-owned subsidiaries;
- approved voluntary announcements, such as unaudited operating data; and
- approved announcements in relation to the issue of first tranche of domestic corporate bonds as delegated by the Board.

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 2016, 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 2016, the remuneration paid or to be payable to the external auditor Deloitte Touche Tohmatsu was:

Services rendered	Fees paid/payables RMB'000
Audit services	3,019
Non-audit services	
— Review of the interim report of the Group for the six months ended 30 June 2016	981
— Auditing and review services for major transaction as of 29 February 2016	1,900
— Auditing services for major transaction as of 30 September 2016	680
Total:	6,580

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 2016.

The non-audit services provided by Deloitte Touche Tohmatsu mainly involved review of the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016, auditing and review services for major transaction as of 29 February 2016 and auditing services for major transaction as of 30 September 2016.

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 2016.

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 effectively and adequately, 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., COFCO 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 2016.

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., COFCO 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 2016, the Company held the following major investors relationship activities:

Month	Activity
January	BNP Paribas Asia Pacific Financials, Property & Logistics Conference (Hong Kong)
	Barclays Select Series: China Property Corporate Day 2016 (Hong Kong)
	14th Annual dbAccess China Conference (Beijing)
	UBS Greater China Conference 2016 (Shanghai)
March	Announcement of final results for 2015:
	— Press conference of results announcement
	— Media meeting
	Annual results roadshow (Hong Kong & Singapore)
April	Annual results roadshow (Shenzhen, Beijing & Shanghai)
	HSBC 6th Annual Greater China Property Conference (Hong Kong)
May	HSBC China Conference (Shenzhen)
	dbAccess Asia Conference 2016 (Singapore)
June	J.P. Morgan Global China Summit 2016 (Beijing)
	Citi's Asia Pacific Property Conference (Hong Kong)
August	Announcement of interim results for 2016:
	— Press conference of results announcement
	— Media meeting
	Interim results roadshow (Hong Kong)
September	Interim results roadshow (Japan & Shanghai)
October	Tianjian and Beijing project reserve roadshow
November	Daiwa Investment Conference Hong Kong 2016 (Hong Kong)
	Morgan Stanley Fifteenth Annual Asia Pacific Summit (Singapore)
December	Sinolink Securities: Investment Strategy Conference 2016 (Shanghai)

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 2016, which were approved by the Board on 29 March 2017.

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 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 119 of this Annual Report.

The Board recommended the payment of a final dividend of HK4 cent per share (2015: HK1 cent per share) for the year ended 31 December 2016. It is expected that the final dividend will be paid on Friday, 14 July 2017 to shareholders whose names appear on the register of members of the Company on Monday, 19 June 2017 subject to the approval of shareholders at the AGM to be held by the Company on Friday, 2 June 2017.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the five financial years ended 31 December 2016 is set out on page 112 of this Annual Report.

BUSINESS REVIEW

Details of the business review are set out in the section headed "Management Discussion and Analysis" on pages 32 to 55 in this Annual Report, which forms part of the Directors' Report.

BANK BORROWINGS

Details of movements in the Group's bank borrowings during the year ended 31 December 2016 are set out in Note 35 to the consolidated financial statements.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Details of the Company's principal subsidiaries and an associate are set out in Notes 54, 20 and 21 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2016 are set out in Note 38 to the consolidated financial statements.

CORPORATE BONDS

Details of the corporate bonds issued by the subsidiary of the Company are set out in Note 37 to the consolidated financial statements and page 52 of this Annual Report.

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 55 to the financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, 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 RMB 9,963,306,000. As at 31 December 2016, the Company's share premium in the amount of RMB 17,993,202,000 (as at 31 December 2015: RMB 17,993,202,000) 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 2016 (%)
Top five customers	13.2
Largest customer	5.1

	Percentage of total purchases for the year ended 31 December 2016 (%)
Top five suppliers	50.2
Largest supplier	26.4

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 of the Group.

RELATIONSHIP WITH SUPPLIERS AND CUSTOMERS

The Group has maintained close relationships with a number of suppliers and takes great care to ensure that they share the Group's commitment on quality and ethics. We carefully select and require the suppliers to satisfy certain assessment criteria including, experience, reputation, ability to produce and provide high-quality products and services and quality control effectiveness.

For investment properties and property development, we are committed to offer a broad and diverse range of inspiring, value-for money, good-quality projects to our customers. We also stay connected with our customers. We maintain communications with our customers through various channels like the Company's website, telephone, direct mail and marketing materials. For hotel management, property management and related services, we have been aiming to provide quality services to our clients in each project in order to maintain continuous relationship.

DIRECTORS

The Directors during the year ended 31 December 2016 and up to the date of this Annual Report were:

Executive Directors

Mr. ZHOU Zheng *(Chairman)*
Mr. HAN Shi (resigned on 17 February 2016)
Mr. CAO Ronggen (appointed on 7 December 2016)

Non-executive Directors

Mr. MA Jianping (resigned on 16 January 2017)
Mr. MA Wangjun (resigned on 16 January 2017)
Ms. JIANG Hua (resigned on 16 January 2017)
Ms. WU Xiaohui
Mr. JIANG Chao (appointed on 16 January 2017)
Mr. Zeng Xianfeng (appointed on 16 January 2017)
Mr. JIA Peng (appointed on 16 January 2017)

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 83(2), any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election. In this regard, Mr. CAO Ronggen, Mr. JIANG Chao, Mr. ZENG Xianfeng and Mr. JIA Peng shall retire from office and, being eligible, offer themselves for re-election at the AGM.

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 reelection or appointment. In this regard, Mr. LAM Kin Ming, Lawrence, and Mr. WU Kwok Cheung 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 56 to 60 of this Annual Report. Save as disclosed in the Profile of Directors and Senior Management section, none of the Directors nor senior management of the Company 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 2016.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

The Board is authorized 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 2016 is set out in Note 14 to the consolidated financial statements.

Details of the emoluments paid to the senior management in 2016 by bands are as follows:

Emolument Band	Number of Individuals
RMB 0 to RMB 1,000,000	1
RMB 1,000,000 to RMB 2,000,000	2
RMB 2,000,000 to RMB 3,000,000	1

Of the 6 senior management appointed by the Group, only 4 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. Ms. JIANG Hua resigned as a non-executive Director on 16 January 2017.

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 2016, 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. MA Wangjun	China Agri-Industries Holdings Limited	Beneficial owner	—	583,000 (Note 3)	0.0111% (Note 5)
Mr. LAM Kin Ming, Lawrence	The Company	Beneficial owner	6,000	—	0.00004% (Note 6)

Notes:

1. Long positions in the shares of the Company and 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 2016, 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 31 December 2016, 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 2016, i.e. 14,231,124,858 shares.

Save as disclosed herein, as at 31 December 2016, 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 2016 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 2016, 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	9,510,837,644	—	—	9,510,837,644	66.83%
	CPS	1,095,300,778	—	—	1,095,300,778	100%
COFCO (HK)	Ordinary shares	—	9,510,837,644 (Note 3)	—	9,510,837,644	66.83%
	CPS	—	1,095,300,778 (Note 4)	—	1,095,300,778	100%
COFCO Corporation	Ordinary shares	—	9,510,837,644 (Note 3)	—	9,510,837,644	66.83%
	CPS	—	1,095,300,778 (Note 4)	—	1,095,300,778	100%
GIC Private Limited	Ordinary shares	—	—	1,135,920,000	1,135,920,000	7.98%

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 ordinary shares were calculated based on the total number of ordinary shares in issue as at 31 December 2016, i.e. 14,231,124,858 Shares, and assuming that 1,095,300,778 CPS were not fully converted into 1,095,300,778 ordinary shares.

   The percentages of CPS were calculated based on 1,095,300,778 CPS in issue as at 31 December 2016.

3. COFCO (HK), through its wholly-owned subsidiary, Achieve Bloom, was deemed to be interested in 9,510,837,644 Shares as at 31 December 2016.

   COFCO Corporation, through its wholly-owned subsidiary, COFCO (HK), was deemed to be interested in 9,510,837,644 Shares as at 31 December 2016.

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 2016.

   COFCO Corporation, through its wholly-owned subsidiary, COFCO (HK), was deemed to be interested in 1,095,300,778 CPS as at 31 December 2016.

Save as disclosed herein, as at 31 December 2016, 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, 25% of the Company's total issued Shares (excluding the CPS) was held by the public as at the date of this Annual Report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Overview

Hereunder is the information in relation to connected transactions and continuing connected transactions that existed during the year ended 31 December 2016 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 66.83% of the issued share capital of the Company as at 31 December 2016 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 byproducts, food and beverages, dairy products and packaging materials, hotel management and provision of logistics and financial services in the PRC.

Connected Transactions

Further acquisition of the remaining 35% equity interest in Beijing Kunting Assets Management Co., Ltd.

On 26 April 2016, 西單大悅城有限公司 (Xidan Joy City Co., Ltd.) ("Xidan Joy City"), a then indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with 中國土產畜產進出口總公司 (China National Native Produce and Animal By-Products Import & Export Corporation) ("China Native Produce and Animal By-products"), pursuant to which Xidan Joy City agreed to acquire and China Native Produce and Animal By-products agreed to sell the remaining 35% equity interest in 北京昆庭資產管理有限公司 (Beijing Kunting Assets Management Co., Ltd.) ("Beijing Kunting") not already owned by Xidan Joy City, for a consideration of RMB 533,130,000 (equivalent to approximately HK$637,340,921), which was payable before 31 December 2016 and upon Xidan Joy City and China Native Produce and Animal By-products having completed their relevant obligations under the equity transfer agreement.

Further acquisition of the remaining 35% equity interest in Beijing Kunting is for the purpose of allowing the Group to have full control of the construction and development of the Andingmen Project held by Beijing Kunting, which will also maximize the ownership of the assets and expected return from the Andingmen Project, and strengthening the future financial performance of the Group by generating stable and sustainable returns.

COFCO Corporation, the ultimate controlling shareholder of the Company, owns 100% equity interest in China Native Produce and Animal By-products. China Native Produce and Animal By-products is a fellow subsidiary of the Company. Accordingly, China Native Produce and Animal By-products is connected persons of the Company.

The above acquisition was approved by the independent shareholders at the special general meeting convened on 2 June 2016 and was completed on 30 June 2016 with the consideration settled in full by the Company. Upon completion, Beijing Kunting became a wholly-owned subsidiary of Xidan Joy City.

CONTINUING CONNECTED TRANSACTIONS

Set out below is a summary of the continuing connected transactions of the Company during the year ended 31 December 2016:

(a) Leasing of properties to the COFCO Group

(b) Provision of hotel and property management services by the COFCO Group to the Group

(c) Sourcing of staple supplies, catering services and other ancillary services from the COFCO Group

(d) Existing lease with respect to leasing of property by the COFCO Group

(e) Yalong loan

(f) Financial Services

Details of Continuing Connected Transactions

(a) Leasing of properties to the COFCO Group

As of 31 December 2016, 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 COFCO Tower; (iii) Shanghai Xinlan Real Estate Development Co., Ltd. for the leasing of commercial premises in Shanghai Jing'an Joy City; and (iv) Zhuoyuan Property for the leasing of commercial premises in Chengdu Joy City. 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 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. To better regulate the arrangements, the Company entered into the Master Lease Agreement on 29 November 2013, followed by two supplemental agreements on 3 November 2014 and 21 December 2016, respectively, to further extend its term to 31 December 2019, with COFCO Corporation to govern the terms of the lease arrangements between the Company and the COFCO Group.

The 2016 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 2016) (RMB'000)	Actual Amounts (financial year ended 31 December 2016) (RMB'000)
184,000	162,221.1

Pursuant to the Master Lease Agreement, 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 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.	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 COFCO Tower
COFCO Property Group Shenzhen Property Management Co., Ltd., Shenyang Branch	Shenyang Development Co., Ltd.	Provision of property management services for Shenyang Joy City

Relevant member of the COFCO Group	Relevant member of Group	Hotel and property management services provided to the Group
COFCO Property Group Shenzhen Property Management Co., Ltd., Chengdu Branch	Zhuoyuan Property	Provision of property management services for Sales Center of Joy Street

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 2016) (in RMB'000)	Actual amounts (financial year ended 31 December 2016) (RMB'000)
11,000	6,991.0

The Company considers that the Group will receive stable hotel and property management services with better quality from the COFCO Group. To better regulate the arrangements, the Company and COFCO Corporation entered into the Master Property Management Agreement on 29 November 2013, followed by two supplemental agreements on 3 November 2014 and 21 December 2016, respectively, to further extend its term to 31 December 2019, 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 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 hotel and property management services received by the Group from the COFCO Group 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 members of the Group 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) Sourcing of staple supplies, catering services and other ancillary services from the COFCO Group

During the year, 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 two supplemental agreements on 3 November 2014 and 21 December 2016, respectively, to further extend its term to 31 December 2019.

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 2016) (in RMB'000)	Actual amounts (financial year ended 31 December 2016) (RMB'000)
12,550	5,159.7

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, and extended to 31 December 2019, 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 as the reference market price of the relevant products and/or service. If the respective members of the Group place purchase orders or enter into transactions with COFCO Group in relation to the products and/or services under the Master Agreements, the price and other conditions offered by COFCO Group for such products or services shall not be less favourable to the Group 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.

(d) Existing lease with respect to leasing of property by the COFCO Group

As at 31 December 2016, a member of COFCO Group was a party to an existing lease with respect to the leasing of commercial premise in COFCO Fortune Plaza in Beijing to COFCO Investment, a member of the Group. The existing lease is summarized as follows:

Address of the property leased	Effective period of the lease agreement	Annual Caps (financial year ended 31 December 2016) (in RMB'000)	Total annual rent and management fee for the year ended 31 December 2016 RMB'000
12th floor of COFCO Fortune Plaza in Beijing	1 January 2016 to 31 December 2016	13,840	12,015.5

The above commercial premise is currently occupied by COFCO Investment for self-use as office. 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.60 of the Listing Rules, the Company is required to comply with the applicable annual review, reporting and disclosure requirements in respect of the transactions under the existing lease.

Joy City Commercial Management (Beijing) Limited, a wholly-owned subsidiary of the Company, renewed the lease agreement with COFCO Corporation on 21 December 2016 with a term from 1 January 2017 to 31 December 2017.

(e) Yalong Loan

On 18 May 2016, Sanya Yalong Development Company Limited ("Yalong Development"), an indirect non-wholly owned subsidiary of the Company, and Zhonggu Group Sanya Trading Co., Ltd. ("Zhonggu Group") entered into Yalong Loan Agreement, pursuant to which Zhonggu Group agreed to lend the loan of RMB 50,000,000 (equivalent to approximately HK$59,505,000) to Yalong Development for the purpose of the construction and development of the Yalong Bay Love Cube Coastal Paradise. Such amount of loan was originally provided by CDB to Zhonggu Group, on the condition that it would be on-lent to Yalong Development pursuant to Yalong Loan Agreement, and Yalong Development shall, upon receiving the Loan from Zhonggu Group, provide (i) a land pledge on a parcel of land owned by Yalong Development; and (ii) a guarantee of joint liability, in favour of CDB.

The maturity date of such loan is 29 December 2026. Yalong Development shall pay the interests on the loan on a quarterly basis (the interest rate of the loan is fixed at 1.2% per annum), and shall repay the entire principal before the maturity date by instalments according to the payment schedule as agreed in Yalong Loan Agreement.

Yalong Development shall use the loan to develop and construct the Yalong Marine Park, Sanya, the PRC, including expanding and rebuilding different areas of the park. To support the development of certain selected state-owned projects in line with PRC government policies, the interest rate of the loan offered by CDB is lower than that of loans of similar terms and amounts generally offered by commercial banks in the PRC. By entering into Yalong Loan Agreement, Yalong Development shall receive funding from Zhonggu Group at a relatively low cost for financing the re-development of the Yalong Marine Park. The pledge of the land and property and the guarantee of joint liability provided by Yalong Development to CDB are the conditions for CDB to extend the borrowings to Zhonggu Group.

Zhonggu Group is a wholly-owned subsidiary of COFCO Corporation (the ultimate controlling shareholder of the Company) and a shareholder of Yalong Development holding 4.90% of its equity interests. Therefore, Zhonggu Group is a connected person of the Company and the loan constitutes financial assistance received from a connected person.

(f) Financial Services

On 30 September 2016, the Company, COFCO Finance Company Limited ("COFCO Finance") and Joy City Commercial Management (Beijing) Co., Ltd. ("Joy City Commercial Management") (a wholly-owned subsidiary of the Company) entered into a financial services agreement, pursuant to which COFCO Finance shall provide the depository services and the entrustment loan services to the Group. The Financial Services Agreement shall be for a term till 31 December 2017.

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

(i) the use of COFCO Finance as a vehicle through which the Group, including the Management Company, would facilitate a more efficient deployment of funds between subsidiaries of the Company;

(ii) the arrangements would allow the greater utilisation of available funds, utilise the collected funds to repay the external commercial loans of the subsidiaries of the Company and optimise the efficiency of the Group's funds;

(iii) the arrangements would promote liquidity among the Group, including the Management Company, enhance the overall ability of the Group to repay debts, and assist in monitoring and controlling financial risks;

(iv) the arrangements would save financial costs, thereby increasing the profitability of the Group and benefitting the Shareholders, including the minority Shareholders;

(v) the arrangements would allow a prompt and accurate monitoring and regulation of the use of funds of the Group including the Management Company;

(vi) COFCO Finance was established in 2002 with a complete corporate structure and standardised internal control mechanism. Since its incorporation, COFCO Finance's operation has been stable with sound financial performance, and no violation of any rules has occurred;

(vii) COFCO Finance has well established operating networks with seven major domestic banks, namely the Industrial and Commercial Bank of China, China Construction Bank, Bank of China, Agricultural Bank of China, China Merchants Bank, Bank of Communications and China CITIC Bank and such network has become the necessary and efficient channel of collecting the funds of the subsidiaries of the Company;

(viii) COFCO Finance has comparatively strong financing ability through credit lines of not less than RMB 9 billion arranged with aforementioned domestic banks;

(ix) the Company believes that COFCO Finance may provide more diversified and flexible financial services to the Group compared with a single or a small number of third-party commercial banks; and

(x) the Company believes that the risk profile of COFCO Finance, as a financial services provider to the Group, is not greater than that of independent commercial banks in the PRC.

The depository services are provided by COFCO Finance on a free-of-charge basis, and as a financial institution which takes the deposits, COFCO Finance shall pay interests to the subsidiaries of the Group and Joy City Commercial Management at such rate to be determined in accordance with the standard RMB deposit rates promulgated by the PBOC from time to time. The maximum daily balance of deposits (including the corresponding interests accrued thereon) placed by the Group with COFCO Finance pursuant to the Financial Services Agreement shall not exceed RMB 550 million (equivalent to approximately HK$639 million) on any day throughout the term of the Financial Services Agreement. For the year ended 31 December 2016, the maximum daily balance of deposits (including the corresponding interests accrued thereon) placed by the Group with COFCO Finance was RMB 550 million.

COFCO Finance would charge handling fees for the entrustment loan services provided to the Group, which are equal to or more favourable than those offered by other independent financial institutions providing similar services. The aggregate annual handling fees charged by COFCO Finance for providing the entrustment loans to Joy City Commercial Management under the Financial Services Agreement for any financial year ended 31 December 2016 and 31 December 2017 shall not exceed RMB 5,000,000 (equivalent to approximately HK$5,807,500). For the year ended 31 December 2016, the aggregate annual handling fees charged by COFCO Finance for providing the entrustment loans to Joy City Commercial Management was RMB 334,232.

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

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; 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

Pursuant to Rule 14A.56 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the board of directors engaged the auditor of the Company 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. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in page 97 of the Annual Report in accordance with Rule 14A.56 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A copy of the auditor's letter has been provided by the Company to the Stock Exchange of Hong Kong Limited.

CONTRACT(S) OF SIGNIFICANCE

(a) the sales and purchase agreement dated 22 November 2016 entered into by Spring Wisdom Limited, a wholly-owned subsidiary of the Company, as a buyer and West Heaven Limited and Eagle Development Holding Corporation as a seller, in connection to the conditional acquisition of the entire issued share capital of Gain Success Limited by Spring Wisdom Limited;

(b) the financial services agreement dated 30 September 2016 entered into by the Company, COFCO Finance and Joy City Commercial Management (Beijing) Co., Ltd., a wholly-owned subsidiary of the Company, in connection to the provision of depository services and the entrustment loan services by COFCO Finance to the Group;

(c) the share purchase agreement dated 18 August 2016 entered into between the Company and Joy City Commercial Property Fund L.P. (the "Fund") in relation to the proposed disposal of 49% of the total issued shares of each of Fortune Set Limited, Sunny Ease Limited and Vivid Star Limited (enclosing the agreed version of the shareholders agreements);

(d) an amended and restated limited partnership agreement dated 29 July 2016 entered into among Gravious Ever Limited as the general partner and Reco Joycore Pte Ltd. and Glorious Fortune Forever Limited as the limited partners in connection with the Fund and as disclosed in the announcement of the Company dated 29 July 2016, the agreement was further amended and restated on 18 August 2016 (and the related subscription agreements entered into between the Fund and the limited partners in relation to the subscription of interests in the Fund);

(e) the loan agreement dated 18 May 2016 entered into by Zhonggu Group Sanya Trading Co., Ltd., a wholly owned subsidiary of COFCO Corporation, and Yalong Development Company Limited, an indirect non-wholly owned subsidiary of the Company, in connection with the loan in an amount of RMB 50,000,000 arranged by Zhonggu Group Sanya Trading Co., Ltd. for the benefit of Yalong Development Company Limited;

(f) the equity transfer agreement dated 26 April 2016 entered into between Xidan Joy City Co., Ltd., an indirect wholly-owned subsidiary of the Company, and China National Native Produce and Animal By-Products Import & Export Corporation, a connected person of the Company, in relation to the acquisition of 35% equity interest in Beijing Kunting Assets Management Co., Ltd. for a consideration of RMB 533,130,000;

(g) the equity transfer agreement dated 31 December 2015 entered into between Chengdu Pengyue Management Consulting Co. Ltd, an indirect wholly-owned subsidiary of the Company, and China National Sugar & Alcohol Group Corporation, a connected person of the Company, in respect of the acquisition of 64.97% equity interest in Sichuan China Jiucheng Corporation for a consideration of RMB 224,115,026.43;

(h) the equity transfer agreement dated 31 December 2015 entered into between Chengdu Pengyue Management Consulting Co. Ltd, an indirect wholly-owned subsidiary of the Company, and China Huang Co. Ltd., a connected person of the Company, in respect of the acquisition of minority interest in Sichuan China Jiucheng Corporation for a consideration of RMB 16,155,308.92;

(i) the share subscription agreement dated 30 December 2015 entered into among the Company, Commerce Bright Limited (a direct wholly-owned subsidiary of the Company), Reco Hangzhou Private Limited (an indirect wholly-owned subsidiary of GIC (Realty) Private Limited) and Speedy Cosmo Limited (an indirect wholly-owned subsidiary of the Company), in relation to, among others, the subscription of shares in Speedy Cosmo Limited and the provision of a loan;

(j) the shareholders' agreement dated 30 December 2015 entered into among the Company, Commerce Bright Limited (a direct wholly-owned subsidiary of the Company), Reco Hangzhou Private Limited (an indirect wholly-owned subsidiary of GIC (Realty) Private Limited) and Speedy Cosmo Limited (an indirect wholly-owned subsidiary of the Company) in relation to their respective rights in Speedy Cosmo Limited;

(k) the equity transfer agreement dated 1 December 2015 entered into between Xidan Joy City Co., Ltd., an indirect wholly-owned subsidiary of the Company, and China National Native Produce and Animal By-Products Import & Export Corporation, a connected person of the Company in relation to the acquisition of 35% equity interest in Beijing Kunting Assets Management Co., Ltd. for a consideration of RMB 569,870,000;

(l) the capital increase agreement dated 30 November 2015 entered into between COFCO (BVI) 97, an indirect wholly-owned subsidiary of the Company, COFCO Corporation and Taiwan Hotel Co., Ltd., a connected person of the Company, in relation to the capital increase in Taiwan Hotel Co., Ltd. in the amount of RMB 674,992,500;

(m) the entrustment loan extension agreement dated 30 October 2015 in relation to the entrustment loan agreement dated 1 November 2013 entered into among Shanghai Top Glory Real Estate Development Co., Ltd., Taiwan Hotel Co., Ltd., both being subsidiaries of the Company, and China Construction Bank Beijing Branch in connection with the entrustment loan in an amount of RMB 663.3 million arranged by Shanghai Top Glory Real Estate Development Co., Ltd for the benefit of Taiwan Hotel Co., Ltd.;

(n) the facility letter dated 5 October 2015 entered into by the Company and Bank of China (Hong Kong) Limited in relation to the granting of a term loan of HK$1,000,000,000 or a revolving loan of HK$700,000,000 to the Company, which imposes specific performance obligations on COFCO Corporation;

(o) the facility letter dated 13 July 2015 entered into by the Company and certain banks in relation to the granting of a term loan in an amount of US$350,000,000 to the Company, which imposes specific performance obligations on COFCO Corporation and COFCO (HK), the controlling shareholders of the Company;

(p) the entrustment loan extension agreement dated 30 April 2015 in relation to the entrustment loan agreement dated 1 November 2013 entered into among Shanghai Top Glory Real Estate Development Co., Ltd., Taiwan Hotel Co., Ltd., both being subsidiaries of the Company, and China Construction Bank Beijing Branch in connection with the entrustment loan in an amount of RMB 663.3 million arranged by Shanghai Top Glory Real Estate Development Co., Ltd for the benefit of Taiwan Hotel Co., Ltd.;

(q) the acquisition agreement dated 10 April 2015 entered into by Shanghai New Bund International Business District Investment (Group) Co., Ltd. and Twin Progress Limited, an indirect wholly-owned subsidiary of the Company, in relation to the acquisition of 50% equity interest in Shanghai Linyao Investment Co., Ltd. for a total consideration of RMB 1,208,209,873;

(r) the subscription letter dated 27 February 2015 entered into by the Company and Achieve Bloom, the controlling shareholder of the Company, in relation to the proposed issuance of new non-redeemable convertible preference shares of HK$0.10 each in the share capital of the Company;

(s) the acquisition agreement dated 3 February 2015 entered into among the Speedy Cosmo Limited, an indirect wholly-owned subsidiary of the Company, and Shanghai Wanliang Enterprise Management Consultancy Company Limited, a connected person of the Company, in relation to the acquisition of the entire equity interest of Zhejiang Herun Tiancheng Real Estate Company Limited, a connected person of the Company, for a consideration of approximately RMB 43.76 million;

(t) the trust deed dated 18 November 2014 entered into by the Company, Double Rosy Limited (a wholly-owned subsidiary of the Company), COFCO (HK) (an indirect controlling shareholder of the Company) and BNP Paribas Trust Services (Hong Kong) Limited in relation to the notes referred to in paragraph (v) below;

(u) the keepwell deed dated 18 November 2014 entered into by the Company, Double Rosy Limited (a wholly-owned subsidiary of the Company), COFCO (HK) (an indirect controlling shareholder of the Company) and BNP Paribas Trust Services (Hong Kong) Limited in relation to the notes referred to in paragraph (v) below;

(v) the subscription agreement dated 10 November 2014 among the Double Rosy Limited (a wholly-owned subsidiary of the Company), the Company and the joint lead managers, being Goldman Sachs (Asia) L.L.C., BOCI Asia Limited, The Hongkong and Shanghai Banking Corporation Limited, DBS Bank Ltd., J.P. Morgan Securities plc, Australia and New Zealand Banking Group Limited, Bank of Communications Co., Ltd. Hong Kong Branch, Industrial and Commercial Bank of China (Asia) Limited and Wing Lung Bank Limited, in relation to the subscription of the US$800 million 3.625% guaranteed notes due 2019 to be issued by Double Rosy Limited and guaranteed by the Company;

(w) the entrustment loan extension agreement dated 31 October 2014 in relation to the entrustment loan agreement dated 1 November 2013 entered into among Shanghai Top Glory Real Estate Development Co., Ltd, Taiwan Hotel Co., Ltd., both being subsidiaries of the Company, and China Construction Bank Beijing Branch in connection with the entrustment loan in an amount of RMB 663.3 million arranged by Shanghai Top Glory Real Estate Development Co., Ltd for the benefit of Taiwan Hotel Co., Ltd.;

(x) the acquisition agreement dated 12 September 2014 and a supplemental agreement dated 3 November 2014 entered into among the Company, COFCO Land, Sheen Jade Limited and Magic Grain Limited (all being connected persons of the Company) in relation to the acquisition of the entire issued share capital of each of Fortune Set Limited, Mega Health Limited and Kersen Properties Limited and relevant shareholders' loans for a consideration of HK$12,459,785,372;

(y) the deed of indemnity provided by COFCO Corporation in favor of the Company in connection with the properties acquired by the Company pursuant to the acquisition agreement referred to in paragraph (x) 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;

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

(aa) the acquisition agreement dated 1 August 2014 entered into between the Company and Woo + Woo Investments Limited, a connected person of the Company, in relation to the acquisition of minority interest in Yalong Development (HK) Company Limited for a consideration of HK$998,446,456.

MANAGEMENT CONTRACTS

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 2016.

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. 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. 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 2016, 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 2016, the Independent Board Committee considered that COFCO Corporation had complied with the Non-Competition Undertaking for the year ended 31 December 2016.

REGULATORY COMPLIANCE

As disclosed in the Company's circular dated 30 November 2013 and 5 November 2014, 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 annual report dated 30 March 2015.

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 Monday, 29 May 2017 to Friday, 2 June 2017, 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 Friday, 26 May 2017.

For the purposes of ascertaining shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 14 June 2017 to Monday, 19 June 2017, 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 Tuesday, 13 June 2017.

AUDIT COMMITTEE

The audited consolidated results of the Group for the year ended 31 December 2016 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.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in normal course of business are set out in Note 52 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.

CHARITABLE DONATIONS

Charitable donations made by the Group during the financial year amounted to RMB 120,000 (2015: RMB 500,000). Details of the donations are set out in the Environmental, Social and Governance Report on pages 74 to 76 of this Annual Report.

ON BEHALF OF THE BOARD

ZHOU Zheng
Chairman

Hong Kong
29 March 2017

Five Years Financial Summary

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)		
		(Note)	(Note)		
Consolidated results					
Revenue	**6,987,097**	5,382,474	5,721,309	6,809,101	6,647,771
Profit for the year attributable to owners of the Company	**797,581**	726,147	1,711,096	3,117,678	1,782,618

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)		
		(Note)	(Note)		
Consolidated assets and liabilities					
Total assets	**82,550,683**	73,087,104	68,157,379	61,772,051	54,554,054
Total liabilities	**(41,044,052)**	(39,712,577)	(41,055,728)	(32,229,077)	(34,352,504)
Total equity	**41,506,631**	33,374,527	27,101,651	29,542,974	20,201,550
Equity attributable to owners of the Company	**26,203,351**	25,107,923	19,833,965	25,588,872	16,936,613

Note:

As detailed in note 2 to the consolidated financial statements, the Group has completed the discloseable and connected transaction in relation to the acquisition of 四川中國酒城股份有限公司 (Sichuan China Jiucheng Corporation *) (as defined in note 2 to the consolidated financial statements) during the year. Sichuan Jiucheng came under common control of COFCO Corporation since November 2014. As the Group and Sichuan Jiucheng were under common control of COFCO Corporation and COFCO Corporation continues to control the Group and Sichuan Jiucheng upon completion of the acquisition, the acquisition is considered as a combination of entities under common control and accounted for using the principles of merger accounting, pursuant to which the consolidated financial statements of the Group have been prepared as if Sichuan Jiucheng had been a subsidiary of the Group since November 2014. As such, the financial information for the year ended 31 December 2015 and the year ended 31 December 2014 has been restated.

Deloitte.
德勤

TO THE SHAREHOLDERS OF JOY CITY PROPERTY LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Joy City Property Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 119 to 227, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter because the valuation process is based on an estimation of future results, a set of assumptions and a determination of key inputs, which are judgmental. Any changes to these inputs may have a significant impact on the fair value. Management determined the fair value of the Group's investment properties at 31 December 2016 with the assistance of an independent external valuer. Details of the investment properties and the related key estimation uncertainty are set out in notes 16 and 5, respectively, to the consolidated financial statements.	Our procedures in relation to management's valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the external valuer engaged by the management. • Obtaining a copy of valuation report prepared by the external valuer and discussing with the external valuer together with our internal valuation specialists to understand the basis of determination of valuation. • Challenging the external valuer the methodologies and judgments used in valuing the investment properties with the assistance of our internal valuation specialists and obtaining the market evidence that the external valuer used to support the key inputs. • Assessing the adequacy of the disclosures of the fair value measurement of investment properties including the fair value measurement hierarchy, the valuation technique and significant unobservable inputs in the consolidated financial statements.

Revenue recognized of property sales

We identified the revenue from sales of properties as a key audit matter due to the significance of the amount and volume of sales transactions recognised during the year.

Details of revenue from sales of properties are set out in note 6 to the consolidated financial statements.

Our procedures in relation to revenue from sales of properties included:

- Testing key internal controls over revenue recognition on a sampling basis.

- Selecting property sales transactions on a sampling basis and:

  - reading the signed sales and purchase agreements to understand the relevant terms of the timing of property delivery and title transfer.

  - obtaining evidence regarding the property delivery and title transfer.

  - reconciling the monetary amounts of recorded transactions and related payments to the signed sales and purchase agreements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Yam Siu Man.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	NOTES	Year ended 31 December 2016 RMB'000	2015 RMB'000 (restated) (Note 2)
Revenue	6	**6,987,097**	5,382,474
Cost of sales and services rendered	10	**(3,226,908)**	(2,482,305)
Gross profit		**3,760,189**	2,900,169
Other income	7	**110,991**	69,738
Other gains and losses, net	8	**(164,171)**	256,034
Distribution and selling costs		**(592,863)**	(570,787)
Administrative expenses		**(958,607)**	(975,036)
Fair value gain of investment properties	16	**1,006,770**	964,085
Finance costs	9	**(704,568)**	(957,201)
Share of gains/(losses) of associates		**8,191**	(35,202)
Share of loss of a joint venture		**(8,661)**	—
Profit before tax	10	**2,457,271**	1,651,800
Income tax expense	11	**(1,182,083)**	(692,008)
Profit for the year		**1,275,188**	959,792
Other comprehensive (expense)/income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation		**(38,438)**	132,993
		(38,438)	132,993
Items that will not be reclassified to profit or loss:			
Revaluation of properties:			
Gain on revaluation of property, plant and equipment and leasehold land and land use rights transferred to investment properties		**2,961**	6,370
Income tax effect		**(740)**	(1,592)
		2,221	4,778
Other comprehensive (expense)/income for the year		**(36,217)**	137,771
Total comprehensive income for the year		**1,238,971**	1,097,563
Profit for the year attributable to:			
Owners of the Company		**797,581**	726,147
Holders of perpetual capital instruments		**244,100**	244,899
Non-controlling interests		**233,507**	(11,254)
		1,275,188	959,792
Total comprehensive income for the year attributable to:			
Owners of the Company		**761,364**	863,918
Holders of perpetual capital instruments		**244,100**	244,899
Non-controlling interests		**233,507**	(11,254)
		1,238,971	1,097,563
Basic earnings per share	13	**RMB 5.2 cents**	RMB 5.3 cents

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	At 31 December 2016 RMB'000	2015 RMB'000 (restated) (Note 2)
NON-CURRENT ASSETS			
Investment properties	16	**50,101,179**	46,032,502
Property, plant and equipment	17	**5,045,044**	5,190,860
Leasehold land and land use rights	18	**896,522**	855,681
Intangible assets	19	**39,440**	28,237
Interest in associates	20	**67,278**	54,088
Interest in a joint venture	21	**—**	8,661
Loan to a joint venture	21	**228,435**	—
Available-for-sale investments	22	**510**	510
Goodwill	23	**253,042**	253,042
Deposits	30	**10,000**	10,000
Deferred tax assets	24	**15,815**	19,305
Amount due from the ultimate holding company	31	**20,000**	20,000
		56,677,265	52,472,886
CURRENT ASSETS			
Inventories	26	**27,286**	28,209
Properties held for sale	27	**4,641,811**	2,789,006
Properties under development for sale	28	**11,320,633**	12,342,085
Accounts receivable	29	**202,029**	133,356
Deposits, prepayments and other receivables	30	**420,263**	236,630
Amount due from the ultimate holding company	31	**20**	240
Amount due from an intermediate holding company	31	**325**	—
Amounts due from fellow subsidiaries	31	**21,585**	16,049
Amounts due from non-controlling interests	31	**154,611**	181
Amount due from a joint venture	31	**173,644**	—
Loan to a joint venture	21	**—**	1,235,332
Tax recoverable		**83,519**	37,150
Restricted bank deposits	32	**30,851**	517,688
Pledged deposits	32	**5,740**	1,469
Cash and bank balances	32	**8,791,101**	3,276,823
		25,873,418	20,614,218

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	At 31 December 2016 RMB'000	2015 RMB'000 (restated) (Note 2)
CURRENT LIABILITIES			
Accounts payable	33	**1,865,898**	1,236,389
Other payables and accruals	34	**4,905,822**	4,456,654
Deposits received in respect of pre-sale of properties		**3,085,151**	1,420,686
Amount due to the ultimate holding company	31	**321,416**	331,186
Amount due to an intermediate holding company	31	**1,450**	585
Amount due to the immediate holding company	31	**379,153**	—
Amounts due to non-controlling interests	31	**1,558,571**	930,958
Amount due to a joint venture	31	**1,033**	—
Amounts due to fellow subsidiaries	31	**79,802**	80,428
Loans from the ultimate holding company	25	**300,000**	—
Loans from fellow subsidiaries	25	**1,038,850**	1,888,540
Loans from non-controlling interests	25	**4,000**	5,000
Bank borrowings	35	**2,910,317**	2,330,477
Income tax and land appreciation tax payables		**634,811**	220,679
Deferred income		**29,867**	—
		17,116,141	12,901,582
NET CURRENT ASSETS		**8,757,277**	7,712,636
TOTAL ASSETS LESS CURRENT LIABILITIES		**65,434,542**	60,185,522
NON-CURRENT LIABILITIES			
Rental deposits received		**200,114**	282,638
Loan from non-controlling interests	25	**33,038**	—
Loans from a fellow subsidiary	25	**790,000**	396,000
Bank borrowings	35	**7,620,379**	15,003,946
Deferred tax liabilities	24	**6,663,679**	5,956,522
Guaranteed notes	36	**5,540,527**	5,171,889
Corporate bonds	37	**3,080,174**	—
		23,927,911	26,810,995
NET ASSETS		**41,506,631**	33,374,527

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	At 31 December 2016 RMB'000	2015 RMB'000 (restated) (Note 2)
CAPITAL AND RESERVES			
Share capital	38	**1,122,414**	1,122,414
Reserves	40	**25,080,937**	23,985,509
Equity attributable to owners of the Company		**26,203,351**	25,107,923
Perpetual capital instruments	41	**3,515,849**	4,012,548
Non-controlling interests		**11,787,431**	4,254,056
TOTAL EQUITY		**41,506,631**	33,374,527

The consolidated financial statements on pages 119 to 227 were approved and authorised for issue by the Board of Directors on 29 March 2017 and are signed on its behalf by:

ZHOU Zheng
DIRECTOR

CAO Ronggen
DIRECTOR

	Attributable to owners of the Company													
	Ordinary share capital RMB'000 (Note (a)) (Note 38)	Share premium RMB'000 (Note (a))	Non-redeemable convertible preference shares RMB'000 (Note (a)) (Note 39)	Special reserve RMB'000 (Notes (a) and (e))	Other reserve RMB'000 (Note (b))	Capital reserve RMB'000 (Note (c))	Statutory reserve RMB'000 (Note (d))	Property revaluation reserve RMB'000	Foreign currency translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Perpetual capital instruments RMB'000 (Note 41)	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016 (as originally stated)	1,122,414	17,993,202	1,722,317	(20,801,408)	3,137,029	4,915,294	451,011	21,778	(80,099)	16,558,568	25,040,106	4,012,548	4,224,505	33,277,159
Combination of a subsidiary under common control (Note 2)	—	—	—	—	—	57,127	—	—	—	10,690	67,817	—	29,551	97,368
At 1 January 2016 (Restated)	1,122,414	17,993,202	1,722,317	(20,801,408)	3,137,029	4,972,421	451,011	21,778	(80,099)	16,569,258	25,107,923	4,012,548	4,254,056	33,374,527
Profit and other comprehensive income/(expense) for the year	—	—	—	—	—	—	—	2,221	(38,438)	797,581	761,364	244,100	233,507	1,238,971
Dividend declared to interest on perpetual capital instruments	—	—	—	—	—	—	—	—	—	—	—	(240,799)	—	(240,799)
Repayment of perpetual capital instruments	—	—	—	—	—	—	—	—	—	—	—	(500,000)	—	(500,000)
Deemed disposal of partial interest in a subsidiary (Note (f))	—	—	—	—	—	138,345	—	—	—	—	138,345	—	(71,818)	66,527
Acquisition of additional interest in a subsidiary (Note (h))	—	—	—	—	—	(161,088)	—	—	—	—	(161,088)	—	(372,042)	(533,130)
Partial disposal of interests in subsidiaries ("Partial Disposal") (Note (g))	—	—	—	—	—	1,748,539	(104,681)	(2,918)	—	—	1,640,940	—	7,802,203	9,443,143
Transaction cost attributable to Partial Disposal	—	—	—	—	—	(370,251)	—	—	—	—	(370,251)	—	—	(370,251)
Acquisition of a subsidiary under common control (Note 2)	—	—	—	—	—	(240,270)	—	—	—	—	(240,270)	—	—	(240,270)
Statutory reserve appropriation	—	—	—	—	—	—	140,602	—	—	(140,602)	—	—	—	—
Dividend declared to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	(49,500)	(49,500)
Final 2015 dividend declared (Note 12)	—	—	—	—	—	—	—	—	—	(129,695)	(129,695)	—	—	(129,695)
Special dividend declared (Note 12)	—	—	—	—	—	—	—	—	—	(543,917)	(543,917)	—	—	(543,917)
Other	—	—	—	—	—	—	—	—	—	—	—	—	(8,975)	(8,975)
At 31 December 2016	1,122,414	17,993,202	1,722,317	(20,801,408)	3,137,029	6,087,696	486,932	21,081	(118,537)	16,552,625	26,203,351	3,515,849	11,787,431	41,506,631

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company													
	Ordinary share capital	Share premium	Non-redeemable convertible preference shares	Special reserve	Other reserve	Capital reserve	Statutory reserve	Property revaluation reserve	Foreign currency translation reserve	Retained profits	Total	Perpetual capital instruments	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note (a)) (Note 38)	(Note (a))	(Note (a)) (Note 39)	(Notes (a) and (e))	(Note (b))	(Note (c))	(Note (d))					(Note 41)		
At 1 January 2015 (As originally stated)	748,041	13,329,919	1,722,317	(20,757,648)	3,137,029	5,371,699	410,143	17,000	(213,092)	15,998,372	19,763,780	3,767,649	3,469,454	27,000,883
Combination of a subsidiary under common control in 2016 (Note 2)	—	—	—	—	—	57,127	—	—	—	13,058	70,185	—	30,583	100,768
At 1 January 2015 (Restated)	748,041	13,329,919	1,722,317	(20,757,648)	3,137,029	5,428,826	410,143	17,000	(213,092)	16,011,430	19,833,965	3,767,649	3,500,037	27,101,651
Profit and other comprehensive income/ (expense) for the year (restated)	—	—	—	—	—	—	—	4,778	132,993	726,147	863,918	244,899	(11,254)	1,097,563
Acquisition of a subsidiary under common control in 2015	—	—	—	(43,760)	—	—	—	—	—	—	(43,760)	—	—	(43,760)
Rights issue of shares (Note 38)	374,373	4,679,668	—	—	—	—	—	—	—	—	5,054,041	—	—	5,054,041
Share issue expenses (Note 38)	—	(16,385)	—	—	—	—	—	—	—	—	(16,385)	—	—	(16,385)
Acquisition of non-controlling interests (Note (h))	—	—	—	—	—	(193,858)	—	—	—	—	(193,858)	—	(376,012)	(569,870)
Acquisition of a subsidiary (Note 48(b))	—	—	—	—	—	—	—	—	—	—	—	—	1,139,464	1,139,464
(Note (i))	—	—	—	—	—	(262,547)	—	—	—	—	(262,547)	—	292,540	29,993
Capital reduction from non-controlling interests (Note (j))	—	—	—	—	—	—	—	—	—	—	—	—	(240,000)	(240,000)
Statutory reserve appropriation	—	—	—	—	—	—	40,868	—	—	(40,868)	—	—	—	—
Dividend declared to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	(50,719)	(50,719)
Dividend declared to owners of the company	—	—	—	—	—	—	—	—	—	(2,797)	(2,797)	—	—	(2,797)
Final 2014 dividend declared (Note 12)	—	—	—	—	—	—	—	—	—	(124,654)	(124,654)	—	—	(124,654)
At 31 December 2015 (Restated)	1,122,414	17,993,202	1,722,317	(20,801,408)	3,137,029	4,972,421	451,011	21,778	(80,099)	16,569,258	25,107,923	4,012,548	4,254,056	33,374,527

Notes:

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

(b) Other reserve mainly included balances arising on using the principles of merger accounting to account for business combinations involving entities under common control of RMB 288,561,000 in 2012 and RMB 2,617,690,000 in 2013.

(c) Capital reserve mainly included capital contribution from COFCO Corporation, the ultimate holding company of the Company, of which included capital contribution of RMB 4,208,294,000 to a subsidiary of the Group during the year ended 31 December 2012.

(d) The amount mainly represents statutory reserve of the companies registered in the People's Republic of China (the "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.

(e) On 19 December 2013, a very substantial acquisition, connected 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 RMB 2,618 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 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, the immediate holding company of the Company and COFCO Land ("Reverse Takeover Transaction"). Special reserve as at 1 January 2014 included balances arising on the Reverse Takeover Transaction completed in December 2013 of RMB 11,138,521,000.

(f) In June 2016, Speedy Cosmo Limited ("Speedy Cosmo"), a wholly-owned subsidiary of the Group, further issued 99 ordinary shares of par value of HK$1 each, in which 45 ordinary shares were issued to an independent third party (the "Investor") for RMB 66,526,960. Upon the completion of the issuance, the Investor holds 45% equity interest in Speedy Cosmo.

(g) During the year, the Group disposed of 49% of its equity interests in Fortune Set Limited ("Fortune Set"), Sunny Ease Limited ("Sunny Ease") and Vivid Star Limited ("Vivid Star") respectively, resulting in reducing its equity interests in these three subsidiaries to 51%. The proceeds on disposal of RMB 9,443,143,000 were received in cash. An amount of RMB 7,802,203,000 (being the proportionate share of the carrying amount of net assets of this three subsidiaries, respectively) has been transferred to non-controlling interests. The difference of RMB 1,640,940,000 between the increase in the non-controlling interests and the consideration received has been adjusted to reserves of the Group.

(h) On 1 December 2015, Xidan Joy City Co., Ltd.("Xidan Joy City"), a wholly-owned subsidiary of the Group established in the PRC, entered into an equity transfer agreement with the non-controlling shareholder (the "Non-Controlling Shareholder") of 北京昆庭資產管理有限公司 (Beijing Kunting Asset Management Co., Ltd*) ("Beijing Kunting"), an indirect non-wholly-owned subsidiary of the Group, pursuant to which the Group agreed to acquire and the Non-Controlling Shareholder agreed to sell 35% equity interest in Beijing Kunting for a consideration of RMB 569,870,000. Upon completion of the above transaction, Beijing Kunting is owned as to 65% and 35% by the Group and the Non-Controlling Shareholder, respectively. The excess of the consideration paid over the decrease in the carrying amount of non-controlling interests of RMB 193,858,000 has been recorded against capital reserve. See Note 51(b). In June 2016, Xidan Joy City further acquired 35% equity interest in Beijing Kunting from its non-controlling shareholder, a fellow subsidiary of the Group, for a consideration of RMB 533,130,000. Upon the completion of this acquisition, Beijing Kunting becomes a wholly-owned subsidiary of the Group.

(i) On 30 November 2015, COFCO (BVI) No 97 Limited ("BVI 97"), a then indirect wholly-owned subsidiary of the Company, entered into a capital increase agreement with COFCO Corporation and Taiwan Hotel Limited, a subsidiary of BVI 97, whereby BVI 97 and COFCO Corporation, which held equity interest in Taiwan Hotel Limited of 51% and 49% respectively, made capital contribution of RMB 645,000,000 and RMB 29,993,000 in cash, respectively to Taiwan Hotel Limited. The difference of RMB 262,547,000 between the contribution from COFCO Corporation and the decrease in non-controlling interests has been debited to capital reserve.

(j) In October 2015, 三亞虹霞開發建設有限公司 (Sanya Hongxia Development & Construction Co., Ltd*) ("Sanya Hongxia"), a 80% owned subsidiary of the Company, resolved to reduce its paid-up registered capital from RMB 2,539,500,000 to RMB 1,339,500,000. Accordingly, an amount of RMB 960,000,000 and RMB 240,000,000 was distributed to the Group and the non-controlling shareholder of Sanya Hongxia, respectively, based on their respective equity interest in Sanya Hongxia. See Note 51(c).

* 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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000 (restated)
	Year ended 31 December	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**2,457,271**	1,651,800
Adjustments for:		
Finance costs	**704,568**	957,201
Interest income	**(52,810)**	(36,947)
Share of (profits) losses of associates	**(8,191)**	35,202
Share of loss of a joint venture	**8,661**	—
Gain on deemed disposal/disposal of subsidiaries	**—**	(579,503)
Amortisation of intangible assets	**12,943**	7,293
Amortisation of leasehold land and land use rights	**31,247**	31,171
Depreciation of property, plant and equipment	**348,719**	305,731
Fair value gain of investment properties	**(1,006,770)**	(964,085)
Impairment loss on properties under development for sale	**—**	11,341
Recognition/(reversal) of impairment loss on accounts receivable, net	**1,236**	(2,010)
Recognition/(reversal) of impairment loss on deposits, prepayments and other receivables, net	**8,674**	(12,826)
Exchange loss/(gain), net	**9,724**	318,894
Loss on disposal of property, plant and equipment, net	**17,350**	2,063
Release of deferred revenue	**(784)**	—
Operating cash flows before movements in working capital	**2,531,838**	1,725,325
Decrease in inventories	**996**	790
Decrease in properties held for sale	**1,716,132**	857,008
Increase in properties under development for sale	**(2,344,455)**	(2,533,120)
Increase in accounts receivable	**(41,400)**	(8,487)
(Increase)/decrease in deposits, prepayments and other receivables	**(131,097)**	297,842
Increase in accounts payable	**629,465**	114,295
Increase in other payables and accruals	**223,700**	98,330
Increase in deposits received in respect of pre-sale of properties	**1,664,465**	971,199
Increase in rental deposits received	**351,847**	88,228
Decrease/(increase) in restricted bank deposits	**261,199**	(187,893)
Decrease in amount due from the ultimate holding company	**220**	725
Increase in amount due from an intermediate holding company	**(325)**	—
(Increase)/decrease in amounts due from fellow subsidiaries	**(1,910)**	3,728
(Decrease)/increase in amount due to the ultimate holding company	**(9,770)**	184
Increase in amounts due to an intermediate holding company	**1,450**	—
(Decrease)/increase in amounts due to fellow subsidiaries	**(302)**	19,857
Increase in deferred revenue	**30,651**	—
Cash generated from operations	**4,882,704**	1,448,011
PRC Enterprise Income Tax and Hong Kong profits tax paid	**(501,687)**	(173,340)
Land Appreciation Tax paid	**(334,407)**	(705,646)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**4,046,610**	569,025

	Year ended 31 December 2016 RMB'000	2015 RMB'000 (restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**52,810**	36,947
Payments for property, plant and equipment	**(122,496)**	(475,239)
Payments for intangible assets	**(24,146)**	(19,154)
Payments for investment properties	**(899,884)**	(501,220)
Payments for leasehold land and land use rights	**—**	(139,748)
Proceeds from disposal of property, plant and equipment	**5,159**	743
Acquisition of a subsidiary (Note 49)	**(1,214,700)**	(1,205,065)
Acquisition of interest in an associate	**(4,999)**	—
Deemed disposal of subsidiaries (Note 50)	**—**	(737,558)
Advance to fellow subsidiaries	**(3,626)**	—
Advance to non-controlling interests	**—**	(181)
Repayment of loan to a joint venture	**833,253**	—
Placement of restricted bank deposits	**(604)**	(305,943)
Withdrawal of restricted bank deposits	**226,243**	64,127
Increase in pledged deposits	**(4,271)**	(1,469)
Decrease in non-pledged time deposits with original maturity of more than three months when acquired	**85,664**	221,735
NET CASH USED IN INVESTING ACTIVITIES	**(1,071,597)**	(3,062,025)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(700,882)**	(1,376,522)
Repayment of perpetual capital instruments	**(500,000)**	—
Interest paid on perpetual capital instruments	**(240,799)**	—
Interest paid to guaranteed notes holders	**(194,317)**	—
Issue of corporate bonds	**3,000,000**	—
Underwriting fee paid in issuance of corporate bonds	**(18,000)**	—
Proceeds from bank borrowings	**4,224,580**	12,245,290
Repayment of bank borrowings	**(11,830,470)**	(9,645,787)
Proceeds from placing of new shares (Note 38)	**—**	5,054,041
Share issue expenses (Note 38)	**—**	(16,385)
Partial disposal of shares of subsidiaries	**9,443,143**	—
Transaction cost paid for partial disposal of shares of subsidiaries	**(60,573)**	—
Loans from fellow subsidiaries	**1,522,850**	4,343,008
Repayment of loans from fellow subsidiaries	**(1,978,540)**	(6,502,814)
Loans from the ultimate holding company	**600,000**	640,000
Repayment of loans from the ultimate holding company	**(300,000)**	(140,000)
Advance from non-controlling interests	**921,658**	—
Advance from an associate	**1,033**	—
Advance from an intermediate holding company	**—**	585
(Repayment of) advance from fellow subsidiaries	**(36,364)**	11,574
Repayment to fellow subsidiaries	**—**	(4,914,575)
Loans from non-controlling interests	**50,000**	5,000
Repayment to non-controlling interests	**(17,962)**	—
Dividends paid	**(133,649)**	(124,387)
Dividends paid to non-controlling interests	**(49,500)**	(38,725)
Contribution from non-controlling interests	**66,527**	29,993
Deemed distribution on acquisition of subsidiaries under common control	**(204,230)**	(43,760)
Payment to non-controlling shareholders for capital reduction	**(40,000)**	—
Acquisition of additional interest in a subsidiary	**(1,103,000)**	—
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**2,421,505**	(473,464)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(restated)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**5,396,518**	(2,966,464)
Cash and cash equivalents at beginning of year	**3,189,058**	6,091,741
Effects of exchange rate changes on the balance of cash held in foreign currencies	**203,424**	63,781
CASH AND CASH EQUIVALENTS AT END OF YEAR	**8,789,000**	3,189,058
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**8,409,000**	2,897,670
Non-pledged time deposits	**382,101**	379,153
Cash and bank balances as stated in the consolidated statement of financial position	**8,791,101**	3,276,823
Non-pledged time deposits with original maturity of more than three months when acquired (Note 32)	**(2,101)**	(87,765)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**8,789,000**	3,189,058

1. GENERAL INFORMATION

Joy City Property 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").

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.

The immediate holding company of the Company is Achieve Bloom Limited. In the opinion of the directors of the Company (the "Directors"), the ultimate holding company of the Company is COFCO Corporation, a company established in 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 the Company and most of the entities comprising the Group), and all values are rounded to the nearest thousand ('000) unless otherwise indicated.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

During the year, a discloseable and connected transaction in relation to the acquisition of the 69.65% equity interest in 四川中國酒城股份有限公司 (Sichuan China Jiucheng Corporation*) ("Jiu Cheng") by the Group from China National Sugar & Alcohol Group Corporation (中國糖業酒類集團公司) ("China Sugar") and China Huang Co., Ltd *(中皇有限公司) ("China Huang"), a wholly-owned subsidiary and a joint-venture of COFCO Corporation respectively, was completed. The total consideration of the acquisition is RMB 240,270,000.

Jiu Cheng is a joint stock limited liability company established in the PRC and is principally engaged in real estate development, which was established by China Sugar and other original shareholders in 1993.

In November 2014, the controlling shareholder of Jiu Cheng, China Sugar, became a wholly-owned subsidiary of COFCO Corporation. Accordingly, Jiu Cheng became a subsidiary of COFCO Corporation since November 2014. The principal asset of Jiu Cheng is a commercial property located in Wuhou District, Chengdu City, the PRC (the "Property"). It is planned that the Property will be developed into a property held for sale.

The details of the above acquisition are set out in the Company's announcement dated 31 December 2015.

As the Group and Jiu Cheng were under common control of COFCO Corporation since November 2014 and COFCO Corporation continues to control the Group and Jiu Cheng upon completion of the above acquisition, the acquisition is considered as a combination of entities under common control and accounted for using the principles of merger accounting, pursuant to which the consolidated financial statements of the Group have been prepared as if Jiu Cheng had been a subsidiary of the Group since November 2014.

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

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 Jiu Cheng had been a subsidiary of the Group since November 2014. The consolidated statement of financial position of the Group as at 31 December 2015 has been restated to include assets and liabilities of Jiu Cheng as at that date. Respective notes to these consolidated financial statements have also been restated. All significant intra-group balances, income and expenses are eliminated on combination.

The effects of the combination of Jiu Cheng on the results of the Group for the year ended 31 December 2015 and the financial position of the Group at 31 December 2015 are summarised below:

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015

	2015 RMB'000 (previously reported)	Combination of a subsidiary under common control RMB'000	2015 RMB'000 (restated)
Revenue	5,374,208	8,266	5,382,474
Cost of sales and services rendered	(2,479,565)	(2,740)	(2,482,305)
Gross profit	2,894,643	5,526	2,900,169
Other income	65,736	4,002	69,738
Other gains and losses, net	256,149	(115)	256,034
Distribution and selling costs	(570,787)	—	(570,787)
Administrative expenses	(966,615)	(8,421)	(975,036)
Fair value gain of investment properties	964,015	70	964,085
Finance costs	(957,201)	—	(957,201)
Share of loss of an associate	(35,202)	—	(35,202)
Profit before tax	1,650,738	1,062	1,651,800
Income tax expense	(691,562)	(446)	(692,008)
Profit for the year	959,176	616	959,792
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation	132,993	—	132,993
	132,993	—	132,993

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

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015 (continued)

	2015 RMB'000 (previously reported)	Combination of a subsidiary under common control RMB'000	2015 RMB'000 (restated)
Items that will not be reclassified to profit or loss:			
Revaluation of properties:			
Gain on revaluation of property, plant and equipment and leasehold land and land use rights transferred to investment properties	6,370	—	6,370
Income tax effect	(1,592)	—	(1,592)
	4,778	—	4,778
Other comprehensive income for the year	137,771	—	137,771
Total comprehensive income for the year	1,096,947	616	1,097,563
Profit for the year attributable to:			
Owners of the Company	725,718	429	726,147
Holders of perpetual capital instruments	244,899	—	244,899
Non-controlling interests	(11,441)	187	(11,254)
	959,176	616	959,792
Total comprehensive income attributable to:			
Owners of the Company	863,489	429	863,918
Holders of perpetual capital instruments	244,899	—	244,899
Non-controlling interests	(11,441)	187	(11,254)
	1,096,947	616	1,097,563

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

Consolidated statement of financial position at 31 December 2015

	31 December 2015 RMB'000 (previously reported)	Combination of a subsidiary under common control RMB'000	31 December 2015 RMB'000 (restated)
NON-CURRENT ASSETS			
Investment properties	46,022,402	10,100	46,032,502
Property, plant and equipment	5,162,972	27,888	5,190,860
Leasehold land and land use rights	844,371	11,310	855,681
Intangible assets	28,237	—	28,237
Interest in an associate	54,088	—	54,088
Interest in a joint venture	8,661	—	8,661
Available-for-sale investments	510	—	510
Goodwill	253,042	—	253,042
Deposits and prepayments	10,000	—	10,000
Deferred tax assets	19,305	—	19,305
Amount due from the ultimate holding company	20,000	—	20,000
	52,423,588	49,298	52,472,886
CURRENT ASSETS			
Inventories	28,144	65	28,209
Properties held for sale	2,789,006	—	2,789,006
Properties under development for sale	12,342,085	—	12,342,085
Accounts receivable	133,356	—	133,356
Deposits, prepayments and other receivables	221,021	15,609	236,630
Amount due from the ultimate holding company	240	—	240
Amounts due from fellow subsidiaries	16,049	—	16,049
Amounts due from non-controlling interests	181	—	181
Loans to a joint venture	1,235,332	—	1,235,332
Tax recoverable	37,150	—	37,150
Restricted bank deposits	517,688	—	517,688
Pledged deposits	1,469	—	1,469
Cash and bank balances	3,208,765	68,058	3,276,823
	20,530,486	83,732	20,614,218

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

Consolidated statement of financial position at 31 December 2015 (continued)

	31 December 2015 RMB'000 (previously reported)	Combination of a subsidiary under common control RMB'000	31 December 2015 RMB'000 (restated)
CURRENT LIABILITIES			
Accounts payable	1,236,389	—	1,236,389
Other payables and accruals	4,428,645	28,009	4,456,654
Deposits received in respect of pre-sale of properties	1,420,686	—	1,420,686
Amount due to the ultimate holding company	331,186	—	331,186
Amount due to an intermediate holding company	585	—	585
Amounts due to non-controlling interests	929,245	1,713	930,958
Amounts due to fellow subsidiaries	76,051	4,377	80,428
Loans from fellow subsidiaries	1,888,540	—	1,888,540
Loan from non-controlling interests	5,000	—	5,000
Bank borrowings	2,330,477	—	2,330,477
Income tax and land appreciation tax payables	220,504	175	220,679
	12,867,308	34,274	12,901,582
NET CURRENT ASSETS	7,663,178	49,458	7,712,636
TOTAL ASSETS LESS CURRENT LIABILITIES	60,086,766	98,756	60,185,522
NON-CURRENT LIABILITIES			
Rental deposits received	282,638	—	282,638
Loans from a fellow subsidiary	396,000	—	396,000
Bank borrowings	15,003,946	—	15,003,946
Deferred tax liabilities	5,955,134	1,388	5,956,522
Guaranteed notes	5,171,889	—	5,171,889
	26,809,607	1,388	26,810,995
NET ASSETS	33,277,159	97,368	33,374,527
CAPITAL AND RESERVES			
Share capital	1,122,414	—	1,122,414
Reserves	23,917,692	67,817	23,985,509
Equity attributable to owners of the Company	25,040,106	67,817	25,107,923
Perpetual capital instruments	4,012,548	—	4,012,548
Non-controlling interests	4,224,505	29,551	4,254,056
TOTAL EQUITY	33,277,159	97,368	33,374,527

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

Consolidated statement of financial position at 1 January 2015

	1 January 2015 RMB'000 (previously reported)	Combination of a subsidiary under common control RMB'000	1 January 2015 RMB'000 (restated)
NON-CURRENT ASSETS			
Investment properties	41,859,912	10,030	41,869,942
Property, plant and equipment	5,963,010	30,249	5,993,259
Leasehold land and land use rights	853,692	11,894	865,586
Intangible assets	18,617	—	18,617
Interest in an associate	89,290	—	89,290
Available-for-sale investments	1,510	—	1,510
Goodwill	184,297	—	184,297
Deposits and prepayments	46,252	—	46,252
Deferred tax assets	49,528	111	49,639
Amount due from the ultimate holding company	20,000	—	20,000
	49,086,108	52,284	49,138,392
CURRENT ASSETS			
Inventories	29,581	69	29,650
Properties held for sale	533,928	—	533,928
Properties under development for sale	11,070,373	—	11,070,373
Accounts receivable	124,601	—	124,601
Deposits, prepayments and other receivables	609,663	19,297	628,960
Amount due from the ultimate holding company	965	—	965
Amounts due from fellow subsidiaries	19,777	—	19,777
Tax recoverable	73,953	—	73,953
Restricted bank deposits	87,979	—	87,979
Pledged deposits	—	—	—
Cash and bank balances	6,401,241	47,560	6,448,801
	18,952,061	66,926	19,018,987

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

Consolidated statement of financial position at 1 January 2015 (continued)

	1 January 2015 RMB'000 (previously reported)	Combination of a subsidiary under common control RMB'000	1 January 2015 RMB'000 (restated)
CURRENT LIABILITIES			
Accounts payable	1,132,219	—	1,132,219
Other payables and accruals	3,257,270	17,192	3,274,462
Deposits received in respect of pre-sale of properties	449,487	—	449,487
Amount due to the ultimate holding company	331,002	—	331,002
Amounts due to fellow subsidiaries	5,083,145	—	5,083,145
Amounts due to non-controlling interests	108,421	—	108,421
Loans from fellow subsidiaries	4,046,650	—	4,046,650
Bank borrowings	5,574,204	—	5,574,204
Income tax and land appreciation tax payables	875,833	—	875,833
	20,858,231	17,192	20,875,423
NET CURRENT LIABILITIES	(1,906,170)	49,734	(1,856,436)
TOTAL ASSETS LESS CURRENT LIABILITIES	47,179,938	102,018	47,281,956
NON-CURRENT LIABILITIES			
Rental deposits received	287,157	—	287,157
Loans from a fellow subsidiary	455,500	—	455,500
Bank borrowings	9,160,716	—	9,160,716
Deferred tax liabilities	5,413,383	1,250	5,414,633
Guaranteed notes	4,862,299	—	4,862,299
	20,179,055	1,250	20,180,305
NET ASSETS	27,000,883	100,768	27,101,651
CAPITAL AND RESERVES			
Share capital	748,041	—	748,041
Reserves	19,015,739	70,185	19,085,924
Equity attributable to owners of the Company	19,763,780	70,185	19,833,965
Perpetual capital instruments	3,767,649	—	3,767,649
Non-controlling interests	3,469,454	30,583	3,500,037
TOTAL EQUITY	27,000,883	100,768	27,101,651

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

Consolidated statement of financial position at 1 January 2015 (continued)

The effects of the above business combination under common control on the Group's basic earnings per share for the year ended 31 December 2015 are as follows:

	Impact on basic earnings per share RMB cents
Figures before adjustments	5.3
Effect arising from business combination under common control	—
Figures after adjustments	5.3

The effects of the above business combination under common control on the Group's basic earnings per share for the year ended 31 December 2014 are as follows:

	Impact on basic earnings per share RMB cents
Figures before adjustments	17.2
Effect arising from business combination under common control	—
Figures after adjustments	17.2

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012–2014 Cycle*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*[1]
HKFRS 16	*Leases*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 7	*Disclosure Initiative*[4]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[4]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2014–2016 cycle*[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

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

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS9 are required to be 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("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 nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

HKFRS 9 *Financial Instruments* (continued)

- 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 such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liability designated as fair value through profit or loss is 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.

Application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at the cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI. In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 *Revenue from Contracts with Customers and the related Amendments*

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 15 *Revenue from Contracts with Customers and the related Amendments* (continued)

In 2016, the HKICPA issued *Clarifications to HKFRS 15* in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected. Furthermore, the Directors also consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18, however, the allocation of total consideration to the respective performance obligations will be based on relative fair values which will potentially affect the timing and amounts of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group perform a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain investment 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*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

4. SIGNIFICANT ACCOUNTING POLICIES (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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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 relevant components of equity including reserves 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 after re-attribution of the relevant equity component, 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 attributable to the owners of the Company. 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

- 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 amount of the identifiable assets acquired and the liabilities assumed as at the acquisition date. 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 relevant subsidiary'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.

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, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or groups of cash-generating units) 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 (or groups of cash-generating units) 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 (or groups of cash-generating units). 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 bargain purchase gain at the time of common control combination.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and joint ventures

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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joints ventures 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 or joint venture 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 or joint venture. When the Group's share of losses of an associate exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or joint venture, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

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 or a joint venture. 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 or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated pro-rata to the other assets of the unit. 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, the ultimate holding company, a joint venture and non-controlling interests, restricted bank deposits, pledged 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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 at amortised cost

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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, 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. Other than investment properties measured under fair value model, such costs are recognised as an expense on 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 interests in associates and joint ventures, 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 or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of then benefits expected to be paid in exchange for the related service.

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 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 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 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 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.

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 did not transfer substantially all the significant risks and rewards of ownership of these properties which are leased out through operating leases.

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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 and liabilities 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 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 16.

Deferred tax

At 31 December 2016, deferred tax assets of RMB 15,815,000 (31 December 2015: RMB 19,305,000) have been recognised in the consolidated financial statements 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 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 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.

Land appreciation tax ("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 2016 was RMB 5,045,044,000 (31 December 2015: RMB 5,190,860,000).

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

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 2016 was RMB 4,641,811,000 (31 December 2015: RMB 2,789,006,000). The aggregate carrying amount of properties under development for sale as at 31 December 2016 was RMB 11,320,633,000 (31 December 2015: RMB 12,342,085,000).

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 AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold and services rendered during the year.

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 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, 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 different reportable segments. In the current year, the Group made certain adjustment in the reportable segment that provision of property management services related to investment properties which was included in the reportable segment named "property management and related services" in the prior year, was aggregated into the reportable segment of "Property investment". After the adjustment, the Group's reportable segments are as follows. Prior period segment disclosures have been represented to conform with the current year's presentation.

Property investment	Property letting and related property management services
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

An analysis of the Group's revenue, which is also turnover of the Group, for the year is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(restated)
Property investment and development:		
Gross rental income from investment properties and related property management services	**3,123,460**	2,656,746
Sales of properties held for sale	**2,752,066**	1,476,454
Service income for primary land development	**4,186**	30,000
Property management and related services	**76,855**	59,395
Other property related service income	**20,125**	20,468
	5,976,692	4,243,063
Hotel operations:		
Hotel room revenue	**716,770**	783,448
Other ancillary service	**293,635**	355,963
	1,010,405	1,139,411
Total revenue	**6,987,097**	5,382,474

Information regarding the above segments is reported below.

6. REVENUE AND SEGMENT INFORMATION (continued)

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 2016							
Segment revenue							
External customers	3,125,826	2,756,252	1,010,405	96,980	6,989,463	—	6,989,463
Inter-segment revenue	3,359	—	—	37,762	41,121	(41,121)	—
Consolidated	3,129,185	2,756,252	1,010,405	134,742	7,030,584	(41,121)	6,989,463
Rental adjustments							(2,366)
Revenue as presented in consolidated statement of profit or loss and other comprehensive income							6,987,097
Segment results	2,509,200	985,676	(87,863)	(45,211)	3,361,802		3,361,802
Unallocated corporate income and other gains							33,906
Unallocated corporate expenses and other losses							(233,399)
Finance costs							(704,568)
Share of gains of associates							8,191
Share of losses of a joint venture							(8,661)
Profit before tax as presented in consolidated statement of profit or loss and other comprehensive income							2,457,271

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and segment results (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 2015 (restated)							
Segment revenue							
External customers	2,660,939	1,506,454	1,139,411	79,863	5,386,667	—	5,386,667
Inter-segment revenue	4,641	—	—	9,616	14,257	(14,257)	—
Consolidated	2,665,580	1,506,454	1,139,411	89,479	5,400,924	(14,257)	5,386,667
Rental adjustments							(4,193)
Revenue as presented in consolidated statement of profit or loss and other comprehensive income							5,382,474
Segment results	2,391,186	482,216	(80,556)	(64,864)	2,727,982		2,727,982
Unallocated corporate income and other gains							30,239
Unallocated corporate expenses and other losses							(693,521)
Gain on deemed disposal of subsidiaries							579,503
Finance costs							(957,201)
Share of losses of an associate							(35,202)
Profit before tax as presented in consolidated statement of profit or loss and other comprehensive income							1,651,800

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, finance costs, share of results of associates, share of results of a joint venture, gain on deemed disposal of subsidiaries, and income tax expense. The above is the measure reported to the Directors for the purposes of resource allocation and performance assessment.

6. REVENUE AND 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 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	
	2016 RMB'000	2015 RMB'000 (restated)
Mainland China	**6,891,972**	5,288,694
Hong Kong	**95,125**	93,780
	6,987,097	5,382,474

Information about the Group's non-current assets by location is detailed below.

	At 31 December	
	2016 RMB'000	2015 RMB'000 (restated)
Mainland China	**53,269,751**	49,304,538
Hong Kong	**3,108,147**	2,865,491
	56,377,898	52,170,029

Non-current assets exclude goodwill, deferred tax assets, available-for-sale investments, amount due from the ultimate holding company, and deposits 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 2016 and 2015.

6. REVENUE AND SEGMENT INFORMATION (continued)

Other information

Amounts regularly provided to the chief operating decision maker are as follows:

	Property investment RMB'000	Property and land development RMB'000	Hotel operations RMB'000	Property management and related services RMB'000	Total RMB'000
Year ended 31 December 2016					
Impairment loss/(reversal of impairment loss) on accounts and other receivables, net	**11,224**	**927**	**(143)**	**(2,098)**	**9,910**
Depreciation of property, plant and equipment	**26,559**	**48,165**	**269,211**	**4,784**	**348,719**
Amortisation of leasehold land and land use rights	**—**	**2,200**	**27,522**	**1,525**	**31,247**
Loss on disposal of property, plant and equipment, net	**5,512**	**11,760**	**64**	**14**	**17,350**
Year ended 31 December 2015 (restated)					
(Reversal of impairment loss)/impairment loss on accounts and other receivables, net	(15,889)	1,806	(1,157)	404	(14,836)
Depreciation of property, plant and equipment	25,731	9,744	265,382	4,874	305,731
Amortisation of leasehold land and land use rights	—	2,907	26,025	2,239	31,171
Loss/(gain) on disposal of property, plant and equipment, net	857	(5)	856	355	2,063
Impairment loss on property under development for sale*	11,341	—	—	—	11,341

* Impairment loss on property under development for sale is not included in segment profit or loss.

7. OTHER INCOME

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000 (restated)
Interest income from:		
Banks	**39,364**	37,702
Loan to a joint venture	**13,446**	—
Government grants (Note)	**22,316**	3,948
Refund of PRC business tax and surcharges	**15,711**	17,920
Others	**20,154**	10,168
	110,991	69,738

Note: 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.

8. OTHER GAINS AND LOSSES, NET

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000 (restated)
Gain on deemed disposal of subsidiaries (Note 50)	—	579,503
(Impairment loss)/reversal of impairment loss on accounts receivable, net	**(1,236)**	2,010
(Impairment loss)/reversal of impairment loss on other receivables, net	**(8,674)**	12,826
Impairment loss on properties under development for sale (Note 28)	—	(11,341)
Loss on disposal of property, plant and equipment, net	**(17,350)**	(2,063)
Exchange loss, net	**(93,312)**	(318,894)
Compensation expense for early termination of lease	**(40,823)**	—
Others	**(2,776)**	(6,007)
	(164,171)	256,034

9. FINANCE COSTS

	Year ended 31 December 2016 RMB'000	2015 RMB'000 (restated)
Interest on:		
Bank borrowings	**606,410**	937,171
Loans from a non-banking financial institution*	**54,199**	51,498
Loans from the ultimate holding company	**13,354**	18,794
Loans from fellow subsidiaries	**27,377**	157,042
Loans from non-controlling interests	**1,130**	—
Corporate bonds	**98,174**	—
Guaranteed notes (Note 36)	**206,163**	193,635
Other finance costs	**—**	23
Total interest expenses	**1,006,807**	1,358,163
Less: Interest capitalised:		
Investment properties under development (Note 16)	**(27,019)**	(86,205)
Construction in progress under property, plant and equipment (Note 17)	**(102)**	—
Properties under development for sale (Note 28)	**(275,118)**	(314,757)
	(302,239)	(400,962)
Finance costs	**704,568**	957,201

* The non-banking financial institution is COFCO Finance Corporation Limited ("COFCO Finance"), a fellow subsidiary of the Group.

Borrowing costs capitalised to investment properties, property, plant and equipment, and properties under development for sale were based on actual borrowing costs incurred.

Borrowing costs from general borrowings were capitalised at rates ranging from 3.09% to 5.01% (2015: 3.12% to 7.05%) per annum.

10. PROFIT BEFORE TAX

	Year ended 31 December 2016 RMB'000	2015 RMB'000 (restated)
Profit for the year has been arrived at after charging:		
Directors' emoluments (Note 14)	**3,233**	6,232
Depreciation and amortisation:		
Amortisation:		
— Intangible assets (included in cost of sales)	**5,474**	3,632
— Intangible assets (included in administrative expenses)	**6,403**	2,663
— Intangible assets (included in selling expenses)	**1,066**	998
Amortisation of leasehold land and land use rights	**31,247**	31,171
Depreciation of property, plant and equipment*	**348,719**	305,731
Total depreciation and amortisation	**392,909**	344,195
Cost of sales and services rendered:		
Cost of properties sold	**1,626,720**	928,244
Direct operating expenses arising from investment properties letted	**911,961**	787,717
Cost of primary land development services provided	**4,186**	4,980
Direct operating expenses arising from provision of property management and related services	**64,282**	51,404
Direct operating expenses from hotel services provided	**619,759**	709,960
	3,226,908	2,482,305
Employee benefits expense (including directors' emoluments (Note 14))**:		
Salaries, allowances and other benefits	**751,230**	672,398
Retirement benefit scheme contributions	**50,973**	90,358
	802,203	762,756
Advertising and promotion expenses (included in distribution and selling costs)	**243,078**	229,096
Auditors' remuneration	**3,019**	3,019

* Depreciation of property, plant and equipment of RMB 298,844,000 for the year ended 31 December 2016 (2015: RMB 235,030,000) was included in cost of sales and services rendered in the consolidated statement of profit or loss and other comprehensive income.

** Employee benefits expense of RMB 188,806,000 for the year ended 31 December 2016 (2015: RMB 208,237,000) was included in cost of sales and services rendered in the consolidated statement of profit or loss and other comprehensive income.

11. INCOME TAX EXPENSE

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(restated)
Current tax:		
PRC Enterprise Income Tax	**291,283**	268,782
LAT	**430,512**	131,346
Hong Kong	**13,774**	10,737
	735,569	410,865
Under/(Over) provision in prior years:		
PRC Enterprise Income Tax	**3,986**	(57,124)
LAT	**—**	(92,549)
	3,986	(149,673)
Deferred tax (Note 24)	**442,528**	430,816
	1,182,083	692,008

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 law of the People's Republic of China on enterprise income tax provides that qualified dividend income between two "resident enterprises" that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to 5% to 10% withholding tax under the tax treaty or the domestic law. The Group is currently subject to withholding tax at 10%. During the year end 31 December 2016, withholding tax on intra-group dividend amounting to RMB 26,536,000 (2015: RMB 63,028,000) was paid by the group to relevant tax authorities.

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, Bermuda and Samoa, the Group is not subject to any income tax in the British Virgin Islands, Bermuda and Samoa.

11. 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	
	2016	2015
	RMB'000	RMB'000
		(restated)
Profit before tax	**2,457,271**	1,651,800
Tax at PRC EIT rate of 25% (2015: 25%)*	**614,318**	412,950
Lower tax rates for entities of the Group operating in other jurisdictions	**(9,563)**	(6,010)
PRC LAT	**430,512**	131,346
Tax effect of PRC LAT	**(107,628)**	(32,837)
Tax effect of expenses not deductible for tax purpose	**131,085**	127,809
Tax effect of income not taxable for tax purpose	**(325)**	(145,154)
Tax effect of tax losses not recognised	**119,212**	208,444
Tax effect of unrecognised deductible temporary difference	**24,541**	89,051
Tax effect of utilisation of tax losses not previously recognised	**(52,248)**	(59,532)
Tax effect of share of (profit)/loss of associates	**(2,047)**	8,801
Tax effect of share of loss of a joint venture	**2,165**	—
Effect of withholding tax on undistributed profits	**24,408**	34,164
Under/(Over) provision of current taxation in prior years	**3,986**	(126,536)
Others	**3,667**	49,512
Income tax expense for the year	**1,182,083**	692,008

* 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.

12. DIVIDENDS

Dividends for the shareholders of ordinary shares and non-redeemable convertible preference shares of the Company recognised as distribution during the year:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
2015 Final — HK1 cent per share (2014 Final: HK1 cent):		
Ordinary shares	**120,426**	115,746
Non-redeemable convertible preference shares	**9,269**	8,908
Special dividend (Note) — HK4 cents per share:		
Ordinary shares	**505,046**	—
Non-redeemable convertible preference shares	**38,871**	—
	673,612	124,654

Note: On 25 November 2016, the Directors approved an interim dividend as a special arrangement. Details of which set out in the announcements of the Company dated on 25 November 2016 and 7 December 2016, respectively.

12. DIVIDENDS (continued)

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2016 of HK4 cents per ordinary share (approximately HK$565 million or RMB 505 million in aggregate for ordinary shares) has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting. The holders of the non-redeemable convertible preference shares are entitled to receive any dividend pari passu with the holders of ordinary shares of the Company and therefore entitle to receive the 2016 final dividend of approximately HK$44 million or RMB 39 million.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary shareholders of the Company is based on the following data:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(restated)
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**797,581**	726,147

	Year ended 31 December	
	2016	2015
Number of shares ('000)		
For the purpose of basic earnings per share:		
Weighted average number of ordinary shares	**14,231,125**	12,697,542
Number of non-redeemable convertible preference shares (Note 39)	**1,095,301**	1,095,301
Weighted average number of shares for the purpose of basic earnings per share	**15,326,426**	13,792,843

The weighted average number of shares used for the purpose of calculating basic earnings per share for the years ended 31 December 2016 and 2015 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 years.

The bonus element in the Rights Issue (as defined in Note 38) is not considered in the calculation of the basic earnings per share for the year ended 31 December 2015 as the effect is not considered material.

No diluted earnings per share for the years ended 31 December 2016 and 2015 is presented as there was no potential ordinary share in issue during both years.

14. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

Details of the emoluments paid to the Directors 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
2016				
Executive directors				
Mr. ZHOU Zheng	—	1,501	10	1,511
Mr. HAN Shi (resigned on 17 February 2016)	—	654	3	657
Mr. CAO Ronggen (appointed on 7 December 2016)	—	—	—	—
Non-executive directors				
Mr. MA Jianping (Note)	—	—	—	—
Mr. MA Wangjun (Note)	—	—	—	—
Mrs. JIANG Hua (Note)	—	—	—	—
Mrs. WU Xiaohui	—	—	—	—
Independent non-executive directors				
Mr. LAU Hon Chuen, Ambrose	355	—	—	355
Mr. LAM Kin Ming, Lawrence	355	—	—	355
Mr. WU Kwok Cheung	355	—	—	355
Total	1,065	2,155	13	3,233

14. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS (continued)

	Directors' fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
2015				
Executive directors				
Mr. ZHOU Zheng	—	2,115	15	2,130
Mr. HAN Shi	—	3,088	15	3,103
Non-executive directors				
Mr. SHI Zhuowei (resigned on 2 June 2015)	—	—	—	—
Mr. MA Jianping	—	—	—	—
Mr. MA Wangjun	—	—	—	—
Mrs. JIANG Hua	—	—	—	—
Mrs. WU Xiaohui (appointed on 11 June 2015)	—	—	—	—
Independent non-executive directors				
Mr. LAU Hon Chuen, Ambrose	333	—	—	333
Mr. LAM Kin Ming, Lawrence	333	—	—	333
Mr. WU Kwok Cheung	333	—	—	333
Total	999	5,203	30	6,232

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

None of the directors has waived or agree to waive any emoluments in the current and prior years.

Note: Subsequent to the reporting period, Mr. Ma Jianping, Mr. Ma Wangjun and Ms. Jiang Hua resigned as non-executive directors with effect from 16 January 2017 and Mr. Jiang Chao, Mr. Zeng Xianfeng and Mr. Jia Peng appointed as non-executive directors with effect from 16 January 2017.

15. EMPLOYEE'S EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, none of them (2015: two) is Director. The emoluments of the five (2015: three) highest paid individuals are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Salaries and other allowances	**10,729**	5,560
Retirement benefit scheme contributions	**528**	335
	11,257	5,895

The emoluments of the above individuals fell within the following bands:

	Year ended 31 December	
	2016	2015
Number of individuals		
HK$1,500,001–HK$2,000,000	**1**	1
HK$2,000,001–HK$2,500,000	**1**	1
HK$2,500,001–HK$3,000,000	**2**	—
HK$3,000,001–HK$3,500,000	**1**	1
	5	3

Saved as disclosed above, the Directors 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 2016 (2015: nil).

16. INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At fair value			
At 1 January 2015 (restated)	37,099,459	4,770,483	41,869,942
Acquisition of a subsidiary (Note 49(b))	—	963,000	963,000
Additions on subsequent expenditure	94,119	1,846,149	1,940,268
Transfer from properties, plant and equipment and leasehold land and land use right*	66,381	—	66,381
Transfer to properties, plant and equipment (Note 17)	(45,302)	—	(45,302)
Reclassification	5,652,800	(5,652,800)	—
Interest capitalised (Note 9)	—	86,205	86,205
Change in fair value recognised in profit or loss	763,240	200,845	964,085
Exchange realignment	187,923	—	187,923
At 31 December 2015 (restated)	**43,818,620**	**2,213,882**	**46,032,502**
Acquisition of a subsidiary (Note 49(a))	**2,411,973**	**—**	**2,411,973**
Additions on subsequent expenditure	**277,306**	**236,690**	**513,996**
Transfer from properties, plant and equipment and leasehold land and land use right*	**9,500**	**—**	**9,500**
Transfer to properties, plant and equipment (Note 17)	**(16,670)**	**—**	**(16,670)**
Interest capitalised (Note 9)	**—**	**27,019**	**27,019**
Change in fair value recognised in profit or loss	**739,479**	**267,291**	**1,006,770**
Exchange realignment	**116,089**	**—**	**116,089**
At 31 December 2016	**47,356,297**	**2,744,882**	**50,101,179**

* During the year, the amount transferred from property, plant and equipment and leasehold land and land use rights upon the end of owner occupation included in the aggregate carrying amount of the property, plant and equipment and leasehold land and land use rights amounted to RMB 6,539,000 and nil respectively, (2015: RMB 52,668,000 and RMB 7,343,000, respectively) with fair value change recognised to other comprehensive income of RMB 2,961,000 (income tax effect of RMB 740,000) (2015: RMB 6,370,000 (income tax effect of RMB 1,592,000)).

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.

16. INVESTMENT PROPERTIES (continued)

Details of the Group's investment properties and investment properties under development as at 31 December 2016 are as follows:

	At 31 December 2016 RMB'000	2015 RMB'000
Commercial properties located in Hong Kong	**2,978,206**	2,807,650
Commercial properties located in Mainland China	**41,992,973**	38,054,852
Residential properties located in Mainland China	**5,130,000**	5,170,000
	50,101,179	46,032,502

At 31 December 2016, the Group's investment properties with an aggregate carrying amount of RMB 35,213,700,000 (2015: RMB 31,701,843,000) were pledged to secure banking facilities granted to the Group (Note 45).

At 31 December 2016, building ownership certificates in respect of investment properties of the Group with an aggregate carrying amount of RMB 2,754,000,000 (2015: RMB 7,873,500,000) 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 completed investment properties and investment properties under development in Hong Kong and Mainland China at 31 December 2016 and 31 December 2015 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.

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 using the residual method. Residual method is essentially a means of valuing the project by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed in accordance with the existing development plans as at the date of valuation, which duly reflected the risk associated with the development.

There has been no change in the valuation technique during the current year.

16. 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 2016 and 2015 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 2016 are determined. The significant unobservable inputs included (i) capitalisation rate, which taking into account of the capitalisation of rental income potential, nature of the property and prevailing market condition: and (ii) monthly unit rent, which using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities. A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa. A slight increase in the market rent used would result in a significant increase in fair value, and vice versa.

Major investment properties of the Group	Significant unobservable inputs: Capitalisation rate		Monthly unit rent (sq.m/month)	
	2016	2015	2016 RMB	2015 RMB
Completed investment properties				
Beijing COFCO Plaza				
— office	**5% to 6%**	6%	**284**	265
— shop	**6%**	6%	**522**	488
Fraser Suites Top Glory, Shanghai — residential units	**2.5%**	2.5%	**229 to 231**	216 to 225
COFCO Tower, Hong Kong				
— office	**3.5%**	3.6%	**421 to 477**	394 to 446
— shop	**3.5%**	3.5%	**1,455**	1,488
Xidan Joy City				
— office	**6%**	6%	**310 to 350**	295 to 333
— shop	**6.5%**	6.5%	**242 to 1,613**	234 to 1,560
Chaoyang Joy City — shop	**6.5%**	6.5%	**105 to 703**	104 to 690
Tianjin Joy City — shop	**7%**	7.0%	**220 to 551**	216 to 540
Shanghai Jing'an Joy City — shop				
— South Tower	**6.5%**	6.5%	**168 to 840**	166 to 830
— North Tower	**6.5%**	6.5%	**328 to 937**	276 to 921
Chengdu Joy City — shop	**6%**	6%	**95 to 318**	47 to 290

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties RMB'000	Leasehold improve-ments 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 2015 (restated)	742,085	81,148	4,913,207	1,507,820	133,058	92,882	7,470,200
Additions	40,160	11,087	—	31,732	4,656	280,668	368,303
Transfer from investment properties (Note 16)	45,302	—	—	—	—	—	45,302
Disposals	—	(5,608)	—	(17,177)	(743)	—	(23,528)
Transfer to investment properties (Note 16)	(61,643)	—	—	—	—	—	(61,643)
Deemed disposal of subsidiaries (Note 50)	—	(22,686)	(699,976)	(215,848)	(1,274)	—	(939,784)
Exchange realignment	—	326	—	27	—	—	353
At 31 December 2015 (restated)	765,904	64,267	4,213,231	1,306,554	135,697	373,550	6,859,203
Additions	119,311	3,993	56	49,233	16,839	36,225	225,657
Interest capitalised	—	—	—	—	—	102	102
Transfer from investment properties (Note 16)	16,670	—	—	—	—	—	16,670
Disposals	(49,407)	(9,478)	(90)	(23,354)	(22,786)	—	(105,115)
Transfer to investment properties (Note 16)	(7,581)	—	—	—	—	—	(7,581)
Transfer from construction in progress	404,669	—	—	—	—	(404,669)	—
Acquisition of a subsidiary (Note 49(a))	—	—	—	405	—	—	405
Exchange realignment	(7,193)	—	—	(101)	—	—	(7,294)
At 31 December 2016	1,242,373	58,782	4,213,197	1,332,737	129,750	5,208	6,982,047
Accumulated depreciation:							
At 1 January 2015 (restated)	110,353	29,596	609,279	644,617	83,000	—	1,476,845
Charge for the year	7,910	2,397	90,702	193,805	10,917	—	305,731
Transfer to investment properties (Note 16)	(8,975)	—	—	—	—	—	(8,975)
Eliminated on disposals	—	(5,608)	—	(15,114)	—	—	(20,722)
Deemed disposal of subsidiaries (Note 50)	—	(1,076)	(48,044)	(34,526)	(1,129)	—	(84,775)
Exchange realignment	—	327	—	(184)	—	—	143
At 31 December 2015 (restated)	109,288	25,636	651,937	788,598	92,788	—	1,668,247
Charge for the year	8,085	6,856	96,676	205,053	32,049	—	348,719
Transfer to investment properties (Note 16)	(1,042)	—	—	—	—	—	(1,042)
Eliminated on disposals	(36,726)	(3,606)	(70)	(23,120)	(19,084)	—	(82,606)
Exchange realignment	3,498	—	—	91	—	—	3,589
At 31 December 2016	83,103	28,886	748,543	970,622	105,753	—	1,936,907
Accumulated impairment:							
At 1 January 2015, 31 December 2015 and 31 December 2016	—	—	—	35	61	—	96
Net carrying amounts:							
At 31 December 2016	1,159,270	29,896	3,464,654	362,080	23,936	5,208	5,045,044
At 31 December 2015	656,616	38,631	3,561,294	517,921	42,848	373,550	5,190,860

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%

17. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2016, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB 2,623,939,000 (2015: RMB 3,536,756,000) were pledged to secure banking facilities granted to the Group (Note 45).

At 31 December 2016, a Group's property with a net carrying amount of RMB 51,994,000 (2015: nil) was pledged to secure a loan from non-controlling interests (Note 45).

At 31 December 2016, 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 RMB 1,538,016,000 (2015: RMB 3,244,321,000) had not been issued by the relevant PRC authorities.

Details of the Group's leasehold properties and hotel properties as at 31 December 2016 are as follows:

	At 31 December	
	2016 **RMB'000**	2015 RMB'000 (restated)
Located in Mainland China	**4,621,440**	4,214,811
Located in Hong Kong	**2,484**	3,099
	4,623,924	4,217,910

18. LEASEHOLD LAND AND LAND USE RIGHTS

	At 31 December	
	2016 **RMB'000**	2015 RMB'000 (restated)
Analysed for reporting purposes as:		
Current assets (included in deposits, prepayments and other receivables (Note 30))	**33,965**	34,363
Non-current assets	**896,522**	855,681
	930,487	890,044
Located in Mainland China	**921,149**	878,394
Located in Hong Kong	**9,338**	11,650
	930,487	890,044

The above leasehold land and land use rights are held for use in the production or supply of goods or services, or for administrative purposes.

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.

At 31 December 2016, land use rights with an aggregate carrying amount of RMB 559,759,000 (2015: RMB 688,817,000) were pledged to secure certain banking facilities granted to the Group (Note 45).

At 31 December 2016, certain Group's land use rights with an aggregate carrying amount of RMB 10,595,000 (2015: nil) was pledged to secure a loan from non-controlling interests (Note 45).

19. INTANGIBLE ASSETS

	RMB'000
Costs:	
At 1 January 2015	34,330
Additions	19,154
Deemed disposal of subsidiaries (Note 50)	(4,815)
At 31 December 2015	48,669
Additions	24,146
At 31 December 2016	72,815
Accumulated amortisation:	
At 1 January 2015	15,713
Amortisation provided during the year	7,293
Deemed disposal of subsidiaries (Note 50)	(2,574)
At 31 December 2015	20,432
Amortisation provided during the year	12,943
At 31 December 2016	33,375
Net carrying amounts:	
At 31 December 2016	39,440
At 31 December 2015	28,237

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.

20. INTEREST IN ASSOCIATES

	At 31 December	
	2016 RMB'000	2015 RMB'000
Cost of investments, unlisted	**93,500**	88,500
Share of post-acquisition results	**(26,222)**	(34,412)
	67,278	54,088

20. INTEREST IN ASSOCIATES (continued)

Details of the Group's principal associate are as follows:

Company name	Place of establishment	Place of operations	Proportion of ownership interest and proportion of voting rights held by the Group At 31 December 2016	2015	Principal activity
成都悅城實業有限公司 (Chengdu Yuecheng Real Estate Co., Ltd.*) ("Chengdu Yuecheng")	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 Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs. All of the associates are accounted for using the equity method.

Chengdu Yuecheng

	At 31 December 2016 RMB'000	2015 RMB'000
Current assets	**419,255**	478,385
Non-current assets	**472**	789
Total assets	**419,727**	479,174
Current liabilities	**209,448**	88,880
Non-current liabilities	**—**	210,000
Total liabilities	**209,448**	298,880
Net assets	**210,279**	180,294

20. INTEREST IN ASSOCIATES (continued)

Chengdu Yuecheng (continued)

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Revenue	**140,555**	741,376
Profit/(loss) and total comprehensive income (expense) for the year*	**29,985**	(117,340)
Profit/(loss) and total comprehensive income (expense) for the year shared by the Group	**8,996**	(35,202)

* The amount in 2015 included impairment loss on properties held for sale of RMB 124,663,000 recognized and charged to profit or loss in that year.

Reconciliation of the above summarised financial information to the carrying amount of the interest in Chengdu Yuecheng recognised in these consolidated financial statements:

	At 31 December	
	2016 RMB'000	2015 RMB'000
Net assets of the Chengdu Yuecheng	**210,279**	180,294
Proportion of the Group's ownership in the associate	**30%**	30%
Share of net assets of the associate	**63,084**	54,088
Carrying amount of the Group's interest in an associate	**63,084**	54,088

Aggregate information of an associate that is not individually material

	2016 RMB'000	2015 RMB'000
The Group's share of loss and other comprehensive expense	**(805)**	—

21. INTEREST IN A JOINT VENTURE

	At 31 December	
	2016 RMB'000	2015 RMB'000
Cost of investments, unlisted	—	8,661
Loans to a joint venture	**228,435**	1,235,332

The loans to a joint venture at 31 December 2016 were unsecured and repayable in more than one year. The loan bears interest at 4.59% per annum.

21. INTEREST IN A JOINT VENTURE (continued)

At 31 December 2016, the Group had interests in the following joint venture:

Company name	Place of incorporation	Place of operation	Proportion of ownership interest and proportion of voting rights held by the Group At 31 December 2016	2015	Principal activity
COFCO (BVI) No 97 Limited ("BVI 97")	British Virgin Islands	PRC	**40%**	40%	Investment holding

BVI 97 was a wholly-owned subsidiary of the Group prior to 30 December 2015. On 30 December 2015, BVI 97 issued new ordinary shares to an independent third party to the Group (the "Investor") and thereafter, the Investor holds 60% equity interest in BVI 97. According to the shareholders' agreement entered into between the Group and the Investor, decisions about the relevant activities of BVI 97 require unanimous consent of the Group and the Investor and, accordingly, BVI 97 is accounted for as a joint venture. The subsidiary of BVI 97 is Taiwan Hotel Limited which is engaged in hotel operations in the PRC. See also Note (i) to the consolidated statement of changes in equity and Note 50 for details of the deemed disposal.

Summarised consolidated financial information in respect of the assets and liabilities in aggregate for the joint venture which is accounted for using the equity method is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs after considered the fair value adjustment from acquisition of the joint venture. The joint venture is accounted for using the equity method.

	At 31 December 2016 RMB'000	2015 RMB'000
Current assets	**74,451**	761,430
Non-current assets	**1,492,474**	1,539,137
Total assets	**1,566,925**	2,300,567
Current liabilities	**1,472,407**	2,278,916
Non-current liabilities	**228,435**	—
Total liabilities	**1,700,842**	2,278,916
Net (liabilities)/assets	**(133,917)**	21,651

21. INTEREST IN A JOINT VENTURE (continued)

	Year ended 31 December 2016 RMB'000
Revenue	**129,590**
Loss and total comprehensive expense for the year	**(155,568)**
Loss and total comprehensive expense for the year shared by the Group	**(8,661)**
The unrecognised share of loss for the year	**(146,907)**

Consolidated financial information in respect of revenue and expenses for the joint venture for the year ended 31 December 2015 has not been presented (the date of becoming a joint venture) as no revenue/expense was generated from/incurred by the joint venture from 30 December 2015 to 31 December 2015.

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in a joint venture recognised in the consolidated statement of financial position.

	At 31 December	
	2016 RMB'000	2015 RMB'000
Net (liabilities)/assets of the joint venture	**(133,917)**	21,651
Proportion of the Group's ownership in the joint venture	**40%**	40%
Share of net (liabilities)/assets of the joint venture	**(53,567)**	8,661
The accumulated unrecognised share of loss of the Group	**(146,907)**	—
Carrying amount of the Group's interest in a joint venture	**—**	8,661

22. AVAILABLE-FOR-SALE INVESTMENTS

	At 31 December	
	2016 RMB'000	2015 RMB'000
Equity investments in the PRC:		
Unlisted equity securities	**510**	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 are of the opinion that their fair values cannot be measured reliably.

23. GOODWILL

	2016 RMB'000	2015 RMB'000
Cost and carrying amount		
At 1 January	**253,042**	184,297
Acquisition of a subsidiary (Note 49(b))	**—**	68,745
At 31 December	**253,042**	253,042

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*.

Goodwill has been allocated to the respective groups of cash-generating units (the "CGU") for impairment testing. The carrying amounts of goodwill are allocated to the groups of CGUs comprising the following segments:

	2016 RMB'000	2015 RMB'000
Property investment	**184,297**	184,297
Shanghai Yueyao* (in the property and land development segment)	**68,745**	68,745
	253,042	253,042

* As defined in Note 49(b).

Assumptions were used in the value in use calculation of each of the CGUs for the year ended 31 December 2016.

The recoverable amount of each group of CGUs has been determined based on a value in use calculation using a cash flow projection based on financial budgets covering a five-year period approved by senior management.

23. GOODWILL (continued)

The discount rate applied to each cash flow projection and the growth rate used to extrapolate the cash flows beyond the five-year period are as follows:

	Discount rate		Growth rate beyond five-year period	
	2016	2015	**2016**	2015
Property investment (Note)	**8%**	8%	**0%**	0%
Property and land development	**8%**	9%	**0%**	0%

Note: The goodwill relates to the acquisition of the Company under a reverse takeover transaction in December 2013. Such goodwill has been allocated to the group of CGUs comprising the Property Investment segment of the Group as it is expected to be benefit from the synergies of the Reverse Takeover Transaction. Based on the business model of the Group, the Directors have performed the assessment on impairment by reference to the cash flow forecast prepared by the management of the Company, and determined that the aggregate recoverable amount of the CGU was higher than the aggregate carrying amount of goodwill and non-current assets of the CGU.

The following describes each key assumption which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the past or in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rates

The discount rates used reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on discount rates are consistent with external information sources. Management determined budgeted gross margin based on past performance and its expectations for market development.

In the opinion of the Directors, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount.

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 2015	31,858	177,659	28	267	30,495	240,307
(Charged)/credited to profit or loss (Note 11)	(31,337)	(177,659)	28,834	—	(1,899)	(182,061)
Exchange realignment	—	—	—	—	(196)	(196)
At 31 December 2015	521	—	28,862	267	28,400	58,050
Charged to profit or loss (Note 11)	(5,761)	—	(2,519)	—	(1,223)	(9,503)
At 31 December 2016	(5,240)	—	26,343	267	27,177	48,547

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 2015(restated)	5,118,511	388,832	79,352	18,717	5,605,412
Acquisition of a subsidiary (Note 49(b))	139,016	—	—	—	139,016
Debited to property revaluation reserve (Note 16)	1,592	—	—	—	1,592
Charged/(credited) to profit or loss (Note 11)	189,288	89,167	(28,864)	(836)	248,755
Exchange realignment	11	—	—	481	492
At 31 December 2015 (restated)	5,448,418	477,999	50,488	18,362	5,995,267
Acquisition of a subsidiary (Note 49(a))	178,577	87,203	—	—	265,780
Debited to property revaluation reserve (Note 16)	740	—	—	—	740
Charged/(credited) to profit or loss (Note 11)	260,953	161,961	(2,128)	12,239	433,025
Exchange realignment	11	—	—	1,588	1,599
At 31 December 2016	5,888,699	727,163	48,360	32,189	6,696,411

24. DEFERRED TAX (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 2016 RMB'000	2015 RMB'000 (restated)
Deferred tax assets	**15,815**	19,305
Deferred tax liabilities	**(6,663,679)**	(5,956,522)
	(6,647,864)	(5,937,217)

At 31 December 2016, the Group had tax losses of RMB 2,342,822,000 (31 December 2015: RMB 2,573,237,000) 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 RMB 105,372,000 (2015: RMB 115,448,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB 2,237,450,000 (2015: RMB 2,457,789,000) due to the unpredictability of future profit streams.

The unrecognised tax losses will expire in the following years:

	At 31 December 2016 RMB'000	2015 RMB'000
To be expired on:		
31 December 2016	—	227,174
31 December 2017	**356,206**	423,029
31 December 2018	**439,462**	520,833
31 December 2019	**448,109**	574,752
31 December 2020	**571,691**	712,001
31 December 2021	**421,982**	—
Total unused tax losses not recognised as deferred tax assets	**2,237,450**	2,457,789

At 31 December 2016, the Group had estimated unused tax losses of RMB 25,509,000 (2015: RMB 193,087,000) arose in Hong Kong available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

Pursuant to the PRC Corporate Income Tax Law, a 5% to10% 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. The Group is currently subject to withholding tax at 10%. 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.

24. DEFERRED TAX (continued)

At 31 December 2016, deferred tax liabilities on certain undistributed profits of the PRC subsidiaries of approximately RMB 99,043,000 (2015: RMB 96,229,000), which were generated after 1 January 2008, have not been recognised as of 31 December 2016, 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 FROM FELLOW SUBSIDIARIES, THE ULTIMATE HOLDING COMPANY AND NON-CONTROLLING INTERESTS

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Classified under current liabilities		
Loans from fellow subsidiaries (Note (a))	**1,038,850**	1,888,540
Loans from non-controlling interests (Note (b))	**4,000**	5,000
Loan from the ultimate holding company (Note (c))	**300,000**	—
	1,342,850	1,893,540
Classified under non-current liabilities		
Loans from a fellow subsidiary (Note (d))	**790,000**	396,000
Loan from non-controlling interests (Note (b))	**33,038**	—
	823,038	396,000

Notes:

(a) The loans from fellow subsidiaries classified under current liabilities are unsecured, bear interest at rates ranging from 3.92% to 6.15% per annum as at 31 December 2016 (31 December 2015: 4.35% to 6.00% per annum) 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 RMB 328,000,000 as at 31 December 2016 (31 December 2015: RMB 381,500,000).

(b) The loans from non-controlling interests classified under current and non-current liabilities at 31 December 2016 represented the loans from the non-controlling interests of Yalong Development Company Limited ("Yalong Development"). In May 2016, Yalong Development, a non-wholly owned subsidiary of the Company, entered into a Yalong Loan Agreement with one of its non-controlling shareholders, which is also a fellow subsidiary of the Group, pursuant to which the non-controlling shareholder agreed to lend a loan of RMB 50,000,000 to Yalong Development for the purpose of the construction and development of the Yalong Marina Park. Such amount of funding was originally provided by China Development Bank Development Fund Co., Ltd. ("CDB Development Fund") to that non-controlling shareholder, on the condition that it will be on-lent to Yalong Development pursuant to the Yalong Loan Agreement. CDB Development Fund is a wholly owned subsidiary of China Development Bank, a state owned bank. The repayment will start in March 2017 over 40 instalments on a quarterly basis. This loan bears interest at 1.20% per annum which is below prevailing market interest rate. The fair value of the loan measured at prevailing market interest rate of 4.90% per annum was approximately RMB 41,254,000. The difference of RMB 8,746,000 between the proceeds of the loan initially received and the fair value of the loan is treated as government grant and recognised in deferred income. At 31 December 2016, land use right and property with an aggregate carrying amount of RMB 62.6 million were pledged to secure this loan. Yalong Development has provided guarantee to CDB Development Fund on the repayment of this loan by the non-controlling shareholder.

The loan from non-controlling interests classified under current liabilities at 31 December 2015 bear interest at a rate of 4.35% per annum and are repayable within twelve months from the end of 2015.

25. LOANS FROM FELLOW SUBSIDIARIES, THE ULTIMATE HOLDING COMPANY AND NON-CONTROLLING INTERESTS (continued)

Notes: (continued)

(c) The loans from the ultimate holding company, COFCO Corporation, classified under current liabilities was unsecured, carried at interest rate of 4.35% per annum as at 31 December 2016 and is repayable within twelve months from the end of the reporting period.

(d) The loans from a fellow subsidiary, COFCO Finance, classified under non-current liabilities is unsecured, carried at interest rate of 4.75% per annum as at 31 December 2016 (31 December 2015: 4.90% per annum) and are not repayable within twelve months from the end of the reporting period.

The maturity profile of the loans from fellow subsidiaries, the ultimate holding company and non-controlling interests is as follows:

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Carrying amount of loans from fellow subsidiaries, the ultimate holding company and non-controlling interests repayable*:		
Within one year	**1,342,850**	1,893,540
In the second year	**10,000**	2,000
In the third to fifth year, inclusive	**796,000**	394,000
Over five years	**17,038**	—
Total loans from fellow subsidiaries	**2,165,888**	2,289,540
Less: Amounts due within twelve months shown under current liabilities	**(1,342,850)**	(1,893,540)
Amounts shown under non-current liabilities	**823,038**	396,000

* 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	
	2016	2015
	RMB'000	RMB'000
Guaranteed by:		
A fellow subsidiary	**396,000**	398,000

26. INVENTORIES

	At 31 December	
	2016 RMB'000	2015 RMB'000 (restated)
Raw materials	**20,597**	22,474
Consumables	**6,689**	5,735
	27,286	28,209

27. PROPERTIES HELD FOR SALE

	At 31 December	
	2016 RMB'000	2015 RMB'000
Completed properties held for sale	**4,641,811**	2,789,006

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 RMB 315,376,000 (2015: RMB 133,357,000) which is expected to be sold after more than twelve months from the end of the reporting period.

28. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2016 RMB'000	2015 RMB'000
At cost:		
At 1 January	**12,342,085**	11,070,373
Additions	**2,352,367**	2,628,936
Acquisition of a subsidiary (Note 49(b))	**—**	1,455,000
Transfer to properties held for sale upon completion	**(3,568,937)**	(3,112,086)
Transfer to leasehold land and land use rights	**(80,000)**	(3,554)
Interest capitalised during the year (Note 9)	**275,118**	314,757
Impairment loss (Note 8)	**—**	(11,341)
At 31 December	**11,320,633**	12,342,085

Included in the properties under development for sale as at 31 December 2016 is carrying amount of RMB 8,286,185,000 (31 December 2015: RMB 5,534,281,000) 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.

At 31 December 2016, the land on which properties under development for sale are located with a carrying amount of RMB 5,695,098,000 (2015: RMB 7,017,808,000) were pledged to secure certain banking facilities granted to the Group (Note 45).

28. PROPERTIES UNDER DEVELOPMENT FOR SALE (continued)

Included in the properties under development for sale as at 31 December 2016 is the carrying amount of construction costs of RMB 322,449,000 (31 December 2015: RMB 321,062,000) in relation to primary land development.

29. ACCOUNTS RECEIVABLE

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Rental receivables	**80,574**	66,310
Property management fee receivables	**26,025**	12,387
Receivables from hotel operations and related services	**54,276**	33,582
Less: Allowance for doubtful debts	**(23,758)**	(22,522)
	137,117	89,757
Rental adjustments*	**64,912**	43,599
	202,029	133,356

* 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.

At 31 December 2016, accounts receivable with an aggregate carrying amount of RMB 25,539,000 (31 December 2015: nil) were pledged to secure certain banking facilities granted to the Group (Note 45).

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	
	2016	2015
	RMB'000	RMB'000
Less than 3 months	**78,129**	71,182
3 months to 1 year	**29,148**	10,828
1 to 2 years	**28,253**	4,567
2 to 3 years	**1,146**	2,353
Over 3 years	**441**	827
	137,117	89,757

29. ACCOUNTS RECEIVABLE (continued)

Movements in the allowance for doubtful debts during the current and prior years:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
At the beginning of the year	**22,522**	24,532
Impairment/(reversal of impairment), net	**1,236**	(2,010)
At the end of the year	**23,758**	22,522

The following is the aged analysis of the Group's accounts receivable that are past due but not impaired.

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Less than 3 months	**73,136**	45,231
3 months to 1 year	**15,277**	10,828
1 to 2 years	**4,497**	4,567
2 to 3 years	**1,146**	2,353
Over 3 years	**441**	827
	94,497	63,806

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	
	2016	2015
	RMB'000	RMB'000
Classified under non-current assets		
Other deposits	**10,000**	10,000
	10,000	10,000

30. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (continued)

	At 31 December	
	2016 RMB'000	2015 RMB'000 (restated)
Classified under current assets		
Payments on behalf of government in relation to primary land development	**20,140**	22,785
Receivables in relation to relocation arrangement	**6,318**	5,688
Prepayments to suppliers	**81,224**	54,435
Current portion of leasehold land and land use rights (Note 18)	**33,965**	34,363
Other deposits paid	**28,362**	39,590
Prepaid LAT and business tax	**184,757**	28,534
Receivables from tenants for utility expenses paid on their behalf	**22,109**	17,313
Receivables from a former shareholder of a subsidiary	**15,379**	15,379
Receivables from tenants for decoration expenses paid on their behalf	**3,052**	4,846
Others receivables	**68,688**	48,754
	463,994	271,687
Less: Allowance for doubtful debts	**(43,731)**	(35,057)
	420,263	236,630

Movements in the allowance for doubtful debts during the current and prior years:

	2016 RMB'000	2015 RMB'000
At the beginning of the year	**35,057**	47,883
Recognition/(reversal) of impairment loss, net	**8,674**	(12,826)
At the end of the year	**43,731**	35,057

31. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES, HOLDING COMPANIES, JOINT VENTURE 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 holding companies, joint venture, 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 2016 was dividend payable to non-controlling interests of RMB 119,748,000 (2015: RMB 116,300,000).

31. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES, HOLDING COMPANIES, JOINT VENTURE AND NON-CONTROLLING INTERESTS (continued)

	At 31 December 2016 RMB'000	At 31 December 2015 RMB'000
Amounts due from fellow subsidiaries*:		
Name of fellow subsidiaries:		
中粮置地管理有限公司 (COFCO Land Management Co., Ltd**) ("COFCO Land Management")	**334**	197
烟台中粮博瑞房地產開發有限公司 (Yantai COFCO Real Estate Development Co., Ltd**) ("Yantai Real Estate")	**279**	1,385
	613	1,582
Maximum amount outstanding during the year		
Name of fellow subsidiaries:		
COFCO Land Management	**334**	284
Yantai Real Estate	**3,310**	1,385

* Certain directors of these companies are also directors of the Company.

** 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 following amounts due to fellow subsidiaries and non-controlling interests are denominated in Hong Kong dollars:

	At 31 December 2016 RMB'000	At 31 December 2015 RMB'000
Amounts due to fellow subsidiaries	**7,513**	714
Amounts due to non-controlling interests	**9,874**	3,075
	17,387	3,789

32. CASH AND BANK BALANCES, PLEDGED DEPOSITS AND RESTRICTED BANK DEPOSITS

	At 31 December 2016 RMB'000	At 31 December 2015 RMB'000 (restated)
Cash at banks and on hand	**8,409,000**	2,897,670
Non-pledged time deposits with an original maturity of:		
Three months or less when acquired	**380,000**	291,388
Three months to one year when acquired	**2,101**	87,765
Cash and bank balances	**8,791,101**	3,276,823
Pledged deposits:		
For guarantees provided by the Group in respect of loan facilities utilised by property buyers (Note 42)	**5,740**	1,469
Restricted bank deposits:		
Deposit received in respect of pre-sale of properties*	**29,239**	210,078
For bank borrowings advanced to certain subsidiaries repayable within one year	**—**	195,085
For payments of constructions costs for specified projects**	**77**	80,437
For corporate credit cards	**1,535**	32,088
	30,851	517,688

* The balances at 31 December 2016 and 2015 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.

** The amounts represented bank borrowings advanced which can only be used for the payments of construction costs for specific projects.

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 and deposits carry variable interest rates as follows:

	Year ended 31 December 2016 %	Year ended 31 December 2015 %
Interest rate per annum	**0.001 to 1.35**	0.001 to 2.50

32. CASH AND BANK BALANCES, PLEDGED DEPOSITS AND RESTRICTED BANK DEPOSITS (continued)

Certain of the Group's cash and bank balances are denominated in the following currencies:

	At 31 December	
	2016 RMB'000	2015 RMB'000
Denominated in Hong Kong dollars (HK$)	93,710	81,648
Denominated in United States dollars (US$)	4,664,890	116,703
	4,758,600	198,351

33. ACCOUNTS PAYABLE

	At 31 December	
	2016 RMB'000	2015 RMB'000
Trade payables	185,713	240,884
Accrued expenditure on construction	1,680,185	995,505
	1,865,898	1,236,389

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 are 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	
	2016 RMB'000	2015 RMB'000
Within 1 year	175,646	161,283
1 to 2 years	7,644	27,590
2 to 3 years	1,216	36,296
Over 3 years	1,207	15,715
	185,713	240,884

34. OTHER PAYABLES AND ACCRUALS

	At 31 December 2016 RMB'000	2015 RMB'000 (restated)
Construction costs payable for property, plant and equipment	**390,453**	287,292
Construction costs payable for investment properties	**2,123,341**	2,442,420
Receipts of credit card payments on behalf of tenants	**490,679**	260,020
Rental deposits received	**676,617**	324,770
Other deposits received	**83,186**	286,151
Salaries and payroll payables	**220,904**	217,962
Rental receipts in advance	**210,001**	162,413
Receipts in advance from customers	**73,943**	40,829
Other receipts in advance	**58,893**	18,893
Other tax payable	**90,695**	46,496
Consideration payable for acquisition of subsidiaries	**61,442**	52,895
Interest payables	**27,200**	25,612
Promotional fees payable	**114,783**	73,298
Other payables and accruals	**283,685**	217,603
	4,905,822	4,456,654

35. BANK BORROWINGS

	At 31 December 2016 RMB'000	2015 RMB'000
Bank loans:		
Secured	**10,530,696**	13,327,370
Unsecured	**—**	4,007,053
	10,530,696	17,334,423
Represented:		
Fixed-rate borrowings	**—**	4,739,520
Floating-rate borrowings	**10,530,696**	12,594,903
	10,530,696	17,334,423

Details of securities for the secured bank loans are set out in Note 45. Certain of bank loans are under corporate guarantee executed by a related party as follows:

	At 31 December 2016 RMB'000	2015 RMB'000
Guaranteed by a fellow subsidiary	**1,453,284**	505,435

35. BANK BORROWINGS (continued)

The maturity profile of the above bank loans is as follows:

	At 31 December 2016 RMB'000	At 31 December 2015 RMB'000
Carrying amount of bank loans repayable*:		
Within one year	**2,910,317**	2,330,477
In the second year	**882,627**	3,300,716
In the third to fifth year, inclusive	**1,974,868**	7,119,361
Beyond five years	**4,762,884**	4,583,869
Total bank borrowings	**10,530,696**	17,334,423
Less: Amounts due within twelve months shown under current liabilities	**(2,910,317)**	(2,330,477)
Amounts shown under non-current liabilities	**7,620,379**	15,003,946

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 31 December 2016, no bank borrowings are denominated in foreign currency, and at 31 December 2015, bank borrowings amounting to RMB 377,001,000 are denominated in HK$, and RMB 3,630,052,000 are denominated in US$.

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 2016 %	Year ended 31 December 2015 %
Effective interest rate per annum	**4.28 to 4.90**	1.64 to 6.55

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 redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 18 November 2019.

36. GUARANTEED NOTES (continued)

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 (the "Trustee") 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 holder's option, to require the Issuer to redeem all, but not some only, of such holder's 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 four 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.

The effective interest rate of the Notes is 3.88% per annum.

In the opinion of the Directors, the fair value of all early redemption options is insignificant on initial recognition and at the end of the reporting period.

The movements of the Notes for the current year were as follows:

	RMB'000
Carrying amount at 1 January 2015	4,862,299
Interest charge (Note 9)	193,635
Interest paid	(182,883)
Exchange differences	298,838
Carrying amount at 31 December 2015	5,171,889
Interest charge (Note 9)	206,163
Interest paid	(194,317)
Exchange differences	356,792
Carrying amount at 31 December 2016	5,540,527

37. CORPORATE BONDS

On 14 January 2016, a wholly-owned subsidiary of the Company (the "Subsidiary") issued a five-year term corporate bond (the "Corporate Bonds") in the PRC with a principal amount of RMB 3,000 million.

The coupon rate of the Corporate Bonds is 3.20% per annum for the first three years, up to 14 January 2019. At the end of the third year, on 14 January 2019, the bond holders have a right to redeem all of the Corporate Bonds at its par value and the Subsidiary has a right to adjust the interest rate of the Corporate Bonds from a range of 1–100 basis points. For the first three years, the effective interest rate is 3.41% per annum.

38. 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 31 December 2015 and 2016	28,904,699,222	2,890,470	2,293,502
Issued and fully paid:			
Ordinary shares of HK$0.10 each			
At 1 January 2015	9,487,416,572	948,741	748,041
Rights issue of shares (Note)	4,743,708,286	474,371	374,373
At 31 December 2015 and 31 December 2016	**14,231,124,858**	**1,423,112**	**1,122,414**

Note: In February 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 on a non-underwritten basis (the "Rights Issue"). 4,743,708,286 new ordinary shares of HK$0.10 each were issued on 29 April 2015 pursuant to the Rights Issue, resulting in credits to ordinary share capital of the Company of RMB 374,373,000 and share premium of the Company of RMB 4,679,668,000, before share issue expenses of RMB 16,385,000.

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.

39. 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") subject to anti-dilute adjustments, 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")) to Achieve Bloom Limited, the immediate holding company of the Company, as part of the consideration of the Reverse Takeover Transaction completed in December 2013, resulting in credits to equity of HK$2,190,602,000 (approximately RMB 1,722,317,000).

39. NON-REDEEMABLE CONVERTIBLE PREFERENCE SHARES (continued)

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.

40. 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.

41. PERPETUAL CAPITAL INSTRUMENTS

In October 2014, a wholly-owned subsidiary of the Company, the ultimate holding company and a bank (the "Bank") have entered into an entrustment loan agreement (the "Perpetual Loan Agreement"), pursuant to which the ultimate holding company shall entrust the Bank to lend RMB 3,768 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 20 October 2014 and can be deferred at the discretion of the Group. Neither the ultimate holding company nor the Bank could request for repayment of the principal and accrued interest save and except for when the Group elects to repay the principal and accrued interest at its sole discretion, or in the event of liquidation.

On 22 December 2016, the Group repaid principal of the Perpetual Loan amounting to RMB 500 million to the ultimate holding company. As a result, the principal of the Perpetual Loan reduced to RMB 3,268 million accordingly.

During the year, interest amounting to RMB 240,799,000 (2015: nil) was paid to the ultimate holding company.

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.

42. CONTINGENT LIABILITIES

Guarantees

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Guarantees provided by the Group in respect of loan facilities utilised by property buyers	**531,739**	203,660

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, 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.

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 gross floor area of a property in excess of the permitted gross floor area under the construction permit. The Group may be subject to a maximum penalty of RMB 220 million (2015: RMB 220 million). Based on the reasons and circumstances of these non-compliances and the PRC legal advice, the Directors consider that the risk of the Group being subject to the penalty is remote, and accordingly, no provision has been made in these consolidated financial statements.

42. CONTINGENT LIABILITIES (continued)

Non-compliances (continued)

(b) The Group has 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 RMB 3,306 million, including the cost for the non-compliant structure of RMB 42 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 2016 amounted to RMB 2,619 million.

The construction costs of Shenyang Joy City amounted to RMB 1,950 million, including an estimated cost for the excess area of RMB 81 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 2016 amounted to RMB 1,367 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.

43. 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, retail shops and residential premises which fall due as follows:

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Within one year	**950,933**	1,445,940
In the second to fifth year, inclusive	**2,936,046**	2,329,883
After five years	**922,522**	912,578
	4,809,501	4,688,401

Leases are negotiated for an average term of 1 to 20 years mostly with fixed rentals. Certain lease arrangements contain rental escalation clauses which increase the monthly rental on a yearly basis.

43. OPERATING LEASE ARRANGEMENTS (continued)

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	
	2016 RMB'000	2015 RMB'000
Within one year	**5,792**	6,475
In the second to fifth year, inclusive	**1,991**	3,382
	7,783	9,857

44. CAPITAL COMMITMENTS

The Group had the following commitments as at the end of each reporting period:

	At 31 December	
	2016 RMB'000	2015 RMB'000
Capital commitments in respect of:		
Purchase of property, plant and equipment		
Contracted, but not provided for	**200,101**	236,190
Constructing and developing investment properties:		
Contracted, but not provided for	**1,692,333**	1,303,682
	1,892,434	1,539,872

45. 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 by banks and a non-controlling interest and guarantee provided by the Group in respect of loan facilities utilised by property buyers is as follows:

	At 31 December	
	2016 RMB'000	2015 RMB'000
Investment properties	**35,213,700**	31,701,843
Property, plant and equipment	**2,675,933**	3,536,756
Properties under development for sale	**5,695,098**	7,017,808
Leasehold land and land use rights	**570,354**	688,817
Accounts receivable	**25,539**	—
Pledged deposits	**5,740**	1,469
	44,186,364	42,946,693

46. 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	
	2016	2015
	RMB'000	RMB'000
Financial assets:		
Loans and receivables (including cash and bank balances)	**9,748,658**	5,320,436
Available-for-sale investments	**510**	510
Financial liabilities:		
Amortised cost	**30,287,707**	31,892,555

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investments, amounts due from/to fellow subsidiaries, holding companies and non-controlling interests, loans to/from a joint venture, fellow subsidiaries and non-controlling interests, accounts and other receivables, accounts and other payables, bank borrowings, pledged deposits, restricted bank deposits and cash and bank balances, corporate bonds and guaranteed notes. 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 2016, 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, bank borrowings which mainly consist of HK$ and US$ as set out in Note 35, and guaranteed notes which consists US$ as set out in Note 36 which expose the Group to foreign currency risk.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Currency risk (continued)

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' 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.

	2016 RMB'000	2015 RMB'000
(Decrease)/increase in post-tax profit for the year:		
— if RMB weakens against US$	**(36,558)**	(362,609)
— if RMB strengthens against US$	**36,558**	362,609
— if RMB weakens against HK$	**3,186**	(12,489)
— if RMB strengthens against HK$	**(3,186)**	12,489

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans from ultimate holding company, fellow subsidiaries and non-controlling interests, guaranteed notes and corporate bonds (see Notes 25, 36 and 37 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 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 as the management of the Group considers that, taking into account that the fluctuation in interest rates on bank balances 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.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Interest rate risk management (continued)

	2016 RMB'000	2015 RMB'000
(Decrease)/increase in post-tax profit for the year:		
— interest rates 50 basis points higher	**(39,490)**	(48,934)
— interest rates 50 basis points lower	**39,490**	48,934

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 2016, the Group's credit risk is primarily attributable to its loans to a joint venture, amounts due from fellow subsidiaries, the ultimate holding company and non-controlling interests, 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 loans to a joint venture, and amounts due from fellow subsidiaries, the ultimate holding company and non-controlling interests, 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, and/or the financial position of the entities.

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

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

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.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk management (continued)

Liquidity and interest rate tables

	Weighted average 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 2016							
Accounts payable	—	1,865,898	—	—	—	1,865,898	1,865,898
Other payables	—	4,562,985	—	—	—	4,562,985	4,562,985
Rental deposits received	—	—	87,091	58,613	54,410	200,114	200,114
Bank borrowings	4.28%–4.90%	3,334,015	1,266,237	2,776,317	5,526,024	12,902,593	10,530,696
Amount due to the ultimate holding company	—	321,416	—	—	—	321,416	321,416
Amount due to an intermediate holding company	—	1,450	—	—	—	1,450	1,450
Amount due to an immediate holding company	—	379,153	—	—	—	379,153	379,153
Amounts due to non-controlling interests	—	1,558,571	—	—	—	1,558,571	1,558,571
Amount due to a joint venture	—	1,033	—	—	—	1,033	1,033
Amounts due to fellow subsidiaries	—	79,802	—	—	—	79,802	79,802
Loans from the ultimate holding company	4.35%	306,757	—	—	—	306,757	300,000
Loans from fellow subsidiaries	3.92%–6.15%	1,075,999	43,043	853,636	—	1,972,678	1,828,850
Loans from non-controlling interests	1.20%	4,427	4,379	12,849	17,415	39,070	37,038
Corporates bonds	3.20%	96,000	96,000	3,275,593	—	3,467,593	3,080,174
Guaranteed notes	3.625%	213,001	213,001	5,730,127	—	6,156,129	5,540,527
		13,800,507	1,709,751	12,707,135	5,597,849	33,815,242	30,287,707
Financial guarantee contracts		531,739	—	—	—	531,739	531,739

	Weighted average 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 2015 (restated)							
Accounts payable	—	1,236,389	—	—	—	1,236,389	1,236,389
Other payables	—	4,234,519	—	—	—	4,234,519	4,234,519
Rental deposits received	—	—	79,861	150,091	52,686	282,638	282,638
Bank borrowings	1.64%–6.55%	3,453,990	3,913,171	8,145,704	5,072,940	20,585,805	17,334,423
Amount due to the ultimate holding company	—	331,186	—	—	—	331,186	331,186
Amount due to an intermediate holding company	—	585	—	—	—	585	585
Amounts due to fellow subsidiaries	—	80,428	—	—	—	80,428	80,428
Amounts due to non-controlling interests	—	930,958	—	—	—	930,958	930,958
Loans from fellow subsidiaries	4.35%–6.0%	1,944,176	2,070	432,510	—	2,378,756	2,284,540
Loans from non-controlling interests	4.35%	5,196	—	—	—	5,196	5,000
Guaranteed notes	3.625%	188,314	188,314	5,454,361	—	5,830,989	5,171,889
		12,405,741	4,183,416	14,182,666	5,125,626	35,897,449	31,892,555
Financial guarantee contracts		203,660	—	—	—	203,660	203,660

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk management (continued)

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.

Fair value

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 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.

48. CAPITAL RISK 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 holding companies, fellow subsidiaries, joint venture and non-controlling interests, corporate bonds and guaranteed notes) and equity attributable to owners of 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 review the capital structure on a regular basis. As part of this review, the Directors 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.

49. BUSINESS COMBINATIONS

(a) In November 2016, the Group acquired 100% interest in 香港創晟有限公司 (Gain Success Limited) ("Gain Success") from independent third party at a cash consideration of RMB 1,395,687,000. The subsidiary of Gain Success is 上海高星置業有限公司 (Shanghai Gaoxing Property Limited) which is engaged in commercial investment property in Shanghai.

A summary of Gain Success of fair values of the identifiable assets and liabilities acquired at the date of the above acquisition was as follows:

	RMB'000
Property, plant and equipment (Note 17)	405
Investment properties (Note 16)	2,411,973
Inventories	73
Accounts receivable	28,509
Prepayment, deposits and other receivables	14,238
Cash and bank balances	180,987
Other payable, accruals and deposits received	(63,261)
Other current liabilities	(115,294)
Bank borrowings	(796,163)
Deferred tax liabilities (Note 24)	(265,780)
	1,395,687

Goodwill recognised on acquisition

	RMB'000
Consideration transferred	1,395,687
Less: Net assets acquired	(1,395,687)
	—

The fair value of the above investment properties has been arrived at on the basis of a valuation carried out by Savills. 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.

49. BUSINESS COMBINATIONS (continued)

(a) (continued)

Goodwill recognised on acquisition (continued)

An analysis of cash and cash equivalents in respect of the above acquisition

	RMB'000
Consideration paid in cash	1,395,687
Less: Cash and bank balances acquired	(180,987)
Net cash outflow	1,214,700

Included in the profit for the year was a loss of RMB 9,566,000 attributable to Gain Success. Revenue for the year includes RMB 5,302,000 attributable to Gain Success. Had the acquisition been completed on 1 January 2016, total group revenue for the year would have been approximately RMB 7,070,079,000 and profit for the year would have been RMB 1,342,326,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

(b) In September 2015, the Group acquired 50% interest in Shanghai Yueyao Co. Ltd. ("Shanghai Yueyao") from independent third party at a cash consideration of RMB 1,208,210,000. According to the terms of the relevant shareholders' agreement, the Group has control over the board of directors and the relevant activities of Shanghai Yueyao. Shanghai Yueyao is principally involved in real estate development, property investment and development. Since the acquisition date, Shanghai Yueyao contributed a net loss of RMB 34,406,000 to the Group's consolidated profit for the year ended 31 December 2015.

A summary of Shanghai Yueyao of fair values of the identifiable assets and liabilities acquired at the date of the above acquisition was as follows:

	RMB'000
Properties under development for sale (Note 28)	1,455,000
Investment properties (Note 16)	963,000
Cash and bank balances	3,145
Other payable, accruals and deposits received	(3,200)
Deferred tax liabilities (Note 24)	(139,016)
	2,278,929

49. BUSINESS COMBINATIONS (continued)

(b) (continued)

Goodwill recognised on acquisition (continued)

	RMB'000
Consideration transferred	1,208,210
Add: Non-controlling interests	1,139,464
Less: Net assets acquired	(2,278,929)
	68,745
Represented by:	
Goodwill recognised on acquisition	68,745

The fair value of the above properties under development for sale and investment properties has been arrived at on the basis of a valuation carried out by Savills. The valuation was arrived by making reference to comparable market transactions as available in the relevant markets assuming sale with the benefit of vacant possession.

An analysis of cash and cash equivalents in respect of the above acquisition

	RMB'000
Consideration paid in cash	(1,208,210)
Less: Cash and bank balances acquired	3,145
Net cash outflow	(1,205,065)

No revenue was generated from Shanghai Yueyao since the acquisition up to 31 December 2015 or during the year ended 31 December 2015. Had the acquisition been completed on 1 January 2015, the profit of the Group for the year ended 31 December 2015 would have been no material difference.

50. DEEMED DISPOSAL OF SUBSIDIARIES

On 30 December 2015, BVI 97, a then wholly-owned subsidiary of the Group, became a 40% owned joint venture of the Group upon issue of new shares to the Investor, an independent third party to the Group. Details of which are set out in Note 21. The subsidiary of BVI 97 is involved in hotel operations in the PRC.

	As at 30 December 2015 RMB'000
Consideration	
Consideration received in cash and cash equivalents	—
Fair value of interest in a joint venture	8,661
Total consideration	8,661

50. DEEMED DISPOSAL OF SUBSIDIARIES (continued)

	As at 30 December 2015 RMB'000
Analysis of assets and liabilities over which control was lost	
Non-current assets:	
Property, plant and equipment (Note 17)	855,009
Leasehold land and land use rights	109,243
Intangible assets (Note 19)	2,241
Available-for-sale investments	1,000
Current assets:	
Inventories	647
Accounts receivable	1,742
Deposits, prepayments and other receivables	8,493
Cash and bank balances	737,558
Current liabilities:	
Accounts payable	(10,125)
Construction costs payable for property, plant and equipment	(229,870)
Amounts due to fellow subsidiaries	(127,086)
Amounts due to non-controlling interests	(525)
Loans from the ultimate holding company	(500,000)
Loans from fellow subsidiaries	(1,411,310)
Other liabilities	(7,859)
Net liabilities disposed of	(570,842)
Gain on deemed disposal of subsidiaries	
Consideration:	
Fair value of interest in a joint venture	8,661
Net liabilities disposed of	(570,842)
Gain on deemed disposal (included in other gains and losses, net) (Note 8)	579,503
Net cash outflow on deemed disposal of subsidiaries	
Consideration received in cash and cash equivalents	—
Less: Cash and cash equivalents disposed of	737,558
Net cash outflow	(737,558)

51. MAJOR NON-CASH TRANSACTIONS

(a) During the year, dividend declared to non-controlling interests amounted to RMB 49,500,000 (2015: RMB 49,500,000) was settled through the current account balances with non-controlling interests.

(b) During the year ended 31 December 2015, the Group acquired additional equity interests in a non-wholly-owned subsidiary from its non-controlling shareholder for a consideration of RMB 569,870,000 (details of which are set out in Note (h) in the consolidated statement of changes in equity) and the consideration was settled through the current account balances with non-controlling interests.

(c) During the year ended 31 December 2015, Sanya Hongxia, a non-wholly-owned subsidiary, resolved to reduce its paid-up registered capital and RMB 240,000,000 was distributed to its non-controlling shareholder (details of which are set out in Note (j) in the consolidated statement of changes in equity). The amount was settled through the current account balances with non-controlling interests.

52. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year.

Guarantee provided

Corporate guarantees were executed by the ultimate holding company and a fellow subsidiary in relation to certain of the Group's loans from fellow subsidiaries and bank borrowings. Details of which are disclosed in the Notes 25 and 35 respectively above.

52. 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 2016 RMB'000	2015 RMB'000
Revenue from leasing of properties to:		
Fellow subsidiaries*	**154,081**	127,246
Intermediate holding company*	**8,081**	11,443
Ultimate holding company*	**59**	980
Rental expenses for leasing of properties from:		
Fellow subsidiary*	**1,170**	1,213
Ultimate holding company*	**12,015**	9,615
Provision of hotel management service by:		
Fellow subsidiary*	**5,123**	2,090
Provision of property management service by:		
Fellow subsidiary*	**1,868**	6,152
Provision of property management service to:		
Fellow subsidiary	**1,061**	2,059
Provision of insurance service by:		
Fellow subsidiary	**2,245**	1,897
Sourcing of staple supplies and catering service to:		
Fellow subsidiary	**167**	338
Ultimate holding company	**17**	466
Sourcing of staple supply and catering service from:		
Fellow subsidiaries*	**5,088**	4,341
Ultimate holding company*	**72**	116
Sourcing of entrust loans service fee from:		
Fellow subsidiaries*	**334**	—
Leasing of parking lot from:		
Fellow subsidiaries	**24**	43
Interest expense to:		
Fellow subsidiaries*	**81,576**	208,540
Ultimate holding company*	**13,354**	18,794
Property management fee to:		
Fellow subsidiaries*	**—**	1,500

* These related party transactions also constituted connected transactions or continuing connected transactions according to the Listing Rules.

52. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party balances

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 and lending 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 loans from COFCO Finance to the Group at 31 December 2016 amounted to RMB 1,118,000,000 (2015: RMB 775,500,000).

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	
	2016	2015
	RMB'000	RMB'000
Amounts due from the ultimate holding company:		
Within 1 year	**—**	177
1 to 2 years	**—**	63
	—	240
Amounts due from fellow subsidiaries:		
Within 1 year	**1,756**	8,859
1 to 2 years	**4,820**	7,190
2 to 3 years	**1,177**	—
	7,753	16,049
Amounts due to the ultimate holding company:		
Within 1 year	**—**	184
1 to 2 years	**—**	2,502
	—	2,686
Amounts due to fellow subsidiaries:		
Within 1 year	**30,591**	31,426
1 to 2 years	**4,137**	3,001
2 to 3 years	**2,498**	4,657
Over 3 years	**2,051**	1,432
	39,277	40,516

52. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel of the Group

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Salaries, allowance and other benefits	**20,414**	17,237
Retirement benefit scheme contributions	**1,146**	890
	21,560	18,127

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 14.

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 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 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.

53. 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/(loss) allocated to non-controlling interests RMB'000	Accumulated non-controlling interests RMB'000 (Note (a))
Year ended 31 December 2016				
Yalong Development Company Limited and its subsidiaries ("Yalong Development group")	**PRC**	**49.2%**	**13,734**	**1,804,630**
Joy Sincere (Hong Kong) Limited and its subsidiaries ("Joy Sincere HK") (Note (b))	**Hong Kong**	**48.0%**	**3,729**	**526,906**
Shanghai Yueyao Real Estate Co., Ltd.	**PRC**	**50.0%**	**70,047**	**1,219,692**
Fortune Set	**BVI**	**49.0%**	**262,337**	**8,153,644**
Sunny Ease	**BVI**	**49.0%**	**21,652**	**2,379,596**
Vivid Star	**BVI**	**49.0%**	**7,124**	**157,607**
Elimination of cross holding of Fortune Set, Sunny Ease and Vivid Star			**(103,996)**	**(2,376,614)**
Individually immaterial subsidiaries with non-controlling interests			**(41,120)**	**(78,030)**
Total			**233,507**	**11,787,431**
Year ended 31 December 2015 (restated)				
Yalong Development group	PRC	49.2%	23,015	1,840,396
Joy Sincere HK (Note (b))	Hong Kong	48.0%	(6,812)	523,177
Beijing Hongtaijiye Real Estate Co., Ltd.	PRC	10.0%	39,355	325,068
Shanghai Yueyao Real Estate Co., Ltd.	PRC	50.0%	10,181	1,149,645
Beijing Kunting Asset Management Co., Ltd.	PRC	35.0%	(3,159)	371,885
Individually immaterial subsidiaries with non-controlling interests			(73,834)	43,885
Total			(11,254)	4,254,056

Notes:

(a) The amounts represent the consolidated amount of these non-wholly-owned subsidiaries and their respective subsidiaries, as applicable.

(b) Joy Sincere HK is 52% held by Mega Health Limited, a wholly-owned subsidiary of the Company, 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.

53. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Summarised consolidated financial information in respect of each of the subsidiaries that has material non-controlling interests is set out below. The summarised consolidated financial information below represents amounts before intragroup eliminations.

Yalong Development group

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Current assets	**3,295,047**	2,919,678
Non-current assets	**2,660,282**	2,559,045
Current liabilities	**(2,182,872)**	(1,600,340)
Non-current liabilities	**(465,961)**	(484,635)
Total equity	**3,306,496**	3,393,748
Equity attributable to:		
Owners of the Company	**1,501,866**	1,553,352
Non-controlling interests	**1,804,630**	1,840,396
Total equity	**3,306,496**	3,393,748

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Revenue	**1,668,660**	1,396,455
Other income, and other gains and losses, net	**10,128**	1,245
Fair value loss of investment properties	**—**	(39,671)
Total expenses	**(1,665,391)**	(1,323,449)
Profit for the year	**13,397**	34,580
Other comprehensive income	**—**	1,044
Total comprehensive income for the year	**13,397**	35,624
Total comprehensive income attributable to:		
Owners of the Company	**(337)**	12,609
Non-controlling interests	**13,734**	23,015
Profit and total comprehensive income for the year	**13,397**	35,624
Dividends declared to non-controlling interests	**49,500**	49,500
Net cash inflow/(outflow) from:		
Operating activities	**844,046**	323,503
Investing activities	**(332,444)**	(232,539)
Financing activities	**67,500**	(28,059)
Net cash inflow	**579,102**	62,905

53. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Joy Sincere HK

	At 31 December 2016 RMB'000	At 31 December 2015 RMB'000
Current assets	**157,167**	242,972
Non-current assets	**2,406,321**	2,360,846
Current liabilities	**(354,959)**	(535,055)
Non-current liabilities	**(1,132,227)**	(1,000,154)
Total equity	**1,076,302**	1,068,609
Equity attributable to:		
Owners of the Company	**549,396**	545,432
Non-controlling interests	**526,906**	523,177
Total equity	**1,076,302**	1,068,609

	Year ended 31 December 2016 RMB'000	Year ended 31 December 2015 RMB'000
Revenue	**135,795**	136,975
Other income, and other gains and losses, net	**12,943**	16,941
Fair value gain of investment properties	**46,862**	40,810
Total expenses	**(187,908)**	(208,559)
Profit/(loss) and total comprehensive income/(expense) for the year	**7,692**	(13,833)
Total comprehensive income/(expense) attributable to:		
Owners of the Company	**3,963**	(7,021)
Non-controlling interests	**3,729**	(6,812)
Profit/(loss) and total comprehensive income/(expense) for the year	**7,692**	(13,833)
Dividends declared to non-controlling interests	**—**	—
Net cash inflow/(outflow) from:		
Operating activities	**76,943**	(179,697)
Investing activities	**(152,579)**	(1,891)
Financing activities	**(2,580)**	88,079
Net cash outflow	**(78,216)**	(93,509)

53. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Shanghai Yueyao Real Estate Co., Ltd.

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Current assets	**1,616,140**	1,463,644
Non-current assets	**1,285,934**	993,016
Current liabilities	**(79,888)**	(11,064)
Non-current liabilities	**(382,485)**	(145,991)
Total equity	**2,439,701**	2,299,605
Equity attributable to:		
Owners of the Company	**1,220,009**	1,149,960
Non-controlling interests	**1,219,692**	1,149,645
Total equity	**2,439,701**	2,299,605

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Revenue	**—**	—
Other income, and other gains and losses, net	**113**	60
Fair value gain of investment properties	**201,573**	27,900
Total expenses	**(61,591)**	(7,362)
Profit and total comprehensive income for the year	**140,095**	20,598
Total comprehensive income attributable to:		
Owners of the Company	**70,048**	10,417
Non-controlling interests	**70,047**	10,181
Profit and total comprehensive income for the year	**140,095**	20,598
Dividends declared to non-controlling interests	**—**	—
Net cash (outflow)/inflow from:		
Operating activities	**(160,000)**	(4,629)
Investing activities	**(272)**	(17)
Financing activities	**192,101**	9,958
Net cash inflow	**31,829**	5,312

53. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Fortune Set

	At 31 December	
	2016 RMB'000	2015 RMB'000
Current assets	**12,497,635**	10,391,750
Non-current assets	**26,235,832**	25,969,913
Current liabilities	**(9,825,686)**	(5,164,403)
Non-current liabilities	**(10,018,881)**	(12,350,314)
Total equity	**18,888,900**	18,846,946
Equity attributable to:		
Owners of the Company	**7,219,407**	13,339,879
Perpetual capital instruments	**3,515,849**	4,012,548
Non-controlling interests	**8,153,644**	1,494,519
Total equity	**18,888,900**	18,846,946

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Revenue	**3,354,183**	2,176,206
Other income, and other gains and losses, net	**650,575**	469,561
Total expenses	**(2,747,796)**	(1,859,588)
Profit and total comprehensive income for the year	**1,256,962**	786,179
Total comprehensive income attributable to:		
Owners of the Company	**750,525**	483,756
Perpetual capital instruments	**244,100**	244,899
Non-controlling interests	**262,337**	57,524
Profit and total comprehensive income for the year	**1,256,962**	786,179
Dividends declared to non-controlling interests	**—**	—
Net cash inflow from:		
Operating activities	**2,360,100**	785,368
Investing activities	**(1,334,340)**	(227,814)
Financing activities	**(1,704,849)**	103,990
Net cash (outflow)/inflow	**(679,089)**	661,544

53. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Sunny Ease

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Current assets	**548,697**	501,307
Non-current assets	**5,205,918**	5,091,677
Current liabilities	**(1,317,991)**	(863,098)
Non-current liabilities	**(1,157,247)**	(1,165,587)
Total equity	**3,279,377**	3,564,299
Equity attributable to:		
Owners of the Company	**899,781**	1,947,290
Non-controlling interests	**2,379,596**	1,617,009
Total equity	**3,279,377**	3,564,299

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Revenue	**241,518**	263,098
Other income, and other gains and losses, net	**(74,549)**	20,258
Total expenses	**(142,031)**	(174,842)
Profit and total comprehensive income for the year	**24,938**	108,514
Total comprehensive income attributable to:		
Owners of the Company	**3,286**	39,305
Non-controlling interests	**21,652**	69,209
Profit and total comprehensive income for the year	**24,938**	108,514
Dividends declared to non-controlling interests	**(141,956)**	(141,956)
Net cash (outflow)/inflow from:		
Operating activities	**(47,869)**	141,489
Investing activities	**356,294**	(72,263)
Financing activities	**57,122**	(39,865)
Net cash inflow	**365,547**	29,361

53. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Vivid Star

	At 31 December 2016 RMB'000	At 31 December 2015 RMB'000
Current assets	**302**	281
Non-current assets	**861,513**	797,566
Current liabilities	**(540,168)**	(500,302)
Non-current liabilities	**—**	—
Total equity	**321,647**	297,545
Equity attributable to:		
Owners of the Company	**164,040**	297,545
Non-controlling interests	**157,607**	—
Total equity	**321,647**	297,545

	Year ended 31 December 2016 RMB'000	Year ended 31 December 2015 RMB'000
Revenue	**—**	—
Other income, and other gains and losses, net	**32,012**	22,302
Total expenses	**(7,911)**	(28)
Profit and total comprehensive income for the year	**24,101**	22,274
Total comprehensive income attributable to:		
Owners of the Company	**16,977**	22,274
Non-controlling interests	**7,124**	—
Profit and total comprehensive income for the year	**24,101**	22,274
Dividends declared to non-controlling interests	**—**	—
Net cash inflow/(outflow) from:		
Operating activities	**1**	(28)
Investing activities	**—**	(500,020)
Financing activities	**—**	500,302
Net cash inflow	**1**	254

Change in ownership interest in subsidiaries

During the year, the Group disposed of 49% of its equity interests in Fortune Set, Sunny Ease and Vivid Star, respectively and reduced its equity interests in these three subsidiaries to 51%. Details of the disposal are set out in Note (g) in the consolidated statement of changes in equity.

54. DETAILS OF SUBSIDIARIES

Particulars of the principal subsidiaries at the end of the reporting period are as follows:

Company name	Paid-up issued/ registered capital	Proportion of ownership interest and voting rights held by the Company				Principal activities
		Directly		Indirectly		
		2016	2015	2016	2015	
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
Joy Sincere (Hong Kong) Limited	HK$64,416,312	—	—	51.96%	51.96%	Investment holding
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.*)	RMB 5,000,000,000	—	—	51%	100%	Investment holding
西單大悅城有限公司 (Xidan Joy City Co., Ltd.*) ("Xidan Joy City")	RMB 1,025,000,000	—	—	51%	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 (e))	RMB 1,055,000,000	—	—	90%	90%	Property investment and development
大悅城（天津）有限公司 (Joy City (Tianjin) Co., Ltd.*)	RMB 1,870,000,000	—	—	51%	100%	Property investment and development
大悅城（上海）有限責任公司 (Joy City (Shanghai) Co., Ltd.*)	RMB 520,000,000	—	—	51%	100%	Property management
上海新蘭房地產開發有限公司 (Shanghai Xinlan Real Estate Development Co., Ltd.*)	RMB 4,200,000,000	—	—	51%	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.*)	US$129,300,000	—	—	100%	100%	Property investment and development
瀋陽大悅城商業管理有限公司 (Shenyang Joycity Commercial Management Co., Ltd.*)	RMB 1,080,000	—	—	100%	100%	Property management
煙台大悅城有限公司 (Yantai Joy City Co., Ltd.*) ("Yantai Joy City Co") (Note (f))	RMB 900,000,000	—	—	100%	100%	Property investment and development
北京昆庭資產管理有限公司 (Beijing Kunting Asset Management Co., Ltd.*) ("Beijing Kunting") (Note (c))	RMB 1,074,318,600	—	—	100%	65%	Property management
中糧酒店（北京）有限公司 (COFCO Hotel (Beijing) Co., Ltd.*)	US$32,000,000	—	—	100%	100%	Hotel ownership and operations
中糧酒店（三亞）有限公司 (COFCO Hotel (Sanya) Limited*)	US$165,500,000	—	—	100%	100%	Hotel ownership and operations
蘇州凱萊大酒店有限公司 (Suzhou Gloria Plaza Hotel Co., Ltd.*)	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.*)	US$14,400,000	—	—	100%	100%	Hotel ownership and operations
三亞亞龍灣開發股份有限公司 (Yalong Development Company Limited*) (Note (d))	RMB 671,000,000	—	—	50.8%	50.8%	Property development
三亞亞龍灣熱帶海岸公園管理有限公司 (Sanya Yalong Tropical Coast Park Management Co., Ltd.*) (Note (c))	RMB 3,000,000	—	—	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 (e))	RMB 1,339,500,000 (Note (a))	—	—	80%	80%	Property development
三亞亞龍灣物業管理有限公司 (Sanya Yalong Property Management Co., Ltd.*) (Note (c))	RMB 500,000	—	—	100%	100%	Property management
三亞悅晟開發建設有限公司 (Sanya Yuesheng Development Company Limited) (Note (c))	RMB 15,000,000	—	—	100%	100%	Property development

54. DETAILS OF SUBSIDIARIES (continued)

Company name	Paid-up issued/ registered capital	Proportion of ownership interest and voting rights held by the Company				Principal activities
		Directly		Indirectly		
		2016	2015	2016	2015	
Entities established in the PRC and operating principally in the PRC (continued)						
北京中糧廣場發展有限公司 (Beijing COFCO Plaza Development Co., Ltd.*) (Note (d))	US$33,300,000	—	—	**51%**	100%	Property investment
北京凱萊物業管理有限公司 (Beijing Gloria Properties Management Co., Ltd.*) (Note (d))	RMB 5,000,000	—	—	**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 (d))	RMB 500,000	—	—	**94%**	94%	Property management
凱萊物業管理（廣州）有限公司 (Gloria Properties Management (Guangzhou) Co., Ltd.*) (Note (d))	RMB 1,200,000	—	—	**87.5%**	87.5%	Property management
瀋陽凱萊物業管理有限公司 (Shenyang Gloria Properties Management Co., Ltd.*) (Note (d))	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.*)	US$70,000,000	—	—	**100%**	100%	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.*)	US$18,000,000	—	—	**100%**	100%	Property development
卓遠地產（成都）有限公司 (Zhuoyuan Property (Chengdu) Co., Ltd.*)	US$20,000,000	—	—	**100%**	100%	Property development
浙江和潤天成置業有限公司 (Zhejiang Herun Tiancheng Real Estate Co., Ltd.*)	US$406,500,000	—	—	**55%**	100%	Property investment and development
上海悅耀置業發展有限公司 (Shanghai Yueyao Development Co., Ltd.*) (Note (d))	RMB 1,862,934,229	—	—	**50% (Note (b))**	50%	Property development
上海高星置業有限公司 (Shanghai Gaoxing Development Co., Ltd.*)	RMB 1,083,000,000	—	—	**100%**	—	Property development
四川中國酒城股份有限公司 (Sichuan China Jincheng Co., Ltd.*)	RMB 80,830,000	—	—	**69.65%**	69.65%	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 2016. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Notes:

(a) During the year ended 31 December 2015, the paid-up registered capital for Sanya Hongxia has been reduced from RMB 2,539,500,000 to RMB 1,339,500,000.

(b) The Group has control over the board of directors and the relevant activities of this entity and therefore accounted for as a subsidiary of the Company.

(c) Subsidiaries wholly-owned by non-wholly-owned subsidiaries of the Company.

(d) These companies are sino-foreign equity joint ventures.

(e) Subsidiaries held by non-wholly-owned subsidiaries of the Company.

(f) Subsidiary held by a wholly-owned subsidiary and a non-wholly-owned subsidiary of the Company.

55. 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	
	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS		
Unlisted investments in subsidiaries	**13,374,589**	18,426,777
Loans to subsidiaries	**2,614,861**	5,221,774
	15,989,450	23,648,551
CURRENT ASSETS		
Amounts due from subsidiaries	**11,332,230**	7,388,612
Amount due from non-controlling interest	**149,084**	—
Other current assets	**4,688,203**	112,321
	16,169,517	7,500,933
CURRENT LIABILITIES		
Amounts due to subsidiaries	**261,292**	5,391,077
Amounts due to fellow subsidiaries	**277**	3,630,052
Amount due to an intermediate holding company	**—**	7
Amount due to the immediate holding company	**379,153**	—
Loans from a fellow subsidiary	**—**	545,010
Tax payable	**309,678**	—
Other current liabilities	**174,428**	6,725
	1,124,828	9,572,871
NET CURRENT ASSET/(LIABILITIES)	**15,044,689**	(2,071,938)
NET ASSETS	**31,034,139**	21,576,613
CAPITAL AND RESERVES		
Share capital (Note 38)	**1,122,414**	1,122,414
Reserves (Note (a))	**29,911,725**	20,454,199
TOTAL EQUITY	**31,034,139**	21,576,613

55. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note (a):

Reserves of the Company

	Share premium RMB'000	Non-redeemable convertible preference shares RMB'000 (Note 39)	Foreign currency translation reserve RMB'000	Capital redemption reserve RMB'000	Contributed surplus RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2015	13,329,919	1,722,317	3,266	1,931	227,703	384,776	15,669,912
Profit and total comprehensive income for the year	—	—	—	—	—	245,658	245,658
Final 2014 dividend declared (Note 12)	—	—	—	—	—	(124,654)	(124,654)
Rights issue of shares (Note 38)	4,679,668	—	—	—	—	—	4,679,668
Share issue expenses (Note 38)	(16,385)	—	—	—	—	—	(16,385)
At 31 December 2015	**17,993,202**	**1,722,317**	**3,266**	**1,931**	**227,703**	**505,780**	**20,454,199**
Profit and total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**10,131,138**	**10,131,138**
Final 2015 dividend declared (Note 12)	**—**	**—**	**—**	**—**	**—**	**(129,695)**	**(129,695)**
Special dividend declare	**—**	**—**	**—**	**—**	**—**	**(543,917)**	**(543,917)**
At 31 December 2016	**17,993,202**	**1,722,317**	**3,266**	**1,931**	**227,703**	**9,963,306**	**29,911,725**

The consolidated profit attributable to owners of the Company for the year ended 31 December 2016 includes a profit of RMB 10,131,138 ,000 (2015: RMB 245,658,000) which has been dealt with in the financial statements of the Company.

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
"AGM"	the annual general meeting of the Company to be held on Friday, 2 June 2017 or any adjournment thereof
"Annual Caps"	the maximum aggregate annual transaction amounts set for the Non-Exempt Continuing Connected Transactions
"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
"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
"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
"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 (BVI) 97"	COFCO (BVI) No. 97 Limited, a limited company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company

Definitions

"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
"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)
"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$0.10 each in the share capital of the Company
"Director(s)"	director(s) of the Company
"Executive Committee"	Executive Committee under the Board
"GFA"	gross floor area
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"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
"Joy City Acquisition"	has the same meaning as those defined as "Acquisition" 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 subjects 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
"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 Lease Agreement"	the master lease agreement entered into between the Company and COFCO Corporation on 29 November 2013 (extended and supplemented by two supplemental agreements 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 two supplemental agreements 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 two supplemental agreements thereto) for the sourcing of staple supplies and catering services by the Group from the COFCO 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
"RMB"	Renminbi, the lawful currency of the PRC
"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
"Shareholders"	the holders of the Shares and the CPS
"Shares"	ordinary shares of HK$0.10 each in the share capital of the Company
"sq meters" or "sqm"	square meters
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Suzhou Gloria Hotel (PRC)"	Suzhou Gloria Plaza Hotel Co., Ltd.* (蘇州凱萊大酒店有限公司), a company incorporated in the PRC with limited liability on 27 March 1997 and wholly-owned by Gloria Plaza Hotel (Suzhou) Limited
"Takeovers Codes"	the Codes on Takeovers and Mergers and Share Buy-backs
"US$"	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 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
"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. CAO Ronggen

Non-executive Directors

Ms. WU Xiaohui
Mr. JIANG Chao
Mr. ZENG Xianfeng
Mr. JIA Peng

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. ZENG Xianfeng
Mr. LAM Kin Ming, Lawrence
Mr. WU Kwok Cheung, *MH*

REMUNERATION COMMITTEE

Mr. LAU Hon Chuen, Ambrose, *GBS, JP*
(Committee Chairman)
Mr. CAO Ronggen
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. CAO Ronggen

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., COFCO Tower
262 Gloucester Road
Causeway Bay, Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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STOCK CODE

207

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