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JOY CITY PROPERTY LIMITED
大悦城地產有限公司

(incorporated in Bermuda with limited liability)
Stock Code:207

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JOY IN THE CITY

2017 ANNUAL REPORT

WONDERFUL

“A well-known brand a better future”

Joy City was identified as a well-known trademark by the State Administration for Industry and Commerce, indicating official recognition for our brand value and influence.


IMAX

Excellent brand influence is bound to create

a lifestyle-leading

City in a city

Committed to becoming

A Leader

of brand property developers in China with greatest sustainable development potential

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 greatest sustainable development potential.

OUR VISIONS

Maximize the benefits of customers, shareholders and staff members wholeheartedly.

CONTENTS

Company Profile

“Joy City Property Limited is a large-scale commercial property developer and operator, focusing on the development, operation, sales, leasing and management of complexes and commercial properties in the PRC.”

Joy City Property Limited is a large-scale 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 24 consecutive years. COFCO Corporation is one of the 21 enterprises under the direct management of the Central Government with the approval of SASAC to 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 2017, the Group has expanded into the core cities and their surrounding areas in five major city groups including Beijing-Tianjin-Hebei, Yangtze River Delta, Pearl River Delta, Chengdu-Chongqing and middle Yangtze River city group. Meanwhile, the Group successfully entered 12 cities including Beijing, Shanghai, Tianjin, Shenyang, Yantai, Hangzhou, Chengdu, Xi’an, Chongqing and Qingdao. It owns eleven Joy City urban complexes, and various output management projects such as Tianjin He Ping Joy City. The Group also has premium investment properties at prime locations in first-tier cities, including Beijing COFCO Plaza, Hong Kong COFCO Tower and Beijing COFCO Landmark Tower, as well as high quality properties held for sale, namely Shanghai Jing’an Joy City • Joy Mansion One, Shanghai Qiantan One and Hainan COFCO • Hong Tang Joy Sea. The Group has a number of international high-end luxury hotels in operation, including 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 value and appreciation potentials.

Looking forward, the Group will continue to maintain the two-wheel-drive business model of “holding and selling properties”, and uphold the Joy City brand spirit of “young, fashionable, trendy and quality”. Leveraging on the sufficient strength of COFCO Corporation and the wealth of experience of its management team, the Group will lead the new trend of Chinese urban lifestyle and promote the development of cities in China, with an aim to become a leading complex and commercial property developer and operator in the PRC.

Major Business Structure

Investment Properties

1. Xidan Joy City
2. Shenyang Joy City
3. Chaoyang Joy City
4. Shanghai Jing'an Joy City
5. Tianjin Nankai Joy City
6. Yantai Joy City
7. Chengdu Joy City
8. Hangzhou Joy City
9. Shanghai Changfeng Joy City
10. Chongqing Joy City
11. Xi'an Joy City
12. Beijing COFCO Plaza
13. Fraser Suites Top Glory Shanghai
14. Hong Kong COFCO Tower
15. COFCO • Landmark Tower

Property Development

1. Ocean One
2. Brilliant Villa
3. Qingdao Project
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

Hotel Operation

1. The St. Regis Sanya Yalong Bay Resort
2. MGM Grand Sanya
3. W Beijing – Chang'an
4. Cactus Resort Sanya by Gloria

Property Management and Related Services

1. Joy City Commercial Management

Major Events and Awards in 2017

MAJOR EVENTS in 2017

3 March

The Company entered into Xi'an Qin Han Tang Project equity acquisition and cooperation agreement with Wanye Real Estate.

16 March

Shanghai Changfeng Joy City held the global merchandising conference and the inauguration ceremony.

26 May

Beijing COFCO Plaza held a press conference on its C Tower reopening after renovation and Intelligent Operating Platform.

16 August

The Company entered into an investment cooperation agreement with Shibei District Government of Qingdao.

17 August

The Company set up a merger and acquisition fund.

27 August

Young Street-Xidan Joy City's first themed street district was unveiled.

6 September

The Company successfully issued the first medium-term Panda notes (Bond Connect).

25 October

Xi'an Joy City held the opening ceremony for merchandising.

12 November

Construction of Chongqing Joy City project officially started.

6 December

Joy City held its tenth anniversary brand promotion .

28 December

Chat Garden-Xidan Joy City's first restaurant street district was unveiled officially.

Awards

AWARDS

12 January

The Company won two awards of the "Best Investment Value" and the "Best Investor Relationship" Listed Companies for 2016 selected by *China Financial Market*.

31 March

Yantai Joy City won the award of the Excellent Commercial Real Estate Management Team Award of the Year.

6 April

The Company won four awards in the "ICSC China Shopping Centre Awards".

12 April

The Company won the award of the "Benchmarking Enterprises for the Administration of Commercial Real Estate Assets in China".

12 and 14 April

Hangzhou Joy City won the awards of the "Commercial Real Estate Project with greatest growth potential in China" and the "New Urban Commercial Landmark of the Year".

14 April

- Shanghai Jing'an Joy City won the award of the "New Urban Commercial Landmark of the Year".
- Xidan Joy City won the award of the "Outstanding Contribution Award of Commercial Property Industry".
- Chengdu Joy City won the award of the " Excellent Commercial Real Estate Operation Project of the Year".

23 May

Shanghai Jing'an Joy City won the award of Outstanding Shopping Centre Operator in China in 2017.

12 June

The Company won the award of the "Best Real Estate Companies of 2017 in China".

5 July

Shanghai Jing'an Joy City won the "2017 CCFA Golden Lily Award-Best Shopping Centre Design ".

20 September

Hangzhou Joy City won the Planning and Design Innovation Award of China's shopping center industry of 2017 issued by Mall China.

20 October

Xidan Joy City, Shanghai Jing'an Joy City, and Shanghai Changfeng Joy City won the "Award of Leading Experiential Commercial Property in China" respectively.

24 October

Chengdu Joy City won the ICSC Asia Pacific Shopping Center Design and New Development Silver Award.

3 November

Shanghai Jing'an Joy City won the 2017 CCFA "Top Ten Innovative Service Types" award.

7 November

The Company won the "2017-2018 China's most Influential Shopping Mall Brand" award.

30 November

The Company won the 2017 China Securities Golden Bauhinia Award.

12 December

Zhou Zheng (Chairman of the Company) won the title of Top Ten Real Estate CEO in China of 2017.

Financial Highlights

Item	For the year ended 31 December 2017 RMB'000	2016 RMB'000	Change (%)
Revenue	**11,657,761**	6,987,097	66.8
Includes: Gross rental income from investment properties and related property management services	**3,433,075**	3,123,460	9.9
Property development	**7,123,798**	2,752,066	158.9
Hotel operations	**959,253**	1,010,405	-5.1
Primary land development	**12,593**	4,186	200.8
Property management and related services	**82,320**	89,284	-7.8
Output management	**46,722**	7,696	507.1
Gross profit	**5,247,676**	3,760,189	39.6
Profit attributable to owners of the Company	**1,153,162**	797,581	44.6
Core net profit attributable to owners of the Company (Note 1)	**838,953**	318,551	163.4
Basic earnings per share (RMB cent)	**7.5**	5.2	44.2

Item	31 December 2017 RMB'000	31 December 2016 RMB'000	Change (%)
Total assets	**86,370,523**	82,550,683	4.6
Equity attributable to owners of the Company	**27,018,517**	26,203,351	3.1
Net debt to total equity ratio (%) (Note 2)	**28.2**	30.1	-1.9 (Note 3)

Notes:

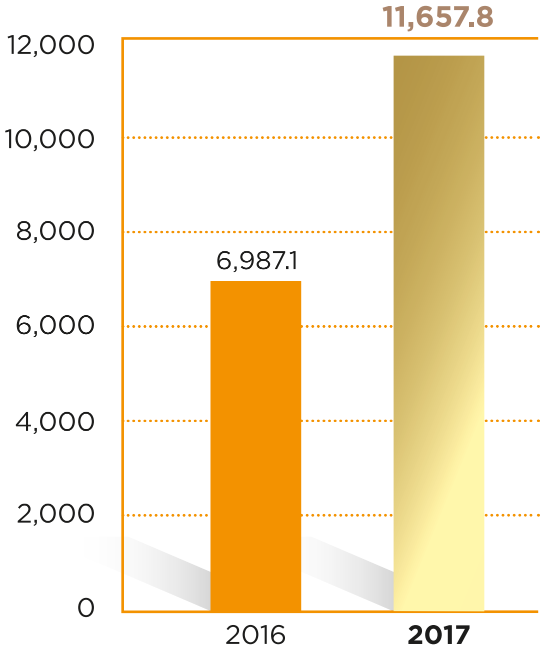
1. Core net profit attributable to owners of the Company = profit attributable to owners of the Company – foreign exchange gain/loss – fair value gains after tax of investment property attributable to owners of the Company + accumulated realised fair value gains after tax recognized in respect of disposal of investment properties for the current and prior years together with the foreign exchange gains recognized in the foreign currency translation reserve attributable to the owners of the Company

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

3. Change in percentage

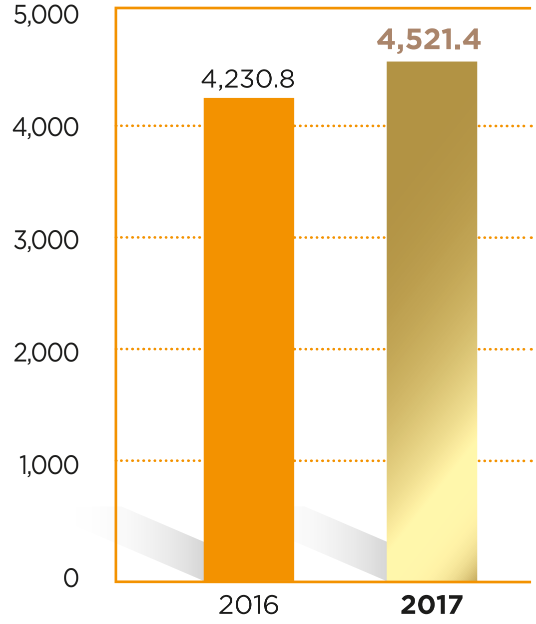
Revenue

RMB: million



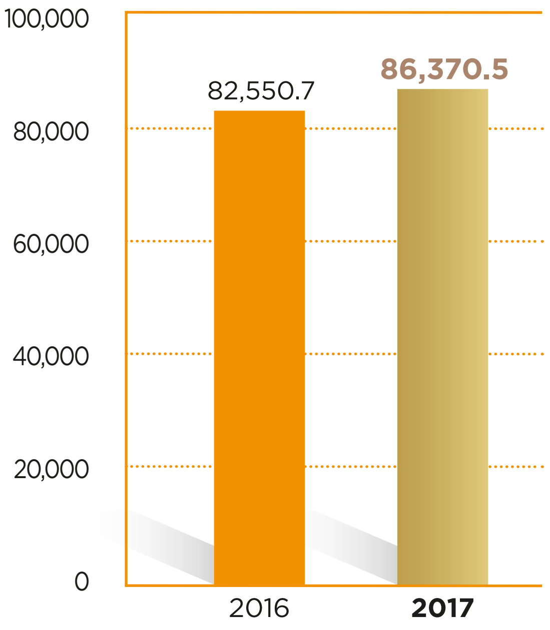
Recurring revenue (note 4)

RMB: million



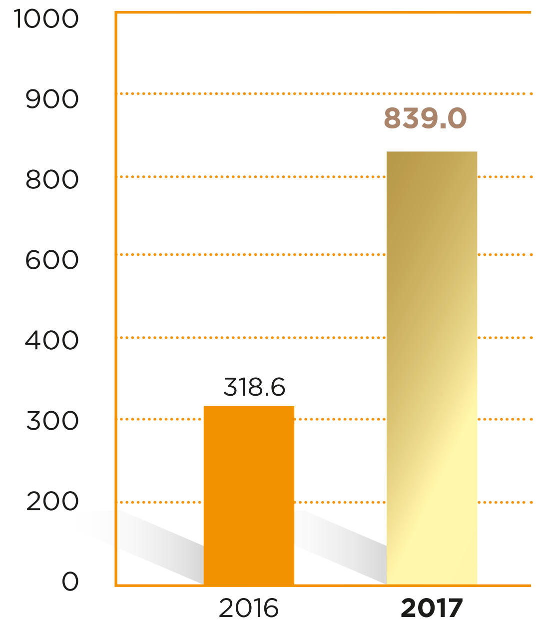
Total assets

RMB: million



Core net profit attributable to owners of the Company

RMB: million



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

Chairman's Statement

"Dear Shareholders,

I, on behalf of the Board of the Company, hereby present you with the annual results of the Company and its subsidiaries (the "Group") for the 12 months ended 31 December 2017 (the "Year"), and would like to express my appreciation for your great support throughout the year."

During the year, profits attributable to owners of the Company amounted to RMB1,153.2 million and basic earnings per share amounted to RMB0.075. The Board recommended the payment of a final dividend of HK4 cent per share. The proposed final dividend is subject to approval at the forthcoming annual general meeting of the Company.

2017 is a critical year for implementation of the "13th Five-Year Plan" and for deepening of supply-side structural reform. China's macro-economy has shown "progressive, positive and quality development amid stability", characterised by the slowdown of economic growth, the optimisation of economic structure and the shift of growth drivers, leading to historical changes in its industrial structure, demand pattern and mix of elements. The terminal consumption expenditure contributed 58.8% to the economic growth. Consumption upgrade has become a new engine of national economic growth. Purpose of residents' consumption has shifted from meeting their living needs to improving their living experience. Benefiting from the upgrading of residents' demand, changes in consuming behavior and the measures taken by the state to vigorously promote entrepreneurship and innovation, commercial properties have seen a good development momentum in 2017. Meanwhile, with the commercial properties entering into the stock era from the incremental era, the focus of corporate development strategy has gradually shifted to the improvement of operational capability and profitability, etc. In terms of operational models, enterprises actively innovated business models, enriched the content of type of services and enhanced users' experience. In terms of expansion , in addition to acquiring land in the open market, enterprises continued to expand into the commercial property market through cooperation and mergers & acquisition. In terms of financial innovation, enterprises actively explored pathways for commercial capitalization and piloted the securitization of commercial property assets one after another aiming to bridge the gap between commercial properties and capital. In terms of changes in type of services, the integration of shared office resources accelerated, new retail business models emerged, and the new retail became the focus of enterprises. In terms of other commercial segment markets, according to a survey conducted by the Caixin Data, the PMI for the service sector in China in 2017 was 53.9, the highest growth rate since August 2014. In particular, accommodation and food and beverage services, wholesale and retail sales recorded a healthy development momentum.

Investment Properties – The Group has always adhered to the brand spirit of "Young, Fashion, Trend and Quality" and brought superior consumption experience to consumers through continuous product innovation. During the year, Joy City's rental income continued to maintain a relatively high growth rate, of which, rental income from Chengdu Joy City recorded a year-on-year increase of 25% and the average rental from Chaoyang Joy City recorded a year-on-year increase of 22%, showing a clear competitive advantage.

Property Development – The Group's development projects are located in first-tier cities and key second-tier cities with scarce geographic or landscape resources. During the year, the Group sped up sales settlement cycle by grasping the market opportunities and taking advantage of the market trend, and further achieved rapid sales growth.

Hotel Operation – The Group's high-quality hotel properties are mainly located in the coastal region along Yalong Bay, which are managed by international hotel management companies, like Marriott and MGM engaged by us. During the year, the Group continued to reinforce its brand positioning, build up its unique hotel features and improve its service quality, leading to significant improvement in operating efficiency.

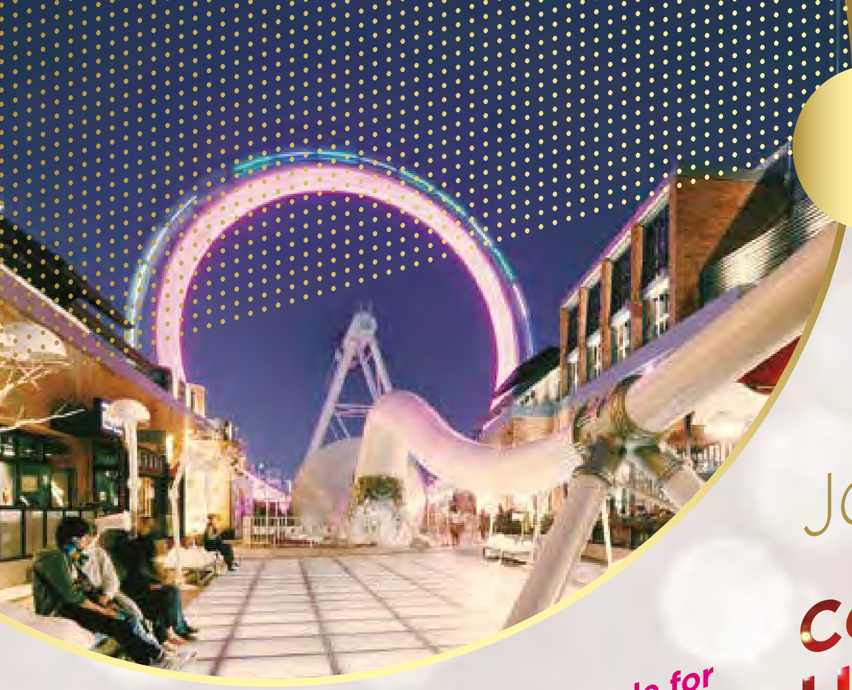
Chairman's Statement

Property Management and Related Services – The Group further improved the development of the EISS platform under the guiding concept of "green, environmental protection, science and technology, humanities and health". With multiple professional system certifications, like the ISO90001 Quality Management System, ISO140001 Environmental Management System and OHSAS18001 Occupational Health Management System, we develop a "smart and green" property management system in all aspects, which enabled us to gain great praise on the market with the customer satisfaction of all projects continuing to rise for three consecutive years.

Land Bank – The Group has ramped up its efforts on increasing the land bank by exploring new channels and adopting a balanced approach. While keeping a close eye on the open market, the Group has fully leveraged its operational advantages and actively explored the integration opportunities in the stock land market. During the year, the Group acquired approximately 628,400 sq.m. of land, including three self-constructed projects and one projects for mergers and acquisitions and renovation, laying the foundation for the future development.

Financial Capital – The Group implemented prudent financial policies. As at the end of 2017, the Group's net gearing ratio amounted to 28.2%, representing a steady decrease as compared with 30.1% as at the end of 2016. The average finance costs for the whole year was 4.28%, a relatively low level in the industry. In September 2017, the Group issued the first panda medium-term notes on the National Association of Financial Market Institutional Investors, the first Bond Connect bond issued by a non-financial enterprise in the country. Currently, a facility of RMB 9 billion medium-term notes remain unutilized, which can effectively support the Company in financing its development.

Looking forward to 2018, a stable macro-economic environment will support commercial properties to maintain a sound development momentum. It was put forward in the report delivered at the 19th National Congress of the Communist Party of China, that China should focus on the development of the real economy, accelerate development of modern service sectors. Furthermore, it believes that the major contradiction facing the Chinese society has shifted to the contradiction between unbalanced and inadequate development and the people's ever-growing needs for a better life. The upgrading and transformation of consumption will become an important part of future development, which will lay the foundation for the prosperity and development of the commercial market in a long run. With the expansion of core cities and the development of Metropolitan circle, the business cluster of cities has gradually turned lateral from vertical; the geographic separation of consumers will become increasingly unclear; and the quality themed business will have a greater space for development. As people's pace of work and life accelerates, time will become more scarce. Therefore, the future commercial competition will actually be the fight for consumers' time. How often consumers will visit a shop and how long they will stay there will be the key to the success of such shop. Reform and innovation based on consumer demand will still be the core ideas for guiding the commercial real estate sector to develop sustainably. The Group will identify the customers' needs, focus on the customer experience, enrich the contents of type of services and provide differentiated products with continuously innovation, as well as enhance the property operating capabilities and build up the customer loyalty, by actively taking advantage of scientific and technological means such as the Internet and big data. Meanwhile, we will attach more importance to the cross-sector cooperation and cooperation with financial capital to strengthen and develop a strong operating capability and capital operation capability, vigorously explore advanced business development models and build a new-generation intelligent MALLs .



Joy-Full Occasions

Consumption Upgrade

1. Scenario Upgrade for Themed Space
2. Ten-Year Brand Marketing Upgrade
3. Consumer Service Upgrade
4. Smart Business Upgrade
5. Branded Store Upgrade
6. Membership Upgrade

Leading Shopping Malls Consumption Upgrade

In the rapidly evolving commercial society, the new efficient retail approach based on Internet thinking has led to the diversified and community-centered upgrade and transformation of consumption behaviors. People's yearning for a good life has driven spiritual and cultural consumption to gradually become the commercial mainstream, increasingly shifting consumer preferences from tangible to intangible. What consumers want from a shopping mall has been shifted to multi-dimensional and all-round transactions in the spiritual, cultural and relationship aspects from the previous single commodity transactions. 2017 marked the key milestone in the transformation of business form from a trading era to a relationship era, and Joy City ushered in an important moment of the 10th anniversary of its establishment. Having focused on the precise customer group and the distinctive brand spirit for the past ten years, Joy City, which always strives for improvement and innovation, has been rooted in cities and commercial districts with personalised project themes to express its spirit of "Young, Fashionable, Trend and Quality". Joy City has been expanding its coverage through the unique and innovative marketing campaigns and its steady growth, transforming from a product supplier to a content creator. Through the all-dimensional strategies such as overall brand marketing, self-creation of intellectual property (IP), experiential consumption, scenario-based operation and VIP service strategies, Joy City has led the innovation in the consumption upgrade of shopping malls.

1 Consumption Upgrade- Scenario Upgrade for Themed Space

The "themed street districts" invented by Joy City have become an essential feature of the new-generation innovative products in the Chinese commercial real estate industry. In 2017, Joy City, by conducting a targeted analysis of consumer demand, identified stylish restaurants and local delicacies, customised recreational trends, built anime, comic and games (ACG) cultural parks and set up places for relaxation. In order to satisfy consumers' taste in food and their interesting hobbies, Joy City launched four major chic streets and food streets.

Shanghai Jing'an Joy City: i-LAND

i-LAND, opened in August 2017, is China's first quality physical commercial space based on the core theme of ACG. As the fourth largest segment of street districts, i-LAND strives to become China's version of Akihabar. After the renovation, the regional average monthly rental income increased by nearly 300% as compared with the amount recorded before the renovation.

Xidan Joy City: Chat Garden

Chat Garden brings together 11 distinctive quality restaurants. The delicate atmosphere created by the multicultural and diversified restaurants makes dining more like a wonderful experience full of surprises. With a mix of different trends, styles, regional cuisine and cultures, Chat Garden deciphers young people's favorite food trends with its high quality.

Chaoyang Joy City: Shi Jian

Shi Jian, opened in 2017, is a unique zone with the theme of slow food. Its design style has drawn inspiration from the Hui-style architecture, embellished with Chinese classical elements. The ten selected restaurants are all their first stores in Beijing that the different brands have customised for Shi Jian. Its monthly sales after the renovation increased by 35% as compared with that before the renovation. Its sales per square meter and price per customer were nearly 30% higher than the industry average.

Xidan Joy City: Young Street

On 27 August 2017, the first themed street district of Xidan Joy City, YOUNG STREET, was unveiled. This is a space gathering the most fashionable group of people aged from 18 to 25. The street has finally brought its 29 trendy shops to the public, including tarot divination and ACG figures.

2 Consumption Upgrade - Ten-Year Brand Marketing Upgrade

When the fragmented information era coexists with the Internet frenzy, the function of physical retail stores has been extended to provide consumers with leisure and living space. Joy City builds emotional connection and creates widespread buzz through precise research on its customer group. By doing so, Joy City has always been in a leading position in experiential consumption so as to satisfy the spiritual and living needs of its consumers. Joy City continuously carries out theme marketing and buzz marketing by integrating its own business fields with a view to creating its own "super IP". Transforming from a product seller to a content creator, Joy City differentiates itself from traditional shopping malls in terms of marketing.

"Buzz Creation Expert" and "Emotional Marketing"

Bringing You Fun for Ten Years

The JOY 24Hrs is an emotional brand marketing campaign of Joy City for its young core customer base. Through the online and offline activities, Joy City conveys its brand spirit of "Joy Up" to consumers. Joy City makes its brand spirit resonate with consumers by creating buzz. With the theme of "Bringing You Fun for Ten Years", the activity collected topics in a joint effort with Xinshixiang and related the pain points of a boring life to the consumption scenarios of the shopping malls across ten cities. By developing the concept of "fun living", the activity publicised Joy City's role of "boredom terminator" and at last collected more than 12,000 good UGC (user generated content) items.

"Fashion Show"

Chaoyang Joy City

The Arrival of Wu Huang – Meeting the Lordly Cute Cat

From 20 April to 22 May 2017, the theme exhibition of "The Arrival of Wu Huang – Meeting the Lordly Cute Cat" was held. "Wu Huang Wan Shui" was selected as it is a very unique and representative IP of the young people, and Chaoyang Joy City took the initiative to plan its first exhibition in Beijing. The 33-day exhibition boosted Changyang Joy City's visitor traffic by 10.8% year-on-year and total sales by 14.1% year-on-year, gaining more and more praise continuously on social media. Following the first exhibition of Chaoyang Joy City, a national tours were held in Tianjin Nankai Joy City, Jing'an Joy City and Chengdu Joy City.

Shanghai Jing'an Joy City

The First Theme Exhibition of Goofing-Off Gudetama in China

On 17 June 2017, China's first theme exhibition of the Goofing-Off Gudetama took the centre stage at Shanghai Jing'an Joy City. Gudetama is a popular cartoon character of Sanrio, a Japanese company. It is popular in Asia for its lazy attitude towards life as well as its unmotivate and lovable look.

An exclusive area for showing Shanghai, also called magic city, was set up in this exhibition, to display the elements representing old and new Shanghai street views together with Gudetama in Jing'an Joy City. The 66-day exhibition received a total of 250,000 visitors, which set a new record for weekend exhibition visitor of Joy City.

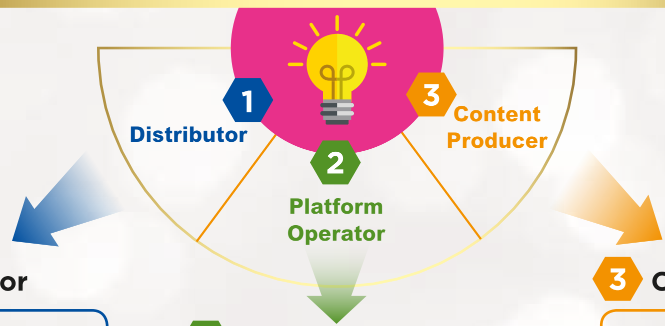
Tianjin Heping Joy City

The First Theme Exhibition of B.Duck in China, "Hi Buffy, Nice to Meet You!"

From 24 September to 25 October, the first theme exhibition of Buffy, a cute online star, in China was held in Tianjin Heping Joy City. In the mega area of 500 square metres, there was an eight-metre long special Buffy X plane for Heping Joy City, a four-metre high giant Buffy doll and seven scenario display zones including an arrival gate, a departure gate and a baggage claim area in the terminal. The seven display zones together made a little cute version of Tianjin airport terminals. This theme exhibition increased visitor traffic by 15% and sales volume by 11%.

"IP Self-Creation"

From a distributor to a platform operator and then to a content producer, the business entity needs to keep in pace



1 Distributor

- The core purpose is to promote sales of products
- The core of its marketing is promotion

2 Platform Operator

- The core is to boost customer flow
- Emphasise experiencing
- Change from a shopping mall to a lifestyle centre
- Integrating culture, fashion, art, environmental protection and other resources, shopping malls have become the excitement centre of the city

3 Content Producer

- Emphasise value-guided and reform for consumer
- Develop from a lifestyle focused to a content focused
- Build communities based on content
- Turn customers into real fans

Continue to be a Content Producer in the Future

Adhering to its brand positioning of "young, fashionable, trendy and quality", Joy City will completely transform from a product supplier to a content producer to build its own IP incubation platform. By applying the IP business value judgment standard that Joy City has accumulated experience for ten years and IP-based traffic, Joy City will develop and create a super intellectual property of great value. With regard to the fact that consumer trends become community-based and fragmented, Joy City will enhance its content operation ability and work with high quality resources to operate and share value so as to become an excellent IP producer stressing equal importance to creativity, operation and business. After its first successful trial in Tianjin in 2013, the "Shopping Festival" created by Joy City has now become a nationwide new IP-based campaign conducted in April and September every year.

3 Consumption Upgrade- Consumer Service Upgrade

Consumer Service

Joy City pays more attention to user experience at the key point when the Chinese business enters the era of "Heavy user". Facing the full change in the business culture of "Consumers first", Joy City attracts and retains its customers through a careful and detailed operation. It pursues the leap from providing "physical services" to "spiritual services" for consumers, became a fashion consultant, a life style tutor and a consumption advisor. Joy City establishes an emotional connection with consumers by providing meticulous and thoughtful services; it created a sense of privilege for "fans" of Joy City through the different grades of VIP membership and our new and efficient retail with Internet-thinking based. We wish our customers will enjoy and be highly proud of our excellent services.

Tianjin Nankai Joy City: The Theme Restrooms Hit the Whole City

On 24 October 2017, the "Fun City" series of Tianjin Nankai Joy City made another big move to deepen the "experiential marketing" and pioneer a new model of cooperation with local brands. It joined hands with Coca-Cola and U2B in building the first themed restrooms in the country, which were the finless porpoise-themed restroom with the slogan of "Your care, its smile" and the trendy restroom with theme of "Backstage show". By doing so, Tianjin Joy City provided a brand new and meticulous experience.

Chengdu Joy City: Bring the Best Experience to Consumers

As the only pet friendly shopping mall in Chengdu, Chengdu Joy City has designated four water-drinking places for pets. The water dispenser for pet uses a running water recycling system to ensure the cleanliness of drinking water and safeguard the health of pets. In addition, the dispensers are disinfected regularly. The outdoor green areas of Joy City, including all plazas and roof-top garden, also provide places for pets to take a foot bath and pet waste bags are available for their owners. Pet leash rental service is also available at the service desk. The Customer Service Department worked with our mall merchants and built a fun park for pets which is the best place for pets and consumers to relax and chill out.

4 Consumption Upgrade-Smart Business Upgrade

Cloud Smart Business System Boosts Consumption Upgrade

In 2017, Joy City ushered in the era of intelligent consumption, applying Joy Cloud system, the smart business platform, which has a strong industry output value. With a decade of data management methods and data commercialisation capability, Joy City can make business decisions more comprehensively and thoroughly so as to boost its business performance more precisely and efficiently. Joy City has turned its methodology into a systematic tool and provide data management solutions for the industry so as to build a real data ecosphere for shopping malls.

The research and development of the "Joy Cloud" system has no capital investment, which will save about RMB50 million per year in facilities, electricity, consultancy and third-party ERP costs for the Group. It will provide business analysis and customer flow analysis services through Alibaba Cloud platform in the future . A data lab has been established involving seven external data recorders and 14 internal data workers so as to share the big data. With the introduction of military technology, models of economics and management and the big data, as well as the analysis and evaluation of the information and status of brands, merchants and consumers, Joy City helps merchants to improve their business performance, shopping malls to conduct its security protection and surveillance and provide data and think tank support for business design and brand management strategy. Finally, the "Joy Cloud" system uses the Alibaba Cloud platform and the Internet big data provided by strategic information suppliers to construct its industry indexes.

5 Consumption Upgrade - Branded Store Upgrade

Introduction of New Brands and Brand Upgrade

In 2017, Joy City built more image stores with new concepts amid the consumption upgrade and new retail background; it kept helping core merchants to renovate and upgrade their stores, as well as upgrading flagship stores of online hot brands, brand concept experience stores and brand customisation stores. The proportion of adjustments was 27%, of which 120 local brands were first introduced and 130 brands were first entered into Joy City. The Xidan Customisation is an innovative concept initiated independently and uphold consistently by Xidan Joy City to solve the problem of brand homogeneity and created unique consumption highlights of the market. For example, Issey Miyake has brought us a new concept store for aquarium design. Dior has set up its first experience store at a shopping mall in northern China. Estee Lauder has set up its world's first Bobbi Brown as its image flagship store with brand new concept.

6 Consumption Upgrade- Membership Upgrade

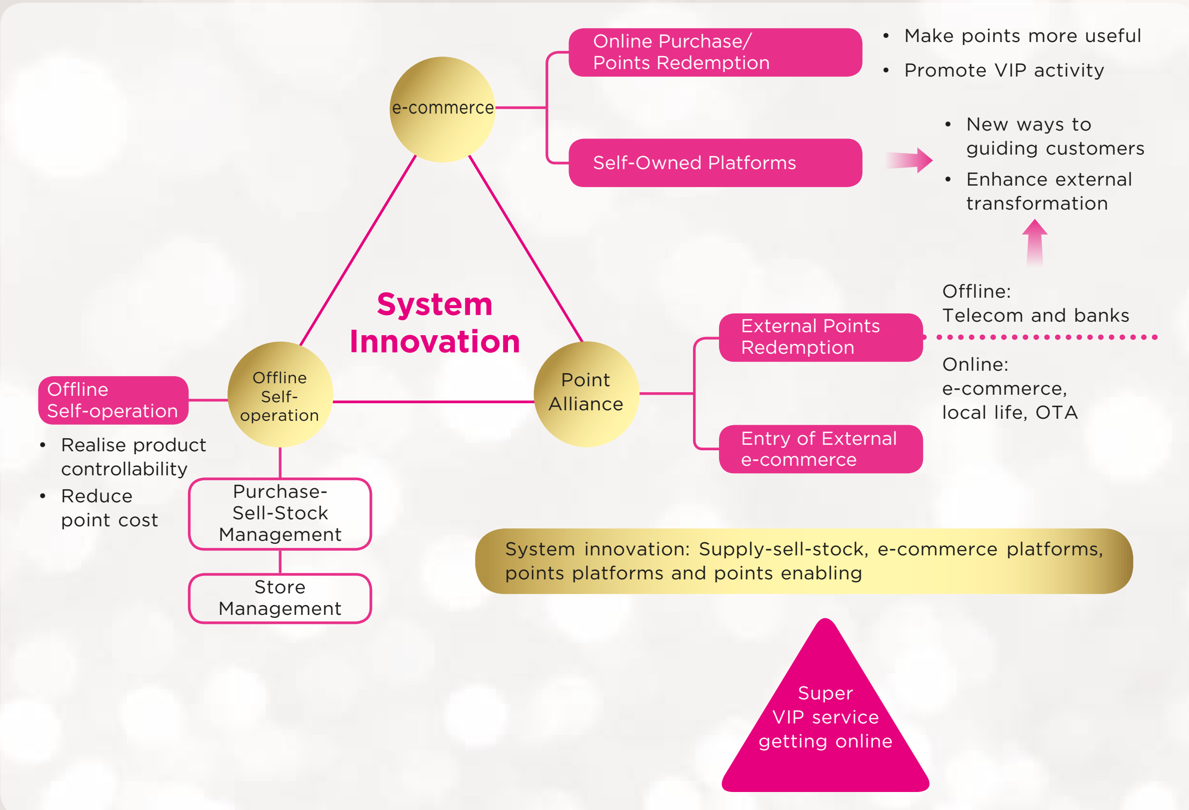
- Classify consumption settings
- Interaction with VIPs
- Create activities exclusive to VIP membership
- Promote consumption upgrade
- Cultivate VIP membership
- Design based on different identities

As at the end of 2017, Joy City has accumulated 2.90 million VIP members, with the VIP consumption accounting for 26%. VIPs can accumulate and redeem their points at any Joy City across the country. In addition, the membership system is gradually connected to many other external point exchange platforms to create better value based on customer loyalty. In 2017, Joy City introduced the concept of "Super VIP" across the country, and brought the VIP privileges to promote the consumption upgrade.

VIP Experience Centre: VIP Service Platform

In 2017, Joy City always kept abreast of the lifestyle trends. Based on the VIP space, Joy City combined experiential innovation with O2O model and created a business model of offline "self-operation + points + e-commerce".

Knowing what customers need and bringing them surprises, Joy City provides inspiring goods to brighten up people's life. Fashionable products and handicraft workshops are prepared to bring a peaceful mind. Talks and sharing from experts of lifestyle are also organized. All these are the unique ways of Joy City in offering meticulous and thoughtful services.



New Bloom of "Super VIP"

In 2017, Joy City introduced the concept of "Super VIP" in all aspects, of which the VIP who contributed 2% of the total consumption was upgraded to be a "Super VIP" of Joy City. The rewards exclusive to Super VIPs are offered according to the place where they are based. The Super VIPs' supreme privileges are shown in all dimensions, from selections to customised consumptions. By doing so, Joy City highlights the noble status of its Super VIPs so as to promote the consumption upgrade.

Management Discussion and Analysis

1 MARKET REVIEW

In 2017, China's macro-economy has shown progressive development amid stability, with supply-side structural adjustment starting to achieve its effect and characterised by historical changes in its industrial structure, demand pattern and mix of elements. Strong momentum in social consumption led to a 10.2% increase in total retail sales of social consumer goods in 2017, representing a double-digit growth for 14 consecutive years. The final consumption expenditure contributed 58.8% to the economic growth. Consumption upgrade has become a new engine driving national economic growth. Residents' consumption is not only intended to meet their living needs, but also to improve their living experience. The change in consumer behavior and the upgrade of consumption demand have brought about unprecedented opportunities for the development of commercial real estate sector. In 2017, a total of 323 large commercial projects were set up in China with more than 41,900,000 sq.m. of new commercial gross floor area (GFA). The average GFA of large projects was nearly 130,000 sq.m., demonstrating the apparent trend of larger and brand-based commercial projects. With increasingly fierce competition in the commercial real estate market, this industry has shown the characteristic of survival of the fittest; the elimination and replacement of asset stock have accelerated; and the renovation model for mergers and acquisitions and the asset-light management model have become the main development trends for the industry. Meanwhile, as the Internet, high technology and artificial intelligence are deeply integrated with the real economy, innovations and business startups proliferate, and new products and business forms such as office sharing and long-term apartment leasing develop rapidly, driving the commercial real estate sector to enter an era of innovative development.

2 BUSINESS REVIEW

During 2017 under review, the Group recorded good business performance in its four business segments, namely investment properties, property development, hotel operation and property management and related services.

For investment properties, the Group's investment properties were in good operation condition, and the operational efficiency of Joy City was significantly improved, as a result of which, it recorded rental income of approximately RMB2.336 billion, with a year-on-year increase of 11%. "Joy City Shopping Spree Festival" started jointly in nine cities, creating an online and offline shopping carnival through its own platform. During the festival, member consumption accounted for 54.8%, 13,000 new members were admitted on a single day, 68 branded tenants became the national top sellers, and 319 branded tenants became the city's top sellers.

For property development, the Group continued to produce high-end products and provide high quality customer services, resulting in a favorable market response. With the strength brought by the products of Hainan COFCO • Hong Tang Joy Sea, the LOFT products sold pretty well and the second phase sold quickly after being released. With a good geographical location and complete business supporting facilities, Hangzhou Joy City • Bo Yue was favored in the market, and sold out during the opening.

For hotel operation, the operating performance of hotel business maintained steady growth, since the Group continued to reinforce its brand positioning with its unique hotel features and increasingly improved service. For example, the St. Regis Sanya Yalong Bay Resort achieved a record high in its room sales, with the average room revenue achieving a year-on-year increase of approximately 9%, by establishing a healthy and stable pricing system, expanding into markets outside Hainan Island, enhancing coordination between sales and revenue management.

For property management and related services, the Group continued to take the concept of "Green, Environmental Protection, Science and Technology, Humanities and Health" as guidance and further refined the development of EISS platform to develop a "smart green" property management system in all aspects to maximize the value of its properties.

3 PROJECT DEVELOPMENT

Xidan Joy City

51% owned by the Group

Situated in the prime location in Xicheng District, Beijing, the project has a gross floor area of 195,000 sq.m. and a leasable area of 71,500 sq.m.

1. Investment Properties

Improve the sales through enhancement of management and extensive cooperation

During the year, Xidan Joy City effectively improved its sales through the renovation and launch of "Young Street", "Chat Garden" and "Rose Garden". Meanwhile, Xidan Joy City sought new growth drivers by introducing popular fashionable brands such as Fresh, YSL and Victoria's Secret. Continuously exploring the consumer features and demands in the digital era, Xidan Joy City is the first to launch the Joy Cloud, a smart business system which covers seven major platforms and forms a closed-loop system, providing an integrated business platform solution. In addition, all the promotional activities carried out throughout the year, which won many industry awards, were based on the celebration of Joy City's 10th anniversary, so as to maintain the high level of activity and popularity of the brand.

During the year, the project recorded sales of approximately RMB4 billion and rental income of approximately RMB650 million. Sales on the day of the anniversary celebration exceeded RMB51.65 million, setting a new record. Driven by the consistently solid results of operation, the operating ability of Xidan Joy City was further improved.

Shenyang Joy City

100% owned by the Group

Situated in the prime location in Dongzhong Street Commercial Street, Dadong District, Shenyang, the project has a floor area of 51,000 sq.m., a gross floor area of approximately 305,000 sq.m. and a leasable area (retail) of approximately 113,300 sq.m.

A multi-brand portfolio and distinctive theme features

Shenyang Joy City has become the undisputed leader in Shenyang's of "fashionable and trendy" consumption in the business sector since its commencement of operation. Carrying more than 300 brands, it has continuously strengthened its brand portfolio in merchandising during the past years, and has successfully introduced flagship brands and exclusive brands in the region, including Apple Store, Mi Home and Future Zoo. The brand portfolio comprises different market segments such as fast-moving consumer goods, fashionable goods, electronic goods, accessories, catering, etc., with distinct positioning of service types and a rich variety of products, targeting specific customer groups. In 2017, Shenyang Joy City launched two themed street districts, "4½" and "Joy Apartment", which have become the benchmark for the distinctive commercial street in the business field of Shenyang.

During the year, the project recorded sales of approximately RMB1.9 billion with over 23.28 million of foot traffic for the year, making it the business leader in Shenyang. From 2014 to 2017, this project recorded a compound annual rent growth rate of more than 20%, the fastest in Shenyang.

Management Discussion and Analysis

Chaoyang Joy City

45.9% owned by the Group

Located in the prime location in Chaoyang District of Beijing, the project occupies a total site area of approximately 59,000 sq.m. with a gross floor area of approximately 405,500 sq.m. and a leasable area of 124,500 sq.m.

Improving the products, targeting at the customer groups and enhancing the product appeal

During the year, Chaoyang Joy City achieved a growth in rental and sales per square meter by continuously creating the themed space and comprehensively upgrading the brands, products and property management service quality of the existing areas. While implementing refined management, Chaoyang Joy City optimised the quality of its space and property management service by renovating its restrooms and baby care rooms, decorating the themed elevators, building cultural corners and adopting smart property management software so as to improve the consumer experience. As the selected IP-based activities boosted customer flow throughout the year, this project attracted a lot of new customers and continued to refine its customer groups. Leveraging the technological advancements in the basic payment hardware and software, i.e. smart POS, the project built the first business intelligence (BI) system to integrate data resources and develop innovations in membership benefits and services. The VIP system was further improved to effectively increase the number of members and boost the proportion of the consumption contributed by VIP.

During the year, Chaoyang Joy City recorded sales of more than RMB4 billion, representing a significant year-on-year increase of 20% in sales per square meter. The number of customers hit a new record high of approximately 24 million. Its ability to attract customers has become the industry benchmark.

Shanghai Jing'an Joy City

Located in the core area of Suhewan, Jing'an District, Shanghai, this project occupies a total site area of 22,329.3 sq.m. with a gross floor area of 163,000 sq.m. and a leasable area of 66,000 sq.m.

Strengthening management and deepening IP creation, from attracting business to conducting business

During the year, Jing'an Joy City effectively improved its sales through process management optimisation, store support and integrated resource utilisation. It made explored the consumer features and demands in the digital era based on big data. By using big data and Internet + technologies, it conducted in-depth cooperation with various famous payment platforms to effectively further improve the experience and satisfaction of customer groups. Meanwhile, it strengthened the influence of its own IP content (Magic City's love landmark, the More Fun handicraft street district, the anime, comic and games (ACG) gathering place and the Shopping Festival) and guided the content of the IP-based theme exhibitions to ensure a steady growth in customer flow year by year.

During the year, Jing'an Joy City maintained a double-digit sales growth and had a stable customer flow of more than 13 million.

Management Discussion and Analysis

Located in the core area of Nankai District, Tianjin, the project occupies a total site area of approximately 77,500 sq.m. with a gross floor area of approximately 531,400 sq.m. and a leasable area of 85,600 sq.m.

Upgrading retail brands, enhancing membership experience, creating differentiated features and consolidating the flagship position in Tianjin

During the year, the project closely studied the preference of target customers, and responded to the demand for consumption upgrade by introducing brands that first entered Tianjin and replacing non-leading brands with poor performance in terms of sales per square meter. The project improved its brand image by conducting fashion public welfare activities. It constantly carried out large themed events for its target customers, continuously upgraded activities' content and strengthened the online and offline interaction so as to enhance customer loyalty, upgrade membership experience and realise the conversion into consumption activities. In addition, the project joined hands with branded tenants in building the first set of themed restrooms in China so as to create buzz and offer unique interactive experience. It also cooperated with branded tenants in implementing the indoor air purification solution so as to optimise customers' shopping experience and lead a green and healthy lifestyle.

During the year, Nankai Joy City recorded sales of approximately RMB2.56 billion, with a year-on-year increase of 11.8% in rental income. The project achieved a new breakthrough in its business performance.

Yantai Joy City

51% owned by the Group

Located in Zhifuwan, Zhifu District, Yantai, it is the only project on the coast in the core commercial district of the main urban area, and is known as the "crown jewel". The project occupies a total site area of 40,000 sq.m. with a gross floor area of 220,000 sq.m. and a leasable area (retail) of approximately 79,000 sq.m.

Leading trends, conducting precise operation, working on the membership program and optimising customer quality

During the year, Yantai Joy City increased rental rates and optimised brand portfolio through innovation of types of services and brand replacement. It integrated tenant resources, motivated performance and created best-selling brands to promote its popularity and sales. It enhanced the consumption potential of VIPs by carrying out precise operation and maintenance and working on the membership program. It used Taste Good as a platform to build a community of high-quality VIPs. Meanwhile, it cooperated with the high quality enterprises in achieving win-win results and producing its own trendy IP content. In addition, it conducted multi-channel activities with banks, JD and other parties to effectively improve its performance.

During the year, the project recorded sales of RMB900 million and achieved customer flow of nearly 10 million.

Management Discussion and Analysis

Chengdu Joy City

Located in Wuhou District, which is one of the five core districts in Chengdu, the project occupies a total site area of approximately 66,500 sq.m. with a gross floor area of approximately 314,600 sq.m., of which the shopping mall has a leasable area (retail) of approximately 92,800 sq.m.

Management enhancement, extensive cooperation and precise marketing to improve the sales

During the year, Chengdu Joy City continuously analysed customer habits and constructed the profile of customer groups to provide strong support for operation optimisation and precise marketing. It boosted business performance by enhancing its on-site operation and management and improving its on-site quality and brand portfolio. Meanwhile, depending on how well the needs of the target customer groups could be met, it closely cooperated with companies such as Alipay's Koubei, JD's Baitiao, dianping.com, Wechat and Ping An's Yi Qianbao in the areas of scenario awareness, O2O traffic diversion, group purchasing, online payment and notification service based on the big data of customers so as to establish a closed loop of online and offline business. By doing so, Chengdu Joy City effectively diverted customer flow, promoted consumption upgrade, enhanced consumer loyalty and boosted sales performance.

During the year, the project recorded sales of approximately RMB1.25 billion and attracted more than 18.24 million customers, continuously holding a leading position in the industry.

Hangzhou Joy City

55% owned by the Group

Located in the southern part of Gongshu District, Hangzhou, the project is adjacent to Shenhua and Qiaoxi, being new residential areas, in the north and Cuiyuan and Wenjiao, being well-developed residential areas, in the south. It occupies a total site area of approximately 75,400 sq.m. with a gross floor area of approximately 486,000 sq.m.

During the year, the construction of the project progressed smoothly in accordance with the scheduled milestones, with 62% of the merchandising work completed.

Shanghai Changfeng Joy City

100% owned by the Group

Situated in the prime location of Changfeng Ecological Business District, Putuo District, Shanghai, the project occupies a total site area of approximately 28,600 sq.m. with a gross floor area of approximately 122,000 sq.m. and a leasable area (retail) of approximately 55,400 sq.m.

During the year, the renovation of the project progressed smoothly as planned.

Xi'an Joy City

80% owned by the Group

Located in Dayan Pagoda Southern Square in Qujiang New District, Xi'an, the project is strategically-located less than 200 meters away from Dayan Pagoda, a scenic spot. It occupies a total site area of approximately 39,700 sq.m. with a gross floor area of approximately 146,500 sq.m. and a leasable area of 63,000 sq.m.

Enhancing brands, creating attractions, strengthening the impetus and carrying out upgrades

The project is currently under preparation for opening. After the upgrading, over 30% of its brands will enter Xi'an for the first time. Then, there will also be many attractive spots such as the largest indoor sunken plaza in Xi'an, the most dazzling commercial building and the most romantic town with cyclorama ceiling. In addition, following the unique style of Joy City's business street districts, Xi'an Joy City will launch three carefully designed themed street districts, namely Hanging Garden for exclusive IP viewing experience, the EDC Chic Street for a cluster of fashion stores, and Wu Kong Street for enjoying light meals in a new way. In the future, Xi'an Joy City will become the youngest and the most fashionable landmark in Xi'an.

During the year, the renovation of the project progressed steadily and extensive brand resources of merchandising were accumulated. It is planned to open in December 2018.

Located in the core area adjacent to Chang'an Avenue in the Second Ring of the capital of China, the project occupies a total site area of approximately 22,600 sq.m. with a gross floor area of approximately 112,000 sq.m.

Showing new appearance and conducting innovative operations

During the year, the renovation of the project achieved remarkable results. It is the first renovation project in the country to receive both the Green Building Two-star certification and the LEED Gold certification, making it a benchmarking position in the industry. COFCO Plaza places great emphasis on building operation to build an office ecosystem. COFCO LIFE formed unique business socialising ancillary facilities, providing tenants of the office building with perfect work and life experience. COFCO FANTASY created a new model of office sharing, realising 100% of occupancy rate. COFFICE cooperated with more than ten well-known organisations from different sectors to preliminarily form an office building ecosystem centering around COFCO Plaza. The satisfaction rate of people working in the building increased to 95%, reaching a record high.

COFCO • Landmark Tower

51% owned by the Group

Located at 208 Andingmenwai Dajie, Dongcheng District, Beijing, the project occupies a total site area of approximately 13,000 sq.m. with a gross floor area of approximately 81,700 sq.m.

During the year, the project construction progressed as planned. Meanwhile, the project employed a variety of methods such as industry exchange activities and self-media to increase exposure and accumulate customer resources. Some tenants have currently signed the contract or indicated the intention to sign.

Located in Hong Tang Wan Tourism and Resort District in Sanya, Hainan, Hong Tang Joy Sea is a high-end resort tourism property project. It occupies a total site area of approximately 149,700 sq.m. with a gross floor area of approximately 189,000 sq.m.

2. Property Development

Accurate positioning, quick sales and significant rise in prices

During the year, the products of the project were well recognised by the market and were sold quickly, especially the popular LOFT products. The first phase of the project was sold out and the second phase is being gradually rolled out with a significant increase in prices.

During the year, the project recorded contracted sales area of 55,033 sq.m. with contracted sales amount of RMB1.13 billion.

Shanghai Jing'an Joy City • Joy Mansion One

51% owned by the Group

Located in Jing'an District, Shanghai, it is a high-end residential project with well-developed and comprehensive commercial ancillary facilities in the traditional core area in Shanghai.

High-end Quality, Perfect Presentation

The project adopts the design provided by an international team and is equipped with cutting-edge technology system. Its high-quality products are widely recognized by the market. During the year, the contract sales area was approximately 32,473 sq.m. with contract value of RMB2,048 million.

Hangzhou Joy City · Boyue

55% owned by the Group

Strategically located on the bank of Dayun River in Gongshu District, Hangzhou, the project is a high-end apartment project with well-developed comprehensive commercial ancillary facilities.

The project opened during the year. It was sought-after by the market and sold out during the current period. It recorded a contracted sales area of approximately 31,127 sq.m and contracted sales amount of RMB852 million achieved.

Tianjin Nankai Joy City Office Buildings

51% owned by the Group

The project is located at the core area of Nankai District, Tianjin.

During the year, leveraging on its prime location, well-developed commercial ancillary facilities, and high occupancy rates and operational results, which are much higher than the overall market average, the project realized block sale smoothly with a contracted sales amount of RMB1.18 billion.

The St. Regis Sanya Yalong Bay Resort

51% owned by the Group

Located in Yalong Bay National Tourism and Resort District in Sanya, Hainan, it is a first-class luxury resort hotel with 373 rooms and 28 villas operated and managed by Marriott Hotel. It occupies a site area of 204,032 sq.m. with a gross floor area of 90,869 sq.m.

3. Hotel Operation

During the year, the St. Regis Resort hit a record high of room sales by setting up a healthy and stable pricing system, expanding the development of the markets outside Hainan Island, improving the market activity of its products and consolidating the integration of sales and income management.

During the year, the project recorded year-on-year increases in various performance indicators, with operating revenue increasing by 6.7% year-on-year and EBITDA by 13.9%.

MGM Grand Sanya

100% owned by the Group

Located in Yalong Bay National Tourism and Resort District in Sanya, Hainan, a first-class resort area in China, it is a high-end luxury resort hotel operated and managed by Diaoyutai MGM Hotel Management Company. The resort occupies a total site area of 106,667 sq.m. with a gross floor area of 108,332 sq.m., comprising 675 rooms in total.

During the year, facing fierce market competition, the project further strengthened its market position and improved its business performance by actively adjusting its income management model and sales strategies, continuously updating its business practices, strengthening its advantages in the entertainment experience and improving the service quality.

During the year, the project recorded a year-on-year increase of 9.9% in EBITDA.

IV. Land Bank

Adhering to strategic guidance, the Group took a balanced development model. On one hand, it actively participated in the public market competition. On the other hand, it took full advantage of its business operation and actively explored integration opportunities in the stock market. During the year, the Group acquired approximately 628,400 sq.m. of new land.

Project name	Location	Site area (10,000 sq.m.)	Gross floor area (10,000 sq.m.)	Project type	Shareholding ratio
Jiu Cheng Bei Parcel	Wuhou District, Chengdu, Sichuan	1.35	6.72	Complex	69.65%
Qingdao Project	Shibei District, Qingdao, Shandong	3.22	15.92	Complex	51%
Chongqing Central Park Project	Yubei District, Chongqing	11.66	40.20	Complex	100%

V. FINANCIAL REVIEW

Company's Overall Performance Review

For the year ended 31 December 2017, the Group's operating revenue was RMB11,657.8 million (2016: RMB6,987.1 million), representing a year-on-year increase of 66.8%, mainly due to the significant increase in revenue as a result of the outstanding performance of property development and investment property leasing business.

For the year ended 31 December 2017, the profit of the Group amounted to RMB2,574.8 million (2016: RMB1,275.2 million), of which the profit attributable to the owners of the Company amounted to RMB1,153.2 million (2016: RMB797.6 million). Excluding the fair value gains after tax of investment properties of RMB896.6 million and the effect of exchange rate changes, but retaining the Group's realised fair value gains after tax of RMB87.4 million recognized in the year and the accumulated realized fair value gains after tax recognized in prior years together with the net foreign currency exchange gains recognized in the foreign currency translation reserve of RMB114.0 million in respect of disposal of investment properties (2016: Nil), the Group's core net profit amounted to RMB1,921.0 million (2016: RMB599.8million), of which the core net profit attributable to the owners of the Company amounted to RMB839.0 million (2016: RMB318.6million).

Revenue

For the year ended 31 December 2017, the Group's revenue amounted to RMB11,657.8 million, representing an increase of 66.8% as compared with RMB6,987.1 million for 2016.

Revenue by Business Segments	Year ended 31 December 2017 RMB'000	2017 Percentage of total revenue (%)	2016 RMB'000	2016 Percentage of total revenue (%)	YOY change (%)
Investment properties	**3,433,075**	29.5	3,123,460	44.7	9.9
Property and land development	**7,136,391**	61.2	2,756,252	39.4	158.9
Hotel operations	**959,253**	8.2	1,010,405	14.5	-5.1
Property management and related services	**129,042**	1.1	96,980	1.4	33.1
Total	**11,657,761**	100.0	6,987,097	100.0	66.8

The Group's rental income from investment properties and related management services in 2017 accounted for 29.5% of the total revenue, representing an increase of 9.9% as compared with 2016, of which Joy City's rental income amounted to RMB2,335.9 million, representing an increase of 11.0% as compared with RMB2,103.7 million in 2016, mainly due to the significant improvement in the results of operation of Chengdu Joy City, Shenyang Joy City, Chaoyang Joy City, Tianjin Nankai Joy City, etc. as compared with last year thanks to their sound operation.

Revenue from sales of property development and income from land development accounted for 61.2% of the total revenue, representing an increase of 158.9% as compared with 2016. In 2017, settlement area and unit settlement price were 147,873 sq.m and RMB48,175 respectively, representing an increase of 115.5% and 20.1% respectively as compared with 2016, mainly due to delivery and settlement of Shanghai Jing'an Joy City • Joy Mansion One, Hainan COFCO • Hong Tang Joy Sea and Hangzhou Joy City • Joy Mansion resulted in substantial increase in revenue.

Management Discussion and Analysis

Revenue from hotel operations accounted for 8.2% of the total revenue, representing a decrease of 5.1% as compared with 2016, mainly due to operation renovation of Xidan Joy City hotel from March 2017, resulting in a year-on-year decrease in its revenue. Revenue from property management and other related services accounted for 1.1% of the total revenue, representing an increase of 33.1% as compared with 2016.

Cost of Sales and Gross Profit Margin

For the year ended 31 December 2017, the Group's cost of sales was approximately RMB6,410.1 million, and the overall gross profit margin was 45.0%, representing a decrease of 8.8 percentage points as compared with 53.8% in last year. During the year, the gross profit margin of investment properties increased slightly as compared with last year. During the year, the gross profit margin of property and land development recorded a decrease as compared with last year, mainly due to the changes in the product structure of the projects delivered in the current year. The gross profit margin of hotel operations, property management and related services recorded an increase.

Gross Profit Margin by Business Segments	Year ended 31 December	
	2017	2016
	Gross profit margin (%)	Gross profit margin (%)
Investment properties	**71.6**	70.8
Property and land development	**32.4**	40.8
Hotel operations	**45.0**	38.7
Property management and related services	**34.6**	33.7
The Group	**45.0**	53.8

Other Income

For the year ended 31 December 2017, the Group's other income was approximately RMB160.5 million, representing an increase of 44.6% as compared with RMB111.0 million for last year, mainly due to the increase in interest income from bank deposits and interest income from loans to associates in 2017.

Other Gains and Losses

For the year ended 31 December 2017, the Group's other gains and losses were approximately RMB-42.5 million, representing a reduced deficit of 74.1% as compared with RMB-164.2 million for last year, mainly due to (1) gains of RMB376.7 million (see note 51) from disposal of subsidiaries in 2017 which was not recorded during 2016; (2) loss of RMB251.4 million assessed by an intermediary agency as an independent third party due to demolition of structures of Xi'an Qin Han Tang Shopping Mall, a subsidiary of the Company in the process of update and renovation in 2017; (3) loss of RMB44.5 million assessed by an intermediary agency as an independent third party due to demolition of structures of Xidan Joy City Hotel, a subsidiary of the Company in the process of upgrade and renovation; (4) an impairment of RMB57.0 million of Yalong Bay Love Cube Coastal Paradise assessed by an intermediary agency as an independent third party, which showed signs of impairment due to the expected decline in revenue as a result of the adverse effect on results of operation from changes in operating mode caused by government's policy; (5) an impairment of RMB21.7 million of Chengdu Joy City's office space assessed by an intermediary agency as an independent third party, which showed signs of impairment due to the low level of rental income from temporary leasing of the whole building since it has not been completed and cannot be sold as construction of its Phase II is not permitted due to height limit for planes.

Fair Value Gain of Investment Properties

For the year ended 31 December 2017, fair value gain of investment properties held by the Group was approximately RMB 1,101.0 million (2016: RMB1,006.8 million). The gain on fair value recorded in 2017 was mainly contributed by COFCO • Landmark Tower, Hong Kong COFCO Tower, 11th floor of Hong Kong World-Wide House, Hangzhou Joy City, Chaoyang Joy City, Tianjin Nankai Joy City, Xidan Joy City and Yantai Joy City. Fair value gain 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. Fair value gain was mainly due to the general increase in average monthly rentals of such property projects of the Group as well as the prevailing market rental rates of comparable properties.

Distribution and Selling Costs

For the year ended 31 December 2017, the Group's distribution and selling costs amounted to RMB584.6 million, representing a decrease of 1.4% as compared with RMB592.9 million for last year, mainly due to a decrease in presentation fees for selling areas and agency commissions as the Hainan Brilliant Villa project came to close; the fact that a substantial part of the marketing expenses attributable to putting Chengdu Joy City into operation were incurred in 2016. Selling and marketing expenses accounted for 5.0% of the total revenue (2016: 8.5%).

Administrative Expenses

For the year ended 31 December 2017, the Group's administrative expenses amounted to RMB974.5 million, representing an increase of 1.7% as compared with RMB958.6 million for 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 8.4% (2016: 13.7%) of the total revenue of the Group.

Finance Costs

For the year ended 31 December 2017, the Group's finance costs amounted to RMB783.2 million, representing an increase of 11.2% as compared with RMB704.6 million for last year.

For the year ended 31 December 2017, the Group's weighted average borrowing cost was 4.28% (2016: 4.31%). The Group's efforts in maintaining a good relationship with the banks which guarantee withdrawals despite the tightening financing environment in the domestic market.

Taxation

For the year ended 31 December 2017, the Group's tax expense was RMB1,529.9 million, representing an increase of 29.4% as compared with RMB1,182.1 million for last year, primarily due to the increase in enterprise income tax and land appreciation tax as a result of the increase in property development revenue. In 2017, the effective tax rate of the Group was 37.3% (2016: 48.1%), representing a decrease as compared with last year.

Profit Attributable to Owners of the Company

For the year ended 31 December 2017, profit attributable to owners of the Company was RMB1,153.2 million, representing an increase of 44.6% as compared with RMB797.6 million for last year. Basic earnings per share for the year were RMB0.075, representing an increase of 44.2% as compared with RMB0.052 for 2016.

Investment Properties

As at 31 December 2017, investment properties mainly included Joy City Projects, Beijing COFCO Plaza, Fraser Suites Top Glory Shanghai and Hong Kong COFCO Tower. As at 31 December 2017, investment properties increased to RMB54,268.0 million from RMB50,101.2 million as at 31 December 2016, primarily attributable to increase in property market value after revaluation, the acquisition of Xi'an Qin Han Tang Project, transfer of COFCO • Landmark Tower from property held for sale to for rent, and the increase in the purchase and construction cost of the investment properties.

Leasehold Land and Land Use Rights

As at 31 December 2017, land use rights amounted to RMB 651.9 million, mainly including the land use rights of each hotel project and the land use rights and maritime rights of Yalong Bay.

Properties under Development for Sale

The properties under development for sale increased from RMB11,320.6 million as at 31 December 2016 to RMB12,503.0 million as at 31 December 2017, which was mainly due to addition of Qingdao Project and Chongqing Central Park project.

Properties Held for Sale

As at 31 December 2017, properties held for sale mainly included Shanghai Jing'an Joy City residences and commercial street, the office building of Tianjin Nankai Joy City, the office building and Joy Street Project of Chengdu Joy City, and Hainan COFCO • Hong Tang Joy Sea Project. Properties held for sale decreased from RMB4,641.8 million as at 31 December 2016 to RMB2,236.4 million as at 31 December 2017, mainly because of the delivery of property projects.

Management Discussion and Analysis

Accounts Receivable

As at 31 December 2017, accounts receivable included receivables from sales of properties, rental receivables, property management fee receivables, receivables from hotel operation and other accounts receivable. Accounts receivable decreased from RMB202.0 million as at 31 December 2016 to RMB171.3 million as at 31 December 2017, mainly due to the enhance of efforts in payment collection to decrease property management fee receivables.

Accounts Payable

As at 31 December 2017, accounts payable primarily included trade payables and accrued construction expenses (including construction costs of properties under development in respect of construction of properties held for sale) and other project-related expenses. Accounts payable increased from RMB1,865.9 million as at 31 December 2016 to RMB2,463.4 million as at 31 December 2017, mainly due to the increase in construction cost payables for properties under Development of Shanghai Jing'an Joy City.

Bank Borrowings

Bank borrowings increased from RMB10,530.7 million as at 31 December 2016 to RMB11,347.2 million as at 31 December 2017, representing an increase of approximately 7.8%. As at 31 December 2017, bank borrowings carrying floating rates amounted to RMB9,088.4 million, and bank borrowings carrying fixed rates amounted to RMB2,258.7 million.

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

Item	As at 31 December	
	2017 (RMB'000)	2016 (RMB'000)
Carrying amount repayable:		
Within first year	**2,361,101**	2,910,317
Within the second year	**995,231**	882,627
Within the third to the fifth year (inclusive)	**3,665,091**	1,974,868
Over five years	**4,325,737**	4,762,884
Total	**11,347,160**	10,530,696

Bank borrowings of approximately RMB2,361.1 million is repayable within one year and is shown as current liabilities. All the Group's bank borrowings are denominated in Renminbi and Hong Kong dollars. There is no material seasonal impact on the Group's needs for borrowings.

As at 31 December 2017, the Group had banking facilities of approximately RMB28,194.4 million, of which approximately RMB13,756.3 million was utilised and all were denominated in Renminbi, Hong Kong dollars and U.S. dollars.

Guaranteed Notes

On 18 November 2014, Double Rosy Limited, a wholly-owned subsidiary of the Group, issued five-year guaranteed notes of US$800 million guaranteed by the Company to 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 payment of partial 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 Company issued five-year domestic corporate bonds in the principal amount of RMB3 billion, which will be due on 14 January 2021. 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.

Medium Term Notes

On 6 September 2017, the Company completed the issuance of the first tranche of three-year medium-term notes in a total principal amount of RMB1 billion and at the coupon rate of 4.95%.

Management Discussion and Analysis

Net Gearing Ratio

Item	As at 31 December 2017 (RMB'000)	2016 (RMB'000)
Bank borrowings (current and non-current)	**11,347,160**	10,530,696
Guaranteed notes	**5,232,283**	5,540,527
Corporate bonds and medium term notes	**4,102,253**	3,080,174
Borrowings from fellow subsidiaries, non-controlling interests and third parties (current and non-current)	**1,002,695**	2,165,888
Total interest-bearing borrowings	**21,684,391**	21,317,285
Less: Cash and bank balances	**8,403,593**	8,791,101
Restricted and pledged bank deposits	**1,293,969**	36,591
Net debt	**11,986,829**	12,489,593
Total equity	**42,472,809**	41,506,631
Net debt to total equity ratio	**28.2%**	30.1%

Liquidity

The Group previously financed its working capital and capital expenditures with cash flows from operating activities, commercial bank loans and issue of share capital. In 2017, the Group successfully issued medium-term notes of RMB1 billion, intended to be used for repaying the Group's bank loans and borrowings. 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 2017, the Group had cash and cash equivalents (including restricted bank deposits and pledged deposits) of RMB9,697.6 million, mainly denominated in Renminbi, Hong Kong dollars and U.S. dollars(2016: RMB8,827.7 million).

The Group's net cash inflow for the year ended 31 December 2017 amounted to RMB418.3 million, which included:

Net cash inflow from operating activities of RMB3,338.1 million, mainly attributable to the proceeds from property sales and deposits received from property presales, the rentals from property leasing, and the revenue from hotel operations, which were partly offset by the payment for construction costs and taxation.

Net cash outflow from investment activities amounted to RMB1,447.7 million, primarily attributable to the purchase and construction of investment properties, purchase of property, plant and equipment, advances to associates and acquisition of Xi'an Qin Han Tang project, which were partly offset by disposal of subsidiaries, disposal of property, plant and equipment and recovery of borrowings to joint ventures.

Net cash outflow from financing activities was RMB1,472.1 million, primarily attributable to the repayment of bank loans, the payment of interests, payment of dividend, repayment of borrowings from fellow subsidiaries, which were offset by additional bank borrowings and the borrowings from fellow subsidiaries as well as issuance of bonds.

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 2016 and 31 December 2017	14,231,124,858	1,423,112	1,122,414

As at 31 December 2017, 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 2017, the Group's bank and other borrowings were secured by the pledge of the Group's investment properties of RMB39,963.5 million, fixed assets of RMB2,395.6 million, properties under development for sale of RMB7,189.4 million, properties held for sale of RMB33.5 million, land use rights of RMB526.9 million, trade receivables of RMB16.9 million and bank deposits of RMB10.9 million. Details of which are set out in Note 45 to the consolidated financial statement.

Contingent Liabilities

As at 31 December 2017, details of 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 believe that, 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 2017, the capital expenditure contracted for the purchase and construction of investment properties and the purchase of property, plant and equipment and capital injection commitments to a newly established offshore fund were approximately RMB5,400.6 million (as at 31 December 2016: RMB1,892.4 million). The directors of the Company believe 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, non-controlling interests and the banks, 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, variable-rate borrowings from a fellow subsidiary and a non-controlling interest and a third party. The Group's policies are to reduce the interest rates by negotiating the terms of the interest-bearing borrowings, 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, bank and other borrowings 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.

VI. Employees and Remuneration Policies

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

VII. Outlook

Looking into 2018, guided by the core concept of "the house is for residential use but not for speculative investment", the real estate industry will further return to the essence of making people's life better. The market in first-tier cities and second-tier cities tends to be saturated. With entering the era of stock-based competition, the increasing trend of "survival of the fittest and upgrading with replacement" is clearer. The third and fourth tier cities will be the market where incremental commercial real estate mainly is developed in the next 3-5 years. With the development of e-commerce and technological progress, the trend of experiential consumption focusing on consumer participation, experience and feelings, and that requires more space and environment has become the mainstream creative theme. In addition, with the further development of "popular entrepreneurship and innovation", the wide spread of "internet thinking" and the extensively application of new science and technologies, new business models, like shared commercial offices and long-term rental apartments, are emerging rapidly, which is becoming a new market for the commercial real estate and encourages its innovation and development.

Looking forward, 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 "cohesiveness, system optimization, overall acceleration and leapfrog development", adhered to innovation and development to strengthen and enhance the position of Joy City in the city complex development by leveraging on its advantages in operating commercial properties and combining financial capital with Internet thinking, and to achieve our aim to build Joy City a long-lasting flagship brand in the commercial 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 55, 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 and subsequently resigned on 23 May 2017.

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.

Profile of Directors and Senior Management

Mr. CAO Ronggen, aged 54, 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 (a company listed on the Shenzhen Stock Exchange (Stock Code: 000031))) 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 December 2016. He is a director and general manager of COFCO Property from May 2017.

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

NON-EXECUTIVE DIRECTORS

Mr. JIANG Chao, aged 59, 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 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 of China Agri-Industries Limited 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 and is a director of COFCO Womai.com Investment Limited from November 2016. He is a director of COFCO Property (Stock Code: 000031), a company listed on the Shenzhen Stock Exchange from May 2017.

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 50, was appointed as a non-executive Director and a member of audit committee with effect from 16 January 2017.

Mr. Zeng joined COFCO Group 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 Holding 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. He is a director of COFCO Property (Stock Code: 000031), a company listed on the Shenzhen Stock Exchange from May 2017.

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. JIANG Yong, aged 55, was appointed as a non-executive Director with effect from 8 March 2018.

Mr. Jiang joined COFCO Corporation (中糧集團有限公司) in November 2005 and had served in various positions, including a deputy general manager of the corn processing division of China Cereals, Oils and Foodstuffs (Group) Company Limited (中國糧油食品(集團)有限公司) (renamed as COFCO Corporation), a general manager of Guangxi company of China Agri-Industries, a deputy general manager of production management office of China Agri-Industries, a general manager of production management department of China Agri-Industries, a general manager of production research & development and quality safety management department of China Agri-Industries, a chief engineer of China Agri-Industries, a chief engineer and a general manager of project management department of COFCO Trading Company Limited (中糧貿易有限公司), a secretary of the commission for discipline inspection and a special commissioner of audit of China Agri-Industries, and a deputy general manager and a party committee (黨委委員) of COFCO Fat Specialized Company (中糧油脂專業化公司). Mr. Jiang is a professor-level senior engineer who enjoys the allowance of the State Council of the PRC. Mr. Jiang holds a degree from Shenyang Industrial College (renamed as Shenyang Ligong University) in 1983.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Hon Chuen, Ambrose, *GBP, JP*, aged 70, 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 and 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). He has served as a Standing Committee member of the 10th, 11th, and 12th National Committee of the Chinese People's Political Consultative Conference.

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.

Mr. LAM Kin Ming, Lawrence, aged 62, 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: 006823), a company listed on the Main Board of the Stock Exchange and a member of the PCCW group.

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

Mr. WU Kwok Cheung, *MH*, aged 85, 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. ZHOU Peng, aged 40, was appointed as the general manager of the Company with effect from 23 May 2017.

Mr. ZHOU joined COFCO Corporation in January 2005 and had served in various positions. He was a deputy general manager of Chaoyang Joy City from February 2009 to September 2011 and a general manager of Chaoyang Joy City from September 2011 to August 2016. He is a deputy general manager of the Company since March 2016 and is a general manager of COFCO (Beijing) Development of Agricultural Ecological Valley Limited since September 2016.

Mr. ZHOU is a member of Royal Institution of Chartered Surveyors, a qualified senior engineer in the PRC and has over 10 years of experience in commercial property corporate management. Currently, he is a member of the Chinese Young Entrepreneurs Association, a vice chairman of China Real Estate Research Association of China Real Estate Chamber of Commerce and a special expert of Commercial Property Creative Group at E-House China Wharton. Mr. ZHOU received a bachelor's degree in Inorganic Nonmetallic Materials from Harbin Institute of Technology in the PRC in June 2006, a master's degree in Project Management from University of Northumbria at Newcastle in the United Kingdom in December 2004 and a Doctorate in Economics from Minzu University of China.

Profile of Directors and Senior Management

Mr. YAO Changlin, aged 50, 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 51, 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 54, 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 Beijing in July 1986.

Ms. XU Hanping, aged 51, 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

Environmental

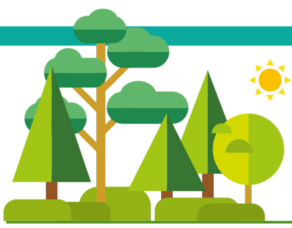
Social

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 2017 to 31 December 2017 (the "Year"):



Scope of the "ESG Reporting Guide"	Significant ESG issues of the Group
A. Environmental	
A1 Emissions	Control system of emissions, wastewater management, solid waste management, hazardous waste management
A2 Use of Resources	Energy conservation and emission reduction management, effectiveness of energy conservation and emission reduction
A3 The Environment and Natural Resources	Control system of property by functions, green and low-carbon life concept
B. Social	
B1 Employment	Diverse and equal employment, protection of legitimate rights and interest of its staff
B2 Health and Safety	Ensuring well-being of its staff, fostering a safe environment, raising the safety awareness of its staff
B3 Development and Training	Development and Training
B4 Labor Standards	Labor Standards
B5 Supply Chain Management	Supplier management, selection of tenants
B6 Product Responsibility	Comprehensive protection for shopping safety, innovation and enhancement of shopping experience
B7 Anti-corruption	Anti-corruption mechanism and monitoring procedures, effectiveness of anti-corruption education and training
B8 Community Investment	Poverty alleviation and donations in "blood transfusion" mode and "blood-making" mode (輸血造血), charitable events to support communities

A Environmental

The Group upholds the environmental protection principle of "lucid waters and lush mountains are invaluable asset" ("綠水青山就是金山銀山") and puts it into practice. It actively fulfils the environmental responsibility and complies with the environment-related laws and regulations and the policies of the places where it operates. We persist with both energy conservation and environmental protection, as well as the implementation of green development strategies. Consistently enforcing the environmental protection system in every level of management, the Group nurtures the awareness of environmental protection and energy conservation. Besides, it strives to achieve the ultimate goal of green development mainly relying on the innovation of technologies and actively participates in the "clean water and blue sky" (碧水藍天) campaigns.

A1 Emissions

The Group actively promotes the operating principle and policy of low carbon and environmental protection. Through active and effective control of energy conservation and emission reduction, the Group implements effective control over wastewater, solid waste as well as hazardous waste, hence actively reducing the impact of emissions on the environment. It ensures in-depth and sustainable practice of ecological civilization and the green outlook on development. With the Group's performance of its social responsibilities in accordance with the laws, its sustainable development is facilitated. During the year, there were no material safety and environmental issues or relevant litigations or disputes in respect of environmental protection in the Group.

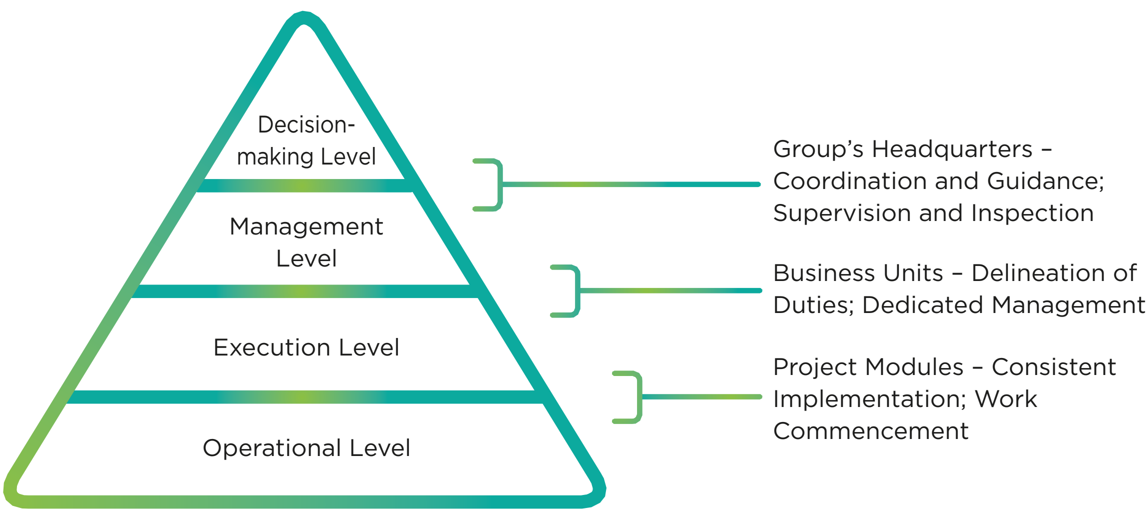
1.1 Control System of Emissions

The Group complies with the relevant requirements such as the new "Environmental Protection Law" and the new "Law on the Prevention and Control of Atmospheric Pollution". Constantly improving the control system of energy conservation and emission reduction, it formulates the "Discharge Management Provisions" ("《排污管理規定》") to standardize the management duties of the teams in charge of energy conservation and emission reduction. A clear delineation of the management duties against emissions has been applied to the three levels ranging from the Group's headquarters, business units to project modules. Furthermore, management requirements are clearly defined, and the pollutant emission management is strengthened. Various Joy Cities are guided to effectively prevent and control environmental pollution.

The Group's headquarters
Coordinating and guiding various units to commence the management over emissions, and overseeing and inspecting the implementation of the works

Business units
Specifying the sub-management duties and the dedicated departments of discharge management, and specifically organizing the formulation and implementation of discharge management programs

Project modules
Formulating discharge programs and implementing discharge management



Environmental, Social and Governance Report

1.2 Wastewater Management

The Group implements strict monitoring and control over wastewater discharge and assists tenants to perform secondary treatment of food waste and waste oil. These reduce the impact of wastewater discharge on the environment.

The sources of wastewater are mainly from:

- wastewater from public green areas
- wastewater from air conditioning systems
- wastewater from toilets
- domestic wastewater as well as food waste and waste oil discharged by third-party tenants[1]

In 2017, the Group's total discharge volume of wastewater amounted to:
1.2 million tons (including those generated by tenants)

In 2017, the Group's discharge volume of food waste and waste oil amounted to:
1,229 tons (including those generated by tenants)

1.3 Solid Waste Management

All of our commercial properties have commissioned professional companies to clean up solid waste. These companies sort and recycle recyclable materials and carry out detoxification for hazardous waste.

The Group's harmless solid waste mainly includes:

- construction waste generated by the renovation of shops
- waste from public washrooms
- waste generated by property office
- daily waste generated by tenants (not included in the emission scope of the Group in accordance with the principles of operational control)

During the year, the Group's total volume of harmless solid waste (including those generated by tenants) amounted to:
89,841 tons

1.4 Hazardous Waste Management

Based on the business nature of the Group, waste is reasonably handled through the collaboration with third parties, of which discarded fluorescent tubes are all collected and reasonably handled by third parties; leased toner cartridges are collected and replaced by the lessors on a regular basis; and coolants for air-conditioners and engine oils are passed to professional companies for proper treatment.

The Group's hazardous waste mainly includes:

- fluorescent tubes
- toner cartridges
- coolants used in air-conditioners
- engine oils used in air-conditioners and elevator systems

Indicators	Volume Generated	Volume Handled
Number of discarded fluorescent tubes	13,493 units	13,493 units
Number of discarded toner cartridges	530 units	530 units
Volume of used coolants generated by air conditioners	1,167 kg	1,167 kg
Volume of used engine oils generated	5,932 kg	5,932 kg

1 Under the principles of operational control (運營控制權原則), third-party emissions are not included in the emission scope of the Group

A2 Use of Resources

The Group constantly facilitates the implementation of energy conservation and emission reduction. Through consolidation of energy conservation and emission reduction management, application of advanced technology and equipment and use of clean energy and raw materials, the Group fully enhanced the efficiency of resources utilization, reduced energy consumption at source, controlled greenhouse gases emission and protected resources and the environment.

Joy City's Energy Conservation and Emission Reduction Management Standard Procedure Manual

2.1 Energy Conservation and Emission Reduction Management

Dedicated teams for energy conservation and emission reduction prepared the latest edition of "Manual of Joy City on Energy Conservation and Emission Reduction" (2017 Edition), which provides practicable and functional 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. This year, the Group completed a total of 11 technical reform projects for energy and water conservation with a total investment amount of RMB797,800, saving up to 101.04 tons of standard coal of energy and 19,900 tons of water in aggregate. Annual revenue from energy conservation is estimated to be RMB1.2446 million.

Chaoyang Joy City

- replacing 1,066 metal halide lamps on the building's 1st and 5th floors with 25W LED lighting fixtures, saving approximately 186,000 KWH of energy per annum;
- raising the overflow opening of the water catchment basins of the rooftop cooling towers by 70-80mm to reduce the overflow volume, saving 3,368 tons of water per annum;
- narrowing the inner radii of the water taps of the washrooms from 10mm to 6mm to reduce the water flow, saving 5,052 tons of water per annum;
- replacing the electric-heated air curtains outside the building's 1st floor with water-heated air curtains, saving 198,600 KWH of electricity per annum.

Chengdu Joy City

- segregating cooling towers to avoid string windage (串風) so that 2 fans can be switched off per day. With each fan consuming 11KW and operating for 12 hours daily and the cooling towers operating for 6 months per year, approximately 50,000 KWH of energy can be saved per annum;
- using 11W light tubes for basement lighting with each light tube saving 17 KWH of electricity. Approximately 390,915 KWH of electricity can be saved per annum.
- advancing the closing time of the outdoor and external lighting as well as the fountains by 1.5 hours, saving approximately 240,000 KWH of electricity per annum.

Environmental, Social and Governance Report

Yantai Joy City

- planning to retrofit the existing circular tubes of plate-type heat exchangers for winter refrigeration, connecting the residual heat recovery pipes with the return water pipes in the heating supply system, raising the temperature of the return water in the system, increasing the efficiency of direct-fired units, controlling the consumption of the fuel gas and realizing the objective of reduced costs of energy consumption;

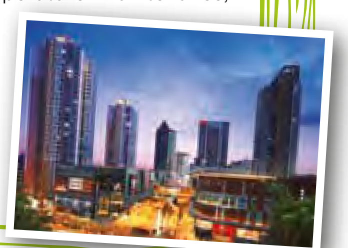
- gradually replacing the high-power lighting fixtures along the paths in the public areas at the back with LED energy-conserving lighting fixtures;
- changing all the large-diameter water meters of the tenants based on their actual water consumption; utilizing the replaced water meters from the tenants to improve water consumption measurement at the public areas and the washrooms for customers.

Tianjin Nankai Joy City

- The gross floor area of the commercial area in the south of Tianjin Nankai Joy City is 62,000 m^2. In the past winters, the municipal hot water was used as the heating source for the commercial area in the south. After the retrofit of the thermal reservoir, the expected heating results were achieved with basically steady system operation and high efficiency of energy conservation.

Shenyang Joy City

- completing the replacement work of the T5 fluorescent light tubes along the balustrade in Zone B of the shopping mall with LED lighting belt. It is expected to save 43,000 KWH of electricity per annum after the lighting retrofit;
- gradually performing the insulation works to prevent heat loss for the shops at Zone A, B, C and D and the equipment rooms to reduce the loss of energy;
- manually adjusting the operating time of the air-conditioning system and the water temperature according to the changes in outdoor temperature;
- repairing the damaged pipes of the air-conditioners for temperature maintenance, reducing wear and tear and realizing the objective of energy conservation and consumption reduction.



Shanghai Jing'an Joy City

- The physical module water treatment technology is currently used to cope with the water quality in respect of the water systems of the air-conditioners, thereby effectively enhancing the dirt-removing effects and the anti-corrosion capability of the pipes, as well as raising the heat exchange efficiency of air-conditioning equipment and conserving energy consumption. This saves approximately RMB190,000 of energy expenses per annum;
- The north office building of Phase Two of Shanghai Joy City was awarded the LEED Gold Pre-certification.

2.2 Effectiveness of Energy Conservation and Emission Reduction

The Group actively pushes forward the energy conservation refurbishment to reduce the emission of greenhouse gases and protect the green ecological environment. During the year, the Group's emission of greenhouse gases amounted to a total volume of approximately 103 thousand tons of CO_2.

The Group's Energy Consumption

	Indicator Data of 2017
Total public consumption of electricity (million Kw/h)	119.25
Heating consumption (GJ)	171,894
Total public consumption of fuel gas (M^3)	5,628,124

The Group's Greenhouse Gases Emission

Indicators	Volume Generated	Unit
Total volume of greenhouse gases emitted in 2017:	103,228	tCO_2
of which, greenhouse gases generated by purchased electricity:	72,028	tCO_2
Greenhouse gases generated by purchased heat:	18,908	tCO_2
Greenhouse gases generated by fuel gas combustion:	12,292	tCO_2

SUCCESSFUL CASE: Energy Conservation Promotion Week Campaign

During the National Energy Conservation Promotion Week on 11-19 June 2017, the Group conducted relevant energy conservation promotion based on the themes of "Energy Saving, Green Sharing" ("節能有我，綠色共享") and "Low-carbon Development of the Industry" ("工業低碳發展") and put them into practice, with an aim to foster the development of green buildings, as well as implementing the view on conserving, centralizing and recycling resource.

During the campaign, the Group set up a WeChat Group, through which the knowledge about energy conservation and emission reduction as well as environmental protection was promoted to various departments. This created a positive and favorable ambience of the energy conservation and emission reduction events. Various Joy Cities also commenced promotional activities in diverse forms, creating a pleasant ambience of the energy conservation and emission reduction events. By putting up posters and display boards for promoting energy conservation and emission reduction, distributing proposals and posting energy and water conservation signs, the awareness of energy conservation and emission reduction as well as environmental protection was enhanced among all the staff. The strong sense of "lucid waters and lush mountains are invaluable asset" was entrenched, which facilitated the active participation of all the Group's staff in the establishment of ecological civilization and environmental protection. At the same time, the actual circumstances of various units were taken into account, with the main focuses of promotion being the construction of green buildings, use of technologies and popularization of the features and standards of low-energy buildings. The importance and the urgency of energy conservation and consumption reduction were also explained at the sites of various projects.

Various Joy Cities worked on energy conservation and adopted a low-carbon approach by starting with small actions. With the implementation of inspection and by means of self-check, the staff's awareness of energy conservation and emission reduction was aroused and this effectively facilitated energy conservation and consumption reduction.

Environmental, Social and Governance Report

A3 The Environment and Natural Resources

The Group has been concerning the impact of the operation process on the environment and natural resources. By utilizing the intelligent property system, it strives to put environmental protection in practice in consideration of its own business features. Also, the Group promotes the concept of green buildings and actively conducts charitable events, which accelerates its green development process. Having obtained various international standard certifications in respect of property operation, the Group leads a sustainable development approach for the environment in the industry.

3.1 Intelligent Property Control System

By benchmarking itself with the leading enterprises of the industry, studying the property management system in depth, as well as addressing the existing conditions of the industry, the Group integrated the features of the Joy City projects and developed an intelligent property control system called “EISS” with high practicability and a wide coverage. The system includes an energy management module to monitor the use of energy on a real-time basis in support of the energy management works by the Group, thereby fostering the effective utilization of resources.

Intelligent property control system – energy management system:

Direct access to the real-time and historical data of various systems

Automatic generation of daily, monthly and annual reports on the platform

Automatic generation of energy consumption line charts, bar charts, pie charts, sequential comparison charts for analysis, etc., on the platform to facilitate the analysis and control of energy consumption

3.2 Green and low-carbon life concept

The Group insists on integrating the concept of energy conservation and low-carbon level into our daily operation. To raise the environmental protection awareness of "energy conservation and environmental protection start with me" (節能環保從我做起) among our employees and tenants, we actively organize various environmental protection training and relevant activities.

Successful Case 1: Shanghai Joy City conducted energy conservation and environmental protection training

Experts from the Environmental Protection Bureau of Jing'an District were invited by Shanghai Joy City to concisely explain the importance of energy and show two relevant promotional videos to its tenants, with a view to encouraging people from all walks of life to maintain the harmony between human and nature and to implement the idea of green development. By starting with small actions, people can jointly assume the responsibility for environmental protection, treasure the environmental quality and build a beautiful neighborhood hand in hand. A total of 130 representatives from 52 tenants attended the training.

Successful Case 2: Yantai Joy City actively participated in a tree planting activity

On 12 March 2017, the labor union and the Communist Youth League Committee of Yantai Joy City participated in a tree planting activity organized by the Communist Youth League Committee of Yantai City. Based on the theme of "building beautiful Yantai with young people and green actions" (青春綠色行動•共建美麗煙台), the activity encouraged our employees to live a life of ecological civilization, which in turn contributed to the development of the environmentally friendly and beautiful Yantai. A total of 43 participants attended this tree planting activity with over 80 trees planted.

Environmental, Social and Governance Report

B Social

While committed to promoting long-term internal development in a highly efficient manner, the Group has created more possibilities and greater long-term values for the stakeholders. Besides, the Group is committed to safeguarding the rights of its staff and has contributed to the development of them. The management of supply chain is enhanced and thus achieved a harmonious and win-win situation. The Group has also fulfilled client's responsibility and created value for clients. Reviews within the Company are optimised in order to avoid the risk of corruption. Moreover, the Group has actively contributed to the society and community development, in return achieved a harmonious and win-win situation for the enterprise and their stakeholders.

B1 Employment

The Group attaches great importance to "Selection, Employment, Development and Retainment" of talents. By upholding the principle of equal employment opportunities, we optimised the remuneration incentive mechanism, diversified our recruitment channels as well as protected staff's rights and interests, which has enabled the Group to attract and establish a lean, competent and highly efficient staff team to facilitate growth of both the Company and its staff. This provides talents supports to the realisation of the Group's strategic targets. As of 31 December 2017, the Group had 5,535 employees.

1.1 Diverse and Equal Employment

The Group, with sound recruitment process in place and diversified recruitment channels, 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 development.

The Group strictly maintains standards for talents in their recruitment process and continuously improving and expanding the structure of its staff, of which 75.3% of its major operational staff obtained bachelor degrees or above. During the year, the Group recruited a total of 598 staff members in their major operating businesses (except hotel and property operational level). All staff members recruited from schools obtained bachelor degrees or above, of which 17.39% are postgraduates.

Chart for age proportion of staff

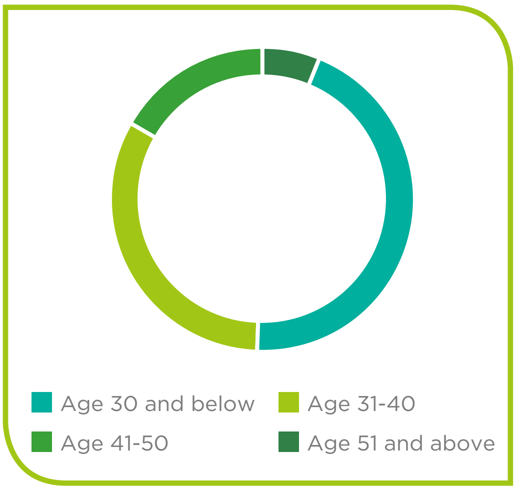
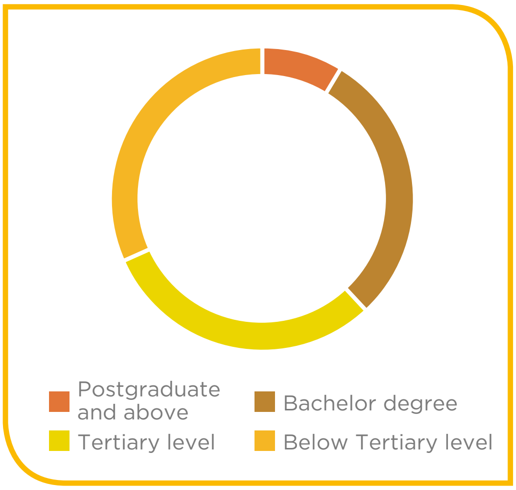


Chart for educational level of staff



SUCCESSFUL CASE: "Future Stars" Training Program: A Series of Forums on Cross-sector Cooperation

- During the reporting year, the headquarter of the Group organised a series of large-scale school forum for the first time in order to enhance its influence in campus and build a deep and good employer image.

- During the year, we visited 11 high schools with 1,500 participants in total. Through employment information network of high schools, BBS and sticky threads, we posted our recruitment advertisements and information of our forums. Our promotion covered 33 schools in the surroundings.

- There are different sessions in each forum: company introduction, expert guest speakers, sharing on "Future Stars" Training Program, interactive Q&A session and micro interview, etc. Decent souvenirs are also prepared to enhance the experience of students.

We cooperated with the most popular bicycle-sharing venture of the year: Mobike and provided students with monthly riding card for free. We also attracted students to participate in offline forums through our headline "Ride with Mobike and Join our Forum".

Environmental, Social and Governance Report

The Group initiated its staff caring activities in various ways. In respect of work, we continuously focus on the development of our young staff members and held activities including "Seminar on Future Stars Training Program 2017" and "Venus Knows Me Well". We organized regular communications between our staff members and senior managers in order to provide them an opportunity to exchange their ideas face-to-face, review their progress and answer their queries.

1. Focusing on the employees' families: We provided free health check-ups for our employees' families at Mid-Autumn Festival with the number of participants totaling 567

2. Reviewing the current situation of the Future Stars Training Program: On May 4 Youth Day, a meeting was arranged between the chairman of the Board and the previous Future Stars to review what they had learnt and gained since joining the Group

3. Rewarding the outstanding employees: Outstanding employees were given customized badges to enhance their sense of honor

1.2 Protection of legitimate rights and interest of its staff

Aiming to maintain the high efficiency and competitive incentives, the Group has established a sound remuneration and incentive system. In order to build a harmonious and consistent labor relationship with its staff, the Group provides competitive salaries and comprehensive benefits including pension insurance, medical insurance, maternity insurance, work-related injury insurance, unemployment insurance, housing provident fund, commercial health insurance, accident insurance and corporate annuity plan, which secures human resources for the sustainable development of the Group.

Apart from medical insurance, the Group provides its employees in Hong Kong with retirement benefits through the mandatory provident fund scheme (the "MPF Scheme"). The MPF scheme is a defined contribution retirement scheme administered by independent trustees. The Group and its employees have made contributions based on the calculation requirement under the MPF Scheme. In Mainland China, the Group pays for its employees' pension insurance in accordance with the laws and regulations of the relevant provinces and cities in China. After reaching the mandatory retirement age, the employees can receive basic pension from the social security departments and enjoy the benefits of basic pension insurance, which supports their basic living needs after retirement. In addition, to establish a multi-layer pension insurance system and provide better protection for the post-retirement living standards of its employees, as well as enhancing the cohesion and competitiveness of the enterprise, the Group provides the supplementary pension scheme, "Enterprise Annuity", to eligible companies.

B2 Health and Safety

By building a safe and healthy working environment for its staff, improving the occupational safety and health management system, establishing the safety management system and taking safety management actions, the Group strives to control and actively eliminate the potential safety and health risks of its staff so as to continuously promote the harmonious and healthy development of the enterprise.

2.1 Ensuring Well-being of its Staff

The Group cares about the personal health of its staff. It has established a physical examination system for new staff upon joining the Group, while regular physical examinations will be conducted for existing employees on an annual basis. Personal health records are maintained for all the staff. The Group also provides its staff with pleasant working conditions and environment to ensure that they are well protected during their terms of employment with the Group. In addition, the Group encourages its staff to participate more in sports training by organizing activities such as "Joy Run" (悅跑) and "Get Active and Be Healthier" (悅活動，悅健康).

2.2 Fostering a Safe Environment

With a view to continuously improving the systems and their standards, the Group has developed and enhanced "Safety Management Requirements for the Pre-Opening Construction of the Construction Projects Held by the Group" (《持有型建設項目開業前施工安全管理規定》), "Manual on Eliminating and Checking the Common Potential Risks of Construction Projects" (《建設工程項目常見隱患排查手冊》) and other relevant systems. The Group has established and implemented a grid accountability mechanism to foster a safe working environment for its staff.

Compiling and completing the "Safety Management Requirements for the Pre-Opening Construction of the Construction Projects Held by the Group"

The system clarifies the safety responsibilities of all parties; sets out the main requirements for managing the 16 major safety risks found in the 15 parts of construction work; and explains how to coordinate management in order to provide a basis of control for subsequent projects.

Revising and enhancing the "Manual on Eliminating and Checking the Common Potential Risks of Construction Projects"

The system sets out and clarifies the 11 major types of common potential risks, issues or main safety control requirements of construction sites; includes performance appraisal of construction safety management; urges all units in a concise and straightforward manner to enhance the control over the major risks in construction sites; and improves safety in construction sites, which effectively reduces the safety risks in the construction sites of the construction projects.

Establishing a grid accountability mechanism for projects

Performance appraisal is organized and conducted for the foundation projects to identify the problems. The ideas and focuses of the projects are clarified, enhanced and improved, which provides a system and relevant protection for controlling safety risks.

Comprehensively implementing the grid accountability mechanism for projects

All construction areas of the construction projects (tender sections) are divided based on "grid accountability" so that each management grid has a specific person-in-charge and no area is left uncovered. At the same time, the responsibilities for safety supervision and management is assumed "one-on-one" by the on-site professional engineers. In every quarter, all units are urged to evaluate and rank the persons-in-charge of the grids of the previous quarter in terms of their fulfillment of safety responsibilities.

Successful Case: Xidan Joy City implemented safety management in the main machine rooms

Xidan Joy City identified and assessed the safety risks of its main machines rooms and posted safety labels and signs. 1,945 visible labels were made during the year, all of which were posted and could be divided into 3 categories and 8 sub-categories. The Safety and Environmental Protection Department of the Group jointly prepared "Visualized Management Guideline for the Main Machine Rooms of Joy City" (《大悅城重點機房可視化管理指南》) with Xidan Joy City for the reference of other Joy City projects.

Environmental, Social and Governance Report

2.3 Raising the Safety Awareness of its Staff

With strong emphasis on the health and safety of its staff, the Group has organized a series of activities such as "Safety Forum", skill competitions in the Safety Production Month and training, etc. Such activities have raised the health and safety awareness of the staff and strengthened their capability in handling safety issues.

Successful Case: "Safety Forum" training activities

The headquarters of the Group conducted safety training for all levels with a focus on the main safety management risks and the practical applications. In particular, a total of 18 sessions of safety training were organized in the headquarters with the number of participants reaching 1,688. The Safety and Environmental Protection Department of the Group organized 7 training sessions on safety management highlights and experience sharing, covering the themes of two duties for one position, emergency management, food safety, visible fire safety for main machine rooms, gas safety management, etc. The training platform of "Safety Forum" was also established to provide all units with a channel for exchanging and sharing experience. Through communication and the exchange of experience, all units and departments can complement each other and achieve improvements together.

B3 Staff Training and Development

Upholding the core principle of "promoting business development and increasing the return on human resources" (助力業務發展，提升人力回報), the Group has established a comprehensive and multi-level talent fostering mechanism covering all stages of its staff's career path. Through centralized training, active learning, project research and other means, the Group helps its staff to enhance their capabilities, building a special talent fostering and development system. Currently, the Group has established a talent fostering system based on the development programs of "Golden Helmsman" and "Golden Seed" with the support of the "Landmark Intelligence Show" platform, as well as a career development system for management and professionalism based on value and development by integrating the features of the industry and the relevant positions. Through internal selection ("Team Members Competition"), rotational training ("Team Members Swapping") and entry level training for young employees ("Team Members Training"), the Group facilitates the exchange among its talents and their internal transfer and promotion, which provides a clear development path for its staff.

Golden Helmsman:
Fostering leaders to reach the top of the industry

At the top of the industry, the development program of "Golden Helmsman" teaches the successful experience of the benchmark industry players, with a view to fostering leaders in the land business. As of the end of 2017, 23 out of the 34 students were promoted, representing a promotion rate of 68%. Among them, three students were promoted to the persons-in-charge of first-level departments (operational units), which demonstrated the initial learning results. The Gold Helmsman Program secures the inheritance and development of the Group's talents and knowledge.

Golden Seed:
Standardized and fast training with experience and scenario-based teaching

The development program of "Golden Seed" aims to build a reserve of mid-level staff by rapidly fostering and replicating talents. As of 2017, three courses of the program were organized successfully and the 42 students from the third course graduated with a total promotion rate of 47.6%. 48 students were selected for the fourth course which commenced in July 2017. Two sessions of centralized training have currently been conducted on strategy and investment, and positioning and marketing.

Team Members Training

The Group continued to promote the implementation of "Team Members Training" by sending the young employees of the headquarters to the front line of projects for training. In 2017, 12 young talents of the third course were sent to the Outstanding Project of the Group (集團優秀項目) for training. As of the end of 2017, there were a total of 30 people who received training under the Team Members Training.

Team Members Competition

Based on the needs for an improved recruitment mechanism, the Group enhanced the talent selection method and continuously pushed forward "Team Members Competition" in order to support business expansion, provide a platform for displaying talents and build a mechanism for "flexible personnel selection". During the year, Xi'an Joy City and Xidan Joy City finished the internal selection. 49 candidates actively participated in the process and 27 of them were allocated to various positions.

Environmental, Social and Governance Report

Team Members Swapping

To promote the implementation of the Group's development strategies and meet the urgent demand for talents of the expanding business, the Group continued to carry out "Team Members Swapping". A total of 24 employees participated in the program during the year, who effectively shared their valuable experience in different units. As of the end of 2017, the Group has swapped 130 employees for exchange, involving the headquarters and all the urban companies of the Group.

> I deeply treasure the unique opportunity for joining the Team Members Swapping Program. Colleagues in Shanghai took good care of me and unreservedly shared their experience. As the saying goes, "today's hard work contributes to tomorrow's success". I'll continue to work hard and apply what I've learnt to make this worthwhile.
>
> **Student, Wu Xinyan**

> "The sky is unlimited for birds to fly at ease, as the ocean is boundless for fish to leap at will." The Team Members Swapping Program of the Company provides me with bigger room for development and poses greater challenges for me at the same time. 2017 is a special year for me and the Group. We are growing faster with changes coming. The Group is well-positioned and I look forward to witnessing its dream come true!
>
> **Student, Li Shaobo**

Landmark Intelligence Show

The Group developed the "Landmark Intelligence Show Platform" in order to share cross-disciplinary knowledge and achieve real-time exchange within the system. The platform closely monitors the quality of sharing and maintains a high standard. In 2017, the Landmark Intelligence Show deployed internal and external resources, including sharing given by the masters from external design institutes and the participation of the top 10 lecturers of "Golden Podium". Over 1,000 employees participated in the ten sharing sessions, which connects the headquarters with the urban companies in terms of knowledge sharing. Having successfully operated for two years, the Landmark Intelligence Show seamlessly connects the knowledge sharing channels of the headquarters and the urban companies. Cross-disciplinary learning and real-time online professional exchange are both achieved.

Live and video show

B4 Labor Standards

The Group strictly complies with the management policies under the relevant international and national standards, rules and regulations, or those of the places where it operates in respect of child labor or forced labor prevention. We have developed necessary procedures of information collection and approval of recruitment of staff to ensure labor standards are implemented and executed. Adhering to employ our employees in accordance with laws, we prevent employment discrimination and eradicate the use of child labor and forced labor; whereas we provide those such as the disabled, ethnic minorities and veterans with employment opportunities and achieve "equal pay for equal work for both men and women". During the year, there was no violation by the Group of international and national standards, rules and regulations, or those of the places where the operations were located in respect of child labor and forced labor.

B5 Supply Chain Management

The Group upholds a hand-to-hand win-win belief in developing a quality system of supply chain management with joint efforts. Committed to the collaboration with various parties, the Group enhances the level of sustainable development of the enterprise to ensure the fairness, safety and high efficiency of the supply chain management.

5.1 Supplier Management

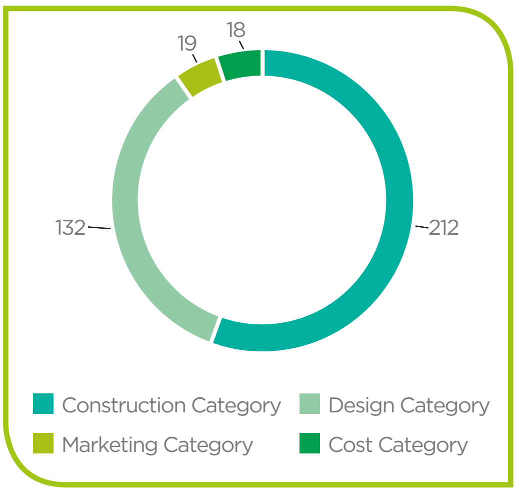
The Group is committed to raising the management level of tender and purchase. We optimized the tender and purchase procedures and set up an expert pool in charge of the selection, thereby strictly controlled the quality level of the selected suppliers. In addition, third-party inspection was commenced to evaluate the construction quality and monitor the quality of suppliers. Besides, the Suppliers' Conference 2017* (2017年供應商大會) was convened to facilitate the construction of the suppliers' database and boost the establishment of the centralized purchase.

Setting up an Expert Pool in Charge of the Selection

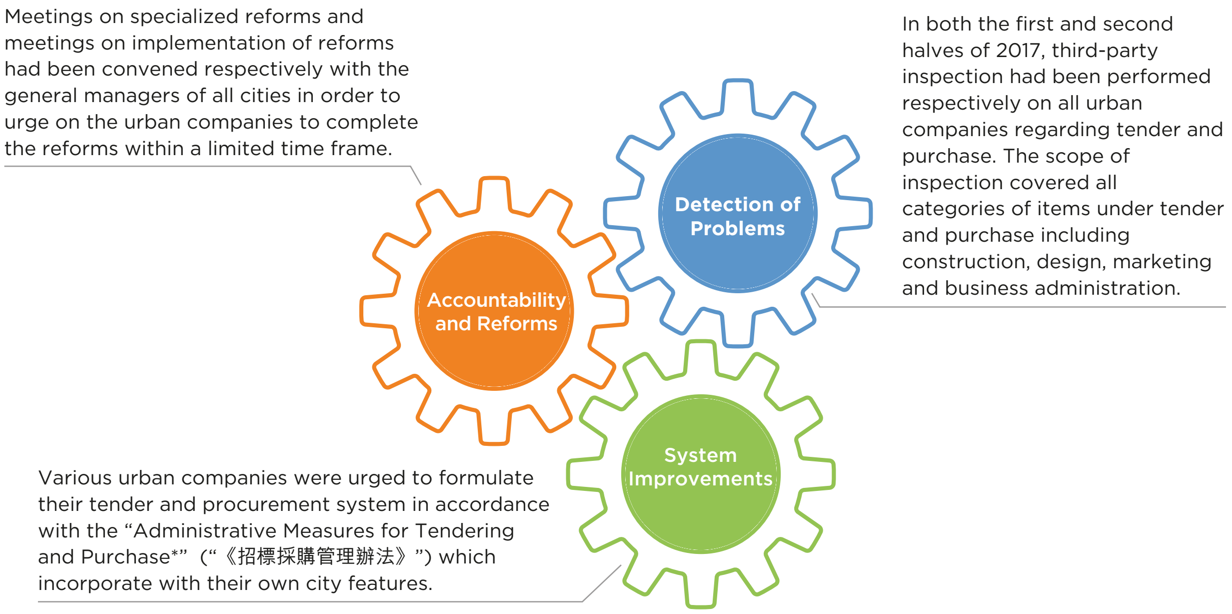
- By setting up an expert pool for tender evaluation and a comprehensive expert pool system for tender evaluation, fairness and impartiality of the tender evaluation activities were ensured with enhancement in the quality of tender evaluation; and might provide professional talents for the subsequent construction of the electronic tender platform.

- There had been 381 tender-evaluating experts, 4 categories in respect of tender evaluation and 2 training sessions for Landmark: in 2017, the Group invited the premier tender agencies in the industry for the organization of 2 training sessions for tender-evaluating experts, thus 381 tender-evaluating experts in total passed the training examinations and being selected into the expert pool for evaluating tenders at Landmark.

Statistics of Tender-evaluating Expert Pool Personnel



Commencement of Third-party Inspection on Tender and Purchase



Environmental, Social and Governance Report

Convening the Suppliers' Conference 2017

1. Introducing the ERP Supplier Management System* (ERP 供應商管理系)
2. Informing about the third-party quality assessment results
3. Launching the "Diamond Action*" ("鑽石行動") Plan
4. Entering into 22 centralized purchase agreements
5. Presenting 24 awards of merits
6. Issuing Corporate Development 2017* (2017 年企業發展)

Pushing Forward the Construction of Suppliers' Database

Suppliers' Database

Expansion of Scale	The size of the core database grew from 135 to **212 suppliers**, representing a growth of 57% compared to 2016.
Performance Evaluation	Online performance evaluation on the ERP System had been completed for **2 times**, amounting to **1,739 times** in aggregate of score for the performance of contracts.
Blacklist	Combining the performance of contracts and results of the third-party inspection on tender and purchase, **99 suppliers** in aggregate were blacklisted.

Boost the Establishment of Centralized Purchase

Benchmarking, Exchanging
Learning by benchmarking, focusing on the industry, participating in the associated purchase campaign run by China Urban Realty Association (中城聯盟聯合採購);

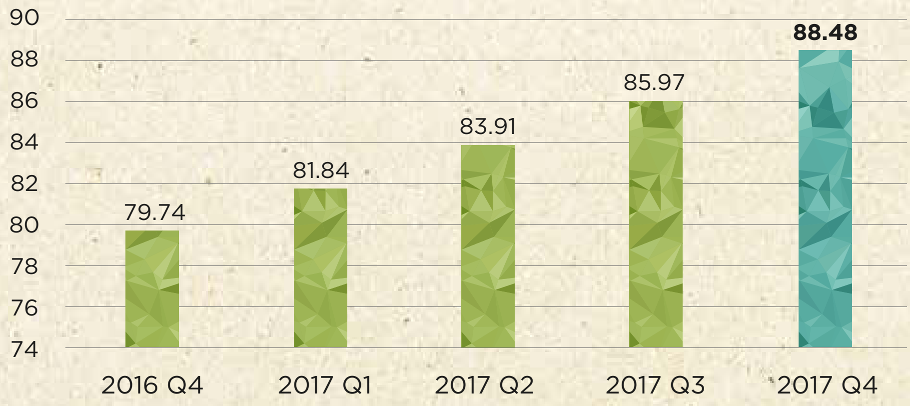
Systems, Regimes
Sophisticated centralized purchase system safeguards the compliance of centralized purchase, validity of results and its applicability;

Training, Publicizing
Intensive training, comprehensive publicizing;

Establishment of centralized purchase

SUCCESSFUL CASE: Commencement of "Diamond Action" by the Group

Through commencing "Diamond Action", the Group took the road map consisting of five steps – building up systems, formulating standards, performing stringent inspection, optimizing procedures and innovating technologies to enhance the team, thereby steadily strengthening the construction quality of the Group, whereas the third-party evaluation score was increased to 88.48 for the fourth quarter of 2017, compared to 79.74 for the fourth quarter of 2016.



5.2 Selection of Tenants

The Group issued "Administrative Measures of Joy City on Investment Attraction Business*" ("《大悅城招商業務管理辦法》") to strengthen the core brands of Joy Cities as well as the management control of flagship stores. Besides, the Group set up the Decision-making Mechanism for the Committee of Business Experts * (商業專家委員會決策機制), standardizing the selection standards for tenants and selecting quality merchants to ensure clients are provided with quality services.

Joy City's Management of Investment Attraction Business	Standardization was performed on four business directions, which addressed Joy City's product management, rental indicator management, business daily routine management of Joy City's projects and business evaluation mechanism.
Management and Control of Joy City's Core Brands	Management and control of Joy City's core brands and flagship stores were consolidated; control Mechanism for Core Brand was constructed to rationalize the defined scopes of the core brands and flagship stores of Joy City, the composition of the committee as well as the evaluation procedures.
Committee of Business Experts Decision-making Mechanism	The Committee of Decision-making Mechanism for Business Experts was formed and the qualified letters of intent for leasing and contracts of the shops shall be reported to the Business Management Center and the Legal Department for approval.

B6 Product Responsibility

Environmental, Social and Governance Report

With the strict compliance of the requirements of the relevant laws and regulations, the Group upholds the principle of "Customer-oriented, Customer-first*" ("客戶導向、以客為尊") with a young and fashionable brand positioning. By means of active innovations, we create a leisure and comfortable shopping venue full of vibrancy for clients. We guarantee the freshness of the brand while enhancing customers' all-round shopping experiences, which were recognized by several parties along with a wide range of positive feedbacks.

Various Awards and Honors Obtained by the Group in 2017

6.1 Comprehensive Protection for Safe Shopping

The Group has always upheld a safe operational concept "Customer-first, Safety Emphasized*" ("以客為尊，重視安全"). Commencing the assessment on safety performance indicators and fostering safety visual management, the Group improved its safety core control points and emergency management while ensuring the safe operations of Joy Cities in multiple dimensions and creating a safe and comfortable shopping environment for customers.

Safety Performance Indicators Assessment: The Group had completed its preparation for the "Performance Assessment Standards for Safety Management*" ("《安全管理績效評估標準》") and had commissioned a third party to carry out a comprehensive assessment on all Joy Cities in operation from 8 dimensions of management behaviors and 12 indicators of the existing management status (fire safety, power safety, dangerous operations management, special equipment management, curtain wall safety, gas safety, food safety, public hygiene, energy conservation and emission reduction, security management, traffic safety within properties, contingency management), which carry a significant implication for promoting the sustainable enhancement in the safety and environmental protection management level.

Safety Visual Management: The Group had completed all the tagging works of the fire-safety visual labels and incorporated them into the routine inspection and repair and maintenance tests with status updates; at the same time, taking Xidan Joy City as the pilot, the Group commenced safety risk identification and evaluation in respect of the key equipment rooms while performing safety labelling and label tagging. This year, Xidan Joy City had completed a total of 1,945 visual labelling items under three large categories and 8 small categories, all of which had been put up; the other 6 Joy Cities in operation had been taking references of the key equipment rooms of Xidan Joy City on the basis of visual management experiences, whereas visual key areas had been identified and necessary labels and logos to be put up amounted to 12,348 pieces. Also, the visual checklist of the key equipment rooms and the electronic labelling contents had been completed.

Improving Safety Core Control Point Management: On the basis of the commencement of spring-time and mid-year cross-inspection, year-end inspection, specialized inspection, the Group continued to strengthen the commencement of multi-layer regular inspection mechanism. Over the year, safety self-inspection had been performed for more than 830 times and the Group had taken SCCP (Safety Core Control Point) as the priority and implemented control of the status of the equipment, facilities and venues which had larger safety production risks. Besides, the Group had set up the equipment ledgers, completed the rationalization of SCCP and finished the production of 1,158 electronic signages, with 3,759 accumulated hoisted signages.

Contingency Management: The Group had pushed forward 15 on-site handling solutions which revolved around fire safety, evacuation, extreme weathers, counter-terrorism and anti-violence drills, lift trapping, personal injuries, electric shock, fall from height, etc. Contingency drills had been performed for more than 380 times, with over 10,725 people involved. These had enhanced the initial contingency management capability and effectively lowered the risks of incidents.

6.2 Innovation and Enhancement of Shopping Experience

The Group firmly upholds the brand spirit of "young, fashionable, trendy and quality" and persists in the corporate culture of "strengthening operation, learning with flexibility, improving service and encouraging innovation*" (強運營、活學習、重服務、勇創新) to fill the Joy City brand with perpetual dynamics steadily and continuously with undivided focus and dedication. The Group maintains constructive communication with its customers. It follows up with 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 centers. If the Group is aware of any violation against the relevant requirements of laws on its products or services, the Group will take necessary measures to correct those actions and immediately inform the relevant departments of the deadlines for such rectification.

SUCCESSFUL CASE: Thousand People and Boxes* (千人千盒), Customized for your Own "Fun*"

The Group linked those "dull*" ("無趣") painful times at life to the spending scenes at the shopping malls, through which the concept of "To Live with Fun*" ("趣活") was shaped and the image of the Group's role as a "Dullness Terminator*" ("無趣消滅者") was transmitted. By means of the publicity of the official account, the collection campaign with the theme "To Live your Life with Fun for Ten Years*" ("趣活你的十年") as contents was held. Among the over 12,000 dull stories and solutions collected, 1,000 pieces were carefully selected as the most brilliant commentaries whereas the Tenth Anniversary Custom-made "Fun Boxes*" ("趣盒") were given away to the consumers who had left those commentaries. This demonstrated the young positioning of the brand and enhanced the interaction with clients.

Environmental, Social and Governance Report

SUCCESSFUL CASE: Joy City Shopping Festival(大悅瘋搶節)

On 22 April, among the family of Joy Cities, 9 Cities jointly organized the "Joy City Shopping Festival". The Joy City Shopping Festival was integrated with the shopping events and anniversary celebrations of Womai.com ("我買網") and iQiyi.com ("愛奇藝"), and zones for big-sale shopping in particular had been established on respective platforms, which genuinely achieved cross-platform, cross-category and cross-industry-format shopping by all the public. Multi-channel and diverse products and services were provided to clients. Customers' shopping experiences were enhanced with single-day sales of over 174 million recorded and customer flow exceeding 0.72 million headcounts.

B7 Anti-corruption

The Group firmly establishes 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 local 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.

7.1 Anti-corruption Mechanism and Monitoring Procedures

In order to continuously strengthen the establishment of anti-corruption system, the Group strictly complies with the requirements of the anti-corruption system of the government and the Party as well as formulating the anti-corruption system and the internal control system for internal use. By establishing the corporate anti-corruption management system and the internal control framework, the Group eradicates illegal behaviors and maintains a team of honest staff.

The Group always gives special attention to the anti-corruption work. On the basis of our comprehensive anti-corruption system, we continue to optimize organizational structure and staffing and step up efforts in anti-corruption monitoring, so as to ensure the prevention and control of the occurrence of corruption in key areas and key procedures and the effective regulation of the use of regulatory power. The establishment of monitoring mechanism has effectively promoted the development of good practice of the enterprise and ensured the effectiveness of the corporate anti-corruption management system and internal control procedures.

7.2 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 year, there was no litigation involving corruption or bribery of the Group.

B8 Community Investment

Sustainable development of an enterprise is inseparable from the support of the community where it is located as well as of the general public. While providing excellent commercial property services for society, the Group actively responds to the government's call for targeted poverty alleviation by conducting poverty alleviation work and making donations. Within the communities, the Group actively organizes charitable events and continuously makes community investment, thereby promoting the harmony and development of society.

attracted more than **220,000** runners to participate

accumulated more than **2.55** million charity miles

donated **HK$60,000** to Orbis, which is an international charitable organization

Environmental, Social and Governance Report

8.1 Poverty Alleviation and Donations in "Blood Transfusion" Mode and "Blood-making" Mode

During the year, in order to fully implement the government's strategy of "Two Centenary Goals" (兩個百年), the Group focused on the series of approaches and requirements of "targeted poverty alleviation and targeted poverty elimination" ("精準扶貧、精準脱貧") set forth by the Central Committee of the Party and the State Council. It responded to the call for assistance for Xinjiang, Tibet, Qinghai and the development work of poverty alleviation, sparing no effort to complete the tough mission of targeted poverty alleviation and make contributions.

On 26-28 September, the Group's chairman of the Board personally led the team of relevant staff of the Group to a county covered by fixed-point poverty alleviation, i.e. Ganzi County, Ganzi Tibetan Autonomous Prefecture, Sichuan Province, to show solicitude for the people in need with a donation of funds amounting to RMB0.7 million. Apart from this, the Group has helped Ganzi County to develop local tourism economy and strengthen the "blood-making" function through the ways such as assisting in project construction and dispatching personnel. Also, in terms of the support to the local charity business and civil construction, the Group has fulfilled its responsibilities as a corporate citizen by providing assistance, thereby devoting its efforts in winning the tough battle against poverty.

8.2 Charitable Events to Support Communities

The Group actively conducts community charitable events. By organizing charitable events such as "Joy City Run", the Group took actions to contribute to community investment and fulfilled its corporate social responsibilities. This helped to send warmth and care to the general public, hence actively spreading positive energy with love to society.

"Joy City Run" ("悦城跑") Event

In July to September 2017, the Group organized the second "Joy City Run" as a brand event to build the IP of Joy City spirit. The second "Joy City Run" collaborated with an online APP named Codoon (咕咚). Within 20 days, the number of participants surpassed 220,000, accumulating charity miles of 2.55 million km. The event was also carried out on-site in Beijing COFCO Plaza.

Corporate Governance Report

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 2017, the Company had complied with all code provisions as set out in the CG Code.

SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions. After specific enquiry by the Company, all Directors confirmed that they had complied with the required standards set out in the Model Code throughout the year ended 31 December 2017. 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. ZHOU Peng oversaw the financial management and daily operations of the Group.

Board Composition and Diversity

At the date of this Corporate Governance Report, the Board, chaired by Mr. ZHOU Zheng, comprises two (2) executive Directors, three (3) non-executive Directors and three (3) independent non-executive Directors. The two (2) executive Directors are Mr. ZHOU Zheng and Mr. CAO Ronggen; the three (3) non-executive Directors are Mr. JIANG Chao, Mr. ZENG Xianfeng and Mr. JIANG Yong; 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*.

Corporate Governance Report

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 2017, 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 2017. 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 2017, and of the Group's profit and cash flows for the year ended 31 December 2017.

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 2017, 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.

Corporate Governance Report

Board Proceedings

Attendance record of each Director during the year ended 31 December 2017 is set out below:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Executive Committee Meeting	Annual General Meeting
Number of Meetings	4	3	2	1	19	1
Directors						
Executive Directors						
Mr. ZHOU Zheng *(chairman)*	3 (75%)			1 (100%)	19 (100%)	1 (100%)
Mr. CAO Ronggen	4 (100%)		2 (100%)		19 (100%)	1 (100%)
Non-executive Directors						
Ms. WU Xiaohui	3 (75%)					0 (0%)
Mr. JIANG Chao	4 (100%)					0 (0%)
Mr. ZENG Xianfeng	4 (100%)	3 (100%)				0 (0%)
Mr. JIA Peng	4 (100%)					0 (0%)
Independent Non-executive Directors						
Mr. LAU Hon Chuen, Ambrose, *GBS, JP*	4 (100%)	3 (100%)	2 (100%)	1 (100%)		1 (100%)
Mr. LAM Kin Ming, Lawrence	4 (100%)	3 (100%)	2 (100%)	1 (100%)		1 (100%)
Mr. WU Kwok Cheung, *MH*	4 (100%)	3 (100%)	2 (100%)	1 (100%)		1 (100%)

Corporate Governance Report

Directors' Training

During the year ended 31 December 2017, 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 2017. 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. 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*	√	√

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).

Corporate Governance Report

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 2017, the Remuneration Committee held two (2) 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; and
- reviewed the remuneration packages of executive Directors, the independent non-executive Directors and senior management.

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 2017, the Nomination Committee held one (1) meetings. Its major work performed is summarized as follows:

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

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

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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 2017, 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 2016, and made recommendation to the Board for approval;
- reviewed the interim financial statements of the Group for the six months ended 30 June 2017, 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 2016 and for the six months ended 30 June 2017;
- 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 2017.

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).

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The Executive Committee held nineteen (19) meetings during the year ended 31 December 2017. Its major work performed is summarized as follows:

- approved the establishment of wholly-owned subsidiaries;
- approved voluntary announcements, such as unaudited operating data;
- approved the signing of loan agreements with subsidiaries;
- approved the opening of the Company's bank account; and
- approved the purchase of Directors and officers liability insurance.

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 2017, 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 2017, 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 2017	981
Total:	4,000

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 2017.

The non-audit services provided by Deloitte Touche Tohmatsu involved review of the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017.

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 Auditor's Report on the audited consolidated financial statements for the year ended 31 December 2017.

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.

Corporate Governance Report

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").

Corporate Governance Report

"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 2017.

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 (if applicable) 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.

Corporate Governance Report

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 2017, the Company held the following major investors relationship activities:

Month	Activity	Place
January	DBS Vickers Pulse of Asia Conference	Singapore
	dbAccess China Conference 2017	Beijing
	UBS Greater China Conference 2017	Shanghai
	Stock Connect Onshore Corporate Access Day	Shenzhen
April	HK/China Property Conference 2017	Hongkong
May	Morgan Stanley 3rd Annual China Summit	Beijing
June	J. P. Morgan Global China Summit 2017	Beijing
	Citi's Asia Pacific Property Conference 2017	Hongkong
September	Everbright Securities listed company Conference	Nanjing
October	12th Citi's China Investor Conference 2017	Macau
November	Daiwa Investment Conference Hongkong 2017	Hongkong
	Morgan Stanley Sixteenth Annual Asia Pacific Summit	Singapore

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 2017, which were approved by the Board on 12 March 2018.

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 2017 are set out in the consolidated statement of profit or loss on page 140 of this Annual Report.

The Board recommended the payment of a final dividend of HK4 cent per share (2016: HK4 cent per share) for the year ended 31 December 2017. It is expected that the final dividend will be paid on Monday, 9 July 2018 to shareholders whose names appear on the register of members of the Company on Thursday, 14 June 2018 subject to the approval of shareholders at the AGM to be held by the Company on 1 June 2018.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for each of the five financial years ended 31 December 2017 is set out on page 133 of this Annual Report.

BUSINESS REVIEW

Details of the business review are set out in the section headed "Management Discussion and Analysis" on pages 33 to 51 in this Annual Report.

BANK BORROWINGS

Details of movements in the Group's bank borrowings during the year ended 31 December 2017 are set out in Note 35 to the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATES

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2017 are set out in Note 38 to the consolidated financial statements.

Directors' 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 Notes 55 and 40 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2017, 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 RMB8,419,363,000. As at 31 December 2017, the Company's share premium in the amount of RMB17,993,202,000 (as at 31 December 2016: RMB17,993,202,000) 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 2017 (%)
Top five customers	4.25
Largest customer	1.19

	Percentage of total purchases for the year ended 31 December 2017 (%)
Top five suppliers	20.93
Largest supplier	9.71

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.

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. We have maintained relationships with our top five suppliers and our largest supplier for over 3 years respectively.

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. We have maintained relationships with our top five customers and our largest customer for over 3 years respectively.

Relationship with Employees

Please refer to the Environmental, Social and Governance Report to this Annual Report for further details.

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this Annual Report were:

Executive Directors:

Mr. ZHOU Zheng *(Chairman)*
Mr. CAO Ronggen

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 (resigned on 8 March 2018)
Mr. JIANG Chao (appointed on 16 January 2017)
Mr. Zeng Xianfeng (appointed on 16 January 2017)
Mr. JIA Peng (appointed on 16 January 2017 and resigned on 8 March 2018)
Mr. JIANG Yong (appointed on 8 March 2018)

Directors' Report

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. JIANG Yong shall retire from office and, being eligible, offer himself 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. ZHOU Zheng, Mr. JIANG Chao and Mr. LAI Hon Chuen, Ambrose 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 63 to 68 of this Annual Report. Save as disclosed in the Profile of Directors and Senior Management section, none of the Directors is involved in any relationship as set out in paragraph 12 of Appendix 16 to the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

No Director had any material interest, either directly or indirectly, in any transaction, arrangement or 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 2017.

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 2017 is set out in Note 14 to the consolidated financial statements.

The remuneration of each independent non-executive Director has been increased from HK$300,000 per annum to HK$350,000 per annum with retrospective effect from 1 July 2017. In addition, each independent non-executive Director shall be entitled to an additional fee of HK$5,000 for each extra meeting or each extra set of written resolutions (other than the minimum number of regular board meetings per year required, from time to time, by the Listing Rules or if applicable the laws of Bermuda) which shall require his attendance, undertaking or participation, provided that such extra meeting or such extra set of written resolutions resolves or considers one or more of the following matters: (I) a notifiable transaction (Chapter 14 of the Listing Rules), (II) a connected transaction (Chapter 14A of the Listing Rules), (III) any material matters or events required to be disclosed under Chapter 13 of the Listing Rules and/or (IV) a transaction falling under the Takeovers Codes.

Details of the emoluments paid to the senior management in 2017 by bands are as follows:

Emolument Band	Number of Individuals
RMB1,000,000 to RMB2,000,000	1
RMB2,000,000 to RMB3,000,000	4

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the Directors is considered to have business interests which are likely to compete directly or indirectly with the business of the Group.

Directors' Report

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2017, 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)	Approximate percentage of the issued share capital
Mr. ZENG Xianfeng	China Agri-Industries Holding Limited	Beneficial owner	54,000	0.001% (Note 2)
Mr. LAM Kin Ming, Lawrence	The Company	Beneficial owner	6,000	0.00004% (Note 3)

Notes:

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

2. The percentages (rounded to 3 decimal places) were calculated based on the total number of shares of China Agri-Industries Holdings Limited in issue as at 31 December 2017, i.e. 5,249,880,788 shares.

3. The percentage (rounded to 5 decimal places) was calculated based on the total number of Shares in issue as at 31 December 2017, i.e. 14,231,124,858 shares.

Save as disclosed herein, as at 31 December 2017, 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 2017 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 2017, 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:

Number of substantial shareholders	Class of shares	Number of shares held	Approximate percentage of the issued share capital (Note 1)
Achieve Bloom	Ordinary shares	367,692,000 (L)	2.58%
	CPS	1,095,300,778 (L)	100%
Vibrant Oak	Ordinary shares	9,133,667,644 (L)	64.18%
COFCO (HK)	Ordinary shares	9,501,359,644 (L) (Note 2)	66.76%
	CPS	1,095,300,778 (L) (Note 3)	100%
COFCO Corporation	Ordinary shares	9,501,359,644 (L) (Note 2)	66.76%
	CPS	1,095,300,778 (L) (Note 3)	100%
GIC Private Limited	Ordinary shares	1,135,920,000 (L) (Note 4)	7.98%
Citigroup Inc.	Ordinary shares	859,890,495 (L) 270,000 (S) 859,596,495 (P)	6.04% 0.00% 6.04%

Notes:

1. The percentages (rounded to 2 decimal places) of the Shares were calculated based on the total number of Shares in issue as at 31 December 2017, i.e. 14,231,124,858 Shares, and assuming that 1,095,300,778 CPS were not fully converted into 1,095,300,778 Shares.

   The percentages of CPS were calculated based on 1,095,300,778 CPS in issue as at 31 December 2017.

2. COFCO (HK), through its wholly-owned subsidiaries, Achieve Bloom and Vibrant Oak, was deemed to be interested in 9,501,359,644 Shares as at 31 December 2017.

   COFCO Corporation, through its wholly-owned subsidiary, COFCO (HK), was deemed to be interested in 9,501,359,644 Shares as at 31 December 2017.

3. COFCO (HK), through its wholly-owned subsidiary, Achieve Bloom, was deemed to be interested in 1,095,300,778 CPS as at 31 December 2017.

   COFCO Corporation, through its wholly-owned subsidiary, COFCO (HK), was deemed to be interested in 1,095,300,778 CPS as at 31 December 2017.

4. GIC Private Limited held 1,135,920,000 Shares as investment manager as at 31 December 2017.

L. Indicates a long position.
S. Indicates a short position.
P. Indicates a lending pool.

Directors' Report

Save as disclosed herein, as at 31 December 2017, 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.

CONTINUING CONNECTED TRANSACTIONS

Overview

Hereunder is the information in relation to continuing connected transactions that existed during the year ended 31 December 2017 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 66.76% of the issued share capital of the Company as at 31 December 2017 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.

Set out below is a summary of the continuing connected transactions of the Company during the year ended 31 December 2017:

(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 leases 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 2017, 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; and (iii) Shanghai Xinlan Real Estate Development Co., Ltd. for the leasing of commercial premises in Shanghai Jing'an 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 2017 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 2017) (RMB'000)	Actual Amounts (financial year ended 31 December 2017) (RMB'000)
203,000	162,928.7

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.

Directors' Report

(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
COFCO Property Group Shenzhen Property Management Co., Ltd., Shenyang Branch	Shenyang Development Co., Ltd.	Provision of property management services for Shenyang Joy City
COFCO Property Group Shenzhen Property Management Co., Ltd., Hainan Branch	Sanya Yuesheng Development	Provision of property management services for Hainan COFCO • Hong Tang Joy Sea

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 2017) (in RMB'000)	Actual amounts (financial year ended 31 December 2017) (RMB'000)
21,000	8,447.1

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 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.

Directors' Report

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

During the year under review, the Group has been sourcing certain staple supplies from the COFCO Group, including agricultural products, food, beverage, wine and confectionery, 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 2017) (in RMB'000)	Actual amounts (financial year ended 31 December 2017) (RMB'000)
18,800	5,566.6

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,

Directors' Report

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

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

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

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

As at 31 December 2017, 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 2017) (in RMB'000)	Total annual rent and management fee for the year ended 31 December 2017 RMB'000
12th floor of COFCO Fortune Plaza in Beijing	1 January 2017 to 31 December 2017	14,400	11,513.4

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 2015. Accordingly, pursuant to Rule 14A.41 of the Listing Rules, the Company is required to comply with the applicable annual review, reporting and disclosure requirements of the Listing Rules in respect of the transactions under the existing lease.

Joy City Commercial Management (Beijing) Limited, a wholly-owned subsidiary of the Group continued to rent the premise from COFCO Corporation and renewed the lease agreement on 21 December 2016 for a term of one year from 1 January 2017 to 31 December 2017.

(e) Yalong Loan

On 18 May 2016, Yalong Development (Sanya), an indirect non-wholly owned subsidiary of the Company, and Zhonggu Group Sanya Trading Co., Ltd. ("Zhonggu Group") entered into a loan agreement, pursuant to which Zhonggu Group agreed to lend the loan of RMB50,000,000 (equivalent to approximately HK$59,505,000) to Yalong Development (Sanya) for the purpose of the construction and development of the Yalong Bay Love Cube Coastal Paradise. Such amount of funding was originally provided by China Development Bank Development Fund Co., Ltd. ("CDB") to Zhonggu Group, on the condition that it would be on-lent to Yalong Development (Sanya) pursuant to the loan agreement, and Yalong Development (Sanya) shall, upon receiving the Loan from Zhonggu Group, provide (i) a property pledge on a parcel of land owned by Yalong Development (Sanya); and (ii) a guarantee of joint liability, in favour of CDB.

The maturity date of such loan is 29 December 2026. Yalong Development (Sanya) 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 the loan agreement.

Yalong Development (Sanya) shall use the loan to develop and construct the Yalong Bay Love Cube Coastal Paradise, 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 funding offered by CDB is low as compared to loans of similar terms and amounts generally offered by commercial banks in the PRC. By entering into the loan agreement, Yalong Development (Sanya) shall receive funding from Zhonggu Group at a relatively low cost for financing the re-development of the Yalong Bay Love Cube Coastal Paradise. The pledge of the land and property interest and the provision of the guarantee of joint liability by Yalong Development (Sanya) to CDB are conditions for CDB extending the funding 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 (Sanya) 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.

Full repayment has been made on 18 December 2017. The Loan agreement has been early terminated accordingly.

Directors' Report

(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 ("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 funds of the Group, including Joy City Commercial Management, would allow a more efficient deployment of funds between subsidiaries of the Company;

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

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

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

(v) the arrangements would allow a prompt and accurate monitoring and regulation of the application of funds of the Group including Joy City Commercial Management;

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

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

(viii) COFCO Finance has comparatively strong financing ability through credit lines of not less than RMB9 billion arranged with such domestic banks;

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

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

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 RMB550 million (equivalent to approximately HK$639 million) on any day throughout the term of the Financial Services Agreement. For the year ended 31 December 2017, the maximum daily balance of deposits (including the corresponding interests accrued thereon) placed by the Group with COFCO Finance was RMB550 million (equivalent to approximately HK$639 million).

COFCO Finance would charge handling fees for the entrustment loan services provided to the Group, which are equal to or more favourable to the Group as compared with other independent financial institutions providing similar services. 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 each of the financing years ended 31 December 2017 shall not exceed RMB5,000,000 (equivalent to approximately HK$5,807,500). For the year ended 31 December 2017, the aggregate annual handling fees charged by COFCO Finance for providing the entrustment loans to Joy City Commercial Management was RMB1,984,000 (equivalent to approximately HK$2,293,000).

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

The Company, COFCO Finance and Joy City Commercial Management renewed the Financial Services Agreement on 21 December 2017 for a term of three years from 1 January 2018 to 31 December 2020.

Directors' Report

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 Listing Rules, the Board engaged Deloitte Touche Tohmatsu, the Company's auditor, 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 of the Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

CONTRACT(S) OF SIGNIFICANCE

(a) Formal agreement dated 26 January 2018 entered into by Rich Harbour Enterprises Limited, COFCO (BVI) No. 17 Limited (both are wholly-owned subsidiaries of the Company) and Tianfu Fund Management Co., Ltd., in connection to the disposal of the entire equity interest in COFCO Hotel (Beijing) Co, Ltd.;

(b) the land use rights grant contract dated 27 September 2017 entered into by Able Current Limited, a wholly-owned subsidiary of the Company, and Land Resources and Building Management Bureau of Chongqing, in connection to the acquisition of land use rights of the land located at Yu Bei District, Chongqing, the PRC;

(c) the land use rights grant contract dated 29 September 2017 entered into by Delight Joint Limited, an indirect non wholly-owned subsidiary of the Company, and Land Resources Bureau of Qingdao, in connection to the acquisition of land use rights of the land located near Ninghai Road, Jinsha Road and Huqing Road in the northern district of Qingdao, the PRC;

(d) the framework agreement dated 17 August 2017 entered into by Hengxin Fund L.P. ("Hengxin"), a subsidiary of the Company, Shenzhen Mingcheng Financial Services Co., Ltd. ("Shenzhen Mingcheng"), Reco Joyrepo Private Limited ("Reco Joyrepo")and an investor in relation to (a) the formation of the Offshore Fund among Hengxin as the Offshore General Partner, together with Reco Joyrepo and Bright Motion Limited ("Bright Motion"), a wholly-owned subsidiary of the Company, as the Offshore Limited Partners; (b) the formation of the Onshore General Partner to be jointly established by Shenzhen Mingcheng, a subsidiary of the Investor and a subsidiary of the Company; and (c) the formation of the Onshore Fund among the Onshore General Partner, together with the Investor and a subsidiary of the Company as the Onshore Limited Partners; on the same date, the definitive offshore limited partnership agreement entered into among Hengxin, Reco Joyrepo and Bright Motion in relation to the establishment of the Offshore Fund;

(e) 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 Spring Wisdom Limited conditionally acquisition of the entire issued share capital of Gain Success Limited;

(f) the financial services agreement dated 30 September 2016 entered into by the Company, COFCO Finance and Joy City Commercial Management and was further extended for a term of three years commencing on 1 January 2018 and ending on 31 December 2020 on 21 December 2017, in connection to the provision of depository services and the entrustment loan services by COFCO Finance to the Group;

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

(h) an amended and restated limited partnership agreement dated 29 July 2016 entered into between Gravious Ever Limited as the general partner and Reco Joycore Pte Ltd. and Glorious Fortune Forever Limited as the limited partners in connection with Joy City Commercial Property Fund L.P. and as further amended and restated on 18 August 2016 (and the related subscription agreements entered into between Joy City Commercial Property Fund L.P. and the limited partners in relation to the subscription of interests in Joy City Commercial Property Fund L.P.);

(i) 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 (Sanya), an indirect non-wholly owned subsidiary of the Company, in connection with the loan in an amount of RMB50,000,000 arranged by Zhonggu Group Sanya Trading Co., Ltd. for the benefit of Yalong Development (Sanya);

Directors' Report

(j) 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 RMB533,130,000;

(k) 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 RMB224,115,026.43;

(l) 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 RMB16,155,308.92;

(m) 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 indirectly 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;

(n) 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 indirectly 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;

(o) 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 RMB569,870,000;

(p) the capital increase agreement dated 30 November 2015 entered into between COFCO (BVI) 97 Limited, 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 RMB674,992,500;

(q) 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 RMB663.3 million arranged by Shanghai Top Glory Real Estate Development Co., Ltd for the benefit of Taiwan Hotel Co., Ltd.;

(r) 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 up to HK$1,000,000,000 and a revolving loan up to HK$700,000,000 to the Company, which imposes specific performance obligations on COFCO Corporation;

(s) 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 (Hong Kong) Limited, the controlling shareholders of the Company;

(t) 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 RMB663.3 million arranged by Shanghai Top Glory Real Estate Development Co., Ltd for the benefit of Taiwan Hotel Co., Ltd.;

(u) 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 RMB1,208,209,873;

(v) the subscription letter dated 27 February 2015 entered into by the Company and Achieve Bloom Limited, 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;

(w) 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 RMB43.76 million;

(x) the trust deed dated 18 November 2014 entered into by the Company, Double Rosy Limited (a wholly-owned subsidiary of the Company), COFCO (Hong Kong) Limited (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;

(y) the keepwell deed dated 18 November 2014 entered into by the Company, Double Rosy Limited (a wholly-owned subsidiary of the Company), COFCO (Hong Kong) Limited (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;

Directors' Report

(z) 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;

(aa) 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 RMB663.3 million arranged by Shanghai Top Glory Real Estate Development Co., Ltd for the benefit of Taiwan Hotel Co., Ltd.;

(bb) the acquisition agreement dated 12 September 2014 and a supplemental agreement dated 3 November 2014 entered into among the Company, COFCO Land Limited, 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;

(cc) 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;

(dd) 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

(ee) 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.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

On 18 January 2018, the Company as borrower entered into a facility letter ("Facility Letter") with Bank of China (Hong Kong) Limited (the "Bank") as lender whereby the banking facilities of (i) a term loan up to HKD700,000,000 or its equivalent amount in USD (the "Term Loan"); (ii) a revolving loan up to HKD300,000,000 or its equivalent amount in USD (the "Revolving Loan"); and (iii) a treasury credit limit of HKD60,000,000 (collectively the "Facilities") would be made available by the Bank to the Company subject to the terms and conditions of the Facility Letter. The Term Loan shall be repaid in full on the date falling three years from the date of first drawdown while the Revolving Loan shall be repaid or reborrowed at the end of each interest period or shall be repaid in full on demand. Pursuant to the Facility Letter, if COFCO Corporation (a) fails to remain as a company under the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China; and/or (b) fails to maintain as single largest shareholder and/or the management controlling position of the Company, it would constitute an event of default upon which the Bank shall entitled to debit at any time and from time to time thereafter all amounts due and payable by the Company in respect of the Facilities from any of the account(s) of the Company without prior notice to the Company. Details of the transaction are set out in the announcement dated 18 January 2018.

MANAGEMENT CONTRACTS

Save as disclosed herein, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year ended 31 December 2017.

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.

Directors' Report

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 2017, 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 2017, the Independent Board Committee considered that COFCO Corporation had complied with the Non-Competition Undertaking for the year ended 31 December 2017.

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 93 to 106 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, 28 May 2018 to Friday, 1 June 2018, 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, 25 May 2018.

Directors' Report

For the purposes of ascertaining shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 14 June 2018 to Wednesday, 20 June 2018, 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 Wednesday, 13 June 2018.

AUDIT COMMITTEE

The audited consolidated results of the Group for the year ended 31 December 2017 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 RMB1,494,954.6 (2016: RMB120,000). Details of the donations are set out in the Environmental, Social and Governance Report on pages 69 to 92 of the Annual Report.

ON BEHALF OF THE BOARD

ZHOU Zheng
Chairman

Hong Kong
12 March 2018

Five Years Financial Summary

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(as restated)	(as restated)	
			(note)	(note)	
Consolidated results					
Revenue	**11,657,761**	6,987,097	5,382,474	5,721,309	6,809,101
Profit for the year attributable to owners of the Company	**1,153,162**	797,581	726,147	1,711,096	3,117,678

	At 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(as restated)	(as restated)	
			(note)	(note)	
Consolidated assets and liabilities					
Total assets	**86,370,523**	82,550,683	73,087,104	68,157,379	61,772,051
Total liabilities	**(43,897,714)**	(41,044,052)	(39,712,577)	(41,055,728)	(32,229,077)
Total equity	**42,472,809**	41,506,631	33,374,527	27,101,651	29,542,974
Equity attributable to owners of the Company	**27,018,517**	26,203,351	25,107,923	19,833,965	25,588,872

Notes:

The Group completed acquisition of equity interest in 四川中國酒城股份有限公司 (Sichuan China Jiucheng Corporation*) in 2016 and Sichuan Jiucheng became under the common control of COFCO Corporation with effect from November 2014. As both the Group and Sichuan Jiucheng are controlled by COFCO Corporation, COFCO Corporation will continue to control the Group and the entity upon completion of the acquisition, the acquisition was deemed as a business combination under common control and was accounted for under a merger accounting principle. Therefore, the Group's consolidated financial statements have been prepared as if the entity had been a subsidiary of the Group since November 2014. Accordingly, the financial information for the years ended 31 December 2014 and 2015 has been restated.

Independent Auditor's Report

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 140 to 279, which comprise the consolidated statement of financial position as at 31 December 2017, and 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 2017, 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.

Independent Auditor's Report

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 of the Group's investment properties. Management determined the fair value of the Group's investment properties at 31 December 2017 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 4, 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.

Independent Auditor's Report

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 5 to the consolidated financial statements.

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

- Testing key internal controls over revenue recognition on sales of properties 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 of properties sold.

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 issued by the HKICPA 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 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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.

Independent Auditor's Report

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.

Independent Auditor's Report

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
12 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	NOTES	Year ended 31 December 2017 RMB'000	2016 RMB'000
Revenue	5	**11,657,761**	6,987,097
Cost of sales and services rendered	9	**(6,410,085)**	(3,226,908)
Gross profit		**5,247,676**	3,760,189
Other income	6	**160,539**	110,991
Other gains and losses, net	7	**(42,499)**	(164,171)
Distribution and selling costs		**(584,576)**	(592,863)
Administrative expenses		**(974,498)**	(958,607)
Fair value gain of investment properties	16	**1,101,041**	1,006,770
Finance costs	8	**(783,213)**	(704,568)
Share of (losses)/profits of associates		**(19,066)**	8,191
Share of losses of joint ventures		**(687)**	(8,661)
Profit before tax	9	**4,104,717**	2,457,271
Income tax expense	10	**(1,529,930)**	(1,182,083)
Profit for the year		**2,574,787**	1,275,188
Profit for the year attributable to:			
Owners of the Company		**1,153,162**	797,581
Holders of perpetual capital instruments		**214,446**	244,100
Non-controlling interests		**1,207,179**	233,507
		2,574,787	1,275,188
Basic earnings per share	13	**RMB7.5 cents**	RMB5.2 cents
Profit for the year		**2,574,787**	1,275,188
Other comprehensive income/(expense):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation		**87,206**	(38,438)
		87,206	(38,438)
Items that will not be reclassified to profit or loss:			
Revaluation of properties:			
Gain on revaluation of owner occupied property, plant and equipment and leasehold land and land use rights upon transfer to investment properties		**77,151**	2,961
Income tax effect		**(19,288)**	(740)
		57,863	2,221
Other comprehensive income/(expense) for the year, net of income tax		**145,069**	(36,217)
Total comprehensive income for the year		**2,719,856**	1,238,971
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,298,231**	761,364
Holders of perpetual capital instruments		**214,446**	244,100
Non-controlling interests		**1,207,179**	233,507
		2,719,856	1,238,971

Consolidated Statement of Financial Position

At 31 December 2017

	NOTES	At 31 December 2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Investment properties	16	**54,268,000**	50,101,179
Property, plant and equipment	17	**3,273,397**	5,045,044
Leasehold land and land use rights	18	**629,526**	896,522
Intangible assets	19	**39,140**	39,440
Interests in associates	20	**107,217**	67,278
Interests in joint ventures	21	**34,313**	–
Loan to a joint venture	21	**213,468**	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	**28,833**	15,815
Amount due from the ultimate holding company	31	**–**	20,000
		58,857,446	56,677,265
CURRENT ASSETS			
Inventories	26	**42,795**	27,286
Properties held for sale	27	**2,236,373**	4,641,811
Properties under development for sale	28	**12,502,999**	11,320,633
Accounts receivable	29	**171,305**	202,029
Deposits, prepayments and other receivables	30	**654,414**	420,263
Amount due from the ultimate holding company	31	**84**	20
Amount due from an intermediate holding company	31	**–**	325
Amounts due from fellow subsidiaries	31	**17,778**	21,585
Amounts due from non-controlling interests	31	**26,802**	154,611
Amount due from a joint venture	31	**31,901**	173,644
Amounts due from associates	31	**11,678**	–
Loan to an associate	25	**347,143**	–
Tax recoverable		**30,321**	83,519
Restricted bank deposits	32	**1,283,100**	30,851
Pledged deposits	32	**10,869**	5,740
Cash and bank balances	32	**8,403,593**	8,791,101
		25,771,155	25,873,418
Assets classified as held for sale	11	**1,741,922**	–
		27,513,077	25,873,418
TOTAL ASSETS		**86,370,523**	82,550,683

Consolidated Statement of Financial Position

At 31 December 2017

	NOTES	At 31 December 2017 RMB'000	2016 RMB'000
CURRENT LIABILITIES			
Accounts payable	33	**2,463,354**	1,865,898
Other payables and accruals	34	**3,867,056**	4,905,822
Deposits received in respect of pre-sale of properties		**4,135,018**	3,085,151
Amount due to the ultimate holding company	31	**201,288**	321,416
Amount due to an intermediate holding company	31	**1,248**	1,450
Amount due to the immediate holding company	31	**–**	379,153
Amounts due to non-controlling interests	31	**2,517,969**	1,558,571
Amount due to a joint venture	31	**–**	1,033
Amounts due to fellow subsidiaries	31	**113,672**	79,802
Loans from the ultimate holding company	25	**–**	300,000
Loans from fellow subsidiaries	25	**68,000**	1,038,850
Loans from non-controlling interests	25	**31,409**	4,000
Loans from a third party	25	**25,310**	–
Bank borrowings	35	**2,361,101**	2,910,317
Income tax and land appreciation tax payables		**634,105**	634,811
Deferred income		**2,264**	29,867
		16,421,794	17,116,141
Liabilities classified as held for sale	11	**840,427**	–
		17,262,221	17,116,141
NET CURRENT ASSETS		**10,250,856**	8,757,277
TOTAL ASSETS LESS CURRENT LIABILITIES		**69,108,302**	65,434,542
NON-CURRENT LIABILITIES			
Rental deposits received		**330,734**	200,114
Loan from non-controlling interests	25	**–**	33,038
Loans from a fellow subsidiary	25	**877,976**	790,000
Bank borrowings	35	**8,986,059**	7,620,379
Deferred tax liabilities	24	**7,106,188**	6,663,679
Guaranteed notes	36	**5,232,283**	5,540,527
Bonds payable	37	**4,102,253**	3,080,174
		26,635,493	23,927,911
NET ASSETS		**42,472,809**	41,506,631

Consolidated Statement of Financial Position

At 31 December 2017

		At 31 December	
	NOTES	**2017**	2016
		RMB'000	RMB'000
CAPITAL AND RESERVES			
Share capital	38	**1,122,414**	1,122,414
Reserves	40	**25,896,103**	25,080,937
Equity attributable to owners of the Company		**27,018,517**	26,203,351
Perpetual capital instruments	41	**2,767,681**	3,515,849
Non-controlling interests		**12,686,611**	11,787,431
TOTAL EQUITY		**42,472,809**	41,506,631

The consolidated financial statements on pages 140 to 279 were approved and authorised for issue by the Board of Directors on 12 March 2018 and are signed on its behalf by:

ZHOU Zheng	**CAO Ronggen**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	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	Sub-total RMB'000	Perpetual capital instruments RMB'000 (Note 41)	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	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
Profit and other comprehensive income for the year	-	-	-	-	-	-	-	57,863	87,206	1,153,162	1,298,231	214,446	1,207,179	2,719,856
Interest paid on perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	(462,614)	-	(462,614)
Repayment of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	(500,000)	-	(500,000)
Acquisition of a subsidiary (Note 50)	-	-	-	-	-	-	-	-	-	-	-	-	110,295	110,295
Disposal of subsidiaries (Note 51)	-	-	-	-	-	-	-	-	-	-	-	-	(2,253)	(2,253)
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	60,000	60,000
Statutory reserve appropriation	-	-	-	-	-	-	156,534	-	-	(156,534)	-	-	-	-
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(476,041)	(476,041)
Final 2016 dividend declared (Note 12)	-	-	-	-	-	-	-	-	-	(535,597)	(535,597)	-	-	(535,597)
Others	-	-	-	-	-	52,532	-	-	-	-	52,532	-	-	52,532
At 31 December 2017	1,122,414	17,993,202	1,722,317	(20,801,408)	3,137,029	6,140,228	643,466	78,944	(31,331)	17,013,656	27,018,517	2,767,681	12,686,611	42,472,809

	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	Sub-total RMB'000	Perpetual capital instruments RMB'000 (Note 41)	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	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
Interest paid 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 (i))	-	-	-	-	-	(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)
Others	-	-	-	-	-	-	-	-	-	-	-	-	(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 2017

Notes:

(a) Issued equity comprises ordinary share capital of Joy City Property Limited (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 RMB288,561,000 in 2012 and RMB2,617,690,000 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 RMB4,208,294,000 to a subsidiary of the Company 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 relevant accounting principles and financial regulations applicable to enterprises established in the PRC (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 RMB2,618 million) which were outstanding and owing by certain of the COFCO Land Subsidiaries to COFCO Land immediately before the completion of the acquisition of the COFCO Land Subsidiaries (together with the acquisition of the COFCO Land Subsidiaries, referred to as the "Transaction"), by the allotment and issue of 5,988,199,222 ordinary shares of the Company at the issue price of HK$2.00 each 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 then immediate holding company of the Company and COFCO Land ("Reverse Takeover Transaction"). Special reserve at the reporting date included balances arising on the Reverse Takeover Transaction completed in December 2013 of RMB11,138,521,000.

(f) In June 2016, Speedy Cosmo Limited ("Speedy Cosmo"), a wholly-owned subsidiary of the Company, 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 RMB66,526,960. Upon the completion of the issuance, the Investor holds 45% equity interest in Speedy Cosmo.

(g) During 2016, the Group (see definition in Note 1) 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 RMB9,443,143,000 were received in cash. An amount of RMB7,802,203,000 (being the proportionate share of the carrying amount of net assets of these three subsidiaries, respectively) has been transferred to non-controlling interests. The difference of RMB1,640,940,000 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 RMB569,870,000. 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 RMB193,858,000 has been recorded against capital reserve. 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 RMB533,130,000. Upon the completion of this acquisition, Beijing Kunting becomes a wholly-owned subsidiary of the Group.

(i) During 2016, a 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 RMB240,270,000.

* 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 2017

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**4,104,717**	2,457,271
Adjustments for:		
Finance costs	**783,213**	704,568
Interest income	**(124,877)**	(52,810)
Share of losses/(profits) of associates	**19,066**	(8,191)
Share of losses of joint ventures	**687**	8,661
Recognition of impairment loss on property held for sale	**21,728**	–
Amortisation of intangible assets	**11,565**	12,943
Amortisation of leasehold land and land use rights	**28,129**	31,247
Depreciation of property, plant and equipment	**309,279**	348,719
Fair value gain of investment properties	**(1,101,041)**	(1,006,770)
(Reversal)/recognition of impairment loss on accounts receivable, net	**(17)**	1,236
Recognition of impairment loss on other receivables	**3,499**	8,674
Exchange (gains)/loss, net	**(131,633)**	9,724
Gains on disposal of subsidiaries	**(376,746)**	–
Impairment loss on property, plant and equipment	**57,025**	–
Loss on disposal of property, plant and equipment, net	**53,775**	17,350
Loss on disposal of investment properties, net	**251,352**	–
Release of deferred revenue	**(3,907)**	(784)
Operating cash flows before movements in working capital	**3,905,814**	2,531,838
(Increase)/decrease in inventories	**(18,579)**	996
Decrease in properties held for sale	**4,785,881**	1,716,132
Increase in properties under development for sale	**(5,169,115)**	(2,344,455)
Decrease/(increase) in accounts receivable	**25,072**	(41,400)
Increase in deposits, prepayments and other receivables	**(180,208)**	(131,097)
Decrease in amounts due from non-controlling interests	**127,809**	–
Increase in accounts payable	**615,389**	629,465
Increase in other payables and accruals	**708,032**	223,700
Increase in deposits received in respect of pre-sale of properties	**1,049,867**	1,664,465
(Decrease)/increase in rental deposits received	**(70,664)**	351,847
(Increase)/decrease in restricted bank deposits	**(1,253,573)**	261,199
Decrease in amount due from the ultimate holding company	**19,936**	220
Decrease/(increase) in amount due from an intermediate holding company	**325**	(325)
Decrease/(increase) in amounts due from fellow subsidiaries	**3,374**	(1,910)
Decrease in amount due to the ultimate holding company	**-**	(9,770)
(Decrease)/increase in amounts due to an intermediate holding company	**(202)**	1,450
Increase/(Decrease) in amounts due to fellow subsidiaries	**481**	(302)
(Decrease)/increase in deferred revenue	**(23,696)**	30,651
Cash generated from operations	**4,525,943**	4,882,704
PRC Enterprise Income Tax and Hong Kong profits tax paid	**(926,278)**	(501,687)
Land Appreciation Tax paid	**(261,611)**	(334,407)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	**3,338,054**	4,046,610
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**124,877**	52,810
Payments for property, plant and equipment	**(360,104)**	(122,496)
Payments for intangible assets	**(12,108)**	(24,146)
Payments for investment properties	**(1,172,654)**	(899,884)
Proceeds from disposal of property, plant and equipment	**228,513**	5,159
Acquisition of a subsidiary (Note 50)	**(349,576)**	(1,214,700)
Acquisition of interests in associates	**(59,005)**	(4,999)
Acquisition of interests in a joint venture	**(35,000)**	–
Advance fellow subsidiaries	**(3,185)**	(3,626)
Repayment of loan and advance to a joint venture	**156,710**	833,253
Loan to associates	**(358,821)**	–
Disposal of subsidiaries (Note 51)	**394,471**	–
Advance to a joint venture	**(97)**	–
Placement of restricted bank deposits	**(751)**	(604)
Withdrawal of restricted bank deposits	**2,075**	226,243
Increase in pledged deposits	**(5,129)**	(4,271)
Decrease in non-pledged time deposits with original maturity of more than three months when acquired	**2,101**	85,664
NET CASH USED IN INVESTING ACTIVITIES	**(1,447,683)**	(1,071,597)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(675,348)**	(700,882)
Repayment of perpetual capital instruments	**(500,000)**	(500,000)
Interest paid on perpetual capital instruments	**(462,614)**	(240,799)
Interest paid to guaranteed notes holders	**(195,589)**	(194,317)
Interest paid on bonds payable	**(96,000)**	–
Issue of bonds	**1,000,000**	3,000,000
Underwriting fee paid in issuance of corporate bonds	**–**	(18,000)
Repayment of loans from a third party	**(48,700)**	–
Proceeds from bank borrowings	**8,364,536**	4,224,580
Repayment of bank borrowings	**(7,873,403)**	(11,830,470)
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	**1,340,476**	1,522,850
Repayment of loans from fellow subsidiaries	**(1,417,500)**	(1,978,540)
Loans from the ultimate holding company	**–**	600,000
Repayment of loans from the ultimate holding company	**(300,000)**	(300,000)
Repayment of amount due to the ultimate holding company	**(120,128)**	–
Advance from non-controlling interests	**588,021**	921,658
Advance from an associate	**–**	1,033
Advance from fellow subsidiaries	**77,110**	–
Repayment of advance from fellow subsidiaries	**–**	(36,364)
Loans from non-controlling interests	**31,409**	50,000
Repayment of loans to non-controlling interests	**(37,988)**	(17,962)
Dividends paid	**(1,030,440)**	(133,649)
Dividends paid to non-controlling interests	**(142,265)**	(49,500)
Contribution from non-controlling interests	**60,000**	66,527
Deemed distribution on acquisition of subsidiaries under common control in prior year	**(33,635)**	(204,230)
Payment to non-controlling shareholders for capital reduction	**–**	(40,000)
Acquisition of additional interest in a subsidiary	**–**	(1,103,000)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(1,472,058)**	2,421,505
NET INCREASE IN CASH AND CASH EQUIVALENTS	**418,313**	5,396,518
Cash and cash equivalents at beginning of year	**8,789,000**	3,189,058
Effects of exchange rate changes on the balance of cash held in foreign currencies	**(79,717)**	203,424
CASH AND CASH EQUIVALENTS AT END OF YEAR	**9,127,596**	8,789,000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**4,842,958**	8,409,000
Non-pledged time deposits	**3,560,635**	382,101
Cash and bank balances as stated in the consolidated statement of financial position	**8,403,593**	8,791,101
Non-pledged time deposits with original maturity of more than three months when acquired (Note 32)	**–**	(2,101)
	8,403,593	8,789,000
Cash and cash balance included in disposal group held for sale	**724,003**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows	**9,127,596**	8,789,000

1. GENERAL INFORMATION

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.

During the year, the immediate holding company of the Company changed from Achieve Bloom Limited to Vibrant Oak Limited, a company incorporated in the British Virgin Islands in July 2017. Achieve Bloom Limited and Vibrant Oak Limited are both wholly-owned subsidiaries of COFCO (Hong Kong) Limited (the "COFCO (HK)"), an intermediate holding company of the Company. In the opinion of the directors of the Company (the "Directors"), before and subsequent to the change of immediate holding company, the ultimate holding company of the Company is COFCO Corporation, a company established in the PRC.

COFCO Property (Group) Co., Ltd. ("COFCO Property"), a company established in the PRC with its A shares listed on the Shenzhen Stock Exchange and also a subsidiary of COFCO Corporation, is exploring the possibility of acquiring from COFCO (HK) or related parties of COFCO Corporation the controlling interest in the Company or the equity interest of the immediate holding company which holds such controlling interest (the "Reorganisation"). The consideration of such acquisition may involve issue of shares and/or cash by COFCO Property. The Reorganisation is currently being explored by the relevant parties and, if materialised, will be subject to various conditions including but not limited to the approvals that may be required pursuant to the applicable laws and regulations of the PRC and the Shenzhen stock exchange and therefore the Reorganisation may or may not proceed. Further announcement will be made by the Company in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as and when appropriate in a timely manner. As of the date of issuance of these consolidated financial statements, the Reorganisation is still in progress. Further details are set out in the announcement made by the Company on 21 August 2017.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

Amendments to HKFRSs that are mandatorily effective for the current year

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 HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*

In addition, the Group has early applied the amendments to HKAS 40 *Transfers of Investment Property* in advance of its effective date, 1 January 2018.

Except as described below, 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 disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be included in cash flows from financing activities.

Specially, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair value; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 49. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in the Note 49, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

Amendments to HKAS 40 Transfers of Investment Property

The Directors have early adopted the amendments to HKAS 40 *Transfers of Investment Property* during the current year in advance of its effective date, 1 January 2018. The amendments allow an entity to transfer a property to investment property when sufficient evidence of a change in use of a property is available. As such, properties under development for sale amounting to RMB1,320,275,000 were transferred to investment properties at a fair value of RMB1,905,000,000 resulting in a fair value gain on properties of RMB584,725,000 in 2017 as observable evidence of a change in use of the property was available in 2017.

New and revised HKFRSs in issue but not yet effective

Except for amendments to HKAS 40, the Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[4]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[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 9	*Prepayment Features with Negative Compensation*[2]
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 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*[2]

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 2021

Except for the new HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the Group's consolidated financial statements in the foreseeable future.

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

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 HKFRS 9 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 financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- 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 *Financial Instruments: Recognition and measurement*. 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the Directors anticipate the following potential impact on initial application of HKFRS 9:

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

HKFRS 9 Financial Instruments (continued)

Classification and measurement

Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in Note 22: these securities qualified for designation as FVTOCI under HKFRS 9, however, the Group plans not to elect the option for designating these securities to FVTOCI and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss.

All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to the expected credit losses provision on accounts receivable and other receivables. Such further impairment recognised under the expected credit loss model would slightly reduce the opening retained profits and slightly increase the deferred tax assets at 1 January 2018.

HKFRS 15 Revenue from Contracts with Customers

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

HKFRS 15 Revenue from Contracts with Customers (continued)

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.

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 have assessed the impact on application of HKFRS 15 (based on the existing contracts and arrangements) and do not anticipate a material impact on timing and amount of revenue recognised by the Group. However, application of HKFRS 15 may have impact on the following areas:

Currently, the Group expensed off the costs associated with obtaining the sales of properties contracts with customers. Under the requirement of HKFRS 15, incremental costs of obtaining a contract is eligible for capitalisation as deferred contract costs if they meet certain criteria.

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

HKFRS 15 Revenue from Contracts with Customers (continued)

In respect of sales of properties held for sale, when payments are made before the properties held for sales are delivered to the customer, the customer may be providing the Group with a benefit of financing. The Group will not adjust the promised amount of customer consideration if the effects of the financing component will not materially change the amount of revenue at a contract level or it was subject to the exemption where the period between payment and transfer of properties will be less than one year. Otherwise, the Group will adjust the promised amount of consideration and recognise revenue at the cash selling price in accordance with the requirement of HKFRS 15.

In addition, the application of HKRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease prepayments are presented as operating cash flows. Upon application of HKFRS 16, lease payment in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows by the Group.

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

HKFRS 16 Leases (continued)

Under HKAS17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB210,442,000 as disclosed in Note 43. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid and refundable rental deposits received as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

3. 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 Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties 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. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for 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.

For financial instruments and investment properties which are transferred at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent period, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of the relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. 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 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS *12 Income Taxes* and HKAS 19 *Employee Benefits respectively*;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net 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 are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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 (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

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 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.

The comparative amounts in the consolidated financial statements are presented as if the business had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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.

A property is transferred to, or from, investment properties when, and only when, there is a change in use.

If an investment property becomes owner-occupied as evidenced by commencement of owner-occupation, or of development with a view to owner-occupation, or the Group commences to develop an investment property with a view to sale the investment property is reclassified as property, plant and equipment or inventories, and its fair value at the date of transfer becomes its deemed cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has been changed as evidenced by end of owner-occupation, any differences between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment in accordance with HKAS 16 Property, Plant and Equipment. However, to the extent that a fair value gain reverses a previous impairment loss for that property, the gain is recognised in profit or loss.

A property is transferred from inventories to investment property when the change in use is evidenced by inception of an operating lease, any differences between the carrying amount and the fair value of this item at the date of transfer is recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which property is derecognised.

3. 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.

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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.

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.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

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. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or Joint venture 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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 relevant 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 asset individually, 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 (or a cash-generating unit) 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 to the asset is 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.

3. 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. Subsequent to initial recognition, loans and receivables (including accounts and other receivables, amounts due from and/or loans to fellow subsidiaries, holding companies, a joint venture, associates 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 impairment.

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For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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.

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.

For financial assets, 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 to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Perpetual capital instruments issued by the Group, which include no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, are classified as equity instruments and are initially recorded at the proceeds received.

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, a joint venture and non-controlling interests, loans from the ultimate holding company, fellow subsidiaries, non-controlling interests and a third party, bank borrowings, guaranteed notes and bonds payable) are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the 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 over the guarantee period.

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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Leasehold land and building for own use

When the Group makes payments for a property interest which includes both leasehold 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant 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 leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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.

Provision

Provision are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting report, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. 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 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 (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax (continued)

For the purposes of measuring deferred tax 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.

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. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal group classified as held for sale are measured at lower of their pervious carrying amount and fair value less costs to sell.

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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, 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.

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 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 with 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 with 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.

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

Critical judgments in applying accounting policies (continued)

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 independent from 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 will account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation of uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets 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. The fair value of investment properties at 31 December 2017 was RMB54,268 million (31 December 2016: RMB50,101 million), details are set out in Note 16.

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

Key sources of estimation uncertainty (continued)

Deferred tax

At 31 December 2017, deferred tax assets of RMB28,833,000 (31 December 2016: RMB15,815,000) 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 3 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 2017 was RMB3,273,397,000 (31 December 2016: RMB5,045,044,000).

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

Key sources of estimation uncertainty (continued)

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, and 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 2017 was RMB2,236,373,000 (31 December 2016: RMB4,641,811,000). The aggregate carrying amount of properties under development for sale as at 31 December 2017 was RMB12,502,999,000 (31 December 2016: RMB11,320,633,000).

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 estimates.

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.

5. REVENUE AND SEGMENT INFORMATION

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

5. REVENUE AND SEGMENT INFORMATION (continued)

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 as follows:

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 other property 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	
	2017	2016
	RMB'000	RMB'000
Property investment and development:		
Gross rental income from investment properties and related property management services	**3,433,075**	3,123,460
Sales of properties held for sale	**7,123,798**	2,752,066
Service income for primary land development	**12,593**	4,186
Property management and other property related services	**82,320**	89,284
Output management project	**46,722**	7,696
	10,698,508	5,976,692
Hotel operations:		
Hotel room revenue	**694,114**	716,770
Other ancillary service	**265,139**	293,635
	959,253	1,010,405
Total revenue	**11,657,761**	6,987,097

5. REVENUE AND SEGMENT INFORMATION (continued)

Information regarding the above segments is reported below.

Segment revenue and segment results

The following is an analysis of the Group's revenue and results by reportable segments.

Year ended 31 December 2017

	Property investment RMB'000	Property and land development RMB'000	Hotel operations RMB'000	Property management and other property related services RMB'000	Segment total RMB'000	Inter segment elimination RMB'000	Total RMB'000
Segment revenue							
External customers	3,446,103	7,136,391	959,253	129,042	11,670,789	-	11,670,789
Inter-segment revenue	7,231	-	143	124,821	132,195	(132,195)	-
Consolidated	3,453,334	7,136,391	959,396	253,863	11,802,984	(132,195)	11,670,789
Rental adjustments							(13,028)
Revenue as presented in consolidated statement of profit or loss							11,657,761
Segment results	2,510,302	2,100,480	61,656	(82,949)	4,589,489	-	4,589,489
Unallocated corporate income and other gains							52,879
Unallocated corporate expenses and other losses							(111,431)
Finance costs							(783,213)
Share of losses of associates							(19,066)
Share of losses of joint ventures							(687)
Gain on disposal of subsidiaries (Note 51)							376,746
Profit before tax as presented in consolidated statement of profit or loss							4,104,717

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and segment results (continued)

Year ended 31 December 2016

	Property investment RMB'000	Property and land development RMB'000	Hotel operations RMB'000	Property management and other property related services RMB'000	Segment total RMB'000	Inter segment elimination RMB'000	Total RMB'000
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							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 profits of associates							8,191
Share of losses of joint ventures							(8,661)
Profit before tax as presented in consolidated statement of profit or loss							2,457,271

Inter-segment revenue was charged at prices agreed between group entities.

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5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and segment results (continued)

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 represent 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 joint ventures, gain on 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.

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	
	2017	2016
	RMB'000	RMB'000
Mainland China	**11,016,153**	6,891,972
Hong Kong	**641,608**	95,125
	11,657,761	6,987,097

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5. REVENUE AND SEGMENT INFORMATION (continued)

Geographical information (continued)

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

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Mainland China	**55,288,075**	53,269,751
Hong Kong	**3,063,518**	2,879,712
	58,351,593	56,149,463

Non-current assets exclude goodwill, deferred tax assets, available-for-sale investments, loan to a joint venture, 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 was amounted to 10% or more of the Group's revenue for both 2017 and 2016.

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5. 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 other property related services RMB'000	Total RMB'000
Year ended 31 December 2017					
(reversal of impairment loss)/ impairment loss on accounts and other receivables, net	**(1,058)**	**(2,825)**	**133**	**7,232**	**3,482**
Depreciation of property, plant and equipment	**17,852**	**23,360**	**224,148**	**43,919**	**309,279**
Amortisation of leasehold land and land use rights	**6,564**	**1,440**	**17,768**	**2,357**	**28,129**
Impairment loss on property, plant and equipment, net	**-**	**-**	**-**	**57,025**	**57,025**
Loss/(gain) on disposal of property, plant and equipment, net	**44,139**	**(645)**	**842**	**9,439**	**53,775**
Loss on disposal of investment properties	**251,352**	**-**	**-**	**-**	**251,352**
Impairment loss on properties held for sale	**21,728**	**-**	**-**	**-**	**21,728**
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

6. OTHER INCOME

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Interest income from:		
Banks	**95,763**	39,364
Loan to a joint venture	**17,777**	13,446
Loan to an associate	**11,337**	–
Government grants (Note)	**3,907**	22,316
Refund of PRC business tax and surcharges	**23,857**	15,711
Others	**7,898**	20,154
	160,539	110,991

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.

7. OTHER GAINS AND LOSSES, NET

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Gain on disposal of subsidiaries (Note 51)	**376,746**	–
Reversal of impairment loss/(impairment loss) on accounts receivable, net	**17**	(1,236)
Impairment loss on other receivables, net	**(3,499)**	(8,674)
Impairment loss on properties held for sale	**(21,728)**	–
Impairment loss on property, plant and equipment, net	**(57,025)**	–
Loss on disposal of property, plant and equipment, net	**(53,775)**	(17,350)
Loss on disposal of investment properties, net	**(251,352)**	–
Exchange loss, net	**(41,482)**	(93,312)
Compensation expense for early termination of lease	**(7,438)**	(40,823)
Others	**17,037**	(2,776)
	(42,499)	(164,171)

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8. FINANCE COSTS

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Interest on:		
Bank borrowings	**546,326**	606,410
Loans from a non-banking financial institution*	**46,677**	54,199
Loans from the ultimate holding company	**181**	13,354
Loans from fellow subsidiaries	**50,199**	27,377
Loans from non-controlling interests	**1,557**	1,130
Bonds payable	**118,079**	98,174
Guaranteed notes (Note 36)	**208,297**	206,163
Loans from a third party	**1,444**	–
Others	**19,807**	–
Total interest expenses	**992,567**	1,006,807
Less: Interest capitalised:		
Investment properties under development (Note 16)	**(27,768)**	(27,019)
Construction in progress under property, plant and equipment (Note 17)	**–**	(102)
Properties under development for sale (Note 28)	**(181,586)**	(275,118)
	(209,354)	(302,239)
Finance costs	**783,213**	704,568

* 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 4.28% to 4.41% (2016: 3.09% to 5.01%) per annum.

9. PROFIT BEFORE TAX

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit for the year has been arrived at after charging:		
Directors' emoluments (Note 14)	**1,014**	3,233
Depreciation and amortisation:		
Amortisation:		
– Intangible assets (included in cost of sales)	**301**	5,474
– Intangible assets (included in administrative expenses)	**9,521**	6,403
– Intangible assets (included in distribution and selling costs)	**1,743**	1,066
Amortisation of leasehold land and land use rights	**28,129**	31,247
Depreciation of property, plant and equipment	**309,279**	348,719
Total depreciation and amortisation	**348,973**	392,909
Cost of sales and services rendered:		
Cost of properties sold	**4,810,596**	1,626,720
Direct operating expenses arising from investment properties letted	**974,098**	911,961
Cost of primary land development services provided	**13,069**	4,186
Direct operating expenses arising from provision of property management and other property related services	**84,391**	64,282
Direct operating expenses from hotel services provided	**527,931**	619,759
	6,410,085	3,226,908
Employee benefits expense (including directors' emoluments (Note 14)):		
Salaries, allowances and other benefits	**840,664**	807,086
Retirement benefit scheme contributions	**99,388**	51,529
	940,052	858,615
Less: Capitalised in properties under development for sale and investment properties	**(54,648)**	(56,412)
	885,404	802,203
Advertising and promotion expenses (included in distribution and selling costs)	**266,162**	243,078
Auditors' remuneration	**3,019**	3,019

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10. INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax	**702,847**	264,747
PRC Dividend Withholding Tax	**5,115**	26,536
LAT	**496,456**	430,512
Hong Kong Profit Tax	**21,556**	13,774
	1,225,974	735,569
Under provision in prior years:		
PRC Enterprise Income Tax	**775**	3,986
	775	3,986
Deferred tax (Note 24)	**303,181**	442,528
	1,529,930	1,182,083

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 ended 31 December 2017, withholding tax on intra-group dividend amounting to RMB5,115,000 (2016: RMB26,536,000) 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.

10. INCOME TAX EXPENSE (continued)

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.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit before tax	**4,104,717**	2,457,271
Tax at PRC EIT rate of 25% (2016: 25%)*	**1,026,179**	614,318
Lower tax rates for entities of the Group operating in other jurisdictions	**(203,172)**	(9,563)
PRC LAT	**496,456**	430,512
Tax effect of PRC LAT	**(124,114)**	(107,628)
Tax effect of expenses not deductible for tax purpose	**113,024**	131,085
Tax effect of income not taxable for tax purpose	**(61,698)**	(325)
Tax effect of tax losses not recognised	**208,301**	119,212
Tax effect of unrecognised deductible temporary difference	**7,977**	24,541
Tax effect of utilisation of tax losses not previously recognised	**(33,090)**	(52,248)
Tax effect of share of loss/(profit) of associates	**4,826**	(2,047)
Tax effect of share of losses of joint ventures	**172**	2,165
Effect of withholding tax on undistributed profits	**111,199**	24,408
Under provision of current taxation in prior years	**775**	3,986
Others	**(16,905)**	3,667
Income tax expense for the year	**1,529,930**	1,182,083

* 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.

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11. DISOPSAL GROUP HELD FOR SALE

On 8 December 2017, Rich Harbour Limited ("Rich Harbour") and COFCO (BVI) No. 17 Limited ("COFCO BVI17"), which are wholly-owned subsidiaries of the Company, entered into an arrangement on disposal of COFCO Hotel (Beijing) Co., Ltd ("COFCO Hotel (Beijing)", 65% owned by Rich Harbour and 35% owned by COFCO BVI17). The consideration was determined based on the highest bidding price amounting to RMB1,360 million. Based on this arrangement, the assets and liabilities of COFCO Hotel (Beijing) previously included in hotel operations segment have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position.

The major classes of assets and liabilities of disposal group held for sale are as follows:

	At 31 December 2017 RMB'000
Property, plant and equipment	**902,212**
Leasehold land and land use rights	**103,539**
Intangible assets	**1,011**
Inventories	**1,286**
Accounts receivable	**2,271**
Deposits, prepayments and other receivables	**7,600**
Cash and bank balances	**724,003**
Total assets classified as held for sale	**1,741,922**
Accounts payable	**8,860**
Other payables and accruals	**23,693**
Amount due to a joint venture	**936**
Amounts due to fellow subsidiaries	**1,088**
Loans from fellow subsidiaries	**805,850**
Total liabilities classified as held for sale	**840,427**

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	
	2017	2016
	RMB'000	RMB'000
2016 Final – HK4 cents per share (2015 Final: HK1 cent):		
Ordinary shares	**497,321**	120,426
Non-redeemable convertible preference shares	**38,276**	9,269
Special dividend (Note)		
– HK4 cents per share:		
Ordinary shares	**–**	505,046
Non-redeemable convertible preference shares	**–**	38,871
	535,597	673,612

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

Final dividend in respect of the year ended 31 December 2016 of HK 4 cents per ordinary share has been proposed by the Directors and was approved by the shareholders at the annual general meeting conducted on 2 June 2017. The holders of the non-redeemable convertible preference shares were entitled to receive any dividend pari passu with the holders of ordinary shares of the Company and therefore entitled to receive the 2016 final dividend of approximately HK$44 million or RMB38 million.

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2017 of HK 4 cents per ordinary share, in an aggregate amount of HK$569 million or RMB460 million, 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 they are entitled to receive the 2017 final dividend of approximately HK$44 million or RMB35 million.

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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	
	2017	2016
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**1,153,162**	797,581

	Year ended 31 December	
	2017	2016
Number of shares ('000)		
For the purpose of basic earnings per share:		
Number of ordinary shares	**14,231,125**	14,231,125
Number of non-redeemable convertible preference shares (Note 39)	**1,095,301**	1,095,301
Number of shares for the purpose of basic earnings per share	**15,326,426**	15,326,426

The number of shares used for the purpose of calculating basic earnings per share for the years ended 31 December 2017 and 2016 were calculated on the basis of the number of the ordinary shares of the Company and non-redeemable convertible preference shares in issue during the years.

No diluted earnings per share for the years ended 31 December 2017 and 2016 is presented as there was no potential ordinary share in issue during both years.

14. DIRECTORS' 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
2017				
Executive directors				
Mr. ZHOU Zheng	–	–	–	–
Mr. CAO Ronggen	–	–	–	–
Non-executive directors				
Mr. MA Jianping (resigned on 16 January 2017)	–	–	–	–
Mr. MA Wangjun (resigned on 16 January 2017)	–	–	–	–
Mrs. JIANG Hua (resigned on 16 January 2017)	–	–	–	–
Mrs. 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	338	–	–	338
Mr. LAM Kin Ming, Lawrence	338	–	–	338
Mr. WU Kwok Cheung	338	–	–	338
Total	1,014	–	–	1,014

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14. DIRECTORS' EMOLUMENTS (continued)

	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 (Note)	–	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	–	–	–	–
Mr. MA Wangjun	–	–	–	–
Mrs. JIANG Hua	–	–	–	–
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

Note: Mr. ZHOU Zheng is also the chairman (regarded as chief executive) of the Company and his emoluments disclosed above also include those for services rendered by him as the chairman.

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 independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

14. DIRECTORS' EMOLUMENTS (continued)

In addition to the directors' emoluments disclosed above, certain executive directors are not paid directly by the Company in 2016 and 2017. Mr. ZHOU Zheng received remuneration from COFCO Corporation, which is the ultimate holding company of the Group, in respect of his services to the larger group which includes the Company and its subsidiaries. Mr. CAO Ronggen received remuneration from COFCO property (Group) Co., LTD, which is a fellow subsidiary of the Group. In 2017, no apportionment has been made as the qualifying services provided by these directors to the Company and its subsidiaries are incidental to their responsibilities to the larger group and the fellow subsidiary of the Group. All non-executive directors are not paid directly by the Company but receive remuneration from the ultimate holding company, in respect of their services to the larger group which includes the Company and its subsidiaries. No apportionment has been made as the qualifying services provided by these directors to the Company and its subsidiaries are incidental to their responsibilities to the larger group.

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

15. EMPLOYEE'S EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, none of them (2016: none) is director. The emoluments of the five (2016: five) highest paid individuals are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Salaries and other allowances	**10,481**	10,729
Retirement benefit scheme contributions	**415**	528
	10,896	11,257

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15. EMPLOYEE'S EMOLUMENTS (continued)

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

	Year ended 31 December	
	2017	2016
	Number of individuals	
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$2,500,000	**3**	1
HK$2,500,001 – HK$3,000,000	**2**	2
HK$3,000,001 – HK$3,500,000	**–**	1
	5	5

Saved as disclosed above, the Directors confirm that no 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 2017 (2016: nil).

16. INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At fair value			
At 1 January 2016	43,818,620	2,213,882	46,032,502
Acquisition of a subsidiary (Note 50(b))	2,411,973	–	2,411,973
Additions on subsequent expenditure	277,306	236,690	513,996
Transfer from property, plant and equipment and leasehold land and land use rights*	9,500	–	9,500
Transfer to property, plant and equipment (Note 17)	(16,670)	–	(16,670)
Interest capitalised (Note 8)	–	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**
Acquisition of a subsidiary (Note 50(a))	**–**	**1,203,844**	**1,203,844**
Additions on subsequent expenditure	**374,757**	**583,650**	**958,407**
Transfer from property, plant and equipment and leasehold land and land use rights*	**524,021**	**–**	**524,021**
Transfer from properties under development for sale	**–**	**1,320,275**	**1,320,275**
Transfer to properties held for sale	**(519,988)**	**–**	**(519,988)**
Disposal	**(7,497)**	**(251,352)**	**(258,849)**
Interest capitalised (Note 8)	**–**	**27,768**	**27,768**
Change in fair value recognised in profit or loss	**417,453**	**683,588**	**1,101,041**
Reclassification**	**(1,858,431)**	**1,858,431**	**–**
Exchange realignment	**(189,698)**	**–**	**(189,698)**
At 31 December 2017	**46,096,914**	**8,171,086**	**54,268,000**

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16. INVESTMENT PROPERTIES (continued)

* 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 RMB338,313,000 and RMB108,557,000 respectively, (2016: RMB6,539,000 and nil, respectively) with fair value change recognised to other comprehensive income of RMB77,151,000 (income tax effect of RMB19,288,000) (2016: RMB2,961,000 (income tax effect of RMB740,000)).

** During the year, investment properties of RMB1,858,431,000 were transferred from completed investment properties to investment properties under development for the purpose of re-decorating work on Shanghai Changfeng Joy City.

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.

Details of the Group's investment properties and investment properties under development as at 31 December 2017 were as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Commercial properties located in Hong Kong	**2,627,909**	2,978,206
Commercial properties located in Mainland China	**46,727,091**	41,992,973
Residential properties located in Mainland China	**4,913,000**	5,130,000
	54,268,000	50,101,179

At 31 December 2017, the Group's investment properties with an aggregate carrying amount of RMB39,963,465,000 (2016: RMB35,213,700,000) were pledged to secure banking facilities granted to the Group (Note 45).

At 31 December 2017, building ownership certificates in respect of investment properties of the Group with an aggregate carrying amount of approximately RMB3,962,887,000 had not been issued by the relevant PRC authorities.

16. INVESTMENT PROPERTIES (continued)

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 2017 and 2016 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 which are 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 techniques during the current year.

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 was related to investment properties held at the end of each reporting period.

The fair values of the Group's investment properties at 31 December 2017 and 2016 are grouped into Level 3 of fair value measurement. There were no transfers into or out of Level 3 during the both years.

16. INVESTMENT PROPERTIES (continued)

Fair value measurement of the Group's investment properties (continued)

The following table gives information about how the fair values of the Group's major investment properties as at 31 December 2017 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)	
	2017	2016	**2017** **RMB**	2016 RMB
Completed investment properties				
Beijing COFCO Plaza				
– office	**6.0%**	5.0% to 6.0%	**431 to 548**	284
– shop	**5.0%**	6.0%	**232 to 765**	522
Fraser Suites Top Glory, Shanghai – residential units	**2.5%**	2.5%	**217 to 231**	229 to 231
COFCO Tower, Hong Kong				
– office	**3.2%**	3.5%	**415 to 471**	421 to 477
– shop	**3.5%**	3.5%	**1,458**	1,455
Xidan Joy City				
– office	**6.0%**	6.0%	**320 to 362**	310 to 350
– shop	**6.5%**	6.5%	**334 to 1,672**	242 to 1,613
Chaoyang Joy City – shop	**6.5%**	6.5%	**106 to 710**	105 to 703
Tianjin Nankai Joy City – shop	**7.0%**	7.0%	**198 to 567**	220 to 551
Shanghai Jing'an Joy City – shop				
– South Tower	**6.5%**	6.5%	**335 to 959**	168 to 840
– North Tower	**6.5%**	6.5%	**221 to 885**	328 to 937
Shenyang Joy City – shop	**6.75%**	6.75%	**99 to 315**	77 to 327
Shanghai Changfeng Joy City – shop	**6.5%**	6.5%	**97 to 325**	135 to 300
Chengdu Joy City – shop	**6.0%**	6.0%	**98 to 325**	95 to 318

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17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties RMB'000	Leasehold improvements RMB'000	Hotel properties RMB'000	Equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Costs:							
At 1 January 2016	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 50(b))	-	-	-	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**
Additions	**4,860**	**669**	**69,664**	**94,865**	**1,746**	**1,863**	**173,667**
Disposals	**(181,144)**	**(36,769)**	**(74,470)**	**(84,288)**	**(20,006)**	**(24,880)**	**(421,557)**
Transfer to investment properties (Note 16)	**(370,613)**	**-**	**(67,083)**	**-**	**-**	**-**	**(437,696)**
Transfer to assets held for sale (Note 11)	**-**	**(6,756)**	**(905,065)**	**(134,844)**	**(3,215)**	**-**	**(1,049,880)**
Transfer to construction in progress	**-**	**-**	**(230,515)**	**-**	**-**	**230,515**	**-**
Disposals of subsidiaries (Note 51)	**(1,045)**	**(2,714)**	**(280,636)**	**(190,054)**	**(6,443)**	**-**	**(480,892)**
Acquisition of a subsidiary (Note 50(a))	**-**	**-**	**-**	**8,144**	**313**	**-**	**8,457**
Exchange realignment	**-**	**-**	**-**	**(378)**	**-**	**-**	**(378)**
At 31 December 2017	**694,431**	**13,212**	**2,725,092**	**1,026,182**	**102,145**	**212,706**	**4,773,768**
Accumulated depreciation:							
At 1 January 2016	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**
Charge for the year	**68,979**	**71**	**164,340**	**70,657**	**5,232**	**-**	**309,279**
Transfer to investment properties (Note 16)	**(27,125)**	**-**	**(15,233)**	**-**	**-**	**-**	**(42,358)**
Eliminated on disposals	**(6,190)**	**(24,114)**	**(35,269)**	**(60,006)**	**(13,690)**	**-**	**(139,269)**
Disposals of subsidiaries (Note 51)	**(317)**	**-**	**(231,221)**	**(179,128)**	**(5,637)**	**-**	**(416,303)**
Transfer to assets held for sale (Note 11)	**-**	**(394)**	**(91,324)**	**(52,867)**	**(3,005)**	**-**	**(147,590)**
Exchange realignment	**-**	**-**	**-**	**(295)**	**-**	**-**	**(295)**
At 31 December 2017	**118,450**	**4,449**	**539,836**	**748,983**	**88,653**	**-**	**1,500,371**
Accumulated impairment:							
At 1 January 2016, and 31 December 2016	-	-	-	35	61	-	96
Additions	57,025	-	-	-	-	-	57,025
Transfer	(57,025)	-	-	(35)	(61)	-	(57,121)
At 31 December 2017	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net carrying amounts:							
At 31 December 2017	**575,981**	**8,763**	**2,185,256**	**277,199**	**13,492**	**212,706**	**3,273,397**
At 31 December 2016	1,159,270	29,896	3,464,654	362,080	23,936	5,208	5,045,044

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17. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment, less their estimated residual value, if any, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Leasehold properties	1.8% to 10%
Leasehold improvements	Over the shorter of the term of the lease, and 10% to 25%
Hotel properties	2.5% to 10%
Equipment, furniture and fixtures and motor vehicles	5% to 20%

At 31 December 2017, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB2,395,552,000 (2016: RMB2,675,933,000) were pledged to secure banking facilities granted to the Group and a loan from non-controlling interest. (Note 45).

At 31 December 2017, 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 RMB181,859,000 had not been issued by the relevant PRC authorities.

Details of the Group's leasehold properties and hotel properties as at 31 December 2017 and 2016 were as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Located in Mainland China	**2,759,050**	4,621,440
Located in Hong Kong	**2,187**	2,484
	2,761,237	4,623,924

18. LEASEHOLD LAND AND LAND USE RIGHTS

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Analysed for reporting purposes as:		
Current assets (included in deposits, prepayments and other receivables (Note 30))	**22,357**	33,965
Non-current assets	**629,526**	896,522
	651,883	930,487
Located in Mainland China	**642,355**	921,149
Located in Hong Kong	**9,528**	9,338
	651,883	930,487

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.

During the year, leasehold land and land use rights with an carrying amount of RMB108,557,000 (2016: nil) was transferred to investment properties as detailed in Note 16.

The amortisation of leasehold land and land use rights is charged to profit or loss on a straight-line basis over the term of the leases.

At 31 December 2017, land use rights with an aggregate carrying amount of RMB526,895,000 (2016: RMB559,759,000) 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 RMB10,595,000 was pledged to secure a loan from non-controlling interests (Note 45).This security was released during the year.

19. INTANGIBLE ASSETS

	RMB'000
Costs:	
At 1 January 2016	48,669
Additions	24,146
At 31 December 2016	72,815
Additions	12,108
Acquisition of a subsidiary (Note 50(a))	228
Transfer to assets held for sale (Note 11)	(4,309)
Disposal of a subsidiary (Note 51)	(250)
At 31 December 2017	80,592
Accumulated amortisation:	
At 1 January 2016	20,432
Amortisation provided during the year	12,943
At 31 December 2016	33,375
Amortisation provided during the year	11,565
Transfer to assets held for sale (Note 11)	(3,298)
Disposal of a subsidiary (Note 51)	(190)
At 31 December 2017	41,452
Net carrying amounts:	
At 31 December 2017	39,140
At 31 December 2016	39,440

Intangible assets, which mainly represent purchased computer software, are stated at cost less any impairment losses and amortised on the straight-line basis over their estimated useful life of 5 years.

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20. INTERESTS IN ASSOCIATES

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Cost of investments, unlisted	**152,505**	93,500
Share of post-acquisition results	**(45,288)**	(26,222)
	107,217	67,278

Details of the Group's principal associate at the end of the reporting period are as follows:

Company name	Place of establishment	Place of operation	Proportion of ownership interest and proportion of voting rights held by the Group At 31 December 2017	2016	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.

20. INTERESTS IN ASSOCIATES (continued)

Chengdu Yuecheng

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Current assets	**261,259**	419,255
Non-current assets	**326**	472
Total assets	**261,585**	419,727

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Current liabilities	**96,957**	209,448
Non-current liabilities	**–**	–
Total liabilities	**96,957**	209,448
Net assets	**164,628**	210,279

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue	**117,392**	140,555
(Loss)/profit and total comprehensive (expense)/income for the year	**(45,651)**	29,985
(Loss)/profit and total comprehensive (expense)/income for the year shared by the Group	**(13,696)**	8,996

20. INTERESTS IN ASSOCIATES (continued)

Chengdu Yuecheng (continued)

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	
	2017	2016
	RMB'000	RMB'000
Net assets of the Chengdu Yuecheng	**164,628**	210,279
Proportion of the Group's ownership in the associate	**30%**	30%
Share of net assets of the associate	**49,388**	63,084
Carrying amount of the Group's interest in an associate	**49,388**	63,084

Aggregate information of associates that are not individually material

	2017	2016
	RMB'000	RMB'000
The Group's share of loss and other comprehensive expenses	**(5,370)**	(805)

21. INTERESTS IN JOINT VENTURES/LOAN TO A JOINT VENTURE

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Cost of investments, unlisted	**35,000**	–
Share of post-acquisition results	**(687)**	–
Total	**34,313**	–
Loan to a joint venture	**213,468**	228,435

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21. INTERESTS IN JOINT VENTURES/LOAN TO A JOINT VENTURE (continued)

The loan to a joint venture at 31 December 2017 is unsecured and repayable in more than one year. The loan bears interest at 4.59% per annum.

At 31 December 2017, the Group had interests in the following joint ventures:

Company name	Place of incorporation	Place of operation	Proportion of ownership interest and proportion of voting rights held by the Group At 31 December 2017	2016	Principal activity
COFCO (BVI) No 97 Limited ("BVI 97")	British Virgin Islands	PRC	**40%**	40%	Investment holding
海南電影公社動畫村有限公司 (Hainan Movie & Animation Commune Ltd.) ("Hainan Movie")	PRC	Haikou, PRC	**35%**	N/A	Animation design and production

According to the shareholders' agreement entered into between the Group and the other investor of BVI 97 (the other BVI 97 "Investor"), decisions about the relevant activities of BVI 97 require unanimous consent of the Group and the other BVI 97 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.

During the year, Sanya Yalong Development Company Limited ("Yalong Development", a subsidiary of the Company) acquired 35% equity interest of Hainan Movie from independent third parties to the Group (the "Investor A" and the "Investor B") for a cash consideration of RMB35,000,000 and thereafter, the Investor A holds 57.18% equity interest and Investor B holds 7.82% equity interest in Hainan movie. According to the shareholders' agreement entered into among Yalong Development, the Investor A and the Investor B, decisions about the relevant activities of Hainan Movie require at least 75% voting power from the board of directors of Hainan Movie. In the opinion of the Directors, the Group accounts for the interest in Hainan Movie as a joint venture.

Summarised financial information in respect of the Group's material 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.

21. INTERESTS IN JOINT VENTURES/LOAN TO A JOINT VENTURE (continued)

BVI 97

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Current assets	**69,303**	74,451
Non-current assets	**1,460,152**	1,492,474
Total assets	**1,529,455**	1,566,925
Current liabilities	**692,386**	1,472,407
Non-current liabilities	**1,022,728**	228,435
Total liabilities	**1,715,114**	1,700,842
Net liabilities	**(185,659)**	(133,917)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**61,780**	62,061
Current financial liabilities (excluding trade and other payables and provisions)	**535,077**	1,315,633
Non-current financial liabilities (excluding trade and other payables and provisions)	**1,022,728**	228,435

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21. INTERESTS IN JOINT VENTURES/LOAN TO A JOINT VENTURE (continued)

BVI 97 (continued)

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue	**138,138**	129,590
Depreciation and amortisation	**(45,642)**	(63,299)
Interest expense	**(81,871)**	(79,368)
Interest income	**407**	341
Loss and total comprehensive expense for the year	**(51,742)**	(155,568)
Loss and total comprehensive expense for the year shared by the Group	**–**	(8,661)
The unrecognised share of loss for the year	**(20,697)**	(53,567)

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in BVI 97 recognised in the consolidated financial statements.

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Net liabilities of BVI 97	**(185,659)**	(133,917)
Proportion of the Group's ownership in BVI 97	**40%**	40%
The accumulated unrecognised share of loss of the Group	**(74,264)**	(53,567)
Carrying amount of the Group's interest in BVI 97	**–**	–

22. AVAILABLE-FOR-SALE INVESTMENTS

	At 31 December	
	2017	2016
	RMB'000	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

	2017	2016
	RMB'000	RMB'000
Cost and carrying amount	**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 "CGUs") for impairment testing. The carrying amounts of goodwill are allocated to the groups of CGUs comprising the following segments:

	2017	2016
	RMB'000	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

* Shanghai Yueyao Real Estate Co., Ltd. ("Shanghai Yueyao")

23. GOODWILL (continued)

Assumptions were used in the value in use calculation of groups of the CGUs for the year ended 31 December 2017.

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.

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 before tax		Growth rate beyond five-year period	
	2017	2016	**2017**	2016
Property investment (Note)	**8.0%**	8.0%	**0%**	0%
Property and land development	**8.0%**	8.0%	**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 groups 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 each CGUs was higher than the aggregate carrying amount of the CGU to which the goodwill is allocated.

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. 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 aggregate carrying amount of each CGU to exceed its aggregate 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

	Land appreciation tax	Tax losses	Impairment of assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	–	28,862	267	28,921	58,050
Charged to profit or loss (Note 10)	–	(2,519)	–	(6,984)	(9,503)
At 31 December 2016	–	26,343	267	21,937	48,547
Disposal of a subsidiary (Note 51)	–	–	–	(786)	(786)
Credited/(charged) to profit or loss (Note 10)	47,621	(20,643)	25,615	104,897	157,490
At 31 December 2017	**47,621**	**5,700**	**25,882**	**126,048**	**205,251**

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24. DEFERRED TAX (continued)

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 2016	5,448,418	477,999	50,488	18,362	5,995,267
Acquisition of a subsidiary (Note 50(b))	178,577	87,203	–	–	265,780
Debited to property revaluation reserve (Note 16)	740	–	–	–	740
Charged/(credited) to profit or loss (Note 10)	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
Acquisition of a subsidiary (Note 50(a))	46,618	60,266	–	–	106,884
Debited to property revaluation reserve (Note 16)	19,288	–	–	–	19,288
Charged/(credited) to profit or loss (Note 10)	183,703	184,153	106,084	(13,269)	460,671
Exchange realignment	–	–	–	(648)	(648)
At 31 December 2017	**6,138,308**	**971,582**	**154,444**	**18,272**	**7,282,606**

24. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Deferred tax assets	**28,833**	15,815
Deferred tax liabilities	**(7,106,188)**	(6,663,679)
	(7,077,355)	(6,647,864)

At 31 December 2017, the Group had tax losses of RMB2,638,211,000 (31 December 2016: RMB2,342,822,000) arose in Mainland China to carry forward to set off against future taxable profit 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 tax losses of RMB22,800,000 (2016: RMB105,372,000). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB2,615,411,000 (2016: RMB2,237,450,000) due to the unpredictability of future profit streams.

The unrecognised tax losses will expire in the following years:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
To be expired on:		
31 December 2017	**–**	356,206
31 December 2018	**438,350**	439,462
31 December 2019	**362,865**	448,109
31 December 2020	**571,111**	571,691
31 December 2021	**413,080**	421,982
31 December 2022	**830,005**	–
Total unused tax losses not recognised as deferred tax assets	**2,615,411**	2,237,450

24. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

At 31 December 2017, the Group had estimated unused tax losses of RMB200,596,000 (2016: RMB197,296,000) 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 Enterprise Income Tax Law, a 5% to 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. 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. At 31 December 2017, deferred tax liabilities on certain undistributed profits of the PRC subsidiaries of approximately RMB62,859,000 (2016: RMB99,043,000), which were generated after 1 January 2008, have not been recognised as of 31 December 2017 because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

25. LOANS TO/FROM AN ASSOCIATE, FELLOW SUBSIDIARIES, THE ULTIMATE HOLDING COMPANY, NON-CONTROLLING INTERESTS AND A THIRD PARTY

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Classified under current assets		
Loan to an associate (Note (a))	**347,143**	–
	347,143	–
Classified under current liabilities		
Loans from fellow subsidiaries (Note (b))	**68,000**	1,038,850
Loans from non-controlling interests (Note (c))	**31,409**	4,000
Loan from the ultimate holding company (Note (e))	**–**	300,000
Loan from a third party (Note (d))	**25,310**	–
	124,719	1,342,850
Classified under non-current liabilities		
Loans from a fellow subsidiary (Note (b))	**877,976**	790,000
Loan from non-controlling interests (Note (c))	**–**	33,038
	877,976	823,038

25. LOANS TO/FROM AN ASSOCIATE, FELLOW SUBSIDIARIES, THE ULTIMATE HOLDING COMPANY, NON-CONTROLLING INTERESTS AND A THIRD PARTY (continued)

Notes:

(a) The loan to an associate as at 31 December 2017 was unsecured, interest bearing at 7.0% per annum and repayable within one year.

(b) The loans from fellow subsidiaries carried interest at rates ranging from 4.28% to 4.75% per annum as at 31 December 2017 (31 December 2016: 3.92% to 6.15% per annum) and were classified into current liabilities and non-current liabilities according to their repayment terms. Included in the above loans from fellow subsidiaries, RMB394,000,000 of which were guaranteed by COFCO Land Management Company Limited, a fellow subsidiary as at 31 December 2017 (31 December 2016: RMB396,000,000).

(c) The unsecured loans from non-controlling interests classified under current liabilities at 31 December 2017 represented the loans from the non-controlling interests of Xi'an Wanye Real Estate Development Company Limited and carried at floating interest rate of 4.79% per annum at 31 December 2017 and repayable within one year.

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, which were fully settled during the year.

(d) The loan from a third party classified under current liabilities was unsecured, carried at floating interest rate of 4.79% per annum as at 31 December 2017 (31 December 2016: nil) and was repayable within twelve months from the end of the reporting period.

(e) The loan from the ultimate holding company at 31 December 2016 was fully settled in 2017.

25. LOANS TO/FROM AN ASSOCIATE, FELLOW SUBSIDIARIES, THE ULTIMATE HOLDING COMPANY, NON-CONTROLLING INTERESTS AND A THIRD PARTY (continued)

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

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Carrying amount of loans from fellow subsidiaries, the ultimate holding company, non-controlling interests and a third party repayable*:		
Within one year	**124,719**	1,342,850
In the second year	**18,000**	10,000
In the third to fifth year, inclusive	**859,976**	796,000
Over five years	**–**	17,038
Total	**1,002,695**	2,165,888
Less: Amounts due within twelve months shown under current liabilities	**(124,719)**	(1,342,850)
Amounts shown under non-current liabilities	**877,976**	823,038

* 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	
	2017	2016
	RMB'000	RMB'000
Guaranteed by:		
A fellow subsidiary	**394,000**	396,000

26. INVENTORIES

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Raw materials	**25,108**	20,597
Consumables	**17,687**	6,689
	42,795	27,286

27. PROPERTIES HELD FOR SALE

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Completed properties held for sale	**2,236,373**	4,641,811

The Group's properties held for sale are located in Mainland China. They are stated at the lower of cost and net realisable value.

At 31 December 2017, certain of the Group's properties held for sale with a net carrying amount of approximately RMB33,463,000 (2016: nil) were pledged to secure banking facilities granted to the Group (Note 45).

Included in the completed properties held for sale is carrying amount of RMB637,006,000 (2016: RMB315,376,000) which is expected to be sold after more than twelve months from the end of the reporting period.

28. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2017 RMB'000	2016 RMB'000
At cost:		
At 1 January	**11,320,633**	12,342,085
Additions	**4,203,238**	2,352,367
Transfer to investment properties (Note 16)	**(1,320,275)**	–
Transfer to properties held for sale upon completion	**(1,882,183)**	(3,568,937)
Transfer to leasehold land and land use rights	**–**	(80,000)
Interest capitalised during the year (Note 8)	**181,586**	275,118
At 31 December	**12,502,999**	11,320,633

Included in the properties under development for sale as at 31 December 2017 was carrying amount of RMB8,387,633,000 (31 December 2016: RMB8,286,185,000) 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 2017, the land on which properties under development for sale are located with a carrying amount of RMB7,189,448,000 (2016: RMB5,695,098,000) was pledged to secure certain banking facilities granted to the Group (Note 45).

Included in the properties under development for sale as at 31 December 2017 was the carrying amount of construction costs incurred of RMB235,390,000 (31 December 2016: RMB322,449,000) in relation to primary land development.

29. ACCOUNTS RECEIVABLE

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Rental receivables	**94,337**	80,574
Property management fee receivables	**15,763**	26,025
Receivables from hotel operations and related services	**52,121**	54,276
Others	**562**	–
Less: Allowance for doubtful debts	**(23,488)**	(23,758)
	139,295	137,117
Rental adjustments*	**32,010**	64,912
	171,305	202,029

* 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 sales 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 are provided, except for certain tenants and customers of which credit period of up to 30 to 60 days are granted.

At 31 December 2017, accounts receivable with an aggregate carrying amount of RMB16,855,000 (31 December 2016: RMB25,539,000) were pledged to secure certain banking facilities granted to the Group (Note 45).

The Group does not hold any collateral over the above balances.

29. ACCOUNTS RECEIVABLE (continued)

The following is an aged analysis of accounts receivable at the end of the reporting period, excluding rental adjustments and net of impairment losses, presented based on invoice date, except for aged analysis of rental receivables, which were presented based on the date of rental demand notice issued:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Less than 3 months	**125,123**	78,129
3 months to 1 year	**7,856**	29,148
1 to 2 years	**4,300**	28,253
2 to 3 years	**2,016**	1,146
Over 3 years	**–**	441
	139,295	137,117

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At the beginning of the year	**23,758**	22,522
(Reversal of impairment)/impairment, net	**(17)**	1,236
Write off	**(253)**	–
At the end of the year	**23,488**	23,758

29. ACCOUNTS RECEIVABLE (continued)

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

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Less than 3 months	**113,324**	73,136
3 months to 1 year	**5,369**	15,277
1 to 2 years	**3,990**	4,497
2 to 3 years	**1,857**	1,146
Over 3 years	**–**	441
	124,540	94,497

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 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.

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30. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Classified under non-current assets		
Other deposits	**10,000**	10,000
	10,000	10,000

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Classified under current assets		
Payments on behalf of government in relation to primary land development	**20,140**	20,140
Receivables in relation to relocation arrangement	**9,622**	6,318
Prepayments to suppliers	**69,538**	81,224
Current portion of leasehold land and land use rights (Note 18)	**22,357**	33,965
Other deposits paid	**185,141**	28,362
Prepaid LAT and business tax	**251,959**	184,757
Receivables from tenants for utility expenses paid on their behalf	**18,870**	22,109
Receivables from a former shareholder of a subsidiary	**6,640**	15,379
Receivables from tenants for decoration expenses paid on their behalf	**–**	3,052
Consideration receivable from disposal of a subsidiary (Note 51)	**35,500**	–
Other receivables	**66,498**	68,688
	686,265	463,994
Less: Allowance for doubtful debts	**(31,851)**	(43,731)
	654,414	420,263

30. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (continued)

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

	2017 RMB'000	2016 RMB'000
At the beginning of the year	**43,731**	35,057
Recognition of impairment loss of, net	**3,499**	8,674
Write off	**(15,379)**	–
At the end of the year	**31,851**	43,731

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

The amounts due from/to holding companies, joint venture, associates, 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 2017 was dividend payable to non-controlling interests of RMB448,855,000 (2016: RMB115,079,000).

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

The particulars of the amounts due from fellow subsidiaries disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (cap. 622) are as follows:

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Amounts due from fellow subsidiaries*:		
Name of fellow subsidiaries:		
中糧置地管理有限公司 (COFCO Land Management Co., Ltd**) ("COFCO Land Management")	**-**	334
煙台中糧博瑞房地產開發有限公司 (Yantai COFCO Real Estate Development Co., Ltd**) ("Yantai Real Estate")	**-**	279
	-	613
Maximum amount outstanding during the year		
Name of fellow subsidiaries:		
COFCO Land Management	**416**	334
Yantai Real Estate	**221**	3,310

* 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, other than the functional currency of the entities comprising the Group to which they relate:

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Amounts due to fellow subsidiaries	**-**	7,513
Amounts due to non-controlling interests	**271,869**	9,874
	271,869	17,387

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

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Cash at banks and on hand	**4,842,958**	8,409,000
Non-pledged time deposits with an original maturity of:		
Three months or less when acquired	**3,560,635**	380,000
Three months to one year when acquired	**–**	2,101
Cash and bank balances	**8,403,593**	8,791,101
Pledged deposits:		
For guarantees provided by the Group in respect of loan facilities utilised by property buyers (Note 45)	**10,869**	5,740
Restricted bank deposits:		
Deposits received in respect of pre-sale of properties*	**1,282,889**	29,239
For payments of constructions costs for specified projects**	**–**	77
For corporate credit cards	**211**	1,535
	1,283,100	30,851

* The balances at 31 December 2017 and 2016 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.

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

The bank balances and deposits carry variable interest rates as follows:

	Year ended 31 December	
	2017	2016
	%	%
Interest rate per annum	**0.01 to 3.7**	0.01 to 1.35

Certain of the Group's cash and bank balances are denominated in the following currencies other than the functional currency of the entities comprising the Group to which they relate:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Denominated in Hong Kong dollars (HK$)	**776,748**	93,710
Denominated in United States dollars (US$)	**1,193,554**	4,664,890
	1,970,302	4,758,600

33. ACCOUNTS PAYABLE

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Trade payables	**36,336**	185,713
Accrued expenditures on construction	**2,427,018**	1,680,185
	2,463,354	1,865,898

Accounts payable, including trade payables and accrued expenditures 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 payables 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.

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33. ACCOUNTS PAYABLE (continued)

The following is an aged analysis of trade payables at the end of the reporting period based on invoice date.

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Within 1 year	**34,472**	175,646
1 to 2 years	**523**	7,644
2 to 3 years	**129**	1,216
Over 3 years	**1,212**	1,207
	36,336	185,713

34. OTHER PAYABLES AND ACCRUALS

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Construction costs payable for property, plant and equipment	**204,016**	390,453
Construction costs payable for investment properties	**876,408**	2,123,341
Receipts of credit card payments on behalf of tenants	**416,870**	490,679
Rental deposits received	**475,333**	676,617
Other deposits received	**387,974**	83,186
Salaries and payroll payables	**271,946**	220,904
Rental receipts in advance	**137,108**	210,001
Receipts in advance from customers	**148,870**	73,943
Other receipts in advance	**214,318**	58,893
Other tax payable	**264,348**	90,695
Consideration payable for acquisition of subsidiaries	**1,000**	61,442
Interest payables	**18,043**	27,200
Promotional fees payable	**86,304**	114,783
Other payables and accruals	**364,518**	283,685
	3,867,056	4,905,822

35. BANK BORROWINGS

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Bank loans:		
Secured or guaranteed	**10,085,913**	10,530,696
Unsecured	**1,261,247**	–
	11,347,160	10,530,696
Represented:		
Fixed-rate borrowings	**2,258,714**	–
Floating-rate borrowings	**9,088,446**	10,530,696
	11,347,160	10,530,696

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	
	2017	2016
	RMB'000	RMB'000
Guaranteed by a fellow subsidiary	**473,643**	1,453,284

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35. BANK BORROWINGS (continued)

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

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Carrying amount of bank loans repayable*:		
Within one year	**2,361,101**	2,910,317
In the second year	**995,231**	882,627
In the third to fifth year, inclusive	**3,665,091**	1,974,868
Beyond five years	**4,325,737**	4,762,884
Total bank borrowings	**11,347,160**	10,530,696
Less: Amounts due within twelve months shown under current liabilities	**(2,361,101)**	(2,910,317)
Amounts shown under non-current liabilities	**8,986,059**	7,620,379

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

As at 31 December 2017, the amount of RMB728,117,000 bank borrowings was denominated in HKD (2016: nil).

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings is as follows:

	Year ended 31 December	
	2017	2016
	%	%
Effective interest rate per annum	**1.59 to 5.22**	4.28 to 4.90

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 of 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.

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.

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36. GUARANTEED NOTES (continued)

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 2016	5,171,889
Interest charge (Note 8)	206,163
Interest paid	(194,317)
Exchange differences	356,792
Carrying amount at 31 December 2016	5,540,527
Interest charge (Note 8)	208,297
Interest paid	(195,589)
Exchange differences	(320,952)
Carrying amount at 31 December 2017	5,232,283

37. BONDS PAYABLE

On 14 January 2016, a wholly-owned subsidiary of the Company (the "Subsidiary") issued a five-year term unsecured corporate bond (the "Corporate Bonds") in the PRC with a principal amount of RMB3,000 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.

The Company has registered a medium-term notes in an aggregate amount of not more than RMB10 billion (the "Medium Term Notes") in relation to the application to the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) (the "Association"). On 6 September 2017, the Company issued a three-year term unsecured First Tranche Medium Term Notes (the "First Tranche Medium Term Notes") in the PRC with a principal amount of RMB1 billion. The coupon rate of the First Tranche Medium Term Notes is 4.95% per annum. The proceeds from issuance of the First Tranche Medium Term Notes are intended to be used for repaying the Group's bank loans and borrowings.

38. SHARE CAPITAL

Ordinary share capital of the Company

	Number of shares	Amount	(RMB equivalent)
		HK$'000	RMB'000
Authorised:			
Ordinary shares of HK$0.10 each			
At 1 January 2016, 31 December 2016 and 31 December 2017	28,904,699,222	2,890,470	2,293,502
Issued and fully paid:			
Ordinary shares of HK$0.10 each			
At 1 January 2016, 31 December 2016 and 31 December 2017	14,231,124,858	1,423,112	1,122,414

39. NON-REDEEMABLE CONVERTIBLE PREFERENCE SHARES

Non-redeemable convertible preference shares ("CPS") with a par value of 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 then 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 RMB1,722,317,000).

The CPS shall be convertible at the option of its holder, without the payment of any additional consideration therefor, into such number of fully-paid Shares at the conversion ratio of one CPS for one Share. Holders of the CPS will have the right to convert all or such number of CPS into the Conversion Shares at any time after the issuance of the CPS, provided that they may not exercise the conversion rights as to such number of CPS the conversion of which would result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules. The CPS shall be non-redeemable by the Company or their holders.

Each CPS shall confer on its holder the right to receive any dividend pari passu with holders of Shares on the basis of the number of Share(s) into which each CPS may be converted and on an as converted basis. The holders of the CPS shall have priority over the ordinary shareholders of the Company on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company (but not on conversion of CPS or any repurchase by the Company of CPS or Shares).

The holders of the CPS shall be entitled to receive notices of and to attend general meetings of the Company, but the CPS shall not confer on their holders the right to vote at a general meeting of the Company, unless a resolution is to be proposed at a general meeting for the winding-up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the CPS or vary the restrictions to which the CPS are subject.

The CPS (including the Conversion Shares once converted from the CPS) may be transferred by their holders without restriction. Save as expressly provided in the Bye-laws and save and except for the voting rights and distribution entitlements upon liquidation, winding-up or dissolution of the Company, each CPS shall have the same rights as each of the Shares.

The Conversion Shares upon conversion of the CPS will be issued as fully paid and will rank pari passu in all respects with the Shares in issue as at the date of conversion. Listing approval for the Conversion Shares has been granted by the Stock Exchange.

39. NON-REDEEMABLE CONVERTIBLE PREFERENCE SHARES (continued)

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).

In September 2017, the holding of CPS was transferred from Achieve Bloom Limited to Vibrant Oak Limited, which is the new immediate holding company of the Company.

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 RMB3,768 million (the "Perpetual Loan") to the Group for the purpose of repaying part of the loans from the ultimate holding company. The Perpetual Loan Agreement took effect on 20 October 2014 and the Perpetual Loan had been granted to the Group. The Perpetual Loan bears interest at 6.5% per annum. Interest payments on the Perpetual Loan are paid annually in arrears from 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 24 December 2017 and on 22 December 2016, the Group repaid principal of the Perpetual Loan amounting to RMB500 million each to the ultimate holding company, respectively. As a result, the principal of the Perpetual Loan reduced to RMB2,768 million accordingly as at 31 December 2017.

During the year, interest amounting to RMB462,614,000 (2016: RMB240,799,000) 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.

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42. CONTINGENT LIABILITIES

Guarantees

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Guarantees provided by the Group in respect of loan facilities utilised by property buyers	**428,848**	531,739

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 commence 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 RMB220 million (2016: RMB220 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 not probable, 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 RMB3,318 million, including the cost for the non-compliant structure of RMB42 million. The non-compliant structure has been occupied as office and has not generated any revenue. Chaoyang Joy City generated revenue since the year 2010. The aggregate revenue of the shopping mall of Chaoyang Joy City since it generated revenue up to 31 December 2017 amounted to RMB3,292 million.

The construction costs of Shenyang Joy City amounted to RMB1,950 million, including an estimated cost for the excess area of RMB81 million. Shenyang Joy City generated revenue since the year 2009. The aggregate revenue of Shenyang Joy City since it generated revenue up to 31 December 2017 amounted to RMB1,627 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	
	2017	2016
	RMB'000	RMB'000
Within one year	**1,803,608**	950,933
In the second to fifth year, inclusive	**2,511,991**	2,936,046
After five years	**869,233**	922,522
	5,184,832	4,809,501

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.

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	
	2017	2016
	RMB'000	RMB'000
Within one year	**37,071**	5,792
In the second to fifth year, inclusive	**118,132**	1,991
After five years	**55,239**	–
	210,442	7,783

44. CAPITAL COMMITMENTS

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

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Capital commitments in respect of:		
Purchase of property, plant and equipment		
contracted, but not provided for	**25,288**	200,101
Constructing and developing investment properties:		
contracted, but not provided for	**1,955,299**	1,692,333
Capital injection commitments to a newly established offshore fund	**3,420,000**	–
	5,400,587	1,892,434

45. PLEDGE OF ASSETS

The carrying amounts of the non-current and current assets pledged to banks and to secure loan facilities granted to the Group by banks and loans from non-controlling interests and guarantee provided by the Group in respect of loan facilities utilised by property buyers are as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Investment properties	**39,963,465**	35,213,700
Property, plant and equipment	**2,395,552**	2,675,933
Properties under development for sale	**7,189,448**	5,695,098
Properties held for sale	**33,463**	–
Leasehold land and land use rights	**526,895**	570,354
Accounts receivable	**16,855**	25,539
Pledged deposits	**10,869**	5,740
	50,136,547	44,186,364

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	
	2017	2016
	RMB'000	RMB'000
Financial assets:		
Loans and receivables (including cash and bank balances)	**10,828,281**	9,748,658
Available-for-sale investments	**510**	510
Financial assets classified as part of a disposal group	**733,874**	–
Financial liabilities:		
Amortised cost	**29,337,055**	29,410,976
Financial liabilities classified as part of a disposal group	**840,427**	–
Rental deposits received	**806,067**	876,731

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, a joint venture, associates, and non-controlling interests, loans to/from a joint venture, an associate, the ultimate holding company, 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, bonds payable 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 2017, 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, loan to a joint venture which consists in US$ as set out in Note 21 and bank borrowings which mainly consist of HK$ as set out in Note 35 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% (2016: 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% (2016: 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.

	2017	2016
	RMB'000	RMB'000
(Decrease)/increase in post-tax profit for the year:		
– if RMB weakens against US$	**62,046**	(36,558)
– if RMB strengthens against US$	**(62,046)**	36,558
– if RMB weakens against HK$	**8,102**	3,186
– if RMB strengthens against HK$	**(8,102)**	(3,186)

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans from the ultimate holding company, fellow subsidiaries and non-controlling interests, fixed-rate bank borrowings, guaranteed notes and bonds payable (see Notes 25, 35, 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, variable-rate bank borrowings, variable-rate loans from a fellow subsidiary and a non-controlling interest and a third party. The interest rates and terms of repayment of the interest-bearing bank borrowings of the Group are disclosed in Note 35. The interest rates and terms of repayment of the interest-bearing loans from a fellow subsidiary, a non-controlling interest and a third party of the Group are disclosed in Note 25. It is the Group's policy to negotiate the terms of the interest-bearing bank borrowings in order to balance the interest rate exposure.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Interest rate risk management (continued)

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings, loans from a fellow subsidiary and a non-controlling interest and a third party 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 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 (2016: 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 (2016: 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.

	2017 **RMB'000**	2016 RMB'000
(Decrease)/increase in post-tax profit for the year:		
– interest rates 50 basis points higher	**(38,010)**	(39,490)
– interest rates 50 basis points lower	**38,010**	39,490

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk management

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets stated in the consolidated statement of financial position and the financial guarantee contracts.

At as 31 December 2017, the Group's credit risk is primarily attributable to its loans to a joint venture and an associate, amounts due from fellow subsidiaries, holding companies, a joint venture, associates 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 consider that the Group's credit risk is significantly reduced.

For the loans to a joint venture and an associate, amounts due from fellow subsidiaries, holding companies, a joint venture, associates 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 2017							
Accounts payable	-	2,463,354	-	-	-	2,463,354	2,463,354
Other payables	-	2,830,466	-	-	-	2,830,466	2,830,466
Rental deposits received	-	-	139,693	148,208	42,833	330,734	330,734
Bank borrowings	1.59%-5.22%	2,841,605	1,446,611	5,064,739	6,138,064	15,491,019	11,347,160
Amount due to the ultimate holding company	-	201,288	-	-	-	201,288	201,288
Amount due to an intermediate holding company	-	1,248	-	-	-	1,248	1,248
Amounts due to non-controlling interests	-	2,517,969	-	-	-	2,517,969	2,517,969
Amounts due to fellow subsidiaries	-	113,672	-	-	-	113,672	113,672
Loans from fellow subsidiaries	4.28%-4.75%	110,587	59,020	962,527	-	1,132,134	945,976
Loans from non-controlling interests	4.79%	32,912	-	-	-	32,912	31,409
Loan from a third party	4.79%	25,714	-	-	-	25,714	25,310
Bonds Payable	3.20%-4.95%	145,500	3,142,503	1,049,500	-	4,337,503	4,102,253
Guaranteed notes	3.625%	213,001	5,227,841	-	-	5,440,842	5,232,283
Financial liabilities classified as part of a disposal group	-	840,427	-	-	-	840,427	840,427
		12,337,743	10,015,668	7,224,974	6,180,897	35,759,282	30,983,549
Financial guarantee contracts		428,848	-	-	-	428,848	-

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47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk management (continued)

Liquidity and interest rate tables (continued)

	Weighted average interest rate	Repayable on demand or within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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
Bonds payable	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	-

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 statement 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, a third party and non-controlling interests, bonds payable 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 take appropriate actions to balance its overall capital structure. Neither Company nor any of its subsidiaries is subject to externally imposed capital requirements.

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49. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details major changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Amount due to the ultimate holding company	Loans from fellow subsidiaries	Loans from non-controlling interests	Guaranteed notes	Bonds payable	Amount due to non-controlling interests	Amount due to an immediate holding company	Dividend payable	Loans from the ultimate holding company	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 35	Note 31	Note 25	Note 25	Note 36	Note 37	Note 31	Note 31	Note (a)	Note 25	
At 1 January 2017	10,530,696	321,416	1,828,850	37,038	5,540,527	3,080,174	1,558,571	379,153	164,310	300,000	23,740,735
Financing cash flows	491,133	(120,128)	(77,024)	(6,579)	(195,589)	904,000	445,756	(700,844)	(329,596)	(300,000)	111,129
Arising from acquisition of a subsidiary (Note 50)	325,331	-	-	950	-	-	156,366	-	-	-	482,647
Foreign exchange translation	-	-	-	-	(320,952)	-	(118,765)	(48,620)	-	-	(488,337)
Interest expense	-	-	-	-	208,297	118,079	-	-	-	-	326,376
Dividend	-	-	-	-	-	-	476,041	370,311	165,286	-	1,011,638
Transfer to a disposal group classified as held for sale (Note 11)	-	-	(805,850)	-	-	-	-	-	-	-	(805,850)
At 31 December 2017	11,347,160	201,288	945,976	31,409	5,232,283	4,102,253	2,517,969	-	-	-	24,378,338

Note (a): Dividend payable was included under other payable and accruals.

50. BUSINESS COMBINATIONS

(a) In May 2017, the Group acquired 80% interest in Xi'an Qinhantang International Plaza Management Limited ("Xi'an Qinhantang") which is engaged in leasing of commercial investment property from an independent third party for a cash consideration of RMB441,180,000.

A summary of fair values of the identifiable assets and liabilities of Xi'an Qinhantang acquired at the date of the above acquisition was as follows:

	RMB'000
Investment properties	1,203,844
Property, plant and equipment	8,457
Intangible assets	228
Inventories	55
Accounts receivable	2,151
Deposits, prepayments and other receivables	876
Cash and bank balances	3,332
Other payables, accruals and deposits received	(92,199)
Amounts due to non-controlling interests	(68,094)
Loan from a third party	(74,010)
Loan from a non-controlling interest	(950)
Bank borrowings	(325,331)
Deferred tax liabilities	(106,884)
	551,475

Goodwill recognised on acquisition

	RMB'000
Consideration transferred	441,180
Add: Non-controlling interests	110,295
Less: Net assets acquired	(551,475)
	–

50. BUSINESS COMBINATIONS (continued)

(a) (continued)

Goodwill recognised on acquisition (continued)

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.

The non-controlling interests in Xi'an Qinhantang recognised at the acquisition date was measured at 20% of the fair value of the identifiable assets and liabilities of Xi'an Qinhantang at the acquisition date.

An analysis of net cash outflow in respect of the above acquisition

	RMB'000
Consideration paid and payable in cash	441,180
Less: Cash and bank balances acquired	(3,332)
Net amount	437,848
Less: Consideration payable	(88,272)
Net cash outflow	349,576

Included in the profit for the year was a loss of RMB287,571,000 attributable to the Group from Xi'an Qinhantang. Revenue for the year includes RMB1,628,000 attributable to the Group.

50. BUSINESS COMBINATIONS (continued)

(b) In November 2016, the Group acquired 100% interest in 香港創晟有限公司 (Gain Success Limited) ("Gain Success") from an independent third party at a cash consideration of RMB1,395,687,000. The subsidiary of Gain Success is 上海高星置業有限公司 (Shanghai Gaoxing Property Limited) which is engaged in leasing of commercial investment property in Shanghai.

A summary of fair values of the identifiable assets and liabilities of Gain Success 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
Prepayments, deposits and other receivables	14,238
Cash and bank balances	180,987
Other payables, 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.

Notes to the Consolidated Financial Statements
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50. BUSINESS COMBINATIONS (continued)

(b) (continued)

Goodwill recognised on acquisition (continued)

An analysis of net cash outflow 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 ended 31 December 2016 was a loss of RMB9,566,000 attributable to Gain Success. Revenue for the year ended 31 December 2016 includes RMB5,302,000 attributable to Gain Success.

Notes to the Consolidated Financial Statements

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51. DISPOSAL OF SUBSIDIARIES

	Beijing Gloria Properties Management Co., Ltd	Nanchang Gloria Plaza Hotel Co., Ltd	Suzhou Gloria Plaza Hotel Co., Ltd	2017 Total
	RMB'000	RMB'000	RMB'000	RMB'000
Consideration				
Consideration received in cash and cash equivalents	–	239,224	185,776	425,000
Consideration receivable (Note 30)	35,500	–	–	35,500
Total consideration received	35,500	239,224	185,776	460,500
Analysis of assets and liabilities over which control was lost				
Property, plant and equipment (Note 17)	1,140	42,951	20,498	64,589
Leasehold land and land use rights	–	13,334	20,582	33,916
Intangible assets (Note 19)	60	–	–	60
Deferred tax assets (Note 24)	786	–	–	786
Inventories	–	1,054	785	1,839
Accounts receivable	4,184	550	1,149	5,883
Deposits, prepayments and other receivables	12,064	23,569	2,904	38,537
Amounts due from fellow subsidiaries	3,618	–	–	3,618
Cash and bank balances	15,387	12,671	2,471	30,529
Accounts payable	–	(1,447)	(7,626)	(9,073)
Other payables and accruals	(13,471)	(37,524)	(22,998)	(73,993)
Amounts due to fellow subsidiaries	(8,998)	–	–	(8,998)
Income tax payable	(1,668)	–	(18)	(1,686)
Net assets disposed of	13,102	55,158	17,747	86,007
Gain on disposal of subsidiaries:				
Consideration on disposal	35,500	239,224	185,776	460,500
Net assets disposal of	(13,102)	(55,158)	(17,747)	(86,007)
Non-controlling interests	2,253	–	–	2,253
Gain on disposal (included in other gains and losses, net) (Note 7)	24,651	184,066	168,029	376,746
Net cash (outflow)/inflow on disposal of subsidiaries				
Consideration received in cash and cash equivalents	–	239,224	185,776	425,000
Less: Cash and cash equivalents disposed of	(15,387)	(12,671)	(2,471)	(30,529)
Net cash (outflow)/inflow	(15,387)	226,553	183,305	394,471

The Company disposed of its three subsidiaries to independent third parties in 2017. As at 31 December 2017, the consideration receivable from disposal of Beijing Gloria Properties Management Co., Ltd has not been settled.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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 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.

Related party transactions

During the year, the Group had the following material transactions with related parties.

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Revenue from leasing of properties to:		
Fellow subsidiaries*	**154,987**	154,081
Intermediate holding company*	**7,895**	8,081
Ultimate holding company*	**47**	59
Rental expenses for leasing of properties from:		
Fellow subsidiary	**1,751**	1,170
Ultimate holding company*	**11,513**	12,015
Provision of hotel management service by:		
Fellow subsidiary*	**5,102**	5,123
Provision of property management service by:		
Fellow subsidiary*	**3,345**	1,868
Provision of property management service to:		
Fellow subsidiary	**2,314**	1,061
Other revenue from:		
Fellow subsidiary	**6,448**	167
Ultimate holding company	**–**	17
Sourcing of staple supplies and catering services from:		
Fellow subsidiaries*	**5,508**	7,357
Ultimate holding company*	**37**	72
Intermediate holding company*	**22**	–
Services fee for entrust loans from		
Fellow subsidiaries*	**1,984**	334
Interest expense to:		
Fellow subsidiaries	**96,876**	81,576
Ultimate holding company	**181**	13,354
Other expense to:		
Fellow subsidiaries	**2,027**	–

* These related party transactions also constituted 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 2017 amounted to RMB895,976,000 (2016: RMB1,118,000,000). The deposits placed in COFCO Finance were RMB550,000,000 (2016: RMB550,000,000) at 31 December 2017.

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	
	2017	2016
	RMB'000	RMB'000
Amounts due from fellow subsidiaries:		
Within 1 year	**761**	1,756
1 to 2 years	**–**	4,820
2 to 3 years	**–**	1,177
	761	7,753
Amounts due to fellow subsidiaries:		
Within 1 year	**40,060**	30,591
1 to 2 years	**–**	4,137
2 to 3 years	**–**	2,498
Over 3 years	**–**	2,051
	40,060	39,277

Notes to the Consolidated Financial Statements

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52. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel of the Group

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Salaries, allowance and other benefits	**30,924**	20,414
Retirement benefit scheme contributions	**1,656**	1,146
	32,580	21,560

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 predominated 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	Accumulated non-controlling interests
			RMB'000	RMB'000 (Note (a))
Year ended 31 December 2017				
Sanya Yalong Development Company Limited and its subsidiaries ("Yalong Development group")	**PRC**	**49.2%**	**154,208**	**1,909,338**
Shanghai Yueyao Development Co., Ltd.	**PRC**	**50.0%**	**(2,551)**	**1,217,141**
Fortune Set	**BVI**	**49.0%**	**895,724**	**8,799,830**
Sunny Ease	**BVI**	**49.0%**	**102,201**	**2,374,358**
Vivid Star	**BVI**	**49.0%**	**21,294**	**169,337**
Speedy Cosmo	**HK**	**45.0%**	**185,063**	**77,400**
Elimination of cross holding of Fortune Set, Sunny Ease and Vivid Star			**(110,639)**	**(2,487,254)**
Individually immaterial subsidiaries with non-controlling interests			**(38,121)**	**626,461**
Total			**1,207,179**	**12,686,611**
Year ended 31 December 2016				
Yalong Development group	PRC	49.2%	13,734	1,804,630
Shanghai Yueyao Development 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
Speedy Cosmo	HK	45.0%	(35,845)	(107,663)
Elimination of cross holding of Fortune Set, Sunny Ease and Vivid Star			(103,996)	(2,376,614)
Individually immaterial subsidiaries with non-controlling interests			(1,546)	556,539
Total			233,507	11,787,431

53. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Note:

(a) The amounts represent the consolidated amount of these non-wholly-owned subsidiaries and their respective subsidiaries, as applicable.

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	
	2017	2016
	RMB'000	RMB'000
Current assets	**3,288,419**	3,295,047
Non-current assets	**2,494,405**	2,660,282
Current liabilities	**(2,020,633)**	(2,182,872)
Non-current liabilities	**(348,455)**	(465,961)
Total equity	**3,413,736**	3,306,496
Equity attributable to:		
Owners of the Company	**1,504,398**	1,501,866
Non-controlling interests	**1,909,338**	1,804,630
Total equity	**3,413,736**	3,306,496

53. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Yalong Development group (continued)

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue	**2,079,034**	1,668,660
Other income, and other gains and losses, net	**(56,672)**	10,128
Fair value gain of investment properties	**10,394**	–
Total expenses	**(1,764,871)**	(1,665,391)
Profit for the year	**267,885**	13,397
Other comprehensive income	**–**	–
Total comprehensive income for the year	**267,885**	13,397
Total comprehensive income attributable to:		
Owners of the Company	**113,677**	(337)
Non-controlling interests	**154,208**	13,734
Profit and total comprehensive income for the year	**267,885**	13,397
Dividends declared to non-controlling interests	**(49,500)**	(49,500)
Net cash (outflow)/inflow from:		
Operating activities	**(382,182)**	844,046
Investing activities	**(18,971)**	(332,444)
Financing activities	**(166,696)**	67,500
Net cash (outflow)/inflow	**(567,849)**	579,102

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53. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Shanghai Yueyao Development Co., Ltd.

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Current assets	**1,740,209**	1,616,140
Non-current assets	**1,392,468**	1,285,934
Current liabilities	**(500,603)**	(79,888)
Non-current liabilities	**(197,476)**	(382,485)
Total equity	**2,434,598**	2,439,701
Equity attributable to:		
Owners of the Company	**1,217,457**	1,220,009
Non-controlling interests	**1,217,141**	1,219,692
Total equity	**2,434,598**	2,439,701

53. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Shanghai Yueyao Development Co., Ltd. (continued)

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue	**–**	–
Other income, and other gains and losses, net	**152**	113
Fair value gain of investment properties	**4,364**	201,573
Total expenses	**(9,619)**	(61,591)
(Loss) profit and total comprehensive (expense) income for the year	**(5,103)**	140,095
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(2,552)**	70,048
Non-controlling interests	**(2,551)**	70,047
(Loss) profit and total comprehensive (expense) income for the year	**(5,103)**	140,095
Dividends declared to non-controlling interests	**–**	–
Net cash (outflow)/inflow from:		
Operating activities	**(158,850)**	(160,000)
Investing activities	**(35)**	(272)
Financing activities	**155,090**	192,101
Net cash (outflow)/inflow	**(3,795)**	31,829

53. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Speedy Cosmo

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Current assets	**2,734,365**	3,891,023
Non-current assets	**1,756,034**	6,718
Current liabilities	**(4,259,071)**	(4,099,092)
Non-current liabilities	**(59,327)**	(37,899)
Total equity	**172,001**	(239,250)
Equity attributable to:		
Owners of the Company	**94,601**	(131,587)
Non-controlling interests	**77,400**	(107,663)
Total equity	**172,001**	(239,250)

53. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Speedy Cosmo (continued)

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue	**729,310**	4,143
Other income, and other gains and losses, net	**342,641**	(176,164)
Fair value gain of investment properties	**85,710**	101,164
Total expenses	**(746,411)**	(51,861)
Profit (loss) and total comprehensive income (expense) for the year	**411,250**	(122,718)
Total comprehensive income (expense) attributable to:		
Owners of the Company	**226,187**	(86,873)
Non-controlling interests	**185,063**	(35,845)
Profit (loss) and total comprehensive income (expense) for the year	**411,250**	(122,718)
Dividends declared to non-controlling interests	**–**	–
Net cash (outflow)/inflow from:		
Operating activities	**(94,721)**	367,542
Investing activities	**(2,290)**	(182,346)
Financing activities	**77,212**	(197,765)
Net cash outflow	**(19,799)**	(12,569)

53. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Fortune Set

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Current assets	**11,797,167**	12,497,635
Non-current assets	**28,686,044**	26,235,832
Current liabilities	**(8,336,341)**	(9,825,686)
Non-current liabilities	**(12,719,502)**	(10,018,881)
Total equity	**19,427,368**	18,888,900
Equity attributable to:		
Owners of the Company	**7,859,857**	7,219,407
Perpetual capital instruments	**2,767,681**	3,515,849
Non-controlling interests	**8,799,830**	8,153,644
Total equity	**19,427,368**	18,888,900

53. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Fortune Set (continued)

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue	**6,144,468**	3,354,183
Other income, and other gains and losses, net	**816,176**	650,575
Total expenses	**(5,006,556)**	(2,747,796)
Other comprehensive income	**57,863**	–
Profit and total comprehensive income for the year	**2,011,951**	1,256,962
Total comprehensive income attributable to:		
Owners of the Company	**901,781**	750,525
Perpetual capital instruments	**214,446**	244,100
Non-controlling interests	**895,724**	262,337
Profit and total comprehensive income for the year	**2,011,951**	1,256,962
Dividends declared to non-controlling interests	**(249,538)**	–
Net cash inflow/(outflow) from:		
Operating activities	**2,089,490**	2,360,100
Investing activities	**(33,148)**	(1,334,340)
Financing activities	**(1,028,250)**	(1,704,849)
Net cash inflow/(outflow)	**1,028,092**	(679,089)

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53. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Sunny Ease

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Current assets	**550,922**	548,697
Non-current assets	**5,410,817**	5,205,918
Current liabilities	**(1,561,034)**	(1,317,991)
Non-current liabilities	**(1,185,868)**	(1,157,247)
Total equity	**3,214,837**	3,279,377
Equity attributable to:		
Owners of the Company	**840,479**	899,781
Non-controlling interests	**2,374,358**	2,379,596
Total equity	**3,214,837**	3,279,377

53. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Sunny Ease (continued)

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue	**243,769**	241,518
Other income, and other gains and losses, net	**76,887**	(74,549)
Total expenses	**(165,525)**	(142,031)
Profit and total comprehensive income for the year	**155,131**	24,938
Total comprehensive income attributable to:		
Owners of the Company	**52,930**	3,286
Non-controlling interests	**102,201**	21,652
Profit and total comprehensive income for the year	**155,131**	24,938
Dividends declared to non-controlling interests	**(107,439)**	(141,956)
Net cash (outflow)/inflow from:		
Operating activities	**(112,815)**	(47,869)
Investing activities	**(105,479)**	356,294
Financing activities	**(234,510)**	57,122
Net cash (outflow)/inflow	**(452,804)**	365,547

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53. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Vivid Star

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Current assets	**269**	302
Non-current assets	**920,806**	861,513
Current liabilities	**(572,476)**	(540,168)
Non-current liabilities	**(3,014)**	–
Total equity	**345,585**	321,647
Equity attributable to:		
Owners of the Company	**176,248**	164,040
Non-controlling interests	**169,337**	157,607
Total equity	**345,585**	321,647

53. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Vivid Star (continued)

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue	**–**	–
Other income, and other gains and losses, net	**46,471**	32,012
Total expenses	**(3,014)**	(7,911)
Profit and total comprehensive income for the year	**43,457**	24,101
Total comprehensive income attributable to:		
Owners of the Company	**22,163**	16,977
Non-controlling interests	**21,294**	7,124
Profit and total comprehensive income for the year	**43,457**	24,101
Dividends declared to non-controlling interests	**(9,564)**	–
Net cash (outflow)/inflow from:		
Operating activities	**(11)**	1
Investing activities	**–**	–
Financing activities	**–**	–
Net cash (outflow)/inflow	**(11)**	1

Change in ownership interest in subsidiaries

During the year ended 31 December 2016, 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.

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54. DETAILS OF SUBSIDARIES

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		
		2017	2016	2017	2016	
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*) (Note (c))	RMB5,000,000,000	-	-	100%	100%	Investment holding
西單大悅城有限公司 (Xidan Joy City Co., Ltd*) ("Xidan Joy City") (Note (c))	RMB1,025,000,000	-	-	100%	100%	Property investment and development
北京弘泰基業房地產有限公司 (Beijing Hongtaijiye Real Estate Co., Ltd.*) (Note (e))	RMB1,055,000,000	-	-	90%	90%	Property investment and development
大悅城(天津)有限公司 (Joy City (Tianjin) Co., Ltd.*) (Note (a))	RMB1,870,000,000	-	-	100%	100%	Property investment and development
大悅城(上海)有限責任公司 (Joy City (Shanghai) Co., Ltd.*) (Note (c))	RMB520,000,000	-	-	100%	100%	Property management
上海新蘭房地產開發有限公司 (Shanghai Xinlan Real Estate Development Co., Ltd.*) (Note (c))	RMB4,200,000,000	-	-	100%	100%	Property investment and development

54. DETAILS OF SUBSIDARIES (continued)

Company name	Paid-up issued/ registered capital	Proportion of ownership interest and voting rights held by the Company				Principal activities
		Directly		Indirectly		
		2017	2016	2017	2016	
Entities established in the PRC and operating principally in the PRC (continued)						
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 Joy City Commercial Management Co., Ltd.*)	RMB1,080,000	-	-	100%	100%	Property management
煙台大悅城有限公司 (Yantai Joy City Co., Ltd.*) ("Yantai Joy City Co") (Note (a))	RMB900,000,000	-	-	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))	RMB1,074,318,600	-	-	100%	100%	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
三亞亞龍灣開發股份有限公司 (Sanya Yalong Development Company Limited*) (Note (d))	RMB671,000,000	-	-	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))	RMB3,000,000	-	-	100%	100%	Provision of tourism service
三亞虹霞開發建設有限公司 (Sanya Hongxia Development & Construction Co., Ltd.*) (Note (e))	RMB1,339,500,000	-	-	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))	RMB500,000	-	-	100%	100%	Property management

Notes to the Consolidated Financial Statements
For the year ended 31 December 2017

54. DETAILS OF SUBSIDARIES (continued)

Company name	Paid-up issued/ registered capital	Proportion of ownership interest and voting rights held by the Company				Principal activities
		Directly		Indirectly		
		2017	2016	2017	2016	
Entities established in the PRC and operating principally in the PRC (continued)						
三亞悦晟開發建設有限公司 (Sanya Yuesheng Development Company Limited) (Note (c))	RMB15,000,000	-	-	100%	100%	Property development
北京中糧廣場發展有限公司 (Beijing COFCO Plaza Development Co., Ltd.*) (Note (d))	US$33,300,000	-	-	100%	100%	Property investment
四川凱萊物業管理有限公司 (Sichuan Gloria Properties Management Co., Ltd.*) (Note (d))	RMB500,000	-	-	94%	94%	Property management
凱萊物業管理(廣州)有限公司 (Gloria Properties Management (Guangzhou) Co., Ltd.*) (Note (d))	RMB1,200,000	-	-	87.5%	87.5%	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.*) (Note (c))	US$406,500,000	-	-	100%	100%	Property investment and development
上海悦耀置業發展有限公司 (Shanghai Yueyao Development Co., Ltd.*) (Note (d))	RMB1,862,934,229	-	-	50% (Note (b))	50% (Note (b))	Property development

54. DETAILS OF SUBSIDARIES (continued)

Company name	Paid-up issued/ registered capital	Proportion of ownership interest and voting rights held by the Company				Principal activities
		Directly		Indirectly		
		2017	2016	2017	2016	
Entities established in the PRC and operating principally in the PRC (continued)						
上海高星置業有限公司 (Shanghai Gaoxing Development Co., Ltd.*)	RMB1,083,000,000	-	-	100%	100%	Property development
四川中國酒城股份有限公司 (Sichuan China Jiucheng Co., Ltd.*)	RMB80,830,000	-	-	69.65%	69.65%	Property development
西安秦漢唐國際廣場管理有限公司 (Xi'an Qinhantang International Plaza Management Limited.*)	RMB637,000,000	-	-	80%	N/A	Property development
重慶澤悅實業有限公司 (Chongqing Zeyue Co., Ltd.*)	RMB0	-	-	100%	N/A	Property development
大悅城(青島)有限公司 (Qingdao Joy City Co., Ltd.*)	RMB1,329,880,000	-	-	100%	N/A	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 Group during the year ended 31 December 2017. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Notes:

(a) Subsidiary held by a wholly-owned subsidiary and a non-wholly-owned subsidiary of the Company.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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	
	2017	2016
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Unlisted investments in subsidiaries	**13,374,589**	13,374,589
Loans to subsidiaries	**2,132,954**	2,614,861
	15,507,543	15,989,450
CURRENT ASSETS		
Amounts due from subsidiaries	**13,747,176**	11,332,230
Amount due from non-controlling interest	**–**	149,084
Deposits, prepayments and other receivables	**50,000**	–
Cash and bank balances	**2,663,419**	4,688,203
	16,460,595	16,169,517
CURRENT LIABILITIES		
Amounts due to subsidiaries	**1,403,415**	261,292
Amounts due to fellow subsidiaries	**636**	277
Amount due to the immediate holding company	**–**	379,153
Loans from a fellow subsidiary	**50,000**	–
Tax payable	**1,053**	309,678
Other payables and accruals	**6,750**	174,428
	1,461,854	1,124,828
NET CURRENT ASSET	**14,998,741**	15,044,689
NON-CURRENT LIABILITIES		
Bonds payable	**1,016,088**	–
NET ASSETS	**29,490,196**	31,034,139
CAPITAL AND RESERVES		
Share capital (Note 38)	**1,122,414**	1,122,414
Reserves (Note (a))	**28,367,782**	29,911,725
TOTAL EQUITY	**29,490,196**	31,034,139

55. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note (a):

Reserves of the Company

	Share premium	Non-redeemable convertible preference shares	Foreign currency translation reserve	Capital redemption reserve	Contributed surplus	Retained profits	Total
	RMB'000	RMB'000 (Note 39)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	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 declared	-	-	-	-	-	(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**
Loss and total comprehensive expense for the year	**-**	**-**	**-**	**-**	**-**	**(1,008,346)**	**(1,008,346)**
Final 2016 dividend declared (Note 12)	**-**	**-**	**-**	**-**	**-**	**(535,597)**	**(535,597)**
At 31 December 2017	**17,993,202**	**1,722,317**	**3,266**	**1,931**	**227,703**	**8,419,363**	**28,367,782**

Definitions

In this Annual Report, the following expressions have the following meanings unless the context requires otherwise:

"Achieve Bloom"	Achieve Bloom Limited (得茂有限公司), a company incorporated in the BVI with limited liability on 10 June 2011, a wholly-owned subsidiary of COFCO (HK)
"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, 1 June 2018 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 (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

Definitions

"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 (大悦城)", including Xidan Joy City, Shenyang Joy City, Chaoyang Joy City, Shanghai Joy City, Tianjin Nankai 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

Definitions

"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

Definitions

"RMB"	Renminbi, the lawful currency of the PRC
"Sanya Yuesheng Development"	Sanya Yuesheng Development Company Limited (三亞悅晟開發建設有限公司), a company incorporated in the PRC with limited liability on 16 July 2014 and wholly-owned by Yalong Development
"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
"Vibrant + Oak"	Vibrant Oak Limited（明毅有限公司）, a company incorporated in the BVI with Limited Liability, a wholly-owned subsidiary of COFCO (HK) and a controlling shareholder of the Company
"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

Mr. JIANG Chao
Mr. ZENG Xianfeng
Mr. JIANG Yong

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

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