大悅城控股 GRANDJOY

中糧 COFCO 自然之源 重塑你我

ANNUAL REPORT 2019

JOY CITY PROPERTY LIMITED
大悅城地產有限公司

Incorporated in Bermuda with limited liability

Stock Code : 207

OUR MISSIONS

Contribute quality green living space and services, lead the trend of a fashionable lifestyle, in order to become a leader among real estate brands in the PRC with the 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 26 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 is the flagship brand of COFCO Corporation in the commercial property sector.

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 operations and output management and other services. As of 31 December 2019, the Group has expanded into the core cities and their surrounding areas in five major city groups including Beijing-Tianjin-Hebei, Yangtze River Delta, Pearl River Delta, Chengdu-Chongqing and middle Yangtze River city group. Meanwhile, the Group successfully entered 14 cities including Beijing, Shanghai, Tianjin, Shenyang, Yantai, Jinan, Hangzhou, Chengdu, Xi'an, Chongqing, Qingdao, Wuhan, Kunming and Sanya. It possesses or manages 19 Joy City urban complexes, 1 Joy Breeze project, 1 Shine Hills project 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 Joy Mansion,

Shanghai Qiantan Ocean One, Hainan COFCO • Hong Tang Joy Sea, Qingdao COFCO • Gold Sand Shine City and Kunming Longshengfu, and a number of international top-class luxury hotels in operation, including The St. Regis Sanya Yalong Bay Resort, MGM Grand Sanya and Waldorf Astoria Hotel. 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.

As a city operator and a good life service provider, the Group leverages platform integration, pays attention to customer needs. While upgrading its services, it assumes the responsibility as an enterprise directly under the central government to establish a good image and create a better life for people.

Major Business Structure

Property Development

1. Qingdao Gold Sand • COFCO Shine City
2. Qingdao Chuangzhi • COFCO Splendid City
3. Qindao Jimo Shine Hills • Joy Street
4. Qingdao Business Plaza
5. Qingdao Civic Plaza
6. Hainan COFCO • Hong Tang Joy Sea
7. COFCO • Sanya Joy Center
8. COFCO • Sanya Joy Plaza
9. COFCO • Sanya Platinum Joy Mansion
10. Shanghai Jing'an Joy City • Office Building
11. Shanghai Qiantan Ocean One office Building
12. Shanghai Joy Mansion
13. Chengdu Joy City • Joy Street
14. Chongqing COFCO Central Park Shine City
15. Kunming Longshengfu
16. Hangzhou Joy City • Apartment Building of Joy Embrace
17. Shenyang Joy City E Mansion Apartment
18. Apartment Building of Wuhan Optics Valley Joy City
19. Jinan Joy City – Residential
20. Changzhou • Flower Jiangnan
21. Chengdu Tianfu Shine Project
22. Wuhan Optics Valley Shine
23. Qingdao Joy Bay

Investment Properties

1. Xidan Joy City
2. Shenyang Joy City
3. Beijing Chaoyang Joy City
4. Shanghai Jing'an Joy City
5. Tianjin Nankai Joy City
6. Yantai Joy City
7. Chengdu Joy City
8. Chengdu Tianfu Joy City
9. Hangzhou Joy City
10. Chongqing Joy City
11. Wuhan Joy City
12. Sanya Joy City
13. Jinan Joy City
14. Qingdao Jimo Shine Hills
15. Beijing COFCO Landmark Plaza
16. Beijing COFCO Plaza
17. Fraser Suites Top Glory Shanghai
18. Hong Kong COFCO Tower

Output Management and Related Services

1. Joy City Commercial Management
2. Tianjin Heping Joy City
3. Kunming Joy City
4. Beijing Daxing Joy Breeze
5. Anshan Joy City
6. Shanghai Changfeng Joy City
7. Beijing Jingxi Joy City
8. Xi'an Joy City

Hotel Operations

1. The St. Regis Sanya Yalong Bay Resort
2. MGM Grand Sanya
3. Cactus Resort Sanya by Gloria
4. Joy City Hotel & Apartment Beijing
5. Waldorf Astoria Hotel


SHEN YANG 17 2
AN SHAN 5
BEIJING 1 3 15 16 4 5 1 4 7
BEIJING-TIANJIN-HEBEI ECONOMIC CIRCLE
TIANJIN 5 2
YANTAI 6
JINAN 19 13
QING DAO 1 2 3 4 5 23 14
XI'AN 8
URBAN AGGLOMERATION IN MIDDLE REACHES OF YANGTZE RIVER ECONOMIC CIRCLE
CHANG ZHOU 20
SHANG HAI 10 11 12 4 17 6
HANG ZHOU 16 9
YANGTZE RIVER DELTA ECONOMIC CIRCLE
CHENG DU 13 21 7 8
WUHAN 18 22 11
CHONG QING 14 10
CHENGDU-CHONGQING ECONOMIC CIRCLE
KUN MING 15 3
HONG KONG 18
GUANGDONG-HONG KONG-MACAO GREATER BAY AREA
SANYA 6 7 8 9 12 1 2 3

Major Events and Awards


大悦城
JOY CITY
BOREE

Major Events and Awards

Major Events of the Group

2019

The Group released a new campaign named "Space for the Young", with a total of 1,878 events held throughout the year, including 80 youth cultural key events, attracting over 7.22 million participants and realizing brand exposure exceeding 3.35 billion.

27/3

The Group completed the reorganization and integration with COFCO Property turning the red chip into an affiliate of an A-share company.

27/4 – 4/5

"Hi, It's New", a discount campaign and a brand-new IP of Joy City, was launched simultaneously in 9 cities across China. On the exploding day of the event, the total sales income exceeded RMB197 million, representing an increase of 26% year on year, and the total customers flow on that day reached 1.038 million, representing a year-on-year growth of 64%.

24/5

Joy City Hotel & Apartment Beijing (Le Joy Hotel), the Group's first own hotel brand, was officially opened.

7/9

The eighth Joy City Shopping Festival realized a daily sales exceeding RMB236 million, a year-on-year increase of 19.8%. A total of 234 branded merchants became national sales champion on that day, and 771 branded merchants won sales champion of the province/city on that day. Membership consumption was accounting for more than 50%, with youth consumption accounting for more than 76%.

26/10

The second phase of Kunming Joy City was opened successfully.

AWARDS

2019 China Shopping Mall
Excellent Operator

First of China **TOP 10**
Commercial Real Estate Companies

2019 Quality China Real Estate Enterprise Award
of Quality China Real Estate Enterprise Award

ICSC China **Gold Award in Marketing**

2019 Best Brand Management Communication
Award of China Finance Award

2019 **Outstanding Management Award and Outstanding Marketing and Planning Award** in China Shopping Centre Industry

Model and Leading
of 19th Asia-Pacific Retailers Convention

Top 10 Brand Value of China Commercial Real Estate Companies for 2019 in Research on China's Top 100 Real Estate Enterprises

2019 Urban Regeneration Excellence Award of 2019 China Urban Regeneration Forum

70-year Model Enterprise Award for Celebrating the 70th Anniversary of the Founding of the People's Republic of China and the 7th China Business Innovation Conference

Abstracts of Awards won by our projects

Xidan Joy City	China Most Contributive Urban Complex in China Building Economy Global Cooperation Conference
Chaoyang Joy City	The First Five - Star Shopping Center in China in Shopping Center Rating Criteria and Commercial Real Estate Think Tank Conference Of China Real Estate Associaton
Shenyang Joy City	China Meichen Net (中國美陳網) • Golden Light Award of 2019, Excellent Creative Award
Shanghai Jing'an Joy City	2019 Gold Award for Best Experiential Marketing of CASC
Chengdu Joy City	Best Energy Saving Practices Award on the G20 International Best Energy Saving Technologies and Practices List
Yantai Joy City	Popular Shopping Mall of 2019
Tianjin Nankai Joy City	2019 Excellent Commercial Real Estate Operation Project in the selection of golden coordinate on China Commercial Real Estate Festival
Tianjin Heping Joy City	Annual Youth Tide Gathering Strength Landmark Award issued by Winshang.com.
Shanghai Parkside Joy City	Landmark Mall of the Year of 2019 Xinmin Lifestyle Award
Hangzhou Joy City	Silver Award for New Opening Projects of ICSC New Developments
Kunming Joy City	2019 New Urban Business Landmarks of 7th China Commercial Real Estate Southwest Summit
Xi'an Joy City	2019 China Shopping Center & Retailer Award of ICSC
Beijing COFCO Plaza	International Financial Real Estate Innovation Award- Gold Award for Asset Management Innovation issued by China Real Estate Chamber of Commerce Office Branch
COFCO • Landmark Tower	2019 Year Award in Asian Area of Breeam Awards; Gold Certification for Operation Phase of LEED-CS
Waldorf Astoria Hotel	Michelin Plate Award for Brasserie 1893（榮尊1893）and Zijin Mansion（紫金閣餐廳）
MGM Grand Sanya	2019 TOP100 National Green Hotel Leader Award issued by China Hotel Association
The St. Regis Sanya Yalong Bay Resort	Best Presidential Villa Award in Hurun Report

Loyal to the Nation, Beneficial to the People

Preface

Since December 2019, many cases of unknown viral pneumonia infection have been found in Wuhan, Hubei Province. Subsequently, the virus infected persons were also found in many parts of the country as well as some countries and regions around the world, and the epidemic prevention and control situation was severe. The virus pneumonia was named as Corona Virus Disease ("COVID-19") by the World Health Organization.

Since the outbreak of COVID-19, Joy City Property has resolutely implemented the decisions and deployments made by the central government, COFCO Corporation, the Group's ultimate controlling shareholder, and Grandjoy Holdings, a substantial shareholder of the Group. It resolutely curb the spread of the epidemic, ensure the health of its employees, increase anti-epidemic training intensity, earnestly performed its corporate responsibility, take the initiative to provide badly-needed materials for the epidemic area, timely contact with cooperative merchants to deal with the epidemic in a firm and scientific manner.

1 Life Care is Extremely Heavy and Prevention is Our Responsibility

COFCO Corporation, the Group's ultimate controlling shareholder, deployed and established an emergency response team, to ensure the adequate inventory of rice, flour, oil, sugar, meat, milk and other grain and oil, non-staple food products in factories and warehouses surrounding Hubei; established on-duty system, makes daily reports, to ensure the security work of living materials in responding to the epidemic; the inventory of rice, flour, grease and other grain and oil products of Hubei under key security is adequate and the supply of which is stable. By the end of March, COFCO Corporation has donated a total of over RMB770 million.

Grandjoy Holdings, a substantial shareholder of the Group, donated RMB10 million in cash through the Wuhan Charity Federation to help fight COVID-19 in the front line, and donated nearly 500 tons of alcohol to Wuhan, Changsha, Beijing, Nanjing, Suzhou, Chengdu, Hangzhou, Shenyang, Sanya, Huanggang, Shenzhen, Jiangmen, Jinan, Tianjin, Chongqing and other cities for epidemic prevention and control. On the screen of 60 projects, COFCO Corporation and its 7 specialized companies, 10 well-known brands jointly produced anti-epidemic videos, demonstrating confidence and determination, while strengthening the "Joy City" brand publicity.

FEB 24

On February 24, initiated by Grandjoy Holdings, the "Unite to Fight the Epidemic and Rescue First-Line – COFCO Corporation's Loving Meals Plan for guarding angels in white" use the "Joy City To Go" in designated hotels as a service and coordination platform, took advantage of COFCO Corporation's industrial chain to focus on providing food security for 366 "White Soldiers", who are fighting the epidemic in the first-line in Wuhan.

2 Take The Initiative to Fulfill the Mission & Pray for a Better Future

The Group reduced, at its discretion, certain rental of merchants of its 13 retail complexes during the outbreak, to relief the operating pressure of brand merchants, cooperate with them with integrity and get over difficulties together. As of now, there are no abnormal, suspected or confirmed cases among consumers, merchants and employees under the projects of the Group.

In order to overcome the adversity together with merchants, Xidan Joy City, Chaoyang Joy City, Xi'an Joy City, Chengdu Joy City and many other retail complexes under the Group leverage applet shopping malls and other operating vehicles as main channels to gradually drive the production and operation of merchants in the venue by the integration of online and offline operation.

Xidan Joy City, Chaoyang Joy City, Shanghai Jing'an Joy City and other projects have launched joint take-out services in cooperation with brand catering merchants such as Mystic South-Yunnan Ethnic Cuisine, Xibei You Mian Cun, HEYTEA, Kwei Mun Lung and The Soup Kitchen. Under the various effective measures, the risks in all aspects of catering and take-out are effectively reduced, people's living needs are fully met, and catering merchants' business performance are improved.

In addition, the Group also launched the "Salute Angels, Guard Care" Joy City To Go charity campaign. Through the form of online Joy City To Go, the abundant free and high-quality children's education courses and authoritative fitness course resources will be directly delivered to the relatives of all medical workers from all over Wuhan and the country, who are sticking to the frontline of fighting the "epidemic".

Beijing COFCO Plaza and COFCO • Landmark Tower provide epidemic prevention support for settled users' peace of mind in their office by virtue of COFFICE, an intelligent operation platform based on Internet thinking. During the anti-epidemic period, the platform operates normally to ensure the smoothness and high efficiency of users' online office work, and through COFFICE, the scientific guidelines for epidemic prevention and control, office property management, virus elimination, etc. have been launched.

Projects such as Waldorf Astoria Beijing, MGM Grand Sanya, The St. Regis Sanya Yalong Bay Resort and Joy City Hotel & Apartment Beijing all take ensuring the safety of guests as their first priority and strictly disinfect hotel rooms and public areas on a daily basis. The key parts shall be disinfected and cleaned every hour, and the health conditions of the employees in the departments shall be strictly controlled. The hotel duty manager, head of security department, health manager and other departments are on call 24 hours a day and pay attention to the personal health of hotel guests and staff.

Care for the country and its people, united as one; uphold measures, and shoulder responsibility.

Ranked in global 500 and being the only property investment and management platform of COFCO Corporation, the Group and Grandjoy Holdings will constantly pay close attention to the development of the epidemic, deeply implement measures for epidemic prevention and control and perform its corporate responsibility, so as to get over hardships with partners together.

Financial Highlights

Item	For the year ended 31 December 2019 RMB'000	2018 RMB'000	Change (%)
Revenue	**10,337,768**	8,128,914	27.2
Including: Rental income from investment properties and related services income	**4,341,371**	3,632,918	19.5
Property development	**4,640,980**	3,568,703	30.0
Hotel operations	**841,584**	732,640	14.9
Primary land development	**267,456**	7,044	3,696.9
Output management	**133,236**	75,776	75.8
Other service income	**113,141**	111,833	1.2
Gross profit	**5,746,632**	4,499,770	27.7
Profit attributable to owners of the Company	**1,635,906**	2,103,271	-22.2
Core net profit attributable to owners of the Company (Note 1)	**1,252,232**	1,566,872	-20.1
Basic earnings per share (RMB cent)	**10.7**	13.7	-21.9

Item	31 December 2019 RMB'000	31 December 2018 RMB'000	Change (%)
Total assets	**110,977,370**	98,860,489	12.3
Equity attributable to owners of the Company	**29,035,061**	28,209,016	2.9
Net debt to total equity ratio (%) (Note 2)	**40.9**	45.3	-4.4 (Note 3)

Notes:

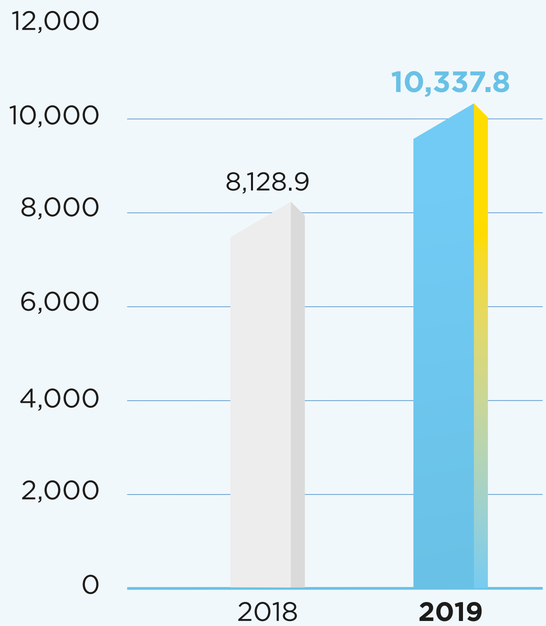
1. Core net profit attributable to owners of the Company = profit attributable to owners of the Company – foreign exchange gain/loss – fair value gains after tax of investment property attributable to owners of the Company

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

3. Change in percentage

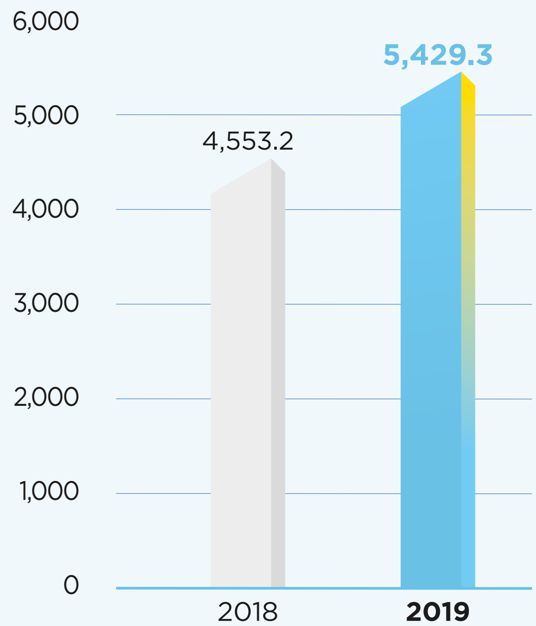
Revenue

RMB: million



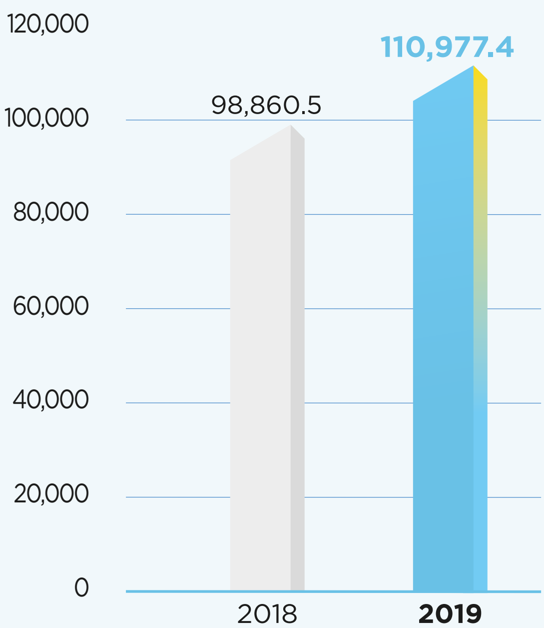
Recurring revenue (Note 4)

RMB: million



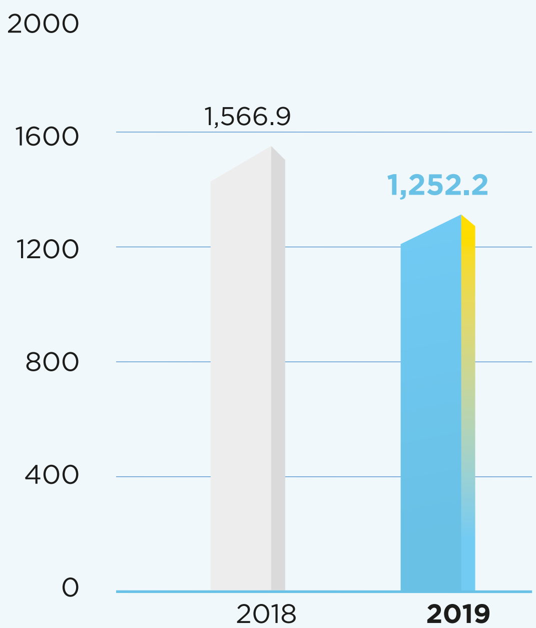
Total assets

RMB: million



Core net profit attributable to owners of the Company

RMB: million



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

Chairman's Statement

Dear shareholders,

During the year, profits attributable to owners of the Company amounted to RMB1,635.9 million, and basic earnings per share amounted to RMB0.107.

In 2019, global market adjustments continued to deepen, downward pressure on the global economy increased, and GDP growth in major economies slowed year-on-year. Governments around the world have cut interest rates in order to boost economic development. China's economic growth of 6.1% has reflected stable economic fundamentals with a positive momentum in a long term as well as strong resilience of China's economic development. In 2019, the China's real estate development investment, sales scale and new construction area hit a new high, and the internal structure adjustment of the real estate industry continued to deepen. As a space carrier of consumer demand and an important part of the real estate market, the industry's focus on commercial real estate development in 2019 was further enhanced, and some companies in the industry continued to increase investment in the commercial real estate sector.

At present, China's commercial real estate has entered an era of stock competition. In terms of scale, the scale of new commercial projects has further decreased. In 2019, 150 new shopping malls were added to the major core first- and second-tier cities, with the new area decreased by 2.4 million sq.m. year on year. In terms of rental, the rental of shopping malls has entered a relatively stable period, with acceleration of integration of online and offline resources. In terms of location layout, mature business districts in the first- and second-tier core cities have shown strong vigor. New brands, new business models and new trends continue to emerge in these regions, and the trend of commercial agglomeration has become increasingly prominent. Joy City will also continue to lead the core business markets of first- and second-tier cities, and rely on the brand of commercial market to promote the continuous growth of core businesses such as property development, hotel operations, and management output.

Investment Properties – The Group always adheres to the brand spirit of "young, fashion, trend, and taste", as a way to lead the trend of "youth culture" in shopping malls, and establish the "youth culture and brand" banner of commercial real estate. During the year, the operating income of Joy City shopping malls reached approximately RMB3,064 million, representing a year-on-year increase of 18%, New spaces such as UNI_JOY & MTA SPACE were developed, and a "Space for the Young" brand campaign was launched to amplify brand influence and create a trendy IP for youth consumption.

Chairman's Statement

Property Development – The Group's development properties are located in first-tier cities and key second-tier cities with scarce geographic resources, supporting resources or ecological landscape resources. During the year, the Group's Shanghai Joy Mansion, Kunming Longshengfu and other high-quality residential projects were launched, and sales from property contracts amounted to RMB12,026 million, representing a year-on-year increase of 35%. The Group has achieved remarkable sales results in high-quality residential projects.

Hotel Operations – The Group owns international top luxury hotel brands in Beijing and Sanya, and engages international hotel management companies such as Marriott and MGM for management. During the year, the assets of Waldorf Astoria Hotel, an international top luxury hotel, were injected into the Group, and Joy City Hotel & Apartment Beijing opened, triggering a strong response. The Group continued to reinforce its operation of hotel business to improve brand effects and management efficiency.

Output Management and Other Services – The Group fully capitalized the strong appealing power of the "Joy City" brand and its operation capability, expedited the deployment of light assets in various manners such as output management, and expanded innovative business. During the year, the Group continued to operate existing projects such as Tianjin Heping Joy City and Kunming Joy City, as a way to continuously promote its management scale and brand effect.

Land Bank – By virtue of integrated platform, the Group leveraged the "high market position and product positioning" of the Joy City brand to vigorously expand its land bank. During the year, the Group expanded and obtained 1.162 million sq.m. of high-quality land bank resources at low cost at the core position in Jinan, Sanya and other places. The scale of newly added land bank increased by 9.4% year-on-year. At the same time, the Group expanded its business in primary land market and was qualified as the social investor for the primary development of a piece of land of 2.30 million sq.m. in Shangtapo, Xi'an.

Financial Capital – The Group consistently implemented prudent financial policies. As at the end of 2019, the Group's net gearing ratio was 40.9%, representing a decrease of 4.4 percentage points as compared to 45.3% as at the end of 2018. In the tightening financing environment of China, the Company kept its level of average financing cost at 4.55% by maintaining good bank-enterprise relationship, representing an increase of 0.16 percentage point as compared to 4.39% as at the end of 2018. Its cost of funds was still maintained at a relatively low level in the industry.

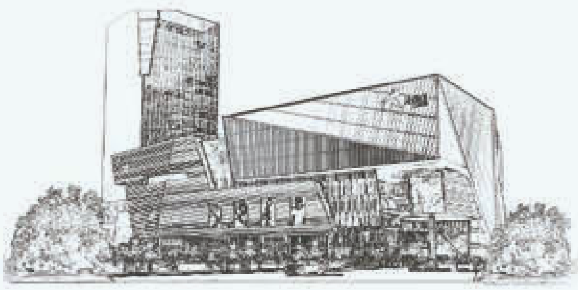
Looking forward to 2020, the high-quality development of China's economy will continue to advance, and the consumer market will continue to grow. Meanwhile, from the perspective of consumption potential, there is still a gap between China's per capita consumption capacity and that of developed countries, and there is still great potential for growth in the consumer market. Meanwhile, with the deep integration of online and offline consumer markets by virtue of the Internet industry, China's mainstream commercial real estate has adapted to the new normal in the Internet context. In this context, China's commercial real estate market will also gain greater opportunities for development. In the future, the development of real estate will further promote technological innovation, such as digital marketing strategies and intelligent design strategies, so as to advance the media to better integrate with commercial real estate promotion. Besides, shopping malls must always adhere to and develop their own unique characteristics, exclusive positioning and target customer base, so as to establish comparative advantages in segmented market. With this positioning, shopping malls will grow together with consumers and brands, and provide customers with more consumption choices. Brands will provide more flexible cooperation models. This also ensures long-term growth for shopping malls themselves.

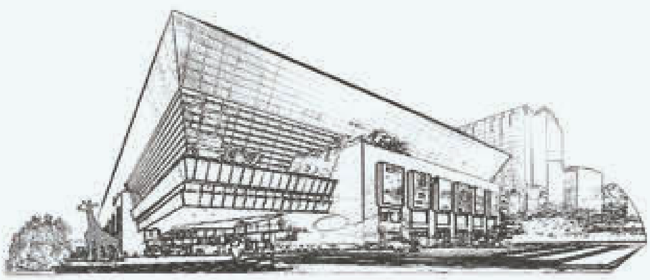
In this year, the Group leveraged the powerful resources from integrated platform to achieve a comprehensive increase in land bank, development capabilities, and operating costs. The Group will continue to adhere to the dual-round dual-core development strategy, keep up with the times, and continue to lead the trend of youth consumption, as a way to promote the high-quality development of Joy City and contribute more comfortable consumption space to the lives of people.

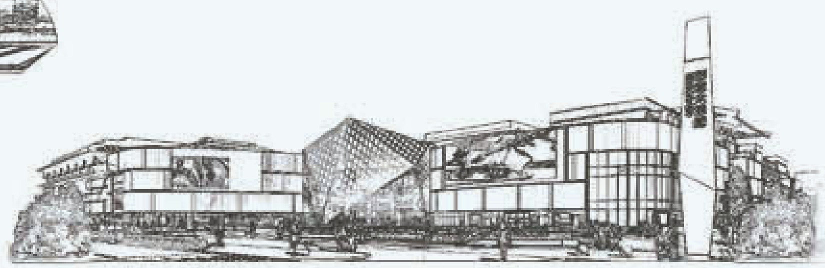
Culture Energizes Business Making

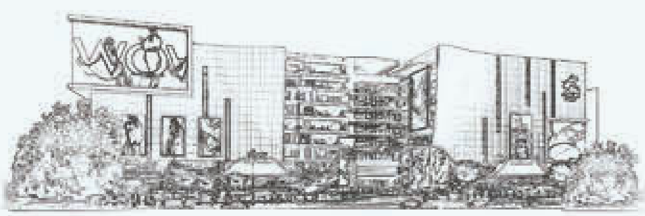
Life More Enjoyable

Under the background of the New Normal Economy, the demand for spiritual and cultural consumption is constantly escalating, and the potential of the cultural industry is increasingly unleashed. In 2019, Joy City has closely followed the market trend and creatively put culture as the core of commercial brand building. Guided by a culture-oriented strategy, it sees clearly the high-level needs of consumers, and continuously injects cultural connotations into traditional commerce, thus empowering brands through the introduction, operation and production of cultural content, and realizing its evolution from a commodity channel vendor and content platform vendor to a cultural operator.









Leverage Power of Culture to Lead **the Industry to New Heights**

Commercial Summit Forum

The Group has always leveraged innovation to drive business upgrading and lead the industry. By grasping the trend of the era of cultural crossover and integration, on 15 November, Zhou Zheng, chairman of the board of directors, participated in a commercial summit forum together with more than 450 guests including seniors from strategic cooperation brands, to jointly consider manifestation and upgrading path of culture in different filed to empower business from the perspective of brand, aesthetics, Chinese-pop trend and other aspects. At the conference, Joy City first proposed a "Business Upgrading Strategy" in the industry, marking the commercial development of Joy City entering into a new phase. Joy City focuses on aggregating platform resources to empower business with culture and fully releasing brand energy.

The Group's cutting-edge thinking on culture and business has sparked a positive response and extensive discussions in the industry. In June this year, the Group held the first high-end cultural salon to exchange views on topics such as culture and people, culture and content, and culture and space. It has established a long-term communication platform, namely the "Joy City Elite Salon", which benefits the industry in terms of innovation, scalability and shareability, as a way to promote the growth of Joy City and cultural brands, business and culture. On 15 November, by virtue of the summit forum, Joy City conducted in-depth discussions with top practitioners in the industry on cutting-edge issues such as the relationship between cultural content and commercial products, and in what way culture can adapt to the consumer market. The second "Joy City Elite Salon" was successfully held.

"Joy City Elite Salon"

In 2019, the Group won 135 heavyweight awards in the industry, hitting a record high and showing its industry leadership.

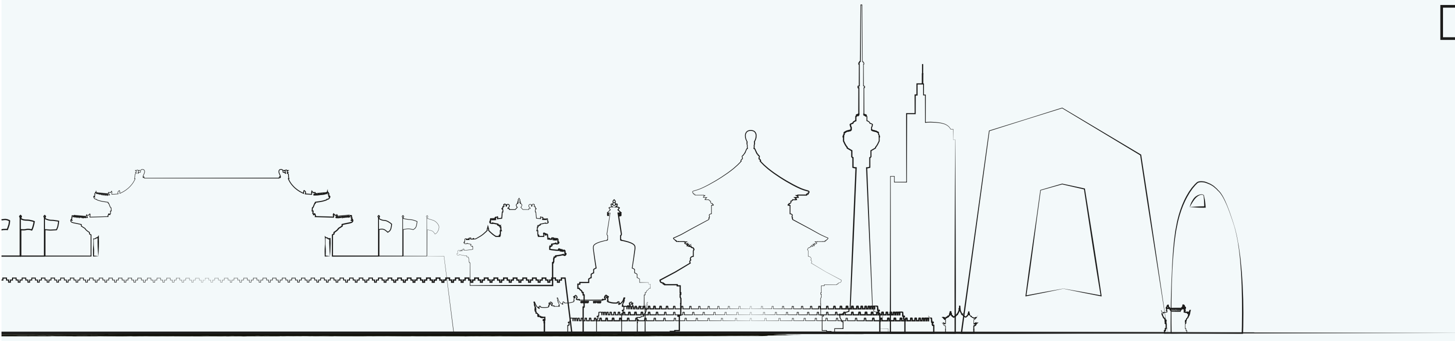
Focus on Youth Culture and
Build Space for the Young

In the past 12 years, Joy City has always focused on the youth sector and led the trend of youth culture, which has become the commercial real estate developer that knows the youth group best. In 2019, based on insight into external trends, Joy City upgraded the core of brand building, created a cultural landmark for the young consumers, and launched a new campaign named the "Space for the Young".

2019 annual nationwide brand event "Joy, up to Youth"

The "Space for the Young" campaign deploys brand strategies with focusing on youth culture. Through the new planning of six major sections, including Youth Fashion, Youth Passion, Youth Appreciation, Youth Community, this campaign guides brand promotion, theme activities and visual creation. The Group adheres to the brand essence of "Youth Fashion" to strengthen the emotional connection with youth, help to build brand labeling, and constantly enhance the brand image in the minds of target customers.

In the first year of the "Space for the Young" campaign, Joy City nationwide organized 1,878 events with local characteristics, including 80 key events on youth culture, with over 7.22 million participants and brand exposure exceeding 3.35 billion. Beijing Chaoyang Joy City focuses on youth culture and arranges IP, art and fashion activities with high frequency, which more than 95% are Beijing's first-round and original activities. For example, "2019 Youth Rover Conference" and "Library Wonderful Night" were held in the theme space "Xiaosong Island" created by Gao Xiaosong, and "MTA SPACE 24H" was held in the art gallery "Woodstage", which attracted over 2 million passengers throughout the year. Tianjin Nankai Joy City's theme space "GOLDEN STREET" joined hands with the sports brand Keep to launch offline activity and nearly 2,000 people participated in the activity. Jing'an



Joy City held DANGXIA Summer Carnival 3.0 in Ferris Wheel Plaza with more than 60 performances, over 40 celebrities present, over 130,000 audiences, 14.19% increase in passenger flow during the exhibition period and 830 million media exposure, etc. The continuous optimization and fullness of commercial space and the continuous innovation and output of cultural content not only give consumers a better shopping experience, but also effectively drive consumers to spend on the spot, thus realizing the two-way promotion of commercial sales and brand of Joy City.

Golden Street in Tianjin Nankai Joy City

Space for the Young Campaign "Youth Rover Conference" in Chaoyang Joy City

Moreover, in an effort to further consolidate the leading role of the brand, Joy City has been in business contact with trendy brand resources. For example, the first Chinese store of the high-end brand Starter Black Lable has entered Beijing Xidan Joy City. The "UNI_JOY" theme block in Beijing Chaoyang Joy City has introduced 12 trendy stores such as the first commercial brand concept store MVM and trendy pioneer brand FOSS Gallery. The only direct-sale store ADIDAS MINI BRAND CENTER, Stater (first shop in Liaoning), and Fashion Store "China Li-Ning" (first shop in Shenyang) settled in Shenyang Joy City. The first Lululemon in the northwest opened in Xi'an Joy City. Joy City continues to highlight the youth culture with trendy brands, providing unceasing freshness for young customers.

Support Middle-class Culture,

Incubate New Product Lines

Operating customer group is the core idea of Joy City's commercial development. By focusing on young customers, Joy City has keenly captured the needs and changes of the urban middle class. While their consumption capabilities and consumption quality have gradually improved, their "personality propositions" have gradually returned to "embracing the family". To meet the urgent spiritual and cultural needs of the middle-class customers, the product line of Joy Breeze was launched. Joy Breeze focuses on the high-frequency needs for ideal life and is positioned as a regional lifestyle center empowered by middle-class culture.

Beijing Daxing Joy Breeze

To deal with the change of customer base, Joy Breeze has positioned the essence of the brand as "Life Aesthetics", and has defined its brand connotation as Cozy, Trendy, Comfy and Taste. It continues to provide urban middle class at the age of 25 to 45 years old with a space that best meets the demands of life and a program that enhances the quality of life. In this way, middle-class customers are provided with a brand feeling of "Being good to others, as bathing in the spring breeze", so as to create a model of middle-class life.

In 2020, Beijing Daxing Joy Breeze will be the first Joy Breeze project to be launched. Positioned as a “bright living place with warmness”, Beijing Daxing Joy Breeze will be built into a city-level urban regeneration sample and a living room in the south of Beijing, thus enhancing the convenience and happiness of the life of middle class in the region.

Beijing Daxing Joy Breeze

Focus on Circle Culture,

Accurate Marketing to Enhance Loyalty

Joy City operates traffic based on the logic of community operation, and leverages the "Joy • Cloud" smart business system to capture and systematically describe the customers, so as to accurately target specific groups for marketing. It cultivates community relations that go from broad to deep, and organizes the same attributed customers through community and social means, so as to guide the sense of values and cultural aesthetics, expand and keep the customers, and form the self-growth of the community.

2019 Youth Culture White Book of Joy City

While focusing on the overall development of the youth group, Joy City pays close attention to youth group interested in non-mainstream culture. In 2019, Joy City released the “2019 Youth Culture White Book of Joy City”, which deeply analyzes the development characteristics of 13 typical youth cultures, including two-dimensional culture, street culture, Chinese style culture, and cultivation culture, under the 7-dimensional value model. From ideology to realistic trends, it taps the significance of non-mainstream culture to the consumer market.

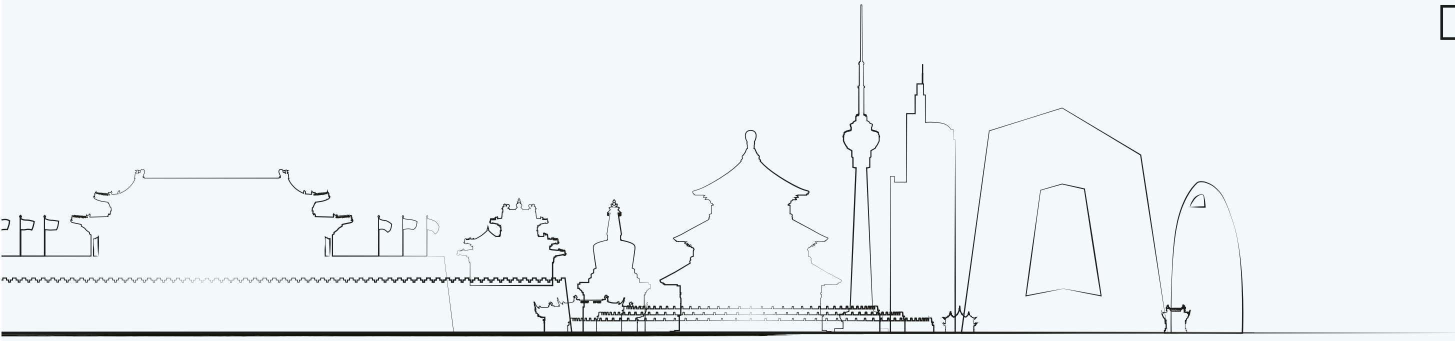
In order to further refine the customer flow, the Group targeted artistic youth, and leveraged its youth image of fun and fashion to launch the annual membership rights and benefits “Youth Exhibition Card” with the opportunity of the national large-scale marketing campaign “Joy City Shopping Festival” in September. It forms a closed loop of offline incentives, significantly increasing the number of new youth members, continuing to drive the rights holders to visit the store and repurchase, and effectively enhancing consumer loyalty. Moreover, in 2019, the Group further tapped into head members, innovatively launched a “paid membership” marketing system to reinvented an “adsorbent” for membership loyalty. This system was run for trial at five major projects in Beijing Xidan, Beijing Chaoyang, Shanghai Jing’an, Tianjin Nankai, and Shenyang for the first time in the same period, breaking the bottleneck of digging membership value. These five projects accumulated 15,386 paid members, driving on-site sales to RMB221 million. The per capita consumption of paid members was nearly 4 times that of non-paid members; the number of days spent at stores was 3.2 times that of non-paid members; and the purchase frequency per capita was 5 times higher than that of non-paid members. Such measures fully enhanced the consumption frequency of loyal members, increased the unit price of consumer spending, released the value of merchants, drove members to introduce new customers, improved membership stickiness, stimulated member loyalty and store visit frequency, expanded customer flow conversion and sales promotion, and achieved continuous brand guidance.

Achievement List of
"Joy City Shopping Festival"

Note: Proportion of member’s consumption = Member’s sales/Total sales, representing the contribution of member consumption to total sales.

At the same time, each Joy City project focused on the localized membership circle, by excavating the interests and hobbies of the circle groups, holding membership themed activities, and conducting personalized circle social activities, so as to improve the membership loyalty. Xi’an Joy City has planned more than 30 membership salon activities with high degree of freshness and strong interactivity for yoga, handwork, coffee and other specific cultural enthusiasts in association with related business brands throughout the year.

Yoga Activities planned by Xi’an Joy City with lululemon



Conclusion

Under the background of platform integration, the Group stood at a new starting point for development. With the further release of brand advantages, the Group's operating performance has been steadily improved, the ability to attract customers has been enhanced, and the commercial brands attractiveness has increased significantly. In 2019, the sales of the opened Joy City (inclusive of output management) exceeded RMB22,600 million, up by 19% year on year, and customer flow reached 207 million, up by 28.1% year on year, achieving double-digit growth in sales and customer flow again. In the future, under the background of the era of culture boom and consumption upgrade, Joy City will continue to empower business with culture, so as to continue to consolidate the commercial real estate lead position, create a higher brand value, bring more vitality for the city, and contribute to a better life, with a unified brand image, clear development strategy, rich product lines, high quality products and services.

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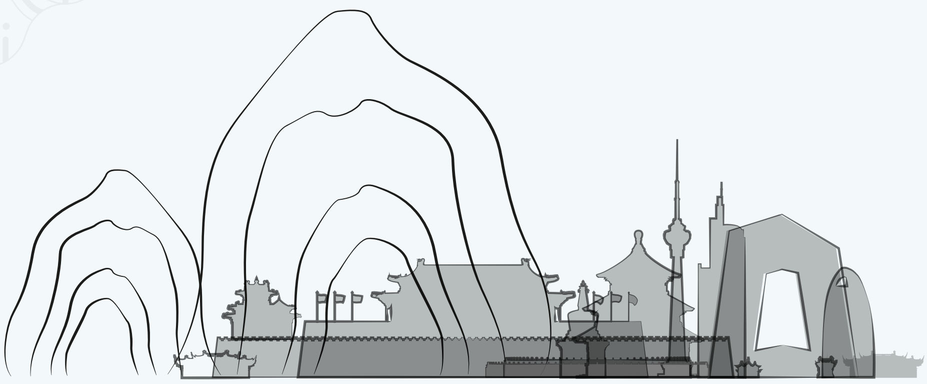
Joy-Full Occasions
精彩



Management Discussion and Analysis

Market Review

In 2019, against the backdrop of global economy growing slowly, China's economy made steady progress operating within the proper range, and in the promotion of high-quality development, maintaining a medium-to-high growth rate of 6.1% during the year. The consumption scale was seen steady increase, with total retail sales of consumer goods expected to exceed RMB4,116 million, representing a year-on-year increase of 8%. With rising disposable income of residents, the spending of consumers in second- and third-tier cities and the new generation of residents has soared, and the trend of consumption upgrade in the domestic retail market has become even more pronounced. These rapid shifts in the consumer market have brought more opportunities and space for the development of commercial properties.

In 2019, 522 new large-scale shopping malls were opened nationwide, covering a commercial floor area of 43.9259 million square meters. The number of new large-scale projects was overall stable, down slightly 2% year on year. Commercial properties actively focuses on core cities and excavates potential areas in terms of location strategy; and precisely positioned to create personalized, scene-based, experiential and intelligent products or services in terms of execution. It is also advancing at the level of capital operation and integration.

Business Review

During the year, the Group achieved decent performance for its four business segments, namely investment properties, property development, hotel operations, output management and other services.

In terms of investment properties, the Group's investment properties were in good operation. The operational efficiency of Joy City was improved, and properties developed rapidly, with rental income reaching approximately RMB3,735 million, up 20.0% year on year. In particular, the sales of Chaoyang Joy City continued to grow. Its sales volume exceeded RMB4,000 million for three consecutive years, and the total sales volume exceeded RMB4,400 million in 2019, with a compound growth rate of 31%. Furthermore, the sales of projects including Chengdu Joy City increased by approximately 14.7%. The operation and expansion capacity of Joy City were further improved.

In terms of property development, the Group continued to improve the premium quality of its products and customer experience, gaining positive responses from the market. During the year, the contracted sales from property development were RMB12,026 million, representing a year-on-year increase of 35.4%. In particular, Wuhan Optics Valley Shine achieved sales amount of RMB2,082 million, which was sold like hot cakes in the market. The properties developed for sale, such as Chongqing COFCO • Central Park Shine City were sold well.

In terms of hotel operations, the Group recorded stable results in hotel business as a whole by virtue of its relentless and vigorous efforts to reinforce operation capability, in response to market changes and optimize service standard. Joy City Hotel & Apartment Beijing was opened during the year and was operating well.

In terms of 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 Heping Joy City and Kunming Joy City, etc. In the future, it will continue to accelerate the development speed of Joy City's light assets and consolidate its brand influence.

Project Development

Xidan Joy City

51%
owned by the Group

Situated in the prime location in Xicheng District, Beijing, the project has a gross floor area of 195,000 sq.m. and a leasable area of 53,900 sq.m.. It is a multi-functional urban complex project integrating shopping mall, hotel and Grade A office building.

Explore value in depth through building youth cultural center

The project introduced Champion, Lady M, Kwei Mun Lung (Jiangnan boat banquet) and many other head brands to create a new growth point in sales and maintain Xidan's fashion leadership. It continued to improve smart equipment and facilities, upgrade JOY + membership, pop up online mini-program store, and arrange face recognition equipment. In addition, Joy City's national project membership data system has been further upgraded.

Positioned as a youth trend cultural center, the project continued to upgrade the space and content combination around the three dimensions of "trend culture", "quality art" and "public interest aesthetics", and output cultural values in a wide range of forms. It integrated the industry's front-end resources, hold the 90th anniversary of Popeye's cross-border trend art exhibition, rock artist Peng Lei's personal art exhibition, illustration and installation art exhibition of Gucci co-illustrator Jayde Fish, etc., to accumulate the trend and artistic temperament.

During the year, the project recorded sales of approximately RMB4,050 million, operating revenue of approximately RMB800 million, rental income from shopping malls of approximately RMB703 million and rental income from offices of approximately RMB48 million.

Shenyang Joy City

100%
owned by the Group

The project is located in the Zhongjie commercial district with the reputation of "Northeast First Street". It consists of boutique apartments, fashionable shopping malls and a 600-meter outdoor commercial pedestrian street. The gross floor area is nearly 330,000 sq.m. and the leasable area is 96,000 sq.m..

Internet celebrity brand incubator, and preferred place for trendy consumption to deeply depicting youth culture

Shenyang Joy City has always focused on the core demands of consumers with a vision of development, and constantly created a trendy field that meets consumers' one-stop shopping needs. During the year, nearly 200 brands were adjusted, with an area accounted for nearly 30%. Brands were continuously improved, and more than 30 first-store brands including MUJI flagship store, HEYTEA MIX, and KFC "smart restaurant" made their debut. The catering service drove consumers' front-end needs, including local cuisines and many experience-oriented types of business that were popular with young people. It has successfully hatched a number of online celebrity brands and spread across the country. Today, Shenyang Joy City has become the preferred place for consumption by young people in Shenyang.

As a gathering place for trendy culture in Shenyang, Shenyang Joy City continued to build youth cultural labels, integrating fashionable elements, and cultural and artistic cross-border resources that were popular with young people, and creating trendy lifestyle. With a forward-looking business idea, it firmly targeted the needs of young consumers and focused on youth culture from the perspective of love, sharing and emotional interaction, to try to create a variety forms of own IPs, and continuously upgraded them into a spiritual fortress for young consumers. Leveraging its own IP such as "Joy Play!" and "Santa Claus Working Day", it further strengthened the brand positioning of the fashion trend of Shenyang Joy City and expanded the market presence.

During the year, Shenyang Joy City recorded an operating revenue and sales of RMB318 million and RMB2,430 million, representing a year on year increase of 8.8% and 6.9%, respectively. The customer traffic and car flow amounted to 24.50 million and 902,000, respectively, representing a year on year increase of 8.7%.

Management Discussion and Analysis

Chaoyang Joy City

45.9%
owned by the Group

Located in the prime location in Chaoyang District of Beijing, the project occupies a total site area of approximately 59,000 sq.m. with a gross floor area of approximately 338,500 sq.m. and a leasable area of 120,000 sq.m..

Innovation space, youth culture, in-depth operation

With constant efforts in building premium themed space, Chaoyang Joy City strategically cooperated with Modern Sky MVM. Taking the trend culture as the core, it strengthened the scene experience and created a youth trendy field UNI_JOY. It developed and operated jointly with Xiaji Zhisheng MTA SPACE, Beijing's first 24-hour party space where music, art and technology were integrated. More than 50 themed activities were held throughout the year, with over 2 million visitors. A quality control team was established to set up a child lost prevention system, and uniformly renovate the bathroom to enhance the customers' personal experience. It operated membership assets in depth by launching V + paid membership system, which accumulatively attracted more than 10,000 members, leading to consumption increase by more than 40% year-on-year to refine customers.

During the year, the sales of Chaoyang Joy City exceeded RMB4,000 million for 3 consecutive years, totaling over RMB4,400 million in 2019, representing a compound growth rate of 31%. The customer flow exceeded 20 million for 7 consecutive years, amounting to 26.81 million in 2019, representing a compound growth rate of 15%.

Shanghai Jing'an Joy City

51%
owned by the Group

Located in the core area of Suzhou Creek, Jing'an District, Shanghai, the project occupies a total site area of 22,300 sq.m. with a gross floor area of 163,000 sq.m. and a leasable area of 66,000 sq.m..

Adjusting, upgrading brand, deepening IP and renovating

In 2019, Jing'an Joy City, adhering to the "youth and fashion" market positioning, made across-the-board changes to retail facilities in the southern and northern buildings to highlight the strategic positioning. In 2019, hot IP exhibitions continued to be held, including the Secret Love Paradise, a collaborative project of Sky Ring and Doraemon, Detective Conan-themed restaurant, Junji Ito's first immersive experience-based exhibition in China, Jason freeny exhibition, Sailor Moon exhibition, Japanese's DRUM TAO and drum TAO show settled in Jing'an Joy City to drive customer flow. During the year, Jing'an Joy City won 27 awards, and its brand influence and reputation were further improved. At the same time, a number of renovation tasks have been completed throughout the year, such as the renovation of the national tide style of Nihong Street, the renovation of the lamp posts on 7th floor in the south, and the renovation of the B1 subway entrance and exit to attract customers.

During the year, Jing'an Joy City's sales revenue grew by 7.2% year on year to RMB1,546 million; customer traffic rose by 9.5% year on year to 13.214 million; and rental income amounted to approximately RMB242 million.

Management Discussion and Analysis

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 a leasable area of 88,300 sq.m..

Cultivate champions of urban brand sales, innovate IP pop-up store, focus on the city's new youth lifestyle, and create urban space for the young

Brand adjustment for 204 brands was made throughout the year, accounting for 23% of the total area of the project, and the rental was increased by 13% year-on-year. 28 influential new brands and 7 brand flagship stores, including Chanel, MAC, Armani and dyson flagship stores, were introduced to ignite the Tianjin market, making 207 urban brand sales champions and holding 97 exclusive limited sales. The project opened a new chapter of platform marketing for members with the ability to integrate resources. Tianjin Joy City cooperated with China Construction Bank and DFACE.CN to create a member experience center Joy Club.

Focusing on the trend and creating the most IN topic events in festivals, it held 22 themed events, including 7 events for the first time in Tianjin. The first national exhibition of "PUCKY Summer Jungle Dreamland" attracted nearly 37,000 visitors which was another innovation of IP pop-up store. The first national exhibition of "Joy Reading the Forbidden City" was successfully conducted, with nearly 260,000 visitors and cumulative media exposure exceeding 30 million. The "Marvel 80th Anniversary IP Theme Pop-up Store" was successfully implemented. It won 23 awards throughout the year.

During the year, Tianjin Nankai Joy City's operating income amounted to approximately RMB536 million, representing an increase of 8.0% year-on-year; sales reached RMB309 million, representing an increase of 9% year-on-year; and customer traffic was 24.615 million.

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 a leasable area of approximately 76,000 sq.m..

Upgrading brand, building atmosphere, conducting precision operation

During the year, Yantai Joy City upgraded its core brands, introduced exclusive sports categories, and increased the number of stores such as high-end experience stores and flagship stores, as a way to continue to create a sense of freshness, stimulate impulse consumption among young customers, and make a new growth point for sales. It continued brand adjustments and upgrades, focusing on the fashion category and specialty catering, so as to match the domestic market, strengthen Joy City's leading position in the Yantai market and enhance the core competitiveness of this fashion landmark. Meanwhile, 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.

During the year, Yantai Joy City recorded sales of RMB1,002 million with an opening rate of 86.04%. There were 660,000 members in aggregate who contributed 43.7% of the total consumption, and the customer traffic was 10.65 million.

Management Discussion and Analysis

Chengdu Joy City

100%
owned by the Group

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..

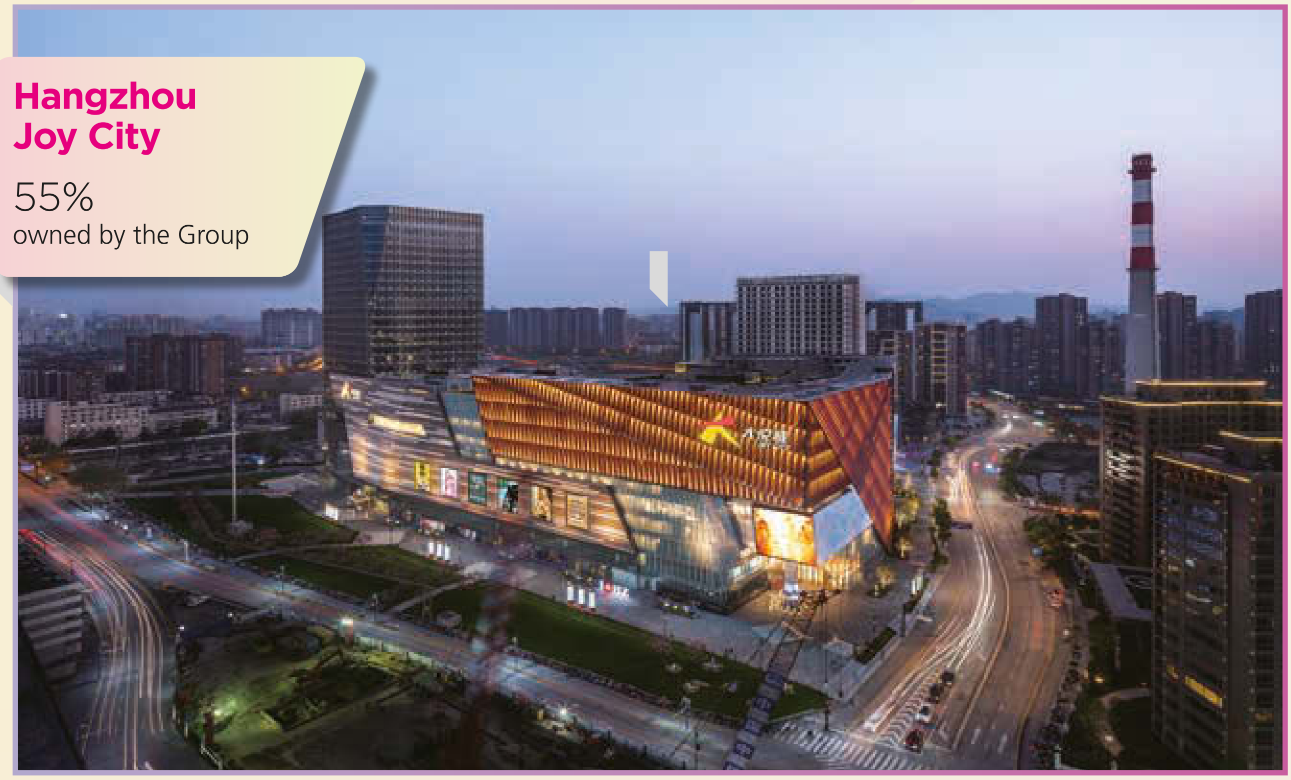
Growing its presence, promoting upgrade, strengthening the positioning and upgrading quality

Chengdu Joy City achieved brilliant performance in 2019. Brands were comprehensively upgraded, with 11 new stores and 18 core brands. It linked internal and external resources to deepen the positioning of scenic shopping park and youth space for fun and fashion. Strong media promotion was applied to continuously enhance regional influence. Data construction and system technology empowerment were deepened, as RFM membership model and store-level customer flow system were established and 5G technology was introduced. It adhered to the entire process management of energy efficiency goals to create a national benchmark for green and energy-saving shopping malls. It upgraded themed space scene, and humanized facilities and equipment, so as to continuously improve customers' experience and improve project innovation highlights.

During the year, the project recorded sales of RMB1,753 million, representing a year on year increase of 14.7%, and attracted 20.60 million customers, representing a year on year increase of 8.4%, making it the most influential commercial flagship in Chengdu and even in Southwestern China.

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 a leasable area of 72,300 sq.m..

Strengthening positioning and meticulous operation to create a new waterfront landmark

In 2019, Hangzhou Joy City won numbers of awards in the industry, making its influence in the industry and consumer satisfaction continue to rise, and its brand influence gradually expand. At the same time, Dior, Starbucks Reserve, Dyson, HUAWEI PLUS and many other Hangzhou first stores, regional first stores, selected stores, new concept flagship stores were gathered in Hangzhou Joy City, giving consumers a fresher and more diverse shopping experience. In addition, a number of festivals including Joy City Hi New, anniversary celebration and Joy City Shopping Festival were held throughout the year in Hangzhou. The sales on the day of each event exceeded RMB10 million and created dozens of city-wide and even nationwide brand sales champions. "Wu Huang Wan Shui", "Saint Seiya", "Sit with Mickey to Find Childlike Innocence" and many other trendy IP exhibitions were very popular with consumers. "Mr. Sea Turtle", "Double Seven Boys" and other stars came to Hangzhou Joy City, sparking trend topic constantly. The sales and customer flow of Hangzhou Joy City continued to increase throughout the year, and its presence continued to expand, ensuring the project's steady and better operation.

During the year, Hangzhou Joy City delivered remarkable earnings performance and registered sales, operating revenue and rental income from shopping malls of approximately RMB934 million, RMB245 million and RMB194 million, respectively, showing robust business performance.

Management Discussion and Analysis

Chongqing Joy City is located in the Liangjiang International Business Center of the Central Park in Yubei District. It belongs to the 100 billion-level industrial and economic ecosystem in Liangjiang New Area. It occupies a total site area of approximately 46,000 sq.m., with a gross floor area of nearly 400,000 sq.m., of which the area of the shopping mall is approximately 200,000 sq.m.. It is a transit-oriented development commercial complex that seamlessly connects two subways. The construction work of Chongqing Yubei Joy City was carried out as scheduled. It is expected to open in 2021. At present, various investment invitations are being launched.

Wuhan Joy City

51%
owned by the Group

Located at the heart of Wuhan East Lake Hi-tech Industrial Development Zone, this project demonstrates great commercial value and growth potential. Wuhan Joy City occupies a total site area of approximately 38,700 sq.m. with a gross floor area of approximately 296,000 sq.m., of which 140,000 sq.m have been allocated for the shopping mall. Investment in main stores was completed. At present, the project progresses smoothly in accordance with the established plan and is scheduled to open in December 2021.

Management Discussion and Analysis

Chengdu Tianfu Joy City

100%
owned by the Group

Located in Tianfu New Area of Chengdu, the project occupies a total site area of 36,000 sq.m. with a gross floor area of 290,000 sq.m.. The project is progressing steadily as scheduled, and the architecture concept is being designed for Tianfu Joy City.

Sanya Joy City

74.92%
owned by the Group

Located at Yuechuan area of Sanya, a city deeply cultivated by our company in Hainan, Sanya Joy City is one of the key planning areas for Sanya to build a free trade port. Sanya Joy City Shopping Center has a gross floor area of approximately 129,000 sq.m.. During the year, the project progressed smoothly in accordance with the established plan, and is scheduled to open in December 2023.

Management Discussion and Analysis

Jinan Joy City

60%
owned by the Group

Jinan Joy City residential project is located on the south of the core area of New East Railway Station area of Licheng District, which is one of the "Five Major Urban Subcenters" of Jinan City. This project occupies a total site area of 260,000 sq.m. with a gross floor area of 768,000 sq.m., covering residential, commercial and other types of business, in which the commercial area of the planned shopping mall is 112,000 sq.m..

The land for the project was acquired on 29 September 2019. The plan has been submitted to the planning bureau for approval. Construction of the residence is expected to commence in April 2020, and the construction of the commercial complex is expected to commence in January 2021.

Qingdao Jimo Shine Hills

100%
owned by the Group

Located in Jimo Economic Development Zone, Qingdao Jimo Shine Hills occupies a total site area of 54,000 sq.m. with a gross floor area of 82,000 sq.m., of which 58,000 sq.m. is commercial area. It is the first complex business center integrating a shopping mall, shopping precincts, office buildings and high-end ecological residential area in Jimo District of Qingdao. During the year, construction of the complex progressed steadily. At present, the main body is under construction.

Management Discussion and Analysis

COFCO Plaza

51%
owned by the Group

Located in the core area adjacent to Chang'an Avenue in the Second Ring Road of Beijing, 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, the rental income of COFCO Plaza amounted to approximately RMB289 million with an hourly occupancy rate of 95%. In 2019, the office lease business was confronted with severe challenges due to a spike in office supply and increased volatility in the financial sector. Against this backdrop, COFCO Plaza secured lease renewals with 25 leading brands in various industries, including IDG Capital and P&G Guangzhou, by continuously deepening its operational services and building a 3C service system. It signed 12 new tenants, including MetLife and Rockwell, a Fortune 500 company.

Located at No. 208, Andingmenwai Street, Dongcheng District, Beijing, the project occupies a total site area of 13,000 sq.m. with a gross floor area of 81,500 sq.m. and a leasable area of 56,600 sq.m..

Focusing on establishing a landmark to add service value and reshape ecology

2019 was the first full operation year for COFCO • Landmark Tower. The hourly occupancy rate reached 92%, with 17 contracted tenants. Among them, listed companies accounted for 59%, and financial and technological tenants accounted for more than 85%. The contracted rents were much higher than the historical average level of class A office buildings in Beijing. During the year, COFCO • Landmark Tower continued to carry out the management mode of focusing on service and enhancing operation. It provided customers with customized high-quality services to meet customer needs, such forming a high-end customer portfolio. The 3C ecological office system was improved. It researched policies intensively and relied on double support from Dongcheng District of Beijing and Dongcheng Park of Zhongguancun Science Park. COFCO • Landmark Tower persisted in promotion and empowered building operations with art, to continuously improve the quality of operation services, strengthen brand influence, and strive for regional landmark project.

Management Discussion and Analysis

Hangzhou Joy City • Apartment Building of Joy Embrace is located Gongshu District, Hangzhou, west to Yonggu road, close to Xue Yuan Bei road, east to Mo Gan Shan road, the main north-south road of the city, south to Yu Hang Tang river, a tributary of the Beijing-Hangzhou Grand Canal, north to Yinxiu road. The project is close to Hangzhou Joy City complex, with a prosperous, convenient and ecological living environment, and is a well-developed cultural and educational residential area.

Hangzhou Joy City • Apartment Building of Joy Embrace and Bo Yue occupy a total site area of 68,000 sq.m.. On 25 June 2019, Apartment Building of Joy Embrace was open and has been well received, and the annual sales volume was RMB560 million.

Qingdao Business Plaza

51%
owned by the Group

Qingdao Business Plaza is located in Taidong Business Area, Shibei District, Qingdao, and adjacent to Tsingtao Brewery. The project occupies a total site area of 16,800 sq.m. with a gross floor area of 70,700 sq.m.. It is an integrated high-quality business center offering offices, apartments and retail facilities.

During the year, construction of the complex was underway as scheduled. This project was available for sale on 1 December 2019. It realized RMB218 million in contract value.

Management Discussion and Analysis

Qingdao Civic Plaza

51%
owned by the Group

Qingdao Civic Plaza is located in Taidong Business Area, Shibei District, Qingdao, and adjacent to Tsingtao Brewery. The project occupies a total site area of 23,800 sq.m. with a gross floor area of 26,200 sq.m.. It is designed as a beer-themed shopping precinct, the venue of a beer festival that will never end. The project's design adopts a new German-style architecture, aiming to create a "forever spokesperson" of Qingdao with Qingdao beer culture as its core. During the year, construction of the project was underway as scheduled, and the main body was completed. This project was launched for sale on 7 November 2019.

COFCO • Sanya Joy Center

74.92%
owned by the Group

Located in the east coast of the core area of Headquarters Economy Area, Sanya, Hainan Province, the project occupies a total site area of approximately 20,800 sq.m. with a gross floor area of approximately 147,600 sq.m.. It is a high-end resort tourism real estate. In 2019, the project progressed steadily as scheduled.

Management Discussion and Analysis

COFCO • Sanya Joy Plaza

50.82%
owned by the Group

The project is located in Yuechuan area of Sanya City. With the economic positioning of the headquarters, the highest 200-meter landmark product will be created. COFCO • Sanya Joy Plaza occupies a total site area of approximately 19,200 sq.m. with a gross floor area of approximately 174,900 sq.m.. During the year, the project progressed smoothly as scheduled, and it is planned to be completed in May 2024.

COFCO • Sanya Platinum Joy Mansion
74.92%
owned by the Group

The project is positioned as an urban model boutique community in the Sanya CBD area. As the project index is service-oriented apartment land for residential properties, COFCO Shine City products will be created. COFCO • Sanya Platinum Joy Mansion occupies a total site area of approximately 31,400 sq.m. with a gross floor area of approximately 182,700 sq.m.. During the year, the project progressed smoothly as scheduled.

Management Discussion and Analysis

Hainan Hong Tang Joy Sea

51%
owned by the Group

Located in Hongtangwan Tourist Resort, Sanya, Hainan Province, the project occupies a total site area of approximately 149,700 sq.m. with a gross floor area of approximately 189,000 sq.m.. It is a high-end resort tourism real estate. During the year, it realized sales income of approximately RMB460 million.

Qingdao Gold Sand • COFCO Shine City

51%
owned by the Group

Located in Shibei District, an old quarter of Qingdao, and surrounded by well-developed communities and schools, Qingdao Gold Sand • COFCO Shine City consists of three plots and occupies a total site area of 21,500 sq.m. with a gross floor area of 62,200 sq.m.. It is a high-quality and school-nearby residential development in the downtown area, offering a pleasant life for residents. Amid the downturn of the real estate market in Qingdao in 2019, Gold Sand • COFCO Shine City was launched for sale ahead of schedule to accelerate the sales. During the year, Gold Sand • COFCO Shine City recorded RMB824 million in contract value.

Management Discussion and Analysis

Chuangzhi • COFCO Splendid City

100%
owned by the Group

Located in Jimo Economic Development Zone, Qingdao, Chuangzhi • COFCO Splendid City occupies a total site area of 60,000 sq.m. with a gross floor area of 108,000 sq.m.. During the year, the project advanced steadily and the main body of the project was completed. It was launched for sale on 16 March 2019. It realized RMB730 million in contract value and collected payment of RMB571 million.

The St. Regis Sanya Yalong Bay Resort

51%
owned by the Group

Located in Yalong Bay National Resort District, Sanya, Hainan Province, the project occupies a total site area of approximately 204,000 sq.m. with a gross floor area of approximately 90,900 sq.m.. It is a first-class luxury resort hotel with 373 rooms and 28 villas operated and managed by Marriott Group.

During the year, The St. Regis Sanya YaLong Bay Resort provided multi-bedroom suite room as a response to changes in market demand, which was welcomed by guests and increased the suite revenue. The hotel developed multiple channels for sale, including official website direct sales, WeChat, conference and banquet, all of which outperformed the same period last year. For banquets, in order to present a better view of seaside wedding and provide guests with better wedding venues, the hotel has completely upgraded the seaside lawn. The number of hotel wedding and revenue therefrom were in the lead, with wedding revenue higher than that of competing hotels.

During the year, the project registered an operating revenue of approximately RMB226 million.

Management Discussion and Analysis

MGM Grand Sanya

100%
owned by the Group

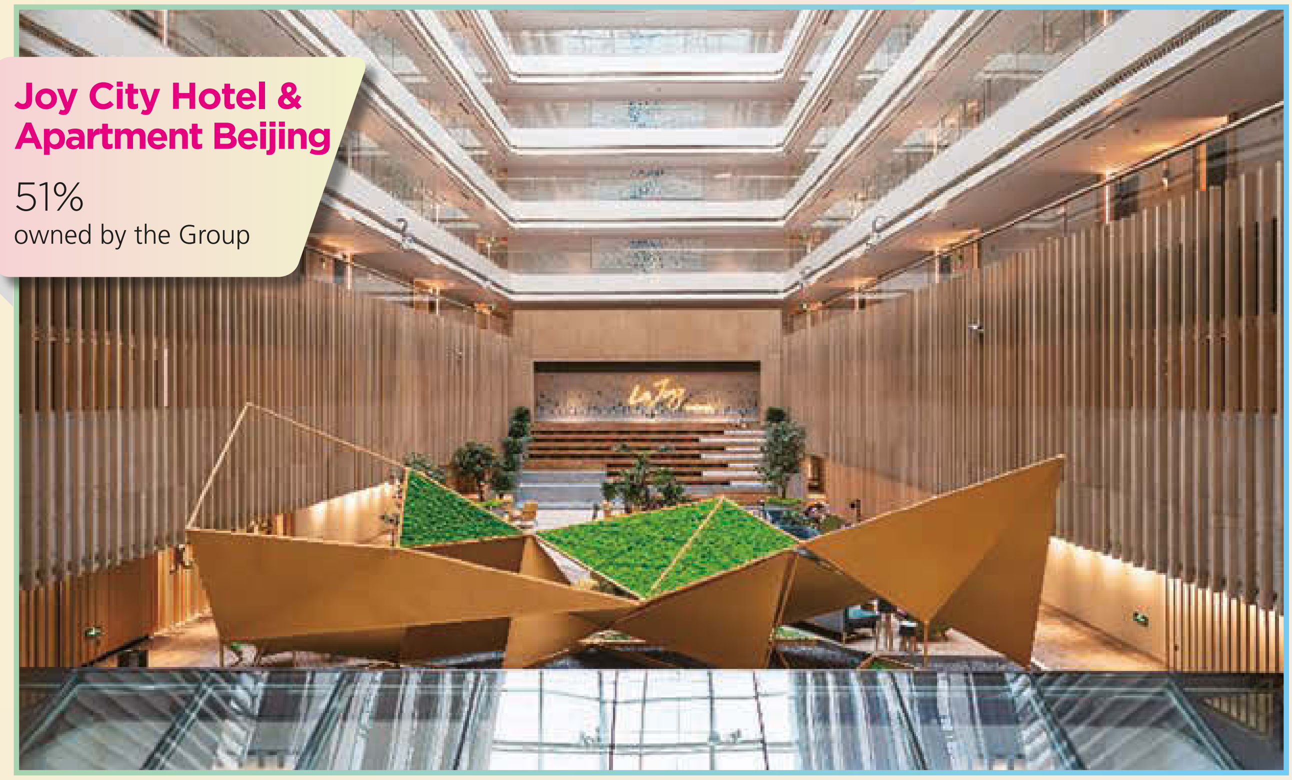
Located in Yalong Bay National Resort District, Sanya, Hainan Province, the project occupies a total site area of approximately 106,700 sq.m. with a gross floor area of approximately 108,300 sq.m., comprising 675 rooms in total.

MGM Grand Sanya actively responded to market changes through refined revenue management. By means of generating revenue from multiple online and offline channels, the hotel's annual performance was in a leading position in the Yalong Bay area. At the same time, the hotel constantly innovated new products and sales channels, increasing market exposure. It, for the first time, attempted to cooperate with public account holder to sell goods, as a way to conduct fans marketing.

During the year, the project posted an operating revenue of approximately RMB340 million.

Joy City Hotel & Apartment Beijing

51%
owned by the Group



Located in Xidan Commercial Area, Beijing, the project occupies a total site area of approximately 32,800 sq.m. with a gross floor area of approximately 23,600 sq.m., comprising 347 rooms in total.

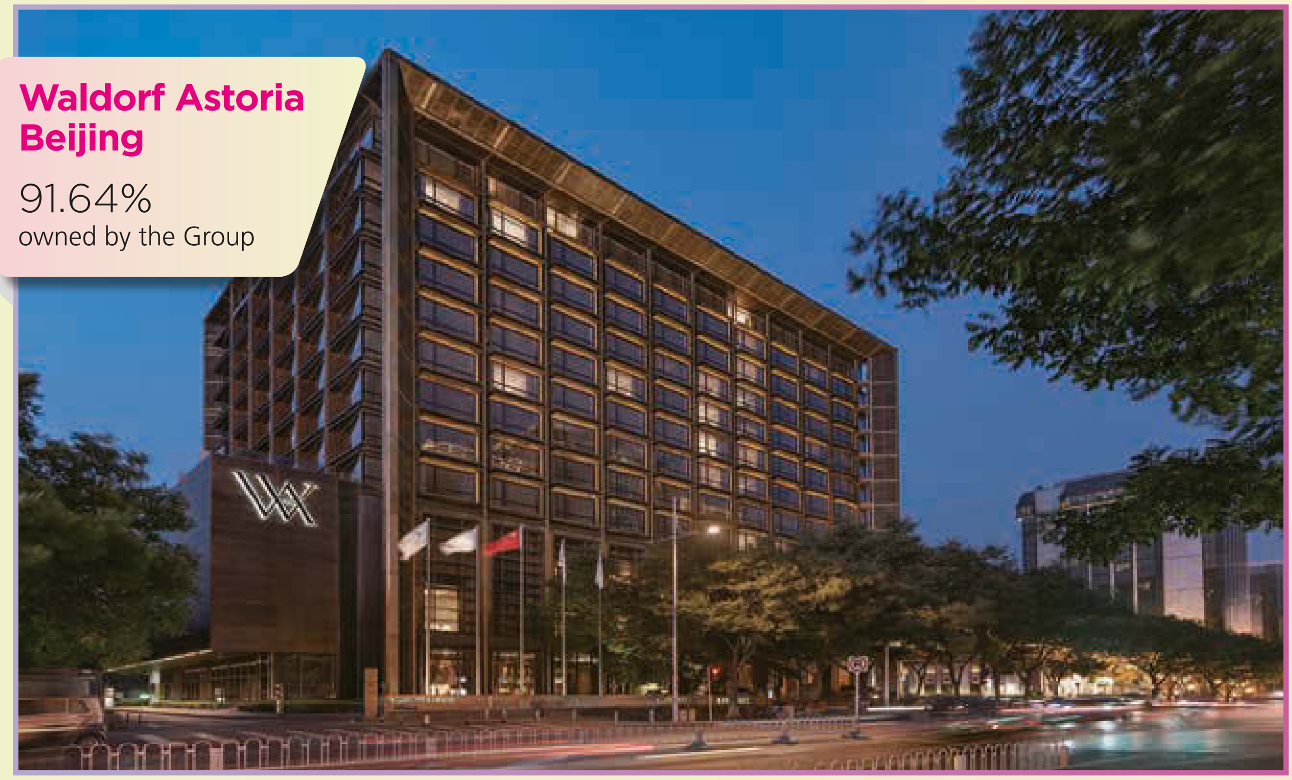
Joy City Hotel & Apartment Beijing went into soft opening on 22 March 2019. On 24 May 2019, the hotel was officially opened. The operating performance was favorable and the average room price per day exceeded expectation. The hotel paid attention to member operation, and targeted the new generation of consumers in Joy City complex. Based on the "shopping mall + hotel" integrated membership platform, it leveraged Joy City's existing membership resources to break through business barriers and realize mutual recognition of members. Therefore, rights and interests, and shopping points were shared among different types of businesses.

During the year, the project recorded an operating revenue of approximately RMB58 million.

Management Discussion and Analysis

Waldorf Astoria Beijing

91.64%
owned by the Group



Located in the Wangfujing Commercial Area of Beijing, the project occupies a total site area of approximately 6,149 sq.m. with a gross floor area of approximately 42,600 sq.m. and owns 176 rooms in total.

Waldorf Astoria Beijing has adhered to the luxury positioning. Under the unfavorable circumstances of Beijing's hotel market economy in 2019, the average room rate and revenue per room had increased as compared to that of the same period last year, and Waldorf Astoria Beijing ranked first in the competition portfolio. At the end of November, Yuanwei Palace and Zijin Mansion, being restaurants in the hotel, won the "Michelin Plate Guide Award". At the same time, the hotel launched lunch set, Saturday brunch and other activities to attract customers and increase catering revenue.

During the year, the project recorded an operating revenue of approximately RMB155 million.

4. Land Bank

Adhering to strategic guidance, the Group keeps to a balanced dual-pronged and dual-core development mode. On one hand, on it actively participated in open market competition, and on the other hand, leveraging on its business edge, the Group expanded cooperation projects and explored integration opportunities among existing properties. During the year, the Group acquired a total of 1.162 million sq.m. of land bank in core area of Sanya and Jinan, with the newly added land bank increased by 9.4% year on year. Besides, it was qualified as the social investor for the primary development of a piece of land of 2.3 million sq.m. in Shangtapo, Xi'an.

Name of land parcel	Location	Site area (sq.m.)	Floor area (sq.m.)	Project type	Actual shareholding ratio (%)
Land parcel of CBD boot area, east coast of Sanya	Next to the wetland park on the east coast of Yuechuan District in Sanya	20,773	93,476	Business + retail business	50.82%
Jinan Licheng Joy City project	Wangsheren area, Licheng District, Jinan	260,233	767,562	Residence + business + office	60%
Four land parcels in east coast of Sanya	East coast of headquarters economy and central business district of Sanya	63,291	301,358	Apartment + office + business	74.92%

5. Financial Review

Company's Overall Performance Review

For the year ended 31 December 2019, the Group's operating revenue was RMB10,337.8 million (2018: RMB8,128.9 million), representing an increase of 27.2% as compared with last year, mainly due to the increase in sales revenue resulting from the continuing improved performance of investment properties leasing, property and land development business.

For the year ended 31 December 2019, the profit of the Group amounted to RMB2,668.5 million (2018: RMB3,113.0 million), representing a decrease of 14.3% as compared with last year, of which, the profit attributable to the owners of the Company amounted to RMB1,635.9 million (2018: RMB2,103.3 million), representing a decrease of 22.2% as compared with last year. Excluding the fair value changes after tax of investment properties and the exchange rate changes, the core net profit amounted to RMB1,942.4 million (2018: RMB2,340.1 million), representing a decrease of 17.0% as compared with last year, of which, the core net profit attributable to the owners of the Company amounted to RMB1,252.2 million (2018: RMB1,566.9 million), representing a decrease of 20.1% as compared with last year. The non-recurring after-tax income of the disposal of subsidiaries in 2019 was RMB667.1 million (2018: RMB1,107.3 million). Excluding the impact of this factor, the core net profit for the year attributable to the owners of the Company was RMB585.2 million, representing an increase of 27.3% as compared with last year.

Revenue

For the year ended 31 December 2019, the Group's revenue amounted to RMB10,337.8 million, representing an increase of 27.2% as compared with RMB8,128.9 million for 2018.

Revenue by business segments	For the year ended 31 December				
	2019		2018		
	RMB'000	Percentage of total revenue (%)	RMB'000	Percentage of total revenue (%)	YOY change (%)
Property investment	**4,341,371**	**42.0**	3,632,918	44.7	19.5
Property and land development	**4,908,436**	**47.5**	3,575,747	44.0	37.3
Hotel operations	**841,584**	**8.1**	732,640	9.0	14.9
Output management and other services	**246,377**	**2.4**	187,609	2.3	31.3
Total	**10,337,768**	**100.0**	8,128,914	100.0	27.2

In 2019, the rental income from investment properties and related services income accounted for 42.0% of the total revenue, representing an increase of 19.5% as compared with 2018, of which the rental income from Joy City Shopping Malls recorded RMB3,064.0 million, representing an increase of 17.7% as compared to RMB2,602.9 million in 2018, mainly because rental income from each items remained a stable increase, except for the influence from the newly opened Hangzhou Joy City, Xi'an Joy City and Shanghai Parkside Joy City.

Revenue from property development and primary land development accounted for 47.5% of the total revenue, representing an increase of 37.3% as compared with 2018, mainly due to the delivery and settlement of Hainan COFCO・Hong Tang Joy Sea and Shanghai Qiantan One. In 2019, settlement area was 89,241 sq.m. (excluding parking space), representing a decrease of 29.6% as compared with 2018, and unit settlement price was RMB52,005, representing an increase of 84.8% as compared with last year, mainly due to the changes in the structure of product delivered.

Total revenue from hotel operations was RMB841.6 million, accounting for 8.1% of the total revenue, representing an increase of 14.9% as compared with 2018.

Total revenue from output management was RMB133.2 million, accounting for 1.3% of the total revenue, representing an increase of 75.8% as compared with the same period of 2018.

Total revenue from other services was RMB113.1 million, accounting for 1.1% of the total revenue, remaining basically stable as compared with 2018.

Cost of Sales and Gross Profit Margin

For the year ended 31 December 2019, the Group's cost of sales and services was approximately RMB4,591.1 million, and the overall gross profit margin was 55.6%, representing an increase of 0.2 percentage point as compared with 55.4% in last year. During the year, the Group further promoted the management level and deeply digged the potential to improve operating efficiency, benefiting from which, the gross profit margin of investment properties increased by 2.3 percentage points as compared with last year. During the year, the gross profit margin of property and land development recorded an increase of 2.5 percentage points as compared with last year due to the changes in the structure of product delivered in the current period. During the year, the gross profit margin of hotel operations represented a decrease of 11.3 percentage points as compared with last year due to insufficient market demand of the hotel industry and fierce competitive environment. The gross profit margin of output management and other services represented a decrease of 2.3 percentage points.

Management Discussion and Analysis

Gross profit margin by business segments	For the year ended 31 December 2019 Gross profit Margin (%)	2018 Gross profit Margin (%)
Property investment	**76.5**	74.2
Property and land development	**42.2**	39.7
Hotel operations	**31.0**	42.3
Output management and other services	**39.1**	41.4
The Group	**55.6**	55.4

Other Income

For the year ended 31 December 2019, the Group's other income was approximately RMB263.2 million, representing a decrease of 2.0% as compared to RMB268.5 million for last year, mainly due to the decrease in interest income from banks and loans to non-controlling shareholders in 2019.

Other Gains and Losses

For the year ended 31 December 2019, in respect of total loss of other gains and losses, the Group recorded a loss of RMB203.1 million, representing an increase of 25.5% as compared to the loss of RMB161.9 million in 2018. The loss in 2019 was mainly due to the impairment loss of goodwill of RMB68.7 million. As the Group's non-wholly owned subsidiary, Shanghai Yueyao Real Estate Development Co., Ltd., sold and transferred most of its properties (the cash-generating unit to which goodwill is allocated, it is expected to benefit from the synergies of the combination) held for sale to customers in the current period, the goodwill allocated to the property and land development segments was decreased accordingly.

Disposal of Subsidiaries

For the year ended 31 December 2019, the Group recorded gains of RMB701.2million from the disposal of subsidiaries, representing a decrease of 38.7% as compared with that of RMB1,144.6 million last year, which was due to the recorded before-tax gains of approximately RMB701.2 million gains from the disposal of the 100% equity held by Spring Wisdom Limited (泉智有限公司) (a wholly-owned subsidiary of the Group) and its subsidiaries in Shanghai Gaoxing Development Co., Ltd. (上海高星置業有限公司) and 80% equity held by Glorious Run Limited (耀賽有限公司) (a wholly-owned subsidiary of the Group) and its subsidiaries in Xi'an Qinhantang International Plaza Management Limited. (西安秦漢唐國際廣場管理有限公司) by the Group in 2019. In 2018, the Group recorded before-tax gains of approximately RMB1,144.6 million from the disposal of the 100% equity held by wholly-owned subsidiaries of the Group in COFCO Hotel (Beijing) Co., Ltd.

Fair Value Gain of Investment Properties

For the year ended 31 December 2019, the fair value gain of investment properties held by the Group was approximately RMB833.7 million (2018: RMB1,092.0 million). The gain on fair value recorded in 2019 was mainly contributed by Hangzhou Joy City, Chengdu Joy City, Chaoyang Joy City, COFCO • Landmark Tower and Xidan Joy City, while 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 was mainly due to well performance of rental income from Hangzhou Joy City and COFCO • Landmark Tower, and continuing increase of the average monthly rental level of certain mature property items such as Chengdu Joy City, Chaoyang Joy City and Xidan Joy City.

Distribution and Selling Costs

For the year ended 31 December 2019, the Group's distribution and selling costs amounted to RMB647.3 million, representing an increase of 6.9% as compared with RMB605.4 million for last year. Distribution and selling costs accounted for 6.3% of total revenue, representing a decrease of 1.2 percentage points compared with 2018, mainly due to the increase in selling expenses and labor costs resulting from the expanded revenue scale.

Administrative Expenses

For the year ended 31 December 2019, the Group's administrative expenses amounted to RMB1,001.4million, representing an increase of 9.8% as compared with RMB911.6 million for last year. The administrative expenses mainly included, amongst others, staff salaries, social insurance and benefits for staff, insurance expenses, depreciation and amortisation, travel and entertainment expenses, certain taxation expenses, overhead costs and professional third-party service fees. The administrative expenses accounted for 9.7% of the total revenue of the Group (2018: 11.2%).

Finance Costs

For the year ended 31 December 2019, the Group's finance costs amounted to RMB1,178.7 million, representing an increase of 47.2% as compared with RMB800.9 million for last year, mainly due to the increase of interest-bearing liabilities. As at 31 December 2019, the Group's interest-bearing liabilities amounted to RMB32,538.9 million (31 December 2018: RMB27,593.6 million).

During the year, the Group's weighted average borrowing cost was 4.55% (2018: 4.39%). The Group's efforts in maintaining a good rapport with banks enabled the Group to maintain low financing costs in the industry despite the tightening financing environment in the domestic market.

Taxation

For the year ended 31 December 2019, the Group's tax expense was RMB1,751.4 million, representing an increase of 24.5% as compared to RMB1,406.4 million for last year, mainly due to the increase in corporate income tax and land appreciation tax as a result of the increase in property development revenue. In 2019, the effective tax rate of the Group was 39.6% (2018: 31.1%), mainly because the tax rate on withholding and remitting income tax within the territory for disposal of equity was relatively lower in 2018 while land appreciation tax of RMB461 million was added on the settlement of Shanghai Qiantan One in 2019 and the increase in loss on offshore BVI companies could not be used to offset the tax.

Profit Attributable to Owners of the Company

For the year ended 31 December 2019, profit attributable to owners of the Company was RMB1,635.9 million, representing a decrease of 22.2% as compared to RMB2,103.3 million for 2018. Basic earnings per share for the the year were RMB0.107, representing a decrease of 21.9% as compared to RMB0.137 for 2018.

Investment Properties

As of 31 December 2019, investment properties included Joy City Projects, Beijing COFCO Plaza, Fraser Suites Top Glory Shanghai, Hong Kong COFCO Tower and Beijing COFCO・Landmark Tower. As of 31 December 2019, investment properties decreased to RMB57,304.0 million from RMB58,611.9 million as of 31 December 2018, mainly due to disposal of the 100% equity held by wholly-owned subsidiaries of the Group in Shanghai Gaoxing Development Co., Ltd. (上海高星置業有限公司) and 80% equity in Xi'an Qinhantang International Plaza Management Limited. (西安秦漢唐國際廣場管理有限公司) by the Group in 2019, so as to decrease the area of investment properties.

Management Discussion and Analysis

Right-of-use Assets

As of 31 December 2019, right-of-use assets included the land use rights of each hotel project and the land use rights and maritime rights of Yalong Bay etc. As of 31 December 2019, right-of-use assets increased to RMB1,761.7 million from RMB673.3 million as of 1 January 2019, mainly due to the acquisition of Waldorf Astoria Beijing during the year and the additional land use rights of each hotel project.

Properties under Development for Sale

The properties under development for sale increased from RMB14,929.5 million as of 31 December 2018 to RMB 21,209.7 million as of 31 December 2019, which was mainly due to the increase in the area of properties under development for sale resulting from the addition of the Chengdu Tianfu Joy City (成都天府大悦城), Jinan Joy City (濟南大悦城), Sanya Joy Center (三亞大悦中心) and Xi'an Shangtapo (西安上塔坡) projects etc., and the increase in purchases and construction costs of projects under development during the year.

Properties Held for Sale

As of 31 December 2019, properties held for sale mainly included Shanghai Jing'an Joy City commercial street and the office building of Chengdu Joy City. Properties held for sale decreased from RMB1,123.5 million as of 31 December 2018 to RMB521.6 million as of 31 December 2019, mainly because of the transferring-out of the Hainan COFCO • Hong Tang Joy Sea project upon their deliveries.

Accounts Receivable

As of 31 December 2019, accounts receivable included rental receivables, property management fee receivables, hotel operations and related services receivables. Accounts receivable decreased from RMB226.7 million as of 31 December 2018 to RMB145.9 million as of 31 December 2019. The Group strengthened the recovery of receivables resulting in the decrease of rental, management fee and other receivables.

Accounts Payable

As of 31 December 2019, accounts payable primarily included trade payables and accrued expenditure on construction (including construction costs of properties under development in respect of construction of properties held for sale) and other project-related expenses. Accounts payable increased from RMB2,143.7 million as of 31 December 2018 to RMB2,510.4 million as of 31 December 2019, mainly due to the increase in construction cost payables for additional properties under development projects.

Bank Borrowings

Bank borrowings increased from RMB16,280.8 million as at 31 December 2018 to RMB23,091.4 million as at 31 December 2019, representing an increase of approximately 41.8%. As at 31 December 2019, bank borrowings carrying floating rates amounted to RMB22,657.4 million, and bank borrowings carrying fixed rates amounted to RMB434.0 million.

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

Item	As of 31 December 2019 (RMB'000)	2018 (RMB'000)
Carrying amount repayable:		
Within one year	**2,288,320**	1,595,961
In the second year	**5,087,619**	1,750,148
In the third to fifth year (inclusive)	**11,245,162**	7,635,621
Over five years	**4,470,305**	5,299,028
Total	**23,091,406**	16,280,758

Bank borrowings of approximately RMB2,288.3 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 2019, the Group had banking facilities of approximately RMB41,522.4 million, of which RMB28,200.4 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. As at 18 November 2019, the principal and interest have been repaid in full.

Corporate Bonds

On 14 January 2016, a subsidiary of the Company issued five-year domestic corporate bonds in the total 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 as 3.95% per annum at the option of the subsidiary from 14 January 2019. The amount of bonds to be redeemed by the holder of corporate bonds is RMB2.268 billion.

On 9 January 2019, a subsidiary of the Company issued five-year domestic corporate bonds in the total principal amount of RMB2.36 billion, including RMB1.66 billion for 3+3-year at the coupon rate of 3.94% and RMB0.7 billion for 5+2-year at the coupon rate of 4.10%.

Medium-Term Notes

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

Renewable Medium-Term Notes

On 16 December 2019, a subsidiary of the Company issued 3+N-year renewable domestic medium-term notes in the total principal amount of RMB1.5 billion at the coupon rate of 4.25%.

Net Gearing Ratio

Item	As at 31 December 2019 (RMB'000)	As at 31 December 2018 (RMB'000)
Bank borrowings (current and non-current)	**23,091,406**	16,280,758
Guaranteed notes	**–**	5,502,007
Corporate bonds	**4,220,417**	4,108,227
Borrowings from fellow subsidiaries, non-controlling shareholders and third parties (current and non-current)	**5,227,101**	1,702,605
Total interest-bearing borrowings	**32,538,924**	27,593,597
Less: Cash and bank balances	**11,752,111**	7,107,503
Restricted and pledged bank deposits	**386,820**	12,522
Net debt	**20,399,993**	20,473,572
Total equity	**49,837,893**	45,170,784
Net debt to total equity ratio	**40.9%**	45.3%

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 of 31 December 2019, the Group had cash and cash equivalents (including restricted bank deposits and pledged deposits) of RMB12,138.9 million, mainly denominated in Renminbi, Hong Kong dollars and U.S. dollars (2018: RMB7,120.0 million).

The Group's net cash inflow for the year ended 31 December 2019 amounted to RMB4,640.5 million, which included:

Net cash outflow from operating activities of RMB465.3 million, mainly attributable to the payment for land premium, construction costs, taxation and the restricted bank deposits used for the residents relocation in relation to primary land development, which were partly offset by the proceeds received from property sales and deposits received from property presales, the rentals from property leasing and the revenue from hotel operations.

Net cash outflow from investment activities amounted to RMB1,271.2 million, primarily attributable to the purchase and construction of investment properties, purchase of property, plant and equipment and loans to non-controlling interests and associates, acquisition of interests in joint ventures, which were partly offset by disposal of subsidiaries and recovery of borrowings to non-controlling interests.

Net cash inflow from financing activities was RMB6,377.0 million, primarily attributable to the addition of bank borrowings, loans from associates, fellow subsidiaries and third parties, investments and loans from non-controlling shareholders, the issuance of bonds and perpetual capital instruments, which were partially offset by repayment of bank loans, payment of interests, payment of dividends, repayment of bonds, guaranteed notes and perpetual capital instruments, repayment of borrowings from fellow subsidiaries.

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 2018 and 31 December 2019	14,231,124,858	1,423,112	1,122,414

As at 31 December 2019, 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 37 to the consolidated financial statements.

Pledge of Assets

As at 31 December 2019, the Group's bank and other borrowings were secured by the pledge of the Group's investment properties of RMB33,005.0 million, property, plant and equipment of RMB2,386.2 million, properties under development for sale of RMB8,918.6 million, right-of-use assets of RMB1,474.1 million, trade receivables of RMB20.8 million and bank deposits of RMB14.3 million, details of which are set out in Note 44 to the consolidated financial statements.

Contingent Liabilities

As at 31 December 2019, details of the Group's contingent liabilities and non-compliance issues are set out in Note 41 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 2019, 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 RMB3,201.0 million (as at 31 December 2018: RMB3,728.4 million). The directors of the Company believe that the amount was not material and the Group has sufficient funds to settle the expenditures.

Interest Rate Risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans from 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. In addition, the Company is gradually locking through the interest rate swap terms in order to reduce the interest rate fluctuation risk of foreign currency variable-rate borrowings.

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. As for the exchange rate risk caused by the fluctuation of RMB exchange rate, the Company is gradually locking through forward and other tools.

6. Employees and Remuneration Policies

The Group attaches great importance to the selection, employment, training and retainment of talents. While sticking to equal employment and optimising the remuneration incentive mechanism, it diversifies recruitment channels and protects rights and interests of employees, so as to attract and establish a lean, competent and highly efficient staff team, promote the common development of enterprise and employees, and provide talent support for the Group's strategic goals. As of 31 December 2019, the Group had 4,382 employees in total.

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.

The Group adheres to the core concept of "building a high-quality talent team and promoting the development of the business of the Group". It has established a talent training programme covering core personnel and backup personnel at each level of the Group. It adopts various methods such as centralized training, action-based learning, project research, classroom test, mentor coaching and making individual development plan to help employees improve their abilities and build talent cultivation and development system.

The Group has established a talent training system which is focusing on training plans including "Short-term Training Course for Senior Executives", "Golden Helmsman", "Golden Seed", "Sword Casting Plan", "New Joy Training Camp", "Future Star Training Camp", and supported by the "Joy Seminar" platform. At the same time, it explores the internal courses of the Group, and revitalizes internal training resources so as to establish a professional and systematic internal training lecturer team. The Group has built 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. Through the "Team Members Competition" programme designed to stimulate internal competition, the "Team Members Swapping" programme designed for rotation training and the "Team Members Training" programme designed to foster young beginners, the Group facilitates internal talents exchange and the internal talent transfer and promotion, which provides a clear development path for employees.

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

7. Outlook

China's economy and society have stepped into a stage of high-quality development. Advantages of considerable market and domestic demand potential, and enormous human capital and talent resources have provided solid guarantees for the upgrading of the domestic consumption sector. This provides commercial real estate with great potential and space for development.

In the future, under the general trend of consumption upgrade, the market supply will not decrease, and the commercial functions will shift from product consumption to scene, experience, and social contact consumption. Shopping Malls will develop its own unique characteristics and positioning. While establishing advantages in the segmented marketization field, it will further promote technological innovation, such as digital marketing strategies and intelligent design strategies, to better integrate media with commercial real estate promotion. The integration of online space and offline space of commercial real estate will be further deepened. New type of business and new economic model continue to emerge, which strengthens the diversity of Shopping Malls, further facilitate consumption, and further enhance the output value of unit space. Commercial real estate companies bear a new mission of pursuing high-quality urban development.

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 57, 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 Grandjoy (stock code: 000031), a company listed on the Shenzhen Stock Exchange, and a vice president of COFCO Corporation. He was the general manager of Grandjoy from June 2008 to January 2011. Prior to joining Grandjoy, 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 ("CPMC") (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 56, was appointed as an executive Director, a member of Executive Committee and a member of Remuneration Committee with effect from 7 December 2016 and a member of Audit Committee with effect from 30 May 2019.

Mr. Cao, joined Shenzhen Baoheng (Group) Co., Ltd. (was acquired by COFCO Corporation and renamed as Grandjoy (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 Grandjoy from September 1993 to November 1998, the board secretary of Grandjoy from December 1998 to June 1999, the general manager assistant, the deputy general maanger and the manager of Shenzhen Baoan Fuan Industrial Co., Ltd ("Baoan Fuan Industrial") from February 1999 to November 2000, the deputy general manager of Grandjoy and the manager of Baoan Fuan Industrial from December 2000 to June 2002. He had been the deputy general manager of Grandjoy since July 2002 to December 2016. He is a director and general manager of Grandjoy from May 2017.

Mr. Cao graduated from Harbin Institute of Technology in the PRC, with a bachelor's degree in engineering in July 1985.

NON-EXECUTIVE DIRECTORS

Mr. JIANG Yong, aged 57, 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 Grandjoy (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.

Mr. ZHU Laibin, aged 48, was appointed as a non-executive Director of the Company with effect from 30 March 2020.

Mr. Zhu joined COFCO Corporation (中糧集團) in August 1993 and had served in various positions, including a clerk in COFCO Packaging Industrial and Trading Company (中糧包裝實業貿易公司), a clerk of accounting department, head of the finance department, an assistant to general manager of the strategic planning department, a deputy general manager of the strategy management department, a general manager of the strategy management department, a general manager of the general office for the board, a deputy controller of finance department and general manager of operation management department and a financial controller of finance department in COFCO Corporation, a chief accountant and a general manager of finance department in COFCO Trading Company Limited (中糧貿易有限公司). He has been a strategy controller director of the strategy department of COFCO Corporation since January 2020. He served as a supervisor of Grandjoy (a company listed on the Shenzhen Stock Exchange (Stock Code: 000031)) from May 2014 to June 2016. He is a director of Grandjoy since March 2020.

Mr. Zhu graduated from Hangzhou Business College with a bachelor's degree in economics in July 1993. He also graduated from the University of Science and Technology Beijing and the University of Texas at Arlington with a master degree in business administration. Mr. Zhu is a Certified Public Accountant in the PRC.

Profile of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Hon Chuen, Ambrose, *GBP, JP*, aged 72, 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

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 64, was appointed as an independent non-executive Director with effect from 21 September 2004. He is a member of each of the Audit Committee, the Remuneration Committee and the 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. CHAN Fan Shing, aged 43, was appointed as an independent non-executive Director with effect from 10 February 2020. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Chan has extensive experience in auditing, accounting and financial management. He was appointed as a director of Tycoon Asia Pacific Group Limited (the "Tycoon"), which mainly engaged in trading of traditional Chinese medicine and healthcare products in Hong Kong, Macau, Singapore and Australia, since October 2017. In addition, since September 2018, Mr. Chan has been an independent non-executive director of Trigiant Group Limited, which is a company listed on the Main Board of the Stock Exchange (stock code: 1300) and principally engaged in the manufacture and sales of feeder cable and related products for mobile communications and telecommunication equipment. During September 2009 and March 2016, Mr. Chan was the company secretary, financial controller and authorized representative of CPMC, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0906). Prior to joining CPMC, Mr. Chan has worked as senior management in various Hong Kong listed companies and as auditor in international audit firms.

Mr. Chan obtained a Bachelor's degree in Business Accounting from University of Glamorgan (currently known as University of South Wales), United Kingdom in June 1999 and a Master's degree in Professional Accounting from The Hong Kong Polytechnic University in October 2008. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the CPA Australia and a chartered professional accountant member of the Chartered Professional Accountants of British Columbia, Canada.

HONORARY ADVISOR

Mr. WU Kwok Cheung, *MH*, aged 87, was appointed as an honorary advisor of the Company with effect from 10 February 2020. He was an independent non-executive Director from August 2006 to February 2020.

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 42, 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.

Mr. YAO Changlin, aged 52, 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 56, 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.

Mr. ZHANG Jianguo, aged 53, was appointed as the chief financial officer of the Company with effect from 26 April 2019.

Mr. Zhang joined Grandjoy in June 1994. He had previously served as, amongst others, the deputy general manager of the audit department and the deputy general manager of the finance department at Grandjoy. He was also the chief financial officer at Shenzhen Pengli Ceramics Co., Ltd.* (深圳鵬麗陶瓷有限公司) and the managing director at Yunnan Baoyun Chemical Co., Ltd.* (雲南寶雲化工有限公司), each a subsidiary of Grandjoy. Since March 2010, Mr. Zhang has been the general manager of the finance department at Grandjoy. From December 2016 to April 2019, he served as the chief financial officer at Grandjoy.

Mr. Zhang holds a master's degree in economics from Zhongnan University of Economics and Law (中南財經政法大學) and is a senior accountant.

Ms. SONG Bingxin, aged 49, was appointed as the deputy general manager of the Company with effect from 26 April 2019.

Ms. Song joined COFCO Corporation in August 1994. She had previously served as, amongst others, the legal consultant of the legal department, the deputy general manager of the contract and company law department and the general manager of the litigation and arbitration department at COFCO Corporation. From January 2012 to December 2016, Ms. Song was the general legal counsel of the Company. From December 2016 to April 2019, she served as the deputy general manager at Grandjoy. Ms. Song served as the secretary of the board of Grandjoy from April 2017. She acted as the general legal counsel at Grandjoy from April 2019.

Ms. Song holds a bachelor's degree in economic law from China University of Political Science and Law (中國政法大學) and a bachelor's degree in literature from Beijing Normal University (北京師範大學). Ms. Song also holds the professional qualification as PRC lawyer, the corporate legal consultant qualification and accounting qualification certificate.

Mr. GUO Fengrui, aged 50, was appointed as the deputy general manager of the Company with effect from 26 April 2019.

Mr. Guo had been the manager, general manager assistant and deputy general manager of the planning department at Beijing Huayuan Real Estate Co., Ltd.* (北京市華遠房地產股份有限公司) from July 1992 to December 2001. He was the deputy managing director at China Resources Land (Beijing) Co., Ltd* (華潤置地(北京)股份有限公司) from December 2001 to February 2015. Mr. Guo has served as the general manager of the operation management department from February 2015 and acted as the general manager assistant from April 2019 at Grandjoy.

Mr. Guo is a senior economist who holds a master's degree in technical economics and a doctoral degree in business management from Renmin University of China (中國人民大學).

Environmental, Social and Governance Report

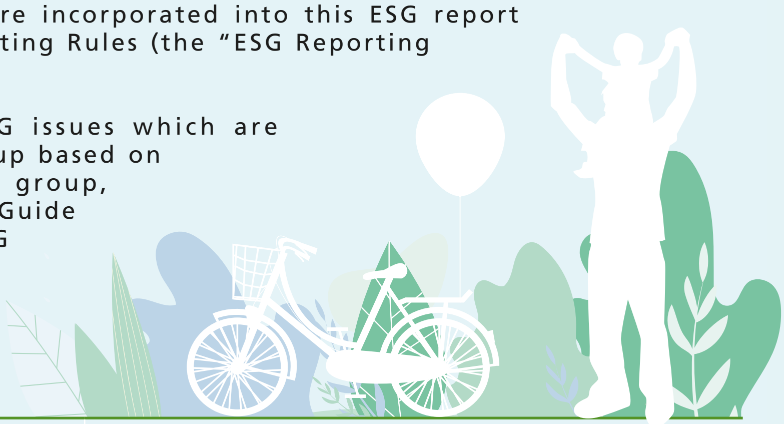
Environmental

Social

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").

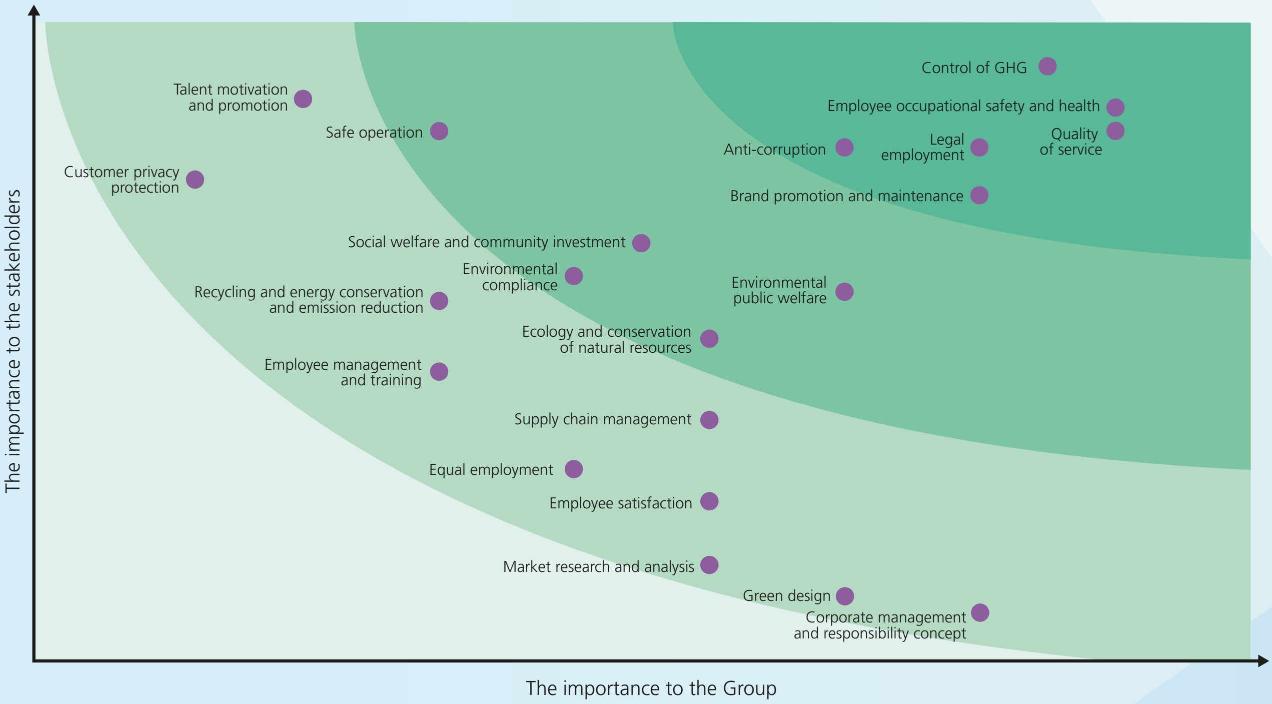
The table below sets forth the ESG issues which are considered to be material to the Group based on the assessment by the ESG working group, and the scope of the ESG Reporting Guide covered by such issues. This ESG report primarily covers the policies, measures and performance of the Group during the period from 1 January 2019 to 31 December 2019 (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	Ecological and environmental protection action, green design 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, paying attention to talent incentive
B4 Labor Standards	Labor standards
B5 Supply Chain Management	Supplier management, selection of tenants
B6 Product Responsibility	Improving project operation and management, maintaining key business group, consumer satisfaction and information security
B7 Anti-corruption	Anti-corruption mechanism and anti-corruption education
B8 Community Investment	Sports for all, donation to schools, dedication of love

Environmental, Social and Governance Report

During the year, the Group has identified various important stakeholders related to the enterprise operation based on its own business model and the results of external communication. The Group fully communicated with all stakeholders, attached importance to the needs of stakeholders and protected the rights and interests of stakeholders. The Group distributed questionnaires to all stakeholders and collected 1,790 valid questionnaires. Based on the results of the questionnaires, the Group identified major issues of concern to all stakeholders, evaluated and judged their importance level, and finally formed a substantive issue matrix, which improved the completeness and pertinence of the report disclosure.



>>> A Environmental

Demanding in a planned way and consuming in a controlled way is the truth of ecological civilization. The Group attaches great importance to the protection of the ecological environment, actively advocates the concept of green, low-carbon and sustainable development, strictly complies with the laws, regulations and policies related to the environment, and incorporates environmental protection into the overall layout of enterprise development. The Group implements the concept of green innovation, integrates scientific and advanced technological means, adapts to the changing external environment, focuses on the social needs in environmental protection, and keeps the integrity and effectiveness of the enterprise's environmental protection system at all times in the course of business.

A1 Emissions

The Group strictly complies with the environmental laws, regulations and industry policies of the place where it operates, establishes a sound and clear environmental protection responsibility system, strengthens the overall environmental protection awareness of the Group, curbs the environmental safety accidents at the source, and continuously improves the environmental protection management of the Group. Also, the Group further strengthens the classified control of domestic wastewater, kitchen garbage, hazardous waste and non-hazardous waste. During the year, the Group did not have any major safety and environmental protection incidents, and there were no related lawsuits or disputes related to environmental protection.

1.1 Control system of emissions

The Group strictly complies with the environmental laws, regulations and industrial policies such as the "Environmental Protection Law of the People's Republic of China" and the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste". Through the formulation of the "2019 Annual Safety and Environmental Protection Responsibility Statement", the Group has incorporated monitoring of pollution sources and reporting of environmental emergencies into its annual environmental protection objectives, established and improved a layer-by-layer responsibility system for environmental protection, strengthened awareness of safety and environmental protection responsibilities at all levels, curbed environmental accidents, and comprehensively improved the Group's environmental protection governance. The Group regularly launched inspection, strengthened quantitative assessment, formulated and implemented reward and punishment mechanisms, and published the "Monthly Briefing of Safety and Environmental Protection" on a monthly basis, actively conveyed and implemented environmental protection ideas, enhanced the sense of responsibility of corporate entities, and improved the Group's risk awareness.

1.2 Wastewater management

(1) Classification of wastewater: the Group's wastewater mainly include, among others, the wastewater from landscaping, the wastewater from air conditioning systems and domestic wastewater.

(2) Measures: during the reporting period, the Group further promoted the installation of oil-water separation facilities in all operating projects including catering merchants, self-operated hotels and self-operated canteens and continued to carry out the reconstruction of oil separation tanks and sewage pipelines, improved wastewater treatment, ensured the compliance of wastewater discharge and reduced the impact of emissions on the environment. The Group regularly hired qualified third-party companies to carry out environmental protection (pollution discharge) investigations and special actions for pollution supervision and detection of operating projects, inspected the control results of emissions, carefully investigated potential environmental risks, effectively solved problems and reduced accident risks, thereby providing references for compliance and optimization of pollution discharge for other commercial projects currently in operation, and offering data support for rational planning of new commercial projects in the future. During the year, the Group hired professional institutions to conduct sampling tests on the wastewater and cooking fume emissions from subordinate Joy City and hotels, inspected the configuration and operation of the environmental protection system, and formed the "Environmental Protection Investigation and Analysis Report", according to which the wastewater and exhaust gas treatment was improved.

Water Sample Collection in Shenyang Joy City

Water Sample Collection in Chaoyang Joy City

1.3 Waste management

(1) Sources: solid waste mainly includes the construction waste, 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), etc. Hazardous waste mainly includes fluorescent tubes, toner cartridges, coolants used in air-conditioners, engine oils used in air-conditioners and elevator systems, etc.

(2) Measures: for solid waste including construction waste and office waste, the relevant departments of the Group collect, store and conduct classification in strict accordance with the relevant laws and regulations and the Company's rules and regulations, and sort and recycle the recyclables to improve the utilization rate of resources and reduce pollution. For hazardous waste, the Group implements unified collection and fixed-point storage, and delivers them to a qualified third party for reasonable disposal (e.g. 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), and realizes reduction, decontamination and reutilization of wastes as much as possible.

Emissions of the Group in 2019

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	1,402,204	142,377	706	1,249	255	39,508	16,266

A2 Use of Resources

The Group steadily adheres to the concept of sustainable development. On the basis of strictly abiding by national laws and regulations, the Group has formulated and implemented a series of internal management systems such as "Work Instructions for Energy Conservation and Emission Reduction" and "Award for Conservation and Penalty for Exceeding System" to reinforce the management of energy conservation and emission reduction in daily work and cultivate employees' awareness of energy conservation and environmental protection. Via the establishment of an advanced and efficient energy system, the Group has improved the efficiency of resource utilization and sought to reduce energy consumption at the source.

2.1 Efficient Energy Utilization

In 2019, the Group conducted a number of energy-saving technological transformation projects, and at the same time introduced relevant expert teams with the goal of improving the energy efficiency and resource management of commercial projects. Measures include but not limited to:

Introducing electromechanical consultants, energy-saving consultants	The Group has introduced internationally renowned engineering consulting companies such as Meinhardt, Arup and PB as electromechanical consultants, and Tsinghua team and Guangzhou Design Institute as energy-saving consultants to optimize the electromechanical scheme from the design stage to further enhance the energy-saving potential of the electromechanical system according to the architectural characteristics. After Chongqing Joy City introduced the consultant team, the load, cold and heat sources, dynamic regulating valves and other equipment were designed through precise electromechanical products. After the introduction of the consultant team, Wuhan Joy City carried out an energy-saving optimization design from multiple dimensions of power consumption and energy consumption. Under the premise of ensuring comfort and cost constraints, the power consumption intensity was reduced to 80% of the national standard guide value. The cooling energy efficiency reached the National Development and Reform Commission's university computer room standard, and the heating energy consumption was 50% lower than the European "near zero heating" standard.
Optimization of architectural design	During the construction of Shenyang Joy City and Wuhan Joy City, structural optimization scheme and energy-saving materials were adopted while ensuring safety and beauty.
Improvement of energy saving technology with green operation as substance	Water-saving improvement: Transforming reclaimed water equipment, replacing old facilities, replacing end water sanitary ware with water-saving equipment (such as induction faucet) according to the standards of the water-saving office, and maximizing the use of recycled water; Improvement of kitchen range hood: The kitchen smoke exhaust and roof smoke exhaust fans shall be controlled in conjunction, and the roof linked variable frequency fan air volume and indoor kitchen supplementary air shall be reasonably set according to the store kitchen exhaust air volume. A total of 55 sets of intelligent control boxes are added to determine the operation frequency of the roof oil smoke fan according to the exhaust air volume of tenants, so as to achieve the purpose of energy saving and consumption reduction, and the estimated energy saving rate is 11.98%. Node improvement for high energy consumption lamps: Replacing the existing 15-17W LED lamps of high energy consumption and low efficiency with 8W LED lamps of low energy consumption, high illumination and high efficiency. Energy-saving heating renovation: Heat storage heating system was established in the South District of Tianjin Joy City Shopping Mall, replacing the original municipal heating. The patented technology of the valley electricity phase change heat storage heating system is used to implement heating to ensure zero emission of heating equipment. The equipment has flexible operation, simple maintenance and long service life, and saves a large amount of energy consumption on the premise of ensuring normal heating in the Shopping Mall in winter.

Environmental, Social and Governance Report

2.2 Energy Saving Management in the Whole Process, Building Green Joy City

The Group took the lead in putting forward the model of "whole–process management on energy efficiency goal" in China. In 2019, the Group actively conducted a special study on the improvement of the whole–process management on energy efficiency goal for holding commercial projects to further improve the management, and better guided the implementation of the whole-process management and built a green Joy City through the preparation of guiding documents such as the "Guidelines for Debugging Electromechanical System".

The whole–process management on energy efficiency goal emphasizes the consideration of energy conservation in the later period of operation from the early design stage of commercial projects. It is preceded by the concept of green design optimization. It comprehensively considers the initial investment, energy conservation design, overall development progress and actual operation energy consumption of the project, improves the energy use efficiency of the project, and lays a solid foundation for the implementation of subsequent energy conservation and emission reduction measures.

The thematic study on the improvement of the whole–process management on energy efficiency goal for holding commercial projects comprehensively improves the whole process management from organizational structure, technical standards and institutional processes through internal cross-departmental cooperation.

The "Guidelines for Debugging Electromechanical System" aims at improving the ability of debugging electromechanical systems in Joy City, standardizing the operation of each unit, defining the debugging objectives and clearly dividing responsibilities. Through the implementation of standardized management processes, the Group has strengthened quality control and supervision to help establish a whole-process commissioning management system from the development phase to the operation phase.

Case:

Energy Saving Design Achievements of Chongqing Joy City

Chongqing Joy City engaged WSP as the electromechanical consultant and Tsinghua team as the energy-saving consultant; conductd accurate optimization of electromechanical design load, cold and heat sources, dynamic adjusting valves and other equipment as well as optimization of pipelines based on the demand for investment promotion and actual operation data of similar projects in Chongqing; added air exhaust and air supplement frequency converters for commercial catering kitchens at the merchant end by adopting strategies such as variable frequency freezing pump and variable frequency cooling tower fan, adjusting the air volume according to the requirements of the service area in an effort to achieve energy saving.

Energy Consumption of the Group in 2019

Total consumption of water resource (Ton)	Total public consumption of electricity (million Kw/h)	Total public consumption of fuel gas (m^3)	Heating Consumption (GJ)
1,649,651	158.79	3,885,849	236,958

A3 Environment and Natural Resources

The Group continuously focuses on the impact on the environment and natural resources in the operation, makes extensive use of energy-saving technologies combined with its own industry characteristics, adheres to the concept of "green design", "green office" and environmental friendliness, strengthens the publicity and supervision of environmental protection work, undertakes corporate social responsibility, and strives to practice to ensure the effective protection of environmental resources.

3.1 Green Design

Taking full account of the environmental benefits, the Group broadly adopted the following energy-saving technologies in its architectural design in 2019:

- Employing building equipment automatic control system (BA system) for debugging, accurately determining the air conditioning and lighting running time and temperature settings to reduce energy consumption.
- The load dynamic control technology based on big data analysis, the cooling water optimal temperature control technology based on fuzzy prediction, and the model control technology based on latent cooling capacity optimization were adopted in the design of the air conditioning system, and the comprehensive energy saving rate is estimated to be 25.9%.
- The external curtain wall with aluminum plate insulation technology was used to reduce the heat dissipation of the building and decrease the energy consumption of the heating system.

3.2 Green Office

The Group actively advocates "green office" and integrates the concept of low carbon and environmental protection into its daily work. The Group promotes networking and paperless office, advocates the use of electronic documents, and reduces unnecessary printing, to protect forest resources. Energy-saving lighting is used in office places. Air conditioners in different areas are equipped with independent switches and thermometers, which can be adjusted as needed to save energy and reduce energy consumption. The Group pasted energy-saving signs on light switches and toilet faucets, and put up publicity posters in the office building to enhance employees' awareness of environmental protection. The Group advocates the reduction of unnecessary travel, and encourages the use of new energy transportation to reduce carbon emissions.

Environmental, Social and Governance Report

3.3 Environmental Friendly Concept

The Group has launched a campaign to tackle environmental issues and actively built up an enterprise's ecological environment protection culture. In 2019, the Group set up a special action leading group for tackling environmental issues, headed by the chairman of the Group, focusing on strengthening the awareness of environmental risks and making up for management shortcomings and weak links. The companies were required to investigate the compliance status of environmental protection work, sort out the environmental protection management responsibilities and control nodes of various departments, summarize the problems and highlights, so as to improve the environmental management mechanism system.

Meeting of the Special Action Leading Group for Tackling Environmental Issues

The Group actively held a series of public welfare activities, and led the community to focus on environmental protection issues. During the year, a touring exhibition on the theme of "Things of one kind come together " garbage classification was held to convey the importance and urgency of garbage classification and environmental protection. The fifth public training of "Joy Seminar" on the theme of " Science Education of Garbage Classification Knowledge of Joy Public Welfare (悦公益之垃圾分類知識科普)" was held to publicize and popularize the knowledge of garbage classification, which helped everyone solve the problems encountered in the classification operation and implemented garbage classification more accurately.

>>> B Social

During the development with the mission of "creating sustainable value in cities and pursuing sustainable happiness", the Group attached importance to employee caring and training, protected rights and interests of employees, took into account the needs of employees, suppliers, customers and communities and other stakeholders, and strived to provide a fair, healthy and safe working environment. The Group strengthened supply chain management and jointly implemented corporate social responsibility with upstream and downstream enterprises to achieve win-win results. We strictly controlled the quality of products and services to improve customer's satisfaction, adhered to fairness and honesty, and formulated strict anti-corruption policies. The Group actively fulfilled its corporate social responsibility, engaged in public welfare undertakings and created long-term value.

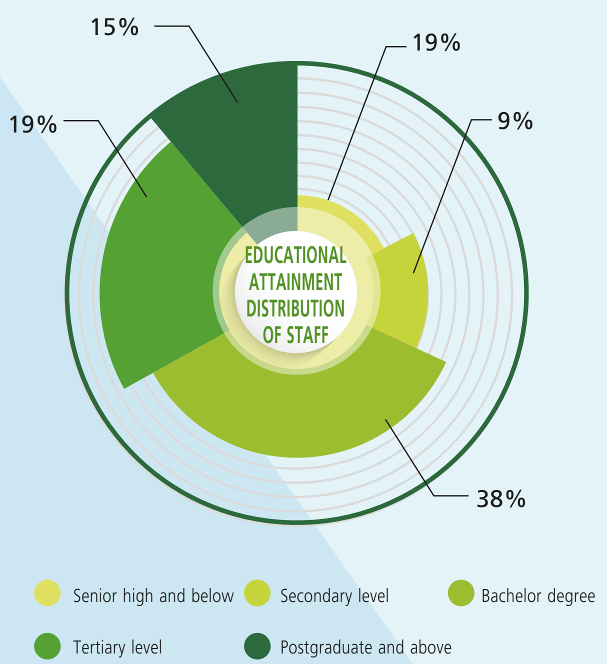
B1 Employment

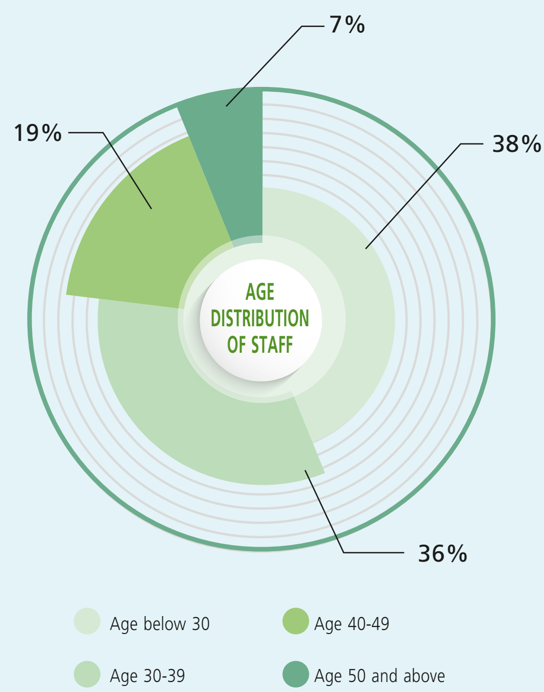
Adhering to the "people-oriented" concept, the Group attached great importance to the recruitment and training of talents, and established a sound employment system, diversified recruitment channels, a well-developed personnel training system and a multi-level performance evaluation system to match employees' abilities and job demands to the greatest extent, so as to realize the organic unity of the Group's development with employees' incentives and employees' development. During the reporting period, the Group did not have any major violations of employment-related laws and regulations.

1.1 Sticking to Equal Employment and Establishing Diversified Recruitment Channels

The Group has set up a series of strict and clear talent standards, attracting and recruiting social talents through campus recruitment, social recruitment, hunting and other channels, to promote the diversity of staff structure. During the recruitment, the Group shall ensure the standardization and transparency of the recruitment process, the fairness and justice of the recruitment procedures, to provide a equal employment opportunities for applicants of different races, genders and educational backgrounds, and provide a great career development platform for new employees. Through continuing the "hunting for distinguished leaders" and cooperating with headhunting companies, social talents with rich experience and outstanding professional ability are introduced. The Group has set up a backup talent echelon construction mechanism, implemented dynamic management for backup talents and regularly updated the talent pool to provide sufficient talent reserves for the sustainable development of the Group's business.

In 2019, 52.74% of total staff of the Group obtained bachelor degrees or above and 84.22% of staff for major operating businesses (except hotel and property operational level) obtained bachelor degrees or above, among which all staff members recruited from schools obtained bachelor degrees or above, of which 82% are postgraduates. The average age of staff for major operating businesses is 33.86, the staff age below 40 accounted for 74% of total staff.





Environmental, Social and Governance Report

Case:

In 2019, the headquarters of the Group continued to organize a series of large-scale campus career talk to enhance its influence in campus and build a deep and good employer image. During the year, the Group visited 15 universities including Tsinghua University, Peking University and Renmin University of China, participated in multiple campus mutual selection and forums, with 5,000 participants in total. Through employment information network of the universities, BBS, we posted our recruitment advertisements and information of our forums. Our career talk covered 45 schools across the whole country. The Group's online application system has collected more than 10,000 resumes. The Group adheres to "high education and high quality" to carry out the campus recruitment plan, which is an important part to support the Group's future development and talents' self-development. In 2019, the Group further started the management training project, bringing in 9 outstanding graduates from universities such as Tsinghua University, Peking University, Harbin Institute of Technology and Tianjin University to participate in the construction of Joy City project as the general reserve candidates for project. In 2019, 303 students were recruited from the campus, of which 82% are postgraduates, and 74% are from 985 and 211 universities in China.

2019 (2020 Graduates) School Recruitment Poster

2019 Campus Career Talk

1.2 Protection of Rights and Interest of Its Staff

The Group protected the equality for staff by adopting the same structure and level of remuneration and evaluating the staff's ability and performance based on objective and clear standards to carry out promotion of employees.

Aiming to maintain the "high efficiency and competitive incentives", the Group built a comprehensive performance system and a incentive compensation incentive system, and provided 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, so as to enhance the enthusiasm of staff and their willing to improve professional skills.

B2 Health and Safety

The Group has always taken the physical and mental health and life safety of its employees as priority and has been committed to providing a good working environment for employees, continued to improve the occupational safety and health management system, eliminated potential safety risks in daily operations, and created a harmonious and caring atmosphere for the Group. In 2019, the Group updated the enterprise's occupational health management system and organized each company to carry out a questionnaire survey for positions with occupational risks. Based on the survey results, the Group established an enterprise occupational hazard factor ledger to further improve the working environment of employees and ensure their occupational health.

The Group regularly organized physical examination for employees, established personal health records for employees. We also organized relevant trainings with an aim of strengthening health and safety publicity and employees' awareness of safety and health. Our employees were encouraged to reasonably balance their work and life and participate in sports activities. The Group set up badminton courts, basketball courts and other venues and facilities in employees' homes, and organized basketball teams, football teams and other associations to enrich employees' spare time. "Joy City Run" and other activities were continued to be held to enhance employees' physical quality and team cohesion while serving the public.

Ceremony for the Establishment of Joy City Basketball Team and Football Team

The Group has continuously improved relevant safety management systems, fully implemented safety management performance evaluation, focused on investigating hidden dangers to reduce accident risks, established and continuously optimized contingency plans to ensure the safety of employees and customers to the greatest extent. In order to strengthen the safety awareness of employees, the Group has set up a classified safety education and training system and a classified education and training program that is close to the actual situation and covers all employees. The Group disseminated safety knowledge to employees by holding safety knowledge competitions and emergency drills to improve the response speed of safety incidents.

Environmental, Social and Governance Report

Case:

Safety and Environmental Protection Training

The headquarters carried out 34 safety and environmental protection trainings throughout the year, totaling 143 hours, covering 8 categories of employees such as core team and safety management personnel, with 2,100 participants in total. At the end of the year, the online examination platform was used to examine and verify each company. 403 people were randomly selected, with a passing rate of 95.5%. Training achieved good results. The companies of the Group in various regions have fully conducted more than 930 safety and environmental protection education and training sessions, with about 23,000 participants.

Case:

Safety Emergency Drill

The companies in northeast regions and Shenyang Joy City carried out emergency drills, which are close to actual situation, to improve the team's response and speed. Relevant officer(s) of the local emergency management bureau attended the drill to guide the exercise, presented comments and gave highly affirmation to the effect of the drill.

B3 Development and Training

Talents are the most important asset of the Group. The Group attached great importance to the "selection, appointment, cultivation, retention and distribution" of talents, and provided targeted and systematic training for employees in combination with their own conditions and the needs of enterprise development to help employees explore their potential and realize their personal values. By setting up a dual-channel career development system of management and specialty, the development path of employees is defined. The working enthusiasm of employees was mobilized through continuous exploration of innovative incentives. The Group built a team of high-quality talents to promote business development.

3.1 Unified Management and Focusing on Training

The growth of employees is the foundation to promote the progress of the Company development. The Group vigorously carried out the construction of a comprehensive training system, including the "Golden Helmsman" and "Golden Seed" programs, the short-term training course for senior executives for project general managers and key reserve talents, the "Sword Casting Plan" for the backbone of each business line, the "Future Star Plan" for new employees recruited in schools, and the "New Joy Training Camp" for social recruitment of new employees. At the same time, the Group facilitated internal staff communication through the "Team Members Competition", "Team Members Swapping" and "Team Members Training" programs to help build a core team.

Short-term Training Course for Senior Executives	It adheres to the idea of "focusing on the key minority" and focuses on the three aspects including "personnel management, problem solving and seeking strategies". It unifies the thought of the core personnel and trains the comprehensive ability of the core personnel combined with the annual key work. In 2019, the training was conducted twice, with a total of 248 participants.
Golden Helmsman	The training is targeted to train future successors for small and medium-sized companies in various regions, subordinate city-level companies and Joy City complex projects. It trains talents through the "Top Model for Post Empowerment" and the Leadership "Five Forces" Model of Joy City's managers. The third phase of comprehensive course was held in 2019, with a total of 34 participants.  Opening Ceremony of "Golden Helmsman Plan" Reserve Talents Training Project
Golden Seed	The aim is to train the reserve of department directors and professional heads of residential projects, improve their team management ability, business understanding and execution ability, and improve management readiness. The fifth phase of training was held in 2019, with a total of 55 participants.

	 "Gold Seed" Program in 2019
Sword Casting Plan	The aim is to promote the key personnel. The Human Resources Department and 1-2 professional departments jointly carry out talent team and capacity building work every year. In 2019, in order to continuously improve the ability of marketing personnel and build a more professional marketing personnel team, the "Sword Casting Plan" (Phase I) – Marketing Professional Promotion Training Camp and Marketing Director Class Project was launched for the first time. So far, 2 centralized trainings were held, with a total of 114 participants.
New Joy Training Camp	With the goal of "Getting to Know the Company + Rapid Integration", it aims to achieve the rapid integration of key personnel recruited from the society and improve their sense of belonging. A total of four training sessions were held in 2019, and all participants were staff recruited from the society in the headquarter or recruiters in regional company at the G5 level and above. The total number of participants for the whole year is 320.
Future Stars	It is a new employees growth program designed for the new employees from campus recruitment aiming to foster new force for the Group's future development. 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 with one guider, thus facilitating the transition from a "student" to a "worker". As of 2019, the Group has fostered more than 1,300 new employees from campus recruitment.
Team Members Competition, Team Members Swapping, Team Members Training	Team Members Competition Plan is an important way to excavate outstanding talents and pinpoint precise allocation. The main form is internal open competition. In 2019, the "Team Members Competition Plan" mechanism was further solidified, and an internal competition evaluation committee was established to conduct competitions on a quarterly basis to continuously promote the growth and flow of internal talents. "Team Members Swapping Plan" aims to strengthen the flow of talents between the leading mover and the frontline. The swapping of 28 members was completed in 2019. The " Team Members Training Plan" is a training plan for young employees who have less than 3 years of working experience in the development line and operation line of the headquarters to go to first-line projects for rotation training, aiming at accelerating the growth of young talents in the headquarters. In 2019, a total of 12 young talents were sent to the frontline for rotation training.

3.2 Valuing Talent Incentive

The Group is committed to improving the working enthusiasm of our employees at all levels based on salary incentive system combined with the "performance-oriented" short-term incentive and the medium and long-term incentive of "equal emphasis on incentive and constraint". The Group has implemented a bonus incentive plan for senior management personnel to reward outstanding management personnel, and established three annual awards, namely "Excellent Team Award", "Excellent Manager Award" and "Excellent Employee Award", to reward corresponding personnel and teams with outstanding performance. At the same time, the Group implemented an innovative assessment and incentive mechanism in respect of project, conducted incentives with consideration of project progress, cost management, operating income, excess EBITDA, etc., and applied narrowing accounting units to increase the popularity and fairness of incentive mechanism. In order to further bound the interests of the Group's senior management and shareholders, the Group has implemented an equity incentive plans and employee stock ownership plans for senior management, core teams and business backbones, so as to achieve long-term stability of key personnel teams.

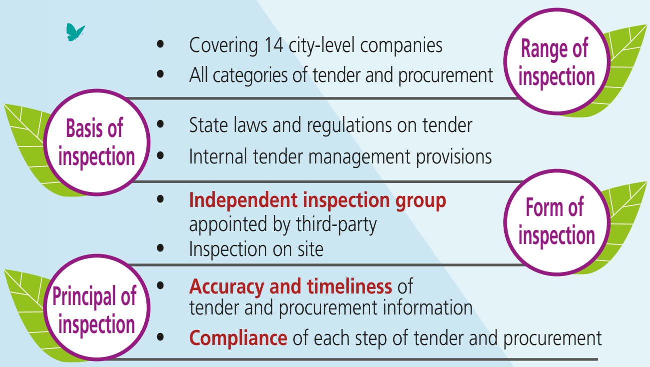
B4 Labor Standards

The Group strictly complied with the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China" and other labor-related laws and regulations, and strictly abided by 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 and forced labor prevention to protect the rights and interests of employees. We have developed a complete procedures of recruitment of employees. We adhered to employ our employees in accordance with laws, and effectively improved corporate governance. The management of labor relations, discipline, attendance and other aspects is regulated through the employee handbook, and labor disputes are handled in a timely manner. During the year, there was no violation by the Group of international and national standards, rules and regulations, or those of the places where the operations were located in respect of child labor and forced labor.

B5 Supply Chain Management

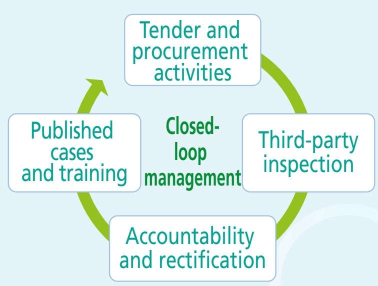
The Group is committed to building a fair, safe and efficient supply chain management system, and has defined the onboarding mechanisms for supplier, formulated mechanisms including regular assessment of suppliers and off-boarding management. The Group strived to improve the management of tender and procurement, optimized the process of tender and procurement, and continued to promote independent third-party inspections on tender and procurement to enhance compliance.

Third-party inspection on tender and procurement



Third-party inspection unit

- Tianzhi (Beijing) International Engineering Project Management Co.,Ltd. (天職(北京)國際工程項目管理有限公司)
- Beijing Xing Zhong Hai Jian Project Cost Consulting Co. Ltd. (北京興中海建工程造價諮詢有限公司)



Environmental, Social and Governance Report

5.1 Supplier Management

The Group is committed to developing and selecting high-quality engineering supplier resources, and establishes and maintains the suppliers' database, so as to provide high-quality supplier resources for the engineering construction of its projects. In 2019, the Group continued to promote the enrichment and expansion of the suppliers' database, which included 529 suppliers in the engineering, design, contract, marketing and other categories by the end of the year.

The Group has continuously improved its supplier management. In 2019, the Group promulgated the "Administrative Measures of Suppliers in Joy City" and other relevant supplier management regulations to standardize the management measures of the Group's headquarters and regional companies for suppliers. The Group has established an online supplier management system to operate management actions in all links online, and strengthened supplier performance evaluation and dynamic management mechanism to continuously optimize supplier resources.

In addition, the Group implemented a regional suspension mechanism for suppliers. In 2019, the Group completed 4 performance evaluations. Suppliers with less than 75 points were suspended for 6 months in the corresponding region after review, and were publicly disclosed on the Group's internal website and supplier management system.

5.2 Continuous Improvement of Tender and Procurement System Construction and Publicity Training

In 2019, the Group added three tender and procurement regulations, including the "Measures for Supervision and Management of Tender and Procurement in Joy City", and optimized nine existing tender and procurement regulations, including the "Purchase and Management Procedures". We have organized multi-level and multi-dimensional publicity training to help employees to improve their understanding of the system and raise their professionalism of tender and procurement.

New and Optimizing Tender and Procurement System

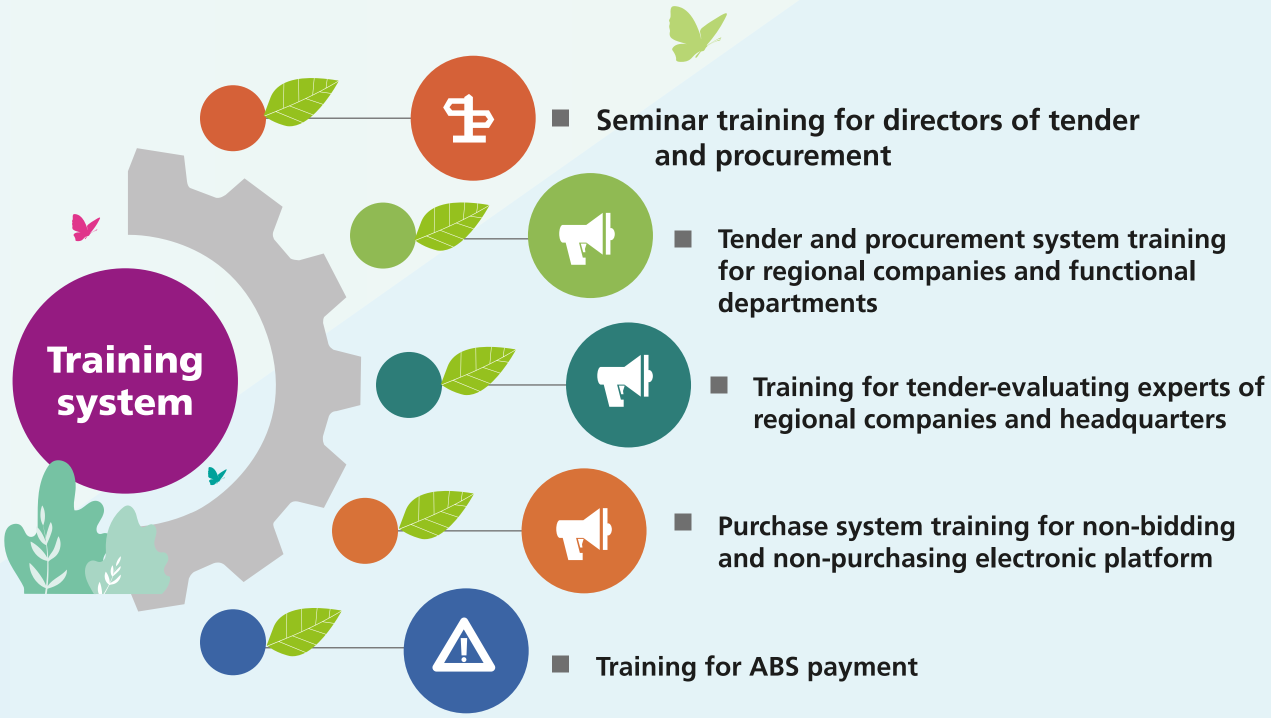
New systems

1. **Administrative Measures of the Tendering Committee in Joy City (Trial)**
   The responsibilities of the management organizations of tender and procurement were defined, and the decision-making mechanism was strengthened
2. **Measures for Supervision and Management of Tender and Procurement in Joy City (Trial)**
   The risk prevention system for incorrupt government was improved, a supervision mechanism was established, and the punishment and discipline were defined
3. **Operation Guidelines of Tender Information Pool Management (Trial)**
   The accuracy and timeliness of the process of tender and procurement were enhanced

Optimizing systems

1. **Administrative Measures of Tender and Procurement in Joy City (Trial) - 2019 Revision**
2. **Procurement and Management Procedures – 2019 Revision**
3. **Division of Powers and Duties Table – 2019 Revision**
4. **Operation Guidelines for Tender and Procurement – 2019 Revision**
5. **Operation Guidelines for Non-bidding and Non-procurement – 2019 Revision**
6. **Operation Guidelines for Technical Tender Evaluation – 2019 Revision**
7. **Operation Guidelines for Procurement Division – 2019 Revision**
8. **Operation Guidelines for Management of Tender Agent Organizations (Trial)**
9. **Operation Guidelines for Management of Tender-Evaluating Expert Pool – 2019 Revision**

Multi-dimensional Tender and Procurement System Training System



5.3 Selection of Tenants

In 2019, the Group revised the "Administrative Measures of Joy City on Investment Attraction Business", and updated the core brands list to include 146 group brands based on the mechanisms on existing business management and business review. In 2019, the Group completed the introduction and adjustment of 114 core brands in 387 shops across the country. The Group's committee of business experts evaluated a total of 648 brands in 15 projects, and continued to expand the Group's cooperation with high-quality brands at home and abroad.

B6 Product Responsibility

The Group adhered to the business concept of "customer-oriented" and strictly abided 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. By improving the operation system and applying high-tech means, the output level of products and service quality were comprehensively improved. The Group focused on consumer's experience and member activities, built the brand image of Joy City, safeguarded consumer information security, so as to improve brand influence and customer satisfaction in all aspects.

Environmental, Social and Governance Report

6.1 Improving the Project Operation and Management

The Group has formulated national inspection content standards, increased inspection dimensions, explored blind side in operation management, and found out the operation management level based on customer satisfaction. A total of 26 interactive operational inspections were conducted among projects throughout the year, with more than 300 self-examination questions and 100 participants. This increased communication and learning among teams, shared excellent management experience and improved the operation and management as a whole. In addition, the Group completed the construction of ERP2.0 system blueprint in 2019. The business management center has realized the integration of business and finance, information visualization, revenue and expenditure control refinement, project operation standardization, and enhanced the efficiency of digital business management by coordinating all professional lines of business, sorting out more than 100 system processes and optimizing the business blueprint. The Group has realized the full cycle management and control of core assets by the way of standardized and transparent methods, thereby laying a solid foundation for the Group's future development needs of multi-projects, high quality and strong management and control.

6.2 Maintaining Key Merchant Groups

The Group broke the barriers of merchant resource cooperation for single commercial projects, strengthened "Headquarter to Headquarter" commercial cooperation, started the operation strategy cooperation mode between headquarters and merchants, helped to realize steady improvement of key merchants' performance in national projects, jointly promoted the depth of refined operation management, and helped to improve performance. In 2019, the Group reached a preliminary cooperation consensus with several key module brands to increase communication, realize resource docking, and formulate feasible plans based on performance guarantee and promotion. Through cooperation, double growth in sales and rental of key module brands have been achieved, and performance in such activities as the "Joy City Shopping Festival ", store celebrations and brand days has been improved.

6.3 Consumer Research and Satisfaction Survey

In 2019, the business management center of the Group carried out the activity of "Youth Culture Study" and released the "2019 Youth Culture White Book of Joy City" to study how the cultural core shapes the characteristics of the new generation of consumers and how it affects consumers' consumption concepts, consumption needs, consumption behaviors and choice logic. The report is of guiding significance to the Group's investment and promotion activities

At the end of 2019, the Group completed a unified survey of consumer satisfaction and merchant satisfaction for all commercial projects in the system. The survey indicators cover 14 first-class indicators and 63 second-class indicators, including operation, finance, investment promotion, brand public relations, property environment and service facilities, and integrity inspection. The quantitative part of the research results will be linked to the performance evaluation of companies in various cities. Within the organizational system, a satisfaction workshop is set up linking projects, persons and work together to conduct in-depth analysis on indicators of low and declining satisfaction, so as to comprehensively improve the management and service level.

6.4 Enhancing Brand Power and Demonstrating the Elegance of Joy City

The Group attaches great importance to the creation of brand image. Through innovative and diversified activities, the Group continuously enhanced brand influence and consolidated its leading position in the industry. In 2019, the Group deployed a new medium and long-term brand action plan named "Space for the Young", to strengthen the brand essence of "youth fashion" in Joy City. The Group deployed commercial innovative IP, "Joy City To Go" to integrate the business of many companies and enhance its overall brand image. Under the environment of consumption upgrading, the Company focused on creating differentiated consumption experiences, catered to the consumption needs of different groups, stimulated the innovation inspiration of Joy City, further improved brand awareness, and won many honors and awards at home and abroad, including "2019 China Shopping Mall Excellent Operator", "Silver Award of 2019 ECI Aichi Marketing Innovation (艾奇營銷創新類銀獎)", " ICSC China Gold Award in Marketing", "Top 10 Brand Value of China Commercial Real Estate Companies for 2019", " Model and Leading Enterprise Award", etc.

Space for the Young

In 2019, the Group launched a new campaign named the "Space for the Young" with the aim of creating a cultural landmark for the young consumers by taking advantage of the brand label of youth culture boosting brand. The Group helped to create brand labels in relation to the five major business segments of media, activities, members, self-made souvenir and vision, and attract more high-quality and high-value young customer groups through thematic activities, visual creativity, space creation and other means. In 2019, Joy City held 80 key youth cultural activities such as " New Year Fashion ", "JOY, UP TO YOUTH" and " Youth Rover Conference " with more than 7.22 million participants and over 3.35 billion media exposure, further consolidating Joy City 's brand event vision for "Space for the Young".

2019 Space for the Young Activities

Environmental, Social and Governance Report

Joy City To Go

As an innovative IP for Joy City, Joy City To Go aims to create a marketing closed loop of “brand going out and resources being imported”, breaks the traditional model of “customer groups seeking for business”, innovatively adopts the “business seeking for customer groups” model to transform passivity into initiative, establishes a brand cooperation relationship with resource partners, builds a cross-border high-quality resource cooperation platform, and actively attracts high-value target customer groups. In 2019, the Group planned and implemented 9 projects for Joy City To Go.

Case:

In 2019, Joy City To Go, as a strategic partner in catering services, joined hands with Modernsky to host three Strawberry Music Festivals. Joy City To Go further promoted the brand goodwill of Joy City among the young customers through its ingenious venue design, safe and healthy hygiene level and excellent catering quality.

In addition, Joy City To Go also joined hands with Shanghai Pudong International Airport to achieve the first cross-border cooperation between a domestic commercial real estate brand and an airport, providing additional membership services of Joy City to high-value customer groups at the airport, which was well received. The innovative cooperation mode of Joy City To Go has gained the recognition of the industry and widespread attention.

2019 Joy City To Go Activities

6.5 Information Security

In order to ensure consumers’ rights and interests and the security of information, the Group carried out a comprehensive review of information security of commercial real estate in 2019, and further put forward the requirements for strict control of information security to ensure the legality and compliance of data transfer. Moreover, the Group conducted relevant pressure rehearsals from the technical level to verify the privacy protection capability of the system in high pressure, high concurrency and other non-normal situations, improved the emergency handling ability of relevant personnel to ensure the safety of sensitive information in extreme situations.

B7 Anti-corruption

The Group stands firm against all corrupt practices and abides by relevant laws and regulations. Also, in order to ensure the compliance operation, the Group has established the anti-fraud system applicable to the Group, strengthened the integrity monitoring efforts, ensured the prevention and control of key links and the necessary decentralization of power, and strictly controlled the integrity risk. In order to enhance the anti-corruption awareness of our employees, the Group has vigorously carried out anti-corruption education and training, made clear the importance of anti-corruption work, popularized the concept and form of fraud, provided various reporting channels, and ensured the acceptance, investigation and feedback procedure of employees' complaints and reports.

The Group has established a sound internal control system, and continuously evaluated the effectiveness of internal control. The Group combined internal control evaluation with economic responsibility audit and special audit in respect of major daily control such as investment promotion management, operation management and bidding management, to find and solve internal control defects, improve relevant system of post avoidance, further optimize internal control system and improve operation and management. During the year, the Group did not have any litigation cases related to corruption or bribery.

B8 Community Investment

Since its establishment, the Group has been always following its original mission and fully fulfilling its corporate social responsibility. The Group shaped a shared corporate culture, and actively participated in social public welfare activities, striving to achieve the mutual development of enterprises and communities.

8.1 "Joy City Run" Charitable Brand Event

"Joy City Run" (as a charitable brand event) adheres to the brand concept of "health, sunshine, happiness and public welfare", cooperates with UNICEF, ORBIS and other international public welfare institutions, and strives to spread the positive energy of sports, health and public welfare to the society. In 2019, the theme of "Joy City Run" is "Walk for love, Run for fun" with more than 200 participants. The participants transformed their enthusiasm into warm love by means of beach racing and other ways, and donated winter materials to the warm project of children's love in Ganzi county, Ganzi Tibetan Autonomous Prefecture, Sichuan province, contributing to public welfare for children and young people.

Photo of Joy City Run

Environmental, Social and Governance Report

8.2 "Joy Public Welfare- Help to Learn (修水助學)" Charitable Brand Event

In 2019, public welfare activities "Poverty alleviation, Help to lean first" under the brand of "Joy Public Welfare" donated RMB100,000 of educational and living materials to primary and secondary schools in Bujia town, Xiushui county, including teaching equipment in art rooms and dance rooms, books on popular science, bedding and other materials, solving local students' real life problems and contributed to the development of local education.

8.3 Targeted Poverty Alleviation

The Group has launched targeted poverty alleviation programs in Ganzi county, Sichuan province, with a total investment of over RMB2.90 million in poverty alleviation. The specific content of the poverty alleviation includes the following aspects:

- Industrial Assistance: assisting five poor villages in Xiala town and the basic renovation of the collective economic city and village operation points in Baicun Industrial Base of Laima Town (來馬鎮百村產業基地)

- Educational Assistance: for the infrastructure of the school building of the Minzu middle school in Ganzi county and the purchase of educational facilities and equipment

- Wisdom and Ambition Help: training for cadres, workers and professionals in Ganzi county

- Difficulty Relief: difficulty relief for Jueri village, Laima town, Ganzi county

The Group has effectively solved livelihood problems, improved the living standards of the disadvantaged groups and established a good brand image through targeted poverty alleviation.

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 2019, the Company had complied with all code provisions as set out in the CG Code except for code provision E.1.2. Code provision E.1.2 stipulates that the chairman of the board of directors should attend the annual general meeting. The Chairman of the Board was unable to attend the annual general meeting of the Company on 30 May 2019 due to another business engagement, Mr. Cao Ronggen, the Executive Director, chaired the annual general meeting on behalf of the Chairman of the Board and was available to answer questions.

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 2019. 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. JIANG Yong and Mr. ZHU Laibin; and the three (3) independent non-executive Directors are Mr. LAU Hon Chuen, Ambrose, *GBS, JP*, Mr. LAM Kin Ming, Lawrence and Mr. CHAN Fan Shing.

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.

Corporate Governance Report

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 2019, and, as agreed by the Nomination Committee, the Board considers each of them to be independent.

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

Roles and Responsibilities of Directors

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

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

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

The Board is also responsible for preparing the consolidated financial statements of the Group for the year ended 31 December 2019. 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 2019, and of the Group's profit and cash flows for the year ended 31 December 2019.

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 2019, 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 2019 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	3	2	19	1
Directors						
Executive Directors						
Mr. ZHOU Zheng *(chairman)*	4 (100%)			2 (100%)	19 (100%)	0 (0%)
Mr. CAO Ronggen	4 (100%)	1 (50%)*	3 (100%)		19 (100%)	1 (100%)
Non-executive Directors						
Mr. ZENG Xianfeng (resigned on 30 May 2019)	2 (100%)	1 (100%)				0 (0%)
Mr. JIANG Yong	3 (75%)					0 (0%)
Independent Non-executive Directors						
Mr. LAU Hon Chuen, Ambrose, *GBS, JP*	4 (100%)	3 (100%)	3 (100%)	2 (100%)		1 (100%)
Mr. LAM Kin Ming, Lawrence	4 (100%)	3 (100%)	3 (100%)	2 (100%)		1 (100%)
Mr. WU Kwok Cheung, *MH*	4 (100%)	3 (100%)	3 (100%)	2 (100%)		1 (100%)

* Mr. CAO Ronggen was appointed as a member of Audit Committee with effect from 30 May 2019.

Directors' Training

During the year ended 31 December 2019, 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 2019. Such information is summarized in the following table:

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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. ZENG Xianfeng (resigned on 30 May 2019)	√	√
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. CHAN Fan Shing, chaired by Mr. LAU Hon Chuen, Ambrose, *GBS, JP*.

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

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

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

Corporate Governance Report

- 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 2019, the Remuneration Committee held three (3) 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. CHAN Fan Shing, chaired by Mr. ZHOU Zheng.

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

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

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

During the year ended 31 December 2019, the Nomination Committee held two (2) 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;

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- reviewed the contribution required from the Directors to perform their responsibilities and whether they have spent sufficient time performing them; and

- consider the renewal of service contracts of Directors.

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".

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. CAO Ronggen, Mr. LAM Kin Ming, Lawrence and Mr. CHAN Fan Shing, chaired by Mr. LAU Hon Chuen, Ambrose, *GBS, JP*.

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

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

- to review and monitor the independence of external auditor and the objectivity and effectiveness of its audit process;

- to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

- to monitor the integrity of the interim and annual financial statements of the Group, and to review significant financial reporting judgments contained therein;

- to review the financial controls, internal controls and risk management systems of the Group;

- to consider any findings of major investigations on risk management and internal control matters and response from the management;

- to review the financial and accounting policies and practices of the Group;

- to review the external auditor's letter to management and ensure that the Board will provide a timely response; and

- to serve as the Company's channel of communication with the external auditor for overseeing their relations.

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

The Audit Committee held three (3) meetings during the year ended 31 December 2019, 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 2018, and made recommendation to the Board for approval;

- reviewed the interim financial statements of the Group for the six months ended 30 June 2019, and made recommendation to the Board for approval;

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- 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 2018 and for the six months ended 30 June 2019;
- 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 2019.

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).

The Executive Committee held nineteen (19) meetings during the year ended 31 December 2019. 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 changes of authorised signatories of the Company's bank accounts; 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 2019, the company secretary undertook over fifteen (15) hours of professional training to update his skills and knowledge.

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AUDITOR'S REMUNERATION

During the year ended 31 December 2019, the remuneration paid or to be payable to the external auditor Deloitte Touche Tohmatsu for audit services and non-audit services were RMB3,019,000 and RMB1,581,000, respectively. Non-audit services fees were mainly for review of the interim report, issuing debt statement for the acquisition of Jinan Joy City project, continuing connected transaction and other professional services.

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 2019.

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 54, 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").

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"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 2019.

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 2019, the Company held the following major investors relationship activities:

Month	Activity	Place
February	Guotai Junan Investment Strategy Conference	Beijing
April	HSBC London Investors Conference	London, UK
May	J. P. Morgan Investment Strategy Conference 2019	Beijing
	HSBC Investment Strategy Conference 2019	Shenzhen
	CITIC Securities Investment Strategy Conference 2019	Qingdao
	Orient Securities Investment Strategy Conference 2019	Shanghai
	Essence Securities Investment Strategy Conference 2019	Xiamen
	HTSC Investment Strategy Conference 2019	Shanghai
	UBS Investment Strategy Conference 2019	Hong Kong
June	Orient Securities Investment Strategy Conference 2019	Shanghai
	Minsheng Securities Investment Strategy Conference 2019	Shenzhen
	Goldman Sachs Investment Strategy Conference 2019	Hong Kong
	Tianfeng Securities Investment Strategy Conference 2019	Qingdao
July	Haitong Securities Investment Strategy Conference 2019	Shanghai
September	Huachuang SecuritiesInvestment Strategy Conference 2019	Beijing
	CSC Financial Investment Strategy Conference 2019	Beijing
October	Guosheung Securities Investment Strategy Conference 2019	Suzhou
	Guotai Junan Investment Strategy Conference 2019	Zhuhai
November	Huachuang Securities Investment Strategy Conference 2019	Shenzhen
	Citibank Investors Strategy Conference 2019	Macau, Shenzhen
	CITIC Securities Investment Strategy Conference 2019	Shenzhen
	Industrial Securities Investment Strategy Conference 2019	Shanghai
	Haitong Securities Investment Strategy Conference 2019	Shanghai
	CMSC Investment Strategy Conference 2019	Beijing
	Southwest Securities Investment Strategy Conference 2019	Chengdu
December	HTSC Investment Strategy Conference 2019	Beijing
	Changjiang Securities Investment Strategy Conference 2019	Shanghai
	Tianfeng Securities Investment Strategy Conference 2019	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 2019, which were approved by the Board on 30 March 2020.

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 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 141 of this Annual Report.

The Company has adopted a dividend policy (the "Dividend Policy"). According to the Dividend Policy, the company intends to declare dividends to shareholders every year and may declare special dividends from time to time. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the Group's distributable profits generated during the year, the liquidity of cash flow, and the retained profits for future development. While sharing the profit with shareholders, the Company shall also maintain sufficient reserves to ensure the implementation of the Group's strategy for development. The payment of dividend is also subject to any restrictions under the laws of Bermuda, the laws of Hong Kong and the articles of association of the Company.

The Board recommended the payment of a final dividend of HK4 cent per share (2018: HK6 cent per share) for the year ended 31 December 2019. It is expected that the final dividend will be paid on Monday, 6 July 2020 to shareholders whose names appear on the register of members of the Company on Wednesday, 17 June 2020 subject to the approval of shareholders at the AGM to be held by the Company on Wednesday, 3 June 2020.

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 2019 is set out on page 136 of this Annual Report.

BUSINESS REVIEW

Details of the business review are set out in the section headed "Management Discussion and Analysis" on page 33 to 74 in this Annual Report.

BANK BORROWINGS

Details of movements in the Group's bank borrowings during the year ended 31 December 2019 are set out in Note 33 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 53, 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 2019 are set out in Note 37 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the Company's and the Group's reserves during the year are set out in Notes 55 and 39 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the reserves available for distribution of the Company, before the final dividend proposed by the Board which is subject to approval by the shareholders at the forthcoming AGM, amounted to RMB8,934,627,000. As at 31 December 2019, the Company's share premium in the amount of RMB17,993,202,000 (as at 31 December 2018: 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 2019 (%)
Top five customers	5.25
Largest customer	1.93

	Percentage of total purchases for the year ended 31 December 2019 (%)
Top five suppliers	10.17
Largest supplier	2.86

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' Report

DIRECTORS

The Directors during the year ended 31 December 2019 and up to the date of this Annual Report are:

Executive Directors:

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

Non-executive Directors:

Mr. Zeng Xianfeng (resigned on 30 May 2019)
Mr. JIANG Yong
Mr. ZHU Laibin (appointed on 30 March 2020)

Independent Non-executive Directors:

Mr. LAU Hon Chuen, Ambrose, *GBS, JP*
Mr. LAM Kin Ming, Lawrence
Mr. CHAN Fan Shing (appointed on 10 February 2020)
Mr. WU Kwok Cheung, *MH* (resigned on 10 February 2020)

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

Pursuant to Bye-law 83(2), any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election. In this regard, Mr. CHAN Fan Shing and ZHU Laibin shall retire from office and, being eligible, offer themselves for re-election at the AGM.

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

DIRECTORS' PROFILE

Each Director's profile is set out on pages 75 to 81 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 2019.

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 2019 is set out in Note 14 to the consolidated financial statements.

Details of the emoluments paid to the senior management in 2019 by bands are as follows:

Emolument Band	Number of Individuals
Below RMB1,000,000	1
RMB1,000,000 to RMB2,000,000	3
RMB2,000,000 to RMB3,000,000	1
RMB3,000,000 to RMB4,000,000	1

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 2019, 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:

Directors' Report

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. CAO Ronggen	The Company	Beneficiary of a trust	4,533,884	0.03% (Note 2)
Mr. JIANG Yong	The Company	Beneficial owner	300,000	0.00% (Note 2)
	China Foods Limited	Beneficial owner	50,000	0.00% (Note 3)
Mr. LAM Kin Ming, Lawrence	The Company	Beneficial owner	6,000	0.00% (Note 2)
Mr. ZHOU Peng	The Company	Beneficiary of a trust	3,156,763	0.02% (Note 2)

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 percentage (rounded to 2 decimal places) was calculated based on the total number of Shares in issue as at 31 December 2019, i.e. 14,231,124,858 shares.

3. 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 2019, i.e. 2,797,223,396 shares.

Save as disclosed herein, as at 31 December 2019, 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 2019 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 2019, the interests and short positions of substantial shareholders in the shares and underlying shares of the Company as recorded in the register of interests of the Company required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

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

Number of 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%
Grandjoy	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%
Citigroup Inc.	Ordinary shares	870,816,676 (L) 226,000 (S) 868,364,676 (P)	6.12% 0.00% 6.10%

Directors' Report

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 2019, 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 2019.

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 2019.

   COFCO Corporation, through its wholly-owned subsidiary, COFCO (HK), was deemed to be interested in 9,501,359,644 Shares as at 31 December 2019.

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 2019.

   COFCO Corporation, through its wholly-owned subsidiary, COFCO (HK), was deemed to be interested in 1,095,300,778 CPS as at 31 December 2019.

4. Pursuant to the group reorganization, Grandjoy 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 Grandjoy, 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 2019.

L. Indicates a long position.

S. Indicates a short position.

P. Indicates a lending pool.

Save as disclosed herein, as at 31 December 2019, 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 2019 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 2019 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 2019:

(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

Details of Continuing Connected Transactions

(a) Leasing of properties to the COFCO Group

As of 31 December 2019, 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 three supplemental agreements on 3 November 2014, 21 December 2016 and 30 December 2019, respectively, to further extend its term to 31 December 2022, with COFCO Corporation to govern the terms of the lease arrangements between the Company and the COFCO Group.

The 2019 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 2019) (RMB'000)	Actual Amounts (financial year ended 31 December 2019) (RMB'000)
245,000	159,872

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

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

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

Relevant member of the COFCO Group	Relevant member of Group	Hotel and property management services provided to the Group
Gloria International Hotel Management (Beijing) Co., Ltd.	Yalong Development (Sanya)	Provision of hotel management services for Cactus Resort Sanya by Gloria
COFCO Property Group Shenzhen Property Management Co., Ltd., Shenyang Branch	Shenyang Development	Provision of property management services for Shenyang Joy City
COFCO Property Group 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 Group 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 Group Shenzhen Property Management Co., Ltd., Chongqing Branch	Chongqing Zeyue Co., Ltd.	Provision of property management services for Chongqing COFCO Central Park Shine City
COFCO Property Group Shenzhen Property Management Co., Ltd., Xidan Branch	Xidan Joy City	Provision of property management services for Xidan Joy City
COFCO Property Group Shenzhen Property Management Co., Ltd., Xi'an Branch	Xi'an Qianhantang International Plaza	Provision of property management services Xi'an Joy 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.

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 2019) (in RMB'000)	Actual amounts (financial year ended 31 December 2019) (RMB'000)
90,000	40,978

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 three supplemental agreements on 3 November 2014, 21 December 2016 and 30 December 2019, respectively, to further extend its term to 31 December 2022, 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.

(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 three supplemental agreements on 3 November 2014, 21 December 2016 and 30 December 2019, respectively, to further extend its term to 31 December 2022.

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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 2019) (in RMB'000)	Actual amounts (financial year ended 31 December 2019) (RMB'000)
24,900	4,801

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.

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

As at 31 December 2019, 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, 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 2019) (in RMB'000)	Total annual rent and management fee for the year ended 31 December 2019 RMB'000
12th floor of COFCO Fortune Plaza in Beijing	1 January 2019 to 31 December 2019	16,940	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.

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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 2022, 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.

Directors' Report

(e) Financial Services

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

(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$614 million) on any day throughout the term of the Financial Services Agreement. For the year ended 31 December 2019, 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$614 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 2019 shall not exceed RMB5,000,000 (equivalent to approximately HK$5,581,728). For the year ended 31 December 2019, the aggregate annual handling fees charged by COFCO Finance for providing the entrustment loans to Joy City Commercial Management was RMB3,098,000 (equivalent to approximately HK$3,458,438).

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.

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 123 to 129 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 18 December 2019 entered into by Sanya Jiayue Development and Construction Limited, an indirect non wholly-owned subsidiary of the Company, and Resources and Planning Bureau of Sanya City, in connection to the acquisition of land use rights of the land located at Sanya City, Hainan Province, the PRC;

(b) the land use rights grant contract dated 17 October 2019 entered into by Jinan Joy City Property Development Company Limited, a limited liability company incorporated in the PRC which equity interest is held as to 60% and 40% by Jetway Developments Limited, a company incorporated in Samoa and a direct wholly-owned subsidiary of the Company and Jinan Licheng Holdings, a limited liability company incorporated in the PRC, respectively and Jinan Bureau of Land and Resources, in connection to the acquisition of land use rights of the land located in north of Gong Ye Bei Road and west of Ji Gang in Wang She Ren Pian District, Jinan, the PRC;

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(c) the restructuring framework agreement dated 30 August 2019 entered into among the Company, Spring Wisdom Limited ("Spring Wisdom"), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company, Gain Success Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, Shanghai Gaoxing Property Limited, a limited liability company established in the PRC and a wholly-owned subsidiary of the Company, Grand Favour Limited ("Grand Favour"), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company, Bright Motion Limited ("Bright Motion"), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company and Garbo Commercial Property Fund L.P. ("Garbo Commercial"), a limited partnership established in the Cayman Islands for which the Group holds approximately 36.36% of the limited partnership interests in relation to the transfer of the entire issued share capital in Spring Wisdom from the Company to Garbo Commercial; and

(d) the restructuring framework agreement dated 30 August 2019 entered into among the Company, Glorious Run Limited ("Glorious Run"), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company, Mark Creative Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, Xi'an Qin Han Tang International Plaza Management Company Limited, a limited liability company established in the PRC and a subsidiary of the Company, Grand Favour, Bright Motion and Garbo Commercial in relation to the transfer of the entire issued share capital in Glorious Run from the Company to Garbo Commercial.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

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

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.

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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 HKD500,000,000 (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.

On 25 March 2019, Fortune Set Limited, a non-wholly owned subsidiary of the Company, (the "Fortune Set") as borrower entered into a facility letter with a bank as lender whereby the banking facilities of (i) a term loan up to HKD1,200,000,000 or its equivalent amount in USD; and (ii) treasury credit limit up to HKD300,000,000 (the "Facilities") would be made available by the bank to Fortune Set subject to the terms and conditions of the Facility Letter. The final maturity date of the term loan shall be two years from the signing date of the Facility Letter and the maximum tenor of each transaction of the treasury credit limit shall be less than 3 years or up to the final maturity date of the term loan, whichever is earlier. 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 of the Company and/or cease to have management control over 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 Fortune Set in respect of the Facilities from any of the account(s) of Fortune Set without prior notice.

On 4 July 2019, the Company as borrower entered into facility letters with a bank as lender whereby the banking facilities of (i) a committed term loan up to HKD780,000,000 (the "Term Loan"); and (ii) a short term loan up to HKD400,000,000 or its equivalent amount in USD (the "Short Term Loan") (collectively the "Facilities") would be made available by the Bank to the Company subject to the terms and conditions of the Facility Letters. The final maturity date of the Term Loan shall be one year from the signing date of the facility letter while the Short Term Loan shall be one year from the issuance date of the facility letter. Pursuant to the Facility Letters, if COFCO Corporation (a) 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; and/or (b) do not or cease to be, directly or indirectly, the single largest shareholder of the Company and/or have management control over the Company, it would constitute an event of default upon which the Facilities and all interest thereon, and all other sums payable thereunder shall become immediately due and payable and shall immediately by repaid or paid to the Bank.

On 24 October 2019, Bapton Company Limited ("Bapton"), an indirect wholly-owned subsidiary of the Company, as borrower and the Company as guarantor entered into facility agreement a US$800,000,000 dual tranche term facility (the "Facility Agreement") with certain banks as lenders whereby a term loan facility in an aggregate of US$800,000,000, which divided into two tranches, a US dollar tranche in an aggregate amount equal to US$400,000,000 ("Tranche A Facility") and a US dollar tranche in an aggregate amount equal to US$400,000,000 ("Tranche B Facility") (collectively, the "Facility") would be made available by the banks to Bapton subject to the terms and conditions of the Facility Agreement. The final maturity date of the Tranche A Facility shall be the date falling 36 months from the date of the Facility Agreement and the final maturity date of the Tranche B Facility shall be the date falling 60 months from the date of the Facility Agreement. Pursuant to the Facility Agreement, if COFCO Corporation (a) does not or ceases to be, directly or indirectly, the single largest shareholder of the Company or have management control over the Company; and/or (b) 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 Facility shall immediately be cancelled; and/or all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding shall become immediately due and payable; and/or all or part of the loans shall immediately become payable on demand.

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On 29 October 2019, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender whereby the banking facility of an uncommitted revolving loan up to USD50,000,000 or its equivalent amount in HKD (the "Facility") would be made available by the bank to the Company subject to the terms and conditions of the Facility Letter. The final maturity of the Facility shall be subject to the bank's review on or before the date of the earlier of the date falling one year from the date of accepting the facility letter and 8 January 2021. Pursuant to the Facility Letter, COFCO Corporation shall directly and indirectly have the single largest shareholding interest in the Company; otherwise, it would constitute an event of default upon which the Facility shall be repaid to the bank on demand. As at the date of this announcement, COFCO Corporation was the ultimate controlling shareholder of the Company.

Reference is made to the announcement of the Company dated 18 January 2018 regarding the Company as borrower entered into a facility letter with a bank as lender. On 4 December 2019, the Company as borrower entered into a facility letter (the "Facility Letter A") with the Bank as lender whereby the banking facility for extension of existing treasury credit limit from HK$60,000,000 to HK$100,000,000 (the "Treasury Credit Limit") would be made available by the Bank to the Company subject to the terms and conditions of the Facility Letter A. Maximum tenor of each transaction under the Treasury Credit Limit shall not exceed five years. On 4 December 2019, the Company as borrower entered into a facility letter (the "Facility Letter B") with the Bank as lender whereby the banking facility of a revolving loan up to HKD400,000,000 or its equivalent amount in USD (the "Revolving Loan") would be made available by the Bank to the Company subject to the terms and conditions of the Facility Letter B. The Revolving Loan shall be repaid or re-borrowed at the end of each interest period or shall be repaid in full on demand. Pursuant to the Facility Letter A and Facility Letter B, 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 all amounts due or owing by the Company to the Bank in respect of the Treasury Credit Limit and/or the Revolving Loan shall become immediately due and payable.

On 13 December 2019, the Company as borrower entered into facility letter with a bank as lender whereby the banking facility of an uncommitted revolving loan up to USD80,000,000 (the "Facility") would be made available by the Bank to the Company subject to the terms and conditions of the Facility Letter. The final maturity of the Facility shall be the date falling 364 days from the date of first drawdown. The Bank may exercise at its sole discretion an option to further extend the final maturity date to another 364 days by giving written confirmation to the Company. Pursuant to the Facility Letter, COFCO Corporation (a) shall remain majority owned or management controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China; and/or (b) shall remain directly or indirectly, the single largest shareholder and the management controlling position of the Company; otherwise, it would constitute an event of default upon which all of the obligations of the Company to the Bank in respect of the Facility shall be become immediately due and payable on demand.

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 2019.

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.

Directors' Report

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 2019, 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 Grandjoy 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 2019, the Independent Board Committee considered that COFCO Corporation had complied with the Non-Competition Undertaking for the year ended 31 December 2019.

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 105 to 115 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 Thursday, 28 May 2020 to Wednesday, 3 June 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 27 May 2020.

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, 11 June 2020 to Wednesday, 17 June 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 10 June 2020.

AUDIT COMMITTEE

The audited consolidated results of the Group for the year ended 31 December 2019 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 51 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.

SUBSEQUENT EVENTS

Details of significant subsequent events after the end of the reporting period are set out in Note 54 to the consolidated financial statements.

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 RMB2,994,000 (2018: RMB2,095,730). Details of the donations are set out in the Environmental, Social and Governance Report on pages 82 to 104 of the Annual Report.

ON BEHALF OF THE BOARD

ZHOU Zheng
Chairman

30 March 2020

Five Years Financial Summary

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consolidated results revenue	**10,337,768**	8,128,914	11,657,761	6,987,097	5,382,474
Profit for the year attributable to owners of the Company	**1,635,906**	2,103,271	1,153,162	797,581	726,147

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consolidated assets and liabilities					
Total assets	**110,977,370**	98,860,489	86,370,523	82,550,683	73,087,104
Total liabilities	**61,139,477**	53,689,705	43,897,714	41,044,052	39,712,577
Total equity	**49,837,893**	45,170,784	42,472,809	41,506,631	33,374,527
Equity attributable to owners of the Company	**29,035,061**	28,209,016	27,018,517	26,203,351	25,107,923

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 141 to 295, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 2019 with the assistance of an independent external valuer. Details of the investment properties and the related key estimation uncertainty are set out in Notes 16 and 4, respectively, to the consolidated financial statements.	Our procedures in relation to management's valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the external valuer engaged by the management. • Obtaining a copy of valuation report prepared by the external valuer and discussing with the external valuer together with our internal valuation specialists to understand the basis of determination of valuation. • Challenging the external valuer the methodologies and judgments used in valuing the investment properties with the assistance of our internal valuation specialists and obtaining the market evidence that the external valuer used to support the key inputs. • Assessing the adequacy of the disclosures of the fair value measurement of investment properties including the fair value measurement hierarchy, the valuation technique and significant unobservable inputs in the consolidated financial statements.
Revenue recognised 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
30 March 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	NOTES	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	5		
Contracts with customers		**6,533,830**	4,946,239
Leases		**3,803,938**	3,182,675
Total revenue		**10,337,768**	8,128,914
Cost of sales and services rendered	10	**(4,591,136)**	(3,629,144)
Gross profit		**5,746,632**	4,499,770
Other income	6	**263,249**	268,533
Other gains and losses, net	7	**(203,117)**	(161,881)
Impairment losses under expected credit loss model, net of reversal	8	**(1,302)**	(1,988)
Gain on disposal of subsidiaries	50	**701,154**	1,144,610
Distribution and selling costs		**(647,257)**	(605,433)
Administrative expenses		**(1,001,422)**	(911,635)
Fair value gain/(loss) on:			
investment properties	16	**833,662**	1,092,021
financial liabilities at fair value through profit or loss		**(8,100)**	–
Finance costs	9	**(1,178,660)**	(800,936)
Share of profits/(losses) of associates		**1,883**	(1,067)
Share of losses of joint ventures		**(86,801)**	(2,570)
Profit before tax	10	**4,419,921**	4,519,424
Income tax expense	11	**(1,751,422)**	(1,406,417)
Profit for the year		**2,668,499**	3,113,007
Profit for the year attributable to:			
Owners of the Company		**1,635,906**	2,103,271
Holders of perpetual capital instruments		**151,976**	175,645
Non-controlling interests		**880,617**	834,091
		2,668,499	3,113,007
Basic and diluted earnings per share	13	**RMB10.7 cents**	RMB13.7 cents

Consolidated Statement of Profit or Loss And Other Comprehensive Income

For the year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit for the year	**2,668,499**	3,113,007
Other comprehensive expense:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation	**(57,310)**	(89,530)
Fair value gain/(loss) on hedging instruments for cash flow hedges	**55,149**	(2,016)
Other comprehensive expense for the year, net of income tax	**(2,161)**	(91,546)
Total comprehensive income for the year	**2,666,338**	3,021,461
Total comprehensive income for the year attributable to:		
Owners of the Company	**1,632,757**	2,012,713
Holders of perpetual capital instruments	**151,976**	175,645
Non-controlling interests	**881,605**	833,103
	2,666,338	3,021,461

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	At 31 December 2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Investment properties	16	**57,303,993**	58,611,949
Property, plant and equipment	17	**3,767,707**	3,314,820
Leasehold land and land use rights		**–**	609,010
Right-of-use assets	18	**1,761,700**	–
Intangible assets	19	**126,434**	80,193
Interests in associates	20	**109,958**	154,374
Interests in joint ventures	21	**6,164,344**	5,315,396
Loan to a joint venture	24	**92,290**	92,290
Loans to associates	24	**1,188,213**	403,098
Financial assets at fair value through profit or loss		**510**	510
Goodwill	22	**184,297**	253,042
Deposits	28	**136,194**	10,000
Deferred tax assets	23	**122,236**	51,944
Hedging instruments		**53,133**	–
		71,011,009	68,896,626
CURRENT ASSETS			
Inventories	25	**24,843**	35,561
Properties held for sale	26 (a)	**521,638**	1,123,521
Properties under development for sale	26 (b)	**21,209,749**	14,929,521
Accounts receivable	27	**145,887**	226,727
Contract costs		**68,698**	43,057
Deposits, prepayments and other receivables	28	**2,202,962**	1,680,035
Amount due from the ultimate holding company	29	**7**	12
Amounts due from fellow subsidiaries	29	**956**	3,604
Amounts due from non-controlling interests	29	**42,654**	59,470
Amounts due from joint ventures	29	**17,094**	55,915
Amounts due from associates	29	**290,074**	113,371
Loans to associates	24	**1,649,370**	1,876,354
Loans to joint ventures	24	**549,450**	1,451,659
Loan to non-controlling interests	24	**1,000,000**	1,100,000
Tax recoverable		**104,048**	145,031
Restricted bank deposits	30	**372,480**	–
Pledged deposits	30	**14,340**	12,522
Cash and bank balances	30	**11,752,111**	7,107,503
		39,966,361	29,963,863
TOTAL ASSETS		**110,977,370**	98,860,489

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	At 31 December 2019 RMB'000	2018 RMB'000
CURRENT LIABILITIES			
Accounts payable	31	**2,510,357**	2,143,707
Other payables and accruals	32	**6,562,245**	5,847,456
Contract liabilities	36	**7,781,928**	6,959,696
Lease liabilities		**48,292**	–
Amount due to the ultimate holding company	29	**136**	1,159
Amount due to an intermediate holding company	29	**695**	61
Amount due to the immediate holding company	29	**8,090**	–
Amounts due to non-controlling interests	29	**1,755,037**	1,843,205
Amount due to an associate	29	**166,827**	–
Amounts due to joint ventures	29	**28,978**	5
Amounts due to fellow subsidiaries	29	**117,960**	95,325
Loans from fellow subsidiaries	24	**245,362**	410,200
Loan from non-controlling interests	24	**626,721**	–
Loan from a third party	24	**991,800**	–
Bank borrowings	33	**2,288,320**	1,595,961
Income tax and land appreciation tax payables		**1,327,280**	916,319
Deferred income		**6,883**	2,074
Guaranteed notes	34	**–**	5,502,007
Bonds payable	35	**1,138,851**	2,360,148
		25,605,762	27,677,323
NET CURRENT ASSETS		**14,360,599**	2,286,540
TOTAL ASSETS LESS CURRENT LIABILITIES		**85,371,608**	71,183,166

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	At 31 December 2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Other payables and accruals	32	**848,089**	836,547
Lease liabilities		**136,703**	–
Loan from non-controlling interests	24	**–**	672,233
Loans from a fellow subsidiary	24	**1,239,418**	620,172
Loans from third parties	24	**2,123,800**	–
Bank borrowings	33	**20,803,086**	14,684,797
Deferred tax liabilities	23	**7,300,545**	7,403,751
Bonds payable	35	**3,081,566**	1,748,079
Amounts due to fellow subsidiaries	29	**508**	19,147
Amount due to an intermediate holding company	29	**–**	618
Amount due to non-controlling interests	29	**–**	25,022
Other financial liabilities		**–**	2,016
		35,533,715	26,012,382
NET ASSETS		**49,837,893**	45,170,784
CAPITAL AND RESERVES			
Share capital	37	**1,122,414**	1,122,414
Reserves	39	**27,912,647**	27,086,602
Equity attributable to owners of the Company		**29,035,061**	28,209,016
Perpetual capital instruments	40	**5,330,086**	2,743,326
Non-controlling interests		**15,472,746**	14,218,442
TOTAL EQUITY		**49,837,893**	45,170,784

The consolidated financial statements on pages 141 to 295 were approved and authorised for issue by the Board of Directors on 30 March 2020 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 2019

	Attributable to owners of the Company													
	Ordinary share capital RMB'000 (Note (a)) (Note 37)	Share premium RMB'000 (Note (a))	Non-redeemable convertible preference shares RMB'000 (Note (a)) (Note 38)	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 40)	Non-controlling interests RMB'000	Total equity RMB'000
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**
Profit and other comprehensive income/(expense) for the year	-	-	-	-	54,161	-	-	-	(57,310)	1,635,906	1,632,757	151,976	881,605	2,666,338
Repayment of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	(1,200,000)	-	(1,200,000)
Issue of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	3,634,784	-	3,634,784
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	636,715	636,715
Statutory reserve appropriation	-	-	-	-	-	-	214,987	-	-	(214,987)	-	-	-	-
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(327,801)	(327,801)
Final 2018 dividend declared (Note 12)	-	-	-	-	-	-	-	-	-	(808,270)	(808,270)	-	-	(808,270)
Acquisition of a subsidiary (Note 49)	-	-	-	-	-	-	-	-	-	-	-	-	167,694	167,694
Disposal of subsidiaries (Note 50(a))	-	-	-	-	-	-	(45)	-	-	-	(45)	-	(98,672)	(98,717)
Others	-	-	-	-	1,929	-	(326)	-	-	-	1,603	-	(5,237)	(3,634)
At 31 December 2019	**1,122,414**	**17,993,202**	**1,722,317**	**(20,801,408)**	**2,855,621**	**6,140,228**	**982,616**	**76,497**	**(178,171)**	**19,121,745**	**29,035,061**	**5,330,086**	**15,472,746**	**49,837,893**

	Attributable to owners of the Company													
	Ordinary share capital RMB'000 (Note (a)) (Note 37)	Share premium RMB'000 (Note (a))	Non-redeemable convertible preference shares RMB'000 (Note (a)) (Note 38)	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 40)	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	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 32)	-	-	-	-	(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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

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 32).

(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 2019

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before tax	**4,419,921**	4,519,424
Adjustments for:		
Finance costs	**1,178,660**	800,936
Interest income	**(234,673)**	(248,675)
Share of (profits)/losses of associates	**(1,883)**	1,067
Share of losses of joint ventures	**86,801**	2,570
Recognition of impairment loss on goodwill	**68,745**	–
Amortisation of intangible assets	**14,686**	9,900
Amortisation of leasehold land and land use rights	**–**	22,703
Depreciation of right-of-use assets	**100,073**	–
Depreciation of property, plant and equipment	**221,541**	230,240
Fair value (gain)/loss on:		
investment properties	**(833,662)**	(1,092,021)
financial assets at fair value through profit or loss	**8,100**	–
Recognition of impairment loss on accounts receivable, net	**4,453**	978
(Reversal)/recognition of impairment loss on other receivables	**(3,151)**	1,010
Exchange loss, net	**69,730**	245,849
Gains on disposal of subsidiaries	**(701,154)**	(1,144,610)
Loss on disposal of property, plant and equipment, net	**25,173**	2,843
Other gain relating to reversal of contract cost	**(6,023)**	–
Release of deferred revenue	**(12,434)**	(12,561)
Operating cash flows before movements in working capital	**4,404,903**	3,339,653
Decrease in inventories	**10,873**	7,234
Decrease in properties held for sale	**2,859,285**	2,119,344
Increase in properties under development for sale	**(8,206,650)**	(3,264,069)
Decrease/(increase) in accounts receivable	**62,564**	(56,400)
Increase in contract costs	**(25,641)**	(7,651)
Increase in deposits, prepayments and other receivables	**(492,071)**	(633,046)
(Increase)/decrease in amounts due from non-controlling interests	**(275)**	6,476
Increase in amount due to non-controlling interest	**1,306**	–
Increase/(decrease) in accounts payable	**272,447**	(319,647)
Increase in contract liabilities	**824,136**	2,625,235
Increase in other payables and accruals	**1,207,087**	237,477
Increase in rental deposits received	**80,776**	250,803
(Increase)/decrease in restricted bank deposits	**(372,480)**	1,283,100
Decrease in amount due from the ultimate holding company	**5**	72

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Decrease in amount due to the ultimate holding company	**(1,023)**	–
Decrease/(increase) in amounts due from fellow subsidiaries	**2,648**	(2,843)
(Decrease)/increase in amounts due to joint ventures	**(18,943)**	5
Increase in amount due to the immediate holding company	**227**	–
Decrease in amount due to an intermediate holding company	**–**	(569)
Increase in amounts due to fellow subsidiaries	**20,746**	38,728
Interest received	**66,130**	–
Increase in deposits paid	**(9,918)**	–
Increase in deferred income	**17,243**	12,371
Cash generated from operations	**703,375**	5,636,273
PRC Enterprise Income Tax and Hong Kong Profit Tax paid	**(898,929)**	(1,140,078)
Land Appreciation Tax paid	**(269,750)**	(242,498)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES (NOTE)	**(465,304)**	4,253,697
INVESTING ACTIVITIES		
Interest received	**–**	97,571
Purchases of property, plant and equipment	**(241,827)**	(364,005)
Payments for right-of-use assets/leasehold land and land use rights	**(30,605)**	(1,472)
Payments for intangible assets	**(62,082)**	(50,953)
Payments for investment properties	**(2,034,813)**	(2,107,721)
Proceeds on disposal of property, plant and equipment	**61,432**	12,212
Proceeds on disposal of investment properties	**16,787**	–
Acquisition of subsidiaries (Note 49)	**304**	–
Disposal of interest in an associate	**1,330**	–
Acquisition of interest in an associate	**(340)**	(72,807)
Acquisition of interests in joint ventures	**(760,658)**	(4,304,275)
Repayments from fellow subsidiaries	**–**	17,017
Loans to joint ventures	**–**	(1,320,190)
Loans to associates	**(1,454,796)**	(1,932,309)
Advanced to associates	**–**	(4,541)
Repayment of loans to associates	**896,664**	–
Loan to non-controlling interests	**(1,750,000)**	(1,100,000)
Repayment of loan to non-controlling interests	**1,850,000**	–

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
INVESTING ACTIVITIES		
Net cash (outflow)/inflow on disposal of subsidiaries (Note 50)	**(105,694)**	662,541
Repayment of loans to joint ventures	**673,750**	–
Advance from a joint venture	**–**	40,590
Repayment of loan from a third party on acquisition of a subsidiary	**(338,982)**	–
Decrease in amount due to non-controlling interest	**(75,418)**	–
Increase in deposits paid for land acquisition for investment properties	**(116,276)**	–
Decrease in amounts due from non-controlling interests	**21,282**	–
Decrease in amounts due from joint ventures	**2,180,535**	–
Increase in pledged deposits	**(1,818)**	(1,653)
NET CASH USED IN INVESTING ACTIVITIES	**(1,271,225)**	(10,429,995)
FINANCING ACTIVITIES		
Interest paid	**(1,015,702)**	(674,064)
Repayment of perpetual capital instruments	**(1,200,000)**	(200,000)
Repayment of bonds payable	**(2,267,788)**	–
Repayment of guaranteed notes	**(5,580,960)**	–
Issuance of perpetual capital instruments	**3,634,784**	–
Issuance of bonds	**2,349,774**	–
Interest paid to guaranteed notes holders	**(202,310)**	(199,033)
Interest paid on bonds payable	**(145,500)**	(145,500)
Repayment of loans from a third party	**–**	(25,310)
Repayments of amount due to non-controlling interest	**(10,000)**	–
Proceeds from bank borrowings	**15,183,898**	7,811,388
Repayment of bank borrowings	**(7,090,078)**	(3,040,560)
Loans from fellow subsidiaries	**263,796**	150,146
Repayment of loans from fellow subsidiaries	**(132,640)**	(15,750)
Repayment of amount due to the ultimate holding company	**–**	(200,129)
Repayment of leases liabilities	**(36,931)**	–
Repayment to joint ventures	**(1,125)**	–
Increase in amount due to an associate	**166,600**	–
Repayments to fellow subsidiaries	**(32,784)**	(37,928)
Loans from non-controlling interests	**–**	672,233
Repayments of loans from non-controlling interests	**(63,194)**	(31,409)
Loans from third parties	**4,107,400**	622,730
Repayment of loan from a third party	**(991,800)**	–
Dividends paid	**(777,044)**	(536,095)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
FINANCING ACTIVITIES		
Dividends paid to non-controlling interests	**(418,095)**	(719,233)
Contribution from non-controlling interests	**636,715**	714,139
NET CASH FROM FINANCING ACTIVITIES	**6,377,016**	4,145,625
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**4,640,487**	(2,030,673)
Cash and cash equivalents at beginning of year	**7,107,503**	9,127,596
Effects of exchange rate changes on the balance of cash held in foreign currencies	**4,121**	10,580
CASH AND CASH EQUIVALENTS AT END OF YEAR	**11,752,111**	7,107,503
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and bank balances	**11,725,521**	6,989,343
Non-pledged time deposits	**26,590**	118,160
Cash and bank balances as stated in the consolidated statement of financial position	**11,752,111**	7,107,503
	11,752,111	7,107,503

Note:

The net cash outflows used in operating activities for the current period was mainly due to the increase in restricted bank deposits, which are designated for relocating existing residents on the lands on which the primary land development project of the Group as a social investor are located, amounting to RMB370,120,000 as at 31 December 2019, details of which are set out in Note 30 to these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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 Vibrant Oak Limited, a company incorporated in the British Virgin Islands, to Grandjoy Holdings Group Co., Ltd ("Grandjoy Holdings", formerly known as COFCO Property (Group) Co., Ltd.), a company established in the PRC with its A shares listed on the Shenzhen Stock Exchange, in January 2019. Vibrant Oak Limited and Grandjoy Holdings are both under common control 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.

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which most of the group entities operate (the functional currency of the Company and most of the entities comprising the Group), and all values are rounded to the nearest thousand ('000) unless otherwise indicated.

2. 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 16	*Leases*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*

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 positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

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

2.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected 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 standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the PRC was determined on a portfolio basis.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.39%.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

2.1 HKFRS 16 Leases (continued)

As a lessee (continued)

	Notes	**At 1 January 2019** RMB'000
Operating lease commitments disclosed as at 31 December 2018		229,720
Lease liabilities discounted at relevant incremental borrowing rates		194,443
Less: Recognition exemption – short-term leases		(62)
Recognition exemption – low value assets		(20)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	(a)	194,361
Analysed as		
Current		29,194
Non-current		165,167
		194,361

The carrying amount of right-of-use assets for own use and those under subleases (classified as investment properties) as at 1 January 2019 comprises the following:

	Notes	**Right-of-use assets** RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	(a)	42,631
Reclassified from leasehold land and land use rights	(b)	630,652
		673,283
By class:		
Buildings		42,631
Leasehold land and land use rights		630,652
		673,283

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

2.1 HKFRS 16 Leases (continued)

As a lessee (continued)

(a) The right-of-use assets amounting to RMB151,730,000 that meet the definition of investment property are presented within "investment properties".

(b) Upfront payments for leasehold lands in the PRC were classified as leasehold land and land use rights as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portions of leasehold land and land use rights amounting to RMB21,642,000 and RMB609,010,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Sales and leaseback transactions

The Group acts as a seller-lessee

In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of HKFRS 16, the Group applies the requirements of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale. During the year, the Group entered into a sale and leaseback transaction in relation to certain properties and the transaction satisfy the requirements as a sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

2.1 HKFRS 16 Leases (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
		RMB'000	RMB'000	RMB'000
Current assets				
Deposits, prepayments and other receivables	(b)	1,680,035	(21,642)	1,658,393
Non-current assets				
Investment properties	(a)	58,611,949	151,730	58,763,679
Right-of-use assets	(a), (b)	–	673,283	673,283
Leasehold land and land use rights	(b)	609,010	(609,010)	–
Current liabilities				
Lease liabilities	(a)	–	29,194	29,194
Non-current liabilities				
Lease liabilities	(a)	–	165,167	165,167

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

(a) Upon application of HKFRS 16, the Group recognised right-of-use assets and investment properties of RMB42,631,000 and RMB151,730,000 with corresponding lease liabilities of RMB29,194,000 and RMB165,167,000 recorded in current portion and non-current portion.

(b) The Group's current portion and non-current portion of leasehold land and land use rights of RMB21,642,000 and RMB609,010,000 were reclassified to right-of-use assets upon application of HKFRS 16.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

2.2 Impacts and changes in accounting policies of application of other new and amendments to HKFRSs

HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments

HK(IFRIC)-Int 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a group and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by individual group entities in their respective income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

In 2016, the Group disposed of 49% of its equity interests in its three wholly owned subsidiaries to independent third parties. After the disposal, these subsidiaries have become non-wholly owned subsidiaries of the Group. As the changes in the Group's ownership interests in these subsidiaries do not result in the Group losing control over these subsidiaries, these disposal transactions were accounted for as equity transactions. The Company has subsequently received enquiry letters from the Inland Revenue Department of Hong Kong (the "IRD") requesting for the Company to provide further information regarding the gain on the aforesaid disposal transaction to determine if the transaction was capital or revenue in nature. The Company has engaged external tax advisors to follow up and communicate with the IRD. Through various communications and providing information to the IRD and based on the advice provided by the external tax advisors, the Company is of the view that it maintains a same view as before to determine that the gain of disposal of the 49% equity interests in the three subsidiaries above should more likely than not be regarded as non-taxable capital gain for Hong Kong profits tax purpose and conclude it is probable that the IRD will accept this view. The Company anticipates that the matter above will have no material impact on the Group's consolidated financial statements in the foreseeable future.

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 17	*Insurance Contracts*[1]
Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of a Material*[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 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.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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)

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs 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 accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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 2019

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

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date;
- 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; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, 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 cash-generating units), 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 cash-generating units) retained.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including properties under consumption for such purpose.

Effective 1 January 2019, investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

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. Effective 1 January 2019, a leased property which is recognised as a right-of-use asset upon application of HKFRS 16 is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which property is derecognised.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any 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.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

The Group engages in certain service concession arrangements in which the Group carries out construction work (such as sewage-treatment plant and Canal Cultural Center) for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. The assets under the concession arrangements may be calculated according to their arrangement nature.

The Group receives a right to charge users of public service, with an undeterminable amount, the assets are classified as intangible assets and the Group recognises revenue at the same time in the intangible assets included in the statement of financial position. The amortisation approach should be selected for concession operation projects based on the pattern in which the asset's future economic benefits are expected to be realised at the commencement of operations.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are tangible assets 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). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values 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 "right-of-use assets" (upon application of HKFRS 16) or leasehold land and land use rights (before application of HKFRS 16) in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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 held for sale/under development for sale which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of HKFRS 16, properties held for sale/under development for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties for/under development for sale are transferred to properties for sale upon completion.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures

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

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

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

Under the equity method, an investment in an associate or joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. 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 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 is not allocated to any asset, including goodwill, that 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, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on tangible, intangible assets, right-of-use assets and contract costs other than goodwill

At the end of reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with the finite useful lives, right-of-use assets 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 right-of-use assets, tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or the group of cash-generating units. 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 or the group of cash-generating units. 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 or the group of cash-generating units) 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 or the group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date/ settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("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.

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

Financial assets

Classification and subsequent measurement of financial assets

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 of HKFRS 9/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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) 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.

(ii) 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" line item.

Impairment of financial assets (and other items subject to impairment assessment under HKFRS 9)

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including accounts receivable, loans to and amounts due from holding company, fellow subsidiaries, non-controlling interests, joint ventures and associates, and other receivables), lease receivables and financial guarantee contracts which are subject to impairment under HKFRS 9. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (and other items subject to impairment assessment under HKFRS 9) (continued)

(i) 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.

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 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.

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.

(ii) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (and other items subject to impairment assessment under HKFRS 9) (continued)

(iii) 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.

(iv) 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 accounts receivable, 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.

(v) 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 HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (and other items subject to impairment assessment under HKFRS 9) (continued)

(v) Measurement and recognition of ECL (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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 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 permits the entire combined contract to be designated as at FVTPL.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at amortised cost

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the 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; 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 2019

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' 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.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of equipment, furniture and fixtures and motor vehicle that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2) (continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payment are fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2) (continued)

The Group as a lessee (prior to 1 January 2019)

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

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

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Sale and leaseback transactions (upon application of HKFRS 16 since 1 January 2019)

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a seller-lessee

For a transfer that satisfies the requirements as a sale, the Group as a seller-lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset and recognises any gain or loss that relates to the rights transferred to the buyer-lessor only.

Sale and leaseback transactions (prior to 1 January 2019)

The accounting treatment of a sale and leaseback transaction depends on the type of lease involved. The leaseback may be a finance lease if it meets the condition that substantially all the risks and rewards of ownership remain with the lessee, or it may be an operating lease (in which case, some significant risks and rewards of ownership have been transferred to the purchaser).

The Group as a seller-lessee

For a leaseback that satisfies the requirements of an operating lease, and the lease payments and the sale price are at fair value, there has in effect been a normal sale transaction and any profit or loss is recognised immediately.

If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value shall be recognised immediately, except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used.

If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

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, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates/joint ventures.

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).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Provision

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, 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 because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

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 to the same taxable entity by the same taxation authority.

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.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

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.

Effective on 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers

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.

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 the same 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

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.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Short-term employee benefits

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred tax on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties located in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred tax on investment properties located in Hong Kong, the Directors have determined with the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

Critical judgments in applying accounting policies (continued)

Deferred tax on investment properties (continued)

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.

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 46.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

Key sources of estimation uncertainty (continued)

Valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the Directors have exercised their judgments and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the amount of gain or loss would be recognised in profit or loss. The fair value of investment properties at 31 December 2019 was RMB57,303,993,000 (31 December 2018: RMB58,611,949,000), details are set out in Note 16.

Deferred tax

At 31 December 2019, deferred tax assets of RMB122,236,000 (31 December 2018: RMB51,944,000) have been recognised in the consolidated financial statements as set out in Note 23. 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.

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.

Estimated impairment of property, plant and equipment and right-of-use assets

The carrying amount of property, plant and equipment and right-of-use assets are 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 and right-of-use assets are 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 2019 was RMB3,767,707,000 (31 December 2018: RMB3,314,820,000). The carrying amount of right-of-use assets at 31 December 2019 was RMB1,761,700,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

Key sources of estimation uncertainty (continued)

Impairment on properties held for sale/properties under development for sale

Impairment on properties held for sale/properties under development for sale is made based on the assessment of net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, and the amount the properties are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period. Significant management estimates are required in the estimates. Where the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying amounts of properties held for sale/properties under development for sale and the amount of impairment loss/write-back of impairment loss in the periods in which such estimates have been changed.

The aggregate carrying amount of properties held for sale as at 31 December 2019 was RMB521,638,000 (31 December 2018: RMB1,123,521,000). The aggregate carrying amount of properties under development for sale as at 31 December 2019 was RMB21,209,749,000 (31 December 2018: RMB14,929,521,000).

Recognition and allocation of construction cost on properties under development for sale

Development costs of properties are recorded as properties under development for sale during the construction stage and will be transferred to completed properties held for sale upon completion. Apportionment of these costs will be recognised in profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs, these costs are accrued by the Group based on management's best estimates.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

5. REVENUE AND SEGMENT INFORMATION

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

The Group is organised into certain business units according to the nature of goods sold or services provided. The operating segments of the Group are determined by the Directors based on the business units by reference to the goods sold or services provided. These business units are the basis of internal reports provided to the Directors, the chief operating decision maker, for the purpose of resource allocation and performance assessment. The operating segments of the entities comprising the Group with similar economic characteristics and similar nature of goods sold or services provided have been aggregated into different reportable segments as follows:

Property investment	Property letting and related 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. REVENUE AND SEGMENT INFORMATION (continued)

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Property investment and development:		
Rental income from investment properties and related services	**4,341,371**	3,632,918
Sales of properties held for sale	**4,640,980**	3,568,703
Service income for primary land development	**267,456**	7,044
Output management project	**133,236**	75,776
Other service income	**113,141**	111,833
	9,496,184	7,396,274
Hotel operations:		
Hotel room revenue	**606,956**	536,899
Other ancillary service	**234,628**	195,741
	841,584	732,640
Total revenue	**10,337,768**	8,128,914

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. REVENUE AND SEGMENT INFORMATION (continued)

(i) Disaggregation of revenue from contracts with customers

For the year ended 31 December 2019

	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 from contracts with customers	537,433	4,908,436	841,584	246,377	6,533,830
Geographical markets					
Mainland China	518,297	4,908,436	841,584	208,407	6,476,724
Hong Kong	19,136	–	–	37,970	57,106
	537,433	4,908,436	841,584	246,377	6,533,830
Timing of revenue recognition					
A point in time	–	4,908,436	234,628	–	5,143,064
Over time	537,433	–	606,956	246,377	1,390,766
	537,433	4,908,436	841,584	246,377	6,533,830

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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	4,343,956	4,908,436	841,584	246,377	10,340,353
Inter-segment	10,917	–	–	125,499	136,416
Total	4,354,873	4,908,436	841,584	371,876	10,476,769
Less: rental income	(3,806,523)	–	–	–	(3,806,523)
eliminations	(10,917)	–	–	(125,499)	(136,416)
Revenue from contracts with customers	537,433	4,908,436	841,584	246,377	6,533,830

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. REVENUE AND SEGMENT INFORMATION (continued)

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

For the 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	Total RMB'000
Revenue from contracts with customers	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 2019

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	Property and land development	Hotel operations	Output management project and other services	Total
	RMB'000	RMB'000	RMB'000	RMB'000	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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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 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 2019 and 2018, and the expected timing of recognising revenue are as follows**:**

	Sales of properties	
	2019	2018
	RMB'000	RMB'000
Within one year	**6,458,926**	4,252,772
More than one year but not more than two years	**2,320,608**	3,373,427
	8,779,534	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.

(iv) Leases

	Year ended 31/12/2019 RMB'000
Total revenue arising from operating lease:	
Lease payments that are fixed or depend on an index or a rate	**3,803,938**

Information regarding the segments is reported below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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 2019

	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	4,343,956	4,908,436	841,584	246,377	10,340,353	–	10,340,353
Inter-segment revenue	10,917	–	–	125,499	136,416	(136,416)	–
Consolidated	4,354,873	4,908,436	841,584	371,876	10,476,769	(136,416)	10,340,353
Rental adjustments							(2,585)
Revenue as presented in consolidated statement of profit or loss							10,337,768
Segment results	4,056,527	1,747,945	11,333	(23,658)	5,792,147	–	5,792,147
Unallocated corporate income and other gains							108,327
Unallocated corporate expenses and other losses							(216,975)
Finance costs							(1,178,660)
Share of profits of associates							1,883
Share of losses of joint ventures							(86,801)
Profit before tax as presented in consolidated statement of profit or loss							4,419,921

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and segment results (continued)

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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, administrative expenses, finance costs, share of profits/losses of associates and joint ventures. 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	
	2019	2018
	RMB'000	RMB'000
Mainland China	**10,196,119**	8,008,477
Hong Kong	**141,649**	120,437
	10,337,768	8,128,914

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

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Mainland China	**66,406,267**	65,318,441
Hong Kong	**2,827,869**	2,767,301
	69,234,136	68,085,742

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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 years ended 31 December 2019 and 2018.

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 2019					
Impairment loss recognised/(reversed) on accounts and other receivables, net	**5,060**	**(154)**	**(4)**	**(3,600)**	**1,302**
Depreciation of property, plant and equipment	**42,191**	**3,179**	**157,990**	**18,181**	**221,541**
Depreciation of right-of-use assets	**10,772**	**2,791**	**83,008**	**3,502**	**100,073**
Loss/(gain) on disposal of property, plant and equipment, net	**12,342**	**(310)**	**134**	**13,007**	**25,173**
Impairment loss on goodwill	**–**	**68,745**	**–**	**–**	**68,745**
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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

6. OTHER INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interest income from:		
Banks	**66,130**	97,571
Loans to joint ventures	**39,075**	39,391
Loans to associates	**125,277**	72,569
Loan to non-controlling interest	**4,191**	39,144
Government grants (Note)	**12,434**	12,561
Refund of PRC value added tax and surcharges	**11,220**	5,635
Others	**4,922**	1,662
	263,249	268,533

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	
	2019	2018
	RMB'000	RMB'000
Loss on disposal of property, plant and equipment, net	**(25,173)**	(2,843)
Impairment loss on goodwill (Note)	**(68,745)**	–
Exchange loss, net	**(113,996)**	(131,390)
Others	**4,797**	(27,648)
	(203,117)	(161,881)

Note:

Based on the impairment assessment review, an impairment loss of goodwill which has been allocated to property and land development segment of approximately RMB68,745,000 (year ended 31 December 2018: nil) was recognised in consolidated statement of profit or loss for the current year as the resident properties development project completed, which is the CGU to which the above-mentioned goodwill is allocated that is expected to benefit from the synergies of the combination, and substantially all properties held for sale of Shanghai Yueyao were sold and transferred to customers during the current year, and no further resident properties development plan.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Impairment loss recognised/(reversed)		
– accounts receivable	**4,453**	978
– deposits, prepayments and other receivables	**(3,151)**	1,010
	1,302	1,988

9. FINANCE COSTS

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interest on:		
Bank borrowings	**888,691**	593,686
Loans from a non-banking financial institution*	**58,961**	44,852
Loans from other fellow subsidiaries	**9,333**	2,529
Loan from a joint venture	**227**	–
Loan from non-controlling interests	**52,353**	26,051
Bonds payable	**175,704**	151,474
Guaranteed notes (Note 34)	**187,833**	198,639
Loans from third parties	**70,478**	14,649
Lease liabilities	**9,074**	–
Others	**12,174**	23,313
Total interest expenses	**1,464,828**	1,055,193
Less: Interest capitalised:		
Investment properties under development (Note 16)	**(9,538)**	(51,912)
Properties under development for sale (Note 26)	**(276,630)**	(202,345)
	(286,168)	(254,257)
	1,178,660	800,936

* The non-banking financial institution represented 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 4.41% to 8.90% (2018: 4.28% to 5.46%) per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

10. PROFIT BEFORE TAX

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit for the year has been arrived at after charging :		
Directors' emoluments (Note 14)	**2,947**	1,014
Depreciation and amortisation:		
Amortisation:		
– Intangible assets (included in cost of sales)	**3,913**	330
– Intangible assets (included in administrative expenses)	**8,443**	6,358
– Intangible assets (included in distribution and selling costs)	**2,330**	3,212
Amortisation of leasehold land and land use rights	**–**	22,703
Depreciation of right-of-use assets	**100,073**	–
Depreciation of property, plant and equipment	**221,541**	230,240
Total depreciation and amortisation	**336,300**	262,843
Cost of sales and services rendered:		
Cost of properties sold	**2,680,527**	2,150,862
Direct operating expenses arising from investment properties letted	**1,021,446**	938,429
Cost of primary land development services provided	**158,335**	7,074
Direct operating expenses arising from provision of property management and other property related services	**149,988**	109,935
Direct operating expenses from hotel services provided	**580,840**	422,844
	4,591,136	3,629,144
Employee benefits expense (including directors' emoluments (Note 14)):		
Salaries, allowances and other benefits	**1,015,802**	867,176
Retirement benefit scheme contributions	**91,930**	77,650
	1,107,732	944,826
Less: Capitalised in properties under development for sale and investment properties under development	**(142,574)**	(100,421)
	965,158	844,405
Advertising and promotion expenses (included in distribution and selling costs)	**232,889**	221,020
Auditors' remuneration	**3,019**	3,019

Notes to the Consolidated Financial Statements

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11. INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax	**865,869**	691,006
PRC Dividend Withholding Tax	**–**	1,987
Land Appreciation Tax	**578,872**	407,829
Hong Kong Profit Tax	**61,853**	28,145
	1,506,594	1,128,967
Under provision in prior years:		
PRC Enterprise Income Tax	**14,556**	22,016
	14,556	22,016
Deferred tax (Note 23)	**230,272**	255,434
	1,751,422	1,406,417

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 was paid by the Group to relevant tax authorities.

The Company and its certain offshore subsidiaries have applied to the relevant tax authorities for recognition of Chinese resident enterprises. As of the date of these consolidated financial statements, the Group has not obtained this approval.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

11. INCOME TAX EXPENSE (continued)

Pursuant to "Notice on Determination of Tax Resident Enterprises of Chinese-controlled Offshore Incorporated Enterprises in accordance with Their De Facto Management Bodies", which was issued by the State Administration of Taxation of the PRC, if the relevant conditions are met, enterprises controlled by Chinese enterprises or enterprise groups and registered outside China shall be regarded as Chinese resident enterprises. Once it is recognised as a Chinese resident enterprise, it is not required to withhold and pay enterprise income tax when any dividends are declared and paid by its subsidiaries registered in China.

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	
	2019	2018
	RMB'000	RMB'000
Profit before tax	**4,419,921**	4,519,424
Tax at PRC EIT rate of 25% (2018: 25%)*	**1,104,980**	1,129,856
Lower tax rates for entities of the Group operating in other jurisdictions	**28,753**	(153,877)
PRC LAT	**578,872**	407,829
Tax effect of PRC LAT	**(144,718)**	(101,957)
Tax effect of expenses not deductible for tax purpose	**39,609**	113,553
Tax effect of income not taxable for tax purpose	**(9,990)**	(23,300)
Tax effect of tax losses not recognised	**62,673**	92,120
Tax effect of unrecognised deductible temporary difference	**1,218**	–
Tax effect of utilisation of tax losses/deductible temporary difference not previously recognised	**(52,506)**	(155,862)
Tax effect of share of losses of associates	**4,528**	156
Tax effect of share of losses of joint ventures	**16,637**	226
Effect of withholding tax on undistributed profits	**120,593**	80,830
Under provision of current taxation in prior years	**14,556**	22,016
Others	**(13,783)**	(5,173)
Income tax expense for the year	**1,751,422**	1,406,417

* The PRC EIT rate is used as it is the domestic tax rate in the jurisdiction where the operation of the Group is substantially based.

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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	
	2019	2018
	RMB'000	RMB'000
2018 Final – HK6 cents per share (2017 Final: HK4 cents):		
Ordinary shares	**750,507**	464,914
Non-redeemable convertible preference shares	**57,763**	35,782
	808,270	500,696

Final dividend in respect of the year ended 31 December 2018 of HK 6 cents per ordinary share has been proposed by the Directors and was approved by the shareholders at the annual general meeting conducted on 30 May 2019. 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 2018 final dividend of approximately HK$66 million or RMB56 million.

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2019 of HK4 cents per ordinary share, in an aggregate amount of HK$569 million or approximately RMB509 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 2019 final dividend of approximately HK$44 million or RMB39 million.

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For the year ended 31 December 2019

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	
	2019	2018
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**1,635,906**	2,103,271

	Year ended 31 December	
	2019	2018
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 38)	**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 2019 and 2018 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 years ended 31 December 2019 and 2018 does not assume the exercise of the written put option on shares of a subsidiary as the dilution effect is not considered material.

Notes to the Consolidated Financial Statements

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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
2019				
Executive directors				
Mr. ZHOU Zheng	–	–	–	–
Mr. CAO Ronggen	–	1,595	11	1,606
Non-executive directors				
Mr. JIANG Chao (resigned on 30 January 2019)	–	–	–	–
Mr. ZENG Xianfeng (resigned on 30 May 2019)	–	–	–	–
Mr. JIANG Yong	–	–	–	–
Independent non-executive directors				
Mr. LAU Hon Chuen, Ambrose	447	–	–	447
Mr. LAM Kin Ming, Lawrence	447	–	–	447
Mr. WU Kwok Cheung	447	–	–	447
Total	1,341	1,595	11	2,947

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14. DIRECTORS' EMOLUMENTS (continued)

	Directors' fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
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

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

In addition to the directors' emoluments disclosed above, certain executive directors were not paid directly by the Company nor its subsidiaries. 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 for 2018 and 2019. In 2019, Mr. CAO Ronggen received remuneration from Tianjin Joy city Commercial Management Co., Ltd., which is a subsidiary of the Company. All non-executive directors were not paid directly by the Company in 2018 and 2019 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 2018 and 2019 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 Grandjoy Holdings.

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

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15. EMPLOYEE'S EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, none of them (2018: none) is director. The emoluments of the five (2018: five) highest paid individuals are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Salaries, allowances and other benefits	**12,467**	10,131
Retirement benefit scheme contributions	**549**	809
	13,016	10,940

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

	Year ended 31 December	
	2019	2018
	Number of individuals	
HK$2,000,001 – HK$2,500,000	**2**	2
HK$2,500,001 – HK$3,000,000	**1**	2
HK$3,000,001 – HK$3,500,000	**1**	1
HK$3,500,001 - HK$4,000,000	**1**	0
	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 2019 (2018: five).

16. INVESTMENT PROPERTIES

The Group leases out various offices and retail stores under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 20 years, with unilateral rights to extend the lease beyond initial period held by lessees only. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend. The leases of retail stores contain variable lease payment that are based on 1 to 35% sales and minimum annual lease payment that are fixed over the lease term.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

Notes to the Consolidated Financial Statements

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16. INVESTMENT PROPERTIES (continued)

For the year ended 31 December 2019, cash outflow for leases amounted to RMB31,087,000. For the year ended 31 December 2019, income from subleasing of right-of-use assets amounted to RMB12,941,000.

	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At fair value			
At 1 January 2018	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 9)	–	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
Adjustment upon application of HKFRS 16	151,730	–	151,730
At 1 January 2019 (restated)	**56,034,734**	**2,728,945**	**58,763,679**
Additions on subsequent expenditure	**186,829**	**1,737,516**	**1,924,345**
Transfer from properties under development for sale	**29,000**	**–**	**29,000**
Disposal	**(16,787)**	**–**	**(16,787)**
Interest capitalised (Note 9)	**–**	**9,538**	**9,538**
Change in fair value recognised in profit or loss	**747,529**	**86,133**	**833,662**
Transfer upon completion	**1,627,000**	**(1,627,000)**	**–**
Disposal of subsidiaries (Note 50(a))	**(4,301,000)**	**–**	**(4,301,000)**
Exchange realignment	**61,556**	**–**	**61,556**
At 31 December 2019	**54,368,861**	**2,935,132**	**57,303,993**

All of the Group's property interests held for 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.

Notes to the Consolidated Financial Statements

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16. INVESTMENT PROPERTIES (continued)

Details of the Group's investment properties and investment properties under development as at 31 December 2019 and 31 December 2018 were as follows:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Commercial properties located in Hong Kong	**2,816,160**	2,754,604
Commercial properties located in Mainland China	**49,622,833**	50,961,345
Residential properties located in Mainland China	**4,865,000**	4,896,000
	57,303,993	58,611,949

At 31 December 2019, the Group's investment properties with an aggregate carrying amount of RMB33,005,000,000 (2018: RMB39,287,000,000) were pledged to secure banking facilities granted to the Group (Note 44).

At 31 December 2019, building ownership certificates in respect of investment properties of the Group with an aggregate carrying amount of RMB4,762,367,000 (2018: RMB2,761,367,000) 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 2019 and 2018 has been arrived at on the basis of a valuation carried out as at these days by Cushman & Wakefield ("C&W"), independent qualified professional valuers which are not connected with the Group.

For completed investment properties, the valuations were arrived at by making reference to the comparable market transactions as available in the market and where appropriate, by valuing the properties on the basis of capitalisation of the rental income derived from the existing tenancy agreements with due allowance for the reversionary income potential of the properties.

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

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

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

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16. INVESTMENT PROPERTIES (continued)

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

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 2019 and 2018 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 2019 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.

	Significant unobservable inputs			
Major investment properties of the Group	**Capitalisation rate**		**Monthly unit rent (sq.m/month)**	
	2019	2018	**2019 RMB**	2018 RMB
Completed investment properties				
Beijing COFCO Plaza				
– office	**6.0%**	6.0%	**275 to 393**	305 to 382
– shop	**5.0%**	5.0%	**145 to 362**	121 to 303
Fraser Suites Top Glory, Shanghai				
– residential units	**2.5%**	2.5%	**291**	295
COFCO Tower, Hong Kong				
– office	**3.3%**	3.2%	**434 to 503**	421 to 477
– shop	**3.5%**	3.5%	**961**	990
Xidan Joy City				
– office	**6.0%**	6.0%	**325**	324
– shop	**6.5%**	6.5%	**588 to 1,680**	566 to 1,617
Chaoyang Joy City – shop	**6.5%**	6.5%	**128 to 855**	107 to 716
Tianjin Joy City – shop	**7.0%**	7.0%	**218 to 436**	204 to 407
Shanghai Jing'an Joy City – shop				
– South Tower	**6.5%**	6.5%	**368 to 817**	410 to 789
– North Tower	**6.5%**	6.5%	**353 to 881**	324 to 810
Shenyang Joy City – shop	**7.0%**	7.0%	**132 to 330**	127 to 316
Chengdu Joy City – shop	**6.0%**	6.0%	**65 to 324**	30 to 304

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17. PROPERTY, PLANT AND EQUIPMENT

	Office properties RMB'000	Office 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 2018	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**
Additions	**16,308**	**2,176**	**4,930**	**49,665**	**479**	**826**	**74,384**
Disposals	**(22,258)**	**–**	**–**	**(81,094)**	**(11,173)**	**–**	**(114,525)**
Transfer from construction in progress	**8,485**	**–**	**227,421**	**95,225**	**–**	**(331,131)**	**–**
Acquisition of subsidiaries (Note 49)	**–**	**–**	**572,812**	**127,240**	**40**	**–**	**700,092**
Disposal of subsidiaries (Note50 (a))	**(1,892)**	**–**	**–**	**(14,829)**	**(1,474)**	**–**	**(18,195)**
Exchange realignment	**–**	**–**	**–**	**1,157**	**–**	**–**	**1,157**
At 31 December 2019	**723,572**	**16,452**	**3,561,143**	**1,280,102**	**77,317**	**–**	**5,658,586**
Accumulated depreciation:							
At 1 January 2018	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**
Charge for the year	**19,826**	**841**	**123,512**	**75,678**	**1,684**	**–**	**221,541**
Disposal of subsidiaries (Note50 (a))	**–**	**–**	**–**	**(3,233)**	**(478)**	**–**	**(3,711)**
Eliminated on disposals	**(5,592)**	**–**	**–**	**(11,863)**	**(10,465)**	**–**	**(27,920)**
Exchange realignment	**–**	**–**	**–**	**116**	**–**	**–**	**116**
At 31 December 2019	**160,359**	**6,201**	**782,392**	**869,178**	**72,749**	**–**	**1,890,879**
Net carrying amounts:							
At 31 December 2019	**563,213**	**10,251**	**2,778,751**	**410,924**	**4,568**	**–**	**3,767,707**
At 31 December 2018	576,804	8,916	2,097,100	294,258	7,437	330,305	3,314,820

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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:

Office properties	1.8% to 10%
Office 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 2019, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB2,386,211,000 (2018: RMB2,263,175,000) were pledged to secure banking facilities granted to the Group and a loan from non-controlling interest (Note 44).

At 31 December 2019, building ownership certificates in respect of certain office properties and hotel properties of the Group in Mainland China with an aggregate net carrying amount of approximately RMB106,892,000 (2018: RMB148,508,000) had not been issued by the relevant PRC authorities.

Details of the Group's office properties and hotel properties as at 31 December 2019 and 2018 were as follows:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Located in Mainland China	**3,340,386**	2,672,018
Located in Hong Kong	**1,578**	1,886
	3,341,964	2,673,904

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18. RIGHT-OF-USE ASSETS

	Leased lands	Leasehold properties	Total
	RMB'000	RMB'000	RMB'000
Costs:			
At 1 January 2019	843,188	42,631	885,819
Additions	19,237	18,491	37,728
Acquisition of a subsidiary (Note 49(a))	1,150,762	–	1,150,762
At 31 December 2019	2,013,187	61,122	2,074,309
Accumulated depreciation:			
At 1 January 2019	212,536	–	212,536
Charge for the year	89,425	10,648	100,073
At 31 December 2019	301,961	10,648	312,609
Net carrying amounts:			
At 1 January 2019	630,652	42,631	673,283
At 31 December 2019	1,711,226	50,474	1,761,700
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16			2,829
Expense relating to leases of low-value assets, excluding short-term leases of low value assets			868
Total cash outflow for leases			19,894

At 31 December 2019, certain of the Group's right of use assets with a net carrying amount of approximately RMB1,474,111,000 were pledged to secure banking facilities granted to the Group (Note 44).

For both years, the Group leases various offices, retail stores and vehicles for its operations. Lease contracts are entered into for fixed term of 6 months to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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19. INTANGIBLE ASSETS

	RMB'000
Costs:	
At 1 January 2018	80,592
Additions	50,953
At 31 December 2018	131,545
Additions	62,082
Disposal of subsidiaries (Note50 (a))	(2,686)
Acquisition of a subsidiary (Note 49(a))	563
At 31 December 2019	191,504
Accumulated amortisation:	
At 1 January 2018	41,452
Amortisation provided during the year	9,900
At 31 December 2018	51,352
Amortisation provided during the year	14,686
Disposal of subsidiaries (Note50 (a))	(968)
At 31 December 2019	65,070
Net carrying amounts:	
At 31 December 2019	126,434
At 31 December 2018	80,193

Intangible assets 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 in Sanya and Hangzhou were completed and amortised in 2019 over their estimated useful life of 30 years and 28 years respectively.

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20. INTERESTS IN ASSOCIATES

	At 31 December 2019 RMB'000	2018 RMB'000
Cost of investments, unlisted	**224,322**	225,312
Share of post-acquisition results and other comprehensive income	**(114,364)**	(70,938)
	109,958	154,374

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 2019	2018	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
昆明螺螄灣國悦置地有限公司** (Kunming Luosiwan Guoyue Land Co., Ltd.*) ("Kunming Luosiwan")	PRC	Kunming, PRC	**30%**	30%	Property development
Fancy Merit Ltd.**	HK	Qingdao, PRC	**49%**	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	
	2019	2018
	RMB'000	RMB'000
Current assets	**6,375,821**	5,762,157
Non-current assets	**110**	131
Total assets	**6,375,931**	5,762,288
Current liabilities	**4,615,080**	4,790,523
Non-current liabilities	**1,490,000**	700,000
Total liabilities	**6,105,080**	5,490,523
Net assets	**270,851**	271,765

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue	**183**	1
Loss and total comprehensive expense for the year	**(914)**	(2,344)
Loss and total comprehensive expense for the year shared by the Group	**(183)**	(469)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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	
	2019	2018
	RMB'000	RMB'000
Net assets of the Beijing Xinrun	**270,851**	271,765
Proportion of the Group's ownership in Beijing Xinrun	**20%**	20%
Share of net assets of Beijing Xinrun	**54,170**	54,353
Unrealised gains on transactions with the Group	**(20,299)**	(8,523)
Carrying amount of the Group's interest in Beijing Xinrun	**33,871**	45,830

Kunming Luosiwan

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Current assets	**10,830,869**	2,636,863
Total assets	**10,830,869**	2,636,863
Current liabilities	**10,609,901**	2,412,382
Total liabilities	**10,609,901**	2,412,382
Net assets	**220,968**	224,481

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20. INTERESTS IN ASSOCIATES (continued)

Kunming Luosiwan (continued)

	Year ended 31 December 2019 RMB'000	Period from 21 March 2018 (date of acquisition) to 31 December 2018 RMB'000
Revenue	**–**	–
Loss and total comprehensive expense for the year/period	**(3,446)**	(8,801)
Loss and total comprehensive expense for the year/period shared by the Group	**(1,034)**	(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	
	2019 RMB'000	2018 RMB'000
Net assets of the Kunming Luosiwan	**220,968**	224,481
Proportion of the Group's ownership in Kunming Luosiwan	**30%**	30%
Share of net assets of Kunming Luosiwan	**66,290**	67,344
Unrealised gains on transactions with the Group	**(48,882)**	(16,060)
Carrying amount of the Group's interest in Kunming Luosiwan	**17,408**	51,284

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20. INTERESTS IN ASSOCIATES (continued)

Fancy Merit Ltd.

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Current assets	**1,234,266**	944,337
Non-current assets	**102**	–
Total assets	**1,234,368**	944,337

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Current liabilities	**637,373**	7,759
Non-current liabilities	**644,000**	954,592
Total liabilities	**1,281,373**	962,351
Net liabilities	**(47,005)**	(18,014)

	Year ended 31 December 2019 RMB'000	Period from 28 May 2018 (date of acquisition) to 31 December 2018 RMB'000
Revenue	**–**	–
Loss and total comprehensive expense for the year/period	**(28,990)**	(18,918)
Loss and total comprehensive expense for the year/period shared by the Group	**(14,205)**	(443)

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20. INTERESTS IN ASSOCIATES (continued)

Fancy Merit Ltd. (continued)

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	
	2019	2018
	RMB'000	RMB'000
Net liabilities of the Fancy Merit Ltd.	**(47,005)**	(18,014)
Proportion of the Group's ownership in Fancy Merit Ltd.	**49%**	49%
The unrecognised share of loss by the Group for the period	**(23,032)**	(8,827)
Carrying amount of the Group's interest in Fancy Merit Ltd.	**–**	–

Aggregate information of associates that are not individually material

	2019	2018
	RMB'000	RMB'000
The Group's share of profit	**3,100**	2,485
Aggregate carrying amount of the Group's interests in these associates	**58,679**	57,260

21. INTERESTS IN JOINT VENTURES

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of investments, unlisted	**6,310,638**	5,339,275
Share of post-acquisition results and other comprehensive income	**(146,294)**	(23,879)
Total	**6,164,344**	5,315,396

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21. INTERESTS IN JOINT VENTURES (continued)

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 2019	2018	Principal activity
COFCO (BVI) No 97 Limited ("BVI 97") (Note (a))	British Virgin Islands	Beijing, PRC	**100%**	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 (b))	PRC	Changzhou, PRC	**49%**	49%	Property development
Colour Bridge Holdings Ltd. (Note (c))	British Virgin Islands	Shanghai, PRC	**49.5%**	49.5%	Property development
Garbo Commercial Property Fund L.P. ("Garbo") (Note (d))	Cayman Islands	Shanghai, Xi'an, PRC	**36.36%**	36.36%	Investing holding

* 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) On 2 January 2019, the Group acquired 60% interest in BVI 97 so that BVI 97 became a wholly-owned subsidiary of the Group. Details of the acquisition are disclosed in Note 49(a).

(b) Changzhou Jingrui was newly established in 2018.

(c) The Group acquired 49.5% equity interest of Colour Bridge Holdings Ltd. during the year ended 31 December 2018.

(d) The Group acquired 36.36% equity interest of Garbo during the year ended 31 December 2018.

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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 before the date on which BVI 97 became a subsidiary of the Group. 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.

According to the shareholders' agreement entered into between the Group and the other investor of Garbo (the "Garbo Commercial Property Fund L.P. Investor"), decisions about the relevant activities of Garbo require unanimous consent of the Group and Garbo Commercial Property Fund L.P. Investor and, accordingly, Garbo is accounted for as a joint venture. Garbo is engaged in investment property 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
Current assets	29,608
Non-current assets	1,409,562
Total assets	1,439,170
Current liabilities	810,356
Non-current liabilities	963,282
Total liabilities	1,773,638
Net liabilities	(334,468)
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	17,325
Current liabilities (excluding trade and other payables and provisions)	554,767
Non-current liabilities (excluding trade and other payables and provisions)	963,282

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21. INTERESTS IN JOINT VENTURES (continued)

BVI 97 (continued)

	Year ended 31 December 2018 RMB'000
Revenue	152,591
Depreciation and amortisation	(15,224)
Interest expense	(91,670)
Interest income	91
Loss and total comprehensive expense for the year	(148,809)
Loss and total comprehensive expense for the year shared by the Group	–
The unrecognised share of loss for the year	(59,523)

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 RMB'000
Net liabilities of BVI 97	(334,468)
Proportion of the Group's ownership in BVI 97	40%
The accumulated unrecognised share of loss of the Group	(133,787)
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	
	2019	2018
	RMB'000	RMB'000
Current assets	**4,908,788**	4,376,623
Non-current assets	**14,113**	914
Total assets	**4,922,901**	4,377,537
Current liabilities	**3,366,251**	1,404,557
Non-current liabilities	**597,400**	1,975,290
Total liabilities	**3,963,651**	3,379,847
Net assets	**959,250**	997,690
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**263,670**	729,996
Current liabilities (excluding trade and other payables and provisions)	**583,400**	–
Non-current liabilities (excluding trade and other payables and provisions)	**597,400**	1,975,290

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21. INTERESTS IN JOINT VENTURES (continued)

Changzhou Jingrui (continued)

	Year ended 31 December 2019 RMB'000	Period from 14 August 2018 (date of establishment) to 31 December 2018 RMB'000
Revenue	–	–
Depreciation and amortisation	(73)	(9)
Interest expense	(2)	–
Interest income	143	143
Income tax expense	(13,204)	–
Loss and total comprehensive expense for the year/period	(38,439)	(2,310)
Loss and total comprehensive expense for the period shared by the Group	(18,835)	(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	
	2019 RMB'000	2018 RMB'000
Net assets of Changzhou Jingrui	959,250	997,690
Proportion of the Group's ownership in Changzhou Jingrui	49%	49%
Share of net assets of Changzhou Jingrui	470,033	488,868
Unrealised gains on transactions with the Group	(58,164)	(20,622)
Carrying amount of the Group's interest in Changzhou Jingrui	411,869	468,246

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21. INTERESTS IN JOINT VENTURES (continued)

Garbo

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Current assets	**183,736**	511
Non-current assets	**5,611,012**	–
Total assets	**5,794,748**	511
Current liabilities	**599,049**	1,829
Non-current liabilities	**2,654,271**	–
Total liabilities	**3,253,320**	1,829
Net assets attributable to owners of the company	**2,373,198**	(1,318)
Net assets attributable to non-controlling interests	**168,230**	–
Net assets	**2,541,428**	(1,318)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**93,010**	511
Current liabilities (excluding trade and other payables and provisions)	**39,194**	–
Non-current liabilities (excluding trade and other payables and provisions)	**2,049,324**	–

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21. INTERESTS IN JOINT VENTURES (continued)

Garbo (continued)

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue	**–**	–
Depreciation and amortisation	**(3,132)**	–
Profit/(loss) and total comprehensive income/(expense) for the year	**46,785**	(1,318)
Profit/(loss) and total comprehensive income/(expense) for the period shared by the Group	**17,011**	–
The unrecognised share of loss for the year	**–**	(479)
The recognised share of loss for previous year	**(479)**	–

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

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Net assets of Garbo	**2,373,198**	(1,318)
Proportion of the Group's ownership in Garbo	**36.36%**	36.36%
Share of net assets of Garbo	**862,895**	(479)
The accumulated unrecognised share of loss of the Group	**–**	(479)
Carrying amount of the Group's interest in Garbo	**862,895**	–

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21. INTERESTS IN JOINT VENTURES (continued)

Colour Bridge Holding Ltd.

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Current assets	**19,507,255**	16,639,926
Non-current assets	**33,217**	372
Total assets	**19,540,472**	16,640,298
Current liabilities	**10,305,627**	7,371,822
Non-current liabilities	**5,699**	–
Total liabilities	**10,311,326**	7,371,822
Net assets	**9,229,146**	9,268,476
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**1,840,040**	141,902
Current liabilities (excluding trade and other payables and provisions)	**8,113,635**	7,357,029

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21. INTERESTS IN JOINT VENTURES (continued)

Colour Bridge Holding Ltd. (continued)

	Year ended 31 December 2019 RMB'000	Period from 26 June 2018 (date of acquisition) to 31 December 2018 RMB'000
Revenue	**–**	–
Depreciation and amortisation	**(15,197)**	(3,007)
Income tax expense	**(12,990)**	(731)
Loss and total comprehensive expense for the year/period	**(39,331)**	(2,585)
Loss and total comprehensive expense for the period shared by the Group	**(19,469)**	(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	
	2019 RMB'000	2018 RMB'000
Net assets of Colour Bridge Holding Ltd.	**9,229,146**	9,268,476
Proportion of the Group's ownership in Colour Bridge Holding Ltd.	**49.5%**	49.5%
Share of net assets of Colour Bridge Holding Ltd.	**4,568,427**	4,587,896
Unrealised gains on transactions with the Group	**–**	–
Carrying amount of the Group's interest in Colour Bridge Holding Ltd.	**4,568,427**	4,587,896

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21. INTERESTS IN JOINT VENTURES (continued)

Aggregate information of joint ventures that are not individually material

	2019	2018
	RMB'000	RMB'000
The Group's share of loss	**(65,029)**	(158)
Aggregate carrying amount of the Group's interests in these joint ventures	**321,153**	259,254

22. GOODWILL

	RMB'000
Costs:	
At 1 January 2018, 31 December 2018 and 2019	253,042
Impairment:	
At 1 January and 31 December 2018	–
Impairment losses recognised in the year	68,745
At 31 December 2019	68,745
Net carrying amounts:	
At 31 December 2019	184,297
At 31 December 2018	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*.

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22. GOODWILL (continued)

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:

	2019 RMB'000	2018 RMB'000
Property investment	**184,297**	184,297
Shanghai Yueyao (in the property and land development segment)	–	68,745
	184,297	253,042

Assumptions were used in the value in use calculation of CGU/group of the CGUs as at 31 December 2019.

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.

Based on the impairment assessment review, an impairment loss of goodwill which has been allocated to property and land development segment of approximately RMB68,745,000 (year ended 31 December 2018: nil) was recognised in consolidated statement of profit or loss for the current year as the resident properties development project completed, which is the CGU to which the above-mentioned goodwill is allocated that is expected to benefit from the synergies of the combination, and substantially all properties held for sale of Shanghai Yueyao were sold and transferred to customers during the current year, and no further resident properties development plan.

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	
	2019	2018	2019	2018
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.

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22. GOODWILL (continued)

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.

23. DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior years:

Deferred tax assets

	Land appreciation tax	**Tax losses**	**Impairment of assets**	**Others**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	47,621	5,700	25,882	125,243	204,446
Disposal of a subsidiary (Note 50(b))	–	–	–	(8,372)	(8,372)
Credited to profit or loss (Note 11)	110,499	21,911	557	39,958	172,925
At 31 December 2018	158,120	27,611	26,439	156,829	368,999
Credited/(charged) to profit or loss (Note 11)	**83,361**	**42,400**	**(893)**	**35,345**	**160,213**
At 31 December 2019	**241,481**	**70,011**	**25,546**	**192,174**	**529,212**

23. 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 2018	6,138,308	971,582	155,792	26,318	7,292,000
Charged to profit or loss (Note 11)	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
Adjustments	–	–	(1,125)	–	(1,125)
At 1 January 2019	**6,376,193**	**1,079,883**	**233,510**	**30,095**	**7,719,681**
Charged to profit or loss (Note 11)	**19,798**	**240,577**	**120,593**	**9,517**	**390,485**
Disposal of a subsidiary (Note 50(a))	**(276,613)**	**(126,282)**	**–**	**–**	**(402,895)**
Exchange realignment	**–**	**–**	**–**	**250**	**250**
At 31 December 2019	**6,119,378**	**1,194,178**	**354,103**	**39,862**	**7,707,521**

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	
	2019 RMB'000	2018 RMB'000
Deferred tax assets	**122,236**	51,944
Deferred tax liabilities	**(7,300,545)**	(7,403,751)
	(7,178,309)	(7,351,807)

At 31 December 2019, the Group had tax losses of RMB1,620,918,000 (31 December 2018: RMB1,842,108,000) 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 RMB280,044,000 (2018: RMB110,444,000). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB1,340,874,000 (2018: RMB1,731,664,000) due to the unpredictability of future profit streams.

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23. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

The unrecognised tax losses will expire in the following years:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
To be expired on:		
31 December 2019	**–**	284,600
31 December 2020	**445,339**	382,049
31 December 2021	**224,485**	218,273
31 December 2022	**206,789**	519,872
31 December 2023	**215,577**	326,870
31 December 2024	**248,684**	–
Total unused tax losses not recognised as deferred tax assets	**1,340,874**	1,731,664

At 31 December 2019, the Group had estimated unused tax losses of RMB90,786,000 (2018: RMB166,709,000) 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 2019, deferred tax liabilities on certain undistributed profits of the PRC subsidiaries of approximately RMB65,255,000 (2018: RMB62,415,000), which were generated after 1 January 2008, have not been recognised as of 31 December 2019 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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24. LOANS TO/FROM ASSOCIATES, JOINT VENTURES, FELLOW SUBSIDIARIES, NON-CONTROLLING INTERESTS AND THIRD PARTIES

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Classified under current assets		
Loans to associates (Note (a))	**1,649,370**	1,876,354
Loan to non-controlling interests (Note (b))	**1,000,000**	1,100,000
Loans to joint ventures (Note (c))	**549,450**	1,451,659
	3,198,820	4,428,013
Classified under non-current assets		
Loans to associates (Note (a))	**1,188,213**	403,098
Loan to a joint venture (Note (c))	**92,290**	92,290
	1,280,503	495,388
Classified under current liabilities		
Loans from fellow subsidiaries (Note (d))	**245,362**	410,200
Loan from non-controlling interests (Note (e))	**626,721**	–
Loan from a third party (Note (f))	**991,800**	–
	1,863,883	410,200
Classified under non-current liabilities		
Loans from a fellow subsidiary (Note (d))	**1,239,418**	620,172
Loan from non-controlling interests (Note (e))	**–**	672,233
Loans from third parties (Note (f))	**2,123,800**	–
	3,363,218	1,292,405

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

Notes:

(a) The loans to associates as at 31 December 2019 were unsecured, carried interest at rates ranging from 7.00% to 10.00% per annum (31 December 2018: 7.00% to 10.00% per annum) and were classified into current assets and non-current assets according to their repayment term.

(b) The loan to the non-controlling interest as at 31 December 2019 was unsecured, interest bearing at 0.35% per annum (31 December 2018: 4.35%) and will be repayable within one year.

(c) The loans to the joint ventures as at 31 December 2019 were unsecured, carried interest at a rate of 10% per annum (31 December 2018: 4.61% to 10.00%) and was classified into current assets and non-current assets according to their repayment term.

(d) The loans from fellow subsidiaries carried interest at floating rates ranging from 4.28% to 5.39% per annum as at 31 December 2019 (31 December 2018: 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, RMB389,000,000 of which were guaranteed by COFCO Land Management Company Limited, a fellow subsidiary, as at 31 December 2019 (31 December 2018: RMB392,000,000).

(e) The unsecured loan from non-controlling interests classified under current liabilities at 31 December 2019 was interest bearing at 8% per annum and will be repayable within one year (31 December 2018: 8% per annum and would be repayable more than one year).

(f) The loans from third parties carried interest at rates ranging from 6.48% to 8.90% per annum and classified into current liabilities and non-current liabilities according to their repayment terms. Included in the above loans from third parties, RMB2,123,800,000 of which were guaranteed by Grandjoy Holdings, the immediate holding company, as at 31 December 2019. All of the third parties are other financial institutions, including asset management companies, mainly providing trust loans to the Group.

The maturity profile of the loans from fellow subsidiaries, non-controlling interests and third parties are as follows:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Carrying amount of loans from fellow subsidiaries, non-controlling interests and third parties repayable*:		
Within one year	**1,863,883**	410,200
In the second year	**506,808**	18,200
In the third to fifth year, inclusive	**2,296,920**	1,274,205
Over five years	**559,490**	–
Total	**5,227,101**	1,702,605
Less: Amounts due within twelve months shown under current liabilities	**(1,863,883)**	(410,200)
Amounts shown under non-current liabilities	**3,363,218**	1,292,405

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

As at 31 December 2019, amounting of RMB403,098,000 of loans to associates and joint ventures were denominated in United States dollars ("US$") (31 December 2018: RMB626,857,000) and amounting of RMB626,721,000 of loan from non-controlling interests was denominated in US$ (31 December 2018: RMB672,233,000).

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For the year ended 31 December 2019

25. INVENTORIES

	At 31 December 2019 RMB'000	2018 RMB'000
Raw materials	**14,410**	19,990
Consumables	**10,433**	15,571
	24,843	35,561

26(a). PROPERTIES HELD FOR SALE

	At 31 December 2019 RMB'000	2018 RMB'000
Completed properties held for sale	**521,638**	1,123,521

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 2019, none of the Group's properties held for sale were pledged to secure banking facilities granted to the Group (2018: RMB554,742,000) (Note 44).

Included in the completed properties held for sale is carrying amount of RMB87,489,000 (2018: RMB87,489,000) which is expected to be sold after more than twelve months from the end of the reporting period.

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26(b). PROPERTIES UNDER DEVELOPMENT FOR SALE

	2019 RMB'000	2018 RMB'000
At cost:		
At 1 January	**14,929,521**	12,502,999
Additions	**8,206,650**	3,264,069
Transfer to investment properties (Note 16)	**(29,000)**	–
Transfer to properties held for sale upon completion	**(2,257,402)**	(1,039,892)
Interest capitalised during the year (Note 9)	**276,630**	202,345
Acquisition of subsidiaries (Note 49(b))	**83,350**	–
At 31 December	**21,209,749**	14,929,521

Included in the properties under development for sale as at 31 December 2019 was carrying amount of RMB18,602,251,000 (31 December 2018: RMB10,376,433,000) 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 2019, the land on which properties under development for sale are located with a carrying amount of RMB8,918,643,000 (2018: RMB6,492,645,000) was pledged to secure certain banking facilities granted to the Group (Note 44).

Included in the properties under development for sale as at 31 December 2019 was the carrying amount of construction costs incurred of RMB100,105,000 (31 December 2018: RMB245,405,000) in relation to primary land development.

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27. ACCOUNTS RECEIVABLE

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Rental receivables	**120,774**	138,708
Property management fee receivables	**9,098**	35,106
Receivables from hotel operations and related services	**29,994**	43,093
Others	**1,160**	1,411
Less: Allowance for credit losses	**(28,923)**	(24,466)
	132,103	193,852
Rental adjustments*	**13,784**	32,875
	145,887	226,727

* 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 2019, accounts receivable with an aggregate carrying amount of RMB 20,807,000 (31 December 2018: RMB25,400,000) were pledged to secure certain banking facilities granted to the Group (Note 44).

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

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27. ACCOUNTS RECEIVABLE (continued)

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

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Less than 3 months	**112,635**	175,104
3 months to 1 year	**13,244**	16,819
1 to 2 years	**5,765**	483
2 to 3 years	**459**	1,446
	132,103	193,852

As at 31 December 2019, included in the Group's accounts receivable balance are debtors with aggregate carrying amount of RMB54,371,000 (31 December 2018: RMB142,854,000) which are past due as at the reporting date. Out of the past due balances, RMB18,695,000 (31 December 2018: RMB16,110,000) has been past due for 90 days or more and is not considered as in default.

Details of impairment assessment of accounts receivable as at 31 December 2019 and 2018 are set out in Note 46.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

28. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Classified under non-current assets		
Other deposits	**136,194**	10,000
Classified under current assets		
Payments on behalf of government in relation to primary land development	**654,673**	4,512
Receivables in relation to relocation arrangement	**7,691**	10,558
Prepayments to suppliers	**106,746**	139,151
Current portion of leasehold land and land use rights	**–**	21,642
Other deposits paid	**594,694**	734,232
Prepaid LAT and other taxes	**743,701**	651,055
Receivables from tenants for utility expenses paid on their behalf	**24,951**	38,894
Consideration receivable from disposal of a subsidiary	**–**	35,500
Other receivables	**101,173**	77,352
	2,233,629	1,712,896
Less: Allowance for credit losses	**(30,667)**	(32,861)
	2,202,962	1,680,035

Details of impairment assessment of other receivables as at 31 December 2019 and 2018 are set out in Note 46.

Notes to the Consolidated Financial Statements

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29. 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 2019 was dividend payable to non-controlling interests of RMB156,064,000 (2018: RMB218,393,000).

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	
	2019	2018
	RMB'000	RMB'000
Amounts due from a fellow subsidiary*:		
Name of the fellow subsidiary:		
中糧置地管理有限公司 (COFCO Land Management Co., Ltd**) ("COFCO Land Management")	**–**	–
Maximum amount outstanding during the year		
Name of the fellow subsidiary:		
COFCO Land Management	**867**	–

* Certain directors of this company are also directors of the Company.

** 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 to the Consolidated Financial Statements

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

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$") or US$, other than the functional currency of the entities comprising the Group to which they relate:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Denominated in HK$		
Amounts due to fellow subsidiaries	**12,439**	1,316
Amounts due to non-controlling interests	**3,288**	331,890
Amount due to the immediate holding company	**7,863**	–
Denominated in US$		
Amount due from a joint venture	**–**	49,608
Amounts due to fellow subsidiaries	**4,837**	90
Amounts due to non-controlling interests	**235,307**	25,022
Amounts due from non-controlling interests	**23,795**	–

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

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Cash at banks and on hand	**11,725,521**	6,989,343
Non-pledged time deposits with an original maturity of:		
Three months or less when acquired	**26,590**	118,160
Cash and bank balances	**11,752,111**	7,107,503
Pledged deposits:		
For guarantees provided by the Group in respect of loan facilities utilised by property buyers (Note 44)	**14,340**	12,522
Restricted bank deposits:		
For payments of constructions costs for specified projects	**366,268**	–
Others	**6,212**	–
	372,480	–

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

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	
	2019	2018
	%	%
Interest rate per annum	**0.01 to 4.5**	0.01 to 4.3

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	
	2019	2018
	RMB'000	RMB'000
Denominated in HK$	**222,895**	113,905
Denominated in US$	**543,367**	107,600
	766,262	221,505

31. ACCOUNTS PAYABLE

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables	**43,547**	33,325
Accrued expenditures on construction	**2,466,810**	2,110,382
	2,510,357	2,143,707

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31. ACCOUNTS PAYABLE (continued)

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	
	2019	2018
	RMB'000	RMB'000
Within 1 year	**41,567**	32,978
1 to 2 years	**10**	148
2 to 3 years	**8**	79
Over 3 years	**1,962**	120
	43,547	33,325

The aged items over 3 years amounting to RMB1,824,000 were resulted from the acquisition of Taiwan Hotel Limited due to the business combination in current year, details of which are set out in note 49(a).

32. OTHER PAYABLES AND ACCRUALS

Classified under current liabilities

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Construction costs payable for property, plant and equipment	**30,448**	126,728
Construction costs payable for investment properties	**1,603,221**	1,808,608
Receipts of credit card payments on behalf of tenants	**575,441**	589,943
Rental deposits received	**548,895**	556,793
Other deposits received	**763,362**	390,743
Salaries and payroll payables	**343,706**	281,751
Rental receipts in advance	**309,797**	240,527
Other receipts in advance	**46,506**	37,727
Other tax payable	**835,965**	198,806
Consideration payable for acquisition of subsidiaries	**–**	1,000
Consideration payable for acquisition of a joint venture	**1,000,000**	1,000,000
Interest payables	**46,421**	24,037
Promotional fees payable	**76,778**	86,353
Other payables and accruals	**381,705**	504,440
	6,562,245	5,847,456

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32. OTHER PAYABLES AND ACCRUALS (continued)

Classified under non-current liabilities

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Obligation arising from put option to non-controlling shareholder (Note)	**344,570**	336,470
Rental deposits received	**503,519**	500,077
	848,089	836,547

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, 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.

33. BANK BORROWINGS

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Bank loans:		
Secured or guaranteed	**18,458,551**	12,474,872
Unsecured	**4,632,855**	3,805,886
	23,091,406	16,280,758
Represented:		
Fixed-rate borrowings	**434,000**	2,550,836
Floating-rate borrowings	**22,657,406**	13,729,922
	23,091,406	16,280,758

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

33. BANK BORROWINGS (continued)

Details of securities for the secured bank loans are set out in Note 44. Certain of bank loans are under corporate guarantee executed by a related party and third parties as follows:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Guaranteed by the immediate holding company	**150,000**	–
Guaranteed by a fellow subsidiary	**8,070,352**	422,955
Guaranteed by third parties	**1,074,936**	1,751,087

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

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Carrying amount of bank loans repayable*:		
Within one year	**2,288,320**	1,595,961
In the second year	**5,087,619**	1,750,148
In the third to fifth year, inclusive	**11,245,162**	7,635,621
Beyond five years	**4,470,305**	5,299,028
Total bank borrowings	**23,091,406**	16,280,758
Less: Amounts due within twelve months shown under current liabilities	**(2,288,320)**	(1,595,961)
Amounts shown under non-current liabilities	**20,803,086**	14,684,797

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

As at 31 December 2019, the amount of RMB3,651,199,000 of bank borrowings was denominated in HK$ (2018: RMB2,795,078,000), the amount of RMB9,118,176,000 of bank borrowings was denominated in US$ (2018: RMB1,986,895,000). Out of these foreign currency denominated bank loans, the Group has entered into interest rate swap agreements with independent counterparties to lock-up the variable interest rates of the loans amounting to RMB6,367,875,000 as at 31 December 2019 (31 December 2018: RMB976,087,000) into fixed rates. These interest rate swap instruments are designated as effective hedging instruments.

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For the year ended 31 December 2019

33. BANK BORROWINGS (continued)

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

	At 31 December	
	2019	2018
	%	%
Effective interest rate per annum	**3.28 to 5.68**	2.98 to 5.46

34. 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 would be redeemed at their principal amount on 18 November 2019.

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

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

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

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.

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34. GUARANTEED NOTES (continued)

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 each subsequent balance sheet date before redemption.

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

	RMB'000
Carrying amount at 1 January 2018	5,232,283
Interest charge (Note 9)	198,639
Interest paid	(199,033)
Exchange differences	270,118
Carrying amount at 31 December 2018	5,502,007
Interest charge (Note 9)	187,833
Interest paid	(202,310)
Exchange differences	93,430
Principal amount paid	(5,580,960)
Carrying amount at 31 December 2019	–

35. BONDS PAYABLE

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Classified under current liabilities		
COFCO Commercial Property Investment Co., Ltd (Note (a))	**123,027**	2,360,148
Joy City Property Limited (Note (b))	**1,015,824**	–
	1,138,851	2,360,148
Classified under non-current liabilities		
COFCO Commercial Property Investment Co., Ltd (Note (a))	**3,081,566**	732,212
Joy City Property Limited (Note (b))	**–**	1,015,867
	3,081,566	1,748,079

Notes to the Consolidated Financial Statements

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35. BONDS PAYABLE (continued)

Notes:

(a) On 14 January 2016, a wholly-owned subsidiary of the Company (the "Subsidiary''), COFCO Commercial Property Investment Co., Ltd (中糧置業投資有限公司), issued a five-year term unsecured corporate bond (the "Corporate Bonds'') in the PRC with a principal amount of RMB3,000,000,000. 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. On 14 January 2019, the Corporate Bonds with the principal amount of RMB2,267,788,000 were redeemed according to the Announcement. The adjusted coupon rate of the remaining Corporate Bonds is 3.95% for the next two years.

On 9 January 2019, the Subsidiary further issued two types of corporate bonds in the PRC, with principal amounts of RMB1,660,000,000 and RMB700,000,000 respectively. The coupon rates of the bonds are 3.94% and 4.10% per annum.

(b) 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.

36. CONTRACT LIABILITIES

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Sales of properties	**7,719,461**	6,780,448
Others	**62,467**	179,248
	7,781,928	6,959,696

As at 1 January 2018, contract liabilities relating to sales of property amounted to RMB4,135,018,000.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	Sales of properties	Others
	RMB'000	RMB'000
For the year ended 31 December 2019		
Revenue recognised that was included in the contact liabilities balance at the beginning of the year	**3,874,445**	**179,248**
For the year ended 31 December 2018		
Revenue recognised that was included in the contact liabilities balance at the beginning of the year	2,556,341	188,154

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37. 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 2018, 31 December 2018 and 31 December 2019	28,904,699,222	2,890,470	2,293,502
Issued and fully paid:			
Ordinary shares of HK$0.10 each			
At 1 January 2018, 31 December 2018 and 31 December 2019	14,231,124,858	1,423,112	1,122,414

38. 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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38. 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.

39. RESERVES

The reconciliation of each component of the Group's total equity, including share premium and reserves, is set out in the consolidated statement of changes in equity.

40. PERPETUAL CAPITAL INSTRUMENTS

	At 31 December	
	2019	2018
	RMB'000	RMB'000
COFCO Commercial Property Investment Co., Ltd (Note (a))	**3,193,468**	2,743,326
Zhejiang Herun Tiancheng Real Estate Co., Ltd (Note (b))	**926,774**	–
Beijing Kunting Asset Management Co., Ltd (Note (c))	**374,511**	–
Jinan Joy City Co., Ltd. (Note (d))	**835,333**	–
	5,330,086	2,743,326

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40. PERPETUAL CAPITAL INSTRUMENTS (continued)

Notes:

(a) 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 9 April 2019, 28 June 2018, 24 December 2017 and 22 December 2016, the Group repaid principal of the Perpetual Loan amounting to RMB1,200 million, RMB200 million, RMB500 million and RMB500 million to the ultimate holding company, respectively. As a result, the principal of the Perpetual Loan reduced to RMB1,368 million as at 31 December 2019 (2018: RMB2,568 million).

On 16 December 2019, COFCO Commercial Property Investment Co., Ltd (中糧置業投資有限公司), a wholly-owned subsidiary of the Company, issued a Perpetual Note (ref. no. MTN737) through the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) in the PRC. The final total principal amount of this Perpetual Note (ref. no. MTN737) amounts to RMB1.5 billion with a coupon rate of 4.25%.

(b) In December 2019, Zhejiang Herun Tiancheng Real Estate Co., Ltd (浙江和潤天成置業有限公司) ("Herun Tiancheng"), a wholly-owned subsidiary of the Company and the immediate holding company has entered into a loan agreement (the "Herun Tiancheng Perpetual Loan Agreement"), pursuant to which the immediate holding company shall lend RMB1,486 million (the "Herun Tiancheng Perpetual Loan") to Herun Tiancheng. The Herun Tiancheng Perpetual Loan Agreement took effect on 23 December 2019. The Herun Tiancheng Perpetual Loan bears interest at 4.35% per annum for the first five years, and adjusts each five years according to 5-year arithmetic average of PRC treasury bond yield. Interest payments on the Herun Tiancheng Perpetual Loan are paid annually in arrears from 23 December 2019 and can be deferred at the discretion of Herun Tiancheng, or in the event of liquidation. On 25 December 2019, Herun Tiancheng repaid principal of the Herun Tiancheng Perpetual Loan amounting to RMB560 million to the immediate holding company. As a result, the principal of the Herun Tiancheng Perpetual Loan reduced to RMB926 million (2018: nil) as at 31 December 2019.

(c) In December 2019, Beijing Kunting Asset Management Co., Ltd (北京昆庭資產管理有限公司) ("Beijing Kunting"), a wholly-owned subsidiary of the Company, and the immediate holding company has entered into a loan agreement (the "Beijing Kunting Perpetual Loan Agreement"), pursuant to which the immediate holding company shall lend RMB916 million (the "Beijing Kunting Perpetual Loan") to Beijing Kunting. The Beijing Kunting Perpetual Loan Agreement took effect on 31 December 2019. The Beijing Kunting Perpetual Loan bears interest at 4.35% per annum for the first five years, and adjusts each five years according to 5-year arithmetic average of PRC treasury bond yield. Interest payments on the Beijing Kunting Perpetual Loan are paid annually in arrears from 31 December 2019 and can be deferred at the discretion of Beijing Kunting, or in the event of liquidation.On 25 December 2019, Beijing Kunting repaid principal of the Beijing Kunting Perpetual Loan amounting to RMB542 million to the immediate holding company. As a result, the principal of the Beijing Kunting Perpetual Loan reduced to RMB374 million (2018: nil) as at 31 December 2019.

(d) In December 2019, Jinan Joy City Co., Ltd. (濟南大悦城產業發展有限公司) ("Jinan Joy City"), a 60%-owned subsidiary of the Company has entered into a loan agreement (the "Perpetual Loan Agreement"), pursuant to which Qingdao Zhiyue Co., Ltd., one of the wholly-owned subsidiary of Jinan Joy City, and non-controlling interests shall lend RMB2,088 million (the "Jinan Joy City Perpetual Loan") to Jinan Joy City. The loan from non-controlling interests amounts to RMB835 million. The Jinan Joy City Perpetual Loan Agreement took effect on 31 December 2019. The portion of loan from Jinan Joy City to Qingdao Zhiyue Co., Ltd is fully eliminated upon consolidation of the financial statements of the Company. The Jinan Joy City Perpetual Loan bears interest at 4.35% per annum for the first five years. and adjusts each five years according to 5-year arithmetic average of PRC Treasury bond yield. Interest payments on the Jinan Joy City Perpetual Loan are paid annually in arrears from 31 December 2019 and can be deferred at the discretion of Jinan Joy City, or in the event of liquidation.

Under the perpetual loan agreements mentioned above, 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 these perpetual loans.

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41. CONTINGENT LIABILITIES

(a) Guarantees

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Guarantees provided by the Group in respect of		
loan facilities utilised by property buyers	**2,967,352**	2,600,502
loan facilities utilised by an associate	**600,000**	
	3,567,352	2,600,502

The Group has pledged certain bank deposits (details set out in Note 30) 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 July 2019, Beijing Joy City Business Management (Beijing) Co., Ltd. ("Joy City (Beijing)"), an indirect wholly-owned subsidiary of the Company, provided a guarantee for an amount up to RMB600,000,000 in favor of a PRC commercial bank, for the performance of the repayment obligations of Kunming Luosiwan, a 30%-owned associate of the Group, to the bank in respect of a loan provided by the bank to Kunming Luosiwan. In addition, as security of the loan, Chengdu Pengyue Enterprise Management Consulting Co., Ltd. ("Chengdu Pengyue"), an indirect wholly-owned subsidiary of the Company and the direct shareholder of Kunming Luosiwan, also entered into a share pledge of its 30% equity interest in Kunming Luosiwan in favor of the bank, pursuant to which Chengdu Pengyu agreed to provide a fixed charge over its 30% shareholding interest in Kunming Luosiwan. In return, Kunming Luosiwan has provided back-to-back guarantees of an aggregate indemnification amount of RMB600,000,000 to the Group in relation to the guarantee and the share pledge respectively provided by the Group pursuant to which Kunming Luosiwan would indemnify the Group if the Group has assumed liabilities due to default of Kunming Luosiwan.

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.

Notes to the Consolidated Financial Statements

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41. CONTINGENT LIABILITIES (continued)

(b) The Group has certain non-compliance incidents which are relating to the failure to comply with certain terms and conditions of the relevant construction works planning permits in respect of two projects, Chaoyang Joy City and Shenyang Joy City. The Group may be subject to a fine of up to 10% of the construction costs, demolishment of the relevant property and confiscation of any illegal revenue.

The construction costs of Chaoyang Joy City amounted to RMB3,348 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 2019 amounted to RMB4,710 million.

The construction costs of Shenyang Joy City amounted to RMB1,911 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 2019 amounted to RMB2,238 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.

Notes to the Consolidated Financial Statements

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42. OPERATING LEASE ARRANGEMENTS

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of office premises, retail shops and residential premises which fall due as follows:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Within one year	**3,011,873**	2,810,819
In the second to fifth year, inclusive	**5,454,806**	4,811,309
After five years	**1,464,678**	1,696,366
	9,931,357	9,318,494

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

The Group as lessee

The Group leases various office premises under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At 31 December
	2018
	RMB'000
Within one year	41,929
In the second to fifth year, inclusive	178,591
After five years	9,200
	229,720

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43. CAPITAL COMMITMENTS

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

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Capital commitments in respect of:		
Purchase of property, plant and equipment contracted, but not provided for	–	19,833
Constructing and developing investment properties contracted, but not provided for	**1,347,113**	288,606
Capital injection commitments to a newly established fund	**1,853,852**	3,420,000
	3,200,965	3,728,439

44. 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	
	2019	2018
	RMB'000	RMB'000
Investment properties	**33,005,000**	39,287,000
Property, plant and equipment	**2,386,211**	2,263,175
Properties under development for sale	**8,918,643**	6,492,645
Properties held for sale	–	554,742
Leasehold land and land use rights	–	519,843
Right-of-use assets	**1,474,111**	–
Accounts receivable	**20,807**	25,400
Pledged deposits	**14,340**	12,522
	45,819,112	49,155,327

Notes to the Consolidated Financial Statements

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45. CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each reporting period are as follows:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Financial assets:		
Financial assets at amortised cost	**17,923,019**	12,796,031
Financial assets at FVTPL:		
-Equity instruments	**510**	510
-Loan to an associate	**403,098**	403,098
Hedging instruments designated in cash flow hedges	**53,133**	–
Rental receivables	**134,558**	171,583
Financial liabilities:		
Amortised cost	**41,789,883**	36,253,698
Hedging instruments designated in cash flow hedges	**–**	2,016
Financial liabilities at FVTPL	**344,570**	336,470
Rental deposits received	**1,052,414**	1,056,870

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For the year ended 31 December 2019

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include financial assets at fair value through profit or loss, 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 third parties, 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 2019, 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 30, 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 29, loan to associates and joint ventures and loan from non-controlling interests which consist of US$ as set out in Note 24 and bank borrowings which mainly consist of HK$ and US$ as set out in Note 33 which expose the Group to foreign currency risk.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2018: 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% (2018: 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.

	2019 RMB'000	2018 RMB'000
(Decrease)/increase in post-tax profit for the year:		
– if RMB weakens against US$	**(183,508)**	(95,211)
– if RMB strengthens against US$	**183,508**	95,211
– if RMB weakens against HK$	**(180,588)**	(150,076)
– if RMB strengthens against HK$	**180,588**	150,076

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans from/to associates, joint ventures, third parties and non-controlling interests, fixed-rate bank borrowings, guaranteed notes, bonds payable (see Notes 24, 33, 34 and 35 respectively for details) and lease liabilities.

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 33. The interest rates and terms of repayment of the interest-bearing loans from/to fellow subsidiaries, associates, joint ventures, non-controlling interests and third parties of the Group are disclosed in Note 24. 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, including derivatives which are designated as effective hedging instruments, outstanding at the end of the reporting period were outstanding for the whole year. A 50 (2018: 50) basis points increase or decrease in variable-rate bank borrowings and interest rate swaps designated to hedge cash flow interest rate risk during the year are 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 (2018: 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.

	2019 **RMB'000**	2018 RMB'000
(Decrease)/increase in post-tax profit for the year:		
– interest rates 50 basis points higher	**(70,032)**	(59,448)
– interest rates 50 basis points lower	**70,032**	59,448

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk management

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets stated in the consolidated statement of financial position and the financial guarantee contracts as disclosed in Note 41.

At as 31 December 2019, 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. 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 (2018: ECL 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.

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk management (continued)

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	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month 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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For the year ended 31 December 2019

46. 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:

	Notes	Internal credit rating	12-month ECL	Lifetime ECL	**2019 Gross carrying amount RMB'000**	2018 Gross carrying amount RMB'000
Financial assets at amortised cost						
Accounts receivable (Note c)	27	Doubtful	N	not credit impaired	**28,923**	24,466
Accounts receivable (Note c)	27	Low risk	N	not credit impaired	**11,329**	55,144
Other receivables	28	Low risk	Y	N	**1,376,416**	901,048
Cash and bank balances	30	Low risk	Y	N	**11,752,111**	7,107,503
Restricted bank deposits	30	Low risk	Y	N	**372,480**	–
Pledged deposits	30	Low risk	Y	N	**14,340**	12,522
Loans to associates, joint ventures and non-controlling interests (Note a)	24	Low risk	Y	N	**4,076,225**	4,520,303
Amounts due from holding company, fellow subsidiaries, joint ventures associates and non-controlling interests (Note a)	29	Low risk	Y	N	**350,785**	232,372
Other items						
Accounts receivable-operating lease (Note c)	27	Low risk	Y	N	**134,558**	171,583
Financial guarantee contracts (Note b)	41	Low risk	Y	N	**3,567,352**	2,600,502

Notes to the Consolidated Financial Statements

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk management (continued)

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.

2019

	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	**–**	**4,076,225**	**4,076,225**
Amounts due from holding company, fellow subsidiaries, joint ventures, associates and non-controlling interests	**–**	**350,785**	**350,785**

2018

	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

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 2019 and 2018 within lifetime ECL.

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk management (continued)

Gross carrying amount

2019

Internal credit rating	Average loss rate	Accounts receivable RMB'000
Low risk	**0.74%**	**150,727**
Doubtful	**81.71%**	**34,030**

2018

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.

The following table shows the movements 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 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
– Impairment losses recognised	6,819	–	6,819
– Impairment losses reversed	(2,366)	–	(2,366)
– Impairment losses write off	(1,075)	–	(1,075)
– Acquisition of subsidiaries	1,079	–	1,079
At 31 December 2019	28,923	–	28,923

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46. 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 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
– Impairment losses recognised	3,284	–	–	3,284
– Impairment losses reversed	(6,435)	–	–	(6,435)
– Acquisition of subsidiaries	983	–	–	983
– Disposal of subsidiaries	(26)	–	–	(26)
At 31 December 2019	30,667	–	–	30,667

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

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46. 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 2019							
Accounts payable	–	2,510,357	–	–	–	2,510,357	2,510,357
Other payables	–	5,026,270	190,242	218,982	94,296	5,529,790	5,529,790
Lease liabilities	4.39%-4.61%	43,576	42,835	96,738	12,564	195,713	184,995
Obligation arising from put option to non-controlling shareholder	–	–	–	–	439,769	439,769	344,570
Bank borrowings	3.28%-5.68%	3,906,575	5,529,155	12,587,596	5,567,930	27,591,256	23,091,406
Amount due to the ultimate holding company	–	136	–	–	–	136	136
Amount due to an intermediate holding company	–	695	–	–	–	695	695
Amount due to the immediate holding company	–	8,090	–	–	–	8,090	8,090
Amounts due to non-controlling interests	–	1,755,037	–	–	–	1,755,037	1,755,037
Amounts due to joint ventures	–	28,978	–	–	–	28,978	28,978
Amount due to an associate	–	166,827	–	–	–	166,827	166,827
Amounts due to fellow subsidiaries	–	118,468	–	–	–	118,468	118,468
Loans from fellow subsidiaries	4.28%-5.39%	311,389	562,791	364,643	559,490	1,798,313	1,484,780
Loans from non-controlling interests	8.00%	676,996	–	–	–	676,996	626,721
Loans from third parties	6.48%-8.90%	1,218,500	137,810	2,380,451	–	3,736,761	3,115,600
Bonds payable	3.20%-4.95%	1,855,238	2,515,238	757,400	–	5,127,876	4,220,417
		17,627,132	8,978,071	16,405,810	6,674,049	49,685,062	43,186,867
Financial guarantee contracts		3,567,352	–	–	–	3,567,352	–

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk management (continued)

Liquidity and interest rate tables (continued)

	Weighted average interest rate	Repayable on demand or within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 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 a fellow subsidiary	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	–

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.

Notes to the Consolidated Financial Statements

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46. 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 31/12/2019	Fair value as at 31/12/2018	Fair value hierarchy	Valuation technique(s) and key input(s)
Interest rate swaps (designed as hedging instruments)	**Assets – RMB53,133,000**	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**	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 – RMB344,570,000**	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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47. 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, third parties and non-controlling interests, bonds payable) 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.

48. 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 third parties	Loans from non-controlling interests	Guaranteed notes	Bonds payable	Amount due to an associate	Amounts due to non controlling interests	Amount due to the immediate holding company	Dividend payable	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 33	Note 29	Note 24	Note 24	Note 24	Note 34	Note 35	Note 29	Note 29	Note 29	Note	
At 1 January 2019	16,280,758	1,159	1,030,372	-	672,233	5,502,007	4,108,227	-	1,868,227	-	-	29,462,983
Financing cash flows	8,093,820	-	131,156	3,115,600	(63,194)	(5,783,270)	(63,514)	166,600	(428,095)	(552,093)	(224,951)	4,392,059
Acquisition of a subsidiary	677,280	-	547,006	-	-	-	-	-	-	-	-	1,224,286
Foreign exchange translation	66,798	-	4,705	-	17,682	93,430	-	-	8,864	1,120	989	193,588
Interest expense	-	-	-	-	-	187,833	175,704	227	52,353	-	-	416,117
Dividend	-	-	-	-	-	-	-	-	327,800	558,836	249,434	1,136,070
Operating activities related	-	(1,023)	-	-	-	-	-	-	1,306	227	-	510
Disposed by disposal of subsidiaries	(2,027,250)	-	-	-	-	-	-	-	-	-	-	(2,027,250)
Decrease in amount due to non-controlling interest	-	-	-	-	-	-	-	-	(75,418)	-	-	(75,418)
Settled by internal offset after acquisition of a subsidiary	-	-	(228,459)	-	-	-	-	-	-	-	-	(228,459)
At 31 December 2019	23,091,406	136	1,484,780	3,115,600	626,721	-	4,220,417	166,827	1,755,037	8,090	25,472	34,494,486

Note: Dividend payable was included under other payable and accruals.

Notes to the Consolidated Financial Statements

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48. 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	Amounts 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 33	Note 29	Note 24	Note 24	Note 34	Note 35	Note 29	Note 29	Note	Note 24	
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

Note: Dividend payable was included under other payable and accruals.

Notes to the Consolidated Financial Statements

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49. BUSINESS COMBINATIONS

(a) Acquisition of BVI 97

On 2 January 2019, the Group acquired 60% interest in BVI 97, a 40%-owned joint venture of the Group as at 31 December 2018, from an independent third party for a cash consideration of RMB17,051,000 and thereafter, the Group holds 100% equity interest in BVI 97.

The subsidiary of BVI 97 is Taiwan Hotel Limited which is engaged in hotel operations in Mainland China. A summary of fair value of the identifiable assets and liabilities of BVI 97 acquired at the date of the above acquisition was as follows:

	RMB'000
Property, plant and equipment	699,988
Right-of-use assets	1,150,762
Intangible assets	563
Inventories	637
Accounts receivable	7,775
Prepayments, deposits and other receivables	3,925
Cash and bank balances	17,325
Other payables, accruals and deposits received	(48,522)
Accounts payable	(93,805)
Amounts due to fellow subsidiaries	(68,133)
Loan from a third party	(338,982)
Loans from fellow subsidiaries	(547,006)
Bank borrowings	(677,280)
	107,247
Goodwill recognised on acquisition	
Consideration transferred	17,051
Add: Non-controlling interests	78,828
Fair value of 40% interest in BVI 97 at the date of acquisition	11,368
Less: Net assets acquired	(107,247)
	–
Net cash inflows arising on acquisition	
Consideration paid in cash	17,051
Less: Cash and bank balances acquired	(17,325)
Net cash inflow	(274)

Included in the profit for the year was a loss of RMB49,739,000 from BVI 97. Revenue for the year includes RMB73,293,000 attributable to BVI 97.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

49. BUSINESS COMBINATIONS (continued)

(b) Acquisition of Shanxi Ding'an Real Estate Development Company Limited ("Shanxi Ding'an")

On 4 January 2019, the Group completed its negotiation with an independent third party to the Group for the acquisition of 51% of Shanxi Ding'an. The transaction was completed on 28 February 2019 and the acquisition cost of RMB92,493,000 was satisfied in cash.

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

	RMB'000
Property, plant and equipment	104
Properties under development for sale	83,350
Prepayments, deposits and other receivables	8,323
Cash and bank balances	92,523
Other payable, accruals and deposits received	(2,543)
Accounts payable	(398)
	181,359
Goodwill recognised on acquisition	
Consideration transferred	92,493
Add: Non-controlling interests	88,866
Less: Net assets acquired	(181,359)
	–
Net cash inflows arising on acquisition	
Consideration paid in cash	92,493
Less: Cash and bank balances acquired	(92,523)
Net cash inflow	(30)

Included in the profit for the year was a loss of RMB1,266,000 from Shanxi Ding'an. There was no revenue for the year attributable to Shanxi Ding'an.

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50. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Spring Wisdom Limited and Glorious Run Limited

On 30 September 2019, the Company disposed of Spring Wisdom Limited and Glorious Run Limited, which are wholly-owned subsidiaries of the Company, to a 36.36%-owned joint venture invested by the Group. Details of which are set out below:

	Spring Wisdom RMB'000	Glorious Run RMB'000	2019 Total RMB'000
Consideration			
Fair value of the interest in the joint venture	91,623	115,000	206,623
Total consideration received	91,623	115,000	206,623
Analysis of assets and liabilities over which control was lost			
Property, plant and equipment (Note 17)	10,118	4,366	14,484
Intangible assets (Note 19)	1,492	226	1,718
Investment properties (Note 16)	2,780,000	1,521,000	4,301,000
Inventories	261	221	482
Accounts receivable	19,302	2,296	21,598
Deposits, prepayments and other receivables	50,864	4,683	55,547
Amounts due from fellow subsidiaries	27,839	2,282	30,121
Cash and bank balances	38,934	66,760	105,694
Other payables and accruals	(176,028)	(216,052)	(392,080)
Amounts due to fellow subsidiaries	(1,324)	(669,854)	(671,178)
Amount due to a joint venture	(1,431,196)	–	(1,431,196)
Bank borrowing	(1,240,250)	(787,000)	(2,027,250)
Contract liabilities	(1,904)	–	(1,904)
Deferred tax liabilities	(297,523)	(105,372)	(402,895)
Net liabilities disposed of	(219,415)	(176,444)	(395,859)
Gain on disposal of subsidiaries:			
Consideration on disposal	91,623	115,000	206,623
Net liabilities attributable to owners of the company	219,415	275,116	494,531
Non-controlling interests	–	(98,672)	(98,672)
Gain on disposal	311,038	390,116	701,154
Net cash outflow on disposal of subsidiaries			
Consideration received in cash and cash equivalents	–	–	–
Less: Cash and cash equivalents disposed of	(38,934)	(66,760)	(105,694)
Net cash outflow	(38,934)	(66,760)	(105,694)

Notes to the Consolidated Financial Statements

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50. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of COFCO Hotel (Beijing) Co., Ltd ("COFCO Hotel (Beijing)")

On 8 December 2017, Rich Harbour Limited ("Rich Harbour") and COFCO (BVI) No. 17 Limited ("COFCO BVI 17"), which are wholly-owned subsidiaries of the Company, entered into an arrangement on disposal of COFCO Hotel (Beijing), 65% owned by Rich Harbour and 35% owned by COFCO BVI 17). The consideration was determined based on the highest bidding price amounting to RMB1,360 million. 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

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51. 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 24 and 33 respectively above.

Related party transactions

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue from leasing of properties to:		
Fellow subsidiaries *	**156,071**	165,928
Intermediate holding company *	**3,756**	19
Ultimate holding company *	**19**	36
Immediate holding company *	**26**	–
Rental expenses for leasing of properties from:		
Fellow subsidiaries	**1,208**	1,292
Ultimate holding company *	**11,513**	11,513

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Provision of hotel management service by:		
Fellow subsidiaries *	**2,607**	5,520
Provision of property management service by:		
Fellow subsidiaries *	**38,371**	18,102
Provision of property management service to:		
Fellow subsidiaries	**11**	740
Other revenue from:		
Fellow subsidiaries	**4,583**	7,624
Sourcing of staple supplies and catering services from:		
Fellow subsidiaries *	**3,568**	2,201
Ultimate holding company *	**1,233**	3,216
Intermediate holding company *	**–**	12
Services fee for entrust loans from		
Fellow subsidiaries*	**3,098**	627
Interest expense to:		
Fellow subsidiaries	**68,294**	47,381
Other expense to:		
Fellow subsidiaries	**5,760**	4,415

* These related party transactions also constituted continuing connected transactions according to the Listing Rules.

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51. 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 2019 amounted to RMB1,269,528,000 (2018: RMB1,030,372,000). The deposits placed in COFCO Finance were RMB550,000,000 (2018: RMB550,000,000) at 31 December 2019.

Details of the Group's balances with related parties are disclosed in Notes 24 and 29. 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	
	2019	2018
	RMB'000	RMB'000
Amounts due from fellow subsidiaries:		
Within 1 year	**956**	3,604
Amounts due to fellow subsidiaries:		
Within 1 year	**62,915**	59,641
1 to 2 years	**508**	19,147
	63,423	78,788

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51. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel of the Group

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Salaries, allowance and other benefits	**35,019**	24,769
Retirement benefit scheme contributions	**2,330**	2,120
	37,349	26,889

The key management personnel of the Group includes the Directors and certain top executives of the Company. The remuneration of certain of these Directors and top executives was borne by the ultimate holding company or fellow subsidiaries during the current and prior years. Further details of directors' emoluments are included in Note 14.

Transactions with other government-related entities in the PRC

The Group itself is part of a larger group of companies under COFCO Corporation which is controlled by the PRC government. Thus, the Directors consider that the Group is ultimately controlled by the PRC government. In addition, the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC government-related entities"). Apart from the transactions and balances with the ultimate holding company, an intermediate holding company and fellow subsidiaries set out in "Related party transactions" and "Related party balances" above, the Group also conducts businesses with other PRC government-related entities in the ordinary course of business. Certain of the Group's bank deposits and bank borrowings are entered into with certain banks which are PRC government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the Directors are of the opinion that separate disclosures would not be meaningful. In addition, the Group entered into various transactions, including purchases of land use rights, construction of properties and other operating expenses with other PRC government-related entities in the ordinary course of business. The pricing and the selection of suppliers and service providers are not dependent on whether the counterparties are PRC government-related entities or not. In the opinion of the Directors, the above transactions are collectively significant transactions of the Group with PRC government-related entities.

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52. COMPOSITION OF THE GROUP

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

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ establishment and place of business	Proportion of ownership interests held by non-controlling interests	Profit/(loss) allocated to non-controlling interests	Accumulated non-controlling interests
			RMB'000	RMB'000 (Note (a))
Year ended 31 December 2019				
Sanya Yalong Development Company Limited and its subsidiaries ("Yalong Development group")	**PRC**	**49.2%**	**94,808**	**1,994,321**
Shanghai Yueyao Development Co., Ltd.	**PRC**	**50.0%**	**334,886**	**1,562,675**
Fortune Set	**BVI**	**49.0%**	**413,913**	**9,080,244**
Sunny Ease	**BVI**	**49.0%**	**78,277**	**2,381,978**
Vivid Star	**BVI**	**49.0%**	**6,055**	**162,770**
Speedy Cosmo Limited ("Speedy Cosmo")	**HK**	**45.0%**	**148,842**	**277,182**
Elimination of cross holding of Fortune Set, Sunny Ease and Vivid Star			**(129,120)**	**(2,683,537)**
Individually immaterial subsidiaries with non-controlling interests			**(67,044)**	**2,697,113**
Total			**880,617**	**15,472,746**
Year ended 31 December 2018				
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	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

Note:

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

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52. 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	
	2019	2018
	RMB'000	RMB'000
Current assets	**7,240,096**	6,140,021
Non-current assets	**2,768,035**	2,379,595
Current liabilities	**(5,817,380)**	(4,620,015)
Non-current liabilities	**(130,000)**	(240,000)
Total equity	**4,060,751**	3,659,601
Equity attributable to:		
Owners of the Company	**2,066,430**	1,694,088
Non-controlling interests	**1,994,321**	1,965,513
Total equity	**4,060,751**	3,659,601

52. 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	
	2019	2018
	RMB'000	RMB'000
Revenue	**1,298,668**	1,739,615
Other income, and other gains and losses, net	**14,154**	40,103
Fair value gain of investment properties	**7,437**	2,883
Total expenses	**(1,137,144)**	(1,410,584)
Profit and total comprehensive income for the year	**183,115**	372,017
Total comprehensive income attributable to:		
Owners of the Company	**88,307**	226,841
Non-controlling interests	**94,808**	145,176
Profit and total comprehensive income for the year	**183,115**	372,017
Dividends declared to non-controlling interests	**(66,000)**	(89,500)
The impact on non-controlling interests upon adoption of HKFRS 15 on 1 January 2018	**–**	499
Net cash outflow from:		
Operating activities	**(314,521)**	(163,351)
Investing activities	**(21,996)**	8,869
Financing activities	**(217,682)**	(195,734)
Net cash outflow	**(554,199)**	(350,216)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

52. 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	
	2019	2018
	RMB'000	RMB'000
Current assets	**2,257,448**	4,915,129
Non-current assets	**1,627,388**	1,486,597
Current liabilities	**(642,855)**	(3,748,015)
Non-current liabilities	**(116,317)**	(197,818)
Total equity	**3,125,664**	2,455,893
Equity attributable to:		
Owners of the Company	**1,562,989**	1,228,104
Non-controlling interests	**1,562,675**	1,227,789
Total equity	**3,125,664**	2,455,893

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

52. 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	
	2019	2018
	RMB'000	RMB'000
Revenue	**3,402,392**	–
Other income, and other gains and losses, net	**11,661**	44,828
Fair value gain of investment properties	**8,938**	1,367
Total expenses	**(2,753,220)**	(24,900)
Profit and total comprehensive income for the year	**669,771**	21,295
Total comprehensive income attributable to:		
Owners of the Company	**334,885**	10,647
Non-controlling interests	**334,886**	10,648
Profit and total comprehensive income for the year	**669,771**	21,295
Net cash (outflow)/inflow from:		
Operating activities	**(549,244)**	2,318,292
Investing activities	**198,256**	(1,500,036)
Financing activities	**–**	(389,394)
Net cash (outflow)/inflow	**(350,988)**	428,862

Notes to the Consolidated Financial Statements
For the year ended 31 December 2019

52. COMPOSITION OF THE GROUP (continued)

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

Speedy Cosmo

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Current assets	**4,997,976**	3,369,290
Non-current assets	**3,200,719**	2,795,298
Current liabilities	**(6,603,996)**	(5,820,355)
Non-current liabilities	**(51,965)**	(59,033)
Total equity	**1,542,734**	285,200
Equity attributable to:		
Owners of the Company	**338,778**	156,860
Perpetual capital instruments	**926,774**	–
Non-controlling interests	**277,182**	128,340
Total equity	**1,542,734**	285,200

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

52. 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	
	2019	2018
	RMB'000	RMB'000
Revenue	**246,657**	66,652
Other income, and other gains and losses, net	**12,621**	19,317
Fair value gain of investment properties	**374,000**	177,044
Total expenses	**(302,518)**	(160,468)
Profit and total comprehensive income for the year	**330,760**	102,545
Total comprehensive income attributable to:		
Owners of the Company	**180,671**	56,400
Perpetual capital instruments	**1,247**	–
Non-controlling interests	**148,842**	46,145
Profit and total comprehensive income for the year	**330,760**	102,545
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	**369,576**	654,596
Investing activities	**171,891**	(2,986)
Financing activities	**925,527**	(429,419)
Net cash inflow	**1,466,994**	222,191

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

52. COMPOSITION OF THE GROUP (continued)

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

Fortune Set

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Current assets	**13,423,975**	12,464,749
Non-current assets	**30,542,609**	30,155,101
Current liabilities	**(16,727,167)**	(16,331,955)
Non-current liabilities	**(6,574,679)**	(6,740,897)
Total equity	**20,664,738**	19,546,998
Equity attributable to:		
Owners of the Company	**8,016,516**	7,896,502
Perpetual capital instruments	**3,567,978**	2,743,326
Non-controlling interests	**9,080,244**	8,907,170
Total equity	**20,664,738**	19,546,998

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

52. 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	
	2019	2018
	RMB'000	RMB'000
Revenue	**2,738,427**	4,320,196
Other income, and other gains and losses, net	**256,927**	612,265
Total expenses	**(2,347,373)**	(3,831,081)
Other comprehensive income	**–**	(2,016)
Profit and total comprehensive income for the year	**647,981**	1,099,364
Total comprehensive income attributable to:		
Owners of the Company	**83,339**	284,339
Perpetual capital instruments	**150,729**	175,645
Non-controlling interests	**413,913**	639,380
Profit and total comprehensive income for the year	**647,981**	1,099,364
Dividends declared to non-controlling interests	**(240,839)**	(537,001)
The impact on non-controlling interests upon adoption of HKFRS 15 on 1 January 2018	**–**	4,961
Net cash inflow/(outflow) from:		
Operating activities	**727,660,805**	716,160
Investing activities	**(293,429,366)**	(524,100)
Financing activities	**(267,274,346)**	(1,073,938)
Net cash inflow/(outflow)	**166,957,093**	(881,878)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

52. COMPOSITION OF THE GROUP (continued)

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

Sunny Ease

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Current assets	**2,783,986**	1,566,389
Non-current assets	**5,474,416**	5,448,891
Current liabilities	**(3,572,275)**	(3,854,114)
Non-current liabilities	**(1,594,684)**	(53,742)
Total equity	**3,091,443**	3,107,424
Equity attributable to:		
Owners of the Company	**709,465**	753,519
Non-controlling interests	**2,381,978**	2,353,905
Total equity	**3,091,443**	3,107,424

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

52. 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	
	2019	2018
	RMB'000	RMB'000
Revenue	**298,310**	276,199
Other income, and other gains and losses, net	**20,904**	(8,475)
Total expenses	**(303,134)**	(268,038)
Profit (loss) and total comprehensive income (expense) for the year	**16,080**	(314)
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(62,197)**	(63,256)
Non-controlling interests	**78,277**	62,942
Profit (loss) and total comprehensive income (expense) for the year	**16,080**	(314)
Dividends declared to non-controlling interests	**(50,204)**	(83,395)
Net cash (outflow)/inflow from:		
Operating activities	**(1,160,739)**	158,136
Investing activities	**(73,272)**	(47,145)
Financing activities	**1,327,254**	(111,132)
Net cash inflow/(outflow)	**93,243**	(141)

Notes to the Consolidated Financial Statements
For the year ended 31 December 2019

52. COMPOSITION OF THE GROUP (continued)

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

Vivid Star

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Current assets	**615,811**	568,841
Non-current assets	**983,596**	959,636
Current liabilities	**(1,254,427)**	(1,191,241)
Non-current liabilities	**(12,795)**	(6,143)
Total equity	**332,185**	331,093
Equity attributable to:		
Owners of the Company	**169,415**	168,858
Non-controlling interests	**162,770**	162,235
Total equity	**332,185**	331,093

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

52. 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	
	2019	2018
	RMB'000	RMB'000
Revenue	**–**	–
Other income, and other gains and losses, net	**51,240**	40,383
Total expenses	**(38,883)**	(36,115)
Profit and total comprehensive income for the year	**12,357**	4,268
Total comprehensive income attributable to:		
Owners of the Company	**6,302**	2,177
Non-controlling interests	**6,055**	2,091
Profit and total comprehensive income for the year	**12,357**	4,268
Dividends declared to non-controlling interests	**(5,520)**	(9,193)
Net cash outflow from:		
Operating activities	**(7)**	(25)
Investing activities	**–**	–
Financing activities	**–**	–
Net cash outflow	**(7)**	(25)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

53. 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		
		2019	2018	2019	2018	
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*) (Note (d))	RMB5,000,000,000	–	–	100%	100%	Investment holding
西單大悦城有限公司 (Xidan Joy City Co., Ltd*) ("Xidan Joy City") (Note (e))	RMB1,025,000,000	–	–	100%	100%	Property investment and development
北京弘泰基業房地產有限公司 (Beijing Hongtaijiye Real Estate Co., Ltd.*) (Note (e))	RMB1,055,000,000	–	–	90%	90%	Property investment and development
大悦城(天津)有限公司 (Joy City (Tianjin) Co., Ltd.*) (Note (c))	RMB1,870,000,000	–	–	100%	100%	Property investment and development
大悦城(上海)有限責任公司 (Joy City (Shanghai) Co., Ltd.*) (Note (e))	RMB520,000,000	–	–	100%	100%	Property management
上海新蘭房地產開發有限公司 (Shanghai Xinlan Real Estate Development Co., Ltd.*) (Note (e))	RMB4,200,000,000	–	–	100%	100%	Property investment and development
瀋陽大悦城房產開發有限公司 (Shenyang Joy City Real Estate Development Co., Ltd.*) (Note (d))	US$129,300,000	–	–	100%	100%	Property investment and development

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

53. 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		
		2019	2018	2019	2018	
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.*) (Note (e))	RMB1,080,000	–	–	100%	100%	Property management
煙台大悅城有限公司 (Yantai Joy City Co., Ltd.*) ("Yantai Joy City Co") (Note (d))	RMB900,000,000	–	–	100%	100%	Property investment and development
北京昆庭資產管理有限公司 (Beijing Kunting Asset Management Co., Ltd*) ("Beijing Kunting") (Note (e))	RMB1,074,318,600	–	–	100%	100%	Property management
中糧酒店(三亞)有限公司 (COFCO Hotel (Sanya) Limited.*) (Note (d))	US$165,500,000	–	–	100%	100%	Hotel ownership and operations
三亞亞龍灣開發股份有限公司 (Sanya Yalong Development Company Limited*) (Note (c))	RMB671,000,000	–	–	50.8%	50.8%	Property development
三亞亞龍灣熱帶海岸公園管理有限公司 (Sanya Yalong Tropical Coast Park Management Co., Ltd.*) (Note (e))	RMB3,000,000	–	–	100%	100%	Provision of tourism service
三亞虹霞開發建設有限公司 (Sanya Hongxia Development & Construction Co., Ltd.*) (Note (e))	RMB1,339,500,000	–	–	80%	80%	Property development
三亞悅晟開發建設有限公司 (Sanya Yuesheng Development Company Limited) (Note (e))	RMB499,500,000	–	–	100%	100%	Property development
北京中糧廣場發展有限公司 (Beijing COFCO Plaza Development Co., Ltd.*) (Note (c))	US$33,300,000	–	–	100%	100%	Property investment
四川凱萊物業管理有限公司 (Sichuan Gloria Properties Management Co.,Ltd.*) (Note (c))	RMB500,000	–	–	94%	94%	Property management
上海鵬利置業發展有限公司 (Shanghai Top Glory Real Estate Development Co., Ltd.*) (Note (d))	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.*) (Note (d))	US$18,000,000	–	–	100%	100%	Property development

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

53. 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		
		2019	2018	2019	2018	
Entities established in the PRC and operating principally in the PRC (continued)						
卓遠地產(成都)有限公司 (Zhuoyuan Property (Chengdu) Co., Ltd.*) (Note (d))	US$20,000,000	–	–	**100%**	100%	Property development
浙江和潤天成置業有限公司 (Zhejiang Herun Tiancheng Real Estate Co., Ltd.*) (Note (d))	US$406,500,000	–	–	**100%**	100%	Property investment and development
上海悦耀置業發展有限公司 (Shanghai Yueyao Development Co., Ltd.*) (Note (c))	RMB1,862,934,229	–	–	**50% (Note (a))**	50% (Note (a))	Property development
四川中國酒城股份有限公司 (Sichuan China Jiucheng Co., Ltd.*) (Note (e))	RMB80,830,000	–	–	**69.65%**	69.65%	Property development
重慶澤悦實業有限公司 (Chongqing Zeyue Co., Ltd.*) (Note (d))	RMB900,000,000	–	–	**100%**	100%	Property development
大悦城(青島)有限公司 (Qingdao Joy City Co., Ltd.*) (Note (d))	RMB1,329,880,000	–	–	**100%**	100%	Property development
青島智悦置地有限公司 (Qingdao Zhiyue Co., Ltd.*) (Note (d))	US$100,000,000	–	–	**100%**	100%	Property development
武漢大悦城房地產開發有限公司 (Wuhan Joy City Co., Ltd.*) (Note (d))	RMB1,457,370,000	–	–	**100%**	100%	Property development
瀋陽和韜房地產開發有限公司 (Shenyang Hetao Real Estate Development Co., Ltd.*) (Note (d))	US$85,000,000	–	–	**100%**	100%	Property development
成都天府辰悦置業有限公司 (Chengdu Tianfu Chenyue Development Co., Ltd.*) (Note (d))	RMB400,000,000	–	–	**100%**	100%	Property investment and development
陝西鼎安置業有限公司 (Shanxi Dingan Development Co., Ltd.*) (Note (b) and (c))	RMB358,323,051	–	–	**51%**	–	Property investment and development
濟南大悦城產業發展有限公司 (Jinan Joy City Co., Ltd.*) (Note (b) and (c))	RMB1,191,666,666.67	–	–	**60%**	–	Property development

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

53. 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		
		2019	2018	2019	2018	
Entities established in the PRC and operating principally in the PRC (continued)						
大悦城三亞投資有限公司 (Sanya Joycity investment Co., Ltd*) (Note (b) and Note (e))	RMB300,000,000	**–**	–	**100%**	–	Property development
三亞悦港企業管理有限公司 (Sanya Yuegang Development Co., Ltd*) (Note (b) and (d))	RMB349,525,000	**–**	–	**100%**	–	Property investment
台灣飯店有限公司 (Taiwan Hotel Limited) (Note (b) and (c))	RMB489,240,002	**–**	–	**91.64%**	–	Property investment

* 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 2019. 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 or acquired in 2019.

(c) These companies are sino-foreign equity joint ventures.

(d) These companies are wholly-foreign owned enterprise.

(e) These companies are wholly-domestic owned enterprise.

54. EVENT AFTER THE REPORTING PERIOD

Since the outbreak of the pneumonia caused by the novel coronavirus (the "COVID-19") in China from January 2020, the prevention and control measures to contain the COVID-19 are continuously taken nationwide. The COVID-19 would have some negative impact on the overall economic and business operation, especially in Hubei Province and some other provinces of China, and some industries. The Group expects a weak performance from investment properties, and a potential negative impact on assets quality. But the degree of the impact will depend on the epidemic prevention and control, the duration and the implementation of various control policies. The Group will continue to pay close attention to the development of pneumonia, evaluate the related impact on our Group's consolidated results of operations, cash flows and financial condition. The assessment is still in progress at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

55. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Unlisted investments in subsidiaries	**13,295,091**	13,295,091
Hedging instruments	**53,133**	–
	13,348,224	13,295,091
CURRENT ASSETS		
Amounts due from subsidiaries	**21,312,646**	20,585,709
Loans to subsidiaries	**1,814,099**	2,495,558
Deposits, prepayments and other receivables	**6,108**	5,974
Cash and bank balances	**357,819**	314,261
	23,490,672	23,401,502
CURRENT LIABILITIES		
Amounts due to subsidiaries	**1,090,554**	1,423,269
Amounts due to fellow subsidiaries	**1,394**	1,303
Bank borrowings	**1,557,624**	788,682
Amount due to the immediate holding company	**7,863**	–
Income tax payable	**18,157**	6,102
Other payables and accruals	**41,908**	13,466
Bonds payable	**1,015,824**	–
	3,733,324	2,232,822
NET CURRENT ASSET	**19,757,348**	21,168,680
NON-CURRENT LIABILITIES		
Bonds payable	**–**	1,015,867
Bank borrowings	**3,075,231**	3,017,204
	3,075,231	4,033,071
NET ASSETS	**30,030,341**	30,430,700
CAPITAL AND RESERVES		
Share capital (Note 37)	**1,122,414**	1,122,414
Reserves (Note (a))	**28,907,927**	29,308,286
TOTAL EQUITY	**30,030,341**	30,430,700

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

Note (a):

Reserves of the Company

	Share premium	Non-redeemable convertible preference shares	Foreign currency translation reserve	Capital redemption reserve	Contributed surplus and other reserve	Retained profits	Total
	RMB'000	RMB'000 (Note 38)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	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**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**24,881**	**383,030**	**407,911**
Final 2018 dividend declared (Note 12)	**–**	**–**	**–**	**–**	**–**	**(808,270)**	**(808,270)**
At 31 December 2019	**17,993,202**	**1,722,317**	**3,266**	**1,931**	**252,584**	**8,934,627**	**28,907,927**

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 Wednesday, 3 June 2020 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

"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 Grandjoy, 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$0.10 each in the share capital of the Company
"Director(s)"	director(s) of the Company
"Executive Committee"	Executive Committee under the Board
"Grandjoy"	Grandjoy Holdings Group Co., Ltd. (**大悅城控股集團股份有限公司**) (formerly known as COFCO Property (Group) Co., Ltd. (中糧地產(集團)股份有限公司)), a company incorporated in the PRC with limited liability on 8 October 1993, which is listed on the Shenzhen Stock Exchange (stock code: 000031), a subsidiary of COFCO Corporation, a controlling shareholder of the Company
"Group"	the Company and its subsidiaries
"HK$"	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
"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 three 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 three 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 three 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 (三亞悦晟開發建設有限公司), a company incorporated in the PRC with limited liability on 16 July 2014 and wholly-owned by Yalong Development
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	has the meaning ascribed to it in the section headed "Shareholders' Rights" of the Corporate Governance Report

Definitions

"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 an indirect controlling shareholder of the Company
"Yalong Development (Sanya)"	Yalong Development Company Limited (三亞亞龍灣開發股份有限公司) (formerly known as Sanya Yalong Bay Development Co., Ltd.* (三亞牙龍灣開發股份有限公司)), a company incorporated in the PRC with limited liability on 28 May 1992 and owned as to 50.82% by Yalong (HK), 4.90% by Zhong Gu Group Sanya Trading Co., Ltd.* (中谷集團三亞貿易有限公司), a subsidiary of COFCO Corporation, 1.27% by Mingcheng Investment & Consultation Co., Ltd.* (明誠投資諮詢有限公司), a subsidiary of COFCO Corporation, and 43.01% by certain other corporate and individual shareholders who are independent third parties
"Zhuoyuan Property"	Zhuoyuan Property (Chengdu) Co., Ltd.* (卓遠地產(成都)有限公司), a company incorporated in the PRC with limited liability on 19 December 2006 and wholly-owned by Upper International Limited
"%"	per cent

Corporate Information

DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. JIANG Yong
Mr. ZHU Laibin

Independent Non-executive Directors

Mr. LAU Hon Chuen, Ambrose, *GBS, JP*
Mr. LAM Kin Ming, Lawrence
Mr. CHAN Fan Shing

AUDIT COMMITTEE

Mr. LAU Hon Chuen, Ambrose, *GBS, JP (Committee Chairman)*
Mr. CAO Ronggen
Mr. LAM Kin Ming, Lawrence
Mr. CHAN Fan Shing

REMUNERATION COMMITTEE

Mr. LAU Hon Chuen, Ambrose, *GBS, JP (Committee Chairman)*
Mr. CAO Ronggen
Mr. LAM Kin Ming, Lawrence
Mr. CHAN Fan Shing

NOMINATION COMMITTEE

Mr. ZHOU Zheng *(Committee Chairman)*
Mr. LAU Hon Chuen, Ambrose, *GBS, JP*
Mr. LAM Kin Ming, Lawrence
Mr. CHAN Fan Shing

EXECUTIVE COMMITTEE

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

COMPANY SECRETARY

Ms. NG Chi Man

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

REGISTERED OFFICE

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Hamilton HM 11, Bermuda

PRINCIPAL OFFICE IN HONG KONG

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Causeway Bay, Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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COMPANY WEBSITE

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STOCK CODE

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