中粮
COFCO
自然之源 重塑你我

JOY CITY PROPERTY LIMITED
大悅城地產有限公司

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

fantasy to joy
2018 annual report

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

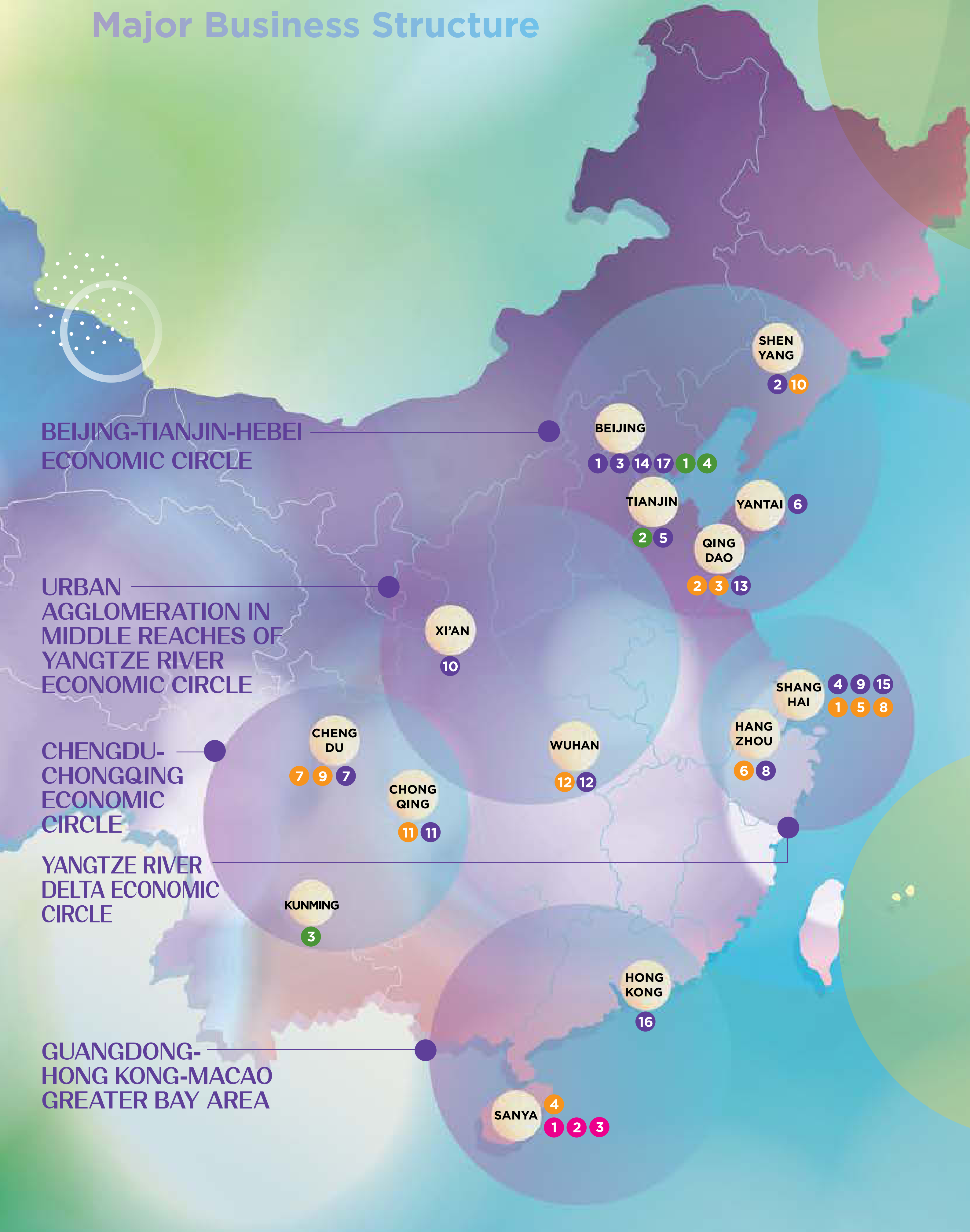
Joy City Property Limited is a large-scale commercial property developer and operator, focusing on the development, operation, sales, leasing and management of complexes and commercial properties in the PRC.

COFCO Corporation, the ultimate controlling shareholder of Joy City Property Limited, is one of the 49 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 25 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 output management and other services. As of 31 December 2018, the Group has expanded into the core cities and their surrounding areas in five major city groups including Beijing-Tianjin-Hebei, Yangtze River Delta, Guangdong-Hong Kong-Macau Greater Bay Area, 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, Qingdao, Wuhan and Kunming. It operates or is in the process of constructing 16 Joy City urban complexes, 2 Joy Breeze projects and 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, Hainan COFCO • Hong Tang Joy Sea and Qingdao Gold Sand • COFCO Shine City, and a number of international top-class 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.

At the end of 2018, the reorganization scheme for COFCO Property (000031.SZ) and Joy City Property (00207.HK) was unconditionally approved after review by the CSRC, marking a significant breakthrough in the consolidation of the two listed property platforms under COFCO Corporation. The equity transfer in relation to the acquisition of Joy City by COFCO Property was completed in February 2019. Through this reorganization, the comprehensive strength of the Group will be remarkably enhanced, and its scale will be significantly expanded. Looking forward, Joy City Property, as reorganized, will promote brand integration to shape a new brand image, and carry over the Joy City brand spirit of "young, fashionable, trendy and quality", with a view to creating a real estate platform covering all types of businesses including residential properties and commercial properties. Leveraging on this reorganization and the wealth of experience of its management team, the Group will stride into a brand new stage of quality development. Persisting in precise investment, scientific operation, strong risk control and great return, the Group will strive to become a creator of beautiful urban life with the strongest capability of sustainable development to create perpetual value for the cities and better life for the people.

Major Business Structure



Property Development

1. Ocean One
2. Qingdao Gold Sand • COFCO Shine City
3. Qingdao Chuangzhi • COFCO Splendid City
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
10. Apartment Building on Land Lot E of Shenyang Joy City
11. Chongqing COFCO Central Park Shine City
12. Apartment Building of Wuhan Optics Valley Joy City

Hotel Operation

1. The St. Regis Sanya Yalong Bay Resort
2. MGM Grand Sanya
3. Cactus Resort Sanya by Gloria

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 Parkside JOY CITY
10. Xi'an JOY CITY
11. Chongqing JOY CITY
12. Wuhan Joy City
13. Qingdao Joy Breeze
14. Beijing COFCO Plaza
15. Fraser Suites Top Glory Shanghai
16. Hong Kong COFCO Tower
17. COFCO • Landmark Tower

Output Management and Other Services

1. Joy City Commercial Management
2. Tianjin Heping Joy City
3. Phase I of Kunming Luosiwan Joy City
4. Beijing Joy Breeze (Daxing)

Major Events and Awards in 2018

MAJOR EVENTS IN 2018

21 April

Joy City Shopping Festival recorded daily sales of RMB156 million on 21 April

5 May

Shanghai Parkside Joy City grandly opened

1 August

COFCO•Landmark Tower officially opened

28 August

Hangzhou Joy City grandly opened

15 September

Daily sales of Joy City Shopping Festival exceeded RMB238 million on 15 September

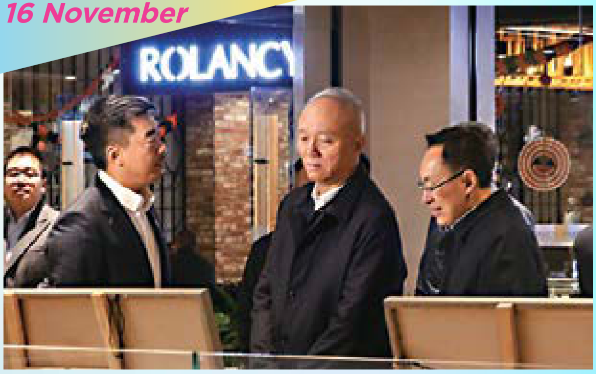
28 September

The Group successfully acquired the Land Lot E in Dadong District, Shenyang

20 October

The Company organized 2018 "Joy City Run" (as a charitable brand event)

16 November



Cai Qi, Secretary to the Municipal Party Committee of Beijing, surveyed the urban renewal project in COFCO Plaza

17 November

The Joy City complex project in Optics Valley, Wuhan commenced construction officially

26 November

The Company successfully held the "Focusing on Quality Development and Saluting to Beautiful Life – 2018 Joy City Brand Promotion"

1 December

Kunming Joy City officially opened

4 December

The significant asset reorganization project of COFCO Property and the Company was unconditionally approved by the CSRC, putting the business development on the fast lane

14 December

The Group won the bid for a land lot in Tianfu New District, Chengdu

16 December

Xi'an Joy City officially opened

Major Events and Awards in 2018

AWARDS

Various China Building Economy **CABEP** *awards*

The commercial team covering the southwest region was honored as the

"Best Operational Team in China Building Economy"

Xidan Joy City was honored as an ***"Exemplary Commercial & Fashionable Shopping Mall in China Building Economy (Street District Included)"***

Chaoyang Joy City was named the ***"Most Contributive Urban Complex in China Building Economy"***

- **The Company was selected as a "Sample Enterprise for China Shopping Center Development Index" by China Chain Store & Franchise Association; Xidan Joy City won the Prize for Best Upgrade and Renovation under Golden Lily Award; Tianjin Nankai Joy City won the Prize for Best Operation under Golden Lily Award; Shenyang Joy City won the Prize for Best Marketing under Golden Lily Award; and Chengdu Joy City won the Prize for Best Environmental Protection under Golden Lily Award.**

- **At the Third China Real Estate Asset Management Summit, the Company won the award of "2018 New Power in Asset Management·Most Outstanding Enterprise of the Year", ZHOU Peng, general manager, was recognized as the "2018 New Power in Asset Management·Most Outstanding Man of the Year", and Xi'an Joy City won the award of "New Power in Asset Management·New Business Example".**

Awards won by the Company

- The Company won the two awards of the **"Best Brand Value Award of the Year"** and the **"Listed Company with the Most Potential"** from China Financial Market for 2017.

- The Joy City brand was rated as AAA+ by Brand Finance with a brand value of RMB13.6 billion.

- The Company was named one of the **"2018 China Top 10 Commercial Real Estate Developers"** at the Press Conference for Research Achievements on Top 100 Real Estate Developers in China and the 15th Summit for Top 100 Real Estate Entrepreneurs in China, and ZHOU Zheng, Chairman of the Board, was named the **"Contributor of China Top 100 Real Estate Developers in 2018"**.

- At the RECon China held by International Council of Shopping Centers (ICSC) in Shanghai; the Joy Cloud, a smart business system, won the **"Gold Award for New Technology"**; the Joy City Shopping Festival won the **"Gold Award for Marketing"**; the Chat Garden of Xidan Joy City won the **"Gold Award for Design and Development"**; the i-LAND of Shanghai Jing'an Joy City won the **"Silver Award for New Retail Concept"**; the 4½ district of Shenyang Joy City won the **"Silver Award for Design and Development"**; and Chengdu Joy City won the **"Silver Award for Design and Development"**.

- The Company was named one of the **"Top 100 China Real Estate Listed Firms (Top 100 China Real Estate Listed Companies)"** at the 2018 Summit and Award Ceremony for Top 100 China Real Estate Listed Firms.

- The Company won the award of the **"2018 Quality Chinese Real Estate Enterprise Award"** granted by the Preparatory Committee for Quality Chinese Real Estate Enterprise Award.

- The Company won the award of **"2018 China Annual Investment Value Commercial Property Brand"** at the China Property Fashion Prize hosted by Guandian Real Estate New Media.

- The Company was named one of the **"Top 10 Brand Value of China Commercial Real Estate Companies for 2018"** at the Press Conference for Research Achievements of China Real Estate Brand Value.

- The Company won the **"Prize for 2018 Most Influential Commercial Property Enterprise in China, Top 10 of Top 100 China Commercial Property Enterprises"** at Guandian Commercial Annual Meeting held by Guandian Real Estate New Media.

- The Company won the award of the **"Most Brand Valued Listed Company"** under the Eighth China Securities Bauhinia Prize.

- The Company won the award of the **"Most Social Responsible Listed Company"** awarded by the International Development Forum for Listed Companies in China and Golden Lion Prize hosted by Sina Finance.

Major Events and Awards in 2018

Awards won by our projects

- Sanya Yalong Bay Resort was qualified as a **National Tourism and Resort District**.

- Chengdu Joy City won the award of 2017 top fashion list **"Popular Shopping Mall of the Year in Top Fashions 2017"**; and **"2017 Innovation Award for Marketing and Promotion of Commercial Complex in Chengdu"** and **"2017 Award for Contributions of Commercial Complex to Public Welfare in Chengdu"** at Chengdu commercial project value referendum in 2017.

- Chengdu Joy City was recognized as an **"Outstanding Example for Electrical and Mechanical Process Management of Public Buildings in China 2018"** at the 14th Academic Week of Building Energy Efficiency of Tsinghua University held by Chinese Academy of Engineering, and was included in **"2018 Annual Report on China Building Energy Efficiency"** as one of the three outstanding examples in China.

- At the "RICS Awards 2018" Award Ceremony held by Royal Institution of Chartered Surveyors, COFCO • Landmark Tower won the **"Champion of the Year for Achievements in Sustainable Development"** award; and Beijing COFCO Plaza was awarded the **"City Regeneration Team Champion 2018"** for its achievements made in the upgrade and renovation of Block C.

- Kunming Joy City won the Yunnan Commercial Property **"Gold Peacock Award and 2017-2018 Highly-Anticipated Commercial Property Project"**.

- "Shi Jian", the unique zone with the theme of slow food, of Chaoyang Joy City won the **"Silver Prize of 2018 ICSC New Retail Concept Group"**.

- Hangzhou Joy City received the **"New Pioneer Award"** at the 2017 summit of regional influence of Tencent and the **"Most Awaited Shopping Mall"** at the commercial brand ceremony in Hangzhou.

- Hangzhou Joy City was awarded as **"Most Popular Property"** in 2018 Word-of-mouth Complex Double Eleven Activity.

- Shanghai Jing'an Joy City won the **"New Value Award for Cross-Sector Upgrade of Commercial Properties in China"** by Mall China in 2018.
- Shanghai Jing'an Joy City was named as the **"Gathering Place for New Items in the 2017-2018 List of Most Popular Places for Launching New Items Worldwide in Shanghai"** at the Opening Ceremony of Place for Launching New Items Worldwide in Shanghai.
- Shanghai Jing'an Joy City won the **"2018 Best Marketing and Planning Award"** in China Shopping Centre Industry granted by Mall China.
- Shanghai Jing'an Joy City was named as the **"Annual Experience Innovative Landmark Project"** awarded by the **"Leading Prize"** of 2018 Experiential Commercial Property in China hosted by Winshang.com.
- Shanghai Jing'an Joy City won the **"2018 CCFA Retail Innovation Prize"** hosted by China Chain Store & Franchise Association (CCFA).
- Xi'an Joy City won the award of **"New Power in Asset Management • New Business Example"**, and the **"Award of Commercial Urban Contribution to Xi'an"** at Xi'an Commercial Innovation and Development Conference for 40 Years since the Reform and Opening-up Policy.

Financial Highlights

Item	For the year ended 31 December 2018 RMB'000	2017 RMB'000	Change (%)
Revenue	**8,128,914**	11,657,761	-30.3
Includes: Gross income from investment property rental and related services	**3,632,918**	3,433,075	5.8
Property development	**3,568,703**	7,123,798	-49.9
Hotel operations	**732,640**	959,253	-23.6
Primary land development	**7,044**	12,593	-44.1
Output management	**75,776**	46,722	62.2
Other services	**111,833**	82,320	35.9
Gross profit	**4,499,770**	5,247,676	-14.3
Profit attributable to owners of the Company	**2,103,271**	1,153,162	82.4
Core net profit attributable to owners of the Company (Note 1)	**1,566,872**	838,953	86.8
Basic earnings per share (RMB cent)	**13.7**	7.5	82.7

Item	31 December 2018 RMB'000	31 December 2017 RMB'000	Change (%)
Total assets	**98,860,489**	86,370,523	14.5
Equity attributable to owners of the Company	**28,209,016**	27,018,517	4.4
Net debt to total equity ratio (%) (Note 2)	**45.3**	28.2	17.1 (Note 3)

Notes:

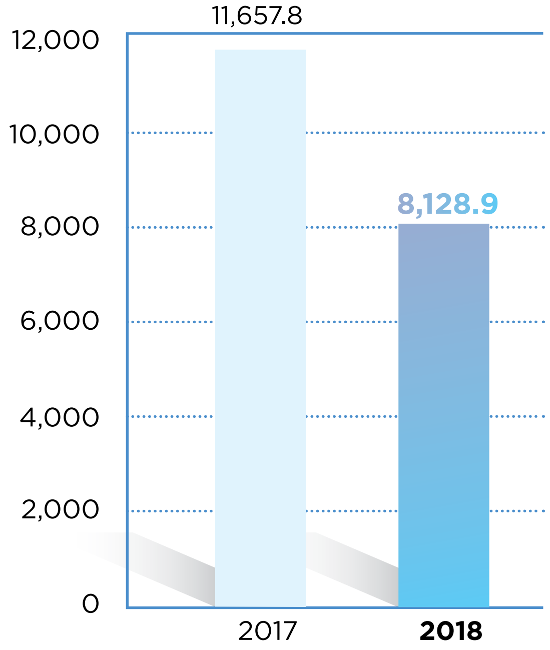
1. Core net profit attributable to owners of the Company = profit attributable to owners of the Company – foreign exchange gain/loss – fair value gains after tax of investment property attributable to owners of the Company

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

3. Change in percentage

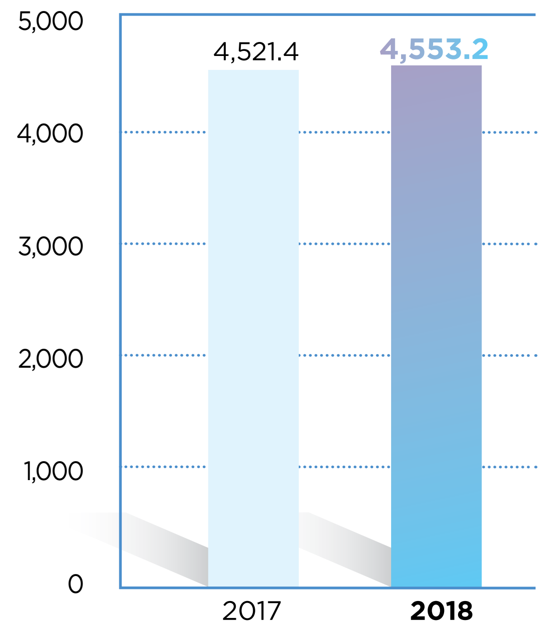
Revenue

RMB: million



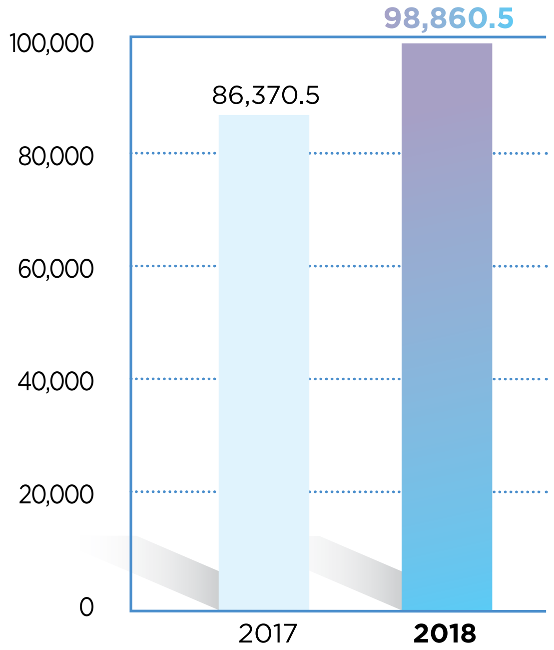
Recurring revenue (Note 4)

RMB: million



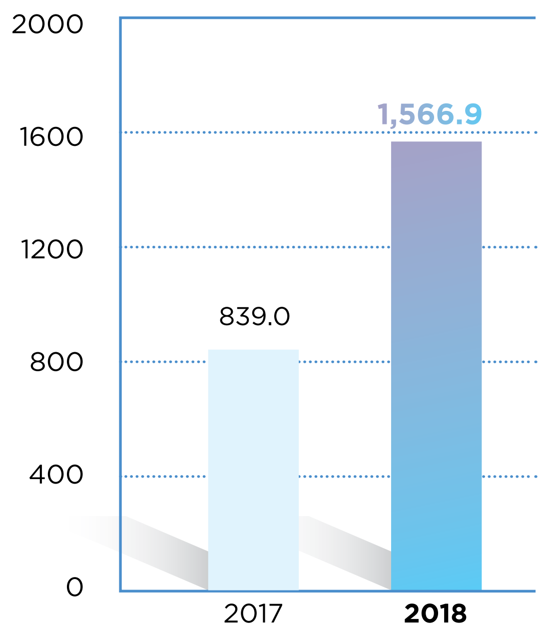
Total assets

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 services + revenue from hotel operations + revenue from output management projects + revenue from other services

Chairman's Statement

During the year under review, profits attributable to owners of the Company amounted to RMB2,103.3 million, and basic earnings per share amounted to RMB0.137. The Board recommended the payment of a final dividend of HK6 cents per share. The proposed final dividend is subject to approval at the forthcoming annual general meeting of the Company.

After 17 months of preparation, the reorganization scheme for COFCO Property (000031.SZ) and Joy City Property (00207.HK) under the spotlight was reviewed and approved by the CSRC on 4 December 2018, and the equity transfer in relation to the acquisition of Joy City by COFCO Property was completed in February 2019 with the listing of the shares newly issued, bringing the consolidation action to an end. This reorganization marks an important milestone for the mixed ownership reform of COFCO Corporation on real estate segment and will bring into being the only specialized platform of COFCO with full real estate business coverage including "Residential + Commercial" properties, thus enabling these two listed companies to experience remarkable improvement in their efficiencies and scales. Going forward, the Group will coordinate the resource allocation between residential and commercial properties in a more effective manner, step up the integration of multiple types of business, straighten out the synergetic development mode of "selling" and "holding" and make full use of both parties' advantages in terms of finance, market, talent, land and brand, with an aim to achieve the high-quality development of COFCO's real estate business in all aspects and build an integrated real estate flagship platform with full business coverage in China.

2018 is a critical year for the economic development in China. As stated in the Communique on the Central Economic Work Conference held on 19 to 21 December 2018, "China's economy is undergoing changes amidst stability and with underlying concerns... China is still and will long remain in the important period of strategic opportunity for development". China's economy managed to grow at a mid-to-high rate of around 6.6% mainly contributed by the growth in domestic consumption. In 2018, the total retail sales of social consumer goods in China was close to RMB38.1 trillion. Final consumption contributed 76.2% to the GDP, constituting the strongest driver for economic growth. The size of the new middle class in China expanded continuously with a population of over 33 million and increasingly improving consumption power and concepts, and historic focus is placed on the intrinsic quality and added value of consumer goods as never before.

Compared to 2017, the development scale of commercial properties nationwide decreased by around 4,100,000 sq.m. in 2018, marking the start of the stock era for commercial properties. From the beginning of the year, the rentals for premium retail properties in first- and second-tier cities recorded a steady growth, indicating the existence of great structural opportunities in the market. For enterprises, operation is the key to success in the stock era. With the improvement of operation capability, the market share of experiential commerce has been increasing year by year as experiential commerce has been well received by the market by virtue of a rich variety of service types, good interactive environment and intelligent shopping experience created through online and offline integration.

In terms of business layout, first-tier cities and top second-tier cities with strong economic strength, high consumption level and high market share of the service sector will remain under the spotlight of corporate investment. In terms of financial innovation, commercial property finance became increasingly mature, and REITS pilot work was carried out step by step with a promising development prospect. In terms of other commercial segments, the Caixin China Services PMI was 53.9, and the wholesale, retail and catering industries continued to post a solid rebound, thus driving the stable development of the hotel and office industries.

Investment Properties – The Group has always adhered to the brand spirit of "young, fashionable, trendy and quality", and strives to bring superior consumption experience to consumers through continuous product innovation. During the year, the rental income from Joy City's shopping malls amounted to approximately RMB2.603 billion, representing a year-on-year increase of 11.4%, which was attributable to the successive opening of four Joy Cities in Xi'an, Hangzhou and Kunming and in-depth expansion in Shanghai market during the year.

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 captured the market opportunities and took advantage of the market trend, benefiting from which, the sales from property contracts amounted to RMB8.883 billion, representing a year-on-year increase of 8.9%, and various properties held for sale, including Hainan Hong Tang Joy Sea, Qiantan Ocean One and Qingdao Gold Sand · COFCO Shine City, recorded great sales as well.

Chairman's Statement

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

Output Management and Other Services – The Group fully capitalized the strong appealing power of the "Joy City" brand and its operation capability and expedited the deployment of light assets in various manners such as output management. Existing output management projects of the Group include Tianjin He Ping Joy City and Kunming Joy City, etc. The COFCO Gaohe M&A Fund (中糧高和併購基金), managed by the Group, successfully acquired the Joy Breeze (Daxing) project in Beijing. Going forward, the Group will continue to speed up the development of light assets in Joy Cities and strengthen its brand influence.

Land Bank – The Group ramped up its efforts on increasing the land bank by extensively exploring new channels and adopting a balanced approach. While keeping a close eye on the open market, the Group took full advantage of the "high market position and product positioning" of the Joy City brand to expand in low costs, and actively leveraged the integration opportunities in the stock land market. During the year, the Group acquired new land of 1,062,000 sq.m. The Group expanded its business in primary land market and obtained the qualification for the primary development of a piece of land of 1,445,000 sq.m. under the Luosi Bay project in Kunming as a social investor.

Financial Capital – The Group implemented prudent financial policies. As at the end of 2018, the Group's net gearing ratio amounted to 45.3%, representing an increase of 17.1 percentage points as compared with 28.2% as at the end of 2017. The average finance costs for the whole year was 4.39%, which was attributable to the strategy that the Group increased the proportion of overseas finance to adjust the structure of domestic and overseas finance against the backdrop of the tense financing environment in China, thus maintaining its finance costs at a relatively low level in the industry.

Looking forward to 2019, China will further propel the transformation of the economy to high-quality development, and, for the domestic market, it has laid great emphasis on the "improvement of consumption environment", "enhancement of consumption capacity" and "expansion and optimization of the consumption market." The commercial property market will embrace greater market opportunities and be faced with higher market requirements. Quality-based businesses will expand into the areas surrounding central cities, and stock and increment opportunities will co-exist in first- and second-tier cities as well as third- and fourth-tier cities in core eastern city clusters such as Beijing-Tianjin-Hebei area, Yangtze River Delta and Guangdong-Hong Kong-Macau Greater Bay Area. Going forward, as a player in the commercial market, the Group will further build an "intelligent, platform-based and content-oriented" commercial ecosystem, integrate new retail modes and reshape commerce value chain. By integrating online and offline channels, the Group will exert efforts in implementing precise marketing and building multi-scenario and around-the-clock operating spaces that are digital-driven, integrate channels, and are managed via platforms and place first priority in experience. The Group will extend in greater depth the business lines, product lines and types of services relating to commercial properties, reinforce the innovation capability for product lines in particular and strive to create landmark IP by leveraging its operation capability concurrently.

Leveraging on the opportunities arising from the consolidation of COFCO Property (000031.SZ) and Joy City Property (00207.HK), the Group will achieve the synergetic development of multiple types of business including commercial and residential properties, stick to the development mode with holding and selling as two wheels and product and service as two cores, and put into practice high quality development so as to build Joy City Property into a "Joy" ecosystem with diversified types of business, perfect business layout in key cities and balanced asset structure and integrating all the desires of the people for living a better life.

Glorious opening of four Joy Cities, injecting NEW VITALITY INTO CITIES

In 2018, against the backdrop of supply-side reform and in the face of the new trends of urban renewal and consumption upgrade, Joy City, through the integration of regional resources and the revitalization of stock assets, opened four high-quality, intelligent and distinctive commercial projects during the year, the first time in its history, by keeping consumer demand-oriented and on the basis of subdividing customer groups and exploring the market in greater depth, with a view to satisfying people's ever-growing needs for a better life and injecting new vitality into the cities where Joy City establishes a presence.

Shanghai Parkside Joy City:
Renovating stock commercial properties to build an
URBAN MICRO-VACATION CENTER

The creation of the micro-vacation resort in Shanghai depends on the perfect timing of the government's initiative for realizing urban development objectives, the perfect location where it enjoys superexcellent sceneries as well as ancillary cultural and tourism resources, and the perfect human resources gathered under the powerful brand of Joy City. In response to the urban development objective of "Shopping in Shanghai", Shanghai Parkside Joy City, centered on the idea of "waterside shopping mall", took the lead in cooperating with various cultural and tourism resources including the only LEGOLAND Discovery Center in China, Changfeng Park, a national AAAA tourism landscape, Changfeng Ocean World, Jackie Chan Film Gallery and Shanghai Guofeng Hotel, to create "Changfeng urban micro-vacation area" as a "central hub for recreation", thus enabling it to integrate cultural and tourism resources with commercial resources and enjoy complementary advantages.

Centered on the building of an "urban micro-vacation center", Parkside Joy City performed a "surgery" on Changfeng Parkside Plaza, a project that had originally recorded a loss of nearly RMB300 million, in terms of architecture and internal circulations, during which, it installed a new dome of approximately 3,200 sq.m. with a 23m-high panorama skylight over the central plaza, and by adopting original changeful circulations featured "short paths and stereoscopic design" and centering on the idea of "vertical space + brand portfolio", it tactfully divided the space into four sections corresponding to the scenarios of "social intercourse, arts, cuisine and sports". It also invited Mr. Kenji Yanobe, a Japanese master of arts, to customize a landmark sculpture named "SHIP'S CAT" for Sky Park, the first rooftop fashion sports space in China, marking the beginning of a new development stage for experiential real commerce.

Hangzhou Joy City:

Upgrading scenario experience to create a SUPER IP IN THE CITY

By upgrading scenario experience, the first experiential waterside fashionable shopping paradise in the big family of Joy City surged to Top 1 in the search list of popular stores on dianping.com on the very day of opening, with a daily WeChat search index breaking 500,000, making it a super IP among the shopping malls in Hangzhou.

Firstly, it took full advantage of its strategic location at waterside and introduced various types of business to generate synergy. By dint of the canal culture and the profound impression of the West Lake in Hangzhou, Hangzhou Joy City introduced experiential underwater diving and built a water-show square integrating water and fire elements as well as dazzling lights and colors with state-of-the-art AR technologies. Secondly, it explored the subdivided customer groups in depth and innovated in the themed street district. Keeping in mind consumers' psychological needs, Hangzhou Joy City built "the first original industrial-style retro-looking street district in Hangzhou - Power Lane" on the basis of the original thermal power station relics park and local conditions, with a view to catering to the reminiscent sentiment of consumers with appetite for industrial style. Thirdly, it teamed up with external superior IPs to increase scenario touch points. Hangzhou Joy City launched MOLLY, the first airship wonderland in Hangzhou, and the first tour of The Palace Museum to Jiangnan during opening, and cooperated with Mahua FunAge to create a drama complex in the Canal Culture Center, a block away from the shopping mall, for bustling crowds, hot topics and fashion trends to gather and flourish.

Kunming Joy City:
Outputting brand management and
DEFINING NEW CITY CENTER

Kunming Joy City is the second output management project of Joy City. In 2016, Kunming Roswell Investment & Development Co. Ltd. (昆明螺螄灣投資發展股份有限公司) entered into the Framework Agreement on Strategic Cooperation with Joy City Property, with an aim to form win-win cooperation with Joy City. The old "Luosiwan" was a long-standing symbolized benchmark in Kunming, and as of 2015, the old Luosiwan enjoyed a high brand value of RMB75.5 billion. In 2018, Joy City reshaped the lifeline of commerce in Kunming as never before, and redefined the new city center of Kunming based on the 4C idea, namely new fashion center, new cultural center, new lifestyle center and new tourism center.

In respect of brand drivers, Phase I of Kunming Joy City, as the largest shopping mall in terms of the floor area of a single building in southwestern China, gathered 300 fashion brands, of which 40% appeared for the first time in Kunming, thus bringing stronger vitality into the commerce of the city. In respect of content drivers, by giving full play to its advantages in space, Kunming Joy City built various scenario-based interaction spaces with different sceneries at every step and the integration of Kunming's unique customs, and also built a low-carbon shopping mall, first of its kind in Kunming, Rose Avenue, urban parlor named "Colorful Clouds" and suspending pedestrian street to bring customers brand new shopping experience.

Xi’an Joy City: Activating the “Fish in Shock” and establishing the position as THE FASHION CAPITAL OF THIRTEEN DYNASTIES

As the first commercial project of the Group in Northwestern China, Xi’an Joy City activated the “Fish in Shock” on the original Xi’an Qin-Han-Tang Plaza in all aspects from architectural design, interior space and themed street districts to brand matrix, which was the largest reconstruction project ever in the history of Joy City and made it “China’s commercial renovation miracle in 2018”.

Adjacent to Dayan Pagoda and integrating the spirits of the old capital of thirteen dynasties, Xi’an Joy City adheres to the brand characteristics of “fashion” of Joy City and positions itself as the “fashion capital of thirteen dynasties.” It has built a variety of landmark spaces including four themed street districts, the world’s first diamond entrance made of photoelectric glass, exclusive shadow ceiling and the largest indoor sunken square in Xi’an. It also has a strong portfolio of brands (with over 190 brands appearing for the first time in Qujiang New District, and super brands accounting for 30% of the stores appearing for the first time in Xi’an) to insert fashion and trendy DNAs into the city, thus facilitating the upgrade of lifestyle and fashion consumption in Northwestern China. During the opening, Xi’an Joy City introduced LINE FRIENDS theme exhibition and the Monet Impression: Time Track art exhibition to build brand quality on an on-going basis and bring customers the culture of fashion and art.


XI AN JOY CITY JOY UP

「Joy•Cloud」

contributing to the bloom of Joy City, striving to become

A SUPPLIER FOR A BETTER LIFE

"Joy • Cloud" smart business system incorporates AI, BI, block chain, wireless sensing, 3D imaging, intelligent robot technologies, and comprises seven subsystems of "Smart POS", "Central Settlement", "CRM3", "General Interface Platform", "Data Exchange Platform", "Marketing Platform" and "D Customer Platform". With data assets as the core and passenger flow and merchant operation as the main focuses, it has created the top-notch intelligent business solutions in the world that realize accurate passenger flow, multi-channel marketing, intelligent business management, online and offline integration and the perfect combination of science & technology and experience.

As a smart business platform independently developed by Joy City, "Joy • Cloud" played the role of a convoy on Hangzhou Joy City, Kunming Joy City and Xi'an Joy City's way to successful opening. "Joy • Cloud" can convert the data collected by D Customer Platform and POS Platform to useful guiding data for operation analysis through sorting and transformation. In the meanwhile, through the incorporation and accumulation of the data on CRM system and remote sensing system, it can successfully capture the payment and personal information of the members and feed personalized information catering to the taste of customers through screen displaying advertisements. Furthermore, Xi'an Joy City has launched an online shopping coupon distribution system, which enables it to make use of well-developed online channels to leave out the cumbersome and complex process for distributing and writing off shopping coupons offline etc., thus accelerating the customer flow and improving the shopping experience of customers.

In the near future, Joy Breeze, the second product line of Joy City, will soon unveil itself to the consumers. Standing at a new starting point for the development of the industry, Joy City will capture the opportunities brought by urban renewal, improve its core competitiveness continuously through innovation and refined operation, and maintain the healthy development of the two product lines, while persistently striving to build itself into the benchmark for commercial properties in terms of quality, and a supplier of a better life.

Joy-Full Occasions

Building Quality • Residential Properties
Contributing to A Better Life

The sales-oriented businesses of the Group are dedicated to creating high-quality residential spaces. To precisely cater to the needs of different groups of customers, the Group has established four lines of residential products namely "One (壹號)", "Shine City (祥雲)", "Splendid City (錦雲)" and "Dream City (鴻雲)".

壹号
— O N E —

祥雲
— SHINE CITY —

Creating Perpetual Value For Cities
and creating Beautiful And
Happy Life For People

锦雲
—SPLENDID CITY—

鸿云
— DREAM CITY —

Joy-Full Occasions

The "One" series of products are designed to provide customers who are in the stage of success in life with first-choice premium residences that highlight their distinguished identities, and enjoy the best natural resources or the resources available to the cores or sub-centers of various cities. The "One" series of products offer highly comfortable layouts and features, are equipped with full series of green, safe, healthy and intelligent technology systems, as well as exquisite gardens and luxury decorations, and provide caring and noble property management services. The "One" series of products elaborately orchestrated by the Group, including Shanghai Qiantan Ocean One, Shanghai Jing'an Joy City • Joy Mansion One and Brilliant Villa, have won high recognition from the market by virtue of their superb quality.

The "Shine City" series of products target customers looking for improved living conditions, and are designed by the Group to provide customers who are in the mature stage of life with first-choice residences that highlight comfort and their personal achievements. These products enjoy the mature supporting facilities in first- and second-tier cities with equal focus on comfort and features, are equipped with well-established technology systems, as well as premium decorations and exquisite gardens, and provide mature property management services. The Group's "Shine City" series of projects, including Qingdao Gold Sand • COFCO Shine City, have recorded exciting sales after launch.

锦雲
SPLENDID CITY

The "Splendid City" series of products mainly serve mid-level white-collar workers in first- and second-tier cities, and can meet their needs for spatial growth corresponding to the changes in family size while ensuring the living comfort at the same time. The "Splendid City" series of products with certain supporting facilities or the potential for supporting facilities target first-time upgrading customers, and aim to create quality products with complete living functions and fine garden views on external elevations within the price range affordable to such customers. The Group is exerting vigorous efforts in building Qingdao Chuangzhi • COFCO Splendid City and other products under the "Splendid City" series with a view to satisfying the needs of young elites working in the cities for the pursuit of a quality and beautiful life.

鸿云
DREAM CITY

In addition, the Group will further craft the "Dream City" series of products to cater for first-time home buyers to meet the living needs of the young people in the cities who just step out into the society, so as to develop a full coverage on residential products.

Management Discussion and Analysis

1 MARKET REVIEW

In 2018, despite both challenges and opportunities co-existing in China's economy, it still managed to grow at a mid-to-high rate of around 6.6%. Driven by a series of measures including the supply-side structural reform, "Three Tough Fights" and promotion of high-quality development, China's economic structure underwent a profound shift, which has laid a solid foundation for the next step towards high-quality development.

In 2018, benefiting from the steady growth of social consumption capability, the total retail sales of consumer goods in China amounted to RMB38.1 trillion. Consumption has become the most crucial driver for China's economic growth, with the final consumption contributing 76.2% to the GDP in 2018, making it undoubtedly the greatest momentum for economic growth. With the increasing disposable income of residents, China's retail consumer market will show an increasingly noticeable trend for consumption upgrade. In 2018, the sales of fast-moving consumer goods in China increased by 4.3%. The rapid changes in these consumer markets have brought more opportunities and space for the development of commercial properties.

In 2018, there were 533 new large-scale commercial projects nationwide, covering a commercial floor area of 48,110,000 sq.m., of which the number of opened projects recorded a year-on-year increase of 5%, while the development speed of large-scale commercial projects remained high. In 2018, the transactions for commercial property stock were remarkably active, and there were more than 20 acquisitions of large and medium-sized real estate enterprises, with the maximum transaction volume of a single acquisition amounting to RMB12.8 billion. Benchmark commercial real estate enterprises were bullish on the stock markets in the core regions of the first-tier and second-tier core cities, and market players attached great importance to the development path of revitalizing property stock and achieving asset appreciation. As the market competition intensified, the number of newly opened street districts alone rose to 90 in 2018, and homogenized and less creative commercial properties were knocked out at an increasingly speed. In the future, the commercial market will think more of IP shaping and the building of intelligent commercial capability, deeply integrate cutting-edge technologies such as Internet and artificial intelligence, develop precise marketing, enrich types of services and experience new and fashionable commercial shopping centers, thus driving the all-round high-quality development of commercial properties.

2 BUSINESS REVIEW

During 2018 under review, the Group recorded good business performance in its four business segments, namely investment properties, property development, hotel operation and output management and other services.

For investment properties, the Group's investment properties were in good operation condition, the operational efficiency of Joy City was improved, and properties were developed rapidly, as a result of which, it recorded rental income of approximately RMB2.603 billion, representing a year-on-year increase of 11.4%. Property development fully ramped up under a balanced model where Xi'an Joy City, Hangzhou Joy City, Shanghai Parkside Joy City and Kunming Joy City opened and the number of operating projects increased to 12. Our brand value was increasingly improved, and according to the score made by Brand Finance, a world-renowned authoritative brand value assessment company, the brand value of Joy City amounted to RMB13.6 billion.

For property development, the Group exerted continued efforts to improve the premium quality of its products and customer experiences, which were well received by the market. Good sales performance was achieved for properties held for sale such as Hainan Hong Tang Joy Sea, Qiantan Ocean One, Shanghai Joy Mansion One and Qingdao Gold Sand • COFCO Shine City, of which the first phase of Qiantan Ocean One was sold out in full swing at its opening. During the year, the sales from property development contracts amounted to RMB8.883 billion, representing a year-on-year increase of 8.9%.

For hotel operation, the Group recorded stable results in hotel business as a whole by virtue of its relentless and vigorous efforts to reinforce operation capability, respond to market changes and optimize service standard.

For output management and other services, the Group fully capitalized the strong appealing power of the "Joy City" brand and its operation capability, and expedited the deployment of light assets in various manners such as output management. Existing output management projects of the Group include Tianjin He Ping Joy City and Kunming Joy City, etc. The Group also set up the COFCO Gaohe M&A fund, which successfully acquired the Beijing Joy Breeze (Daxing) project, marking the successful landing of the first Joy Breeze in Beijing. Going forward, the Group will continue to speed up the development of light assets in Joy Cities and further strengthen its brand influence.

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 its shopping mall has a leasable area of 53,900 sq.m.

Improving sales through brand penetration and smart management

With continuous brand upgrading, its market position as the fashion palace of people's choice was further strengthened. It introduced VICTORIA'S SECRET, a popular US fashion brand, Champion, a fashion sports brand, Lady M, a high-end New York desert brand, and ZAKUZAKU, a popular desert brand in Hokkaido, etc., with a view to creating new growth points for customer flows. It exerted constant efforts in building itself into a smart complex: it introduced intelligent robot JOYBOT to upgrade the interactive experience of the shopping mall and the office building; and as a pioneer in the industry, it cooperated with the Industrial and Commercial Bank of China (ICBC) to realize face scan payment, and made optimization on this basis to integrate facial recognition into the whole system. Joy Cloud was further updated with iterations based on the agility development targeting its functions and stability, enabling Joy City to consolidate and manage the member data of all the projects nationwide. Chat Garden, Yong Street and Rose Garden underwent adjustment in great depth to improve customer experience, and won a number of major awards in the industry.

During the year, the project recorded sales of approximately RMB4.3 billion, operating revenue of approximately RMB730 million and rental income of approximately RMB684 million, indicating that the operating performance of Xidan Joy City was further improved.

Management Discussion and Analysis

Shenyang Joy City

100% owned by the Group

Situated in the prime location in Dongzhong Street Commercial Zone, Dadong District, Shenyang, the project occupied a site area of 51,000 sq.m. with a gross floor area of 322,700 sq.m. and its shopping mall has a leasable area of 94,200 sq.m.

Enjoying a multi-brand portfolio and distinctive theme features and upgrading initiatives for revenue creation

Shenyang Joy City has become the undisputed leader in "fashionable and trendy" consumption in the business sector since its commencement of operation. In 2018, it vigorously upgraded the initiatives for revenue creation, and completed the adjustments on the property management fees of 357 brands before 30 April. In the meanwhile, Shenyang Joy City never stopped innovating in the new modes of promotion activities, and made remarkable achievements successively during shopping festivals and discount sales, with the accumulated sales of four major activities coming near to RMB75.00 million, stirring shopping fevers round by round.

During the year, the project's sales amounted to approximately RMB2.27 billion with customer traffic of over 24,080,000 for the year, enabling it to maintain a leading position in the commercial market of Shenyang.

On 28 September 2018, Shenyang Joy City successfully acquired the No.2018-008 land lot on the south of Xiaodong Road in Dadong District in preparation for the Pavilion E project of the Joy City. Pavilion E is designed with a capacity building area of approximately 78,800 sq.m., of which the commercial area is 55,300 sq.m. and its shopping mall has a leasable area of approximately 30,000 sq.m. Pavilion E enables the Joy City to introduce more types of services to invigorate new vitality to the project, and will absorb more flagship stores and various exclusive brands to shape differentiated competition. The project is expected to open in 2022.

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 338,500 sq.m. and its shopping mall has a leasable area of 122,600 sq.m.

Seeking development through innovation and centering on customers to achieve comprehensive upgrade

With constant efforts in building premium themed space, Chaoyang Joy City fashioned the large space of 5,000 sq.m. on the 9th floor into a "surrealistic space" integrating multiple fashionable types of services including culture, food, music and sports. Together with Woodstock of Eating and We Work, two outstanding brands in the industry, it took the initiative to create a multi-scenario entertainment platform named B1 "Woostage" and a shared working space on 10F-11F, as a result of which, the types of services inside were remarkably enriched. It continuously explored customer groups in greater depth, and further diversified the channels for existing members to introduce new members by deploying smart POS in all stores, so as to boost the explosive growth of new members. It further upgraded the membership system, and set up a quality control group to improve customers' consumption experience in all aspects. It was the first among peers to create a comprehensive operation and customer analysis system, which can provide the project with all-round solutions in terms of operational decisions, data-based marketing and merchant services.

During the year, Chaoyang Joy City recorded a high growth in sales which exceeded RMB4.4 billion in total, representing a year-on-year increase of nearly 10%, and a significant increase of 15% in sales per square meter, and the flow of customers hit a new record high of 26 million, indicating a high growth in all such aspects.

Management Discussion and Analysis

Shanghai Jing'an Joy City

51% owned by the Group

Located in the core area of Suhewan, Jing'an District, Shanghai, this project occupies a total site area of 22,300 sq.m. with a gross floor area of 163,000 sq.m. and its shopping mall has a leasable area of 66,000 sq.m.

Maintaining growth, reducing cost while enhancing efficiency and optimizing products.

During the year, Jing'an Joy City recorded a year-on-year decrease of 11% in commercial expenses and a year-on-year decrease of 10% in property management fees thanks to its stringent measures for cost control, of which reduced property staff contributed to a decrease of RMB1.90 million in labor cost. It introduced new retail modes to knock out and replace underwear areas with low sales with "Super Dressing Room" and various offline stores such as "xiaohongshu" (小紅書). The reconstruction of the main structure and the introduction of new dining brands to the children's zone on the 6th floor of the southern block contributed to the optimization of the project's service portfolio. The emotions cloud system of the sky wheel welcomed the iteration of "Emotions Galaxy", which aimed to enhance the attribute of the sky wheel as a lovers' space by providing space for social intercourses on anniversaries. It cooperated with a hot IP to build a Sky Wheel × Line Friends park with love theme available for a limited time, benefiting from which, sales of the sky wheel increased by 20% and customer flow increased by 16.7%. It continued to maintain a leading position in terms of curation diversity with over ten large exhibitions held throughout the year, which contributed to the shaping of Joy City's overall product image. During the year, it won 17 awards in the industry and its brand influence and reputation were improved.

During the year, it recorded a year-on-year increase of 10.5% in rental income, a year-on-year increase of 3% in EBITDA and a year-on-year increase of 4 percentage points in EBITDA margin.

Tianjin Nankai Joy City

51% owned by the Group

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 290,000 sq.m. and its shopping mall has a leasable area of 88,300 sq.m.

Improving experience, operating in depth and enhancing membership to solidify the flagship position in Tianjin

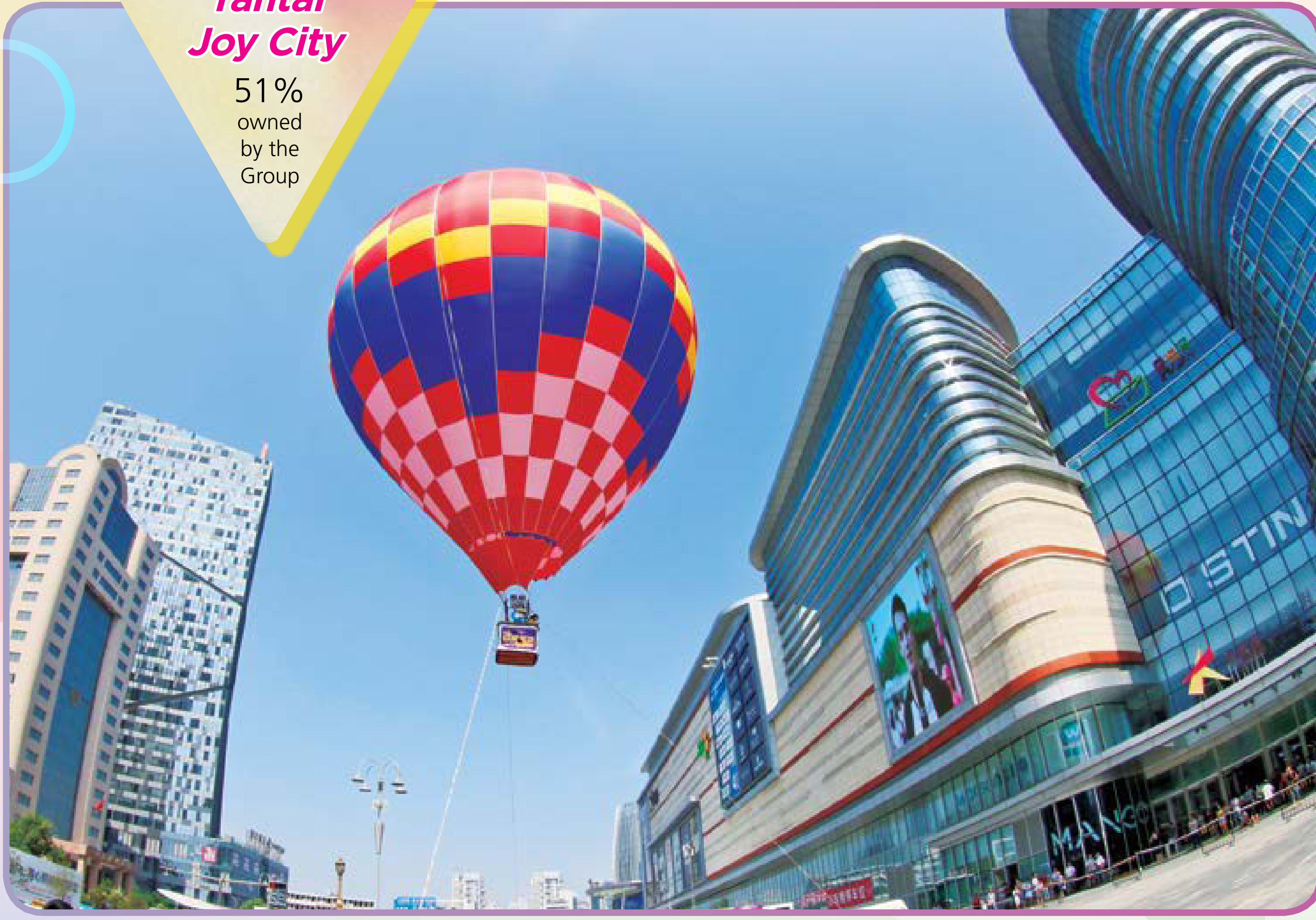
During the year, Tianjin Joy City created "Won Street (旺街)", the first pet-friendly theme street district in China, and "Southgate Lane (南門巷)", a creative fine food street district with the atmosphere of a kung fu kingdom and the worldly taste. Throughout the year, it made adjustments regarding 123 brands, including 63 brands appearing in Tianjin for the first time, which contributed to an increase of 18.7% in the rent per square meter. It took the initiative to create and put into practice the "3*3 performance management and control system" as one of its measures to promote performance growth. The unmanned intelligent member center was updated to version 3.0, and truly realized decentralized membership operation, as a result of which store sales increased by 15%. It launched the first pay-to-use member card of shopping malls in China to bind premium members with high consumption, so as to carry out precise marketing and connected sales. During the year, it won a number of awards in the industry in recognition of its outstanding performance.

During the year, Tianjin Joy City continued to return to the nature of commerce, and adhered to the strategy of seeking development through innovation in line of consumers' actual needs in 2018. With such efforts, it managed to achieve remarkable results of operation in 2018: annual sales amounted to RMB2.822 billion, representing a year-on-year increase of 10.24%, and customer flow recorded a year-on-year increase of 17%, enabling it to enjoy a leading position in the commercial development in Tianjin.

Management Discussion and Analysis

Yantai Joy City

51% owned by the Group



Located in Zhifuwan, Zhifu District, Yantai, the project is the only project on the coast in the main urban area, and occupies a total site area of 40,000 sq.m. with a gross floor area of 220,000 sq.m. and its shopping mall has a leasable area of approximately 76,000 sq.m.

Upgrading brand, conducting meticulous operation, working on membership program and optimizing customer quality

In 2018, centered on the operation strategy of "upgrading brand, conducting meticulous operation, working on membership program and optimizing customer quality," Yantai Joy City set a precise positioning, upgraded and adjusted brand, and strengthened the symbol of Yantai Joy City for youth, fashion, trend and taste to maintain the leading position of Yantai Joy City in the fashion industry in Yantai. It entered into performance contracts with important brands to stimulate them to deliver better performance and build champion stores in terms of regional sales to achieve regional leadership, and explore merchants' resources in greater depth, thus promoting sales and rents to grow simultaneously. It focused its attention on the selection of customer groups and new communication channels, and optimized the strategy for customer exploration to achieve precise marketing. It also optimized members' rights and interests, diversified the activities designed for members and delegated functions to merchants, all with a view to building an ecosystem for premium members.

In 2018, Yantai Joy City recorded sales of RMB918 million, contract signing rate of 97.2%, 594,000 members in aggregate who contributed 44% of the total consumption, and customer flow of 8,820,000.

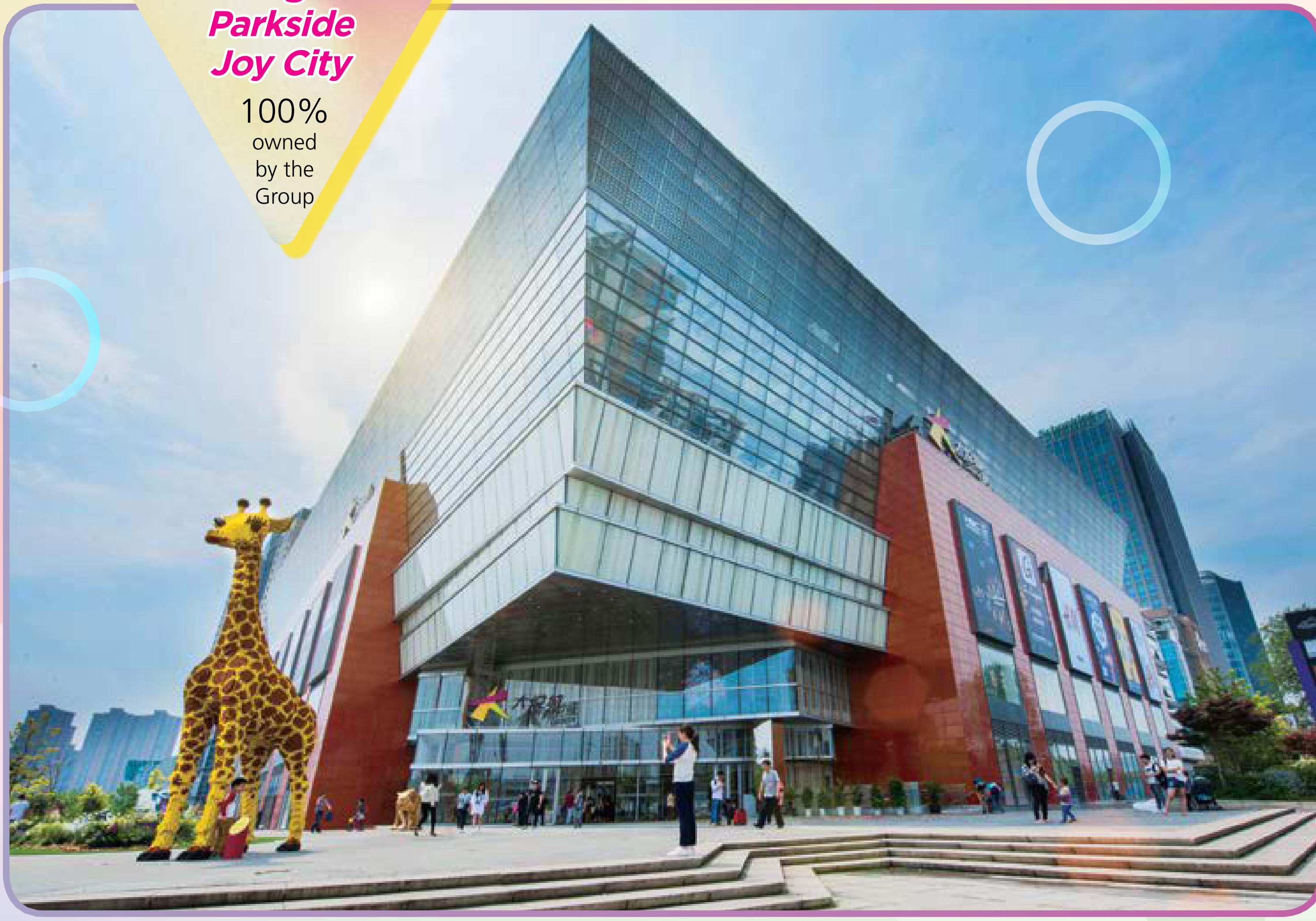
Located in Wuhou District, Chengdu, the project occupies a total site area of 66,500 sq.m. with a gross floor area of approximately 290,000 sq.m., of which the shopping mall has a leasable area of approximately 106,800 sq.m.

Focusing on operation, keeping abreast of market trend, returning to original positioning and highlighting a quality fashionable atmosphere

During the year, it continuously upgraded the operating brand and exerted meticulous efforts in creating a "fun fashion shopping park" giving prominence to the features of fun and fashion, which enhanced its position as an AAA scenic spot and contributed to the remarkable growth of its performance. It facilitated operation by dint of technologies, and analyzed the profile of major customers based on big data to explore customers' needs in depth. It also innovated in and upgraded its system continuously, and coordinated and integrated internal and external resources to carry out precise marketing and provide customers with great shopping experience while enhancing its leading position in the industry on an ongoing basis.

During the year, the project recorded sales of RMB1.525 billion, representing a year-on-year increase of 21.6%, and attracted 19.02 million customers, representing a year-on-year increase of 4%, making it the most influential commercial flagship in Chengdu and even in Southwestern China.

Management Discussion and Analysis



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 its shopping mall has a leasable area of 54,900 sq.m.

Enhancing brand, building highlights, sparing no effort to improve performance and originally creating "micro-vacation" experience and "sports cloud" system

During the year, B1-L4 floors of the project commenced operation on 1 May 2018. The Sky Park on the rooftop grandly opened, and the H. Brothers cinema on L5 floor and the MUJI anchor store on L1 floor opened for business on 28 December. The project uses natural sceneries to project the taste of life, and integrates commercial properties with Changfeng Park to create a premium lifestyle center where nature perfectly blends with life. The project took the lead as a shopping mall to launch a city · micro-vocation area, first of its kind in Shanghai, and also took the initiative to create the first "sports cloud" system among domestic shopping malls, thus enabling members' bonus points of Joy City to cover various life scenarios including body building, sports, entertainment and parent-offspring bonding. It put in place equipment based on black technologies everywhere to create a membership system where members can earn and spend on cloud bonus points from purchases made offline.

During the year, Parkside Joy City recorded sales of approximately RMB390 million and customer flow of 5,331,000, representing an increase of 80.0% and 34.4% as compared to that recorded before the project's renovation, respectively, marking a historical new breakthrough in its performance. On 15 September, it participated in the Joy City Shopping Festival for the first time, and recorded daily sales of RMB15.44 million, with various operating data, including sales, customer flow and car flow, hitting a historical high.

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, both being new residential areas, in the north and Cuiyuan and Wenjiao, both 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 335,000 sq.m. and its shopping mall has a leasable area of 72,300 sq.m.

Opening grandly, winning its first victory and setting industry benchmark

The project opened for business on 28 August. It introduced 77 brands that appeared in Hangzhou for the first time, and 94 brands that appeared in the region for the first time, as well as various disruptive and innovative experiential types of services, including wind tunnel flying, Canadian underwater diving center and future animal town. "Power Lane" (馬力印巷), a street district with the theme of steam punk, and "Noodle City" (麵都), a theme street district of fine wheaten food, grandly opened over the same period. By virtue of the breakthroughs in innovative experience, scenario innovation and brand diversity, Hangzhou Joy City was selected as the "Most Influential Project of the Year" under the Golden Tripod Award at the Annual Conference for Commercial Property Companies in China, setting a new benchmark for the newly opened projects in Hangzhou.

The project successfully opened during the year under review and recorded a store opening rate of 93%. The total customer flow was approximately 163,000 and the total sales amounted to approximately RMB10.687 million on the very day of opening.

Xi'an Joy City

80% owned by the Group

Strategically located in Dayan Pagoda Southern Square in Qujiang New District, Xi'an and 50 meters away from Dayan Pagoda, a scenic spot, the project enjoys superexcellent resources and occupies a total site area of approximately 39,700 sq.m. with a gross floor area of approximately 146,500 sq.m. and its shopping mall has a leasable area of 63,000 sq.m.

Upgrading brand, implementing meticulous management and highlighting attractions to build a landmark for trend and fashion in Xi'an

The project officially opened for business in December 2018, and over 30% of the brands introduced by it during opening appeared for the first time in Xi'an, with over 190 brands appearing for the first time in Qujiang New District. In addition to the use of U-shape glass curtain wall and photoelectric glass to create the fanciest illuminant commercial property, the project presents various eye-catching highlights such as the largest indoor sunken square and the most romantic town with sky dome in Xi'an. The three theme street districts, namely "Chat Garden", "TrendyπStreet " (潮π街區) and "Wu Kong Street District" (勿空街區), were born with the innovative DNA of Joy City's street districts.

On 16 December 2018, the opening day of the project, it recorded total customer flow of over 280,000 and sales of RMB12.86 million. Xi'an Joy City has become a new landmark of youth, fashion and trend in Xi'an since the date of opening. In the future, the project will continue to make use of its advantageous location to build itself into a leading commercial project in Northwestern China and lead the northwestern market to a new journey.

Chongqing Yubei Joy City

100% owned by the Group

The project is located in the core business district of Yubei Central Park in Chongqing, which is being developed by Chongqing government in priority as a new center in Chongqing. It occupies a total site area of approximately 46,000 sq.m. with a gross floor area of 357,000 sq.m., of which the area of the shopping mall is approximately 144,000 sq.m.

Chongqing Yubei Joy City is expected to open in 2021, and will become a new commercial landmark of the city. During the year under review, the construction work of the project was carried out as scheduled.

Management Discussion and Analysis

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 120,000 sq.m.

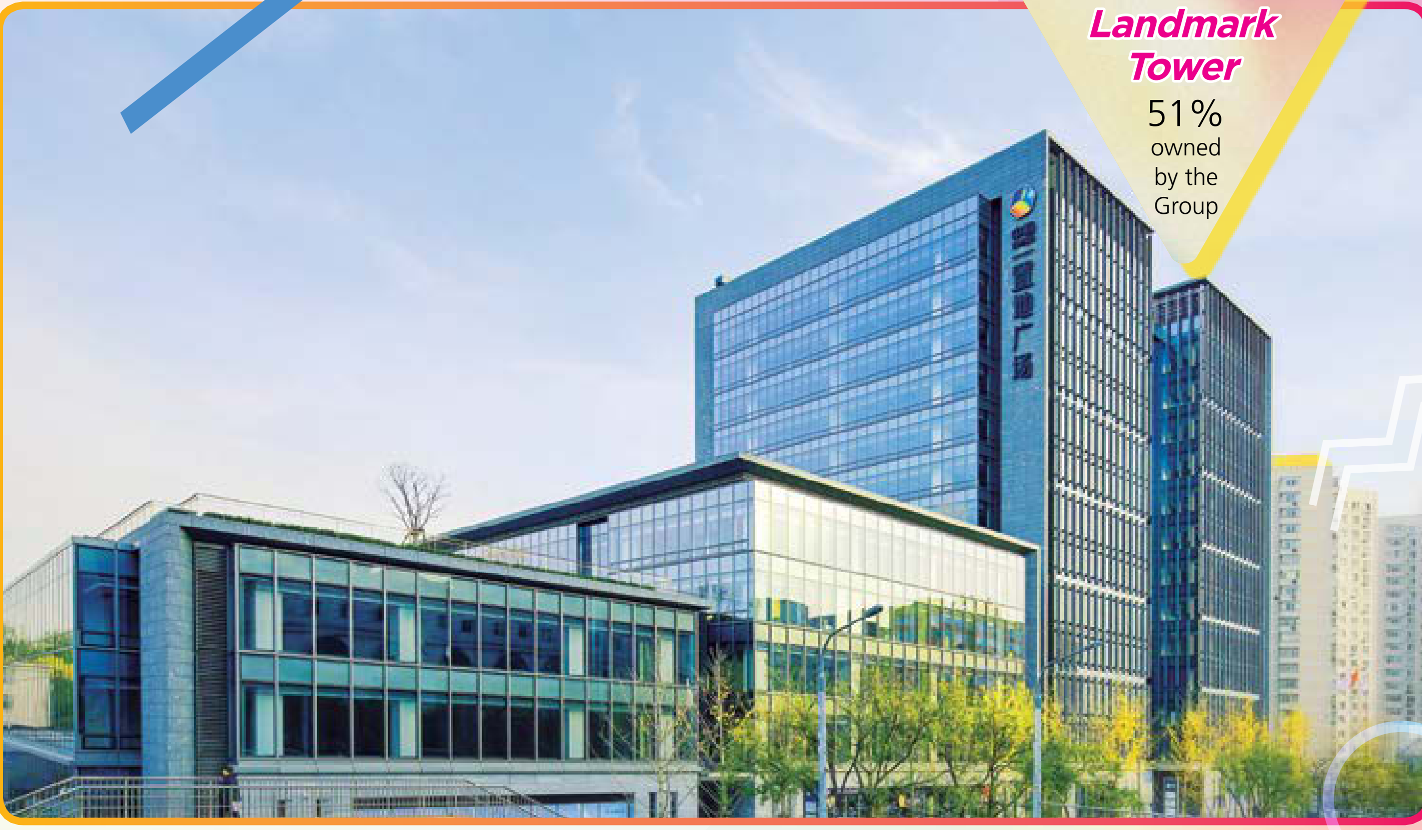
Growing steadily and hitting a new record high in performance

During the year, leveraging the positive effect brought by Tower C renovation, based on the 3C (COFCO LIFE & COFCO FANTASY & COFFICE) refined operating standard and system and on the premise of consolidating quality tenants with high sales, COFCO Plaza further improved tenant quality and optimized tenant structure, enabling COFCO Plaza to hit a historical high in its operating performance. For the whole year, the operating revenue amounted to RMB270 million, the overall occupancy rate of the Plaza was up to 86%, and the satisfaction rate of tenants reached 92.8%.

During the year, as the positive effect arising from the renovation of COFCO Plaza continued to last, it was highly appreciated and recognised by Beijing Municipal Party Committee and Beijing government, and was included into the government's "Think Tank Collection" for urban renewal, becoming the iconic project for "industrial upgrade and structural transformation".

COFCO • Landmark Tower

51% owned by the Group



Located at No.208 Outer Avenue of Andingmen, Dongcheng District, Beijing, the project occupies a site area of 13,000 sq.m. with a gross floor area of 72,700 sq.m. and a leasable area of 56,600 sq.m.

Opening gloriously and establishing a landmark

On 1 August 2018, the opening and tenant welcome ceremony of COFCO • Landmark Tower was held on a spectacular scene, marking the official operation of COFCO • Landmark Tower. As of the end of 2018, the rental under contract was far beyond the average historical rental level of grade A office buildings in Beijing. Going forward, COFCO • Landmark Tower will continue to select quality customers to establish a portfolio of high-end customer bases, and exert extra efforts on high-load operation to improve 3C office eco-system. Benefiting from the double policy supports from Dongcheng District and Dongcheng Garden of Zhongguancun Science and Technology Park in Beijing, it will focus on the integration of "finance, technology and culture" to develop a demonstration base, and will maintain its enthusiasm on marketing, create unique characteristics featured by art to continuously improve its operation and service quality with an aim to build a new benchmark in the industry and for the product lines of COFCO office buildings.

Management Discussion and Analysis

Qingdao Gold Sand • COFCO Shine City

51% owned by the Group

The project is high-end residential project with a total capacity building area of 62,000 sq.m.

During the year, facing the impact caused by the control over the real estate market in Qindao, the Gold Sand • COFCO Shine City project was opened ahead of schedule, and adopted a variety of marketing strategies to improve the market activity of its products and accelerate the sales of products.

In 2018, Gold Sand • COFCO Shine City recorded contract sales area of 25,316 sq.m. with a contract value of RMB600 million.

Shanghai Jing'an Joy City • Joy Mansion One

51% owned by the Group

Located in Jing'an District, Shanghai, the project is a high-end residential project with well-developed and comprehensive 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 under review, the contract sales amounted to RMB650 million.

Shanghai Qiantan Ocean One

50% owned by the Group

Located at Expo Qiantan Area, Pudong New District, Shanghai, the project occupies a total land area of 24,600 sq.m. for construction, with a gross floor area of 85,400 sq.m. above ground, including residential and commercial office buildings.

Leveraging the excellence in quality, the project witnessed hot sales beyond supply after launch. During the year, it recorded contract sales of RMB3.561 billion.

Hainan Hong Tang Joy Sea

51% owned by the Group

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

Keeping abreast of market trend, accelerating sales and recording a significant rise in prices

During the year under review, Hainan Hong Tang Joy Sea kept abreast of the market trend, and adjusted the sales strategy in a timely manner and sped up the sales by taking advantage of the market heat and the window period of favorable policies before the restriction on purchase imposed on 22 April. With such efforts, the project rewarded a contracted sales of approximately RMB1.55 billion during the year.

Management Discussion and Analysis

Located in the Jimo Economic Development Zone in Qingdao, the project occupies a total site area of 60,000 sq.m. with a total capacity building area of 108,000 sq.m.

In 2018, the construction work of the project was carried out steadily as scheduled and the foundation is currently under construction. The sales center of the project already opened at the end of the year, and is currently busy with multi-channel marketing to accumulate customer resources and build a customer pool.

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 total site area of approximately 204,000 sq.m. with a gross floor area of approximately 90,900 sq.m.

During the year, St. Regis Hotel held a variety of themed marketing and promotion activities to expand the market development outside Hainan Island, improve the market activity of its products and increase the occupancy rate in low seasons, thus recording a stable growth in operating results.

Located in Yalong Bay National Tourism and Resort District in Sanya, Hainan, the project occupies a total site area of approximately 106,700 sq.m. with a gross floor area of approximately 108,300 sq.m., comprising 675 rooms in total.

During the year, MGM Hotel optimized its pricing system to create a variety of revenue-generating channels. It ramped up its efforts to market its summer camp products, as a result of which, the occupancy rate was increased to 92%.

During the year, the project recorded operating revenue of RMB376 million and EBITDA of RMB145 million.

4. Land Bank

Adhering to strategic guidance, the Group stuck to balanced two-wheel and two-core development model. On the one hand, it actively participated in the public market competition. On the other hand, it took full advantage of its business operation, actively expanded the cooperation projects and explored integration opportunities in the stock market. During the year, the Group acquired a total of 1,062,000 sq.m. of land and was qualified as the social investor for the primary development of a piece of land of 1,445,000 sq.m. in Luosi Bay, Kunming.

Name of land parcel	Location	Site area (sq.m.)	Capacity building area (sq.m.)	Project type	Actual shareholding ratio (%)
Land parcel AB in Jimo Economic Development Zone, Qingdao	Jimo District, Qingdao	114,371	189,554	Complex	100%
Pavilion E of Shenyang Joy City	Dadong District, Shenyang	13,136	78,818	Shopping mall + Apartment	100%
Wuhan Optics Valley Joy City project	Optics Valley, Wuhan	157,459	477,582	Complex	51%
Chengdu Tianfu Joy City project	Tianfu District, Chengdu	70,124	315,800	Complex	100%

5. Financial Review

Company's Overall Performance Review

For the year ended 31 December 2018, the Group's operating revenue was RMB8,128.9 million (2017: RMB11,657.8 million), representing a decrease of 30.3% as compared with last year, mainly due to a decrease in the revenue from sales of properties as a result of the decreased area of properties delivered and decrease in average unit price resulting from the change in the mix of products delivered.

For the year ended 31 December 2018, the profit of the Group amounted to RMB3,113.0 million (2017: RMB2,574.8 million), of which the profit attributable to the owners of the Company amounted to RMB2,103.3 million (2017: RMB1,153.2 million). Excluding the fair value changes after tax of investment properties and effect of the change in foreign exchange rates, the core net profit amounted to RMB2,340.1 million (2017: RMB1,921.0 million), of which the core net profit attributable to the owners of the Company amounted to RMB1,566.9 million (2017: RMB839.0million).

Management Discussion and Analysis

Revenue

For the year ended 31 December 2018, the Group's revenue amounted to RMB8,128.9 million, representing a decrease of 30.3% as compared with RMB11,657.8 million for 2017.

Revenue by Business Segments	Year ended 31 December				
	2018		2017		
	RMB'000	Percentage of total revenue (%)	RMB'000	Percentage of total revenue (%)	YOY change (%)
Investment properties	**3,632,918**	**44.7**	3,433,075	29.5	5.8
Property and land development	**3,575,747**	**44.0**	7,136,391	61.2	-49.9
Hotel operations	**732,640**	**9.0**	959,253	8.2	-23.6
Output management and other services	**187,609**	**2.3**	129,042	1.1	45.4
Total	**8,128,914**	**100.0**	11,657,761	100.0	-30.3

The Group's total income from investment property rental and related services in 2018 accounted for 44.7% of the total revenue, representing an increase of 5.8% as compared with 2017, of which the rental income of Joy City Shopping Malls was RMB2,602.9 million, representing an increase of 11.4% as compared with RMB2,335.9 million in 2017, mainly due to the rental income of RMB43.2 million recorded by Hangzhou Joy City since its splendid opening in August 2018, as well as the significant improvement in the operation results of Chaoyang Joy City, Xidan Joy City and Chengdu Joy City and the renovated COFCO Plaza by their sound operation as compared with last year.

Revenue from sales of property development and income from land development accounted for 44.0% of the total revenue, representing a decrease of 49.9% as compared with 2017. In 2018, settlement area and unit settlement price were 126,814 sq.m and RMB28,141 respectively, representing a decrease of 14.2% and 41.6% respectively as compared with 2017, mainly due to the change in the mix of products delivered and settled this year, where the products delivered by Shanghai Jing'an Joy City include parking lots, giving rise to the significant decrease in average unit price.

Revenue from hotel operations accounted for 9.0% of the total revenue, representing a decrease of 23.6% as compared with 2017, mainly due to the strategic adjustment of the Company on the hotel business segment, operational renovation of Xidan Joy City hotel and disposal of W Beijing – Chang'an in 2018, resulting in a year-on-year decrease in its revenue.

Revenue from output management and other services accounted for approximately 2.3% of the total revenue, representing an increase of 45.4% as compared with 2017.

Cost of Sales and Gross Profit Margin

For the year ended 31 December 2018, the Group's cost of sales was approximately RMB3,629.1 million, and the overall gross profit margin was 55.4%, representing an increase of 10.4 percentage points as compared with 45.0% in last year. During the year, the Group further refined the management and enhanced the cost control of investment properties in greater depth to improve operating efficiency, benefiting from which, the gross profit margin of investment properties increased by 2.6 percentage points as compared with last year. During the year, the gross profit margin of property and land development recorded an increase of 7.3 percentage points as compared with last year due to the changes in the product structure of the projects delivered in the current year. During the year, the gross profit margin of hotel operations recorded a decrease as compared with last year, and due to the implementation of the light asset strategy, the gross profit margin of output management and other services recorded a significant increase.

Gross Profit Margin by Business Segments	Year ended 31 December	
	2018 Gross profit Margin (%)	2017 Gross profit Margin (%)
Investment properties	**74.2**	71.6
Property and land development	**39.7**	32.4
Hotel operations	**42.3**	45.0
Output management and other services	**41.4**	34.6
The Group	**55.4**	45.0

Other Income

For the year ended 31 December 2018, the Group's other income was approximately RMB268.5 million, representing an increase of 67.3% as compared with RMB160.5 million for last year, mainly due to the year-on-year increase of interest income from provision of shareholders' loans to joint ventures, associates, non-controlling interests in 2018.

Other Gains and Losses

For the year ended 31 December 2018, the Group's other gains and losses were approximately RMB-161.9 million, representing a reduced deficit of 61.1% as compared with RMB-415.8 million for last year, mainly due to RMB depreciated during the year, and the Group's revenue was mainly denominated in RMB, and the exchange loss arising from the translation of certain new USD and HKD borrowings increased by RMB89.9 million as compared with last year.

Disposal of Subsidiaries

For the year ended 31 December 2018, the Group recorded gains of RMB1,144.6 million from the disposal of subsidiaries, representing an increase of 203.8% as compared with that of RMB376.7 million last year, which was mainly due to the gains from the disposal of the 100% equity held by wholly-owned subsidiaries of the Group in COFCO Hotel (Beijing) Co., Ltd (holding the W Beijing – Chang'an project) in 2018.

Fair Value Gain of Investment Properties

For the year ended 31 December 2018, fair value gain of investment properties held by the Group was approximately RMB1,092.0 million (2017: RMB1,101.0 million). The gain on fair value recorded in 2018 was mainly contributed by COFCO • Landmark Tower, Hangzhou Joy City, Xidan Joy City, Chaoyang Joy City, Tianjin Joy City, Chengdu Joy City and Shenyang Joy City. Fair value gain 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, Xidan Joy City and Yantai Joy City. Fair value gain was mainly due to the higher contracted rental rates than expected upon the completion and opening of Hangzhou Joy City and Beijing COFCO • Landmark Tower during the year.

Distribution and Selling Costs

For the year ended 31 December 2018, the Group's distribution and selling costs amounted to RMB605.4 million, representing an increase of 3.6% as compared with RMB584.6 million for last year, mainly due to an increase in the marketing expenses attributable to the newly-opened Shanghai Parkside Joy City, Hangzhou Joy City, Xi'an Joy City and COFCO • Landmark Tower. Selling and marketing expenses accounted for 7.4% of the total revenue (2017: 5.0%).

Administrative Expenses

During the year, the Group's administrative expenses amounted to RMB911.6 million, representing a decrease of 6.5% as compared with RMB974.5 million for last year. The administrative expenses mainly included, amongst others, staff salaries, social insurance and benefits for staff, insurance expenses, depreciation and amortization, travel and entertainment expenses, general office expenses, professional third-party service fees and others, which accounted for 11.2% (2017: 8.4%) of the total revenue of the Group.

Management Discussion and Analysis

Finance Costs

For the year ended 31 December 2018, the Group's finance costs amounted to RMB800.9 million, representing an increase of 2.3% as compared with RMB783.2 million for last year.

During the year, the Group's weighted average borrowing cost was 4.39% (2017: 4.28%). The Group's efforts in maintaining a good relationship with the banks enable the Group to maintain low finance costs in the industry despite the tightening financing environment in the domestic market.

Taxation

For the year ended 31 December 2018, the Group's tax expense was RMB1,406.4 million, representing a decrease of 8.1% as compared with RMB1,529.9 million for last year, primarily due to the decreases in enterprise income tax and land appreciation tax as a result of the decrease in property development revenue. In 2018, the effective tax rate of the Group was 31.1% (2017: 37.3%), which was attributable to the decreases in the effective tax rate compared with last year as a result of the lower withholding tax rate for the disposal of equity in domestic companies.

Profit Attributable to Owners of the Company

For the year ended 31 December 2018, profit attributable to owners of the Company was RMB2,103.3 million, representing an increase of 82.4% as compared with RMB1,153.2 million for last year. Basic earnings per share for the year were RMB0.137, representing an increase of 82.7% as compared with RMB0.075 for 2017.

Investment Properties

As at 31 December 2018, investment properties included each of Joy City Projects, Beijing COFCO Plaza, Fraser Suites Top Glory Shanghai, Hong Kong COFCO Tower and COFCO • Landmark Tower. As at 31 December 2018, investment properties increased to RMB58,611.9 million from RMB54,268.0 million as at 31 December 2017, primarily attributable to the combined effect of the increase in the area of investment properties resulting from the addition of Wuhan Joy City and Qingdao Joy Breeze during the year, the increase in construction and purchase costs resulting from the opening of Hangzhou Joy City and COFCO • Landmark Tower during the year, and the increase in the valuation of all the properties benefiting from sound operation.

Leasehold Land and Land Use Rights

As at 31 December 2018, land use rights amounted to RMB609.0 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 RMB12,503.0 million as at 31 December 2017 to RMB14,929.5 million as at 31 December 2018, which was mainly due to the increase in the area of properties under development for sale resulting from the addition of Wuhan Joy City and Qingdao Joy Breeze during the year, and the increase in the purchase and construction costs of properties under development during the year.

Properties Held for Sale

As at 31 December 2018, properties held for sale mainly included the commercial street of Shanghai Jing'an Joy City, Hainan COFCO • Hong Tang Joy Sea and the office building of Chengdu Joy City. Properties held for sale decreased from RMB2,236.4 million as at 31 December 2017 to RMB1,123.5 million as at 31 December 2018, mainly because of the sell-out of the residential project of Shanghai Joy City · Joy Mansion One and the office building of Tianjin Joy City, and the partial delivery of Hainan COFCO • Hong Tang Joy Sea.

Accounts Receivable

As at 31 December 2018, accounts receivable included rental receivables, property management fee receivables, receivables from hotel operation and other accounts receivable. Accounts receivable increased from RMB171.3 million as at 31 December 2017 to RMB226.7 million as at 31 December 2018, mainly due to the slight increase in rental receivables.

Accounts Payable

As at 31 December 2018, 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 decreased from RMB2,463.4 million as at 31 December 2017 to RMB2,143.7 million as at 31 December 2018, mainly due to the decrease in construction cost payables for properties under development of Shanghai Jing'an Joy City.

Bank Borrowings

Bank borrowings increased from RMB11,347.2 million as at 31 December 2017 to RMB16,280.8 million as at 31 December 2018, representing an increase of approximately 43.5%. As at 31 December 2018, bank borrowings carrying floating rates amounted to RMB13,729.9 million, and bank borrowings carrying fixed rates amounted to RMB2,550.8 million.

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

Item	As at 31 December 2018 (RMB'000)	2017 (RMB'000)
Carrying amount repayable:		
Within first year	**1,595,961**	2,361,101
Within the second year	**1,750,148**	995,231
Within the third to the fifth year (inclusive)	**7,635,621**	3,665,091
Over five years	**5,299,028**	4,325,737
Total	**16,280,758**	11,347,160

Bank borrowings of approximately RMB1,596.0 million is repayable within one year and is shown as current liabilities. All the Group's bank borrowings are denominated in Renminbi, Hong Kong dollars and U.S. dollars. There is no material seasonal impact on the Group's needs for borrowings.

As at 31 December 2018, the Group had banking facilities of approximately RMB32,852.3 million, of which RMB19,771.7 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 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.

On 21 December 2018, the subsidiary announced that it received bond holders' notice to sell the corporate bonds in an aggregate principal amount of approximately RMB2.27 billion, while the remaining bonds will be repaid on 14 January 2021. The Group therefore classified corporate bonds of approximately RMB2.36 billion as current liabilities at 31 December 2018.

On 14 January 2019, the corporate bonds with the principal amount of approximately RMB2.27 billion were redeemed by the proceeds from new issuances of six-year and seven-year term unsecured corporate bonds in the PRC with the respective principals in the amount of RMB1.66 billion with the coupon rate of 3.94% per annum and RMB0.7 billion with the coupon rate of 4.1% per annum on 9 January 2019, details are set out in the announcements on 8 and 10 January 2019. The adjusted coupon rate of the remaining Corporate Bonds is 3.95% for the next two years.

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 2018 (RMB'000)	As at 31 December 2017 (RMB'000)
Bank borrowings (current and non-current)	**16,280,758**	11,347,160
Guaranteed notes	**5,502,007**	5,232,283
Corporate bonds	**4,108,227**	4,102,253
Borrowings from fellow subsidiaries, ultimate holding company, non-controlling interests and third parties (current and non-current)	**1,702,605**	1,002,695
Total interest-bearing borrowings	**27,593,597**	21,684,391
Less: Cash and bank balances	**7,107,503**	8,403,593
Restricted and pledged bank deposits	**12,522**	1,293,969
Net debt	**20,473,572**	11,986,829
Total equity	**45,170,784**	42,472,809
Net debt to total equity ratio	**45.3%**	28.2%

Liquidity

The Group previously financed its working capital and capital expenditures with cash flows from operations, commercial bank loans and issue of bonds or notes and issue of share capital. 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 2018, the Group had cash and cash equivalents (including restricted bank deposits and pledged deposits) of RMB7,120.0 million (2017: RMB9,697.6 million), mainly denominated in Renminbi, Hong Kong dollars and U.S. dollars.

The Group's net cash outflow for the year ended 31 December 2018 amounted to RMB2,030.7 million, which included:

Net cash inflow from operating activities of RMB4,253.7 million, mainly attributable to the proceeds received from property sales and deposits received from property presales, the rentals from property leasing, and the revenue from hotel operations of the Group, which were partly offset by the payment for construction costs and taxation.

Net cash outflow from investment activities amounted to RMB10,430.0 million, primarily attributable to the purchase and construction of investment properties, purchase of property, plant and equipment, and advances to fellow subsidiaries, joint ventures and non-controlling shareholders, which were partly offset by disposal of subsidiaries and recovery of borrowings to fellow subsidiaries.

Net cash inflow from financing activities was RMB4,145.6 million, primarily attributable to the additional bank borrowings, borrowings from fellow subsidiaries, and contribution and loans from non-controlling shareholders, which were partly offset by repayment of bank loans, the payment of interests, repayment of borrowings from fellow subsidiaries and perpetual capital instruments.

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 2017 and 31 December 2018	14,231,124,858	1,423,112	1,122,414

As at 31 December 2018, 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 39 to the consolidated financial statements.

Pledge of Assets

As at 31 December 2018, the Group's bank and other borrowings were secured by the pledge of the Group's investment properties of RMB39,287.0 million, property, plant and equipment of RMB2,263.2 million, properties under development for sale of RMB6,492.6 million, properties held for sale of RMB554.7 million, land use rights of RMB519.8 million, accounts receivable of RMB25.4 million and pledged deposits of RMB12.5 million, details of which are set out in Note 46 to the consolidated financial statements.

Contingent Liabilities

As at 31 December 2018, details of the Group's contingent liabilities and non-compliance issues are set out in Note 43 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 2018, 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 of the Group were approximately RMB3,728.4 million (as at 31 December 2017: RMB5,400.6 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 fellow subsidiaries and non-controlling interests, guaranteed notes and corporate bonds, and also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank borrowings. The Group's policies are to reduce the interest rates by negotiating the terms of the interest-bearing borrowings, and explore direct financing at low interest rates such as the 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.

6. 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".

7. Outlook

Looking into 2019, against the backdrop of China's economy entering into the high-quality development stage, on the one hand, the central government exerts vigorous efforts in stimulating residents' consumption and promoting the structural upgrade of traditional consumption, benefiting from which, the space of the consumption market will be continuously released, and the market share of experiential commerce will increase year by year, thus driving the new development of the commercial property industry; on the other hand, under the continuous adjustment and control on the residential property market, commercial properties, as high quality assets with stable cash flows, are drawing increasing attention from real estate companies, and are becoming new development focus of various branded real estate companies. In the meanwhile, under the background of urban renovation and as guided by the development trend of commercial properties shifting from "heavy assets" to "light assets", more development opportunities will arise for the renovation of stock assets. Looking forward, centered on people's pursuit for a better life, the Company will put more attention on the improvement of commercial operation capabilities, actively innovate and upgrade product lines, to further build an "intelligent, platform-based and content-oriented" commercial ecosystem.

By taking advantage of the great opportunities arising from the reorganization of COFCO Property and Joy City Property, the Group will consolidate the synergetic development of multiple types of business including commercial and residential properties, further improve the capabilities of Joy City in operation and product innovation, adhere to the development mode with "selling and holding" as two wheels and "product and service" as two cores. The Group will also improve its finance supporting capability, and pioneer in industry-leading development modes, with a view to building Joy City into a super IP with nationwide influence, strong and appealing presence as well as tremendous traffic.

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 56, 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 55, 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 September1993 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. ZENG Xianfeng, aged 51, 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 56, 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). He is a director of COFCO Property (Stock Code: 000031), a company listed on the Shenzhen Stock Exchange from June 2018.

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 71, 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

Mr. Lau is also a director of 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, 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 63, 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 86, 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 41, 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 51, 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. LI Wenyao, aged 55, 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.

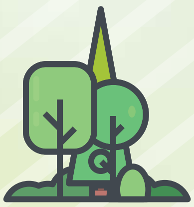
Mr. Li obtained a bachelor's degree in Economics from the University of International Business and Economics in Beijing in July 1986.

Ms. XU Hanping, aged 52, 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 2018 to 31 December 2018 (the "Year"):

Scope of the "ESG Reporting Guide"	Significant ESG issues of the Group
A. Environmental	
A1 Emissions	Control system of emissions, wastewater management, waste management
A2 Use of Resources	Efficient energy utilization, practice and promotion of whole-process energy conservation management
A3 The Environment and Natural Resources	Intelligent property control system, green design concept, environmental friendliness concept
B. Social	
B1 Employment	Sticking to equal employment, establishing diverse recruitment channels, protecting the legitimate rights and interests of its staff
B2 Health and Safety	Ensuring well-being of its staff, fostering a safe environment
B3 Development and Training	Training and development
B4 Labor Standards	Labor Standards
B5 Supply Chain Management	Supplier management, selection of tenants
B6 Product Responsibility	Comprehensive protection for shopping safety, conducting commercial promotion, keeping customer-oriented, protection of customer privacy
B7 Anti-corruption	Anti-corruption mechanism and monitoring procedures, effectiveness of anti-corruption education and training
B8 Community Investment	Charitable events, sports for all, dedication of love

A Environmental

The Group actively puts into practice the basic national policies of conserving resources and protecting the environment, strives to build itself into a "resource-saving and environmental-friendly" enterprise, strictly abides by environmental laws, regulations and policies, and regards environmental protection as an important focus in the process of corporate development. In the management process, the Group puts forward ideas such as promoting major changes in environmental protection and actively exploring new roads for environmental protection, which has enabled the Group to make remarkable progress in environmental protection and seize the commanding heights for green and sustainable development, thus striving to achieve the ultimate goal of green development.

A1 Emissions

The Group has established and improved the environmental responsibility system linking all the levels, and strengthened the awareness of environmental protection responsibility at all levels to control and eliminate hidden dangers, curb safety and environmental accidents, and comprehensively improve the environmental protection management level of the Group. The Group effectively manages and controls wastewater, solid waste and hazardous waste to mitigate the negative impact of emissions on the environment, and adheres to the green development strategy to promote the sustainable development of the Group. During the Year, the Group did not have any major safety and environmental incident, and was not involved in any litigation and dispute relating to environmental protection.

1.1 Control system of emissions

The Group complies with the relevant requirements such as the new "Environmental Protection Law" and the "Administrative Measures for the Environmental Protection of Construction Projects", and constantly improves the control system of energy conservation and emission reduction to build up a sound environment management system. In order to strengthen environmental protection, the "2018 Annual Safety and Environmental Protection Responsibility Statement" distributed for all the Joy Cities and other projects held for sale at the beginning of the Year incorporated the control indicators for pollutant emissions for the first time, based on which the "Discharge Management Provisions" were formulated. The Group regularly conducts inspections on its subsidiaries and strengthens the appraisals for environmental protection. In addition, according to the requirements of the Group's headquarters, the subordinate companies and branches submit the "Statistical Sheet on the Energy Consumption and Environmental Protection of the Group's Operating Projects Held for Sale" for data aggregation monthly.

Sound System

Sorting the environmental protection laws and regulations and management requirements at the three levels of country, industry and company, and formulating the "Discharge Management Provisions" to control the emissions of pollutants.

Quantitative Appraisal

Regularly conducting inspections on its subsidiaries for environmental protection, and irregularly conducting various other inspections such as environmental protection audit.

Clear Responsibility

Requiring all the levels to sign the environmental protection responsibility statement to allocate the responsibilities to respective units and posts, and conducting comprehensive inspection and appraisal on the achievement of the annual responsibility goal and the implementation of energy conservation and emission reduction work.

Reporting for Approval

According to the requirements of the Group's headquarters, the subordinate companies and branches submit the "Statistical Sheet on the Energy Consumption and Environmental Protection of the Group's Operating Projects Held for Sale" for data aggregation monthly, and the first-time pass rate after the Group's headquarters data review reaches 100%.

Environmental, Social and Governance Report

1.2 Wastewater management

Sources of wastewater:

- the sources of the Group's wastewater by function mainly include, among others, the wastewater from landscaping, the wastewater from air conditioning systems and domestic wastewater.

Measures:

- the Group promotes the installation of oil-water separation facilities by catering merchants, self-operated hotels and self-operated canteens in all the operating projects, and ensures the functional operation of such facilities. At the same time, each subordinate project unit is required to regularly hire qualified third-party testing companies to conduct sewage discharge test, and submit the test report to the Group's headquarters for filing. If it fails the test, it needs to make rectification immediately until it passes the test.

Achievements and successful cases:

the kitchens of the project units under the Group have now been fully equipped with oil-water separation facilities and have carried out primary oil separation treatment before sewage discharge, and third-party companies have been engaged to monitor the sewage discharge in each project, thus enabling the Group to manage and control the wastewater according to the test results, and further control the amount of sewage discharged.

Xidan Joy City

- In 2018, Xidan Joy City installed sewage treatment equipment in the public area at the third floor underground, which can carry out L3 treatment on the sewage of 8 dining merchants in the Chat Garden of Xidan Joy City to reduce the emissions of COD, ammonia nitrogen, oil and other pollutants in the dining wastewater.

Beijing COFCO Plaza

- During the renovation of Block C, 5 "oil-water separators" were added to the drainage system, and cleaning were carried out regularly to increase the sewage oil treatment capacity, reduce waste discharge and improve the quality of the sewage discharged.

1.3 Waste management

Sources of solid waste:

- mainly including the construction waste generated by the renovation of shops, office and domestic waste, daily waste generated by tenants (not included in the emission scope of the Group in accordance with the principle of operational control)

Sources of hazardous waste:

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

Measures:

- for solid waste, the relevant departments of the Group are responsible for the supervision, inspection and guidance of waste storage and treatment, as well as the classification, collecting and cleaning of solid waste generated during the production, office work and life of department members, and are also responsible for sorting and recycling the recyclables and treating the hazardous waste in a harmless manner. The Group disposes of hazardous waste reasonably through the cooperation with third parties, of which discarded fluorescent tubes are recycled by third parties and processed reasonably. Toner cartridges are rented and are regularly recycled and renewed by the lessors; and coolants and engine oils in air-conditioners are handed over to professional companies for proper disposal.

Achievements and emissions:

Chengdu Joy City

- Classified waste and sign a garbage disposal contract with a municipal unit. Effectively recycled recyclable waste items and paper.

Hangzhou Joy City

- Formulated the "Hangzhou Joy City's Management Plan for Garbage Rooms", "Operational Regulations for Garbage Collection and Handling in Kitchen Garbage Room", "Operational Regulations for Garbage Collection and Handling in Domestic Garbage Room", "Garbage Removal Regulations", and "Operational Regulations for Garbage Collection and Handling in Garbage Transfer Station";
- The Company cooperated with relevant departments such as environmental sanitation department and community workstations in garbage disposal;
- Put classified environmental friendly trash cans outside the mall, placed two 240L trash cans at the doors of the freight elevators at each level in the mall, and followed the regulations of the property management department to sort the garbage and transport the garbage collected to the garbage room, which is then removed by the sanitation department every day;
- Enhanced publicity and guidance through signs and denoters to arouse the awareness of merchants and customers for garbage classification.

Emissions of the Group in 2018

Item	Total discharge volume of domestic wastewater (Ton)	Total emission of GHG (tCO_2)	Discharge volume of waste oil from kitchen wastewater after oil separation (Ton)	Number of fluorescent tubes disused and recycled	Number of toner cartridges recycled	Dry non-hazardous waste (Ton)	Wet non-hazardous waste (Ton)
Total	1,446,898	112,809	964	8,499	260	51,641	18,008

Environmental, Social and Governance Report

A2 Use of Resources

The Group conscientiously put into practice the Scientific Outlook On Development, continuously promotes energy conservation and emission reduction, and has formulated a series of systems to strengthen the management over energy conservation and emission reduction, established an efficient energy system model and implemented energy conservation management throughout the entire process to enhance the efficiency of resources utilization, and thus reduce energy consumption at source.

2.1 Efficient energy utilization

Based on internal and external experience and targeting at some of the problems in energy conservation management of the projects already opened, the Group has built an efficient energy system model applicable to Joy City's shopping malls, and plans to implement it gradually in Joy City's new shopping malls. The Group relies on this system to objectively and truly monitor the operational status of the projects' electromechanical systems and guide the projects to implement scientific quantitative management, achieve meticulous operations, and adopt advanced technologies and facilities to achieve efficient energy utilization.

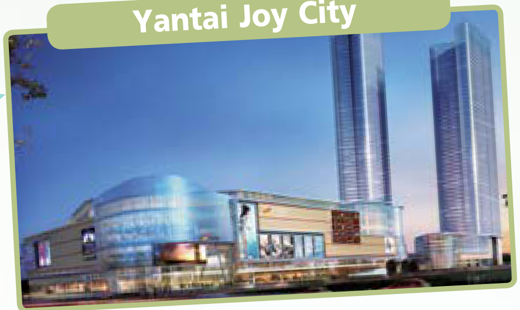
Hangzhou Joy City

- Replaced the faucets in the basement with self-locking water-saving faucets for special personnel to facilitate management and save water;
- Formulated the "Hangzhou Joy City's Management Plan for Garbage Rooms", "Operational Regulations for Garbage Collection and Handling in Kitchen Garbage Room", "Operational Regulations for Garbage Collection and Handling in Domestic Garbage Room", "Garbage Removal Regulations", and "Operational Regulations for Garbage Collection and Handling in Garbage Transfer Station", and cooperated with relevant departments such as environmental sanitation department and community workstations in garbage disposal;
- Replaced all the 16-18W LED lights in Level B3 with 8+3W LED lights of high energy efficiency, which can save approximately over 70% of electricity while enhancing illumination;
- Installed the stacking door on No. 2 ramp of the garage to increase the temperature of the basement, save gas and improve the customer's shopping experience and satisfaction.

Shanghai Jing'an Joy City

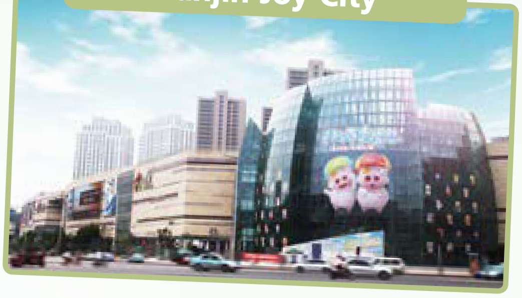
- Modified the lighting system of the southern building by replacing ordinary lights with LED lights, which improves the brightness of the public areas significantly, and not only saves electricity costs, but also improves the overall image of Joy City;
- Implemented paperless work mode in the office to reduce paper consumption;
- Adopted a QR code inspection system for property computer room inspection, and changed the property warranty system to electronic work orders, thus ultimately achieving paperless work and reducing paper waste;
- The property conducted training on energy conservation and emission reduction, and publicized daily water and electricity precautions and energy conservation measures.

Yantai Joy City



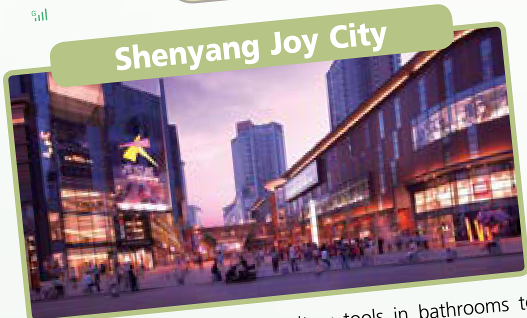
- Actively applied advanced lighting technologies such as solar lights, electrodeless lights and LED lights for energy conservation in lighting, and implemented energy-saving modification according to relevant conditions. Replaced original fluorescent lights in the mall gradually with LED energy-saving lights to ensure that non-energy-saving lights and other high-energy-consuming devices are gradually replaced;
- Formulated the water-saving management system, including strengthening the daily maintenance and management of water consuming equipment to avoid long-time water running; strengthened the maintenance and repair of facilities, conducted frequent inspection and repair on water supply facilities, and carefully conducted inspections on pipeline networks; conducted regular observation and quantitative analysis.

Tianjin Joy City



- Implemented energy metering, accurate metering and precise charging according to the energy division scheme throughout 2018 to avoid energy loss.

Shenyang Joy City



- Replaced energy-saving sanitary tools in bathrooms to ensure the normal use while avoiding water waste;
- Monitored water level in real time through the online EISS platform system to reduce the probability of running water and water leakage;
- Printed on both sides of paper with no special requirements;
- Turned on air conditioners according to actual temperature, adjusted and formulated corresponding energy conservation measures.
- Established the plan for air-conditioning co-stations to reduce electricity consumption and CO_2 emission;
- Replaced LED lights to extend the life of lighting devices and reduce energy consumption;
- Refined the energy consumption management of equipment, and implemented time-based management of lighting facilities through the installation of timing devices to reduce unnecessary energy waste.

Beijing COFCO Plaza

- Formulated the water management system of COFCO Plaza to use water resources efficiently and avoid waste, formulated the pipeline and water consuming facilities and equipment maintenance system of COFCO Plaza, and strengthened the management and maintenance of Beijing COFCO Plaza's pipeline network and water consuming facilities to reduce the waste of water resources caused by pipelines;
- Implemented a series of specific water-saving measures: calculated water consumption, filled out water consumption comparison sheet and conducted energy summarization, inspected the water supply and drainage on a daily basis, the environment department is responsible for the management of the bathroom entering and exiting personnel, and the engineering department is responsible for the inspection and maintenance of bathroom intelligent controllers;
- Formulated the energy conservation and emission reduction system of COFCO Plaza, put into practice relevant energy conservation guidelines, policies and regulations of national, local and industry competent departments, and established energy statistics management positions to achieve reasonable energy utilization;
- Pasted "Save Electricity" signs at the power switches in the office.

Environmental, Social and Governance Report

Energy Consumption of the Group in 2018

Item	Total public consumption of electricity (million Kw/h)	Heating consumption (GJ)	Total public consumption of fuel gas (m^3)
Total	125.88	174,228	3,135,340

2.2 Practice and promotion of whole-process energy conservation management

The Group has begun to put green energy conservation work in priority for commercial projects. It will consider the energy conservation performance during later operation from the early design stage, and carry out energy conservation management throughout the whole process in the four stages of design, procurement, construction and commissioning.

As the first large-scale design and operation project, Chengdu Joy City continuously carries out commercial projects held for sale under closed management. With cutting-edge equipment facilities, perfect systems, and advanced concepts, it has achieved excellent results in green energy conservation work: from the opening to the present, the cooling energy efficiency ratio (EER) of the cooling stations has reached 4.5, enabling it to take a leading position in terms of energy consumption efficiency in the industry (top 10%). Air conditioning system has been fully automated, and the data accuracy rate of the energy management system has reached over 95.45%.

Chengdu Wuhou Joy City was selected as the best energy conservation case of "Double Ten Best" by the National Development and Reform Commission in recognition of its "whole–process management on energy efficiency goal" practice. It is the only shopping mall project selected nationwide and has been followed up by the SASAC. It was also honored as an "Outstanding Electromechanical Whole-Process Management Case in China's Public Building Field in 2018" and was included in the "2018 China Building Energy Conservation Development Research 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 and taking into consideration its own business features, it advocates green design concept, promotes the progress of green development and conducts a series of charitable events to call on everyone to pay more attention to the environment, thus leading a sustainable development approach for the environment in the industry.

3.1 Intelligent property control system

The Group continues to innovate and promote intelligent property systems in its subordinate companies and branches, including online approval system, QR code-based management system, electronic property repair reporting system and fire-fighting IoT, to achieve information-based and intelligent property management, so that every job can be traced, and property operating costs can be reduced to achieve the objective of energy conservation.

Successful Case 1:

QR code-based property management system

Under the strong support of the Group's headquarters, Hangzhou Joy City developed a QR code-based management system based on its own conditions, which has generated remarkable effects: it is easy to understand the key points for daily inspection, it is convenient for daily maintenance and drawing data review, and it facilitates the preservation and continuity of original archives as well as the management of equipment data files.

Successful Case 2:

Electronic property repair reporting system

Shanghai Jing'an Joy City has applied this system, through which people can report their repair needs online through telephone, APP and other manners, and electronic repair reporting orders and electronic order dispatch can be achieved to improve efficiency, reduce labor costs and time costs. Workers need to upload repair results and onsite photos to the system to make sure of the independence of the repair work, thus ensuring the quality and improving the efficiency. The system can collect statistics on the season, floor, type of service, type of maintenance and other aspects, and provide such statistics to the property company for analysis, so that the property company can carry out repair and maintenance work in advance on the equipment.

Successful Case 3:

Firefighting IoT

The Group supports the Shanghai Municipal Government's idea and concept of smart city. According to the Shanghai Municipal Government's work plan for creating a smart city, and taking into account the requirements of Fire Safety Committee of Shanghai Jing'an District, Shanghai Jing'an Joy City completed the installation of the fire-fighting IoT system and put it into operation. The urban intelligent IoT monitoring system and the fire control system for Joy City projects simultaneously monitor the operating status of the consumer equipment, which can effectively guarantee the safe and reliable operation of the fire-fighting system.

Environmental, Social and Governance Report

3.2 Green design concept

The Group takes full consideration of the environmental benefits and extensively adopted the following energy-saving technologies in the design of the projects in 2018:

- Water pumps with variable flow were used in the chilled water distribution system to instantaneously adjust the water flow of water supply according to different load requirements on the load side, thereby greatly reducing the energy consumption of the water pumps;

- The intake and exhaust fans of the basement parking garage will adjust the start and stop of the intake and exhaust fans according to the concentration of carbon monoxide in the parking garage to achieve energy conservation;

- The air conditioners in the public areas and the new air blowers in the shopping malls are equipped with frequency converters, which can flexibly adjust the air supply volume under non-full load to achieve energy conservation;

- The building monitoring system is used to control and monitor the operation of each electromechanical system. At the same time, corresponding metering and monitoring instruments are equipped to save the operating cost of the systems in operation management to the greatest extent.

3.3 Environmental friendliness concept

The Group insists on integrating the concept of energy conservation and low carbon into its operations and services, and focuses on cultivating the low-carbon work habits of its employees. Through the issuance of the "Key Points for Promotion during 2018 National Energy Conservation Promotion Week and the National Low Carbon Day", the Group conducted "Energy Conservation Promotion Week and National Low Carbon Day" activities on the theme of "Energy saving, Green sharing" and tree planting activities to call for people to pay more attention to the environment. This series of measures has enhanced the environmental protection awareness and sense of responsibility of all employees to help them develop good saving habits, and effectively promoted the construction of a conservation-oriented enterprise. At the same time, the raw materials, production processes, processing methods used by the Group, as well as the use and post-treatment of the products meet the requirements of environmental protection standards and regulations. Some of the projects held for sale have passed the environmental management system certification and achieved environmental friendliness.

Successful Case 1:

Promotion activity of Tianjin Joy City for energy conservation and emission reduction

From 11 to 17 June 2018, the headquarters organized various units to hold the "2018 Energy Conservation Promotion Week and Low Carbon Day" activities. Among them, Tianjin Joy City and the relevant department of Tianjin Municipal Government jointly held promotion activities for the energy conservation and emission reduction week. Its role in promotion and education is fruitful, and employees all expressed their desire to start from their own and fully practice the green concept of "lucid waters and lush mountains are invaluable assets". During the activities, all units took the "saving every drop of water, every kWh of electricity, every piece of paper, every particle of grain" as the entry point, and organized "Clear your plate" campaign, "Energy saving for one hour" and "Low-carbon Experience Day" to vigorously promote the traditions of diligence and conservation, and create a great atmosphere for environmental protection and energy conservation where "individuals drive enterprises and enterprises influence society".

Successful Case 2:

Yantai Joy City actively participated in a tree planting activity

On 10 March 2018, Yantai Joy City organized about 40 young employees to go to the Qingyang River planting site in Gaotong Town, Fushan District to participate in the tree planting activities of "Green Harbor City, Beautiful Yantai". A total of more than 50 ginkgo trees were planted in this tree planting activity, which fully mirrored the spirit of the employees of Yantai company to be courageous and willing to contribute, thus bringing people closer to nature and people. The employees had made their own contributions to the "clear waters and green mountains".

B Social

While striving to promote the long-term and efficient development internally, the Group promotes industry linkages and urges stakeholders to fulfil their social responsibilities and create longer-term value. The Group sticks to people-orientation and equal employment, respects and cares for employees, maintains and protects the legitimate rights and interests, safety and health of employees, and carries out vocational development trainings. The Group strengthens supply chain management, improves enterprise competitiveness, and works with suppliers to achieve win-win situation; fulfils the responsibility for customers, creates customer value, and strictly controls product quality to improve customer satisfaction. The Group also formulates anti-corruption related policies to avoid the risk of corruption, and actively gives back to the society, participates in public welfare, helps the community to develop, and promotes the sustainable development of enterprises and the society.

Environmental, Social and Governance Report

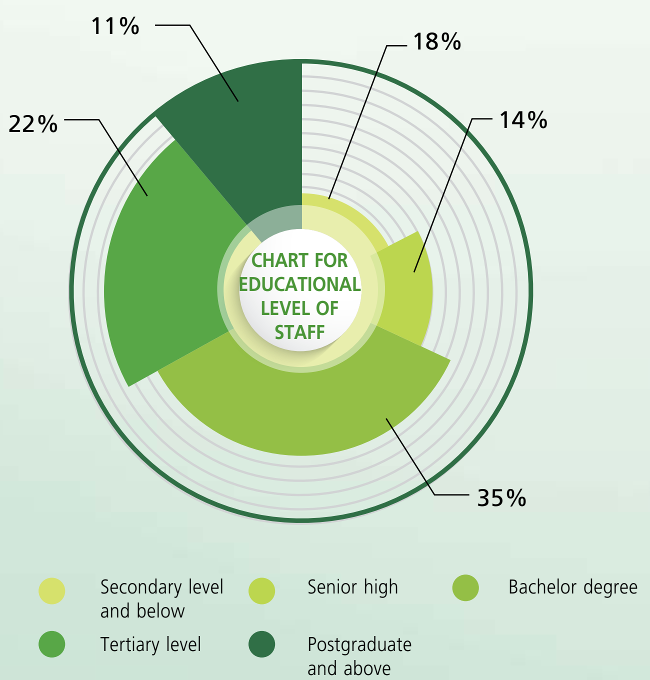
B1 Employment

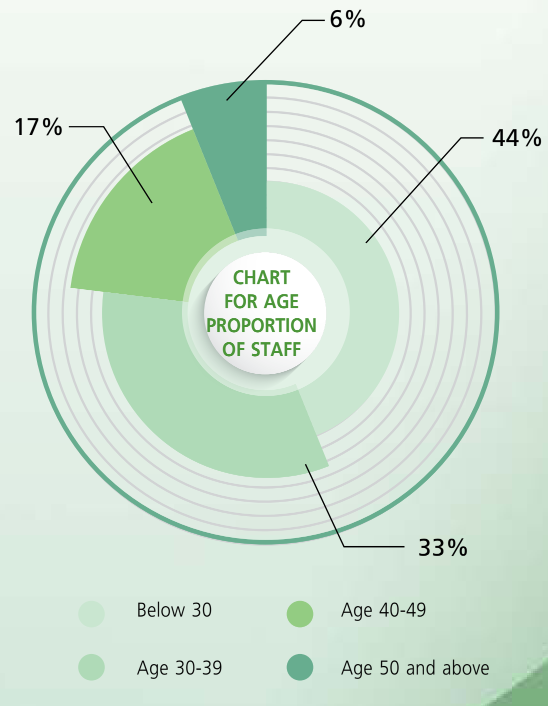
The Group attaches great importance to the recruitment and development of talents. By upholding the principle of equal employment opportunities, the Group has established diversified recruitment channels. The Group cares for its employees, protect their rights and interests, and optimizes the remuneration incentive mechanism, which has enabled the Group to attract and establish a lean, competent and highly efficient staff team to facilitate growth of both the Group and its staff. This provides talents supports to the realization of the Group's strategic targets.

1.1 Sticking to equal employment, establishing diverse recruitment channels

The Group respects every employee, and, with sound recruitment system and process in place and diversified recruitment channels, guarantees that its recruitment will be conducted in a fair and transparent manner, so as to provide an equal employment opportunities and a great career development platform for applicants of different races, genders and educational backgrounds.

The Group actively promotes campus recruitment, social recruitment, hunting and other means to attract and select talents, and establishes contacts with the employment guidance centers of well-known domestic colleges and universities to pay close attention to the professional graduates suitable for its needs. Through the cooperation with recruitment websites such as zhaopin.com and liepin.com, the Group obtains sufficient information for candidates. Through the cooperation with headhunting companies, the Group can explore outstanding talents and hunt for distinguished leaders, and select management talents and professionals with rich experience, outstanding capability and appropriate expertise and in an orderly manner based on market data. The Group strictly maintains standards for talents in their recruitment process and continuously improves and expands the structure of its staff, of which 77.49% of its major operational staff obtained bachelor degrees or above. During the year, the Group recruited a total of 705 staff members for its major operating businesses (except hotel and property operational level). All staff members recruited from schools obtained bachelor degrees or above, of which 65.2% are postgraduates.





Successful Case: *"2019 Joy City Trainee Programme"*

In order to exert greater efforts on corporate brand promotion, the Group focused on the universities and departments by conducting seminars in 15 key universities across the country, participating in multiple campus mutual-selection meetings and symposiums, and visiting 7 key departments in particular, including the Architecture Department of Tsinghua University and the Economics and Management Department of Peking University, where the Group established contacts with students through various forms, and promoted the Group's brand as an employer to continuously enhance the Group's recognition in various universities, and reserve a group of high-quality and potential talents for the Group's business development.

- *During the reporting year, the headquarters of the Group organised a series of large-scale school forums in order to enhance its influence in campus and build a deep and good employer image;*
- *During the year, the Group visited 15 universities with 3,750 participants in total. Through employment information network of the universities, 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 of schoolmates, interactive Q&A session and micro interview, etc. Decent souvenirs are also prepared to enhance the experience of students.*

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.

Successful Case: *"MPF Scheme"*

The Group provides its employees in Hong Kong with retirement benefits through the mandatory provident fund scheme (the "MPF Scheme") and medical insurance. 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 multilayer 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

Taking health and safety responsibility as the top priority for the Group's survival, the Group actively improves the occupational safety and health management system, creates a safe and harmonious development environment, and enhances safety management actions, thus striving to control and eliminate the potential safety and health risks of its staff so as to continuously promote the harmonious 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. The Group continuously improves the safety and environmental education and training system at the three levels of "Group headquarters + subordinate city-level companies + particular projects", and prepares training plans and matched tests to ensure that employees have appropriate safety knowledge and skills. In addition, the Group held the 2018 "Safe Production Month" emergency observation drill and skill competition, which promoted the continuous improvement of the basal units' safety emergency response capability; the Group encourages its staff to participate more in sports by organizing regular exercise activities and other activities like "Joy City Run (悦城跑)".

Successful Case: ***"Joy City Run" event***

The Group held the "Joy City Run" event in Chaoyang Park on 18 October 2018. This "Joy City Run" event comprised two parts, namely a five-kilometer run and a three-kilometer fast walk. After fierce competition, a total of 12 contestants won the individual award "Joy Run Pioneer" for the run part and the individual award of "Right and Sharp" award for the fast walk part. As per the statistics, about 140 persons from various functional departments of the Group participated in the event. The "Joy City Run" event played a role in enriching the lifestyle of the Group's employees, reinforcing physical fitness, promoting communication and strengthening team cohesion.

2.2 Fostering a safe environment

The Group adheres to the concepts of people orientation and life first, and actively creates a safe and comfortable work and shopping environment for employees through the improvement of systems and standards. It also ensures the personal and property safety of employees and customers through various safety inspections, special treatments and emergency drills, while actively striving to build itself into a demonstrative enterprise for safe production, and create a safer and more harmonious living and working space for the employees and a comfortable shopping environment for the consumers, thus providing the Group with the conditions for sustained and healthy development.

Revised and improved 33 safety and environmental management system standards in 2018 to ensure that the system standards are consistent with national laws and regulations and collective requirements, and continuously improved the same. In the meanwhile, the Group took safety performance assessment as the starting point to evaluate the safety performance of various subordinate companies and business units in the cities from the three levels of subordinate companies, development and construction projects and commercial operation projects.

Continuously improving institutional standards and fully implementing safety management performance evaluation

The Group comprehensively promoted the life-cycle management of construction projects in accordance with the "Safety and Environmental Protection Management Manual of COFCO for Construction Projects" and the "Record Sheet on the Life-cycle Safety Management and Control Work for Construction Projects". By conducting publicity training and conducting inspections in the process, all units made good progress in overall promotion, and implemented the management measures for the key parts of the management and control process as required.

Carrying out life-cycle management on construction projects and implementing risk management and control throughout the process

The Group adhered to the past tradition of supervision and conducted 4 large-scale inspections on subordinate units throughout the year, effectively improving the safety status on site. At the same time, in response to the low average score rate of the projects in respect of fire and gas safety performance indicators during the inspection and evaluation, the Group organized special treatment for fire and gas safety management and achieved remarkable results.

Exerting great efforts on safety hazard screening and special treatment

In 2018, focusing on the construction of emergency response capacity at the foundation level, the Group supervised and guided various commercial operation projects to improve 168 emergency plans, organized 223 emergency drills for foundation projects, and organized special emergency performance evaluations and verifications on Joy City projects, and the average score was 89.17 points (good), reflecting the continuous improvement of the emergency response capability of the Group's operating projects.

Optimizing emergency plans and evaluating emergency effectiveness

Successful Case: "Special gas safety investigation for Joy City's commercial projects"

At the beginning of 2018, the Group organized a special gas safety investigation for Joy City's commercial projects, and found problems and shortcomings based on the investigation, so as to actively promote the projects to eliminate related hidden dangers. Meanwhile, the Group organized special trainings to provide guidance for gas management work of the projects in four aspects, namely system establishment, facility management, alarm system and merchant management. At the end of 2018, the Group hired external experts to carry out special assessment on gas safety, and the average score increased by 9 percentage points as compared with 2017, indicating the initial formation of the gas safety management mechanism of each project, and the fact that gas safety management is gradually on the right track.

Environmental, Social and Governance Report

B3 Development and Training

The Group keeps abreast of the latest trend, and, based on talent trend and the conditions of employees, implements unified management to carry out multi-level, multi-form and all-round employee training programs to achieve talent reserve. In order to vigorously implement the strategy of strengthening market share through talents, closely follow the innovation-driven pattern to attract and gather talents and create a new highland for talent development, the Group has built a talent development and incentive mechanism to create a great career development platform.

(1) Unified management, focusing on training

The Group has always laid emphasis on talent fostering, and has been continuously reserving strength for business development through reserve talent training programs, talent exchange programs and profession upgrading and training programs. In the process of fostering talents, the Group adopts various methods such as centralized training, action-based learning, project research, classroom test and rotation training to help employees improve their abilities. The Group has established "Golden Helmsman" and "Golden Seed" talent reserve training programs to provide a backbone for business development. The Group carried out the campus recruitment and growth program of "Future Stars" for new employees to foster new strength for the Group's development. Through the "Team Members Competition" program designed to stimulate internal competition, the "Team Members Swapping" program designed for rotation training and the "Team Members Training" designed to foster young beginners, the Group smoothened the internal talent flow channels to provide a clear development path for employees. Moreover, the Group organized the "trainings on the integration of new employees from social recruitment" to strengthen professional promotion and the integration of new employees and deepen internal talent exchange.

Golden Helmsman: Fostering business leaders

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 for the Group's business. The program was launched in 2013, and 25 students from the first session graduated in October 2015. By the time of graduation, a total of 20 students were promoted during the training process, and the promotion rate was 80%, three of whom were promoted twice. The second session of the "Golden Helmsman" program was carried out from October 2016 to April 2018, during which a total of 32 students graduated. By the time of graduation, a total of 24 students were promoted during the training process, with a promotion rate of 75%, of which 6 were promoted to be leaders of the functional departments at the Group's headquarters or subordinate city-level companies and Joy City projects.

Golden Seed: Supplying the Group with talents capable of tackling difficulties

The development program of "Golden Seed" aims to build a reserve of backbone staff by rapidly fostering and replicating talents. This program was launched in 2013, and four sessions were organized successfully so far. Up to now, the "Golden Seed" program has fostered 149 director-level candidates for the Group, 25 of whom have entered the manager level of COFCO, accounting for 16.8% of the total number of graduates.

Future Stars: Fostering new force for the Group

The "Future Stars" development program aims to foster new force for the Group's future development, and is a growth program designed for the new employees from campus recruitment. The program was launched in 2012 and has successfully held seven sessions up to now. The "Future Stars" development program helps new employees to get through the adaptation period at the workplace through the "1+1+1+1" development model of one-week intensive training, one-season close tutorship, one-year training feedback and one guider, thus facilitating the transition from a student to a worker. As of 2018, the Group has fostered more than 1,100 new employees from campus recruitment.

Team Members Training

The Group continued to promote the "Team Members Training" program, and encouraged qualified young employees at the headquarters to conduct training and study on the front lines of the projects with a view to consolidating the foundation for the employees' career development, and enhancing the knowledge and understanding of young talents on the Group's business. In 2018, a total of seven young talents at the headquarters went to the front line for training. Since the launch of the "Team Members Training" program in 2016, a total of 33 employees have participated in the program.

Team Members Swapping

In 2018, the Group exerted greater efforts on the "Team Members Swapping" program. According to this program, a flexible working mechanism has been established where employees can be swapped at any time according to the needs of business, and the headquarters implement control as a whole and supervise the service throughout the whole process, and business units negotiate among themselves for project coordination and ensure timely filing. In 2018, a total of 17 employees participated in the "Team Members Swapping" program, and all the units shared excellent experience among themselves, especially the professional experience regarding commercial lines. Since its launch in 2014, a total of 147 swaps have been completed, covering the Group's headquarters and all subordinate city-level companies.

Team Members Competition

The Group streamlined key business positions through various measures, and sorted high-potential talents with open ideas to provide mature talents for new projects, inject new force into developed projects. The Group rationally took advantage of the new positions from new projects, and gave full play to the strengths of old projects in fostering talents to integrate new and old forces and continuously implement the strategy of "one chess game" for talents cultivation. In 2018, Wuhan Guanggu Joy City successfully held the internal job competition, and through the promotion and publicity in various aspects, a total of 40 candidates participated in the competition on site and 28 business positions were filled successfully.

(2) Paying attention to talent incentive and standardizing the promotion channel

Upholding the core principle of "promoting business development and increasing the return on human resources", the Group has been attracting and fostering quality and outstanding talents in multiple aspects and dimensions by developing an ABC mechanism for key positions, creating backup talent fostering system and talent exchange project, constantly optimizing the incentive system and establishing dual career paths for the employees.

a. Backup talent echelon construction mechanism

The Group has built an ABC mechanism for key positions to form a backup talent pool, build a backup talent echelon, and consolidate the talent base. At the same time, it implements dynamic management on backup talents and provides sufficient talent reserve for the Group's business expansion.

b. Emphasis on talent incentive, marketization, encouragement, and innovative incentive mechanism

The Group incentivizes talents and improves their enthusiasm and efficiency through a series of plans, awards and assessments. The Group has officially implemented an incentive plan for providing stock-based bonuses to senior management to further bound the interests of Group's senior management and shareholders, and established three annual awards, namely "Excellent Team Award", "Excellent Manager Award" and "Excellent Employee Award", to reward excellent teams, managers and employees in particular. In addition, the Group actively explores and innovates, and implements an innovative assessment incentive mechanism at the project level on the basis of narrowing accounting units, thus striving to be at the forefront of the industry, and conduct assessments and incentives with consideration of project progress, cost management, operating income and excess EBITDA.

c. Establishing dual career paths for employees

The Group has established a value-based and development-oriented dual-career-path development system for management and professionalism by integrating the features of the industry and the relevant positions, so as to provide a diversified and clear career development path for its staff.

B4 Labor Standards

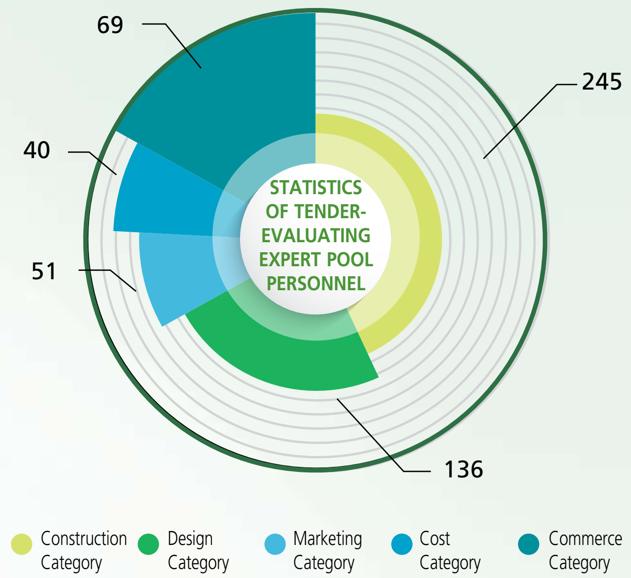
The Group strictly complies with the management policies under the relevant international and national standards, rules and regulations, or those of the places where it operates in respect of child labor or forced labor prevention. We have developed complete procedures of information collection and approval of recruitment of staff to ensure labor standards are implemented and executed smoothly. We prevent employment discrimination, adhere to employ our employees in accordance with laws, 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 reporting period, 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, and selects and establishes stable partnership with the right suppliers to ensure the smooth completion of the centralized procurement tasks of the Group's collaborative products, while accomplishing the goals of standardizing the procurement process, optimizing the supplier group, sharing procurement information, supervising procurement process, reducing procurement costs, improving the level of procurement informatization, and achieving win-win situation with suppliers, so as to improve the level of sustainable development, and ensure the fairness, safety and efficiency of 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 expanded the expert pool in charge of the selection, thereby strictly controlling the quality level of the selected suppliers. In addition, third-party inspection was commenced on tender and purchase to enhance internal control and put examination in place. Besides, the Suppliers' Conference 2018 was convened during the year to formulate the development plan, facilitate the construction of the suppliers' database, boost the establishment of the centralized purchase and enhance performance evaluation. The Group selects suppliers online through the ERP system, and optimizes corporate resources and operation mode from the perspective of supply chain beyond the boundaries for traditional enterprises, reflecting the demand of the market for the reasonable allocation of corporate resources.



a. Expanding the expert pool in charge of selection

By further improving the professional categories and coverage of the expert pool for tender evaluation, we invited excellent consulting organizations in the industry to hold training seminars for tender evaluation experts. After passing the training and examination, experts were selected into the Group's expert pool for tender evaluation, which comprises a total of 204 experts in the supplementary engineering, design, cost and marketing categories. By the end of 2018, a total of 541 tender evaluation experts were selected into the Group's expert pool for tender evaluation, effectively solving the problems of insufficient number of experts and lack of professionalism, and truly realizing the sharing of resources for the Group's tender evaluation experts.

Environmental, Social and Governance Report

b. Third-party inspection on tender and purchase

The Group engages third parties to conduct inspection on tender and purchase to strengthen compliance management and control and ensure the fairness and objectiveness. The Group identifies problems and adopts corrective measures based on the inspection results to eventually enhance the awareness for compliance.

Third-party inspection on tender and purchase

The Group further enhanced compliance management and control, and continued to engage third-party institutes to conduct inspections for two times during the year.

Inspection output

Through the inspection, the Group included the suppliers with problems into the blacklist and announced the list at the Suppliers' Conference. Relevant personnel were held accountable in a strict manner, and a corresponding rectification report was issued to carry out special rectification on the problems exposed during the inspection. A case manual was distributed for summarizing and sharing experience.

Inspection effect

As compared with 2017 and shown by the two inspections, prominent problems were significantly improved and the compliance awareness of subordinate city-level companies was further enhanced.

c. Enhancing performance evaluation

The Group completed a total of two performance evaluations in 2018, during which, a total of 3,499 suppliers received performance evaluations, including 303 from the core supplier pool. In addition, the Group introduced a "suspension" mechanism to suspend the suppliers who scored less than 75 points in single-item performance from any tender in the city where the project was located for half a year, and the Group collectively sent the email of "Notice on Suspending ** Company from Any Corporate Tender in ** City" to the relevant units and marked them as "Suspended Unit" under the supplier management function of the SRM System.

Successful Case:

Commencement of "Diamond Action" by the Group

Through commencing "Diamond Action", the Group took management actions in five aspects, namely "building up systems, formulating standards, performing frequent inspection, optimizing procedures and innovating technologies, and enhancing the team", thereby steadily strengthening the construction quality of the Group, whereas the third-party evaluation score was increased to 89.63% for the fourth quarter of 2018, compared to 81.86% for the first quarter of 2017. In addition, the evaluation scores given by third parties for construction quality are also used for screening the units with great resources.

5.2 Selection of Tenants

The Group has formulated the "Administrative Measures of Joy City on Investment Attraction Business", which specifies various management procedures for Joy City's projects, including product management, rental management, daily routine management and business review, effectively standardizes the management mechanism for the core brands of Joy City and the evaluation work of the committee of business experts, and perfects Joy City's inspection system for investment attraction. In 2018, the Group's committee of business experts evaluated 728 brands in total, standardized the rental determination principle for Joy City's projects in a unified manner, and strongly promoted the nationwide expansion of the core brands.

B6 Product Responsibility

The Group strictly abides by the requirements of the "Product Quality Law of the People's Republic of China", the "Law of the People's Republic of China on the Protection of the Rights and Interests of Consumers" and other relevant laws and regulations, and has put forward the work ideas of "strengthening management and control, controlling risks, creating superior products, promoting brands, learning with flexibility and encouraging innovation". Adhering to the concept of "customer-oriented", the Group ensures the freshness of its brands, and has created an urban complex covering the whole service chain with shopping malls as the main body and consisting of various types of businesses including apartment buildings, office buildings and hotels, etc., thus improving the shopping experience in all aspects and achieving high customer satisfaction.

6.1 Comprehensive Protection for Safe Shopping

The Group has always upheld the concept of "Customer-oriented, Safety-first", and takes safety as the basis for design to protect the operation of business and Joy City's projects.

(1) Healthy and safe design concept

In 2018, the Group established and improved a layout plan library at the subordinate city-level company level based on the needs, and solidified 22 standard configuration technologies on the basis of the four major design themes of "healthy, safe, intelligent and green" and in line with market trends.

At the same time, the Group formulated a corresponding standardized rate scoring mechanism, and included 22 standard configuration technologies under the four themes of "healthy, safe, intelligent, and green" into the key scoring points as mandatory items to constantly implement the Group's concept of health and safety for its residential products nationwide.

(2) Protection of business operation safety

In order to protect the safety of business operation, the Group has adopted the following measures:

- Carried out safety performance assessment for Joy City's commercial projects in 20 aspects including system, fire safety and gas safety. The evaluation results showed that all the projects had achieved better results;
- Piloted the construction of a dual prevention mechanism and promoted risk grading management and control: The pilot units comprehensively carried out risk identification, formulated risk grading management and control schemes, and conducted all-staff training and hidden danger investigations according to the requirements of the Group, thus effectively improving the site safety, accomplishing preliminary results, and laying a solid foundation for comprehensive promotion and replication;
- Strengthened food safety management to shape an image as a safe food provider: the Group conducted evaluation on the key management and control areas for food safety, and implemented dynamic and hierarchical management on catering merchants to raise the importance given by the projects and merchants to food safety;
- Focused on the construction of the "online monitoring system for safety and environmental protection" to put in place real-time regulation on the process.

Environmental, Social and Governance Report

6.2 Conducting commercial promotion, keeping customer-oriented

Adhering to the business philosophy of strengthening operation, valuing service and never stopping innovation, the Group carried out annual brand activities and membership work, and interacted with the public and the media, which highlighted the core values of the brands, and enabled consumers to feel the brand's unified image, thus achieving the purpose of publicity. Through such efforts, the Group can provide members with a better service experience to ensure the freshness and depth of the member experience, thereby enhancing brand influence.

Successful Case 1:

Annual brand activity of Joy City: self-created emotional IP to focus on deep emotional connection

As an innovator of physical commerce and in the face of the market situation where high-quality IP resources are suffering from exhaustion and homogenized competition is becoming increasingly fierce, Joy City continues to bring consumers fresh experience through a variety of self-created IP activities with clear-cut attitudes. In 2018, Joy City's annual brand activity was strategically launched on the "Chinese Valentine's Day", and through self-created emotional IP, the theme of "Joy, up to Love ",and the joint efforts with more than 20 brands, including Tik Tok and Xin Shi Xiang (新世相), and crossover artists, 850 million brand exposures were recorded and more than 78,000 pieces of quality UGC content were collected, covering 20 million young people nationwide, the highest in history.

Successful Case 2:

Self-service intelligent membership center in Tianjin Nankai Joy City

In September 2018, Tianjin Nankai Joy City introduced a self-service intelligent membership center, enabling it to upgrade the membership system to V3.0. This center is equipped with black technologies and online and offline interactive experience scenarios, etc., creating a new model for membership operation, and building an intelligent membership system with complete automation, enhanced social interaction and extensive entertainment contents. The self-service intelligent membership center links consumers and members through exclusive space, cultural integration, service extension, etc., which helps consumers to become members, enhances their sense of belonging, realizes decentralized operations, and efficiently connects the interaction and communication between members and merchants and among members, thus enhancing the consumer experience in the mall.

6.3 Protection of consumer privacy

In order to ensure consumers' rights and interests and the security of data and information, the Group streamlined the commercial property information security work in 2018, released the guidelines for the use of sensitive information in commercial projects, and produced a high-frequency information call approval form V0.1 and the Joy • Cloud system authority application form, requiring each caller to invoke or browse data in a manner consistent with the safe use guidelines. At the same time, the Group released the online general interface platform, and issued the application developer access guide to transmit information in a unified and modular manner, thus ensuring that the information so transmitted is encrypted, and eliminating information leakage during the information transmission process.

B7 Anti-corruption

The Group firmly adheres to the honest practice. 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 fostering an honest culture with self-awareness, self-discipline and self-control, which has enabled the Group to achieve zero corruption risk among the Group and the employees.

7.1 Anti-corruption Mechanism and Monitoring Procedures

The Group continuously strengthens the construction of anti-corruption system, strictly complies with the national requirements on the anti-corruption system, systematically sorted the categories and forms of anti-corruption risks as well as hidden problems and abnormalities, and analysed in depth the causes for such problems in various aspects including system, mechanism, management and supervision to eradicate illegal behaviors. Moreover, the Group formulated the anti-corruption system and the internal control system for internal use, and established the corporate anti-corruption management system and the internal control framework to maintain 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. Through the establishment of monitoring mechanism, the Group 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

The Group has 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. The Group further enhanced the compliance trainings for the members of the securities affairs team of listed company, statutory insiders and the employees in key positions to constantly improve their awareness for compliance and risk prevention. The Group has 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. During the year, there was no litigation involving corruption or bribery of the Group.

Environmental, Social and Governance Report

B8 Community Investment

The sustainable development of the Group 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.

8.1 Charitable events

The Group raises funds for public welfare donations, carries out charitable sales activities, and provides free venues for commendation ceremonies, with a view to contributing to the construction of a harmonious socialist society, and achieving a win-win situation in terms of both economic and social benefits. In 2018, the Group's public welfare donation expenditure totaled RMB2,095,730.

Successful Case: ***Shanghai Parkside Joy City***

During the reporting period, Shanghai Parkside Joy City carried out two charitable sales activities, which attracted 1,300 families to participate, and raised a charitable donation of RMB50,913. In addition, the project provided a free venue for the commendation ceremony of the "Good Putuonese" event sponsored by the Publicity Department of the Putuo District Committee of the Communist Party of China and the Spiritual Civilization Office of Putuo District of Shanghai, and organized by Putuo Branch of Shanghai Public Security Bureau. The event enhanced the cohesive and leading ability of advanced culture by narrating the charities and stories of greater love of the "Good Putuonese", firmly propelled the construction of the socialist core value system, and gave full play to the exemplary role of outstanding models to demonstrate corporate social responsibility.

8.2 Sports for all, dedication of love

With the concept of "charity + sports", the Group deeply integrates the charity and mass sports for all people, and advocates the dedicated spirits of "unity, friendship, mutual assistance and progress". Moreover, the Group always starts with charity and sports charity, and leads "Joy Fan" in a fashionable and healthy manner to actively participate in public welfare events, show others love and contribute our love and strength to the society.

On 20 October, the Group successfully held the 2018 "Joy City Run" carnival in COFCO's smart farm, during which various Joy City members, media representatives and Joy City Run followers participated together in the event, and, through the exercise in person, converted the accumulated public welfare points into a public welfare fund of RMB200,000 to buy gifts for the UNICEF, which will be donated to children in need around the world. The ideas of health, sunshine and public welfare reflected in the "Joy City Run" event firmly promoted the progress of building the IP of Joy City spirit.

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 2018, 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 2018. 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, two (2) non-executive Directors and three (3) independent non-executive Directors. The two (2) executive Directors are Mr. ZHOU Zheng and Mr. CAO Ronggen; the two (2) non-executive Directors are 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 2018, 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.

Corporate Governance Report

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 2018. 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 2018, and of the Group's profit and cash flows for the year ended 31 December 2018.

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 2018, 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 2018 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	3	16	1
Directors						
Executive Directors						
Mr. ZHOU Zheng *(chairman)*	3 (75%)			3 (100%)	16 (100%)	1 (100%)
Mr. CAO Ronggen	4 (100%)		2 (100%)		16 (100%)	1 (100%)
Non-executive Directors						
Mr. JIANG Chao	3 (75%)					0 (0%)
Mr. ZENG Xianfeng	4 (100%)	3 (100%)				0 (0%)
Mr. JIANG Yong	4 (100%)					0 (0%)
Independent Non-executive Directors						
Mr. LAU Hon Chuen, Ambrose, *GBS, JP*	4 (100%)	3 (100%)	2 (100%)	3 (100%)		1 (100%)
Mr. LAM Kin Ming, Lawrence	4 (100%)	3 (100%)	2 (100%)	3 (100%)		1 (100%)
Mr. WU Kwok Cheung, *MH*	4 (100%)	3 (100%)	2 (100%)	3 (100%)		1 (100%)

Corporate Governance Report

Directors' Training

During the year ended 31 December 2018, 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 2018. 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		
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*	√	√

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 2018, 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.

Corporate Governance Report

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 2018, the Nomination Committee held three (3) 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;
- reviewed the contribution required from the Directors to perform their responsibilities and whether they have spent sufficient time performing them;
- consider the renewal of service contracts of Directors; and
- formulate nomination policy.

The Board has adopted a nomination policy during the year. The nomination policy is posted on the website of the Company (www.joy-cityproperty.com).

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

Corporate Governance Report

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).

Corporate Governance Report

The Audit Committee held three (3) meetings during the year ended 31 December 2018, 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 2017, and made recommendation to the Board for approval;
- reviewed the interim financial statements of the Group for the six months ended 30 June 2018, 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 2017 and for the six months ended 30 June 2018;
- 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 2018.

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 is posted on the website of the Company (www.joy-cityproperty.com).

Corporate Governance Report

The Executive Committee held sixteen (16) meetings during the year ended 31 December 2018. 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 2018, 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 2018, 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 2018	981
Total:	4,000

Corporate Governance Report

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 2018.

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 2018.

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 2018.

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 2018.

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 2018, the Company held the following major investors relationship activities:

Month	Activity	Place
January	BNP Paribas Asia Pacific Financials & Property Conference	Hong Kong
	dbAccess China Conference 2018	Beijing
April	UBS HK/China Property Conference 2018	Hong Kong
	Industrial Securities 2018 Spring Overseas Investment Strategy Conference	Shenzhen
May	J.P. Morgan Global China Summit 2018	Beijing
	HSBC 5th Annual China Conference	Hong Kong
	Orient Securities 2018 Investment Strategy Conference	Shanghai
	Morgan Stanley Fourth Annual China Summit	Beijing
June	Discovery Conference Daiwa Pan Asia Small & Mid Caps	Hong Kong
	Citi's Asia Pacific Property Conference 2018	Hong Kong
	CS 2018 China/Hong Kong Property Corporate Day	Hong Kong
July	Merchants Securities 2018 Mid Investment Strategy Conference	Shenzhen
October	J.P. Morgan China Opportunities Forum	Shenzhen
November	Goldman Sachs China Conference 2018	Shenzhen
	Citi's China Investor Conference	Macau
December	Merchants Securities 2019 Investment Strategy Conference	Shanghai
	Essence Securities 2019 Investment Strategy Conference	Shanghai
	CST Securities 2019 Annual Strategy Conference	Shanghai

Directors' Report

The Board is pleased to present its report and the audited consolidated financial statements of the Group for the year ended 31 December 2018, which were approved by the Board on 19 March 2019.

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 output management and other services.

RESULTS AND DIVIDEND

The Group's results for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss on page 135 of this Annual Report.

The Board recommended the payment of a final dividend of HK6 cents per share (2017: HK4 cents per share) for the year ended 31 December 2018. It is expected that the final dividend will be paid on Monday, 8 July 2019 to shareholders whose names appear on the register of members of the Company on Wednesday, 19 June 2019 subject to the approval of shareholders at the AGM to be held by the Company on Thursday, 30 May 2019.

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 2018 is set out on page 130 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 54 in this Annual Report.

BANK BORROWINGS

Details of movements in the Group's bank borrowings during the year ended 31 December 2018 are set out in Note 35 to the consolidated financial statements.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Details of the Company's principal subsidiaries, joint ventures and associates are set out in Notes 55, 21 and 20 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2018 are set out in Note 39 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 41 and 56 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2018, 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 RMB9,359,867,000. As at 31 December 2018, the Company's share premium in the amount of RMB17,993,202,000 (as at 31 December 2017: 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 2018 (%)
Top five customers	11.06
Largest customer	7.19

	Percentage of total purchases for the year ended 31 December 2018 (%)
Top five suppliers	28.10
Largest supplier	12.19

Directors' Report

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

DIRECTORS

The Directors during the year ended 31 December 2018 and up to the date of this Annual Report were:

Executive Directors:

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

Non-executive Directors:

Mr. Zeng Xianfeng
Mr. JIANG Yong (appointed on 8 March 2018)
Ms. WU Xiaohui (resigned on 8 March 2018)
Mr. JIANG Chao (resigned on 30 January 2019)
Mr. JIA Peng (resigned on 8 March 2018)

Independent Non-executive Directors:

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

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

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

Directors' Report

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 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 2018.

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 2018 is set out in Note 14 to the consolidated financial statements.

Details of the emoluments paid to the senior management in 2018 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.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2018, 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	0.00% (Note 2)
Mr. JIANG Yong	The Company	Beneficial owner	300,000	0.00% (Note 3)
	China Foods Limited	Beneficial owner	50,000	0.00% (Note 4)
Mr. LAM Kin Ming, Lawrence	The Company	Beneficial owner	6,000	0.00% (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 2 decimal places) were calculated based on the total number of shares of China Agri-Industries Holdings Limited in issue as at 31 December 2018, i.e. 5,249,880,788 shares.

3. The percentage (rounded to 2 decimal places) was calculated based on the total number of Shares in issue as at 31 December 2018, i.e. 14,231,124,858 shares.

4. The percentages (rounded to 2 decimal places) were calculated based on the total number of shares of China Foods Limited in issue as at 31 December 2018, i.e. 2,797,223,396 shares.

Directors' Report

Save as disclosed herein, as at 31 December 2018, 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 2018 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 2018, 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:

Directors' Report

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

Number of substantial shareholders	Class of shares	Number of shares held	Approximate percentage of the issued share capital (Note 1)
COFCO Corporation	Ordinary shares	9,501,359,644 (L) (Note 2)	66.76%
	CPS	1,095,300,778 (L) (Note 3)	100%
COFCO (HK)	Ordinary shares	9,501,359,644 (L) (Note 2)	66.76%
	CPS	1,095,300,778 (L) (Note 3)	100%
Vibrant Oak	Ordinary shares	9,133,667,644 (L) (Note 4)	64.18%
Achieve Bloom	Ordinary shares	367,692,000 (L)	2.58%
	CPS	1,095,300,778 (L)	100%
COFCO Property	Ordinary shares	9,133,667,644 (L) (Note 4)	64.18%
GIC Private Limited	Ordinary shares	1,135,920,000 (L) (Note 5)	7.98%

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 2018, 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 2018.

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 2018.

   COFCO Corporation, through its wholly-owned subsidiary, COFCO (HK), was deemed to be interested in 9,501,359,644 Shares as at 31 December 2018.

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 2018.

   COFCO Corporation, through its wholly-owned subsidiary, COFCO (HK), was deemed to be interested in 1,095,300,778 CPS as at 31 December 2018.

4. Pursuant to the group reorganization, COFCO Property and Vibrant Oak entered into the sale and purchase agreement in relation to acquisition of 9,133,667,644 ordinary shares in the Company from Vibrant Oak by COFCO Property, which completion is subject to the terms and conditions of the sale and purchase agreement.

5. GIC Private Limited held 1,135,920,000 Shares as investment manager as at 31 December 2018.

L. Indicates a long position.

Directors' Report

Save as disclosed herein, as at 31 December 2018, 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 connected transactions and continuing connected transactions that existed during the year ended 31 December 2018 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 2018 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 2018:

(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) Financial Services

Directors' Report

Details of Continuing Connected Transactions

(a) Leasing of properties to the COFCO Group

As of 31 December 2018, the Company has entered into various lease agreements for the leasing of commercial premises to the COFCO Group. The lease agreements were entered into mainly by (i) Beijing COFCO Plaza Co. for the leasing of commercial premises in Beijing COFCO Plaza; (ii) Bapton for the leasing of commercial premises in COFCO Tower; (iii) Shanghai Xinlan Real Estate Development Co., Ltd. for the leasing of commercial premises in Shanghai Jing'an Joy City; and (iv) Zhuoyuan Property for the leasing of commercial premises in Chengdu Joy City. These leased properties are generally occupied by relevant members of the COFCO Group as their headquarters, offices, sales offices or for other commercial uses.

The Company considers that the leasing of the commercial premises to the COFCO Group is conducted in the Company's ordinary and usual course of business based on the commercial needs of the Company and the COFCO Group. To better regulate the arrangements, the Company entered into the Master Lease Agreement on 29 November 2013, followed by two supplemental agreements on 3 November 2014 and 21 December 2016, respectively, to further extend its term to 31 December 2019, with COFCO Corporation to govern the terms of the lease arrangements between the Company and the COFCO Group.

The 2018 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 2018) (RMB'000)	Actual Amounts (financial year ended 31 December 2018) (RMB'000)
223,000	165,983

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 Management (Beijing) Co., Ltd.	Yalong Development (Sanya)	Provision of hotel management services for Cactus Resort Sanya by Gloria
COFCO Property Shenzhen Property Management Co., Ltd., Shenyang Branch	Shenyang Development	Provision of property management services for Shenyang Joy City
COFCO Property Shenzhen Property Management Co., Ltd., Chengdu Branch	Sanya Yuesheng Development Company Limited	Provision of property management services for Hainan COFCO • Hong Tang Joy Sea
COFCO Property Shenzhen Property Management Co., Ltd., Tianjin Joy City Branch	Joy City (Tianjin) Co., Ltd.	Provision of property management services for Tianjin Nankai Joy City
COFCO Property Shenzhen Property Management Co., Ltd., Chongqing Branch	Chongqing Zeyue Co., Ltd.	Provision of property management services for Chongqing COFCO Central Park Shine City

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.

Directors' Report

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 2018) (in RMB'000)	Actual amounts (financial year ended 31 December 2018) (RMB'000)
26,000	23,622

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 2018) (in RMB'000)	**Actual amounts (financial year ended 31 December 2018)** (RMB'000)
21,700	5,429

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.

Directors' Report

COMMON TERMS OF THE MASTER AGREEMENTS

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

Term:	Each Master Agreement was approved by the Independent Shareholders at the SGM dated 18 December 2013, and has become effective from 19 December 2013 to 31 December 2016, and extended to 31 December 2019, which can be renewed on terms to be agreed upon between the Company and COFCO Corporation subject to compliance with the applicable provisions of the Listing Rules.
Framework agreement:	The Master Agreements are framework agreements which contain general terms and conditions upon which the Group and the COFCO Group are to carry out the particular type of transaction contemplated thereunder. Members of the Group and the COFCO Group may from time to time enter into specific agreements in respect of the leases, services and/or products to be provided or received by the Group, provided that the terms of such detailed agreements are not inconsistent with the terms of the relevant Master Agreement. The actual services and/or products to be provided or received by the Group are subject to such detailed agreements entered into between the relevant members of the Group and the COFCO Group from time to time during the terms of the Master Agreements.
Pricing basis:	The purchase amounts, rent and service fees payable under each of the Master Agreements by the Group or the COFCO Group (as the case may be) are to be agreed and determined on an arm's length basis between the relevant members of the Group and the COFCO Group from time to time, which shall be comparable to, or no less favourable to the Group than, the fair market rents or market prices for similar products and services offered by independent third parties to the Group or by the Group to independent third parties. The relevant member of the Group shall, before it enters into specific agreements in respect of the leases, services and/or products pursuant to the Master Agreements, (a) when the price is the sole determining factor: (i) obtain quotations from not less than two independent third party suppliers of the same or similar products and/or services required by the Group; or (ii) request COFCO Group to provide it with not less than two records of same or similar products and/or services offered by it to other customers, 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.

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

As at 31 December 2018, 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 Joy City Commercial Management (Beijing) Limited ("Joy City Commercial Management") , 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 2018) (in RMB'000)	Total annual rent and management fee for the year ended 31 December 2018 RMB'000
12th floor of COFCO Fortune Plaza in Beijing	1 January 2018 to 31 December 2018	15,280	11,513

Details of the existing lease is set out in the Company's circular dated 5 November 2014 and its announcement dated 21 December 2016.

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

(e) Financial Services

On 30 September 2016, the Company, COFCO Finance Company Limited ("COFCO Finance") and 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. 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.

COFCO Finance is a non-banking financial institution subject to regulations by the People's Bank of China ("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;

Directors' Report

(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$654 million) on any day throughout the term of the Financial Services Agreement. For the year ended 31 December 2018, 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$654 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 2018 shall not exceed RMB5,000,000 (equivalent to approximately HK$5,944,000). For the year ended 31 December 2018, the aggregate annual handling fees charged by COFCO Finance for providing the entrustment loans to Joy City Commercial Management was RMB627,000 (equivalent to approximately HK$716,000).

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.

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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 pages 114 to 121 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) the land use rights grant contract dated 29 December 2018 entered into by Wuhan Joycity Real Estate Development Co., Ltd, an indirect non wholly-owned subsidiary of the Company, and Land Resources and Planning Bureau of Wuhan East Lake High-tech Development Zone, in connection to the acquisition of land use rights of the land located near South of Gaoxin Road and east of Guangyu San Road in Wuhan, the PRC;

(b) the land use rights grant contract dated 28 December 2018 entered into by Charming Land Limited, a wholly-owned subsidiary of the Company, and Land Planning and Development Bureau of the Management Committee of Chengdu Tianfu New District of Sichuan, in connection to the acquisition of land use rights of the land located at Tianfu New Area, Cheungdu, the PRC;

(c) the framework agreement dated 1 August 2018 entered into by Joy City Commercial Management, a wholly-owned subsidiary of the Company, and Tianjin Chang He Capital Investment Fund Management Company Limited in relation to, among others, the formation of the master fund and the investment fund(s).

(d) 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.;

(e) 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;

(f) 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;

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(g) 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;

(h) 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;

(i) 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;

(j) 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);

(k) 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.);

(l) 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);

(m) 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;

(n) 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;

(o) 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;

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(p) 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;

(q) 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;

(r) 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;

(s) 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;

(t) 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.;

(u) 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;

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

(w) 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.;

(x) 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;

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

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(z) 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;

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

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

(cc) 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;

(dd) 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.;

(ee) 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;

(ff) 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;

(gg) 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

(hh) 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.

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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 HK$700,000,000 or its equivalent amount in USD (the "Term Loan"); (ii) a revolving loan up to HK$300,000,000 or its equivalent amount in USD (the "Revolving Loan"); and (iii) a treasury credit limit of HK$60,000,000 (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.

On 24 September 2018, the Company as borrower entered into a facility agreement ("Facility Agreement") with Bank of China (Hong Kong) Limited (the "BOCHK"), Hongkong and Shanghai Banking Corporation and DBS Bank (Hong Kong) Limited (collectively, the "Lenders") whereby a US$350,000,000 or its Hong Kong Dollars equivalent term loan facility (the "Loan") would be made available by the Lenders to the Company subject to the terms and conditions of the Facility Agreement. The Loan shall be repaid on the date falling 36 months from the date of the Facility Agreement. Pursuant to the Facility Agreement, if (a) COFCO Corporation and COFCO (HK) together do not or cease to be, directly or indirectly, the single largest shareholder of the Company; and/or have management control over the Company; and/or (b) COFCO Corporation is not or ceases to be majority owned or otherwise controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China or China Central Government, it would constitute an event of default upon which all or any part of the amount of the loan committed by the Lenders shall be cancelled and be reduced them to zero; and/or all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable. Details of the transaction are set out in the announcement dated 24 September 2018.

On 29 January 2019, the Company as borrower entered into a facility letter ("Facility Letter") with a bank as lender whereby the banking facility of an uncommitted revolving loan up to HK$500,000,000 (the "Facility") would be made available by the bank to the Company subject to the terms and conditions of the Facility Letter. The expiry of the Facility shall be determined by the bank in its sole discretion, subject to annual review. Pursuant to the Facility Letter, COFCO Corporation shall remain as the single largest shareholder of the Company, otherwise, the Facility Letter will be terminated upon which all outstanding indebtedness in connection with the Facility shall be repaid and settled in full. Details of the transaction are set out in the announcement dated 29 January 2019.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year ended 31 December 2018.

CONVERTIBLE SECURITIES, WARRANTS OR OPTIONS

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

The major terms of the CPS are as follows:

Nominal value:	Non-redeemable convertible preference shares of HK$0.10 each created as a new class of shares in the share capital of the Company.
Conversion ratio:	The CPS shall be convertible at the option of its holder, without the payment of any additional consideration therefor, into such number of fully-paid Shares at the conversion ratio of one CPS for one Share.
Conversion rights:	Holders of the CPS will have the right to convert all or such number of CPS into Conversion Shares at any time after the issuance of the CPS, provided that they may not exercise the conversion rights as to such number of CPS the conversion of which would result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules.
Redemption:	The CPS shall be non-redeemable by the Company or their holders.
Dividend and distribution entitlement:	Each CPS shall confer on its holder the right to receive any dividend pari passu with holders of Shares on the basis of the number of Share(s) into which each CPS may be converted and on an as converted basis.
	The holders of the CPS shall have priority over the Shareholders on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company (but not on conversion of CPS or any repurchase by the Company of CPS or Shares).
Voting rights:	The holders of the CPS shall be entitled to receive notices of and to attend general meetings of the Company, but the CPS shall not confer on their holders the right to vote at a general meeting of the Company, unless a resolution is to be proposed at a general meeting for the winding-up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the CPS or vary the restrictions to which the CPS are subject.
Transferability:	The CPS (including the Conversion Shares once converted from the CPS) may be transferred by their holders without restriction.
Ranking:	Save as expressly provided in the Bye-laws and save and except for the voting rights and distribution entitlements upon liquidation, winding-up or dissolution of the Company, each CPS shall have the same rights as each of the Shares.
	The Conversion Shares will be issued as fully paid and rank pari passu in all respects with the Shares in issue as at the date of conversion.

Directors' Report

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 2018, 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 2018, the Independent Board Committee considered that COFCO Corporation had complied with the Non-Competition Undertaking for the year ended 31 December 2018.

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 Friday, 24 May 2019 to Thursday, 30 May 2019, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents, accompanied by the relevant share certificate(s), must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 23 May 2019.

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, 13 June 2019 to Wednesday, 19 June 2019, 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, 12 June 2019.

AUDIT COMMITTEE

The audited consolidated results of the Group for the year ended 31 December 2018 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 53 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 RMB2,095,730 (2017: RMB1,494,954.6). 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
19 March 2019

Five Years Financial Summary

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(as restated)	(as restated)
				(note)	(note)
Consolidated results					
Revenue	**8,128,914**	11,657,761	6,987,097	5,382,474	5,721,309
Profit for the year attributable to owners of the Company	**2,103,271**	1,153,162	797,581	726,147	1,711,096

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(as restated)	(as restated)
				(note)	(note)
Consolidated assets and liabilities					
Total assets	**98,860,489**	86,370,523	82,550,683	73,087,104	68,157,379
Total liabilities	**(53,689,705)**	(43,897,714)	(41,044,052)	(39,712,577)	(41,055,728)
Total equity	**45,170,784**	42,472,809	41,506,631	33,374,527	27,101,651
Equity attributable to owners of the Company	**28,209,016**	27,018,517	26,203,351	25,107,923	19,833,965

Note:

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 135 to 287 which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, 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 2018, 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 the 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 MATTERS (CONTINUED)

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 2018 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; and • Assessing the adequacy of the disclosures of the fair value measurement of investment properties including the fair value measurement hierarchy, the valuation technique and significant unobservable inputs in the consolidated financial statements.
Revenue recognized of property sales	

We identified the revenue from sales of properties as a key audit matter due to the significance of the amount and volume of sales transactions recognised during the year.
 	
Details of revenue from sales of properties are set out in Note 5 to the consolidated financial statements.
	Our procedures in relation to revenue from sales of properties included:
	
	• Understanding, documenting and 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; and
	
	    • reconciling the monetary amounts of recorded transactions and related payments to the signed sales and purchase agreements of properties sold.

Independent Auditor's Report

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.

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.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	NOTES	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	5	**8,128,914**	11,657,761
Cost of sales and services rendered	9	**(3,629,144)**	(6,410,085)
Gross profit		**4,499,770**	5,247,676
Other income	6	**268,533**	160,539
Other gains and losses, net	7	**(161,881)**	(415,763)
Impairment losses, net of reversal		**(1,988)**	(3,482)
Gain on disposal of subsidiaries	52	**1,144,610**	376,746
Distribution and selling costs		**(605,433)**	(584,576)
Administrative expenses		**(911,635)**	(974,498)
Fair value gain on investment properties	16	**1,092,021**	1,101,041
Finance costs	8	**(800,936)**	(783,213)
Share of losses of associates		**(1,067)**	(19,066)
Share of losses of joint ventures		**(2,570)**	(687)
Profit before tax	9	**4,519,424**	4,104,717
Income tax expense	10	**(1,406,417)**	(1,529,930)
Profit for the year		**3,113,007**	2,574,787
Profit for the year attributable to:			
Owners of the Company		**2,103,271**	1,153,162
Holders of perpetual capital instruments		**175,645**	214,446
Non-controlling interests		**834,091**	1,207,179
		3,113,007	2,574,787
Basic and diluted earnings per share	13	**RMB13.7 cents**	RMB7.5 cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit for the year	**3,113,007**	2,574,787
Other comprehensive (expense)/income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation	**(89,530)**	87,206
Fair value loss on hedging instruments designated in cash flow hedges	**(2,016)**	–
	(91,546)	87,206
Items that will not be reclassified to profit or loss:		
Revaluation of properties:		
Gain on revaluation of owner occupied property and leasehold land and land use rights upon transfer to investment properties	**–**	77,151
Income tax effect	**–**	(19,288)
	–	57,863
Other comprehensive (expense)/income for the year, net of income tax	**(91,546)**	145,069
Total comprehensive income for the year	**3,021,461**	2,719,856
Total comprehensive income for the year attributable to:		
Owners of the Company	**2,012,713**	1,298,231
Holders of perpetual capital instruments	**175,645**	214,446
Non-controlling interests	**833,103**	1,207,179
	3,021,461	2,719,856

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	At 31 December 2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Investment properties	16	**58,611,949**	54,268,000
Property, plant and equipment	17	**3,314,820**	3,273,397
Leasehold land and land use rights	18	**609,010**	629,526
Intangible assets	19	**80,193**	39,140
Interests in associates	20	**154,374**	107,217
Interests in joint ventures	21	**5,315,396**	34,313
Loan to a joint venture	25	**92,290**	213,468
Loan to an associate	25	**403,098**	–
Available-for-sale investments	22	**–**	510
Financial assets at fair value through profit or loss		**510**	–
Goodwill	23	**253,042**	253,042
Deposits	30	**10,000**	10,000
Deferred tax assets	24	**51,944**	28,833
		68,896,626	58,857,446
CURRENT ASSETS			
Inventories	26	**35,561**	42,795
Properties held for sale	27	**1,123,521**	2,236,373
Properties under development for sale	28	**14,929,521**	12,502,999
Accounts receivable	29	**226,727**	171,305
Contract costs		**43,057**	–
Deposits, prepayments and other receivables	30	**1,680,035**	654,414
Amount due from the ultimate holding company	31	**12**	84
Amounts due from fellow subsidiaries	31	**3,604**	17,778
Amounts due from non-controlling interests	31	**59,470**	26,802
Amounts due from joint ventures	31	**55,915**	31,901
Amounts due from associates	31	**113,371**	11,678
Loans to associates	25	**1,876,354**	347,143
Loans to joint ventures	25	**1,451,659**	–
Loan to non-controlling interests	25	**1,100,000**	–
Tax recoverable		**145,031**	30,321
Restricted bank deposits	32	**–**	1,283,100
Pledged deposits	32	**12,522**	10,869
Cash and bank balances	32	**7,107,503**	8,403,593
		29,963,863	25,771,155
Assets classified as held for sale	11	**–**	1,741,922
		29,963,863	27,513,077
TOTAL ASSETS		**98,860,489**	86,370,523

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	At 31 December 2018 RMB'000	2017 RMB'000
CURRENT LIABILITIES			
Accounts payable	33	**2,143,707**	2,463,354
Other payables and accruals	34	**5,847,456**	3,867,056
Deposits received in respect of pre-sale of properties		**–**	4,135,018
Contract liabilities	38	**6,959,696**	–
Amount due to the ultimate holding company	31	**1,159**	201,288
Amount due to an intermediate holding company	31	**61**	1,248
Amounts due to non-controlling interests	31	**1,843,205**	2,517,969
Amounts due to joint ventures	31	**5**	–
Amounts due to fellow subsidiaries	31	**95,325**	113,672
Loans from fellow subsidiaries	25	**410,200**	68,000
Loans from non-controlling interests	25	**–**	31,409
Loan from a third party	25	**–**	25,310
Bank borrowings	35	**1,595,961**	2,361,101
Income tax and land appreciation tax payables		**916,319**	634,105
Deferred income		**2,074**	2,264
Guaranteed notes	36	**5,502,007**	–
Bonds payable	37	**2,360,148**	–
		27,677,323	16,421,794
Liabilities classified as held for sale	11	**–**	840,427
		27,677,323	17,262,221
NET CURRENT ASSETS		**2,286,540**	10,250,856
TOTAL ASSETS LESS CURRENT LIABILITIES		**71,183,166**	69,108,302
NON-CURRENT LIABILITIES			
Other payables and accruals	34	**836,547**	330,734
Loan from non-controlling interests	25	**672,233**	–
Loans from a fellow subsidiary	25	**620,172**	877,976
Bank borrowings	35	**14,684,797**	8,986,059
Deferred tax liabilities	24	**7,403,751**	7,106,188
Guaranteed notes	36	**–**	5,232,283
Bonds payable	37	**1,748,079**	4,102,253
Amounts due to fellow subsidiaries	31	**19,147**	–
Amount due to an intermediate holding company	31	**618**	–
Other financial liabilities		**2,016**	–
Amount due to non-controlling interests	31	**25,022**	–
		26,012,382	26,635,493
NET ASSETS		**45,170,784**	42,472,809

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
CAPITAL AND RESERVES			
Share capital	39	**1,122,414**	1,122,414
Reserves	41	**27,086,602**	25,896,103
Equity attributable to owners of the Company		**28,209,016**	27,018,517
Perpetual capital instruments	42	**2,743,326**	2,767,681
Non-controlling interests		**14,218,442**	12,686,611
TOTAL EQUITY		**45,170,784**	42,472,809

The consolidated financial statements on pages 135 to 287 were approved and authorised for issue by the Board of Directors on 19 March 2019 and are signed on its behalf by:

ZHOU Zheng
DIRECTOR

CAO Ronggen
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company													
	Ordinary share capital RMB'000 (Note (a)) (Note 39)	Share premium RMB'000 (Note (a))	Non-redeemable convertible preference shares RMB'000 (Note (a)) (Note 40)	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 42)	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2017 (audited)	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
Adjustments (Note 2)	-	-	-	-	-	-	-	-	-	14,952	14,952	-	10,255	25,207
At 1 January 2018 (restated)	1,122,414	17,993,202	1,722,317	(20,801,408)	3,137,029	6,140,228	643,466	78,944	(31,331)	17,028,608	27,033,469	2,767,681	12,696,866	42,498,016
(Loss)/profit and other comprehensive (expense)/income for the year	-	-	-	-	(1,028)	-	-	-	(89,530)	2,103,271	2,012,713	175,645	833,103	3,021,461
Repayment of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	(200,000)	-	(200,000)
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,378,148	1,378,148
Statutory reserve appropriation	-	-	-	-	-	-	124,534	-	-	(124,534)	-	-	-	-
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(689,675)	(689,675)
Final 2017 dividend declared (Note 12)	-	-	-	-	-	-	-	-	-	(500,696)	(500,696)	-	-	(500,696)
Obligation arising from a put option (Note 34)	-	-	-	-	(336,470)	-	-	-	-	-	(336,470)	-	-	(336,470)
Others	-	-	-	-	-	-	-	(2,447)	-	2,447	-	-	-	-
At 31 December 2018	1,122,414	17,993,202	1,722,317	(20,801,408)	2,799,531	6,140,228	768,000	76,497	(120,861)	18,509,096	28,209,016	2,743,326	14,218,442	45,170,784

	Attributable to owners of the Company													
	Ordinary share capital RMB'000 (Note (a)) (Note 39)	Share premium RMB'000 (Note (a))	Non-redeemable convertible preference shares RMB'000 (Note (a)) (Note 40)	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 42)	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 51)	-	-	-	-	-	-	-	-	-	-	-	-	110,295	110,295
Disposal of subsidiaries (Note 52)	-	-	-	-	-	-	-	-	-	-	-	-	(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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

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 from merger accounting for business combinations involving entities under common control of RMB288,561,000 in 2012 and RMB2,617,690,000 in 2013 and offset with obligation arising from a put option to non-controlling shareholder of RMB336,470,000 in 2018 (Note 34).

(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.

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.

(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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**4,519,424**	4,104,717
Adjustments for:		
Finance costs	**800,936**	783,213
Interest income	**(248,675)**	(124,877)
Share of losses of associates	**1,067**	19,066
Share of losses of joint ventures	**2,570**	687
Impairment loss on property held for sale	**–**	21,728
Amortisation of intangible assets	**9,900**	11,565
Amortisation of leasehold land and land use rights	**22,703**	28,129
Depreciation of property, plant and equipment	**230,240**	309,279
Fair value gain of investment properties	**(1,092,021)**	(1,101,041)
Recognition/(reversal) of impairment loss on accounts receivable, net	**978**	(17)
Recognition of impairment loss on other receivables, net	**1,010**	3,499
Exchange loss/(gains), net	**245,849**	(131,633)
Gains on disposal of subsidiaries	**(1,144,610)**	(376,746)
Impairment loss on property, plant and equipment	**–**	57,025
Loss on disposal of property, plant and equipment, net	**2,843**	53,775
Loss on disposal of investment properties, net	**–**	251,352
Release of deferred revenue	**(12,561)**	(3,907)
Operating cash flows before movements in working capital	**3,339,653**	3,905,814
Decrease/(increase) in inventories	**7,234**	(18,579)
Decrease in properties held for sale	**2,119,344**	4,785,881
Increase in properties under development for sale	**(3,264,069)**	(5,169,115)
(Increase)/decrease in accounts receivable	**(56,400)**	25,072
Increase in contract costs	**(7,651)**	–
Increase in deposits, prepayments and other receivables	**(633,046)**	(180,208)
Decrease in amounts due from non-controlling interests	**6,476**	127,809
(Decrease)/increase in accounts payable	**(319,647)**	615,389
Increase in contract liabilities	**2,625,235**	–
Increase in other payables and accruals	**237,477**	708,032
Increase in deposits received in respect of pre-sale of properties	**–**	1,049,867
Increase/(decrease) in rental deposits received	**250,803**	(70,664)
Decrease/(increase) in restricted bank deposits	**1,283,100**	(1,253,573)
Decrease in amount due from the ultimate holding company	**72**	19,936
Decrease in amount due from an intermediate holding company	**–**	325
(Increase)/decrease in amounts due from fellow subsidiaries	**(2,843)**	3,374

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in amounts due to joint ventures	**5**	–
Decrease in amount due to an intermediate holding company	**(569)**	(202)
Increase in amounts due to fellow subsidiaries	**38,728**	481
Increase/(decrease) in deferred income	**12,371**	(23,696)
Cash generated from operations	**5,636,273**	4,525,943
PRC Enterprise Income Tax and Hong Kong profits tax paid	**(1,140,078)**	(926,278)
Land Appreciation Tax paid	**(242,498)**	(261,611)
NET CASH FROM OPERATING ACTIVITIES	**4,253,697**	3,338,054
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**97,571**	124,877
Payments for property, plant and equipment	**(364,005)**	(360,104)
Payments for leasehold land and land use rights	**(1,472)**	–
Payments for intangible assets	**(50,953)**	(12,108)
Payments for investment properties	**(2,107,721)**	(1,172,654)
Proceeds from disposal of property, plant and equipment	**12,212**	228,513
Acquisition of a subsidiary (Note 51)	**–**	(349,576)
Acquisition of interests in associates	**(72,807)**	(59,005)
Acquisition of interests in joint ventures	**(4,304,275)**	(35,000)
Advance to fellow subsidiaries	**–**	(3,185)
Repayment from fellow subsidiaries	**17,017**	–
Repayment of loan and advance to a joint venture	**–**	156,710
Loans to joint ventures	**(1,320,190)**	–
Repayment of loan and advance to associates	**(1,936,850)**	(358,821)
Loan to non-controlling interest	**(1,100,000)**	–
Net cash inflow on disposal of subsidiaries (Note 52)	**662,541**	394,471
Advance to a joint venture	**–**	(97)
Advance from a joint venture	**40,590**	–
Placement of restricted bank deposits	**–**	(751)
Withdrawal of restricted bank deposits	**–**	2,075
Increase in pledged deposits	**(1,653)**	(5,129)
Decrease in non-pledged time deposits with original maturity of more than three months when acquired	**–**	2,101
NET CASH USED IN INVESTING ACTIVITIES	**(10,429,995)**	(1,447,683)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(674,064)**	(675,348)
Repayment of perpetual capital instruments	**(200,000)**	(500,000)
Interest paid on perpetual capital instruments	**–**	(462,614)
Interest paid to guaranteed notes holders	**(199,033)**	(195,589)
Interest paid on bonds payable	**(145,500)**	(96,000)
Issue of bonds	**–**	1,000,000
Repayment of loans from a third party	**(25,310)**	(48,700)
Proceeds from bank borrowings	**7,811,388**	8,364,536
Repayment of bank borrowings	**(3,040,560)**	(7,873,403)
Loans from fellow subsidiaries	**150,146**	1,340,476
Repayment of loans from fellow subsidiaries	**(15,750)**	(1,417,500)
Repayment of loans from the ultimate holding company	**–**	(300,000)
Repayment of amount due to the ultimate holding company	**(200,129)**	(120,128)
Advance from non-controlling interests	**–**	588,021
Advance from fellow subsidiaries	**–**	77,110
Repayment to fellow subsidiaries	**(37,928)**	–
Loans from non-controlling interests	**672,233**	31,409
Repayment of loans from non-controlling interests	**(31,409)**	(37,988)
Loan from a third party	**622,730**	–
Dividends paid	**(536,095)**	(1,030,440)
Dividends paid to non-controlling interests	**(719,233)**	(142,265)
Contribution from non-controlling interests	**714,139**	60,000
Deemed distribution on acquisition of subsidiaries under common control in prior year	**–**	(33,635)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**4,145,625**	(1,472,058)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(2,030,673)**	418,313
Cash and cash equivalents at beginning of year	**9,127,596**	8,789,000
Effects of exchange rate changes on the balance of cash held in foreign currencies	**10,580**	(79,717)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**7,107,503**	9,127,596

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and bank balances	**6,989,343**	4,842,958
Non-pledged time deposits	**118,160**	3,560,635
Cash and bank balances as stated in the consolidated statement of financial position	**7,107,503**	8,403,593
	7,107,503	8,403,593
Cash and bank balance included in disposal group held for sale	**–**	724,003
Cash and cash equivalents as stated in the consolidated statement of cash flows	**7,107,503**	9,127,596

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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 and hotel operations.

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, proposed to acquire from Vibrant Oak Limited the controlling interest of the Company (the "Transfer"), which was completed in January 2019. After the Transfer, the controlling interest of approximately 64.18% of the Company's total issued share capital (without taking into account of the non-redeemable convertible preference shares of the Company) is directly held by COFCO Property, and the Company has become a subsidiary of COFCO Property. The Company remains as an indirect subsidiary of COFCO Corporation notwithstanding the Transfer. Further details are set out in the announcements made by the Company on 21 August 2017, 31 March 2018, 24 July 2018, 15 November 2018 and 1 February 2019.

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 2018

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*

In addition, the Group has early applied Amendments to HKFRS 9 *Prepayment Features with Negative Compensation* which will be mandatorily effective for the Group for the financial year beginning on 1 January 2019.

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

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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

2.1 HKFRS 15 Revenue from Contracts with Customers (continued)

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Property management related services
- Sales of properties held for sale
- Output management project and other services
- Hotel room revenue and other ancillary service

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Notes 5 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on retained profits and non-controlling interests at 1 January 2018.

	Note	RMB'000
Recognition of contract costs	(a)	35,406
Tax effects	(a)	(10,199)
Impact at 1 January 2018		25,207
Retained profits		14,952
Non-controlling interests		10,255
		25,207

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

2.1 HKFRS 15 Revenue from Contracts with Customers (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017	Reclassification	Remeasurement	Carrying amounts under HKFRS 15 at 1 January 2018
		RMB'000	RMB'000	RMB'000	RMB'000
Current assets					
Contract costs	(a)	–	–	35,406	35,406
Capital and reserves					
Reserves	(a)	25,896,103	–	14,952	25,911,055
Non-controlling interests	(a)	12,686,611	–	10,255	12,696,866
Current liabilities					
Contract liabilities	(b) (c)	–	4,334,461	–	4,334,461
Deposits received in respect of pre-sale of properties	(b)	4,135,018	(4,135,018)	–	–
Other payables and accruals	(c)	3,867,056	(199,443)	–	3,667,613
Non-current liabilities					
Deferred tax liabilities	(a)	7,106,188	–	10,199	7,116,387

Notes:

(a) The Group incurred incremental commission paid/payable to intermediaries in connection with obtaining sales of properties contracts with customers. These amounts were previously expensed as incurred. At the date of initial application of HKFRS 15, incremental costs of obtaining contracts with customers of RMB35,406,000 and the related deferred tax liability of RMB10,199,000 were recognised with corresponding adjustments to retained profits and non-controlling interests.

(b) As at 1 January 2018, advances from customers of RMB4,135,018,000 in respect of sales of property contracts previously included in deposits received in respect of pre-sale of properties were reclassified to contract liabilities.

(c) As at 1 January 2018, other cash received in advance of RMB199,443,000 primarily in respect of property management services and hotel room services previously included in other payables were reclassified to contract liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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

2.1 HKFRS 15 Revenue from Contracts with Customers (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

The following tables summarize the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	RMB'000	RMB'000	RMB'000
Current assets			
Contract costs	43,057	(43,057)	–
Capital and reserves			
Reserves	27,086,602	(18,654)	27,067,948
Non-controlling interests	14,218,442	(14,203)	14,204,239
Current liabilities			
Contract liabilities	6,959,696	(6,959,696)	–
Deposits received in respect of pre-sale of properties	–	6,780,448	6,780,448
Other payables and accruals	5,847,456	179,248	6,026,704
Non-current liabilities			
Deferred tax liabilities	7,403,751	(10,199)	7,393,552

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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

2.1 HKFRS 15 Revenue from Contracts with Customers (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

Impact on the consolidated statement of profit or loss and other comprehensive income

	As reported RMB'000	**Adjustments** RMB'000	**Amounts without application of HKFRS 15** RMB'000
Distribution and selling costs	(605,433)	(7,651)	(613,084)
Profit before tax	4,519,424	(7,651)	4,511,773
Income tax expense	(1,406,417)	–	(1,406,417)
Profit for the year	3,113,007	(7,651)	3,105,356
Total comprehensive income for the year	3,021,461	(7,651)	3,013,810

Impact on the consolidated statement of cash flows

	As reported RMB'000	Adjustments RMB'000	Amounts without application of HKFRS 15 RMB'000
Operating Activities			
Profit before tax	4,519,424	(7,651)	4,511,773
Operating cash flows before movements in working capital	3,339,653	–	3,339,653
Increase in contract costs	(7,651)	7,651	–
Increase in contract liabilities	2,625,235	(2,625,235)	–
Increase in deposits received in respect of pre-sale of properties	–	2,645,430	2,645,430
Increase in other payables and accruals	237,477	(20,195)	217,282
Cash generated from operations	5,636,273	–	5,636,273
Net cash from operating activities	4,253,697	–	4,253,697

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

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

2.2 HKFRS 9 Financial Instruments and the related amendments

In the current year, the Group has applied HKFRS 9 Financial instruments, Amendments to HKFRS 9 Prepayment Features with Negative Compensation and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities 2) expected credit losses ("ECL") for financial assets and other items (for example, lease receivables and financial guarantee contracts) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

In addition, the Group applied the hedge accounting prospectively.

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 3.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Note	**Financial assets at fair value through profit or loss ("FVTPL")** RMB'000
Closing balance at 31 December 2017 – HKAS 39		–
Effect arising from initial application of HKFRS 9:		
Reclassification		
From available-for-sale investments	(a)	510
Opening balance at 1 January 2018		510

Note:

(a) At the date of initial application of HKFRS 9 on 1 January 2018, the Group's equity investment of RMB510,000 were reclassified from available-for-sale investments to financial assets at FVTPL.

No material additional impairment has been recognised upon application of expected loss approach on 1 January 2018.

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

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited)	HKFRS 15	HKFRS 9	1 January 2018 (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Available-for-sale investments	510	–	(510)	–
Financial assets at FVTPL	–	–	510	510
Current assets				
Contract costs	–	35,406	–	35,406
Current liabilities				
Contract liabilities	–	4,334,461	–	4,334,461
Deposits received in respect of pre-sale of properties	4,135,018	(4,135,018)	–	–
Other payables and accruals	3,867,056	(199,443)	–	3,667,613
Total assets less current liabilities	69,108,302	35,406	–	69,143,708
Non-current liabilities				
Deferred tax liabilities	7,106,188	10,199	–	7,116,387
Net assets	42,472,809	25,207	–	42,498,016
Capital and reserves				
Reserves	25,896,103	14,952	–	25,911,055
Non-controlling interests	12,686,611	10,255	–	12,696,866
Total equity	42,472,809	25,207	–	42,498,016

Note:

For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as disclosed above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to HKFRS 3	*Definition of a Business*[4]
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 1 and HKAS 8	*Definition of a Materiality*[5]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

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

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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 16 Leases (continued)

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 payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments 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, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Under HKAS 17, 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.

Other than certain requirements which are also applicable to lessor, 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 2018, the Group has non-cancellable operating lease commitments of RMB229,720,000 as disclosed in Note 44. 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. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Upon application of HKFRS 16, the Group will apply the requirements of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale. For a transfer that does not satisfy the requirements as a sale, the Group will account for the transfer proceeds as financial liabilities within the scope of HKFRS 9. In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application will not be reassessed but the new requirements may impact the Group's future sale and leaseback transactions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 16 Leases (continued)

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. 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 transacted at fair value and a valuation technique that uses unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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 HKFR9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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 ("CGUs") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of CGUs) 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 group of CGUs) 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 group of CGUs). 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 or any of the cash-generating unit within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of CGUs) retained.

Investment properties

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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 as appropriate, 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 arsing 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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 Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

Impairment on tangible, intangible assets and contract costs 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 and contract costs 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).

The recoverable amount of tangible and intangible assets are estimated individually, 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 CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amount exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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.

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 except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. 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 FVTPL) 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 FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (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 financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group managers together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses, net" line item.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts receivable arising from contracts with customers, loans to and amounts due from the ultimate holding company, fellow subsidiaries, non-controlling interests, joint ventures and associates, and other receivables, cash and bank balances, pledged deposit, lease receivables and financial guarantee contracts). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable (including rental receivables). The ECL on these assets are assessed individually for debtors with significant balances or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (continued)

Significant increase in credit risk (continued)

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract, including whether the value of the collateral declined, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 Leases.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's accounts receivable and other receivables are each assessed as a separate group. Loans to/amounts due from joint ventures, associates, holding company, fellow subsidiaries and non-controlling interests are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Except for financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivable and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

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, joint ventures, 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.

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 FVTPL.

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 each reporting period.

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) (continued)

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 receivable 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.

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.

Derecognition of financial assets

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9/HKAS 39 permits the entire combined contract to be designated as at FVTPL.

Upon application of HKFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Prior to application of HKFRS 9 on 1 January 2018, financial liabilities designated at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability and is included in the "other gains and losses, net" line item.

Financial liabilities at amortised cost

Financial liabilities of the Group (including accounts and other payables, amounts due to/loans from holding companies, fellow subsidiaries, joint ventures, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (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. Financial guarantee contract liabilities are measured initially at fair value. It is subsequently measured at the higher of:

- the amount of loss allowance determined in accordance with HKFRS 9 (since 1 January 2018)/HKAS 37 Provisions, Contingent Liabilities and Contingent Assets (before application of HKFRS 9 on 1 January 2018); and
- the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

Obligation arising from a put option on shares of a subsidiary written to non-controlling shareholders

The gross financial liability arising from the put option written to non-controlling shareholders, is recognised when contractual obligation to repurchase the shares in a subsidiary is established even if the obligation is conditional on the counterparty exercising a right to sell back the shares to the Group. The liability for the share redemption amount is initially recognised and measured at present value of the estimated repurchase price with the corresponding debit to other reserve. In subsequent periods, the remeasurement of the present value of the estimated gross obligation under the written put option to the non-controlling shareholders is recognised in profit or loss.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

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

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Hedge accounting (continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses, net' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the equity will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Lease

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.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

The Group as lessee

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease (continued)

Leasehold land and building

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

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.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2)

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2) (continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2) (continued)

Existence of significant financing component (continued)

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Revenue recognition (prior to 1 January 2018)

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (prior to 1 January 2018) (continued)

Revenue from hotel operations and management services 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.

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 the relevant 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 JUDGEMENTS 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 judgements 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation 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.

Provision of ECL for accounts receivable

The Group uses provision matrix to calculate ECL for the accounts receivable. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration of reasonable and supportable forward-looking information that is available without undue cost or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, accounts receivable with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's accounts receivable are disclosed in Note 48.

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 judgements 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 2018 was RMB58,611,949,000 (31 December 2017: RMB54,268,000,000), details are set out in Note 16.

Deferred tax

At 31 December 2018, deferred tax assets of RMB51,944,000 (31 December 2017: RMB28,833,000) 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 taxable 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.

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For the year ended 31 December 2018

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

Key sources of estimation uncertainty (continued)

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 2018 was RMB3,314,820,000 (31 December 2017: RMB3,273,397,000).

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 2018 was RMB1,123,521,000 (31 December 2017: RMB2,236,373,000). The aggregate carrying amount of properties under development for sale as at 31 December 2018 was RMB14,929,521,000 (31 December 2017: RMB12,502,999,000).

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

5. REVENUE AND SEGMENT INFORMATION

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

The Group is organised into certain business units according to the nature of goods sold or services provided. The operating segments of the Group are determined by the Directors based on the business units by reference to the goods sold or services provided. These business units are the basis of internal reports provided to the Directors, the chief operating decision maker, for the purposes 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 services
Property and land development	Development and sale of properties, and development of lands
Hotel operations	Hotel ownership and management
Output management project and other services	Provision of agency services and output 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	
	2018	2017
	RMB'000	RMB'000
Property investment and development:		
Gross rental income from investment properties and related services	**3,632,918**	3,433,075
Sales of properties held for sale	**3,568,703**	7,123,798
Service income for primary land development	**7,044**	12,593
Output management project	**75,776**	46,722
Other service income	**111,833**	82,320
	7,396,274	10,698,508
Hotel operations:		
Hotel room revenue	**536,899**	694,114
Other ancillary service	**195,741**	265,139
	732,640	959,253
Total revenue	**8,128,914**	11,657,761

5. REVENUE AND SEGMENT INFORMATION (continued)

For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

	Property investment related services RMB'000	Property and land development RMB'000	Hotel operations RMB'000	Output management project and other services RMB'000	Total RMB'000
Revenue	450,243	3,575,747	732,640	187,609	4,946,239
	450,243	3,575,747	732,640	187,609	4,946,239
Geographical markets					
Mainland China	431,049	3,575,747	732,640	163,242	4,902,678
Hong Kong	19,194	–	–	24,367	43,561
	450,243	3,575,747	732,640	187,609	4,946,239
Timing of revenue recognition					
A point in time	–	3,575,747	195,741	–	3,771,488
Over time	450,243	–	536,899	187,609	1,174,751
	450,243	3,575,747	732,640	187,609	4,946,239

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

5. REVENUE AND SEGMENT INFORMATION (continued)

(i) Disaggregation of revenue from contracts with customers (continued)

Set out below is reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Property investment RMB'000	Property and land development RMB'000	Hotel operations RMB'000	Output management project and other services RMB'000	Total RMB'000
Revenue disclosed in segment information					
External customers	3,632,053	3,575,747	732,640	187,609	8,128,049
Inter-segment	7,341	–	14	139,166	146,521
Total	3,639,394	3,575,747	732,654	326,775	8,274,570
Less: rental income	(3,181,810)	–	–	–	(3,181,810)
eliminations	(7,341)	–	(14)	(139,166)	(146,521)
Revenue from contracts with customers	450,243	3,575,747	732,640	187,609	4,946,239

(ii) Performance obligations for contracts with customers

Development and sales of properties (revenue recognised at a point in time)

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of residential properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

5. REVENUE AND SEGMENT INFORMATION (continued)

(ii) Performance obligations for contracts with customers (continued)

Development and sales of properties (revenue recognised at a point in time) (continued)

The Group receives 30%~100% of the contract value as deposits from customers when they sign the sale and purchase agreement. In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

The Group assess advance payment by contract that may contain significant financing component. If the effects of the financing component will materially change the amount of revenue at a contract level, accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the party receiving financing in the contract. As this accrual increases the amount of the contract liability during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customer. The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Property management related services, hotel room operation and other services

Revenue relating to the property management related services, hotel room operation and other services is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs, or at a point in time when the customer obtains control of the distinct good or service, as appropriate.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Sales of properties RMB'000
Within one year	4,252,772
More than one year but not more than two years	3,373,427
	7,626,199

All the property management related services, hotel room operation and other services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Information regarding the segments is reported below.

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5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and segment results

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

Year ended 31 December 2018

	Property investment RMB'000	Property and land development RMB'000	Hotel operations RMB'000	Output management project and other services RMB'000	Segment total RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Segment revenue							
External customers	3,632,053	3,575,747	732,640	187,609	8,128,049	–	8,128,049
Inter-segment revenue	7,341	–	14	139,166	146,521	(146,521)	–
Consolidated	3,639,394	3,575,747	732,654	326,775	8,274,570	(146,521)	8,128,049
Rental adjustments							865
Revenue as presented in consolidated statement of profit or loss							8,128,914
Segment results	2,964,680	1,248,242	1,135,180	(9,143)	5,338,959	–	5,338,959
Unallocated corporate income and other gains							127,828
Unallocated corporate expenses and other losses							(142,790)
Finance costs							(800,936)
Share of losses of associates							(1,067)
Share of losses of joint ventures							(2,570)
Profit before tax as presented in consolidated statement of profit or loss							4,519,424

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For the year ended 31 December 2018

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and segment results (continued)

Year ended 31 December 2017

	Property investment RMB'000	Property and land development RMB'000	Hotel operations RMB'000	Output management project and other 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	413,751	(58,298)	4,966,235	–	4,966,235
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)
Profit before tax as presented in consolidated statement of profit or loss							4,104,717

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For the year ended 31 December 2018

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and segment results (continued)

Inter-segment revenue was charged at prices agreed between group entities, no material differences compare to the prices provided to the third parties.

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 losses of associates, share of losses of joint ventures 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	
	2018	2017
	RMB'000	RMB'000
Mainland China	**8,008,477**	11,016,153
Hong Kong	**120,437**	641,608
	8,128,914	11,657,761

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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Mainland China	**65,318,441**	55,710,584
Hong Kong	**2,767,301**	2,641,009
	68,085,742	58,351,593

Non-current assets exclude goodwill, deferred tax assets and financial instruments.

5. REVENUE AND SEGMENT INFORMATION (continued)

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 2018 and 2017.

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	Output management project and other services RMB'000	Total RMB'000
Year ended 31 December 2018					
Impairment loss on accounts and other receivables, net	**597**	**917**	**210**	**264**	**1,988**
Depreciation of property, plant and equipment	**67,017**	**6,556**	**134,159**	**22,508**	**230,240**
Amortisation of leasehold land and land use rights	**6,648**	**473**	**14,116**	**1,466**	**22,703**
Loss/(gain) on disposal of property, plant and equipment, net	**3,642**	**(700)**	**158**	**(257)**	**2,843**
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	–	–	–	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, net	251,352	–	–	–	251,352
Impairment loss on properties held for sale	21,728	–	–	–	21,728

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6. OTHER INCOME

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Interest income from:		
Banks	**97,571**	95,763
Loans to joint ventures	**39,391**	17,777
Loans to associates	**72,569**	11,337
Loan to non-controlling interest	**39,144**	–
Government grants (Note)	**12,561**	3,907
Refund of PRC value added tax and surcharges	**5,635**	23,857
Others	**1,662**	7,898
	268,533	160,539

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. There are no unfulfilled conditions or contingencies relating to these grants.

7. OTHER GAINS AND LOSSES, NET

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Loss on disposal of property, plant and equipment, net	**(2,843)**	(53,775)
Loss on disposal of investment properties, net	**–**	(251,352)
Impairment loss on properties held for sale	**–**	(21,728)
Impairment loss on property, plant and equipment	**–**	(57,025)
Exchange loss, net	**(131,390)**	(41,482)
Others	**(27,648)**	9,599
	(161,881)	(415,763)

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8. FINANCE COSTS

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Interest on:		
Bank borrowings	**593,686**	546,326
Loans from the ultimate holding company	**–**	181
Loans from a non-banking financial institution*	**44,852**	46,677
Loans from other fellow subsidiaries	**2,529**	50,199
Loans from non-controlling interests	**26,051**	1,557
Bonds payable	**151,474**	118,079
Guaranteed notes (Note 36)	**198,639**	208,297
Loans from a third party	**14,649**	1,444
Others	**23,313**	19,807
Total interest expenses	**1,055,193**	992,567
Less: Interest capitalised:		
Investment properties under development (Note 16)	**(51,912)**	(27,768)
Properties under development for sale (Note 28)	**(202,345)**	(181,586)
	(254,257)	(209,354)
	800,936	783,213

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

Borrowing costs capitalised to investment properties under development, 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 5.46% (2017: 4.28% to 4.41%) per annum.

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9. PROFIT BEFORE TAX

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit for the year has been arrived at after charging:		
Directors' emoluments (Note 14)	**1,014**	1,014
Depreciation and amortisation:		
Amortisation:		
– Intangible assets (included in cost of sales)	**330**	301
– Intangible assets (included in administrative expenses)	**6,358**	9,521
– Intangible assets (included in distribution and selling costs)	**3,212**	1,743
Amortisation of leasehold land and land use rights	**22,703**	28,129
Depreciation of property, plant and equipment	**230,240**	309,279
Total depreciation and amortisation	**262,843**	348,973
Cost of sales and services rendered:		
Cost of properties sold	**2,150,862**	4,810,596
Direct operating expenses arising from investment properties letted	**938,429**	974,098
Cost of primary land development services provided	**7,074**	13,069
Direct operating expenses arising from provision of property management and other property related services	**109,935**	84,391
Direct operating expenses from hotel services provided	**422,844**	527,931
	3,629,144	6,410,085
Employee benefits expense (including directors' emoluments (Note 14)):		
Salaries, allowances and other benefits	**867,176**	840,664
Retirement benefit scheme contributions	**77,650**	99,388
	944,826	940,052
Less: Capitalised in properties under development for sale and investment properties under development	**(100,421)**	(54,648)
	844,405	885,404
Advertising and promotion expenses (included in distribution and selling costs)	**221,020**	266,162
Auditors' remuneration	**3,019**	3,019

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10. INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax	**691,006**	702,847
PRC Dividend Withholding Tax	**1,987**	5,115
Land Appreciation Tax	**407,829**	496,456
Hong Kong Profit Tax	**28,145**	21,556
	1,128,967	1,225,974
Under provision in prior years:		
PRC Enterprise Income Tax	**22,016**	775
	22,016	775
Deferred tax (Note 24)	**255,434**	303,181
	1,406,417	1,529,930

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. 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 2018, withholding tax on intra-group dividend amounting to RMB1,987,000 (2017: RMB5,115,000) was paid by the Group to relevant tax authorities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

10. INCOME TAX EXPENSE (continued)

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use right and all property development expenditures.

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

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	
	2018	2017
	RMB'000	RMB'000
Profit before tax	**4,519,424**	4,104,717
Tax at PRC EIT rate of 25% (2017: 25%)*	**1,129,856**	1,026,179
Lower tax rates for entities of the Group operating in other jurisdictions	**(153,877)**	(203,172)
PRC LAT	**407,829**	496,456
Tax effect of PRC LAT	**(101,957)**	(124,114)
Tax effect of expenses not deductible for tax purpose	**113,553**	113,024
Tax effect of income not taxable for tax purpose	**(23,300)**	(61,698)
Tax effect of tax losses not recognised	**92,120**	208,301
Tax effect of unrecognised deductible temporary difference	**–**	7,977
Tax effect of utilisation of tax losses/deductible temporary difference not previously recognised	**(155,862)**	(33,090)
Tax effect of share of losses of associates	**156**	4,826
Tax effect of share of losses of joint ventures	**226**	172
Effect of withholding tax on undistributed profits	**80,830**	111,199
Under provision of current taxation in prior years	**22,016**	775
Others	**(5,173)**	(16,905)
Income tax expense for the year	**1,406,417**	1,529,930

* 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.

11. DISPOSAL 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**

The disposal was completed in March 2018, as further disclosed in Note 52.

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For the year ended 31 December 2018

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	
	2018	2017
	RMB'000	RMB'000
2017 Final – HK4 cents per share (2016 Final: HK4 cents):		
Ordinary shares	**464,914**	497,321
Non-redeemable convertible preference shares	**35,782**	38,276
	500,696	535,597

Final dividend in respect of the year ended 31 December 2017 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 1 June 2018. 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 2017 final dividend of approximately HK$44 million or RMB36 million.

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2018 of HK 6 cents per ordinary share, in an aggregate amount of HK$854 million or approximately RMB732 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 2018 final dividend of approximately HK$66 million or RMB56 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	
	2018	2017
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**2,103,271**	1,153,162

	Year ended 31 December	
	2018	2017
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 40)	**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 2018 and 2017 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.

The calculation of the diluted earnings per share for the year ended 31 December 2018 does not assume the exercise of the written put option on shares of a subsidiary as the dilution effect is not considered material. No diluted earnings per share for the year ended 31 December 2017 is presented as there was no potential ordinary share in issue during the prior year.

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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
2018				
Executive directors				
Mr. ZHOU Zheng	–	–	–	–
Mr. CAO Ronggen	–	–	–	–
Non-executive directors				
Mr. Jia Peng (resigned on 8 March 2018)	–	–	–	–
Mrs. WU Xiaohui (resigned on 8 March 2018)	–	–	–	–
Mr. Jiang Chao	–	–	–	–
Mr. Zeng Xianfeng	–	–	–	–
Mr. Jiang Yong (appointed on 8 March 2018)	–	–	–	–
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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For the year ended 31 December 2018

14. DIRECTORS' EMOLUMENTS (continued)

	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

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

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

14. DIRECTORS' EMOLUMENTS (continued)

In addition to the Directors' emoluments disclosed above, certain executive directors were not paid directly by the Company or its subsidiaries in 2017 and 2018. Mr. ZHOU Zheng received remuneration from COFCO Corporation, which is the ultimate holding company of the Company, in respect of his services to the larger group which includes the Company and its subsidiaries. Mr. CAO Ronggen received remuneration from COFCO Property, which is a subsidiary of COFCO Corporation. All non-executive directors were not paid directly by the Company in 2017 and 2018 but received remuneration from the ultimate holding company, in respect of their services to the larger group which includes the Company and its subsidiaries. In 2017 and 2018 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 or COFCO Property.

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 (2017: none) is director. The emoluments of the five (2017: five) highest paid individuals are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries, allowances and other benefits	**10,131**	10,481
Retirement benefit scheme contributions	**809**	415
	10,940	10,896

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

	Year ended 31 December	
	2018	2017
	Number of individuals	
HK$2,000,001 – HK$2,500,000	**2**	3
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 2018 (2017: nil).

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16. INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At fair value			
At 1 January 2017	47,356,297	2,744,882	50,101,179
Acquisition of a subsidiary (Note 51)	–	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**
Additions on subsequent expenditure	**27,433**	**3,250,488**	**3,277,921**
Transfer from properties held for sale	**33,400**	**–**	**33,400**
Disposal	**(238,000)**	**–**	**(238,000)**
Interest capitalised (Note 8)	**–**	**51,912**	**51,912**
Change in fair value recognised in profit or loss	**597,192**	**494,829**	**1,092,021**
Transfer upon completion	**9,239,370**	**(9,239,370)**	**–**
Exchange realignment	**126,695**	**–**	**126,695**
At 31 December 2018	**55,883,004**	**2,728,945**	**58,611,949**

* In 2017, 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 with fair value change recognised to other comprehensive income of RMB77,151,000 (income tax effect of RMB19,288,000).

** In 2017, 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 and the re-decorating work was completed in 2018.

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For the year ended 31 December 2018

16. INVESTMENT PROPERTIES (continued)

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 completed investment properties and investment properties under development as at 31 December 2018 and 31 December 2017 were as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Commercial properties located in Hong Kong	**2,754,604**	2,627,909
Commercial properties located in Mainland China	**50,961,345**	46,727,091
Residential properties located in Mainland China	**4,896,000**	4,913,000
	58,611,949	54,268,000

At 31 December 2018, the Group's investment properties with an aggregate carrying amount of RMB39,287,000,000 (2017: RMB39,963,465,000) were pledged to secure banking facilities granted to the Group (Note 46).

At 31 December 2018, building ownership certificates in respect of investment properties of the Group with an aggregate carrying amount of RMB2,761,367,000 (2017: RMB3,962,887,000) had not been issued by the relevant PRC authorities.

Fair value measurement of the Group's investment properties

In estimating the fair value of the investment properties, the Group uses market observable data to the extent it is available. The management of the Group works closely with the valuer to establish the appropriate valuation techniques and inputs to the model.

The fair value of the Group's completed investment properties and investment properties under development in Hong Kong and Mainland China at 31 December 2018 and 2017 has been arrived at on the basis of a valuation carried out as at these days by Cushman & Wakefield ("C&W") and Savills Valuation and Professional Services Limited ("Savills") respectively, 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.

16. INVESTMENT PROPERTIES (continued)

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

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

The fair values of the Group's investment properties at 31 December 2018 and 2017 are grouped into Level 3 of fair value measurement. There were no transfers into or out of Level 3 during the both years.

The following table gives information about how the fair values of the Group's major investment properties as at 31 December 2018 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.

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16. INVESTMENT PROPERTIES (continued)

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

Major investment properties of the Group	Significant unobservable inputs			
	Capitalisation rate		Monthly unit rent (sq.m/month)	
	2018	2017	2018 RMB	2017 RMB
Completed investment properties				
Beijing COFCO Plaza				
– office	**6.0%**	6.0%	**305 to 382**	431 to 548
– shop	**5.0%**	5.0%	**121 to 303**	232 to 765
Fraser Suites Top Glory, Shanghai – residential units	**2.5%**	2.5%	**295**	217 to 231
COFCO Tower, Hong Kong				
– office	**3.2%**	3.2%	**480 to 544**	415 to 471
– shop	**3.5%**	3.5%	**1,130**	1,458
Xidan Joy City				
– office	**6.0%**	6.0%	**324**	320 to 362
– shop	**6.5%**	6.5%	**566 to 1,617**	334 to 1,672
Chaoyang Joy City – shop	**6.5%**	6.5%	**107 to 716**	106 to 710
Tianjin Nankai Joy City – shop	**7.0%**	7.0%	**204 to 407**	198 to 567
Shanghai Jing'an Joy City – shop				
– South Tower	**6.5%**	6.5%	**410 to 789**	335 to 959
– North Tower	**6.5%**	6.5%	**324 to 810**	221 to 885
Shenyang Joy City – shop	**7.0%**	6.75%	**127 to 316**	99 to 315
Shanghai Changfeng Joy City – shop	**6.5%**	6.5%	**196 to 367**	97 to 325
Chengdu Joy City – shop	**6.0%**	6.0%	**30 to 304**	98 to 325

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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 2017	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	(370,613)	–	(67,083)	–	–	–	(437,696)
Transfer to assets held for sale	–	(6,756)	(905,065)	(134,844)	(3,215)	–	(1,049,880)
Transfer to construction in progress	–	–	(230,515)	–	–	230,515	–
Disposals of subsidiaries (Note 52)	(1,045)	(2,714)	(280,636)	(190,054)	(6,443)	–	(480,892)
Acquisition of a subsidiary (Note 51)	–	–	–	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**
Additions	**42,690**	**1,064**	**31,077**	**91,426**	**2,861**	**117,599**	**286,717**
Disposals	**(14,192)**	**–**	**(189)**	**(14,879)**	**(15,561)**	**–**	**(44,821)**
Exchange realignment	**–**	**–**	**–**	**9**	**–**	**–**	**9**
At 31 December 2018	**722,929**	**14,276**	**2,755,980**	**1,102,738**	**89,445**	**330,305**	**5,015,673**
Accumulated depreciation:							
At 1 January 2017	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	(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 52)	(317)	–	(231,221)	(179,128)	(5,637)	–	(416,303)
Transfer to assets held for sale	–	(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**
Charge for the year	**30,238**	**911**	**119,172**	**73,237**	**6,682**	**–**	**230,240**
Eliminated on disposals	**(2,563)**	**–**	**(128)**	**(13,748)**	**(13,327)**	**–**	**(29,766)**
Exchange realignment	**–**	**–**	**–**	**8**	**–**	**–**	**8**
At 31 December 2018	**146,125**	**5,360**	**658,880**	**808,480**	**82,008**	**–**	**1,700,853**
Accumulated impairment:							
At 1 January 2017	–	–	–	35	61	–	96
Additions	57,025	–	–	–	–	–	57,025
Transfer	(57,025)	–	–	(35)	(61)	–	(57,121)
At 31 December 2017 and 2018	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net carrying amounts:							
At 31 December 2018	**576,804**	**8,916**	**2,097,100**	**294,258**	**7,437**	**330,305**	**3,314,820**
At 31 December 2017	575,981	8,763	2,185,256	277,199	13,492	212,706	3,273,397

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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 2018, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB2,263,175,000 (2017: RMB2,395,552,000) were pledged to secure banking facilities granted to the Group and a loan from non-controlling interest (Note 46).

At 31 December 2018, 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 RMB148,508,000 (2017: 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 2018 and 2017 were as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Located in Mainland China	**2,672,018**	2,759,050
Located in Hong Kong	**1,886**	2,187
	2,673,904	2,761,237

18. LEASEHOLD LAND AND LAND USE RIGHTS

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Analysed for reporting purposes as:		
Current assets (included in deposits, prepayments and other receivables (Note 30))	**21,642**	22,357
Non-current assets	**609,010**	629,526
	630,652	651,883
Located in Mainland China	**622,256**	642,355
Located in Hong Kong	**8,396**	9,528
	630,652	651,883

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.

In 2017, leasehold land and land use rights with an carrying amount of RMB108,557,000 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 2018, land use rights with an aggregate carrying amount of RMB519,843,000 (2017: RMB526,895,000) were pledged to secure certain banking facilities granted to the Group (Note 46).

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19. INTANGIBLE ASSETS

	RMB'000
Costs:	
At 1 January 2017	72,815
Additions	12,108
Acquisition of a subsidiary (Note 51)	228
Transfer to assets held for sale (Note 11)	(4,309)
Disposal of a subsidiary (Note 52)	(250)
At 31 December 2017	80,592
Additions	50,953
At 31 December 2018	131,545
Accumulated amortisation:	
At 1 January 2017	33,375
Amortisation provided during the year	11,565
Transfer to assets held for sale (Note 11)	(3,298)
Disposal of a subsidiary (Note 52)	(190)
At 31 December 2017	41,452
Amortisation provided during the year	9,900
At 31 December 2018	51,352
Net carrying amounts:	
At 31 December 2018	80,193
At 31 December 2017	39,140

Intangible assets, which represent computer software and project concession rights. 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. Project concession rights are currently under construction and no amortization was made in 2018.

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20. INTERESTS IN ASSOCIATES

	At 31 December 2018 RMB'000	2017 RMB'000
Cost of investments, unlisted	**225,312**	152,505
Share of post-acquisition results and other comprehensive income	**(70,938)**	(45,288)
	154,374	107,217

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

Company name	Place of establishment/ incorporation	Place of operation	Proportion of ownership interest and proportion of voting rights held by the Group At 31 December 2018	2017	Principal activity
北京新潤致遠房地產開發有限公司 (Beijing Xinrun Zhiyuan Real Estate Co., Ltd.*) ("Beijing Xinrun")	PRC	Beijing, PRC	**20%**	20%	Property development
昆明螺螄灣國悅置地有限公司** (Kunming Luosiwan Guoyue Real Estate Co., Ltd.*) ("Kunming Luosiwan")	PRC	Kunming, PRC	**30%**	–	Property development
Fancy Merit Ltd.**	HK	Qingdao, PRC	**49%**	–	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.

** On 21 March 2018, the Group acquired 30% interests in Kunming Luosiwan and on 28 May 2018, the Group acquired 49% interests in Fancy Merit Ltd.

Summarised financial information in respect of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs. All of the associates are accounted for using the equity method.

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20. INTERESTS IN ASSOCIATES (continued)

Beijing Xinrun

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Current assets	**5,762,157**	4,431,740
Non-current assets	**131**	7
Total assets	**5,762,288**	4,431,747
Current liabilities	**4,790,523**	4,157,638
Non-current liabilities	**700,000**	–
Total liabilities	**5,490,523**	4,157,638
Net assets	**271,765**	274,109

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue	**1**	10
Loss and total comprehensive expense for the year	**(2,344)**	(2,581)
Loss and total comprehensive expense for the year shared by the Group	**(469)**	(516)

20. INTERESTS IN ASSOCIATES (continued)

Beijing Xinrun (continued)

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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Net assets of the Beijing Xinrun	**271,765**	274,109
Proportion of the Group's ownership in Beijing Xinrun	**20%**	20%
Share of net assets of Beijing Xinrun	**54,353**	54,822
Unrealised gains on transactions with the Group	**(8,523)**	–
Carrying amount of the Group's interest in Beijing Xinrun	**45,830**	54,822

Kunming Luosiwan

	At 31 December
	2018
	RMB'000
Current assets	**2,636,863**
Non-current assets	**–**
Total assets	**2,636,863**
Current liabilities	**2,412,382**
Non-current liabilities	**–**
Total liabilities	**2,412,382**
Net assets	**224,481**

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20. INTERESTS IN ASSOCIATES (continued)

Kunming Luosiwan (continued)

	Period from 21 March 2018 (date of acquisition) to 31 December 2018 RMB'000
Revenue	–
Loss and total comprehensive expense for the period	(8,801)
Loss and total comprehensive expense for the period shared by the Group	(2,640)

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

	At 31 December 2018 RMB'000
Net assets of the Kunming Luosiwan	224,481
Proportion of the Group's ownership in Kunming Luosiwan	30%
Share of net assets of Kunming Luosiwan	67,344
Unrealised gains on transactions with the Group	(16,060)
Carrying amount of the Group's interest in Kunming Luosiwan	51,284

Fancy Merit Ltd.

	At 31 December 2018 RMB'000
Current assets	944,337
Non-current assets	–
Total assets	944,337

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20. INTERESTS IN ASSOCIATES (continued)

Fancy Merit Ltd (continued)

	At 31 December 2018 RMB'000
Current liabilities	7,759
Non-current liabilities	954,592
Total liabilities	962,351
Net liabilities	(18,014)

	Period from 28 May 2018 (date of acquisition) to 31 December 2018 RMB'000
Revenue	–
Loss and total comprehensive expense for the period	(18,918)
Loss and total comprehensive expense for the period shared by the Group	(443)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Fancy Merit Ltd recognised in these consolidated financial statements:

	At 31 December 2018 RMB'000
Net liabilities of the Fancy Merit Ltd.	(18,014)
Proportion of the Group's ownership in Fancy Merit Ltd.	49%
The unrecognised share of loss by the Group for the period	(8,827)
Carrying amount of the Group's interest in Fancy Merit Ltd.	–

Notes to the Consolidated Financial Statements
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20. INTERESTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material

	2018 RMB'000	2017 RMB'000
The Group's share of profit/(loss)	**2,485**	(18,550)
Aggregate carrying amount of the Group's interests in these associates	**57,260**	52,395

21. INTERESTS IN JOINT VENTURES

	At 31 December	
	2018 RMB'000	2017 RMB'000
Cost of investments, unlisted	**5,339,275**	35,000
Share of post-acquisition results and other comprehensive income	**(23,879)**	(687)
Total	**5,315,396**	34,313

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

Company name	Place of establishment/ incorporation	Place of operation	Proportion of ownership interest and proportion of voting rights held by the Group At 31 December 2018	2017	Principal activity
COFCO (BVI) No 97 Limited ("BVI 97")	British Virgin Islands	Beijing, PRC	**40%**	40%	Investment holding
常州京瑞房地產開發有限公司 (Changzhou Jingrui Real Estate Co., Ltd.*) ("Changzhou Jingrui", Note (a))	PRC	Changzhou, PRC	**49%**	–	Property development
Colour Bridge Holdings Ltd. (Note (b))	British Virgin Islands	Shanghai, PRC	**49.5%**	–	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.

Notes:

(a) Changzhou Jingrui was newly established in 2018.

(b) The Group acquired 49.5% equity interest of Colour Bridge Holdings Ltd during the year.

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21. INTERESTS IN JOINT VENTURES (continued)

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

According to the shareholders' agreement entered into between the Group and the other investor of Changzhou Jingrui (the "Changzhou Jingrui Investor"), decisions about the relevant activities of Changzhou Jingrui require unanimous consent of the Group and the Changzhou Jingrui Investor and, accordingly, Changzhou Jingrui is accounted for as a joint venture. Changzhou Jingrui is engaged in property development in the PRC.

According to the shareholders' agreement entered into between the Group and the other investor of Colour Bridge Holdings Ltd. (the "Colour Bridge Holdings Ltd. Investor"), decisions about the relevant activities of Colour Bridge Holdings Ltd. require unanimous consent of the Group and the Colour Bridge Holdings Ltd. Investor and, accordingly, Colour Bridge Holdings Ltd. is accounted for as a joint venture. Colour Bridge Holdings Ltd.is engaged in property development in the PRC.

Summarised financial information in respect of the Group's material joint ventures which are accounted for using the equity method is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

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21. INTERESTS IN JOINT VENTURES (continued)

BVI 97

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Current assets	**29,608**	69,303
Non-current assets	**1,409,562**	1,460,152
Total assets	**1,439,170**	1,529,455
Current liabilities	**810,356**	692,386
Non-current liabilities	**963,282**	1,022,728
Total liabilities	**1,773,638**	1,715,114
Net liabilities	**(334,468)**	(185,659)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**17,325**	61,780
Current liabilities (excluding trade and other payables and provisions)	**554,767**	535,077
Non-current liabilities (excluding trade and other payables and provisions)	**963,282**	1,022,728

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21. INTERESTS IN JOINT VENTURES (continued)

BVI 97 (continued)

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue	**152,591**	138,138
Depreciation and amortisation	**(15,224)**	(45,642)
Interest expense	**(91,670)**	(81,871)
Interest income	**91**	407
Loss and total comprehensive expense for the year	**(148,809)**	(51,742)
Loss and total comprehensive expense for the year shared by the Group	**–**	–
The unrecognised share of loss for the year	**(59,523)**	(20,697)

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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Net liabilities of BVI 97	**(334,468)**	(185,659)
Proportion of the Group's ownership in BVI 97	**40%**	40%
The accumulated unrecognised share of loss of the Group	**(133,787)**	(74,264)
Carrying amount of the Group's interest in BVI 97	**–**	–

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21. INTERESTS IN JOINT VENTURES (continued)

Changzhou Jingrui

	At 31 December 2018 RMB'000
Current assets	4,376,623
Non-current assets	914
Total assets	4,377,537
Current liabilities	1,404,557
Non-current liabilities	1,975,290
Total liabilities	3,379,847
Net assets	997,690
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	729,996
Current liabilities (excluding trade and other payables and provisions)	–
Non-current liabilities (excluding trade and other payables and provisions)	1,975,290

21. INTERESTS IN JOINT VENTURES (continued)

Changzhou Jingrui (continued)

	Period from 14 August 2018 (date of establishment) to 31 December 2018 RMB'000
Revenue	–
Depreciation and amortisation	(9)
Interest expense	–
Interest income	143
Loss and total comprehensive expense for the period	(2,310)
Loss and total comprehensive expense for the period shared by the Group	(1,132)

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in Changzhou Jingrui recognised in these consolidated financial statements.

	At 31 December 2018 RMB'000
Net assets of Changzhou Jingrui	997,690
Proportion of the Group's ownership in Changzhou Jingrui	49%
Share of net assets of Changzhou Jingrui	488,868
Unrealised gains on transactions with the Group	(20,622)
Carrying amount of the Group's interest in Changzhou Jingrui	468,246

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21. INTERESTS IN JOINT VENTURES (continued)

Colour Bridge Holding Ltd.

	At 31 December 2018 RMB'000
Current assets	16,639,926
Non-current assets	372
Total assets	16,640,298
Current liabilities	7,371,822
Non-current liabilities	–
Total liabilities	7,371,822
Net assets	9,268,476
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	141,902
Current liabilities (excluding trade and other payables and provisions)	7,357,029

21. INTERESTS IN JOINT VENTURES (continued)

Colour Bridge Holding Ltd. (continued)

	Period from 26 June 2018 (date of acquisition) to 31 December 2018 RMB'000
Revenue	–
Depreciation and amortisation	**(3,007)**
Interest expense	–
Interest income	–
Loss and total comprehensive expense for the period	**(2,585)**
Loss and total comprehensive expense for the period shared by the Group	**(1,280)**

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in Colour Bridge Holding Ltd. recognised in these consolidated financial statements.

	At 31 December 2018 RMB'000
Net assets of Colour Bridge Holding Ltd.	**9,268,476**
Proportion of the Group's ownership in Colour Bridge Holding Ltd.	**49.5%**
Share of net assets of Colour Bridge Holding Ltd.	**4,587,896**
Carrying amount of the Group's interest in Colour Bridge Holding Ltd.	**4,587,896**

Aggregate information of joint ventures that are not individually material

	2018 RMB'000	2017 RMB'000
The Group's share of loss	**(158)**	(687)
Aggregate carrying amount of the Group's interests in these joint ventures	**259,254**	34,313

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22. AVAILABLE-FOR-SALE INVESTMENTS

	At 31 December 2017 RMB'000
Equity investments in the PRC:	
Unlisted equity securities	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 2017 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

	2018 RMB'000	2017 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 CGU group of CGUs for impairment testing. The carrying amounts of goodwill are allocated to the CGU/group of CGUs comprising the following segments:

	2018 RMB'000	2017 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")

Assumptions were used in the value in use calculation of CGU/group of the CGUs as at 31 December 2018.

The recoverable amount of each CGU/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.

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23. GOODWILL (continued)

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

	Discount rate before tax		Growth rate beyond five-year period	
	2018	2017	**2018**	2017
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 group of CGUs comprising the property investment segment of the Group as it is expected to be benefit from the synergies of the Reverse Takeover Transaction. Based on the business model of the Group, the Directors have performed the assessment on impairment by reference to the cash flow forecast prepared by the management of the Company, and determined that the aggregate recoverable amount of each CGU 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.

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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 RMB'000	Tax losses RMB'000	Impairment of assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	–	26,343	267	21,937	48,547
Disposal of a subsidiary (Note 52)	–	–	–	(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
Adjustments	–	–	–	(805)	(805)
At 1 January 2018	**47,621**	**5,700**	**25,882**	**125,243**	**204,446**
Disposal of a subsidiary (Note 52)	**–**	**–**	**–**	**(8,372)**	**(8,372)**
Credited to profit or loss (Note 10)	**110,499**	**21,911**	**557**	**39,958**	**172,925**
At 31 December 2018	**158,120**	**27,611**	**26,439**	**156,829**	**368,999**

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 2017	5,888,699	727,163	48,360	32,189	6,696,411
Acquisition of a subsidiary (Note 51)	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
Adjustments	–	–	1,348	8,046	9,394
At 1 January 2018	**6,138,308**	**971,582**	**155,792**	**26,318**	**7,292,000**
Charged to profit or loss (Note 10)	**237,885**	**108,301**	**78,843**	**3,330**	**428,359**
Exchange realignment	**–**	**–**	**–**	**447**	**447**
At 31 December 2018	**6,376,193**	**1,079,883**	**234,635**	**30,095**	**7,720,806**

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 2018 RMB'000	2017 RMB'000
Deferred tax assets	**51,944**	28,833
Deferred tax liabilities	**(7,403,751)**	(7,106,188)
	(7,351,807)	(7,077,355)

At 31 December 2018, the Group had tax losses of RMB1,842,108,000 (31 December 2017: RMB2,638,211,000) 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 RMB110,444,000 (2017: RMB22,800,000). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB1,731,664,000 (2017: RMB2,615,411,000) due to the unpredictability of future profit streams.

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24. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

The unrecognised tax losses will expire in the following years:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
To be expired on:		
31 December 2018	**–**	438,350
31 December 2019	**284,600**	362,865
31 December 2020	**382,049**	571,111
31 December 2021	**218,273**	413,080
31 December 2022	**519,872**	830,005
31 December 2023	**326,870**	–
Total unused tax losses not recognised as deferred tax assets	**1,731,664**	2,615,411

At 31 December 2018, the Group had estimated unused tax losses of RMB166,709,000 (2017: RMB200,596,000) 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, 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 2018, deferred tax liabilities on certain undistributed profits of the PRC subsidiaries of approximately RMB62,415,000 (2017: RMB62,859,000), which were generated after 1 January 2008, have not been recognised as of 31 December 2018 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.

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25. LOANS TO/FROM ASSOCIATES, JOINT VENTURES, FELLOW SUBSIDIARIES, NON-CONTROLLING INTERESTS AND A THIRD PARTY

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Classified under current assets		
Loans to associates (Note (a))	**1,876,354**	347,143
Loan to non-controlling interests (Note (b))	**1,100,000**	–
Loans to joint ventures (Note (c))	**1,451,659**	–
	4,428,013	347,143
Classified under non-current assets		
Loan to an associate (Note (a))	**403,098**	–
Loan to a joint venture (Note (c))	**92,290**	213,468
	495,388	213,468
Classified under current liabilities		
Loans from fellow subsidiaries (Note (d))	**410,200**	68,000
Loans from non-controlling interests (Note (f))	**–**	31,409
Loan from a third party (Note (f))	**–**	25,310
	410,200	124,719
Classified under non-current liabilities		
Loans from a fellow subsidiary (Note (d))	**620,172**	877,976
Loan from non-controlling interests (Note (e))	**672,233**	–
	1,292,405	877,976

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25. LOANS TO/FROM ASSOCIATES, JOINT VENTURES, FELLOW SUBSIDIARIES, NON-CONTROLLING INTERESTS AND A THIRD PARTY (continued)

Notes:

(a) The loans to associates as at 31 December 2018 were unsecured, carried interest at rates ranging from 7.00% to 10.00% per annum (31 December 2017: 7.00% per annum) and were classified into current assets and non-current assets according to their repayment term.

(b) The loan to non-controlling interests as at 31 December 2018 was unsecured, interest bearing at 4.35% per annum and will be repayable within one year.

(c) The loans to joint ventures as at 31 December 2018 were unsecured, carried interest at rates ranging from 4.61% to 10.00% per annum and were classified into current assets and non-current assets according to their repayment term. The loan to a joint venture as at 31 December 2017 was unsecured, interest bearing at 4.59% per annum and will be repayable more than one year.

(d) The loans from fellow subsidiaries carried interest at floating rates ranging from 4.28% to 4.75% per annum as at 31 December 2018 (31 December 2017: 4.28% to 4.75% per annum) and were classified into current liabilities and non-current liabilities according to their repayment term. Included in the above loans from fellow subsidiaries, RMB392,000,000 of which were guaranteed by COFCO Land Management Company Limited, a fellow subsidiary as at 31 December 2018 (31 December 2017: RMB394,000,000).

(e) The unsecured loan from non-controlling interests classified under non-current liabilities at 31 December 2018 was interest bearing at 8% per annum and will be repayable more than one year.

(f) The loans from a third party and non-controlling interests at 31 December 2017 were fully settled in 2018.

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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Carrying amount of loans from fellow subsidiaries, non-controlling interests and a third party repayable*:		
Within one year	**410,200**	124,719
In the second year	**18,200**	18,000
In the third to fifth year, inclusive	**1,274,205**	859,976
Total	**1,702,605**	1,002,695
Less: Amounts due within twelve months shown under current liabilities	**(410,200)**	(124,719)
Amounts shown under non-current liabilities	**1,292,405**	877,976

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

As at 31 December 2018, amounting of RMB626,857,000 of loans to associates and joint ventures were denominated in United States dollars ("US$") (31 December 2017: RMB213,468,000) and amounting of RMB672,233,000 of loan from non-controlling interests was denominated in US$ (31 December 2017: nil).

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26. INVENTORIES

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Raw materials	**19,990**	25,108
Consumables	**15,571**	17,687
	35,561	42,795

27. PROPERTIES HELD FOR SALE

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Completed properties held for sale	**1,123,521**	2,236,373

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 2018, certain of the Group's properties held for sale with a net carrying amount of approximately RMB554,742,000 (2017: RMB33,463,000) were pledged to secure banking facilities granted to the Group (Note 46).

Included in the completed properties held for sale is carrying amount of RMB87,489,000 (2017: RMB637,006,000) which is expected to be sold after more than twelve months from the end of the reporting period.

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28. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2018 RMB'000	2017 RMB'000
At cost:		
At 1 January	**12,502,999**	11,320,633
Additions	**3,264,069**	4,203,238
Transfer to investment properties (Note 16)	**–**	(1,320,275)
Transfer to properties held for sale upon completion	**(1,039,892)**	(1,882,183)
Interest capitalised during the year (Note 8)	**202,345**	181,586
At 31 December	**14,929,521**	12,502,999

Included in the properties under development for sale as at 31 December 2018 was carrying amount of RMB10,376,433,000 (31 December 2017: RMB8,387,633,000) 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 2018, the land on which properties under development for sale are located with a carrying amount of RMB6,492,645,000 (2017: RMB7,189,448,000) was pledged to secure certain banking facilities granted to the Group (Note 46).

Included in the properties under development for sale as at 31 December 2018 was the carrying amount of construction costs incurred of RMB245,405,000 (31 December 2017: RMB235,390,000) in relation to primary land development.

29. ACCOUNTS RECEIVABLE

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Rental receivables	**138,708**	94,337
Property management fee receivables	**35,106**	15,763
Receivables from hotel operations and related services	**43,093**	52,121
Others	**1,411**	562
Less: Allowance for credit losses	**(24,466)**	(23,488)
	193,852	139,295
Rental adjustments*	**32,875**	32,010
	226,727	171,305

* Rental adjustments relating to the recognition of rental income from operating lease on a straight-line basis over the term of the relevant lease.

At 31 December 2018, accounts receivable with an aggregate carrying amount of RMB25,400,000 (31 December 2017: RMB16,855,000) were pledged to secure certain banking facilities granted to the Group (Note 46).

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

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	
	2018	2017
	RMB'000	RMB'000
Less than 3 months	**175,104**	125,123
3 months to 1 year	**16,819**	7,856
1 to 2 years	**483**	4,300
2 to 3 years	**1,446**	2,016
	193,852	139,295

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29. ACCOUNTS RECEIVABLE (continued)

Movements in the allowance for doubtful debts:

	Year ended 31 December 2017 RMB'000
At the beginning of the year	23,758
Recognition of impairment loss/ (reversal of impairment), net	(17)
Write off	(253)
At the end of the year	23,488

As at 31 December 2018, included in the Group's accounts receivable balance are debtors with aggregate carrying amount of RMB142,854,000 which are past due as at the reporting date. Out of the past due balances, RMB16,110,000 has been past due 90 days or more and is not considered as in default.

The following is the aged analysis of the Group's accounts receivable that are past due but not impaired as at 31 December 2017.

	At 31 December 2017 RMB'000
Less than 3 months	113,324
3 months to 1 year	5,369
1 to 2 years	3,990
2 to 3 years	1,857
	124,540

Receivables that were past due but not impaired as at 31 December 2017 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 as at 31 December 2017 relate to a number of diversified customers for whom there was no recent history of default.

Details of impairment assessment of accounts receivable as at 31 December 2018 are set out in Note 48.

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30. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Classified under non-current assets		
Other deposits	**10,000**	10,000
	10,000	10,000

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Classified under current assets		
Payments on behalf of government in relation to primary land development	**4,512**	20,140
Receivables in relation to relocation arrangement	**10,558**	9,622
Prepayments to suppliers	**139,151**	69,538
Current portion of leasehold land and land use rights (Note 18)	**21,642**	22,357
Other deposits paid	**734,232**	185,141
Prepaid LAT and business tax	**651,055**	251,959
Receivables from tenants for utility expenses paid on their behalf	**38,894**	18,870
Receivables from a former shareholder of a subsidiary	**–**	6,640
Consideration receivable from disposal of a subsidiary (Note 52)	**35,500**	35,500
Other receivables	**77,352**	66,498
	1,712,896	686,265
Less: Allowance for credit losses	**(32,861)**	(31,851)
	1,680,035	654,414

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30. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (continued)

Movements in the allowance for doubtful debts:

	2017
	RMB'000
At the beginning of the year	43,731
Recognition of impairment loss of, net	3,499
Write off	(15,379)
At the end of the year	31,851

Details of impairment assessment of other receivables as at 31 December 2018 are set out in Note 48.

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

The amounts due from/to holding companies, joint ventures, associates, fellow subsidiaries and non-controlling interests classified under current assets and current liabilities, respectively, were unsecured, interest-free and repayable on demand. The amounts due to fellow subsidiaries, an intermediate holding company and non-controlling interests classified under non-current liabilities, were unsecured, interest-free and repayable based on scheduled repayment dates set out in the respective agreements.

Included in amounts due to non-controlling interests as at 31 December 2018 was dividend payable to non-controlling interests of RMB218,393,000 (2017: RMB448,855,000).

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31. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES, HOLDING COMPANIES, JOINT VENTURES, 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	
	2018	2017
	RMB'000	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")	**–**	–
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")	**–**	–
	–	–
Maximum amount outstanding during the year		
Name of fellow subsidiaries:		
COFCO Land Management	**–**	416
Yantai Real Estate	**–**	221

* 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 and amounts due from a joint venture are denominated in Hong Kong dollars ("HK$") or United States dollars ("US$"), other than the functional currency of the entities comprising the Group to which they relate:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Denominated in HK$		
Amounts due to fellow subsidiaries	**1,316**	–
Amounts due to non-controlling interests	**331,890**	271,869
Denominated in US$		
Amounts due from a joint venture	**49,608**	31,901
Amounts due to fellow subsidiaries	**90**	–
Amounts due to non-controlling interests	**25,022**	–

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

	At 31 December 2018 RMB'000	2017 RMB'000
Cash at banks and on hand	**6,989,343**	4,842,958
Non-pledged time deposits with an original maturity of:		
Three months or less when acquired	**118,160**	3,560,635
Cash and bank balances	**7,107,503**	8,403,593
Pledged deposits:		
For guarantees provided by the Group in respect of loan facilities utilised by property buyers (Note 46)	**12,522**	10,869
Restricted bank deposits:		
Deposits received in respect of pre-sale of properties*	**–**	1,282,889
For corporate credit cards	**–**	211
	–	1,283,100

* The balances at 31 December 2017 represented 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.

Cash at banks earns interest at rates based on daily bank deposit rates. Short term time deposits are made for varying periods not exceeding three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks.

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

	At 31 December 2018 %	2017 %
Interest rate per annum	**0.01 to 4.3**	0.01 to 3.7

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

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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Denominated in HK$	**113,905**	776,748
Denominated in US$	**107,600**	1,193,554
	221,505	1,970,302

33. ACCOUNTS PAYABLE

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Trade payables	**33,325**	36,336
Accrued expenditures on construction	**2,110,382**	2,427,018
	2,143,707	2,463,354

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.

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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year	**32,978**	34,472
1 to 2 years	**148**	523
2 to 3 years	**79**	129
Over 3 years	**120**	1,212
	33,325	36,336

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34. OTHER PAYABLES AND ACCRUALS

Classified under current liabilities

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Construction costs payable for property, plant and equipment	**126,728**	204,016
Construction costs payable for investment properties	**1,808,608**	876,408
Receipts of credit card payments on behalf of tenants	**589,943**	416,870
Rental deposits received	**556,793**	475,333
Other deposits received	**390,743**	387,974
Salaries and payroll payables	**281,751**	271,946
Rental receipts in advance	**240,527**	137,108
Receipts in advance from customers	**–**	148,870
Other receipts in advance	**37,727**	214,318
Other tax payable	**198,806**	264,348
Consideration payable for acquisition of subsidiaries	**1,000**	1,000
Consideration payable for acquisition of a joint venture	**1,000,000**	–
Interest payables	**24,037**	18,043
Promotional fees payable	**86,353**	86,304
Other payables and accruals	**504,440**	364,518
	5,847,456	3,867,056

Classified under non-current liabilities

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Obligation arising from put option to non-controlling shareholder (Note)	**336,470**	–
Rental deposits received	**500,077**	330,734
	836,547	330,734

Note: On 8 October 2018, Golden Prominent Limited ("Golden"), a wholly-owned subsidiary of the Company, entered into an agreement with Reco Valley Private Limited (the "Partner"), a third party, to establish a non wholly-owned subsidiary named Joy Valley Limited ("Joy Valley"), to bid for the land use rights for the purpose of developing a property project in Wuhan City, HuBei Province, the PRC. Golden holds 51% equity interest in Joy Valley and the Partner holds the remaining 49% equity interest.

Pursuant to the agreement above, Golden has granted the put option (the "Put Option") to the Partner exercisable upon the date of completion of the two years operation of the shopping mall located on the piece of land of the project developed by Joy Valley, within a 30-day valid period, that the Partner has the right to require the Group to buy back the 49% equity interest in Joy Valley held by the Partner at a cash consideration with reference to the market value of net assets of Joy Valley attributable to the Partner. At initial recognition, the obligation arising from the Put Option represented the estimated present value of the amount Golden could be required to pay the Partner amounting to RMB336,470,000. This amount has been recognised in the consolidated statement of financial position with a corresponding debit to other reserve, and was designated as at FVTPL.

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35. BANK BORROWINGS

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Bank loans:		
Secured or guaranteed	**12,474,872**	10,085,913
Unsecured	**3,805,886**	1,261,247
	16,280,758	11,347,160
Represented:		
Fixed-rate borrowings	**2,550,836**	2,258,714
Floating-rate borrowings	**13,729,922**	9,088,446
	16,280,758	11,347,160

Details of securities for the secured bank loans are set out in Note 46. Certain of bank loans are under corporate guarantee executed by a related party and third parties as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Guaranteed by a fellow subsidiary	**422,955**	473,643
Guaranteed by third parties	**1,751,087**	–

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35. BANK BORROWINGS (continued)

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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Carrying amount of bank loans repayable*:		
Within one year	**1,595,961**	2,361,101
In the second year	**1,750,148**	995,231
In the third to fifth year, inclusive	**7,635,621**	3,665,091
Beyond five years	**5,299,028**	4,325,737
Total bank borrowings	**16,280,758**	11,347,160
Less: Amounts due within twelve months shown under current liabilities	**(1,595,961)**	(2,361,101)
Amounts shown under non-current liabilities	**14,684,797**	8,986,059

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

As at 31 December 2018, the amount of RMB2,795,078,000 of bank borrowings was denominated in HK$ (2017: RMB728,117,000), the amount of RMB1,986,895,000 of bank borrowings was denominated in US$ (2017: nil).

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

	As at 31 December	
	2018	2017
	%	%
Effective interest rate per annum	**2.98 to 5.46**	1.59 to 5.22

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 bear 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.

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36. GUARANTEED NOTES (continued)

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the trustee of the Notes (the "Trustee") and the noteholders at their principal amount (together with accrued but unpaid interest to the date of redemption) in the event of certain changes affecting taxes of the Bermuda, British Virgin Islands or the PRC or any political subdivision or any authority thereof or therein having power to tax.

At any time following the occurrence of a Change of Control (as defined in the Terms and Conditions of the Notes), the holder of each Note will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Notes on the Change of Control Put Date (as defined in the Terms and Conditions of the Notes) at 101 per cent of their principal amount, together with accrued but unpaid interest to the Change of Control Put Date.

The Issuer may at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the noteholders, redeem the Notes, in whole but not in part, at the Make Whole Price as of, and accrued and unpaid interest, if any, to (but excluding), the redemption date. "Make Whole Price" means, with respect to a Note at the redemption date, the amount calculated by the Quotation Agent (as defined in the Terms and Conditions of the Notes) to be the greater of (1) the present value of the principal amount of the Notes, assuming a scheduled repayment thereof on the maturity date plus all required remaining scheduled interest payments due on such Note through 18 November 2019 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate (as defined in the Terms and Conditions of the Notes) plus 50 basis points, and (2) the principal amount of such Notes.

The Issuer may, on giving notice to the Trustee and the noteholders by the date falling four calendar months after 18 November 2014 in accordance with the Terms and Conditions of the Notes if the Very Substantial Acquisition (as defined in the Terms and Conditions of the Notes) has not been completed by the date falling four calendar months after 18 November 2014, redeem the Notes, in whole but not in part, at 101 per cent plus accrued and unpaid interest, if any, to (but excluding), the redemption date specified in such notice.

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

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

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

	RMB'000
Carrying amount at 1 January 2017	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
Interest charge (Note 8)	198,639
Interest paid	(199,033)
Exchange differences	270,118
Carrying amount at 31 December 2018	5,502,007

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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 by giving a 7-day notice, the bond holders have a right to require the Subsidiary to redeem the Corporate Bonds at its par value plus accrued and unpaid interest, and the Subsidiary has a right to adjust the coupon rate of the Corporate Bonds from a range of 1-100 basis points. On 21 December 2018, the Subsidiary announced that it received bond holders' notice to sell the Corporate Bonds in an aggregate principal amount of RMB2,267,788,000 (the "Announcement"), while the remaining bonds will be repaid on 14 January 2021. The Group therefore classified Corporate Bonds of RMB2,360,148,000 as current liabilities at 31 December 2018. On 14 January 2019, the Corporate Bonds with the principal amount of RMB2,267,788,000 were redeemed according to the Announcement by the proceeds from new issuances of six-year and seven-year term unsecured corporate bonds in the PRC with the respective principals in the amount of RMB1,660,000,000 with the coupon rate of 3.94% per annum and RMB700,000,000 with the coupon rate of 4.1% per annum on 9 January 2019, details are set out in the announcement on 8 and 10 January 2019. The adjusted coupon rate of the remaining Corporate Bonds is 3.95% for the next two years.

The Company has registered a medium-term notes in an aggregate amount of not more than RMB10 billion 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). 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. CONTRACT LIABILITIES

	31 December 2018	1 January 2018*
	RMB'000	RMB'000
Sales of properties	**6,780,448**	4,135,018
Others	**179,248**	199,443
	6,959,696	4,334,461

* The amounts in this column are after the adjustments from the application of HKFRS 15.

The following table shows how much of the revenue recognized in the current year relates to carried-forward contract liabilities.

	Sales of properties	**Others**
	RMB'000	RMB'000
Revenue recognized during the year that was included in the contract liabilities balance at the beginning of the year	2,556,341	188,154

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39. 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 2017, 31 December 2017 and 31 December 2018	28,904,699,222	2,890,470	2,293,502
Issued and fully paid:			
Ordinary shares of HK$0.10 each			
At 1 January 2017, 31 December 2017 and 31 December 2018	14,231,124,858	1,423,112	1,122,414

40. 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.

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40. NON-REDEEMABLE CONVERTIBLE PREFERENCE SHARES (continued)

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

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

If and whenever the Shares are consolidated or sub-divided into a different nominal amount, then the same consolidation or subdivision shall be effected on the CPS, in which case the conversion ratio shall remain as one CPS for one Share (as consolidated or sub-divided, as the case may be).

No listing will be sought for the CPS on the Stock Exchange or any other stock exchange.

41. 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.

42. 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 28 June 2018, 24 December 2017 and 22 December 2016, the Group repaid principal of the Perpetual Loan amounting to RMB200 million, RMB500 million and RMB500 million to the ultimate holding company, respectively. As a result, the principal of the Perpetual Loan reduced to RMB2,568 million (2017: RMB2,768 million) accordingly as at 31 December 2018.

In 2017, interest amounting to RMB462,614,000 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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43. CONTINGENT LIABILITIES

(a) Guarantees

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Guarantees provided by the Group in respect of loan facilities utilised by property buyers	**2,600,502**	1,501,774

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.

(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 RMB3,326 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 2018 amounted to RMB3,985 million.

The construction costs of Shenyang Joy City amounted to RMB1,899 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 2018 amounted to RMB1,920 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.

(c) The Group was involved in a number of legal proceedings and claims against it in the ordinary course of business. Provision has been made for the probable losses to the Group on those legal proceedings and claims when the management can reasonably estimate the outcome of the legal proceedings and claims taking into account the legal advice. The estimated provision has been made for pending legal proceedings and claims of RMB3,000,000 (2017: nil) which is recorded in other payables and accruals. Except for that, management believes that the probability of loss is remote.

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44. 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	
	2018	2017
	RMB'000	RMB'000
Within one year	**2,810,819**	1,803,608
In the second to fifth year, inclusive	**4,811,309**	2,511,991
After five years	**1,696,366**	869,233
	9,318,494	5,184,832

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 and other premises under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Within one year	**41,929**	37,071
In the second to fifth year, inclusive	**178,591**	118,132
After five years	**9,200**	55,239
	229,720	210,442

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45. CAPITAL COMMITMENTS

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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Capital commitments in respect of:		
Purchase of property, plant and equipment contracted, but not provided for	**19,833**	25,288
Constructing and developing investment properties contracted, but not provided for	**288,606**	1,955,299
Capital injection commitments to a newly established offshore fund	**3,420,000**	3,420,000
	3,728,439	5,400,587

46. 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	
	2018	2017
	RMB'000	RMB'000
Investment properties	**39,287,000**	39,963,465
Property, plant and equipment	**2,263,175**	2,395,552
Properties under development for sale	**6,492,645**	7,189,448
Properties held for sale	**554,742**	33,463
Leasehold land and land use rights	**519,843**	526,895
Accounts receivable	**25,400**	16,855
Pledged deposits	**12,522**	10,869
	49,155,327	50,136,547

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47. 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	
	2018	2017
	RMB'000	RMB'000
Financial assets:		
Financial assets at amortised cost	**12,796,031**	–
Loans and receivables (including cash and bank balances)	**–**	11,435,808
Available for sale investments	**–**	510
Financial assets at FVTPL:		
– Equity instruments	**510**	–
– Loan to an associate	**403,098**	–
Rental receivables	**171,583**	126,347
Financial liabilities:		
Amortised cost	**36,253,698**	30,177,482
Hedging instruments designated in cash flow hedges	**2,016**	–
Financial liabilities at FVTPL	**336,470**	–
Rental deposits received	**1,056,870**	806,067

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include financial assets at FVTPL, amounts due from/to fellow subsidiaries, holding companies, joint ventures, associates, and non-controlling interests, loans to/from joint ventures, associates, fellow subsidiaries, non-controlling interests and a third party, 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 these 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 2018, 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 and amounts due from a joint venture which mainly consist of HK$ and US$ as set out in Note 31, loans to associates and joint ventures and loan from non-controlling interests which consists in US$ as set out in Note 25 and bank borrowings which mainly consist of HK$ and US$ as set out in Note 35 which expose the Group to foreign currency risk.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2017: 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% (2017: 5%) change in foreign currency rate. A positive number below indicates an increase in post-tax profit where RMB strengthens/weakens 5% against US$/HK$ and vice versa.

	2018 **RMB'000**	2017 RMB'000
(Decrease)/increase in post-tax profit for the year:		
– if RMB weakens against US$	**(95,211)**	62,046
– if RMB strengthens against US$	**95,211**	(62,046)
– if RMB weakens against HK$	**(150,076)**	8,102
– if RMB strengthens against HK$	**150,076**	(8,102)

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans from/to associates, joint ventures, a third party and non-controlling interests, fixed-rate bank borrowings, guaranteed notes and bonds payable (see Notes 25, 35, 36 and 37 respectively for details).

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 fellow subsidiaries.

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/to fellow subsidiaries, associates, joint ventures, non-controlling interests 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.

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings, loans from fellow subsidiaries 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, variable-rate loans from fellow subsidiaries outstanding at the end of the reporting period were outstanding for the whole year. A 50 (2017: 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 (2017: 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.

	2018 RMB'000	2017 RMB'000
(Decrease)/increase in post-tax profit for the year:		
– interest rates 50 basis points higher	**(59,448)**	(38,010)
– interest rates 50 basis points lower	**59,448**	38,010

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48. 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 as disclosed in Note 43.

At as 31 December 2018, the Group's credit risk is primarily attributable to its loans to/amounts due from fellow subsidiaries, the ultimate holding company, joint ventures, associates and non-controlling interests, accounts and other receivables, pledged deposits, and cash and bank balances, lease receivables and financial guarantee contracts. 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 performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade balances individually or based on provision matrix. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

For the loans to/amounts due from fellow subsidiaries, joint ventures, 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.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Accounts receivables	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk management (continued)

The table below details the credit risk exposures of the Group's financial assets, operating lease receivables and financial guarantee contracts, which are subject to ECL assessment:

2018	Notes	Internal credit rating	12-month ECL	Lifetime ECL	Gross carrying amount RMB'000
Financial assets at amortised cost					
Accounts receivable (Note c)	29	Doubtful	N	not credit Impaired	24,466
Accounts receivable (Note c)	29	Low risk	N	not credit impaired	55,144
Other receivables	30	Low risk	Y	N	901,048
Cash and bank balances	32	Low risk	Y	N	7,107,503
Pledged deposits	32	Low risk	Y	N	12,522
Loans to associates, joint ventures and non-controlling interests (Note a)	25	Low risk	Y	N	4,520,303
Amounts due from the ultimate holding company, fellow subsidiaries, joint ventures, associates and non-controlling interests (Note a)	31	Low risk	Y	N	232,372
Other items					
Accounts receivable-operating lease (Note c)	29	Low risk	Y	N	171,583
Financial guarantee contracts (Note b)	43	Low risk	Y	N	2,600,502

Notes:

a. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due RMB'000	Not past due/ No fixed repayment terms RMB'000	Total RMB'000
Loans to associates, joint ventures and non-controlling interests	–	4,520,303	4,520,303
Amounts due from holding company, fellow subsidiaries, joint ventures, associates and non-controlling interests	–	232,372	232,372

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk management (continued)

Notes: (continued)

b. For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

c. For accounts receivables (including rental receivables), the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers/debtors in relation to its rental and other operations. The following table provides information about the exposure to credit risk for accounts receivables which are assessed based on provision matrix as at 31 December 2018 within lifetime ECL.

Gross carrying amount

Internal credit rating	Average loss rate	Accounts receivable RMB'000
Low risk	0.3%	221,472
Doubtful	80%	29,721

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk management (continued)

The following table shows the movement in lifetime ECL that has been recognised for accounts receivable under the simplified approach:

	Lifetime ECL (not credit impaired) RMB'000	**Lifetime ECL (credit impaired)** RMB'000	**Total** RMB'000
As at 31 December 2017 under HKAS 39	23,488	–	23,488
Adjustment upon application of HKFRS 9	–	–	–
As at 1 January 2018	23,488	–	23,488
Changes due to financial instruments recognised as at 1 January	978	–	978
– Impairment losses recognised	1,696	–	1,696
– Impairment losses reversed	(718)	–	(718)
At 31 December 2018	24,466	–	24,466

No material additional impairment has been recognised upon application of expected loss approach on 1 January 2018.

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk management (continued)

The following table shows reconciliation of loss allowances that has been recognised for other receivables:

	12m ECL RMB'000	Lifetime ECL (not credit impaired) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
As at 31 December 2017 under HKAS 39	31,851	–	–	31,851
Adjustment upon application of HKFRS 9	–	–	–	–
As at 1 January 2018	31,851	–	–	31,851
Changes due to financial instruments recognised as at 1 January	1,010	–	–	1,010
– Impairment losses recognised	6,072	–	–	6,072
– Impairment losses reversed	(5,062)	–	–	(5,062)
At 31 December 2018	32,861	–	–	32,861

No material additional impairment has been recognised upon application of expected loss approach on 1 January 2018.

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest rate tables

	Weighted average 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 2018							
Accounts payable	–	2,143,707	–	–	–	2,143,707	2,143,707
Other payables	–	5,088,645	211,596	231,093	57,388	5,588,722	5,588,722
Obligation arising from put option to non-controlling shareholder	–	–	–	–	450,897	450,897	336,470
Bank borrowings	2.98%-5.46%	2,274,114	2,400,809	9,289,680	7,439,085	21,403,688	16,280,758
Amount due to the ultimate holding company	–	1,159	–	–	–	1,159	1,159
Amount due to an intermediate holding company	–	61	618	–	–	679	679
Amounts due to non-controlling interests	–	1,843,205	–	25,022	–	1,868,227	1,868,227
Amounts due to joint ventures	–	5	–	–	–	5	5
Amounts due to fellow subsidiaries	–	95,325	19,147	–	–	114,472	114,472
Loans from fellow subsidiaries	4.28%-4.75%	456,549	45,217	634,267	–	1,136,033	1,030,372
Loans from non-controlling interests	8.00%	55,780	55,933	727,973	–	839,686	672,233
Bonds payable	3.20%-4.95%	2,413,288	1,077,313	733,321	–	4,223,922	4,108,227
Guaranteed notes	3.625%	5,689,593	–	–	–	5,689,593	5,502,007
		20,061,431	3,810,633	11,641,356	7,947,370	43,460,790	37,647,038
Financial guarantee contracts		2,600,502	–	–	–	2,600,502	–

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48. 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 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	139,693	148,208	42,833	3,161,200	3,161,200
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		1,501,774	–	–	–	1,501,774	–

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.

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value

Except for interest rate swaps, loan to an associate, and obligation arising from put option to non-controlling shareholder, there is no other material 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.

Financial assets/liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/2018	31/12/2017		
Interest rate swaps (designed as hedging instruments)	**Liabilities – RMB2,016,000**	–	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Loan to an associate	**Assets – RMB403,098,000**	–	Level 3	Discounted cash flow. Future cash flows are estimated based on expected repayment of the loan from pre-sale proceeds arising from the properties of the associate, discounted at a rate that reflects the credit risk of the associate.
Obligation arising from put option to non-controlling shareholder	**Liabilities – RMB336,470,000**	–	Level 3	Discounted cash flow. Future cash flows are estimated based on the expected future economic benefits derived from the 49% ownership interest in Joy Valley held by the Partner, discounted at an appropriate discount rate.

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.

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49. 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.

50. 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 the immediate holding company	Dividend payable	Amount due to an intermediate 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	Note 31	
At 1 January 2018	11,347,160	201,288	945,976	31,409	5,232,283	4,102,253	2,517,969	–	–	–	24,378,338
Financing cash flows	4,770,828	(200,129)	134,396	640,824	(199,033)	(145,500)	(719,233)	(322,601)	(162,494)	(51,000)	3,746,058
Foreign exchange translation	162,770	–	–	–	270,118	–	34,584	24,215	7,978	3,206	502,871
Interest expense	–	–	–	–	198,639	151,474	25,022	–	–	–	375,135
Dividend	–	–	–	–	–	–	689,675	298,386	154,516	47,794	1,190,371
Operating activities related	–	–	–	–	–	–	(15,781)	–	–	–	(15,781)
Transfer to capital injection by non-controlling interests	–	–	–	–	–	–	(664,009)	–	–	–	(664,009)
Settled through current accounts	–	–	(50,000)	–	–	–	–	–	–	–	(50,000)
At 31 December 2018	16,280,758	1,159	1,030,372	672,233	5,502,007	4,108,227	1,868,227	–	–	–	29,462,983

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50. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

	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	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 51)	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: Dividend payable was included under other payable and accruals.

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51. BUSINESS COMBINATIONS

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)
	–

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For the year ended 31 December 2018

51. BUSINESS COMBINATIONS (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 prior year was a loss of RMB287,571,000 attributable to the Group from Xi'an Qinhantang. Revenue for the prior year includes RMB1,628,000 attributable to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

52. DISPOSAL OF SUBSIDIARIES

(1) The assets and liabilities of COFCO Hotel (Beijing) have been classified as a disposal group held for sale as at 31 December 2017 as disclosed in Note 11. The disposal was completed in March 2018. The net assets of COFCO Hotel (Beijing) at the date of disposal were as follows:

	RMB'000
Consideration	
Consideration received in cash and cash equivalents	1,360,000
Analysis of assets and liabilities over which control was lost	
Property, plant and equipment	853,111
Leasehold land and land use rights	102,110
Intangible assets	1,353
Inventories	1,202
Accounts receivable	2,898
Deposits, prepayments and other receivables	7,358
Amounts due from fellow subsidiaries	3,466
Deferred tax assets	8,372
Cash and bank balances	697,459
Accounts payable	(3,881)
Other payables and accruals	(25,144)
Loans from a third party	(1,431,978)
Amount due to a joint venture	(936)
Net assets disposed of	215,390
Gain on disposal of a subsidiary:	
Consideration on disposal	1,360,000
Net assets disposal of	(215,390)
Gain on disposal	1,144,610
Net cash inflow on disposal of a subsidiary	
Consideration received in cash and cash equivalents	1,360,000
Less: Cash and cash equivalents disposed of	(697,459)
Net cash inflow	662,541

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

52. DISPOSAL OF SUBSIDIARIES (continued)

(2) The Company disposed of its three subsidiaries to independent third parties in 2017, details of which are set out below. As at 31 December 2017 and 2018, the consideration receivable from disposal of Beijing Gloria Properties Management Co., Ltd has not been settled.

	Beijing Gloria Properties Management Co., Ltd RMB'000	Nanchang Gloria Plaza Hotel Co., Ltd RMB'000	Suzhou Gloria Plaza Hotel Co., Ltd RMB'000	2017 Total 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	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

53. 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	
	2018	2017
	RMB'000	RMB'000
Revenue from leasing of properties to:		
Fellow subsidiaries*	**165,928**	154,987
Intermediate holding company*	**19**	7,895
Ultimate holding company*	**36**	47
Rental expenses for leasing of properties from:		
Fellow subsidiaries	**1,292**	1,751
Ultimate holding company*	**11,513**	11,513

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

53. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party transactions (continued)

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Provision of hotel management service by:		
Fellow subsidiaries*	**5,520**	5,102
Provision of property management service by:		
Fellow subsidiaries*	**18,102**	3,345
Provision of property management service to:		
Fellow subsidiaries	**740**	2,314
Other revenue from:		
Fellow subsidiaries	**7,624**	6,448
Sourcing of staple supplies and catering services from:		
Fellow subsidiaries*	**2,201**	5,508
Ultimate holding company*	**3,216**	37
Intermediate holding company*	**12**	22
Services fee for entrust loans from		
Fellow subsidiaries*	**627**	1,984
Interest expense to:		
Fellow subsidiaries	**47,381**	96,876
Ultimate holding company	**–**	181
Other expense to:		
Fellow subsidiaries	**4,415**	2,027

* These related party transactions also constituted continuing connected transactions according to the Listing Rules.

Notes to the Consolidated Financial Statements

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53. 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 2018 amounted to RMB1,030,372,000 (2017: RMB895,976,000). The deposits placed in COFCO Finance were RMB550,000,000 (2017: RMB550,000,000) at 31 December 2018.

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	
	2018	2017
	RMB'000	RMB'000
Amounts due from fellow subsidiaries:		
Within 1 year	**3,604**	761
Amounts due to fellow subsidiaries:		
Within 1 year	**59,641**	40,060
1 to 2 years	**19,147**	–
	78,788	40,060

Compensation of key management personnel of the Group

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries, allowance and other benefits	**24,769**	30,924
Retirement benefit scheme contributions	**2,120**	1,656
	26,889	32,580

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

53. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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 Directors, the above transactions are collectively significant transactions of the Group with PRC government-related entities.

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54. COMPOSITION OF THE GROUP

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

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ establishment and place of business	Proportion of ownership interests held by non-controlling interests	Profit/(loss) allocated to non-controlling interests RMB'000	Accumulated non-controlling interests RMB'000 (Note (a))
Year ended 31 December 2018				
Sanya Yalong Development Company Limited and its subsidiaries ("Yalong Development group")	**PRC**	**49.2%**	**145,176**	**1,965,513**
Shanghai Yueyao Development Co., Ltd.	**PRC**	**50.0%**	**10,648**	**1,227,789**
Fortune Set	**BVI**	**49.0%**	**639,380**	**8,907,170**
Sunny Ease	**BVI**	**49.0%**	**62,942**	**2,353,905**
Vivid Star	**BVI**	**49.0%**	**2,091**	**162,235**
Speedy Cosmo Limited ("Speedy Cosmo")	**HK**	**45.0%**	**46,145**	**128,340**
Elimination of cross holding of Fortune Set, Sunny Ease and Vivid Star			**(64,356)**	**(2,589,179)**
Individually immaterial subsidiaries with non-controlling interests			**(7,935)**	**2,062,669**
Total			**834,091**	**14,218,442**
Year ended 31 December 2017				
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

Note:

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

Notes to the Consolidated Financial Statements

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54. COMPOSITION OF THE GROUP (continued)

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

Summarised consolidated financial information in respect of each of the subsidiaries that has material non-controlling interests is set out below. The summarised consolidated financial information below represents amounts before intragroup eliminations.

Yalong Development group

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Current assets	**6,140,021**	3,288,419
Non-current assets	**2,379,595**	2,494,405
Current liabilities	**(4,620,015)**	(2,020,633)
Non-current liabilities	**(240,000)**	(348,455)
Total equity	**3,659,601**	3,413,736
Equity attributable to:		
Owners of the Company	**1,694,088**	1,504,398
Non-controlling interests	**1,965,513**	1,909,338
Total equity	**3,659,601**	3,413,736

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For the year ended 31 December 2018

54. 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	
	2018	2017
	RMB'000	RMB'000
Revenue	**1,739,615**	2,079,034
Other income, and other gains and losses, net	**40,103**	(56,672)
Fair value gain of investment properties	**2,883**	10,394
Total expenses	**(1,410,584)**	(1,764,871)
Profit and total comprehensive income for the year	**372,017**	267,885
Total comprehensive income attributable to:		
Owners of the Company	**226,841**	113,677
Non-controlling interests	**145,176**	154,208
Profit and total comprehensive income for the year	**372,017**	267,885
Dividends declared to non-controlling interests	**(89,500)**	(49,500)
The impact on non-controlling interests upon adoption of HKFRS 15 on 1 January 2018	**499**	–
Net cash (outflow)/inflow from:		
Operating activities	**(163,351)**	(382,182)
Investing activities	**8,869**	(18,971)
Financing activities	**(195,734)**	(166,696)
Net cash outflow	**(350,216)**	(567,849)

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54. 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	
	2018	2017
	RMB'000	RMB'000
Current assets	**4,915,129**	1,740,209
Non-current assets	**1,486,597**	1,392,468
Current liabilities	**(3,748,015)**	(500,603)
Non-current liabilities	**(197,818)**	(197,476)
Total equity	**2,455,893**	2,434,598
Equity attributable to:		
Owners of the Company	**1,228,104**	1,217,457
Non-controlling interests	**1,227,789**	1,217,141
Total equity	**2,455,893**	2,434,598

54. 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	
	2018	2017
	RMB'000	RMB'000
Revenue	**–**	–
Other income, and other gains and losses, net	**44,828**	152
Fair value gain of investment properties	**1,367**	4,364
Total expenses	**(24,900)**	(9,619)
Profit (loss) and total comprehensive income (expense) for the year	**21,295**	(5,103)
Total comprehensive income (expense) attributable to:		
Owners of the Company	**10,647**	(2,552)
Non-controlling interests	**10,648**	(2,551)
Profit (loss) and total comprehensive income (expense) for the year	**21,295**	(5,103)
Dividends declared to non-controlling interests	**–**	–
Net cash inflow/(outflow) from:		
Operating activities	**2,318,292**	(158,850)
Investing activities	**(1,500,036)**	(35)
Financing activities	**(389,394)**	155,090
Net cash inflow/(outflow)	**428,862**	(3,795)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

54. COMPOSITION OF THE GROUP (continued)

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

Speedy Cosmo

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Current assets	**3,369,290**	2,734,365
Non-current assets	**2,795,298**	1,756,034
Current liabilities	**(5,820,355)**	(4,259,071)
Non-current liabilities	**(59,033)**	(59,327)
Total equity	**285,200**	172,001
Equity attributable to:		
Owners of the Company	**156,860**	94,601
Non-controlling interests	**128,340**	77,400
Total equity	**285,200**	172,001

54. 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	
	2018	2017
	RMB'000	RMB'000
Revenue	**66,652**	729,310
Other income, and other gains and losses, net	**19,317**	342,641
Fair value gain of investment properties	**177,044**	85,710
Total expenses	**(160,468)**	(746,411)
Profit and total comprehensive income for the year	**102,545**	411,250
Total comprehensive income attributable to:		
Owners of the Company	**56,400**	226,187
Non-controlling interests	**46,145**	185,063
Profit and total comprehensive income for the year	**102,545**	411,250
Dividends declared to non-controlling interests	**–**	–
The impact on non-controlling interests upon adoption of HKFRS 15 on 1 January 2018	**4,795**	–
Net cash inflow/(outflow) from:		
Operating activities	**654,596**	(94,721)
Investing activities	**(2,986)**	(2,290)
Financing activities	**(429,419)**	77,212
Net cash inflow/(outflow)	**222,191**	(19,799)

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54. COMPOSITION OF THE GROUP (continued)

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

Fortune Set

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Current assets	**12,464,749**	11,797,167
Non-current assets	**30,155,101**	28,686,044
Current liabilities	**(16,331,955)**	(8,336,341)
Non-current liabilities	**(6,740,897)**	(12,719,502)
Total equity	**19,546,998**	19,427,368
Equity attributable to:		
Owners of the Company	**7,896,502**	7,859,857
Perpetual capital instruments	**2,743,326**	2,767,681
Non-controlling interests	**8,907,170**	8,799,830
Total equity	**19,546,998**	19,427,368

54. 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	
	2018	2017
	RMB'000	RMB'000
Revenue	**4,320,196**	6,144,468
Other income, and other gains and losses, net	**612,265**	816,176
Total expenses	**(3,831,081)**	(5,006,556)
Other comprehensive income	**(2,016)**	57,863
Profit and total comprehensive income for the year	**1,099,364**	2,011,951
Total comprehensive income attributable to:		
Owners of the Company	**284,339**	901,781
Perpetual capital instruments	**175,645**	214,446
Non-controlling interests	**639,380**	895,724
Profit and total comprehensive income for the year	**1,099,364**	2,011,951
Dividends declared to non-controlling interests	**(537,001)**	(249,538)
The impact on non-controlling interests upon adoption of HKFRS 15 on 1 January 2018	**4,961**	–
Net cash inflow/(outflow) from:		
Operating activities	**716,160**	2,089,490
Investing activities	**(524,100)**	(33,148)
Financing activities	**(1,073,938)**	(1,028,250)
Net cash (outflow)/inflow	**(881,878)**	1,028,092

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54. COMPOSITION OF THE GROUP (continued)

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

Sunny Ease

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Current assets	**1,566,389**	550,922
Non-current assets	**5,448,891**	5,410,817
Current liabilities	**(3,854,114)**	(1,561,034)
Non-current liabilities	**(53,742)**	(1,185,868)
Total equity	**3,107,424**	3,214,837
Equity attributable to:		
Owners of the Company	**753,519**	840,479
Non-controlling interests	**2,353,905**	2,374,358
Total equity	**3,107,424**	3,214,837

54. 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	
	2018	2017
	RMB'000	RMB'000
Revenue	**276,199**	243,769
Other income, and other gains and losses, net	**(8,475)**	76,887
Total expenses	**(268,038)**	(165,525)
(Loss) profit and total comprehensive (expense) income for the year	**(314)**	155,131
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(63,256)**	52,930
Non-controlling interests	**62,942**	102,201
(Loss) profit and total comprehensive (expense) income for the year	**(314)**	155,131
Dividends declared to non-controlling interests	**(83,395)**	(107,439)
Net cash inflow/(outflow) from:		
Operating activities	**158,136**	(112,815)
Investing activities	**(47,145)**	(105,479)
Financing activities	**(111,132)**	(234,510)
Net cash outflow	**(141)**	(452,804)

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54. COMPOSITION OF THE GROUP (continued)

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

Vivid Star

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Current assets	**568,841**	269
Non-current assets	**959,636**	920,806
Current liabilities	**(1,191,241)**	(572,476)
Non-current liabilities	**(6,143)**	(3,014)
Total equity	**331,093**	345,585
Equity attributable to:		
Owners of the Company	**168,858**	176,248
Non-controlling interests	**162,235**	169,337
Total equity	**331,093**	345,585

Notes to the Consolidated Financial Statements

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54. 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	
	2018	2017
	RMB'000	RMB'000
Revenue	**–**	–
Other income, and other gains and losses, net	**40,383**	46,471
Total expenses	**(36,115)**	(3,014)
Profit and total comprehensive income for the year	**4,268**	43,457
Total comprehensive income attributable to:		
Owners of the Company	**2,177**	22,163
Non-controlling interests	**2,091**	21,294
Profit and total comprehensive income for the year	**4,268**	43,457
Dividends declared to non-controlling interests	**(9,193)**	(9,564)
Net cash outflow from:		
Operating activities	**(25)**	(11)
Investing activities	**–**	–
Financing activities	**–**	–
Net cash outflow	**(25)**	(11)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

55. 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		
		2018	2017	2018	2017	
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$390,656,370	–	–	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*)	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")	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.*)	RMB1,055,000,000	–	–	90%	90%	Property investment and development
大悅城(天津)有限公司 (Joy City (Tianjin) Co., Ltd.*)	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.*)	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.*)	RMB4,200,000,000	–	–	100%	100%	Property investment and development
瀋陽大悅城房產開發有限公司 (Shenyang Joy City Real Estate Development Co., Ltd.*)	US$129,300,000	–	–	100%	100%	Property investment and development

Notes to the Consolidated Financial Statements

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55. 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		
		2018	2017	2018	2017	
Entities established in the PRC and operating principally in the PRC (continued)						
瀋陽大悅城商業管理有限公司 (Shenyang 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")	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")	RMB1,074,318,600	–	–	**100%**	100%	Property management
中糧酒店(北京)有限公司 (COFCO Hotel (Beijing) Co., Ltd.*) (Note 52)	US$32,000,000	–	–	–	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*)	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.*)	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.*)	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.*)	RMB500,000	–	–	**100%**	100%	Property management
三亞悅晟開發建設有限公司 (Sanya Yuesheng Development Company Limited)	RMB15,000,000	–	–	**100%**	100%	Property development

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

55. 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		
		2018	2017	2018	2017	
Entities established in the PRC and operating principally in the PRC (continued)						
北京中糧廣場發展有限公司 (Beijing COFCO Plaza Development Co., Ltd.*)	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.*)	RMB500,000	–	–	94%	94%	Property management
凱萊物業管理(廣州)有限公司 (Gloria Properties Management (Guangzhou) Co., Ltd.*)	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.*)	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.*)	RMB1,862,934,229	–	–	50% (Note (a))	50% (Note (a))	Property development
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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

55. 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		
		2018	2017	2018	2017	
Entities established in the PRC and operating principally in the PRC (continued)						
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%	80%	Property development
重慶澤悅實業有限公司 (Chongqing Zeyue Co., Ltd.*)	RMB300,000,000	–	–	100%	100%	Property development
大悅城(青島)有限公司 (Qingdao Joy City Co., Ltd.*)	RMB1,329,880,000	–	–	100%	100%	Property development
青島智悅置地有限公司 (Qingdao Zhiyue Co., Ltd.*) (Note (b))	US$100,000,000	–	–	100%	–	Property development
武漢大悅城房地產開發有限公司 (Wuhan Joy City Co., Ltd.*) (Note (b))	RMB1,457,370,000	–	–	100%	–	Property development
瀋陽和韜房地產開發有限公司 (Shenyang Hetao Real Estate Development Co., Ltd.*) (Note (b))	US$85,000,000	–	–	100%	–	Property development
成都天府辰悅置業有限公司 (Chengdu Tianfu Chenyue Development Co., Ltd.*) (Note (b))	RMB0	–	–	100%	–	Property investment and 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 2018. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Notes:

(a) 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.

(b) These subsidiaries are newly established in 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

56. 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	
	2018	2017
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Unlisted investments in subsidiaries	**13,295,091**	13,374,589
Loans to subsidiaries	**–**	2,132,954
	13,295,091	15,507,543
CURRENT ASSETS		
Amounts due from subsidiaries	**20,585,709**	13,747,176
Loans to subsidiaries	**2,495,558**	–
Deposits, prepayments and other receivables	**5,974**	50,000
Cash and bank balances	**314,261**	2,663,419
	23,401,502	16,460,595
CURRENT LIABILITIES		
Amounts due to subsidiaries	**1,423,269**	1,403,415
Amounts due to fellow subsidiaries	**1,303**	636
Bank borrowings	**788,682**	–
Loans from a fellow subsidiary	**–**	50,000
Income tax payable	**6,102**	1,053
Other payables and accruals	**13,466**	6,750
	2,232,822	1,461,854
NET CURRENT ASSETS	**21,168,680**	14,998,741
NON-CURRENT LIABILITIES		
Bonds payable	**1,015,867**	1,016,088
Bank borrowings	**3,017,204**	–
	4,033,071	1,016,088
NET ASSETS	**30,430,700**	29,490,196
CAPITAL AND RESERVES		
Share capital (Note 39)	**1,122,414**	1,122,414
Reserves (Note (a))	**29,308,286**	28,367,782
TOTAL EQUITY	**30,430,700**	29,490,196

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

56. 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 40)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	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**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**1,441,200**	**1,441,200**
Final 2017 dividend declared (Note 12)	**–**	**–**	**–**	**–**	**–**	**(500,696)**	**(500,696)**
At 31 December 2018	**17,993,202**	**1,722,317**	**3,266**	**1,931**	**227,703**	**9,359,867**	**29,308,286**

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 Thursday, 30 May 2019 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, a wholly-owned subsidiary of the Company
"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"	Grandjoy Holdings Group Co., Ltd. (**大悅城控股集團股份有限公司**) (formerly known as 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), a subsidiary of 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 Vibrant Oat, 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$0.10 each in the share capital of the Company
"Director(s)"	director(s) of the Company
"Executive Committee"	Executive Committee under the Board
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive directors (being Mr. LAU Hon Chuen, Ambrose, *GBS, JP*, Mr. LAM Kin Ming, Lawrence and Mr. WU Kwok Cheung, *MH*)
"independent third party"	a party who is not a connected person (within the meaning of the Listing Rules) of the Group
"Joy City Acquisition"	has the same meaning as those defined as "Acquisition" in the circular of the Company dated 5 November 2014
"Joy City Project(s)"	the mixed-use complex projects which are or to be developed under the brand of "Joy City (大悅城)", including Xidan Joy City, Shenyang Joy City, Chaoyang Joy City, Shanghai Joy City, Tianjin 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
"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

Definitions

"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
"Nomination Committee"	the nomination committee under the Board
"Non-Competition Undertaking"	the deed of non-competition dated 29 November 2013 executed by COFCO Corporation in favour of the Company in relation to the Acquisition
"Non-Exempt Continuing Connected Transaction(s)"	the transactions to be carried out pursuant to the Connected Transaction Agreements, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules
"Notice Period"	has the meaning ascribed to it in the section headed "Shareholders' Rights" of the Corporate Governance Report
"Notices for Director's Election"	has the meaning ascribed to it in the section headed "Shareholders' Rights" of the Corporate Governance Report
"PBOC"	The People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC government" or "Chinese government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"Remuneration Committee"	the remuneration committee under the Board
"Restricted Business"	(a) the development, operation, sale, leasing or management of any property project which is wholly designated for commercial purpose such as offices, retail, shopping malls, hotels, resorts or serviced apartments; and/or (b) the development, operation, sale, leasing or management of any mixed-use complex project
"RMB"	Renminbi, the lawful currency of the PRC
"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

Definitions

"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$0.10 each in the share capital of the Company
"sq meters" or "sqm"	square meters
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Codes"	the Codes on Takeovers and Mergers and Share Buy-backs
"US$"	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. 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

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207

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