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If you are in any doubt about this circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in COFCO Land Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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COFCO LAND HOLDINGS LIMITED

中糧置地控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 207)

**(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF JOY CITY PROJECTS
(2) PROPOSED GRANT OF SPECIFIC MANDATE AND
(3) PROPOSED GRANT OF COFCO SPECIFIC MANDATE AND CONNECTED TRANSACTION**

Financial Advisers to the Company

Goldman Sachs

 **BOC INTERNATIONAL**

HSBC 

Independent Financial Adviser to the Independent Board Committee and the Shareholders

 **SOMERLEY CAPITAL LIMITED**

A letter from the Board is set out on pages 11 to 37 of this circular. A letter from the Independent Board Committee containing its recommendation to the Shareholders is set out on pages 38 to 39 of this circular. A letter from Somerley, the independent financial adviser, containing its advice to the Independent Board Committee and the Shareholders is set out on pages 40 to 80 of this circular.

A notice convening the SGM of the Company to be held at 10:00 a.m. (or immediately following the Change of Name SGM convened on the same day), on Thursday, 27 November 2014, at Gloucester Room II, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong, is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

5 November 2014

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“2013 Circular”	the Company’s circular dated 30 November 2013, in relation to the acquisition by the Company of the commercial property portfolio from COFCO Group, which constituted a very substantial acquisition and reverse takeover transaction of the Company
“Achieve Bloom”	Achieve Bloom Limited (得茂有限公司), a company incorporated in the BVI with limited liability, a controlling shareholder of the Company which as at the Latest Practicable Date held approximately 67.03% of the issued share capital of the Company
“Acquisition”	the sale and purchase of the Sales Shares and the Shareholder Loans as contemplated under the Acquisition Agreement
“Acquisition Agreement”	an acquisition agreement dated 12 September 2014 (as supplemented by a supplemental agreement thereto) and entered into among the Company, COFCO Land, Sheen Jade and Magic Grain in relation to the Acquisition
“Announcement”	the announcement of the Company dated 12 September 2014 in relation to, among other things, the Acquisition
“Average rental rate”	(a) the total rent (inclusive of any turnover rent) of the relevant period divided by (b) the product of (i) the leasable area of that property provided by management records multiplied by the occupancy rate for the relevant periods, and (ii) the number of days in the relevant periods
“Average selling price”	in relation to any property in any period, (a) revenue recognised from property sales divided by (b) gross floor area sold of that property
“Beijing COFCO”	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, a member of the Target Group
“Beijing Gloria Management”	Beijing Gloria Properties Management Co., Ltd. (北京凱萊物業管理有限公司), a company incorporated in the PRC with limited liability, a wholly-owned subsidiary of the Company

DEFINITIONS

“Beijing Hongtaijiye”	Beijing Hongtaijiye Real Estate Co., Ltd.* (北京弘泰基業房地產有限公司), a company incorporated in the PRC with limited liability, a member of the Target Group
“Beijing Kunting Asset Management”	Beijing Kunting Asset Management Co., Ltd.* (北京昆庭資產管理有限公司), a company incorporated in the PRC with limited liability, a member of the Target Group
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday or days on which a tropical cyclone warning number 8 or above or a “black” rain warning signal is hoisted in Hong Kong at any time between 9 am and 5 pm) on which Hong Kong clearing banks are open for the transaction of normal banking business
“BVI”	the British Virgin Islands
“Call Options”	the call options granted by COFCO Corporation to the Company for the acquisition of the Joy City Projects or interests in the respective companies holding such Joy City Projects, further details of which are disclosed in the 2013 Circular
“CBRC”	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Change of Name SGM”	the special general meeting of the Company convened by the notice dated 4 November 2014 for the purpose of considering, and if thought fit, approving the proposed change of name of the Company
“China Native Produce and Animal By-products”	China National Native Produce and Animal By-products Import & Export Corporation* (中國土產畜產進出口總公司), a company incorporated in the PRC, a wholly-owned subsidiary of COFCO Corporation
“China or PRC”	the People’s Republic of China, which shall, for the purposes of this circular, 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), a company incorporated in Hong Kong with limited liability and wholly owned by COFCO Corporation, a controlling shareholder of the Company

DEFINITIONS

“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, a controlling shareholder of the Company
“COFCO Group”	COFCO Corporation and its subsidiaries, excluding the Group and the Target Group
“COFCO Investment”	COFCO Commercial Property Investment Co., Ltd. (中糧置業投資有限公司), a company incorporated in the PRC with limited liability, a member of the Target Group
“COFCO Land”	COFCO Land Limited (中糧置地有限公司), a company incorporated in Hong Kong with limited liability and wholly owned by Achieve Bloom
“COFCO Shanghai”	Shanghai COFCO Property Development Co., Ltd.* (上海中糧置業發展有限公司), a company incorporated in the PRC with limited liability, a member of the Target Group
“COFCO Specific Mandate”	the specific mandate proposed to be granted by the Shareholders to the Directors at the SGM to allot and issue not more than 4,175,897,067 new Shares to Achieve Bloom at the Placing Price
“COFCO Share Subscription”	the potential allotment and issue of the COFCO Subscription Shares to Achieve Bloom by the Company
“COFCO Subscription Shares”	not more than 4,175,897,067 new Shares to be allotted and issued by the Company to Achieve Bloom pursuant to the COFCO Specific Mandate
“Company”	COFCO Land Holdings Limited (中糧置地控股有限公司), 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)
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Completion Date”	the date on which Completion occurs
“Consideration”	HK\$12,459,785,372, being the consideration of the Acquisition

DEFINITIONS

“controlling shareholder”	has the meaning given to it under the Listing Rules and in the context of the Company, means Achieve Bloom, COFCO (HK) and COFCO Corporation
“CPS”	the non-redeemable convertible preference shares of HK\$0.10 each in the share capital of the Company
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group and the Target Group upon Completion
“FIREEs”	foreign-invested real estate enterprises
“Fortune Set”	Fortune Set Limited (立運有限公司), a company incorporated in the BVI with limited liability, one of the Target Companies
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Imperial City”	Imperial City Limited (佑城有限公司), a company incorporated in Hong Kong with limited liability, a member of the Target Group
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Lau Hon Chuen, Ambrose, <i>GBS, JP</i> , Mr. Lam Kin Ming, Lawrence and Mr. Wu Kwok Cheung, <i>MH</i> , formed for the purpose of advising the Shareholders in respect of, among other things, the Acquisition
“Independent Financial Adviser or Somerley”	Somerley Capital Limited, a corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Shareholders in respect of, among other things, the Acquisition and the proposed grant of the COFCO Specific Mandate

DEFINITIONS

“independent third party”	a person or party who is not a connected person (within the meaning of the Listing Rules) of the Company
“Investor”	an independent overseas investment fund which owns 49% and 48.09% of the issued share capital in Sino Melody and Joy Sincere (HK) respectively, and is also a Shareholder as at the Latest Practicable Date
“Joy City Project(s)”	the mixed-use complex projects which are or to be developed under the brand of “Joy City (大悦城)” owned by the Target Group, including Beijing Xidan Joy City, Shenyang Joy City, Beijing Chaoyang Joy City, Shanghai Joy City, Tianjin Joy City and Yantai Joy City, the subject of the Acquisition
“Joy City Projects Entrustment Contracts”	the five entrusted operation and management contracts entered into between relevant members of the Target Group and the Company on 29 November 2013 for the entrustment of the Joy City Projects (except for Shenyang Joy City) to the Group
“Joy City Shanghai”	Joy City (Shanghai) Co., Ltd.* (大悦城(上海)有限責任公司), a company incorporated in the PRC with limited liability, a member of the Target Group
“Joy City Tianjin”	Joy City (Tianjin) Co., Ltd.* (大悦城(天津)有限公司), a company incorporated in the PRC with limited liability, a member of the Target Group
“Joy Sincere (HK)”	Joy Sincere (Hong Kong) Limited (悦誠(香港)有限公司), a company incorporated in Hong Kong with limited liability, a member of the Target Group
“Kersen Properties”	Kersen Properties Limited, a company incorporated in the BVI with limited liability, one of the Target Companies
“Last Trading Day”	12 September 2014, being the last full trading day for the Shares prior to the publication of the Announcement
“Latest Practicable Date”	3 November 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“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

DEFINITIONS

“Magic Grain”	Magic Grain Limited (妙稻有限公司), a company incorporated in the BVI with limited liability, an indirect wholly-owned subsidiary of COFCO Corporation
“Master Lease Agreement”	the master lease agreement entered into between the Company and COFCO Corporation on 29 November 2013 (extended and supplemented by a supplemental agreement thereto) for the leasing of properties by the Enlarged Group to the COFCO Group
“Master Property Management Agreement”	the master property management agreement entered into between the Company and COFCO Corporation on 29 November 2013 (extended and supplemented by a supplemental agreement thereto) for the provision of project consultation, property management and hotel management services
“Master Sourcing Agreement”	the master sourcing agreement entered into between the Company and COFCO Corporation on 29 November 2013 (extended and supplemented by a supplemental agreement thereto) for the sourcing of staple supplies and catering services by the Enlarged Group from the COFCO Group
“Mega Health”	Mega Health Limited (兆康有限公司), a company incorporated in the BVI with limited liability, a member of the Target Group
“Occupancy rate”	(i) in the case of office and retail properties: in relation to any period, (a) the leased area of that property set out in the relevant lease agreements divided by (b) the leasable area of that property (ii) in the case of hotel: in relation to any period, (a) the total number of room nights occupied divided by (b) the total number of room nights available for sale in that period
“PBOC”	People’s Bank of China
“percentage ratios”	any of the five ratios set out in Rules 14.07 of the Listing Rules

DEFINITIONS

“Perpetual Loan”	an entrustment loan of approximately RMB3,768 million lent by COFCO Corporation to COFCO Investment on and subject to the terms of the Perpetual Loan Agreement
“Perpetual Loan Agreement”	an entrustment loan agreement dated 13 October 2014 entered into between COFCO Investment, COFCO Corporation and Bank of Beijing in relation to the provision of the Perpetual Loan to COFCO Investment
“Placing(s)”	one or more potential share placement(s) to be conducted by the Company, pursuant to which new Shares will be issued to institutional, professional and/or other investors including existing Shareholders pursuant to the Specific Mandate
“Placing Price”	the final price per Share at which the Placing Shares are to be issued or placed by the Company pursuant to the Placing(s)
“Placing Shares”	not more than 6,229,892,686 new Shares to be issued by the Company to institutional, professional and/or other investors including existing Shareholders of the Company pursuant to the Placing(s)
“Relevant Period”	the three financial years ended 31 December 2013 and the six months ended 30 June 2014, being the period on which the operations and financial position of the Target Group were reported in Appendix II — Accountant’s Report of the Target Group in this circular
“Restructuring”	the proposed transfer by Magic Grain of its entire issued share capital in Fortune Set to Sheen Jade prior to Completion
“REVPAR ”	revenue per available room, which is calculated by dividing the total hotel room revenue by the total number of room nights available for sale in a given period
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the entire issued share capital of each of the Target Companies
“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)
“Savills”	Savills Valuation and Professional Services Limited, an independent property valuer appointed by the Company

DEFINITIONS

“Sellers”	COFCO Land and Sheen Jade, and Seller shall mean either of them
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held for the Shareholders to consider and, if thought fit, approve the Acquisition Agreement, the Specific Mandate, the COFCO Specific Mandate and the transactions contemplated thereunder
“Shanghai Xinlan”	Shanghai Xinlan Real Estate Development Co., Ltd.* (上海新蘭房地產開發有限公司), a company incorporated in the PRC with limited liability, a member of the Target Group
“Shareholder(s)”	the holder(s) of the Shares
“Shareholder Loans”	the shareholder loans of HK\$995,940,574.66 outstanding and owing by the relevant Target Companies to COFCO Land as of the date of the Acquisition Agreement, which comprise (i) shareholder loan of HK\$150,417,365.04 owed by Mega Health to COFCO Land; and (ii) shareholder loan of HK\$845,523,209.62 owed by Kersen Properties to COFCO Land
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Sheen Jade”	Sheen Jade Limited (亮翠有限公司), a company incorporated in the BVI with limited liability, an indirect wholly-owned subsidiary of COFCO (HK)
“Shenyang Development”	Shenyang Joy City Real Estate Development Co., Ltd.* (瀋陽大悅城房產開發有限公司), a company incorporated in the PRC with limited liability, a member of the Target Group
“Shenyang Gloria Management”	Shenyang Gloria Properties Management Co., Ltd.* (瀋陽凱萊物業管理有限公司), a company incorporated in the PRC with limited liability, a member of the Target Group
“Shenyang Joycity Commercial Management”	Shenyang Joycity Commercial Management Co., Ltd.* (瀋陽大悅城商業管理有限公司), a company incorporated in the PRC with limited liability, a member of the Target Group

DEFINITIONS

“Sino Melody”	Sino Melody Ltd (華鏗有限公司), a company incorporated in Hong Kong with limited liability, a member of the Target Group
“Specific Mandate”	the specific mandate proposed to be granted by the Shareholders to the Directors at the SGM to allot and issue the Placing Shares
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Fortune Set, Mega Health and Kersen Properties, being companies indirectly owned by COFCO Corporation which hold the Joy City Projects and other businesses, and “Target Company” shall refer to any one of them
“Target Group”	the Target Companies, their subsidiaries, and the interests in non-controlling companies held by the Target Companies and their subsidiaries, and a “member of the Target Group” shall refer to any one of them
“Xidan Joy City Co”	Xidan Joy City Co., Ltd.* (西單大悅城有限公司), a company incorporated in the PRC with limited liability, a member of the Target Group
“Yantai Joy City Co”	Yantai Joy City Co., Ltd.* (煙台大悅城有限公司), a company incorporated in the PRC with limited liability, a member of the Target Group
“%”	per cent

The shareholding of the respective Shareholder in the Company as disclosed in this circular refers to the percentage shareholding of such Shareholder to the issued share capital of the Company, without taking into account of the CPS issued by the Company or the potential effect on the shareholding upon conversion of the CPS.

In this circular, unless the context otherwise requires, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

DEFINITIONS

For the purpose of this circular, unless the context otherwise requires, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of RMB0.7938 to HK\$1.00. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

The English names of Chinese entities marked with “” are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

LETTER FROM THE BOARD



COFCO LAND HOLDINGS LIMITED

中糧置地控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 207)

Executive Directors:

Mr. ZHOU Zheng (*Chairman*)

Mr. HAN Shi

Non-executive Directors:

Mr. SHI Zhuowei

Mr. MA Jianping

Mr. MA Wangjun

Ms. JIANG Hua

Independent Non-Executive Directors:

Mr. LAU Hon Chuen, Ambrose, *GBS, JP*

Mr. LAM Kin Ming, Lawrence

Mr. WU Kwok Cheung, *MH*

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Place of Business

in Hong Kong:

33/F, Top Glory Tower

262 Gloucester Road

Causeway Bay

Hong Kong

5 November 2014

To the Shareholders

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED
TRANSACTION IN RELATION TO
THE ACQUISITION OF JOY CITY PROJECTS
(2) PROPOSED GRANT OF SPECIFIC MANDATE
AND
(3) PROPOSED GRANT OF COFCO SPECIFIC MANDATE
AND CONNECTED TRANSACTION**

INTRODUCTION

Reference is made to the announcement of the Company dated 12 September 2014 in relation to the Acquisition. On 12 September 2014, the Company entered into the Acquisition Agreement with COFCO Land, Sheen Jade and Magic Grain, pursuant to which the Company as the purchaser has conditionally agreed to purchase, and each of COFCO Land and Sheen Jade as the seller has conditionally agreed to sell, the respective Target Companies and the Shareholder Loans.

LETTER FROM THE BOARD

The Consideration is HK\$12,459,785,372, which shall be satisfied by cash payment by the Company to the Sellers. Subject to market conditions, the Company plans to conduct a series of external fund raising and financing arrangements, including the Placing(s), debt financings and/or other equity financings, for the settlement of the Consideration.

Subject to market conditions, the Company may allot and issue not more than 6,229,892,686 Placing Shares and apply the entire proceeds so raised for the settlement of the Consideration. If the Company proceeds to raise funding for the Consideration by way of issuance and placing of new Shares (including the Placing(s)), COFCO Corporation (through its subsidiary Achieve Bloom) may elect to participate in such share issuance by subscribing for not more than 67.03% (being the current shareholding percentage of Achieve Bloom in the Company) of the new Shares proposed to be issued and placed by the Company. If the Company proceeds with the COFCO Share Subscription, not more than 4,175,897,067 new Shares, representing approximately 67.03% of the maximum number of 6,229,892,686 Placing Shares that may be issued and placed by the Company under the Placing(s), may be issued to Achieve Bloom at the Placing Price.

As one or more of the applicable percentage ratios of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. Achieve Bloom is a connected person of the Company by virtue of it being a controlling shareholder of the Company. Each of Sheen Jade, COFCO Land and Magic Grain is an associate of Achieve Bloom and therefore is a connected person of the Company. Therefore, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Shareholders at the SGM.

Achieve Bloom is a connected person of the Company by virtue of it being a controlling shareholder of the Company. Therefore, the potential allotment and issue of the COFCO Subscription Shares to Achieve Bloom will constitute a connected transaction of the Company under Rule 14A.24(6) of the Listing Rules and is subject to the approval of the Shareholders at the SGM.

The purpose of this circular is to provide the Shareholders with: (i) further details of the Acquisition and the Acquisition Agreement; (ii) further details of the Specific Mandate and the Placing(s); (iii) further details of the COFCO Specific Mandate and the COFCO Share Subscription; (iv) the recommendation of the Independent Board Committee to the Shareholders; (v) the advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders; and (vi) a notice of the SGM.

BACKGROUND

Pursuant to a deed of non-competition dated 29 November 2013, COFCO Corporation has granted the Company the Call Options to acquire the Joy City Projects or the respective companies holding such Joy City Projects. The term of the Call Options is eight years from the completion date of the Company's acquisition of the commercial property portfolio from COFCO Group as

LETTER FROM THE BOARD

disclosed in the 2013 Circular. Further details of the Call Options and the Joy City Projects subject to the Call Options are set out in the section headed “Relationship with Controlling Shareholders” in the 2013 Circular.

At the time of the acquisition of the commercial property portfolio by the Company from COFCO Group as set out in the 2013 Circular, the Joy City Projects were excluded from the assets acquired by the Company as such acquisition would require consents and approvals from the relevant PRC governmental authorities, the review process of which could be long and uncertain. Furthermore, the Company decided that it was not in its interest to acquire certain of the Joy City Projects as they were under the process of upgrading and internal advancement at the relevant time.

The Company has decided to exercise the Call Options to acquire the Joy City Projects, as it was advised by its PRC legal advisers that, based on the current structure of the Acquisition as agreed in the Acquisition Agreement, it does not require any consent and approval from the relevant PRC governmental authorities to complete the Acquisition. Having regard to the recent market conditions, the business and financial conditions, operational results and prospects of the Joy City Projects, the Company also considers that it is an appropriate time to acquire the Joy City Projects. In this regard, on 12 September 2014, the Company (as the purchaser) entered into the Acquisition Agreement with the relevant members of the COFCO Group holding such Joy City Projects (as the sellers) for the proposed acquisition of the Joy City Projects by the Company.

THE ACQUISITION AGREEMENT

Date

12 September 2014

Parties

- (1) The Company (as the purchaser);
- (2) COFCO Land and Sheen Jade (as the sellers); and
- (3) COFCO Land and Magic Grain (as the warrantors).

COFCO Land and Magic Grain (the warrantors) are the direct shareholders and beneficial owners of the relevant Target Companies subject to the Acquisition as at the date of the Acquisition Agreement. Magic Grain has undertaken in the Acquisition Agreement that it shall transfer its entire issued share capital of Fortune Set to Sheen Jade (a seller) as part of the Restructuring before Completion. Further information on COFCO Land, Sheen Jade and Magic Grain is set out in the paragraph headed “Information on Parties to the Acquisition Agreement” below.

LETTER FROM THE BOARD

Subject matter

The Company has conditionally agreed to acquire, and each of COFCO Land and Sheen Jade has conditionally agreed to sell,

- (a) the respective Sale Shares, which represent the entire issued share capital of each of the Target Companies, and
- (b) the Shareholder Loans,

subject to the terms and conditions of the Acquisition Agreement.

Each of COFCO Land and Magic Grain, as the warrantor, has given certain representations and warranties to the Company in relation to the business and operations of the Target Group under the Acquisition Agreement.

Upon Completion, each of the Target Companies will become a wholly-owned subsidiary of the Company. The Target Group is primarily engaged in the development, operation, sale, leasing and management of mixed-use complexes under the flagship brand “Joy City (大悦城)”, which has a portfolio of six mixed-use complex property projects located in Beijing, Shenyang, Shanghai, Tianjin and Yantai in the PRC. It also has a commercial property project in Beijing and holds non-controlling interests in two commercial property projects in Beijing and Shanghai.

Please refer to the paragraph headed “Information on the Target Group” below and the sections headed “Business of the Target Group” and “Financial Information of the Target Group” in this circular for further information of the business and financial information of the Target Group.

Consideration

The Consideration shall be HK\$12,459,785,372, which shall be satisfied by cash payment by the Company to the Sellers (or such other recipient(s) as may be nominated and directed by the Sellers) on Completion, or as may be otherwise agreed by the Company and the Sellers in accordance with the supplemental agreement to the Acquisition Agreement. Please refer to the paragraph headed “The supplemental agreement to the Acquisition Agreement” below for further details.

Subject to market conditions, the Company plans to conduct a series of external fund raising and financing arrangements, including the Placing(s), debt financings and/or other equity financings, for the settlement of the Consideration. Please refer to the paragraphs headed “Financing arrangements in relation to the Acquisition” and “Specific mandates to issue new Shares” below for further information of the funding and financing arrangements.

LETTER FROM THE BOARD

Basis of the Consideration

The Consideration was determined after arm's length negotiation among the parties to the Acquisition Agreement, based on a discount of 42.69% to the reassessed net asset value of the Target Group in an amount of approximately RMB15,877 million (equivalent to approximately HK\$20,001 million) as at 30 June 2014, plus the amount of the Shareholder Loans of approximately HK\$996 million. The reassessed net asset value of the Target Group was determined with reference to (i) the equity attributable to the then shareholder(s) of the Target Companies as at 30 June 2014 based on the unaudited financial statements of the Target Group in an amount of approximately RMB13,483 million (equivalent to approximately HK\$16,985 million); and (ii) the appreciation of properties attributable to the then shareholder(s) of the Target Companies based on a preliminary appraisal by Savills as at 30 June 2014 and post adjustment of the estimated amount of the relevant taxes payable by the Target Group in an amount of approximately RMB2,394 million (equivalent to approximately HK\$3,016 million).

The Consideration will not be subject to any adjustment irrespective of the final appraised value of the properties owned by the Target Group as determined by Savills in the valuation report included in this circular. The final appraised value of the properties owned by the Target Group as at 31 August 2014 as determined by Savills and as detailed in Appendix IV to this circular is approximately RMB35,117 million (equivalent to approximately HK\$44,239 million), which is slightly higher than the preliminary appraised value as at 30 June 2014 of approximately RMB34,846 million (equivalent to approximately HK\$43,898 million). Please refer to Appendix IV — Property Valuation of the Target Group in this circular for the valuation report prepared by Savills.

The Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole, taking into account, among other things, the terms and conditions of the Acquisition Agreement and the quality and size of the property portfolio held by the Target Companies.

Completion

Completion shall take place on the second business day after all the conditions to the Acquisition Agreement as set out in the paragraph headed "Conditions precedent to Completion" below have either been fulfilled or waived (as the case may be), or such other date as may be otherwise agreed by the parties to the Acquisition Agreement.

Conditions precedent to Completion

Completion of the Acquisition Agreement is conditional on the fulfilment (or, if applicable, the waiver) of the following conditions precedent:

- (a) approval having been obtained from the Shareholders at the SGM for the Acquisition Agreement and the transaction contemplated thereunder;

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- (b) the fund raising and financing arrangements of the Company, including the Placing(s), debt financings and/or other equity financings, having completed for an aggregate amount of not less than the Consideration;
- (c) if the Company proceeds with the Placing(s), (i) approval having been obtained from the Shareholders at the SGM for the specific mandate to issue the placing shares under the Placing(s), and (ii) approval having been obtained from the Listing Committee for the listing of, and permission to deal in, the placing shares on the Main Board of the Stock Exchange;
- (d) the Restructuring having been completed and Sheen Jade having become the direct legal and beneficial owner of Fortune Set;
- (e) the warranties given by the Company in the Acquisition Agreement remaining true and accurate and not misleading in any material respect if they were repeated at any time prior to Completion by reference to the facts and circumstances then existing;
- (f) all necessary licences, consents, approvals, authorisations, permissions, waivers, orders, exemptions or notifications of, among others, creditors and shareholders of the members of the Target Group, other relevant third parties and/or governmental or regulatory authorities or bodies (including relevant authorities in the PRC, Bermuda and BVI), which are required for the execution and performance of the Acquisition Agreement or Completion having been obtained and not having been revoked prior to Completion;
- (g) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that restricts or prohibits the implementation of the transactions contemplated under the Acquisition Agreement;
- (h) the warranties given by each of COFCO Land, Sheen Jade and Magic Grain in the Acquisition Agreement remaining true and accurate and not misleading in any material respect if they were repeated at any time prior to Completion by reference to the facts and circumstances then existing;
- (i) no material adverse change or prospective material adverse change in the business, operations, financial condition or prospects of any of the members of the Target Group having occurred since 30 June 2014;
- (j) each of COFCO Land, Sheen Jade and Magic Grain having performed and complied with all agreements, obligations and conditions contained in the Acquisition Agreement that are required to be performed or complied with by it on or before completion of the transactions contemplated thereunder;

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- (k) the Company having completed due diligence on all business, legal and financial matters, and all such other matters as deemed necessary by the Company in its absolute discretion, in relation to the Target Group, and the Company being satisfied with the results of such due diligence in its absolute discretion;
- (l) Savills having completed the valuation of the properties of the Target Group in accordance with the requirements of the Listing Rules in relation to the Acquisition and the content and results of such valuation being satisfactory to the Company;
- (m) Deloitte Touche Tohmatsu having completed the audit of and issued an unqualified opinion on the accountants' report of the Target Group in accordance with the requirements of the Listing Rules in relation to the Acquisition and the content and results of such audit being satisfactory to the Company;
- (n) the Company having received an opinion issued by Haiwen & Partners, the PRC legal advisers to the Company, in respect of the members of the Target Group which are incorporated in the PRC and other PRC legal issues in form and substance satisfactory to the Company; and
- (o) each of COFCO Land, Sheen Jade and Magic Grain having delivered to the Company a certificate signed by one of its directors certifying that the conditions set out in paragraphs (f) to (j) above have been fulfilled.

If any of the conditions has not been fulfilled, waived by the Company (in respect of the conditions set out in paragraphs (b) and (h) to (o) above) or waived by the Sellers (in respect of the conditions set out in paragraph (e) above), by 30 June 2015 (or such later date as the parties to the Acquisition Agreement may agree in writing), the Acquisition Agreement shall terminate and no party shall have any claim against the other, except in respect of any antecedent breach of the terms thereof.

The Company has engaged various advisers to conduct due diligence on the business, legal and financial aspects of the Target Group. Having considered the legal opinion, the audit report and the valuation report and discussed with the relevant advisers, the Directors are satisfied with the results of the due diligence and therefore the conditions set out in paragraph (k) to (n) above have been fulfilled.

If any of the other conditions is not fulfilled on or before Completion, the Company shall, with reference to the circumstances leading to and the extent of the non-fulfilment of such condition, assess its impact on the transaction structure, the business, financial position and valuation of the Target Group, and the potential adverse impact on the Company after Completion. The Company may consider waiving the conditions under paragraphs (b), (h), (i), (j) or (o) and proceed to Completion if the Directors consider that the adverse impact on, or the potential liabilities or consequential losses to, the Company notwithstanding the non-fulfilment of the conditions is likely to be immaterial to the Enlarged Group, and that the Completion will be in the

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interests of the Company and its Shareholders. As at the Latest Practicable Date, the Company was not aware of any circumstance which will result in any of the aforesaid conditions not being able to be fulfilled on or before Completion.

In the event that any one or more of the Placing(s) is not completed in accordance with the terms and conditions of the relevant placing agreement(s) to be entered into by the Company on or before 30 June 2015 for whatever reasons, or the aggregate amount of the net proceeds of the fund raising and financing arrangements of the Company, including the Placing(s), debt financings and/or other equity financings is less than the Consideration, the Company shall, at its discretion, (i) have a right to terminate the Acquisition Agreement by giving a written notice to terminate to the other parties, in which case the Acquisition Agreement shall terminate with immediate effect upon the giving of such notice and no party shall have any claim against any of the others, except in respect of any antecedent breach of the terms thereof, or (ii) pursuant to and subject to the terms of the supplemental agreement to the Acquisition Agreement, have a right to elect a defer payment of not more than 50% of the Consideration. For the avoidance of doubt, none of the Sellers shall have a right to terminate the Acquisition Agreement notwithstanding the Placing(s) is not completed or is partially completed.

THE SUPPLEMENTAL AGREEMENT TO THE ACQUISITION AGREEMENT

On 3 November 2014, the Company, COFCO Land, Sheen Jade and Magic Grain, being all the parties to the Acquisition Agreement, entered into a supplemental agreement to the Acquisition Agreement (the “**Supplemental Agreement**”) in relation to the possible defer payment of part of the Consideration. Pursuant to the Supplemental Agreement, the Company and the Sellers agreed that:

- (a) subject to the aggregate amount of funding to be raised by the Company hereafter, if it is so requested by the Company and agreed by the Sellers, the parties shall proceed to Completion with not less than 50% of the Consideration being paid upon Completion;
- (b) the remaining balance of the Consideration shall be fully paid by the Company within six months after the Completion Date; and
- (c) the Company shall not be required to bear any interest on such remaining balance, and the Sellers shall not request for any securities to be provided by the Company on such outstanding amount of Consideration.

The Supplemental Agreement allows the Company a greater flexibility in implementing the financing arrangements for the settlement of the Consideration in response to the market condition. The Directors consider the Supplemental Agreement is in the interest of the Company and the Shareholders as a whole as it gives the Company an option to proceed to Completion before the external funding and financing arrangements are completed with the full amount of the Consideration. The Company will consider exercising its rights under the Supplemental Agreement having regard to all the circumstances at the relevant time, including the status and progress of the financing arrangements, the aggregate amount of funding raised and expected to be raised from

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such financing arrangements and the then market condition on or around the proposed Completion Date. In the event that there is a change in circumstance and the remaining balance of the Consideration is not fully paid by the Company within six months after the Completion Date, the Company shall discuss with the Sellers for other settlement arrangements including a further extension of the settlement schedule of the Consideration. The Company shall make a further announcement as soon as the arrangement for defer payment of Consideration has been determined.

TAG ALONG RIGHTS IN RELATION TO YANTAI JOY CITY

Yantai Joy City is owned and developed by the project company Yantai Joy City Co. In April 2013, an independent overseas investment fund (the “**Investor**”), which is an independent third party of the Company, acquired an indirect minority interest in such project company. Pursuant to the relevant investment agreements, if COFCO Corporation’s interest in Yantai Joy City is injected into a listed company, the Investor shall have a right to tag along and dispose of its interest in such project company and receive shares of such listed company as consideration (the “**Tag Along Rights**”).

As at the Latest Practicable Date, Sino Melody, a member of the Target Group and a shareholder of Yantai Joy City Co holding approximately 66.67% of its equity interest, is owned as to 49% by the Investor and 51% by Joy Sincere (HK), respectively. Joy Sincere (HK) is approximately 48.04% owned by the Investor and approximately 51.96% owned by Mega Health, one of the Target Companies. As a result, the Investor holds an indirect non-controlling interest in Yantai Joy City Co, the project company holding Yantai Joy City. In the event that the Investor decides to exercise the Tag Along Rights in full, the Investor shall inject its entire equity interests of approximately 48.04% in Joy Sincere (HK) and 49% in Sino Melody to the Company, and in such case Yantai Joy City Co will be wholly owned by the Group upon Completion. In the event that the Investor decides not to exercise the Tag Along Rights, only the majority interests of Joy Sincere (HK) and Sino Melody will be acquired by the Company. The Consideration will not be subject to any adjustment irrespective of whether or not the Tag Along Rights are exercised.

The relevant member of the Target Group notified the Investor of the terms of the Tag Along Rights, and received a reply from the Investor informing the Target Group of its decision not to exercise the Tag Along Rights on 15 October 2014. As such the Tag Along Rights had lapsed and are no longer exercisable. Since the Investor decided not to exercise the Tag Along Rights, only the majority interest of approximately 51.96% of Joy Sincere (HK) and 51% of Sino Melody will be acquired by the Company upon Completion.

RESTRUCTURING PRIOR TO COMPLETION

Pursuant to the Acquisition Agreement, Sheen Jade has agreed to acquire from Magic Grain the entire issued share capital in Fortune Set as part of the pre-completion restructuring before it shall sell the same to the Company upon Completion. Such arrangement was part of a large restructuring scheme of COFCO Corporation, which is the ultimate shareholder of the share capital of each of Sheen Jade and Magic Grain.

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INFORMATION ON THE GROUP

The Company was incorporated in Bermuda and the Shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the Group is principally engaged in the development, operation, sale, leasing and management of mixed-use complexes and commercial properties.

INFORMATION ON THE PARTIES TO THE ACQUISITION AGREEMENT

Sheen Jade is an investment holding company incorporated in BVI with limited liability and is indirectly wholly owned by COFCO (HK), which in turn is wholly owned by COFCO Corporation, the ultimate controlling shareholder of the Company. Sheen Jade will become the direct shareholder and beneficial owner of Fortune Set as part of the Restructuring prior to Completion.

Both COFCO Land and Magic Grain are indirectly wholly owned by COFCO Corporation, the ultimate controlling shareholder of the Company, with COFCO Land being the direct shareholder and beneficial owner of both Mega Health and Kersen Properties and Magic Grain being the direct shareholder and beneficial owner of Fortune Set. COFCO Land is an investment holding company incorporated in Hong Kong with limited liability while Magic Grain is an investment holding company incorporated in BVI with limited liability.

INFORMATION ON ACHIEVE BLOOM AND COFCO CORPORATION

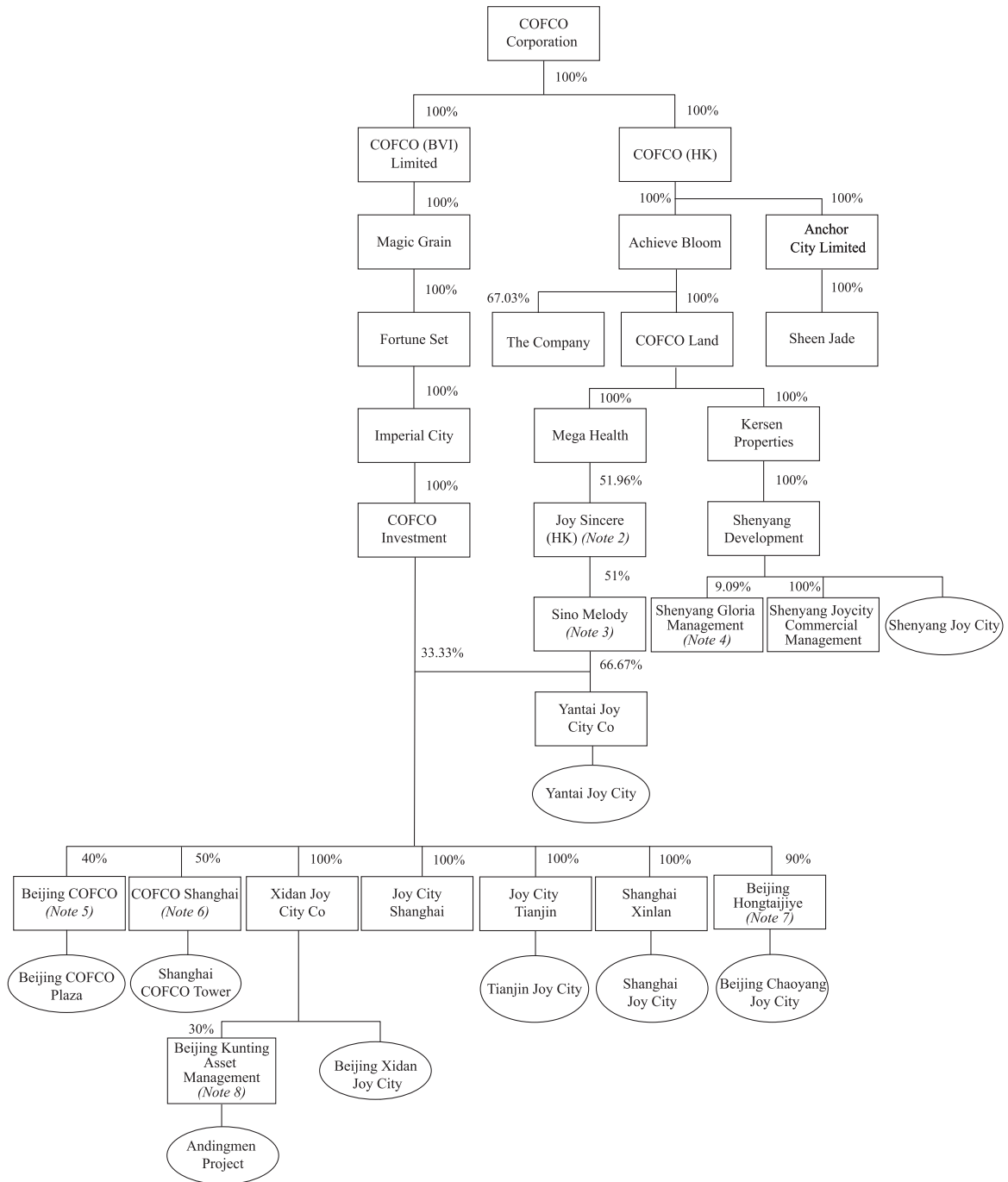
Achieve Bloom is a company incorporated in the BVI with limited liability. It is an investment holding company directly wholly owned by COFCO (HK) which in turn is wholly owned by COFCO Corporation, the ultimate controlling shareholder of the Company.

COFCO Corporation is a state-owned enterprise incorporated in the PRC under the purview of SASAC. COFCO Corporation is engaged in a wide range of businesses through its subsidiaries including property development and management in the PRC and overseas, agricultural commodities trading, agricultural products cultivation and processing, processing of animal by-products, food and beverages, dairy products and packaging materials, hotel management and provision of logistics and financial services in the PRC.

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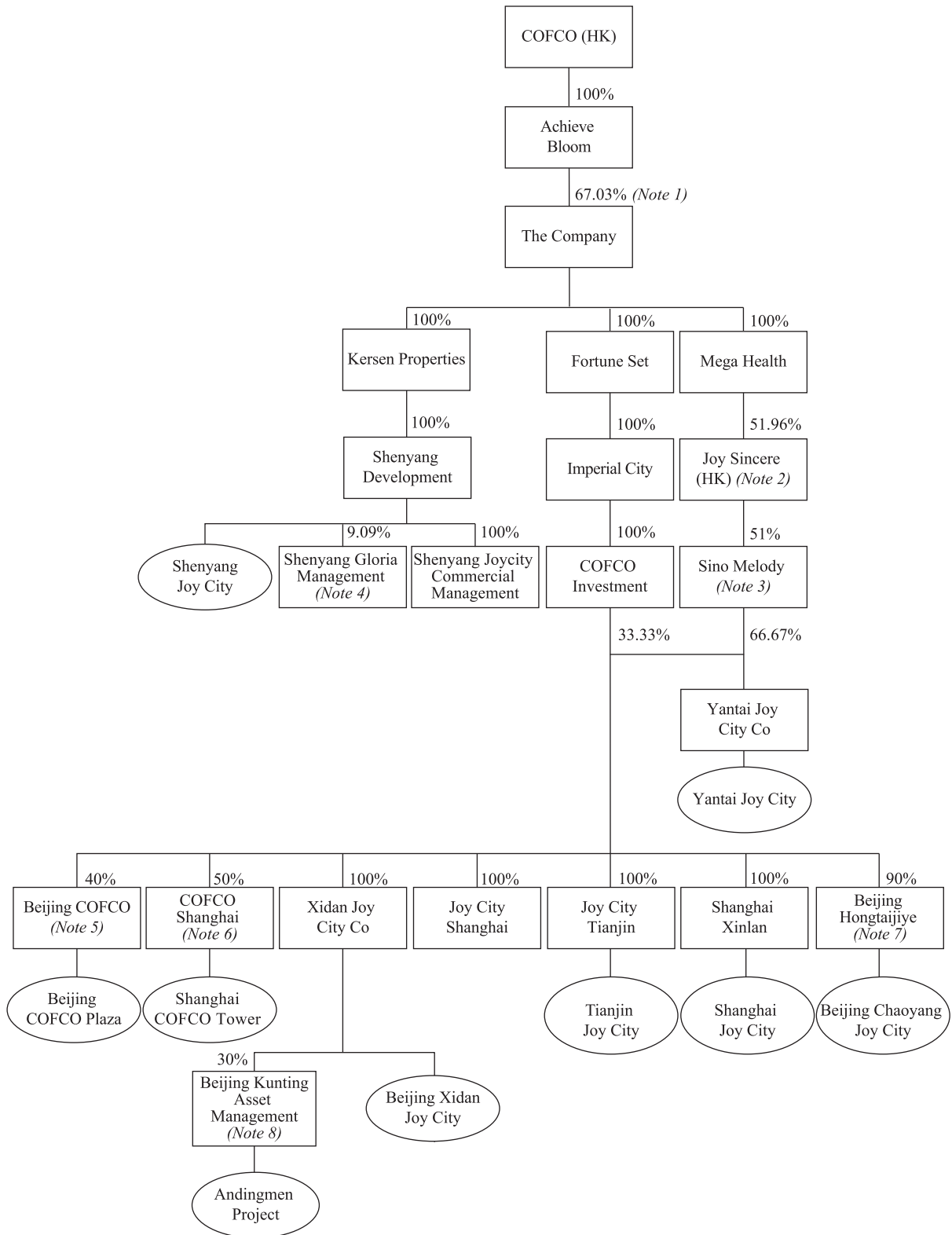
INFORMATION ON THE TARGET GROUP

Corporate structure of the Target Group as at the date of the Acquisition Agreement



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Corporate structure of the Target Group upon the Completion



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Notes:

- (1) Without taking into account the potential dilution effect of the Placing(s) and the impact of the COFCO Share Subscription, if they are materialised.
- (2) The remaining approximately 48.04% of the share capital in Joy Sincere (HK) is owned by the Investor, an independent overseas investment fund which is an independent third party of the Company as at the Latest Practicable Date.
- (3) The remaining 49% of the share capital in Sino Melody is owned by the Investor, an independent overseas investment fund which is an independent third party of the Company as at the Latest Practicable Date.
- (4) The remaining approximately 90.91% of the share capital in Shenyang Gloria Management is owned by Gloria Properties Management Limited (凱萊物業管理有限公司), an indirect wholly-owned subsidiary of the Company. Upon Completion, Shenyang Gloria Management will become an indirect wholly-owned subsidiary of the Company.
- (5) The remaining 60% of the share capital in Beijing COFCO is owned by Top Spring Development (Beijing) Limited (鵬源發展(北京)有限公司), an indirect wholly-owned subsidiary of the Company. Upon Completion, Beijing COFCO will become an indirect wholly-owned subsidiary of the Company.
- (6) The remaining 50% of the share capital in COFCO Shanghai is owned by COFCO (BVI) NO. 94 Limited, a wholly-owned subsidiary of the Company. Upon Completion, COFCO Shanghai will become an indirect wholly-owned subsidiary of the Company.
- (7) The remaining 10% of the share capital in Beijing Hongtaijiye is owned by Beijing Haidian Technology Development Co., Ltd. (北京海淀科技發展有限公司), an independent third party of the Company.
- (8) The remaining 70% of the share capital in Beijing Kunting Asset Management is owned by China Native Produce and Animal By-products.

Business of the Target Group

The Target Group is primarily engaged in the development, operation, sale, leasing and management of mixed-use complexes under the flagship brand “Joy City (大悅城)” in five key cities in the PRC. The Target Group has a portfolio of six mixed-use complex property projects located in Beijing, Shenyang, Shanghai, Tianjin and Yantai in the PRC. It also has a commercial property project in Beijing and holds non-controlling interests in two commercial property projects in Beijing and Shanghai.

Given that the Group has been actively managing the operations of the relevant Joy City Projects (other than Shenyang Joy City) pursuant to the Joy City Projects Entrustment Contracts, and has been providing project consultation and property management services to the Joy City Projects in their various development stages pursuant to the project consultation and property management services agreements, the Company is of the view that the current management team of the Company possesses the necessary capacity, qualifications and experience required for the continuing management and operation of the Target Group. Therefore, the Company does not propose to appoint any new Director or senior management of the Company upon Completion.

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Please refer to the section headed “Business of the Target Group” in this circular for further information relating to the business and operations of the Target Group and the property projects held by the Target Group.

Financial information of the Target Group

For each of the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the combined revenue of the Target Group was approximately RMB2,369 million, RMB2,200 million, RMB2,871 million and RMB1,154 million respectively. The combined net asset value of the Target Group (including net asset value attributable to non-controlling interests) as at 30 June 2014 was approximately RMB14,250 million.

The combined profit before and after tax of the Target Group for the respective periods was as follows:

	For the year ended 31 December			Six months ended 30 June
	2011	2012	2013	2014
	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Profit before tax	1,882	1,366	1,439	1,696
Profit after tax	1,263	888	1,071	1,221

The total acquisition costs paid by the COFCO Group with respect to, and capital contribution made by the COFCO Group into, the Target Group were approximately RMB9,831 million.

Please refer to the section headed “Financial Information of the Target Group” and “Accountants’ Report of the Target Group” set out in Appendix II to this circular for further financial information of the Target Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors consider that the Acquisition is in the interests of the Company for the following reasons:

- (a) **The Enlarged Group will strengthen its leading position as a mixed-use complex and commercial property developer with the addition of mixed-use complexes under the flagship brand “Joy City (大悦城)” to its existing property portfolio**

Upon Completion, the Enlarged Group will expand its high quality property portfolio by acquiring from COFCO Corporation six mixed-use complex property projects located in Beijing, Shenyang, Shanghai, Tianjin and Yantai. With the addition of such property projects located in the major cities in the PRC to the Group’s existing property portfolio, the

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Acquisition will have an effect of strengthening the position of the Company as the overseas listed platform of COFCO Corporation for its mixed-use complexes as well as other commercial properties.

Furthermore, most of the mixed-use complexes owned by the Target Group are developed or to be developed under the flagship brand “Joy City (大悦城)”. The Acquisition would reinforce the association of “Joy City (大悦城)” brand with quality mixed-used complex located in prime locations of the PRC owned by the Enlarged Group, and increase the popularity of the “Joy City (大悦城)” brand.

(b) The Enlarged Group will have a larger property portfolio with a potential to attain a more steady and sustainable return

The mixed-used complex and commercial property projects to be acquired by the Group, which have a steady performance in the past or a strong growth potential, will significantly increase the size of the property portfolio and total assets of the Enlarged Group, and are expected to enhance the financial performance of the Enlarged Group going forward. The Acquisition will also enhance the ability of the Enlarged Group to attain a more steady and sustainable return from such projects and provide a solid foundation for future development of other mixed-use complex and commercial property projects of the Enlarged Group.

Having regard to the reasons for and benefits of the Acquisition to the Group, the Directors are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole. The Directors are also of the view that the terms of the Acquisition Agreement, which have been reached after arm’s length negotiations among the parties, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RISKS ASSOCIATED WITH THE ACQUISITION

Risks relating to the Acquisition and the financing arrangements

A number of the conditions precedent to Completion as set out in the paragraph headed “Conditions precedent to Completion” in this section involve the decisions of third parties, including approvals by the Shareholders at the SGM. As fulfilment of these conditions precedent are not within the control of the parties involved in the Acquisition, there is no assurance that they can be fulfilled and/or the Acquisition will be completed as contemplated.

As at the Latest Practicable Date, the Company has not yet entered into any formal arrangement in relation to the Placing(s), the COFCO Share Subscription and/or any other proposed funding and financing arrangements. The terms and conditions of the Placing(s), the COFCO Share Subscription and/or any other proposed funding and financing arrangements have not yet been finalised and the Placing(s), the COFCO Share Subscription and/or any other proposed funding and financing arrangements may or may not proceed subject to the then market conditions. Furthermore, there is no assurance that the fund raising and financing arrangements proposed to be conducted by the Company for the settlement of the Consideration will be successfully completed as

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contemplated, or completed with an aggregate net proceeds of not less than the Consideration. Therefore, the Acquisition may or may not complete, subject to the completion of the fund raising and financing arrangements and other conditions precedent.

Other risks relating to the business of the Target Group and the Enlarged Group

The risks relating to the business of the Target Group, the Enlarged Group, the business, legal and regulatory environment for property development in the PRC and the general economic, legal and political climate of the PRC are set out in the section headed “Risk Factors” in this circular.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules.

Achieve Bloom is a connected person of the Company by virtue of it being a controlling shareholder of the Company. Each of Sheen Jade, COFCO Land and Magic Grain is an associate of Achieve Bloom and therefore also a connected person of the Company. Therefore, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Shareholders at the SGM.

Achieve Bloom (being a controlling shareholder of the Company and COFCO Land, and an associate of Sheen Jade and having a material interest in the Acquisition) and its associates, which together held approximately 67.03% of the issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting on the relevant resolutions to be proposed at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

CONTINUING CONNECTED TRANSACTIONS

Upon the Company acquiring the Target Group at Completion, any transaction between the Enlarged Group (comprising the Target Group) and COFCO Group (including its associates) will constitute a connected transaction or continuing connected transaction of the Company.

It was announced on 3 November 2014 that the Company revised the annual caps for some of its continuing connected transactions upon Completion, including the leasing of properties to the COFCO Group, the provision of hotel and property management services by the COFCO Group to the Enlarged Group, and the sourcing of staple supplies and catering services from the COFCO Group. Please refer to the section headed “Continuing Connected Transactions” in this circular for further details of the continuing connected transactions of the Enlarged Group after Completion.

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FINANCING ARRANGEMENTS IN RELATION TO THE ACQUISITION

The Company plans to conduct external fund raising and financing arrangements, including the debt financings, equity financings and/or other financings, for the settlement of the Consideration. The Company currently plans to settle the entire Consideration with the proceeds from the fund raising and financing arrangements as set out below.

Debt financings

Subject to market conditions, the Company currently plans to raise not less than 50% of the amount of the Consideration from debt financings, including but not limited to, issuance of bonds or notes by the Company or a subsidiary of the Company to institutional and professional investors and/or to obtain bank financings prior to the Completion.

Equity financings and other financings

In addition to debt financings, subject to market conditions, the Company will also consider one or more of the following financing arrangements:

- (a) issuance and placing of new Shares, which may involve the following:
 - (i) the Placing(s) for the issuance of new Shares to institutional, professional investors and/or other investors including existing Shareholder(s) which are independent third parties;
 - (ii) the COFCO Share Subscription for the issuance of new Shares to Achieve Bloom, the controlling shareholder of the Company;
- (b) rights issue of Shares to existing Shareholders; and
- (c) equity-linked financing(s) including issuance of convertible bonds and convertible preference shares to institutional and professional investors.

If the Company proceeds to raise funding for the Consideration by way of issuance and placing of new Shares (including the Placing(s) and the COFCO Share Subscription), it is intended that the Company will issue not more than an aggregate of 6,229,892,686 new Shares. Among such new Shares that may be issued by the Company, COFCO Corporation (through its subsidiary Achieve Bloom) may, at its discretion, elect to participate in such share issuance by subscribing for not more than 67.03% (being the current shareholding percentage of Achieve Bloom in the Company) of the new Shares proposed to be issued. Furthermore, notwithstanding the issuance and placing of the new Shares, it is currently intended that COFCO Corporation (through its subsidiary Achieve Bloom) shall remain as the controlling shareholder of the Company and is expected to be interested in not less than 51% of the enlarged issued shares of the Company immediately upon completion of the Placing(s) and/or COFCO Share Subscription.

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In considering whether it would proceed with the respective external fund raising and financing arrangements and to the Completion, the Company will take into account all the facts and circumstances including the aggregate net proceeds expected to be raised by such financing arrangements, the finance costs and other costs involved in the financing arrangements, their impact on the capital structure, debt structure and financial position of the Company, the amount of the internal resources and other cash resources then available to the Company, to determine whether the relevant financing arrangement and/or the Completion is in the best interest of the Company and its Shareholders as a whole.

The Company will make further announcement(s) once the terms and conditions of any external fund raising and financing arrangements are finalised and formal agreement(s) with respect to such financing arrangements is entered into by the Company.

WARNING

As at the Latest Practicable Date, the Company had not entered into any binding agreement with respect to any of the financing arrangements disclosed in this circular or proposed for the settlement of the Consideration. The terms and conditions of debt financing, the Placing(s) and/or any other financing arrangements have not yet been finalised, and such financing arrangements may or may not proceed subject to the then market conditions.

SHAREHOLDERS OF THE COMPANY AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR OTHER SECURITIES (IF ANY) OF THE COMPANY.

SPECIFIC MANDATES TO ISSUE NEW SHARES

The Placing(s)

Subject to market conditions and the grant of the Specific Mandate, the Company may conduct the Placing(s) to issue not more than 6,229,892,686 new Shares to the institutional, professional investors and/or other investors including existing Shareholder(s) which are independent third parties. The maximum number of new Shares to be issued under the Placing(s) represents (i) approximately 65.66% of the issued share capital of the Company as at the Latest Practicable Date, and (ii) approximately 39.64% of the enlarged issued share capital of the Company immediately after Completion and the issue of the maximum number of 6,229,892,686 Placing Shares. The Placing Price and the other terms and conditions of the Placing(s) shall be agreed upon by the Company and the relevant placing agent(s) to be entered into by the Company. The entire proceeds of the Placing(s) will be applied towards the settlement of the Consideration.

The Specific Mandate

The Board proposes, subject to approval from Shareholders at the SGM for the approval of the Acquisition, to seek the grant of the Specific Mandate from Shareholders at the SGM for the purpose of the Placing(s).

LETTER FROM THE BOARD

The major terms and conditions of the Specific Mandate are as follows:

- (a) to issue not more than 6,229,892,686 new Shares;
- (b) the Placing Price will be no less than the higher of (A) HK\$1.00 per Share and (B) 80% of the higher of:
 - (i) the closing price on the date of any relevant placing agreement or other agreement involving the proposed issue of securities under the Specific Mandate; and
 - (ii) the average closing price in the five trading days immediately prior to the earlier of:
 - (A) the date of announcement of the placing or the proposed transaction or arrangement involving the proposed issue of securities under the Specific Mandate;
 - (B) the date of the placing agreement or other agreement involving the proposed issue of securities under the Specific Mandate; and
 - (C) the date on which the placing or subscription price is fixed;
- (c) the grant of the Specific Mandate is subject to the passing of an ordinary resolution by the independent Shareholders at the SGM approving such grant;
- (d) the issue of the new Shares pursuant to the Specific Mandate will be conditional upon Completion; and
- (e) the proposed Specific Mandate is for the period from the passing of the relevant resolution at the SGM up to the earlier of (a) the date falling three months after the date of the passing of the aforesaid resolution at the SGM; or (b) the revocation or variation of the authority given under the relevant resolution(s) at the SGM by ordinary resolution(s) of the Shareholders in a general meeting of the Company.

None of the above conditions to the issue of new Shares under the Specific Mandate may be waived by the Company without independent Shareholders' approval.

Subject to market conditions, the Directors may or may not exercise the proposed Specific Mandate, if granted, to issue new Shares and, where the proposed Specific Mandate is exercised, may issue less than or up to 6,229,892,686 new Shares. In the event that the COFCO Subscription Shares are to be issued to Achieve Bloom under the COFCO Specific Mandate, the number of new Shares to be issued under the Specific Mandate will be reduced accordingly. It is currently intended that, subject to the then prevailing market conditions, the Specific Mandate sought will cover new Shares to be issued pursuant to one or more potential Placing(s) to be conducted by the Company, however, all the Placing(s) will be conducted at one single Placing Price as may be determined by the Company and the relevant placing agent(s).

LETTER FROM THE BOARD

COFCO Specific Mandate and proposed issuance of new Shares to Achieve Bloom

Subject to market conditions and the grant of the COFCO Specific Mandate, if the Company proceeds to raise funding for the Consideration by way of issuance and placing of new Shares (including the Placing(s)), COFCO Corporation (through its subsidiary Achieve Bloom) may elect to participate in such share issuance by subscribing for not more than 67.03% (being the current shareholding percentage of Achieve Bloom in the Company) of the new Shares proposed to be issued and placed by the Company. Furthermore, COFCO Corporation (through its subsidiary Achieve Bloom) may also subscribe for such number of new Shares to maintain a shareholding of not less than 51% of the enlarged share capital of the Company upon completion of the Placing(s) and the COFCO Share Subscription.

If the Company proceeds with the COFCO Share Subscription, not more than 4,175,897,067 new Shares, representing approximately 67.03% of the maximum number of 6,229,892,686 Placing Shares that may be issued and placed by the Company under the Placing, will be issued to Achieve Bloom at the Placing Price. The maximum number of COFCO Subscription Share which may be issued under the COFCO Share Subscription represents (i) approximately 44.02% of the issued share capital of the Company as at the Latest Practicable Date, and (ii) approximately 26.57% of the enlarged issued share capital of the Company immediately after Completion and the issue of the maximum number of 4,175,897,067 COFCO Subscription Shares and the issue of 2,053,995,619 Placing Shares (being the balance of the maximum Placing Shares and the maximum COFCO Subscription Shares). The other terms and conditions of the COFCO Share Subscription shall be subject to the subscription agreement to be entered into by the Company with Achieve Bloom. The entire proceeds of the COFCO Share Subscription will be applied towards the settlement of the Consideration.

The major terms and conditions of the proposed COFCO Specific Mandate are as follows:

- (a) to allot and issue not more than 4,175,897,067 new Shares to Achieve Bloom;
- (b) immediately after the issuance of the COFCO Subscription Shares to Achieve Bloom, the Company will be able to maintain a minimum public float of 25% as required under Rule 8.08 of the Listing Rules;
- (c) the new Shares will be issued at the Placing Price, and the other terms and conditions will be comparable to or not more favourable than those of the Placing(s);
- (d) the grant of the COFCO Specific Mandate is subject to the passing of an ordinary resolution by the independent Shareholders at the SGM approving such grant;
- (e) the issue of the COFCO Subscription Shares will be conditional upon Completion; and

LETTER FROM THE BOARD

- (f) the proposed COFCO Specific Mandate is for the period from the passing of the relevant resolution at the SGM up to the earlier of (a) the date falling three months after the date of the passing of the aforesaid resolution at the SGM; or (b) the revocation or variation of the authority given under the relevant resolution(s) at the SGM by ordinary resolution(s) of the Shareholders in a general meeting of the Company.

None of the above conditions to the issue of COFCO Subscription Shares under the COFCO Specific Mandate may be waived by the Company without independent Shareholders' approval.

The COFCO Specific Mandate, if granted, will only be exercised by the Directors in the event that the Company proceeds to raise funding for the Consideration by way of issuance and placing of new Shares (including the Placing(s)) and COFCO Corporation (through its subsidiary Achieve Bloom) elects to participate in such share issuance by subscribing for the new Shares proposed to be issued and placed by the Company.

Subject to market conditions, the Directors may or may not exercise the COFCO Specific Mandate, if granted, to issue COFCO Subscription Shares and, where the COFCO Specific Mandate is exercised, may issue less than or up to 4,175,897,067 new Shares, subject to the number of new Shares issued by the Company under the Placing. The maximum number of COFCO Subscription Shares under the COFCO Specific Mandate does not include new Shares that may be subscribed by COFCO Corporation or its associates under other equity financing arrangements such as rights issue. If the Company proceeds with the COFCO Share Subscription, the COFCO Subscription Shares will be allotted and issued at the Placing Price, and the other terms and conditions of the COFCO Share Subscription will be comparable to or not more favourable than those of the Placing(s). In the event that the Company proceeds with the Placing(s) and the COFCO Share Subscription, it is expected that the completion of the Placing(s) and the COFCO Share Subscription shall take place simultaneously. A subscription agreement will be entered into between the Company and Achieve Bloom on this basis.

Public float and shareholding of Achieve Bloom after the Placing(s) and/or the COFCO Share Subscription

In addition to the terms and conditions of the Specific Mandate and the COFCO Specific Mandate as set out in the paragraph headed "Specific mandates to issue new Shares" above, the Company will conduct the external fund raising and financing arrangements, including the Placing(s), the COFCO Share Subscription and/or other equity financing such as rights issue on the basis that, immediately upon the completion of such fund raising and financing arrangements and the Acquisition, the Company will be able to maintain a minimum public float of not less than 25% as required under Rule 8.08 of the Listing Rules.

Please refer to the paragraph headed "Effect of the completion of the Placing(s) and the COFCO Share Subscription on the shareholding structure of the Company" below for the shareholding structure of the Company immediately upon the completion of the Placing(s) and/or the COFCO Share Subscription.

LETTER FROM THE BOARD

Implications of the COFCO Share Subscription under the Listing Rules

Achieve Bloom is a connected person of the Company by virtue of it being a controlling shareholder of the Company. Therefore, the allotment and issue of the COFCO Subscription Shares to Achieve Bloom under the COFCO Specific Mandate will constitute a connected transaction of the Company under Rule 14A.24(6) of the Listing Rules and is subject to the approval of the independent Shareholders at the SGM.

Achieve Bloom (being a controlling shareholder of the Company and COFCO Land, and an associate of Sheen Jade and having a material interest in the proposed relevant resolution) and its associates, which together held approximately 67.03% of the issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting on the relevant resolution to be proposed at the SGM to approve the COFCO Specific Mandate and the transactions contemplated thereunder.

Reasons for the Placing(s) and use of proceeds

The Company considers the Placing(s) an effective method for raising capital to fund the Acquisition, as the Placing(s) will have an effect of broadening the shareholder base and allows the Company to issue shares to introduce new financial and/or strategic investors who are interested in making an investment in the Enlarged Group. The Company may direct part of the Placing Shares to be placed to strategic or institutional investors who are more likely to take a longer term interest when investing in the Company.

Furthermore, the Placing(s) is also an efficient fund raising method to allow the Company to raise funds within a shorter time frame at a reasonable cost. The Placing(s), if executed, will also enlarge the capital bases of the Company and strengthen the financial position of the Enlarged Group.

Reasons for and benefits of the COFCO Share Subscription and use of proceeds

The COFCO Share Subscription is a mean for COFCO Corporation, as the controlling shareholder of the Company, to participate in the fund raising arrangements of the Company for the purpose of providing funding to the Company and to allow it an opportunity to maintain its current shareholding percentage of 67.03% in the Company after the Completion.

The Company considers that issue of COFCO Subscription Shares would be a more advantageous fund raising method than debt financings such as shareholder's loan or promissory notes from controlling shareholder of the Company as it would not increase the Group's debt level or liabilities. The Company also considers that issue of consideration shares to COFCO Corporation in lieu of the payment of Consideration not feasible as it may require additional PRC governmental procedures. If the Directors exercise the COFCO Specific Mandate, all the net proceeds raised from the COFCO Share Subscription will be used to fund the Acquisition, and no proceeds in excess of the amount acquired for settlement of the Consideration will be raised by the COFCO Share Subscription.

LETTER FROM THE BOARD

Having regard to the reasons for and the benefits of the potential COFCO Share Subscription, the Directors are of the view that the potential COFCO Share Subscription is in the interests of the Company and the Shareholders as a whole. The Directors are also of the view that the proposed terms of the COFCO Specific Mandate and the COFCO Share Subscription are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

APPLICATION FOR LISTING OF THE PLACING SHARES AND/OR COFCO SUBSCRIPTION SHARES

If the Company proceeds with the Placing(s) and/or the COFCO Share Subscription, an application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares and/or the COFCO Subscription Shares to be issued under the Specific Mandate and/or the COFCO Specific Mandate.

EFFECT OF THE COMPLETION OF THE PLACING(S) AND THE COFCO SHARE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Details of the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Placing(s) and the COFCO Share Subscription are set out below:

	As at the Latest Practicable Date		Immediately after completion of the Placing(s) and the COFCO Share Subscription (Note 4)		Immediately after completion of the Placing(s) and the COFCO Share Subscription (Note 5)	
	Number of Shares held	Approximate percentage of total issued	Number of Shares held	Approximate percentage of total issued	Number of Shares held	Approximate percentage of total issued
		share capital		share capital		share capital
Achieve Bloom (Note 1)	6,359,043,360	67.03%	8,015,827,722	51.00%	10,534,940,427	67.03%
Director (Note 2)	6,000	0.00%	6,000	0.00%	6,000	0.00%
The Investor (Note 3)	775,000,000	8.17%	775,000,000	4.93%	775,000,000	4.93%
Places under the Placing(s) (Note 4)	—	—	4,573,108,324	29.10%	2,053,995,619	13.07%
Other public shareholders	2,353,367,212	24.80%	2,353,367,212	14.97%	2,353,367,212	14.97%
Total	9,487,416,572	100%	15,717,309,258	100%	15,717,309,258	100%

Notes:

- (1) This represents the number of Shares held by Achieve Bloom Limited as at the Latest Practicable Date, excluding the 1,095,300,778 CPS held by it as at the same date.
- (2) These Shares are held by Mr. Lam Kin Ming, Lawrence, an independent non-executive Director.
- (3) The Investor is an independent third party of the Company as at the Latest Practicable Date and the Shares held by it are regarded as being held by the public. The Investor is a substantial shareholder of Sino Melody and Joy Sincere (HK), being members of the Target Group which will become non-wholly owned subsidiaries of the Group upon Completion. The Investor will, upon Completion, become a core connected person of the Company under Rule 8.24 of the Listing Rules by virtue of it being a substantial shareholder of the subsidiaries of the Company and the Shares held by it will not be regarded as being held by the public.

LETTER FROM THE BOARD

- (4) Assuming (i) a maximum of 6,229,892,686 new Shares will be issued or placed by the Company, (ii) none of the placees will become a substantial shareholder of the Company upon completion of the Placing(s), and (iii) Achieve Bloom shall subscribe for such number of COFCO Subscription Shares under the COFCO Share Subscription to maintain a shareholding of 51% of the enlarged share capital of the Company.
- (5) Assuming (i) a maximum of 4,175,897,067 COFCO Subscription Shares will be issued to Achieve Bloom pursuant to the COFCO Specific Mandate, (ii) a maximum of 2,053,995,619 Placing Shares (being the balance of the maximum Placing Shares and the COFCO Subscription Shares) will be issued or placed by the Company, and (iii) none of the placees will become a substantial shareholder of the Company upon completion of the Placing(s).

FINANCIAL ADVISERS, INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Goldman Sachs (Asia) L.L.C., BOCI Asia Limited and The Hongkong and Shanghai Banking Corporation have been appointed as the joint financial advisers to the Company in relation to the Acquisition.

The Independent Board Committee comprising Mr. Lau Hon Chuen, *Ambrose, GBS, JP*, Mr. Lam Kin Ming, *Lawrence* and Mr. Wu Kwok Cheung, *MH*, being all the independent non-executive Directors, has been formed to advise the Shareholders on matters in relation to the Acquisition and the proposed grant of the COFCO Specific Mandate.

The Company has, with the approval of the Independent Board Committee, appointed Somerley as the independent financial adviser in accordance with the requirements under the Listing Rules to advise the Independent Board Committee and the Shareholders on matters in relation to the Acquisition and the proposed grant of the COFCO Specific Mandate.

PROPOSED CHANGE OF NAME OF THE COMPANY

Reference is made to the circular of the Company dated 4 November 2014 in relation to the proposed change of name of the Company. Subject to approval by the Shareholders at the Change of Name SGM, the Company proposes to change the English name of the Company from “COFCO Land Holdings Limited” to “Joy City Property Limited” and to adopt and register a Chinese name “大悦城地產有限公司” as its secondary name, and to cease to use its existing Chinese name “中糧置地控股有限公司” for identification purpose upon Completion.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

LETTER FROM THE BOARD

SGM

A notice of the SGM to be held at 10:00 a.m. (or immediately following the Change of Name SGM convened on the same day), on Thursday, 27 November 2014 is set out on pages SGM-1 to SGM-3 of this circular for the purpose of considering and, if thought fit, approving (a) the Acquisition; (b) the proposed grant of the Specific Mandate; and (c) the proposed grant of the COFCO Specific Mandate.

A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Progressive Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the SGM or any adjournment thereof if you so desire and, in such event, the instrument appointing a proxy will be deemed to be revoked.

In order to determine the list of Shareholders who will be entitled to attend and vote at the SGM, the register of members of the Company will be closed for registration of transfer of Shares from Tuesday, 25 November 2014 to Thursday, 27 November 2014 (both days inclusive) during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Thursday, 27 November 2014 shall be entitled to attend and vote at the SGM. In order for the Shareholders to qualify for attending and voting at the SGM, all transfer documents, accompanied by the relevant Share certificates, should be lodged for registration with Tricor Progressive Limited, the Company's branch share registrar and transfer office in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 4:30 p.m., Monday, 24 November 2014.

VOTING AT THE SGM AND THE BOARD MEETINGS

Achieve Bloom (being a controlling shareholder of the Company and COFCO Land, and an associate of Sheen Jade and having a material interest in the Acquisition) and its associates, which together held approximately 67.03% of the issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting on the relevant resolutions to be proposed at the SGM to approve the Acquisition Agreement, the grant of the Specific Mandate and the COFCO Specific Mandate, and the transactions contemplated thereunder.

Voting on the resolutions at the SGM will be taken by poll.

None of the Directors was considered to have a material interest in the Acquisition, the Specific Mandate and the COFCO Specific Mandate under the Bye-laws or the Listing Rules, therefore no Director was required to abstain from voting on the resolutions proposed in the meetings of the Board approving the Acquisition, the Specific Mandate and the COFCO Specific Mandate.

LETTER FROM THE BOARD

RECOMMENDATION BY THE INDEPENDENT BOARD COMMITTEE

The text of the letter from the Independent Board Committee containing its recommendation to the Shareholders is set out on pages 38 to 39 of this circular.

The text of the letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Shareholders with regard to the Acquisition and the proposed grant of the COFCO Specific Mandate and the principal factors and reasons which it has taken into account in arriving at its advice, is set out on pages 40 to 80 of this circular.

The Independent Board Committee, having considered the terms and conditions of the Acquisition Agreement and the COFCO Specific Mandate, and after taking into account the advice from the Independent Financial Adviser, considers that the Acquisition Agreement are on normal commercial terms, fair and reasonable, and the Acquisition and the proposed grant of the COFCO Specific Mandate are for the purpose of the ordinary course of business of the Group and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee accordingly recommends that the Shareholders vote in favour of the resolutions to be proposed at the SGM to approve the Acquisition and the proposed grant of the COFCO Specific Mandate.

RECOMMENDATION OF THE BOARD

The Board considers the terms of the Acquisition Agreement and the proposed terms of the Specific Mandate and the COFCO Specific Mandate are for the purpose of the ordinary course of business of the Group, fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and recommends the Shareholders to vote in favour of the ordinary resolutions to be proposed at SGM, which are set out in the notice of the SGM.

FURTHER INFORMATION

Your attention is drawn to other sections of and appendices to this circular, which contain further information on the Group, the Target Group and the Enlarged Group and other information required to be disclosed under the Listing Rules.

WARNING

The Acquisition is subject to a number of conditions including approvals by the Shareholders at the SGM, which may or may not be fulfilled. In the event that any of the conditions to the Completion is not fulfilled, the Acquisition Agreement will not become unconditional and the Acquisition will not proceed.

SHAREHOLDERS OF THE COMPANY AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR OTHER SECURITIES (IF ANY) OF THE COMPANY.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
COFCO Land Holdings Limited
ZHOU Zheng
Chairman



COFCO LAND HOLDINGS LIMITED

中糧置地控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 207)

5 November 2014

To the Shareholders

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED
TRANSACTION IN RELATION TO
THE ACQUISITION OF JOY CITY PROJECTS
(2) PROPOSED GRANT OF SPECIFIC MANDATE
AND
(3) PROPOSED GRANT OF COFCO SPECIFIC MANDATE
AND CONNECTED TRANSACTION**

We refer to the circular dated 5 November 2014 issued by the Company of which this letter forms part of (the “**Circular**”). Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless otherwise specified.

We have been authorised by the Board to form the Independent Board Committee to consider and advise the Shareholders in respect of the Acquisition and the proposed grant of the COFCO Specific Mandate, details of which are set out in the section headed “Letter from the Board” contained in the Circular.

We wish to draw your attention to the letter from the Board set out on pages 11 to 37 of the Circular and the letter of advice from Somerley, the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders on the terms of the Acquisition Agreement and the COFCO Specific Mandate, set out on pages 40 to 80 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of Somerley as stated in its letter of advice, the terms and conditions of the Acquisition Agreement, the business and financial effects of the Acquisition on the Company, the quality and size of the property portfolio held by the Target Group and the effect of the Acquisition on the Group, we consider that the terms and conditions of the Acquisition Agreement are fair and reasonable and on normal commercial terms, and the Acquisition is for the purpose of the ordinary course of business of the Group and in the interests of the Company and the Shareholders as a

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

whole. Having regard to the proposed terms and conditions of the COFCO Share Subscription and its effect on the Acquisition, we also consider that the proposed terms of the COFCO Specific Mandate are on normal commercial terms, fair and reasonable, and the grant of the COFCO Specific Mandate is for the purpose of the ordinary course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Shareholders to vote in favour of the resolution(s) to be proposed at the SGM in respect of the Acquisition Agreement, the COFCO Specific Mandate and the transactions contemplated thereunder.

Yours faithfully,
for and on behalf of the
Independent Board Committee
COFCO Land Holdings Limited
Mr. Lau Hon Chuen, Ambrose, GBS, JP
Mr. Lam Kin Ming, Lawrence
Mr. Wu Kwok Cheung, MH
Independent non-executive Directors

LETTER FROM SOMERLEY

The following is the full text of a letter of advice from Somerley Capital Limited to the Independent Board Committee in relation to the Acquisition and the proposed grant of COFCO Specific Mandate, which has been prepared for the purpose of inclusion in the Circular.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

5 November 2014

To: *The independent board committee, the shareholders and, for information only, the holders of non-redeemable convertible preference shares of COFCO Land Holdings Limited*

Dear Sirs,

**(I) VERY SUBSTANTIAL ACQUISITION AND
CONNECTED TRANSACTION IN RELATION TO
THE ACQUISITION OF THE JOY CITY PROJECTS
AND
(II) COFCO SPECIFIC MANDATE AND PROPOSED ISSUANCE OF
NEW SHARES TO ACHIEVE BLOOM**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Acquisition, the proposed grant of COFCO Specific Mandate and the transactions contemplated thereunder, details of which are set out in the letter from the board contained in the circular to the Shareholders dated 5 November 2014 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Pursuant to a non-competition undertaking dated 29 November 2013, COFCO Corporation has granted the Company the Call Options to acquire the Joy City Projects or their respective companies holding such Joy City Projects. The term of the Call Options is eight years from the completion date of the Company's acquisition of the commercial property portfolio from COFCO Group as disclosed in the 2013 Circular. Further details of the Call Options and the Joy City Projects subject to the Call Options are set out in the section headed “Relationship with Controlling Shareholders” in the 2013 Circular.

At the time of the acquisition of the commercial property portfolio by the Company from COFCO Group as set out in the 2013 Circular, the Joy City Projects were excluded from the assets acquired by the Company as such acquisition would require consents and approvals from the

LETTER FROM SOMERLEY

relevant PRC governmental authorities, the review process of which could be long and uncertain. Furthermore, the Company decided that it was not in its interest to acquire certain of the Joy City Projects as they were under the process of upgrading and internal advancement at the relevant time.

As disclosed in the letter from the Board of the Circular, the Company has decided to exercise the Call Options to acquire the Joy City Projects, as it was advised by its PRC legal advisers that, based on the current structure of the Acquisition as agreed in the Acquisition Agreement, it does not require any consent and approval from the relevant PRC governmental authorities to complete the Acquisition. Having regard to the recent market conditions, the business and financial conditions, operational results and prospects of the Joy City Projects, the Company also considers that it is an appropriate time to acquire the Joy City Projects.

In connection with the exercise of the Call Options, on 12 September 2014, the Company (as purchaser) entered into the Acquisition Agreement with Sheen Jade (as the seller), COFCO Land (as the seller and the warrantor) and Magic Grain (as the warrantor) for the acquisition of the Sales Shares and the Shareholder Loans.

Upon Completion, the Group will acquire from the Sellers the entire equity interests in the Target Group which is primarily engaged in the development, operation, sale, leasing and management of mixed-use complexes under its flagship brand “Joy City (大悦城)”, and has a portfolio of six mixed-use complex property projects located in Beijing, Shenyang, Shanghai, Tianjin and Yantai in the PRC. It also has a commercial property project in Beijing and holds non-controlling interests in another two property projects in Beijing and Shanghai. Shareholders’ attention is drawn to the further details of the Target Group and its commercial property portfolio as set out in the paragraph headed “Information on the Target Group” in the letter from the Board of the Circular and the section headed “Business of the Target Group” in the Circular.

The Consideration shall be HK\$12,459,785,372. The Company plans to conduct external fund raising and financing arrangements, including the Placing(s), the debt financings and/or other equity financings, for the settlement of the Consideration. Subject to market conditions and the grant of the COFCO Specific Mandate, if the Company proceeds to raise funding for the Consideration by way of issuance and placing of new Shares (including the Placing(s)), COFCO Corporation (through its subsidiary Achieve Bloom) may elect to participate in such share issuance by subscribing for not more than 67.03% (being the current shareholding percentage of Achieve Bloom in the Company) of the new Shares proposed to be issued and placed by the Company.

As one or more of the applicable percentage ratios of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. Achieve Bloom is a connected person of the Company by virtue of being a controlling shareholder of the Company. Each of Sheen Jade, COFCO Land and Magic Grain is an associate of Achieve Bloom and therefore a connected person of the Company. Therefore, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Shareholders at the SGM. In addition, Achieve Bloom is a connected person of the Company by virtue of it being a controlling shareholder of the Company. Therefore, the allotment and issue of the COFCO Subscription Shares to Achieve Bloom

LETTER FROM SOMERLEY

under the COFCO Specific Mandate will constitute a connected transaction of the Company under Rule 14A.24(6) of the Listing Rules and is subject to the approval of the independent Shareholders at the SGM.

Achieve Bloom (being a controlling shareholder of the Company and COFCO Land, and an associate of Sheen Jade and having a material interest in the Acquisition) and its associates, which together held approximately 67.03% of the issued share capital of the Company as at the Latest practicable Date are required to abstain from voting on the relevant resolutions to be proposed at the SGM to approve the Acquisition, the COFCO Specific Mandate and the transactions contemplated thereunder.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. LAU Hon Chuen, Ambrose, *GBS, JP*, Mr. LAM Kin Ming, Lawrence and Mr. WU Kwok Cheung, *MH*, has been established to advise the Shareholders, taking into account our recommendations, as to whether the terms of the Acquisition, the proposed grant of the COFCO Specific Mandate and the transactions contemplated thereunder are fair and reasonable and whether the Acquisition, the proposed grant of the COFCO Specific Mandate and the transactions contemplated thereunder are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. The advice of the Independent Board Committee as regards the Acquisition, the proposed grant of COFCO Specific Mandate and the transactions contemplated thereunder is contained in its letter included in the Circular. We, Somerley Capital Limited, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Shareholders on the Acquisition, the proposed grant of COFCO Specific Mandate and the transactions contemplated thereunder. Details of the Acquisition, the proposed grant of COFCO Specific Mandate and the transactions contemplated thereunder are set out in the Circular.

We are not associated or connected with the Company, COFCO Land, Sheen Jade or their respective substantial shareholders or associates and, accordingly, are considered eligible to give independent advice on the Acquisition and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, COFCO Land, Sheen Jade or their respective substantial shareholders or associates.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (collectively, the “**Management**”), which we have assumed to be true, accurate and complete. We have reviewed the published information on the Company, including but not limited to, annual reports of the Company for the years ended 31 December 2012 (the “**2012 Annual Report**”), 31 December 2013 (the “**2013 Annual Report**”), the interim report of the Company for the six months period ended 30 June 2014 (the “**2014 Interim Report**”), the circular of the Company dated 30 November 2013 in relation to, among others, the 2013 Acquisition (as defined below), the circular of the Company dated 22 August 2014 in relation to, among others, the MI Acquisitions (as defined below) and other information contained in the Circular. We have reviewed the trading

LETTER FROM SOMERLEY

performance of the Shares on the Stock Exchange. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Circular are true at the time they were made and at the date of the Circular and Shareholders will be notified of any material changes as soon as possible, if any.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Acquisition and the proposed grant of COFCO Specific Mandate, we have taken into account the following principal factors and reasons:

(I) THE ACQUISITION

1. Information on the Group

1.1 *Recent developments of the Group*

COFCO Land Holdings Limited (formerly known as The Hong Kong Parkview Group Limited) was incorporated in Bermuda with limited liability and its ordinary shares are listed on the Main Board of the Stock Exchange. The principal activity of the Company is investment holding. The Company's subsidiaries are principally involved in investment holding, property investment and development, property management and hotel operations.

In July 2012, Achieve Bloom, an indirect wholly-owned subsidiary of 中糧集團有限公司 (COFCO Corporation), completed the acquisition of approximately 73.5% of the entire issued share capital of the Company and has become the controlling Shareholder of the Group. On 24 September 2013, the Company announced the acquisition (the “**2013 Acquisition**”) from COFCO Land Limited, a wholly-owned subsidiary of Achieve Bloom, of a number of companies (the “**2013 Target Group**”) which holds a number of mix-used property projects in the PRC. Completion of the 2013 Acquisition took place on 19 December 2013 and since then, the Company has become the Hong Kong listing platform of COFCO Corporation in the development and operation of high quality mixed-use complexes and commercial properties in China. Jetway Developments Limited (“**Jetway Development**”) and Yalong Development (HK) Company Limited (“**Yalong Development (HK)**”), which were two of the members of the 2013 Target Group, have accordingly become a 78% owned subsidiary and 67.57% owned subsidiary of the Company respectively since the completion of the 2013 Acquisition in December 2013.

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On 1 August 2014, the Company further announced the acquisitions of the remaining 22% of the issued share capital of Jetway Developments (the “**Jetway Acquisition**”) and the remaining approximately 32.43% of the issued share capital of Yalong Development (HK), together with the respective relevant shareholder’s loans (the “**Yalong Development Acquisition**”), together with the Jetway Acquisition, the “**MI Acquisitions**”). Completion of the Jetway Acquisition Agreement and the Yalong Development Acquisition Agreement took place on 19 August 2014 and each of Jetway Development and Yalong Development (HK) became a wholly-owned subsidiary of the Company.

As at the Latest Practicable Date, the Group holds a portfolio of 12 property projects in Beijing, Shanghai, Sanya, Chengdu, Nanchang, Suzhou and Hong Kong. Those property projects are located in premium core areas of the first- or second-tier cities in China. The portfolio is diversified with quality assets and in different business areas, including landmark properties such as Beijing COFCO Plaza and Chengdu Joy City, properties located in premium zones of core cities such as Ocean One in Shanghai, The Signature and Princess Palace in Sanya, as well as a number of international high-end luxury hotels.

1.2 Financial performance and position of the Group

As disclosed in the 2013 Annual Report, since the Group and the 2013 Target Group came under common control of Achieve Bloom since 23 July 2012 and Achieve Bloom continued to control the Company after completion of the 2013 Acquisition, the 2013 Acquisition is considered as a combination of businesses under common control and accounted for under merger basis. Also it is stated that, in applying merger accounting, the 2013 Acquisition would be reflected in the consolidated financial statements of the Group as a reverse acquisition of the Company by the 2013 Target Group which is deemed as the accounting acquirer taking into consideration of the requirements under Hong Kong Financial Reporting Standard 3 (Revised) Business Combinations. Accordingly, the Group’s consolidated financial statements have been prepared as a continuation of the consolidated financial statements of the 2013 Target Group and the comparative information presented in these consolidated financial statements is restated to be that of the 2013 Target Group.

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Set out below are certain key financial information on the Group as extracted from the consolidated statement of profit or loss for the two years ended 31 December 2013 and the six months periods ended 30 June 2013 and 30 June 2014 (the “**Period**”), details of which are set out in the 2013 Annual Report and the 2014 Interim Report respectively:

	For the six months		For the year ended	
	period ended 30 June		31 December	
	2014	2013	2013	2012
	(unaudited)	(unaudited)	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(restated)		(restated)
Revenue	1,824,850	1,617,446	3,922,552	4,433,008
— Property and land development	1,046,086	873,750	2,517,953	3,228,725
— Property Investment	212,281	193,160	389,467	357,895
— Property management and related services	80,975	107,473	203,237	210,996
— Hotel operations and tourism	485,508	443,063	811,895	635,392
Cost of sales and services	<u>(756,481)</u>	<u>(733,562)</u>	<u>(1,584,452)</u>	<u>(1,871,590)</u>
Gross profit	1,068,369	883,884	2,338,100	2,561,418
Profit before tax	740,959	3,607,202	4,958,921	2,628,598
Income tax expense	<u>(307,627)</u>	<u>(903,828)</u>	<u>(1,694,830)</u>	<u>(962,050)</u>
Profit for the year/period	<u><u>433,332</u></u>	<u><u>2,703,374</u></u>	<u><u>3,264,091</u></u>	<u><u>1,666,548</u></u>
<i>Profit for the year/period attributable to:</i>				
— Owners of the Company	177,463	1,707,343	2,007,981	918,840
— Non-controlling interests	255,869	996,031	1,256,110	747,708

Revenue generated from the property and land development has been the main source of income which represented over 50% of the total revenue of the Group during the Period. The rest of the revenue came from the property investment, property management and related services and hotel operations.

As disclosed in the 2013 Annual Report, the Group’s revenue from properties and land development amounted to approximately RMB2,518.0 million, which accounted for approximately 64.2% of total revenue for the year ended 31 December 2013 (“**FY2013**”), and represented a decrease of approximately 22% as compared with that for the year ended 31 December 2012 (“**FY2012**”). Such decrease in revenue was mainly due to a decrease in area

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sold of multi-storey commercial apartments and villa-styled apartments of Princess Palace III and villa-styled apartments of The Signature. Rental income from investment properties during FY2013 amounted to approximately RMB389.5 million which accounted for around 9.9% of total revenue for FY2013 and represented an increase of approximately 8.8% as compared with that in FY2012. Such increase was mainly attributable to the increase in rental income of Beijing COFCO Plaza, Fraser Suites Top Glory Shanghai and Hong Kong Top Glory Tower. Revenue from hotel operations and tourism accounted for approximately 20.7% of total revenue for FY2013 and increased to approximately RMB811.9 million in FY2013 by around 27.8% from approximately RMB635.4 million in FY2012, which was mainly attributable to the growth in revenue of MGM Grand Sanya and St. Regis Sanya Yalong Bay Resort. Revenue from property management and related services accounted for around 5.2% of total revenue during FY2013 and showed a year-on-year decrease of approximately 3.7% from FY2012. Although the gross profit dropped by approximately 8.7% in FY2013, the gross profit margin improved from approximately 57.8% in FY2012 to around 59.6% in FY2013 which was mainly attributable to the slight growth in property sales and leasing and the good performance of the two new hotels in Sanya. As a result of the fair value gain of investment properties in the amount of approximately RMB3,076.1 million recorded in FY2013, the profit for the year surged from approximately RMB1,666.5 million in FY2012 to approximately RMB3,264.1 million in FY2013, represented a yearly growth of approximately 95.9%.

As disclosed in the 2014 Interim Report, the Group's revenue from properties and land development amounted to approximately RMB1,046.1 million, which accounted for approximately 57.3% of total revenue for the six months period ended 30 June 2014 ("1H2014"), and represented an increase of approximately 19.7% as compared with that for the six months period ended 30 June 2013 ("1H2013"). Such increase was mainly due to an increase in the area delivered in the apartments of Ocean One and villa-styled apartments of The Signature. Rental income from investment properties during 1H2014 amounted to approximately RMB212.3 million which accounted for around 11.6% of total revenue for 1H2014 and represented an increase of approximately 9.9% as compared with that in 1H2013. Such increase was mainly attributable to the increase in rental income of Beijing COFCO Plaza, Fraser Suites Top Glory Shanghai and Hong Kong Top Glory Tower. Revenue from hotel operations and tourism accounted for approximately 26.6% of total revenue for 1H2014 and increased to approximately RMB485.5 million in 1H2014 by around 9.6% from approximately RMB443.1 million in 1H2013, which was mainly attributable to the growth in revenue of MGM Grand Sanya and St. Regis Sanya Yalong Bay Resort. Revenue from property management and related services accounted for around 4.4% of total revenue during 1H2014 and showed a decrease of approximately 24.7% from 1H2013. The gross profit increased by approximately 20.9% in 1H2014 and the gross profit margin improved from approximately 54.6% in 1H2013 to around 58.5% in 1H2014 which was mainly attributable to the slight growth in property sales and leasing and the good performance of the two new hotels in Sanya. As a result of, among others, the decrease in the fair value gain of investment properties from RMB3,032.4 million in 1H2013 to approximately RMB29.1 million in 1H2014, the profit for the period dropped considerably from approximately RMB2,703.4 million in 1H2013 by around 84.0% to approximately RMB433.3 million in 1H2014.

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Set out below is the summary of the consolidated statements of financial position of the Group as at 31 December 2012, 31 December 2013 and 30 June 2014 as extracted from the 2013 Annual Report and the 2014 Interim Report respectively:

	As at 30 June 2014	As at 31 December 2013	2012
	(unaudited)	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (restated)
Non-current assets			
Investment properties	13,293,807	13,238,730	10,186,577
Property, plant and equipment	4,332,141	3,665,195	3,879,794
Leasehold land and land use rights	580,588	589,155	1,011,761
Properties under development	691,807	1,231,098	427,050
Other non-current assets	<u>594,361</u>	<u>558,650</u>	<u>1,480,510</u>
	<u>19,492,704</u>	<u>19,282,828</u>	<u>16,985,692</u>
Current assets			
Inventories	16,742	13,235	14,760
Properties held for sale	534,125	852,781	1,529,657
Properties under development for sale	625,373	469,356	38,876
Cash and cash equivalents	6,929,051	7,941,122	2,891,403
Other current assets	<u>612,410</u>	<u>645,077</u>	<u>3,241,120</u>
	<u>8,717,701</u>	<u>9,921,571</u>	<u>7,715,816</u>
Total assets	<u><u>28,210,405</u></u>	<u><u>29,204,399</u></u>	<u><u>24,701,508</u></u>
Current liabilities			
Bank and other borrowings	2,191,244	1,860,085	1,380,958
Other current liabilities	<u>3,122,469</u>	<u>4,559,647</u>	<u>9,949,100</u>
	<u>5,313,713</u>	<u>6,419,732</u>	<u>11,330,058</u>
Non-current liabilities			
Bank and other borrowings	2,151,092	2,357,073	2,158,360
Other non-current liabilities	<u>2,384,795</u>	<u>2,363,377</u>	<u>1,824,613</u>
	<u>4,535,887</u>	<u>4,720,450</u>	<u>3,982,973</u>
Total liabilities	<u><u>9,849,600</u></u>	<u><u>11,140,182</u></u>	<u><u>15,313,031</u></u>
Total equity			
Equity attributable to owners of the Company	13,435,531	13,244,741	5,612,973
Non-controlling interests	<u>4,925,274</u>	<u>4,819,476</u>	<u>3,775,504</u>
	<u><u>18,360,805</u></u>	<u><u>18,064,217</u></u>	<u><u>9,388,477</u></u>

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As at 31 December 2013, total assets amounted to approximately RMB29,204.4 million and total liabilities amounted to approximately RMB11,140.2 million. Total assets and total liabilities of the Group as at 31 December 2013 went up and down by approximately 18.2% and 27.3% respectively as compared with those as at 31 December 2012. The Group had cash and cash equivalents of approximately RMB7,941.1 million as at 31 December 2013, representing a significant increase of approximately 174.6% from 31 December 2012.

The Group recorded net current assets of approximately RMB3,501.8 million as at 31 December 2013. Total bank and other borrowings increased from approximately RMB3,539.3 million as at 31 December 2012 by approximately 19.2% to approximately RMB4,217.2 million as at 31 December 2013, among which the current portion of bank and other borrowings increased by approximately 34.7% to approximately RMB1,860.1 million over the same period. The current ratio of the Group improved considerably from approximately 0.68 as at 31 December 2012 to approximately 1.55 as at 31 December 2013, mainly attributable the enhanced cash position (as a result of a new share placing to professional and institutional investors of approximately HK\$3,770.5 million which was completed on 19 December 2013) and reduction of current liabilities.

As at 31 December 2013, total equity attributable to owners of the Company amounted to approximately RMB13,244.7 million. The total equity attributable to owners of the Company as at 31 December 2013 has increased from that of 2012 as a result of the net profit recorded during FY2013.

As at 30 June 2014, total assets amounted to approximately RMB28,210.4 million and total liabilities amounted to approximately RMB9,849.6 million. Total assets and total liabilities of the Group as at 30 June 2014 went down by approximately 3.4% and 11.6% respectively as compared with those as at 31 December 2013. The Group had cash and cash equivalents of approximately RMB6,929.1 million as at 30 June 2014, representing a decrease of approximately 12.7% from 31 December 2013.

The Group recorded net current assets of approximately RMB3,404.0 million as at 30 June 2014. Total bank and other borrowings increased from approximately RMB4,217.2 million as at 31 December 2013 by approximately 3.0% to approximately RMB4,342.3 million as at 30 June 2014, among which the current portion of bank and other borrowings increased by approximately 17.8% to approximately RMB2,191.2 million over the same period. The current ratio of the Group improved slightly from approximately 1.55 as at 31 December 2013 to approximately 1.64 as at 30 June 2014, mainly attributable the reduction of current liabilities.

As at 30 June 2014, total equity attributable to owners of the Company amounted to approximately RMB13,435.5 million. The total equity attributable to owners of the Company as at 30 June 2014 has increased from that of 31 December 2013 as a result of the net profit recorded during 1H2014.

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As mentioned under the paragraph headed “1.1. Recent development of the Group” above, completion of the MI Acquisitions took place on 19 August 2014. Accordingly, each of Jetway Development and Yalong Development (HK) became a wholly-owned subsidiary of the Company and the financial results and position of Jetway Development and Yalong Development (HK) and their respective subsidiaries have been fully consolidated into the financial statements of the Group upon such completion.

2. Information on the Target Group

2.1 *Business of the Target Group*

2.1.1 *Overview*

The Target Group is primarily engaged in the development, operation, sale, leasing and management of mixed-use complexes under the flagship brand “Joy City (大悦城)” in five key cities in the PRC. As at 30 June 2014, the Target Group had a portfolio of six mixed-use complex property projects located in Beijing, Shenyang, Shanghai, Tianjin and Yantai in the PRC. The Target Group also holds a commercial property project in Beijing and non-controlling interests in two property projects in Beijing and Shanghai. As at 30 June 2014, these property projects had an estimated attributable total GFA of 2,275,445 sq.m., of which 349,064 sq.m. had been sold.

Upon Completion, the Group will expand its existing property portfolio with the addition of six mixed-use complexes, and the Enlarged Group will be holding a total of 19 property projects located in the various key cities of the PRC and Hong Kong, which comprises of eight mixed-use complex projects, five commercial property projects, four hotel projects, one integrated tourist project, and one minority-held projects. Following its acquisition of the minority interests in two property projects, namely Beijing COFCO Plaza and Shanghai COFCO Tower, in which the Group already holds 60% and 50% interests respectively prior to the Acquisition, the Enlarged Group will also be holding the entire interests in these two property projects upon Completion. With the addition of quality commercial property projects located in various major cities in the PRC to the Group’s existing property portfolio, the Acquisition will have an effect of enhancing the value of the property projects held by the Group to attain a more steady and sustainable return from such projects.

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2.1.2 Summary of the property projects held by the Target Group

The following table sets out information relating to the use, GFA and development status of the property projects held by the Target Group as at 30 June 2014:

Projects (Note 2)	Use/Planned Use (Note 3)	Status	Total Site Area (sq.m.)	Total GFA/ Estimated total GFA (sq.m.)	Estimated total leasable area (Note 5) (sq.m.)	Estimated total saleable GFA (sq.m.) (Note 5)			Actual/Expected construction completion date	Pre-sale commencement date	Actual/Expected construction completion date	Interest attributable to the Target Group (%)	Appraised property value attributable to the Target Group (Note 6) RMB'000	Reference to Valuation Report
						Of which was sold	Of which was pre-sold	Of which remains unsold						
Beijing Xidan Joy City (北京西單大悅城)	Retail, office and hotel	Completed	14,541	185,654	68,134 (Note 7)	N/A	N/A	N/A	2005	N/A	2008	100	8,670,600	5, 6, 9, 10, 18
Shenyang Joy City (瀋陽大悅城)	Retail and residential	Completed	50,719	555,146	121,643	199,579	0	103	2002	2003	2012	100	2,629,000	3, 15
Beijing Chaoyang Joy City (北京朝陽大悅城)	Retail and commercial apartment	Completed	58,958	405,570	114,198	64,703	—	—	2008	2009	2010	90	4,888,800	4, 7, 8
Shanghai Joy City (上海大悅城)	Retail, office, residential and serviced apartment	Southern Tower of Phase 1 - Completed Northern Tower of Phase 1 and Phase 2 - Under construction	78,076	437,609	— (Note 8)	— (Note 8)	— (Note 8)	— (Note 8)	Southern Tower of Phase 1 - Fourth quarter of 2010; Northern Tower of Phase 1 - First quarter of 2013 Phase 2 - Third quarter of 2014	— (Note 7)	Southern Tower of Phase 1 - Second quarter of 2011; Northern Tower of Phase 1 - Fourth quarter of 2015 Phase 2 - Fourth quarter of 2018	100	10,903,800	12, 19, 21
Tianjin Joy City (天津大悅城)	Retail office, residential and commercial apartment	Retail and residential space and commercial apartments — completed Office — under construction	77,450	531,369	83,965	89,962 (Note 9)	4,586 (Note 9)	18,786 (Note 9)	2010	2011	Retail and residential space and commercial apartments - Third quarter of 2013 Office space - Third quarter of 2015	100	5,048,700	1, 2, 13, 14, 20
Yantai Joy City (煙台大悅城)	Retail	Completed (Note 10)	40,762	219,964	78,432	N/A	N/A	N/A	2011	N/A	2014	51	796,110	11
Other projects with non-controlling interest														
Beijing COFCO Plaza (北京中糧廣場)	Office and retail	Completed	22,555	118,632	107,989	3,226	—	—	1992	N/A	1996	40	2,004,000	16
Shanghai COFCO Tower (上海中糧大廈)	Office	Completed	3,285	20,606	17,848	N/A	N/A	N/A	1996	N/A	2001	50	176,000	17

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Notes:

- (1) Information set out in this table is based on the Target Group's internal estimates, records and existing project plans as at 30 June 2014 and may be subject to changes. Andingmen Project is still at an early planning stage and the information in relation to this project to the extent available is set out in the paragraph headed "Overview of the property projects" under the section headed "Business of the Target Group" in the Circular.
- (2) The project names referred to in the Circular are the names used, or the Target Group intends to use, for marketing purposes as at the Latest Practicable Date. They shall not be treated as the official names of the projects. Furthermore, the English project names are translations of their Chinese names and are included in the Circular for identification purpose only, and should not be regarded as their official English translations.
- (3) Planned uses of these projects are based on the Target Group's existing project plans and current intentions and are subject to changes during the course of the development.
- (4) The total GFA or estimated total GFA includes civil defense area for certain property projects.
- (5) The estimated total leasable area and estimated total saleable GFA do not include car parking spaces.
- (6) The values are based on Savills' valuation of the market value attributable to the Target Group of the respective property projects as at 31 August 2014, after deducting the outstanding construction cost and without taking into account any potential title defects of the land and other potential encumbrances, restrictions and outgoing of an onerous nature which could affect the values and may be subject to changes.
- (7) The estimated total leasable area of Beijing Xidan Joy City does not include the hotel with a total GFA of 32,885 sq.m. held for operation.
- (8) As at the Latest Practicable Date, the total leasable area, the total saleable GFA and the pre-sale commencement date of Shanghai Joy City were yet to be determined as some parts of the project were still under development.
- (9) The estimated total saleable GFA of Tianjin Joy City comprises residential space and commercial apartments. As at the Latest Practicable Date, the total saleable GFA of the office space of Tianjin Joy City, which was still under development, was yet to be determined.
- (10) Yantai Joy City opened for business on 6 July 2014.

Further details of the Target Group's set out under the section headed "Business of the Target Group — Property projects of the Target Group" in the Circular.

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2.2 Financial information of the Target Group

2.2.1 Financial performance

The accountants' report on the Target Group is set out in Appendix II to the Circular. Set out in below is the combined statements of profit or loss of the Target Group for the three years ended 31 December 2013 and the six months ended 30 June 2013 and 2014 as extracted from the accountants' report on the Target Group in Appendix II to the Circular.

	Year ended 31 December			Six months ended	
	2011	2012	2013	30 June	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Revenue	2,369,065	2,200,163	2,870,561	1,268,876	1,153,932
Cost of sales and services	<u>(1,206,482)</u>	<u>(1,051,839)</u>	<u>(1,551,022)</u>	<u>(577,197)</u>	<u>(424,057)</u>
Gross profit	1,162,583	1,148,324	1,319,539	691,679	729,875
Other income	22,646	20,564	26,218	9,664	11,225
Other gains and losses, net	19,992	(31,994)	(20,605)	(8,248)	(13,304)
Distribution and selling costs	(269,706)	(212,550)	(248,467)	(81,558)	(81,895)
Administrative expenses	(299,757)	(325,919)	(359,514)	(156,605)	(139,037)
Fair value gain of investment properties	1,493,514	1,162,404	647,499	121,676	1,502,016
Finance costs	(325,359)	(486,297)	(705,157)	(328,265)	(354,450)
Share of profit of an associate	52,308	89,684	791,530	771,296	40,417
Share of profit/(loss) of a joint venture	<u>25,479</u>	<u>2,255</u>	<u>(11,893)</u>	<u>(12,662)</u>	<u>1,125</u>
Profit before tax	1,881,700	1,366,471	1,439,150	1,006,977	1,695,972
Income tax expense	<u>(618,637)</u>	<u>(478,184)</u>	<u>(368,536)</u>	<u>(157,185)</u>	<u>(475,035)</u>
Profit and total comprehensive income for the year/period	<u>1,263,063</u>	<u>888,287</u>	<u>1,070,614</u>	<u>849,792</u>	<u>1,220,937</u>
Profit/(loss) and total comprehensive income/(expense) for the year/period attributable to:					
COFCO Corporation	1,216,910	863,778	1,109,697	888,958	1,134,806
Non-controlling interests	<u>46,153</u>	<u>24,509</u>	<u>(39,083)</u>	<u>(39,166)</u>	<u>86,131</u>
	<u>1,263,063</u>	<u>888,287</u>	<u>1,070,614</u>	<u>849,792</u>	<u>1,220,937</u>

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1. Revenue

The revenue of the Target Group is primarily derived from (i) development and sales of properties, (ii) rental income from investment properties, (iii) property management and related services and other property related services, and (iv) hotel operations consisting of hotel room revenue and other ancillary services.

Property development

Revenue from property development comprises sales of properties held for sale. During the Relevant Period, the Target Group was engaged in the sale of residential space and commercial apartments only. Upon completion of the office space in Tianjin Joy City, the Target Group plans to engage in the sale of office space as well. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, property development accounted for 53.9%, 35.5%, 42.9%, 37.0% and 18.4% of the Target Group's total revenue, respectively. The amount of revenue from property development depends significantly on the development schedule of the Target Group and is expected to continue to fluctuate from period to period.

Property investment

Revenue from property investment comprises gross rental income from the leasing of investment properties. During the Relevant Period, the Target Group was engaged in the leasing of retail and office space. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, property investment accounted for 36.3%, 50.8%, 45.5%, 50.5% and 65.7% of the Target Group's total revenue, respectively. During the Relevant Period, the Target Group's investment properties had an average occupancy rate of between 67% and 99%.

Property management and related services

The Target Group generates fee income from certain property management and related services, such as security services, property maintenance and cleaning services, which it provided to tenants of its commercial properties. The Target Group also generates income from other property related services, including customer parking, advertising and miscellaneous services for tenants. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, total property management and related services accounted for an aggregate of 7.0%, 10.4%, 9.1%, 9.8% and 13.2% of the Target Group's total revenue, respectively.

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Hotel operations

The Target Group generates hotel room revenue and other ancillary service fee from its operation of a hotel in Beijing Xidan Joy City. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, hotel operations accounted for an aggregate of 2.8%, 3.3%, 2.5%, 2.7% and 2.7% of the Target Group's total revenue, respectively.

2. Gross Profit and gross profit margin

Gross profit represents revenue less cost of sales and services attributable to revenue generating activities. For the year ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2013 and 2014, the Target Group's gross profit from revenue generating activities amounted to approximately RMB1,162.6 million, RMB1,148.3 million, RMB1,319.5 million, RMB691.7 million and RMB729.9 million, respectively, representing gross profit margins of 49.1%, 52.2%, 46.0%, 54.5% and 63.3% for the corresponding periods. The change in gross profit margin was mainly because of the non-recurring nature of sales of the property development project and the different profit margins of different projects.

3. Other income

Other income mainly includes (i) interest income from bank deposits, from deposits with a non-banking financial institution (namely, COFCO Financial Corporation Limited ("**COFCO Finance**"), which is a fellow subsidiary of the Target Group), and from loans to fellow subsidiaries and (ii) government grants.

COFCO Finance is a subsidiary of COFCO Corporation. The Target Group made deposits with COFCO Finance and provided interest-bearing loans to fellow subsidiaries during the Relevant Period. The Target Group will withdraw the entire deposits from COFCO Finance and the loans to fellow subsidiaries will be fully repaid prior to or upon Completion.

4. Other gains and losses, net

Other gains and losses, net, comprise (i) impairment losses on accounts receivable, net (or its reversal), other receivables, net, and properties under development for sale, (ii) gain or loss on disposal of property, plant and equipment, (iii) exchange gains or losses, net, arising mainly from certain amounts denominated in Hong Kong dollars due to the immediate holding company of certain Target Company, fellow subsidiaries of the Target Group and non-controlling interests, (iv) compensation to tenants for early termination of rental agreements in connection with the enhancement of tenant mix for Shenyang Joy City, and (v) other miscellaneous net losses.

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5. Fair value gain of investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. Investment properties, whether completed or under development, are measured at fair values subsequent to initial recognition at each reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the Target Group's combined statements of profit or loss and comprehensive income in the year in which they arise. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, fair value gain of investment properties accounted for 79.4%, 85.1%, 45.0%, 12.1% and 88.6% of the Target Group's profit before tax, respectively.

6. Share of profit of an associate

Share of profit of an associate represents the amount of profit of Beijing COFCO attributable to the Target Group based on its percentage of shareholding in Beijing COFCO. Beijing COFCO is the project company for Beijing COFCO Plaza. During the Relevant Period, Beijing COFCO was the only associate of the Target Group, which held a 40% equity interest in Beijing COFCO as at each reporting date during the Relevant Period. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, share of profit of an associate accounted for 4.1%, 10.1%, 73.9%, 90.8% and 3.3% of the Target Group's profit and total comprehensive income or expense for the year or period, respectively.

7. Share of profit or loss of a joint venture

Share of profit or loss of a joint venture represents the amount of profit or loss of COFCO Shanghai attributable to the Target Group based on its percentage of shareholding in COFCO Shanghai. COFCO Shanghai is the project company for Shanghai COFCO Tower. During the Relevant Period, COFCO Shanghai was the only 50% held joint venture of the Target Group. The Target Group's equity interest in COFCO Shanghai remained at 50% as at each reporting date during the Relevant Period. The Target Group recorded a share of loss of a joint venture for the year ended 31 December 2013 and the six months ended 30 June 2013. Share of profit of a joint venture for the years ended 31 December 2011 and 2012 and the six months ended 30 June 2014 accounted for 2.0%, 0.3% and 0.1% of the Target Group's profit and total comprehensive income for the year or period, respectively.

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8. Income tax expense

Income tax expense comprises the current PRC enterprise income tax charge and LAT and deferred tax. Under the EIT Law, the tax rate of the PRC companies in the Target Group was 25% during the Relevant Period. 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 27% to 38% 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 BVI, the Target Group is not subject to any income tax in the BVI. The income of the companies comprising the Target Group neither arises in nor is derived from Hong Kong during the Relevant Period. Accordingly, no provision of Hong Kong profits tax has been made.

The effective tax rate for the Target Group for the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2013 and 2014 was 32.9%, 35.0%, 25.6%, 15.6% and 28.0%, respectively.

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2.2.2 Financial position

Set out in below is the combined statements of financial position of the Target Group as at 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014 as extracted from the accountants' report on the Target Group in Appendix II to the Circular.

	At 31 December			At 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Investment properties	20,326,217	22,161,999	23,524,200	26,322,100
Property, plant and equipment	538,045	517,129	494,113	486,307
Land use rights	191,559	185,444	179,330	176,273
Intangible assets	5,362	7,125	7,263	7,182
Interest in an associate	699,176	760,860	1,552,390	1,592,807
Interest in a joint venture	125,973	128,228	116,335	117,460
Available-for-sale investment	53	53	53	53
Deposits, prepayments and other receivables	413,850	41,489	55,789	41,879
Amount due from the ultimate holding company	221	20,000	20,000	—
Loan to a fellow subsidiary	—	—	230,792	—
	<u>22,300,456</u>	<u>23,822,327</u>	<u>26,180,265</u>	<u>28,744,061</u>
Current assets				
Inventories	15,075	14,622	13,996	14,526
Properties held for sale	367,441	737,523	519,769	367,515
Properties under development for sale	2,537,471	4,415,269	5,856,806	6,131,058
Accounts receivable	122,201	139,777	116,502	109,033
Deposits, prepayments and other receivables	132,732	185,248	202,310	235,552
Amounts due from the ultimate holding company	—	—	—	20,025
Amounts due from fellow subsidiaries	1,219	1,580	365	2,333
Amount due from an associate	25,879	1,921	—	1,807
Amounts due from non-controlling interests	—	—	—	39,861
Loans to fellow subsidiaries	100,000	—	—	317,623
Tax recoverable	41,100	44,228	7,284	7,284
Restricted bank deposits	133,553	254,977	26,484	90,264
Cash and cash equivalents	<u>1,531,707</u>	<u>845,033</u>	<u>1,066,818</u>	<u>1,243,584</u>
	<u>5,008,378</u>	<u>6,640,178</u>	<u>7,810,334</u>	<u>8,580,465</u>

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	At 31 December		At 30 June	
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities				
Accounts payable	1,674,137	1,223,733	1,156,474	724,927
Other payables and accruals	1,420,600	1,774,341	1,398,065	2,087,775
Deposits received in respect of pre-sale of properties	422,887	462,243	88,490	121,812
Amounts due to the ultimate holding company	—	—	228,851	344,611
Amounts due to the immediate holding company	—	882,399	857,771	865,981
Amounts due to fellow subsidiaries	785,085	6,847	2,705	2,984
Amounts due to non-controlling interests	—	—	2,156	2,177
Amount due to an associate	—	30,000	—	—
Loans from fellow subsidiaries	706,498	424,075	972,134	1,556,305
Loans from the ultimate holding company	6,442,102	2,876,996	3,470,183	4,018,070
Loan from an associate	110,000	—	—	—
Bank borrowings	264,036	2,046,811	981,714	4,935,742
Income tax and land appreciation tax payable	158,901	85,942	83,056	92,991
	<u>11,984,246</u>	<u>9,813,387</u>	<u>9,241,599</u>	<u>14,753,375</u>
Net current liabilities	<u>(6,975,868)</u>	<u>(3,173,209)</u>	<u>(1,431,265)</u>	<u>(6,172,910)</u>
Total assets less current liabilities	<u>15,324,588</u>	<u>20,649,118</u>	<u>24,749,000</u>	<u>22,571,151</u>
Non-current liabilities				
Bank borrowings	6,496,363	6,105,357	8,465,938	4,958,115
Loans from a fellow subsidiary	228,000	475,000	523,500	188,000
Rental deposits received	191,148	221,694	215,692	241,393
Deferred tax liabilities	1,909,723	2,275,132	2,514,721	2,933,557
	<u>8,825,234</u>	<u>9,077,183</u>	<u>11,719,851</u>	<u>8,321,065</u>
Net assets	<u>6,499,354</u>	<u>11,571,935</u>	<u>13,029,149</u>	<u>14,250,086</u>
Capital and reserves				
Combined capital	—	—	—	—
Reserves	6,272,885	11,328,065	12,348,556	13,483,362
Equity attributable to COFCO Corporation	6,272,885	11,328,065	12,348,556	13,483,362
Non-controlling interests	226,469	243,870	680,593	766,724
Total equity	<u>6,499,354</u>	<u>11,571,935</u>	<u>13,029,149</u>	<u>14,250,086</u>

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1. Investment properties

The investment properties held by the Target Group are classified as non-current assets. As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Target Group's investment properties had a carrying amount of RMB20,326.2 million, RMB22,162.0 million, RMB23,524.2 million and RMB26,322.1 million, respectively. The general increase in the carrying amount of investment properties during the Relevant Period was mainly attributable to additions on subsequent expenditure and increases in fair value of investment properties as at each reporting date.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, certain investment properties with an aggregate carrying amount of RMB18,977.2 million, RMB21,518.5 million, RMB22,610.2 million and RMB26,322.1 million, respectively, were pledged to banks to secure bank loan facilities granted to the Target Group.

2. Properties under development for sale

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Target Group's properties under development for sale amounted to RMB2,537.5 million, RMB4,415.3 million, RMB5,856.8 million and RMB6,131.1 million, respectively. The general increase in the carrying amount of properties under development for sale during the Relevant Period was mainly attributable to an increase in construction activities of properties for sale, which resulted in more additions of properties under development for sale than the amounts transferred to properties held for sale upon completion.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, certain properties under development for sale with an aggregate carrying amount of RMB522.2 million, RMB550.9 million, nil and nil, respectively, were pledged to banks to secure bank loan facilities granted to the Target Group.

3. Bank borrowings

The Target Group obtain bank borrowings as one of its principal sources of funding. As at 31 December 2011, 2012 and 2013, 30 June 2014 and 30 September 2014, being the latest practicable date for the purpose of determining indebtedness, the Target Group had total bank borrowings in the amounts of RMB6,760.4 million, RMB8,152.2 million, RMB9,447.7 million, RMB9,893.9 million and RMB10,279.6 million, respectively. The general increase in bank borrowings was primarily due to

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our increased capital needs in connection with property development activities. The following table sets out the Target Group's outstanding bank borrowings as at the dates indicated:

	At 31 December			At 30 June 2014	At 30 September 2014
	2011	2012	2013	2014	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current bank borrowings	264,036	2,046,811	981,714	4,935,742	4,827,490
Non-current bank borrowings	<u>6,496,363</u>	<u>6,105,357</u>	<u>8,465,938</u>	<u>4,958,115</u>	<u>5,452,152</u>
Total bank borrowings	<u>6,760,399</u>	<u>8,152,168</u>	<u>9,447,652</u>	<u>9,893,857</u>	<u>10,279,642</u>

All bank borrowings of the Target Group are denominated in Renminbi. The effective interest rates (which are also equal to contracted interest rates) on the bank borrowings ranged from 4.86% to 7.22%, 4.86% to 8.46%, 4.86% to 7.86%, 5.76% to 7.86% and 5.76% to 7.86% per annum as at 31 December 2011, 2012 and 2013, 30 June 2014 and 30 September 2014, respectively.

As at 31 December 2011, 2012 and 2013, 30 June 2014 and 30 September 2014, certain bank borrowings in the amounts of RMB6,343.3 million, RMB7,675.0 million, RMB7,330.7 million, RMB6,846.1 million and RMB7,172.0 million, respectively, were secured by the Target Group's non-current and current assets as collateral, including investment properties, property, plant and equipment, land use rights and property for sale. In addition, as at 31 December 2011, 2012 and 2013, 30 June 2014 and 30 September 2014, certain bank borrowings in the amounts of RMB417.2 million, RMB477.2 million, nil, nil and nil, respectively, were guaranteed by COFCO Corporation and certain fellow subsidiaries of the Target Group.

Further details on the financial performance, financial position and other financial information of the Target Group are set out in the section headed "Financial information of the Target Group" in the Circular.

3. Valuation of the properties held by the Target Group

The property interests of the Target Group as at 31 August 2014 have been valued by Savills Valuation and Professional Services Limited ("Savills"), an independent and duly qualified Hong Kong valuer. The full text of the valuation report and certificate of properties for the respective market value of the Target Group's properties as at 31 August 2014 (the "Valuation Report") are set out in Appendix IV to the Circular.

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We have reviewed the Valuation Report and discussed with Savills regarding the methodology of, and bases and assumptions adopted for the valuations and adjustments made to arrive at the valuation. We noted that in valuing the properties which are held by the Target Group for sale and owner occupation in the PRC, Savills has valued such properties by the direct comparison approach assuming sale with the benefit of vacant possession in their existing states by making reference to comparable sales transactions as available in the relevant markets.

For properties which are held by the Target Group for investment in the PRC, Savills has made reference to the comparable market transactions as available in the market and where appropriate, valued the properties on the basis of capitalisation of incomes as shown on the schedules handed to Savills with due allowance for reversionary income potential of the properties.

For property which is held by the Target Group for operation in the PRC, Savills has valued such property as on-going hotel operation in its existing state. Savills has adopted discounted cash flow (“**DCF**”) approach to value the property. Savills has valued it assuming all relevant statutory and/or mandatory permission, permits, approvals and licenses which are necessary for hotel operation in the PRC are properly in place. In the DCF, Savills has undertaken a discounted cash flow on yearly basis over a 5-year investment horizon and the details of their key assumptions are shown in the valuation certificate in the Valuation Report.

For property which is held by the Target Group under development in the PRC, Savills has valued such property on the basis that it will be developed and completed in accordance with the latest development proposal provided by the Target Group. Savills has assumed that all consents, approvals and licenses from relevant government authorities for the development proposal have been obtained without onerous conditions or delays. In arriving at their opinion of value, Savills has adopted the direct comparison approach by making reference to comparable sales transactions as available in the relevant markets and has also taken into account the costs that will be expended to complete the developments to reflect the quality of the completed development.

Savills has valued a property which is held by the Target Group for future development in the PRC by making reference to comparable market transactions as available in the relevant markets assuming sale with the benefit of vacant possession, and assigned no commercial value to the land parcel held by the Target Group, which located at Andingmen, Beijing (“**Andingmen Land**”), for future development in the PRC as the property was not freely transferable in the market as at 31 August 2014. As disclosed in the Valuation Report, if Andingmen Land could be freely transferable, the market value of such property as at 31 August 2014 would be in the sum of RMB1,218 million, of which approximately RMB365 million would be attributable to the Target Group.

According to the Valuation Report, the market value of the properties attributable to the Target Group is approximately RMB35,117 million as at 31 August 2014. In view of the aforesaid and on the assumption that all properties (including Andingmen Land) have obtained all relevant title documents and are freely transferrable, the market value of all the properties attributable to the Target Group should be approximately RMB35,482 million as at 31 August 2014.

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The above valuation methodologies are, in our opinion, common used and reasonable approaches in establishing the market values of the property interests held by the Target Group. Furthermore, we have (i) interviewed Savills including as to its expertise and any current or prior relationships with the Group, the Sellers and core connected persons of either the Group or the Sellers; (ii) reviewed the terms of engagement (having particular regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuation Report, opinion or statement); and (iii) assessed whether representations made by the Group or the Sellers to Savills are in accordance with our knowledge, as required under note (1)(d) to the Rules 13.80 of the Listing Rules in relation to Savills and its work as regards the valuation.

4. Reasons for and benefits of the Acquisition

As discussed in the paragraph headed “Reasons for and benefits of the Acquisition” in the letter from the Board of the Circular and under the section headed “2. Information on the Target Group” above, upon Completion, the Enlarged Group will expand its high quality property portfolio by acquiring from COFCO Corporation six mixed-use complex property projects located in Beijing, Shenyang, Shanghai, Tianjin and Yantai. With the addition of such property projects located in those major cities in the PRC to the Group’s existing property portfolio, the Acquisition will have an effect of strengthening the position of the Company as the overseas listed platform of COFCO Corporation for its mixed-use complexes as well as other commercial properties. Also, as most of the mixed-use complexes owned by the Target Group are developed or to be developed under the flagship brand “Joy City (大悦城)”, the Acquisition would reinforce the association of “Joy City (大悦城)” brand with quality mixed-used complex located in prime locations of the PRC owned by the Enlarged Group, and increase the popularity of the “Joy City (大悦城)” brand.

In addition, the mixed-used complex and commercial property projects to be acquired by the Group, which have a steady performance in the past and a strong growth potential, will increase the size of the property portfolio and total assets of the Enlarged Group, and are expected to enhance the financial performance of the Enlarged Group going forward. The Acquisition will also enhance the ability of the Enlarged Group to attain a more steady and sustainable return from such projects and provide a solid foundation for future development of other mixed-use complex and commercial property projects of the Enlarged Group.

Having considered, among other things, the reasons for and benefits of the Acquisition as detailed above, we are of the view that the Acquisition is a strategic move of the Group to consolidate its position as the leading developer in the fields of mixed-use and commercial properties in the PRC. The acquisition of a large portfolio of the commercial properties are expected to broaden the income sources and enhance the financial position of the Group. In addition, given in particular, the terms of the Acquisition Agreement, including the basis of the Consideration, are considered fair and reasonable (details of which are discussed in the section headed “5. Principal terms of the Acquisition Agreement” below), we concur with the view of Directors that the entering into of the Acquisition are for the purpose of the ordinary course of business of the Group and in the interests of the Company.

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5. Principal terms of the Acquisition Agreement

5.1 Assets to be acquired

Pursuant to the Acquisition Agreement, the Company has agreed to acquire, and the Sellers has agreed to sell, (i) the respective Sale Shares, which represent the entire issued share capital of each of the Target Companies; and (ii) the Shareholder Loans, subject to the terms and conditions of the Acquisition Agreement.

5.2 Consideration

The Consideration shall be HK\$12,459,785,372. As disclosed in the letter from the Board of the Circular, the Consideration was determined after arm's length negotiation among the parties to the Acquisition Agreement based on the following:

	<i>approximately</i> <i>RMB million</i>	<i>approximately</i> <i>HK\$ million</i>
Net asset value of the Target Group attributable to the then shareholder(s) of the Target Companies as at 30 June 2014 (based on unaudited financial statements of the Target Group)	13,483	16,985
Add: Appreciation of properties attributable to the then shareholder(s) of the Target Companies (based on the preliminary appraisal by Savills as at 30 June 2014), net of relevant taxes payable by the Target Group (<i>Note i</i>)	2,394	3,016
Reassessed net asset value of the Target Group attributable to the then shareholder(s) of the Target Companies (the " Reassessed NAV ")	15,877	20,001
(i) 42.69% discount to the Reassessed NAV	9,100	11,464
(ii) Shareholder Loans	791	996
The Consideration (i) + (ii)	9,891	12,460

Note:

- i. The appreciation of properties is derived from the preliminary appraisal by Savills of the properties held by the Target Group attributable to the then shareholder(s) of the Target Companies as at 30 June 2014 (assuming all the properties have obtained the relevant title documents and are freely transferrable) over their respective unaudited book cost attributable to the then shareholder(s) of the

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Target Companies (after adjusted for relevant construction cost payables) as at 30 June 2014. The relevant tax liability including land appreciation tax and income tax arising from the future sale of the property project(s) attributable to the then shareholder(s) of the Target Companies.

- ii. The calculations of the Reassessed NAV has been prepared by the Company with reference to the unaudited net asset value of the Target Group as at 30 June 2014 and the revaluation surplus as detailed in note (i) above.
- iii. The above figures are subject to rounding error.

Based on the accountants' report of the Target Group which is set out in Appendix II of the Circular, the audited net asset value of the Target Group attributable to the then shareholder(s) of the Target Companies as at 30 June 2014 was approximately RMB13,483 million, which is same as the aforesaid unaudited net asset value of the Target Group attributable to the then shareholder(s) of the Target Companies as at 30 June 2014 taken for the determination of the Consideration.

As disclosed in the "Property Valuation" under the section headed "Financial information of the Target Group" of the Circular, the revaluation surplus of the Target Group's properties, before income tax and land appreciation tax was approximately RMB2,564 million as at 31 August 2014. As provided by the Company, after netting off the non-controlling interests and the relevant tax liability including land appreciation tax and income tax arising from the future sale of the property project(s) in aggregate of approximately RMB58 million, the appreciation in value of properties attributable to the then shareholder(s) of the Target Companies was approximately RMB2,506 million as at 31 August 2014, which is slightly higher than that of RMB2,394 million derived from the preliminary appraisal as at 30 June 2014.

We concur with the Management that the above adjustments were the relevant type of adjustments in arriving at the Consideration, as the net asset value of the Target Group as at 30 June 2014 did not take into account the relevant market valuation of certain property projects held by the Target Group as at 30 June 2014 and the estimated potential tax payables upon sale of the property project(s) held by the Target Group. Shareholders however should note that the estimated tax liabilities embedded in the calculation of the Reassessed NAV may differ from the actual tax payable because of the changes in the final selling prices of the Target Group's properties and/or changes in the government tax policies.

On the basis that (i) the Consideration represents a discount to the sum of the Shareholder Loans and, the Reassessed NAV which we consider to be commonly used in assessing the fairness of the consideration for property investment and development companies; and (ii) the valuation methodologies adopted by Savills in establishing the market values of the properties attributable to the then shareholder(s) of the Target Companies are reasonable, we consider that the basis of the Consideration is fair and reasonable.

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5.3 Payment terms

As disclosed in the letter from the Board of the Circular, the Consideration shall be satisfied by cash payment by the Company to the Sellers (or such other recipient(s) as may be nominated and directed by the Sellers) on Completion, or as may be otherwise agreed by the Company and the Sellers in accordance with the supplemental agreement to the Acquisition Agreement entered into among the parties of the Acquisition Agreement on 3 November 2014 (the “**Supplemental Agreement**”).

Pursuant to the Supplemental Agreement, the Company and the Sellers further agreed that:

- a. subject to the aggregate amount of funding to be raised by the Company thereafter, if it is so requested by the Company and agreed by the Sellers, the parties shall proceed to Completion with not less than 50% of the Consideration being paid upon Completion;
- b. the remaining balance of the Consideration shall be fully paid by the Company within six months after the Completion Date; and
- c. the Company shall not be required to bear any interest on such remaining balance, and the Sellers shall not request for any securities to be provided by the Company on such outstanding amount of Consideration.

In our view, such defer payment arrangement is in the interest of the Company as it gives the Company an option to proceed to Completion before the external funding and financing arrangements are completed and allows the Company more flexibility in implementing the financing arrangements in response to the market condition.

As disclosed in the letter from the Board of the Circular, in the event that there is a change in circumstance and the remaining balance of the Consideration is not fully paid by the Company within six months after the Completion Date, the Company shall further discuss with the Sellers for other settlement arrangements including a further extension of the settlement schedule of the Consideration.

5.4 Conditions precedent to completion of the Acquisition

Completion of the Acquisition Agreement is conditional upon the fulfilment (or, if applicable, the waiver of) certain conditions precedent including but not limited to (i) the approval having been obtained from the Shareholders at the SGM for the Acquisition Agreement and the transaction contemplated thereunder; and (ii) the fund raising and financing arrangements of the Company, including the Placing(s), debt financings and/or other equity financings, having completed for an aggregate amount of not less than the Consideration; (iii) if the Company proceeds with the Placing(s), (a) approval having been obtained from the Shareholders at the SGM for the specific mandate to issue the placing

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shares under the Placing(s), and (b) approval having been obtained from the Listing Committee for the listing of, and permission to deal in, the placing shares on the Main Board of the Stock Exchange.

It is also stated in the letter from the Board of the Circular that in the event that any one or more of the Placing(s) is not completed in accordance with the terms and conditions of the relevant placing agreement(s) to be entered into by the Company on or before 30 June 2015 for whatever reasons, or the aggregate amount of the net proceeds of the fund raising and financing arrangements of the Company, including the Placing(s), debt financings and/or other equity financings is less than the Consideration, the Company shall, at its discretion, (i) have a right to terminate the Acquisition Agreement by giving a written notice to terminate to the other parties, in which case the Acquisition Agreement shall terminate with immediate effect upon giving such notice and no party shall have any claim against any of the others, except in respect of any antecedent breach of the terms thereof, or (ii) pursuant to and subject to the terms of the Supplemental Agreement, have a right to elect a defer payment of not more than 50% of the Consideration. For the avoidance of doubt, none of the Sellers shall have a right to terminate the Acquisition Agreement notwithstanding the Placing(s) is not completed or is partially completed.

Please refer to the section headed “Conditions precedent to Completion” in the letter from the Board of the Circular for further details.

5.5 Restructuring prior to Completion

Pursuant to the Acquisition Agreement, Sheen Jade has agreed to acquire from Magic Grain the entire issued share capital in Fortune Set as part of the pre-completion restructuring before it shall sell the same to the Company upon Completion. Such arrangement was part of a large restructuring scheme of COFCO Corporation, which is the ultimate shareholder of the share capital of each of Sheen Jade and Magic Grain.

5.6 Completion

In accordance with the Acquisition Agreement, Completion shall take place on the second business day after all the conditions to the Acquisition Agreement as set out in the paragraph headed “Conditions precedent to Completion” in the letter from the Board of the Circular have either been fulfilled or waived (as the case may be), or such other date as may be otherwise agreed by the parties to the Acquisition Agreement.

6. Risk Factors

Shareholders’ attention is also drawn to the section headed “Risk factors” in the Circular for the risks relating to, amongst others, the Acquisition, the business of the Enlarged Group, property development and conducting business in the PRC when considering the Acquisition.

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(II) SPECIFIC MANDATE TO ISSUE NEW SHARES TO COFCO CORPORATION

As disclosed under the sub-sectioned headed “Financing Arrangements in relation to the Acquisition” set out in the letter from the Board of the Circular, the Company plans to conduct external fund raising and financing arrangements, including the debt financings, equity financings and/or other financings, for the settlement of the Consideration. Subject to market conditions, the Company currently plans to raise not less than 50% of the amount of the Consideration from debt financing, including but not limited to, issuance of bonds or notes by the Company or a subsidiary of the Company to institutional and professional investors and/or to obtain other bank financings prior to the Completion.

In addition to the debt financings, subject to market conditions, the Company will also consider one or more of the following financing arrangements: (i) issuance and placing of new Shares, which may involve (a) Placing(s) for the issuance of new Shares to institutional, professional investors and/or other investors including existing Shareholder(s) which are independent third parties; and (b) the COFCO Share Subscription for the issuance of new Shares to Achieve Bloom, the controlling shareholder of the Company; (ii) rights issue of Shares to existing Shareholders; and (iii) equity-linked financing(s) including issuance of convertible bonds and convertible preference shares to institutional and professional investors.

As stated in the letter from the Board of the Circular, if the Company proceeds to raise funding for the Consideration by way of issuance and placing of new Shares (including the Placing(s) and the COFCO Share Subscription), it is intended that the Company issue not more than an aggregate of 6,229,892,686 new Shares. Among such new Shares that may be issued by the Company, COFCO Corporation (through its subsidiary Achieve Bloom) may, at its discretion, elect to participate in such share issuance by subscribing for not more than 67.03% (being the current shareholding percentage of Achieve Bloom in the Company) of the new Shares proposed to be issued and placed by the Company. If the Company proceeds with the COFCO Share Subscription, not more than 4,175,897,067 new Shares, representing approximately 67.03% of the maximum number of 6,229,892,686 Placing Shares that may be issued and placed by the Company under the Placing, may be issued to Achieve Bloom at the Placing Price.

Notwithstanding the issuance and placing of the new Shares, it is currently intended that COFCO Corporation (through its subsidiary Achieve Bloom) shall remain as the controlling shareholder of the Company and is expected to be interested in not less than 51% of the enlarged issued shares of the Company immediately upon completion of the Placing(s) and/or COFCO Share Subscription. Accordingly, COFCO Corporation (through its subsidiary Achieve Bloom) may also subscribe for such number of new Shares to maintain a shareholding of not less than 51% of the enlarged share capital of the Company upon completion of the Placing(s) and the COFCO Share Subscription.

As disclosed in the letter from the Board of the Circular, the entire proceeds of the Placing(s) and/or the COFCO Share Subscription will be applied towards the settlement of the Consideration.

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1. Principal terms of the COFCO Specific Mandate

The major terms of the proposed COFCO Specific Mandate are as follows:

- (a) to allot and issue not more than 4,175,897,067 new Shares to Achieve Bloom;
- (b) immediately after the issuance of the COFCO Subscription Shares to Achieve Bloom, the Company will be able to maintain a minimum public float of 25% required under Rule 8.08 of the Listing Rules;
- (c) the new Shares will be issued at the Placing Price, and the other terms and conditions will be comparable to or not more favorable than those of the Placing(s);
- (d) the grant of the COFCO Specific Mandate is subject to the passing of an ordinary resolution by the independent Shareholders at the SGM approving such grant;
- (e) the issue of the COFCO Subscription Shares will be conditional upon Completion; and
- (f) the proposed COFCO Specific Mandate is for the period from the passing of the relevant resolution at the SGM up to the earlier of (a) the date falling three months after the date of the passing of the aforesaid resolution at the SGM; or (b) the revocation or variation of the authority given under the relevant resolution(s) at the SGM by ordinary resolution(s) of the Shareholders in a general meeting of the Company.

As stated in the letter from the Board of the Circular, none of the above conditions to the issue of COFCO Subscription Shares under the COFCO Specific Mandate may be waived by the Company without independent Shareholders' approval.

The maximum number of COFCO Subscription Share which may be issued under the COFCO Share Subscription represents (i) approximately 44.02% of the issued share capital of the Company as at the Latest Practicable Date, and (ii) approximately 26.57% of the enlarged issued share capital of the Company immediately after Completion and the issue of the maximum number of 4,175,897,067 COFCO Subscription Shares and the issue of 2,053,995,619 Placing Shares. The other terms and conditions of the COFCO Share Subscription shall subject to the subscription agreement to be entered into by the Company with Achieve Bloom. The entire proceeds of the COFCO Share Subscription will be applied towards the settlement of the Consideration.

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The COFCO Specific Mandate, if granted, will only be exercised by the Directors in the event that the Company proceeds to raise funding for the Consideration by way of issuance and placing of new Shares (including the Placing(s)) and COFCO Corporation (through its subsidiary Achieve Bloom) elects to participate in such share issuance by subscribing for the new Shares proposed to be issued and placed by the Company.

Subject to market conditions, the Directors may or may not exercise the COFCO Specific Mandate, if granted, to issue COFCO Subscription Shares and, where the COFCO Specific Mandate is exercised, may issue less than or up to 4,175,897,067 new Shares, subject to the number of new Shares issued by the Company under the Placing. The maximum number of COFCO Subscription Shares under the COFCO Specific Mandate does not include new Shares that may be subscribed by COFCO Corporation or its associates under other equity financing arrangements such as rights issue. If the Company proceeds with the COFCO Share Subscription, the COFCO Subscription Shares will be allotted and issued at the Placing Price, and the other terms and conditions of the COFCO Share Subscription will be comparable to or not more favorable than those of the Placing(s). In the event that the Company proceeds with the Placing(s) and the COFCO Share Subscription, it is expected that completion of the Placing(s) and the COFCO Share Subscription shall take place simultaneously. A subscription agreement will be entered into between the Company and Achieve Bloom on this basis.

2. Reasons for and benefits of the COFCO Share Subscription and use of proceeds

As stated in the letter from the Board of the Circular, the COFCO Share Subscription is a mean for COFCO Corporation, as the controlling shareholder of the Company, to participate in the fund raising arrangements of the Company for the purpose of providing funding to the Company and to allow it an opportunity to maintain its current shareholding percentage of 67.03% in the Company after the Completion.

As stated in the letter from the Board of the Circular, the Company considers that issue of COFCO Subscription Shares would be a more advantageous fund raising model than debt financings such as shareholder's loan or promissory notes from controlling shareholder of the Company as it will not increase the Group's debt level and liabilities. The Company also considers that issue of consideration shares to COFCO Group in lieu of the payment of Consideration not feasible as it may require additional PRC governmental procedures. If the Directors exercise the COFCO Specific Mandate, all the net proceeds raised from the COFCO Share Subscription will be used to fund the Acquisition, and no proceeds in excess of the amount acquired for settlement of the Consideration will be raised by the COFCO Share Subscription.

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3. Evaluation of the COFCO Subscription Price

As mentioned above, the subscription price of the COFCO Subscription Shares (the “**COFCO Subscription Price**”) will be equal to the Placing Price per Share.

Pursuant to the terms of the Specific Mandate which are detailed in the letter from the Board of the Circular, the Placing Price will be no less than the higher of (A) HK\$1.00 per Share (the “**Floor Price**”) and (B) 80% of the higher of:

- (i) the closing price on the date of any relevant placing agreement or other agreement involving the proposed issue of securities under the Specific Mandate; and
- (ii) the average closing price in the five trading days immediately prior to the earlier of:
 - (1) the date of announcement of the placing or the proposed transaction or arrangement involving the proposed issue of securities under the Specific Mandate;
 - (2) the date of the placing agreement or other agreement involving the proposed issue of securities under the Specific Mandate; and
 - (3) the date on which the placing or subscription price is fixed.

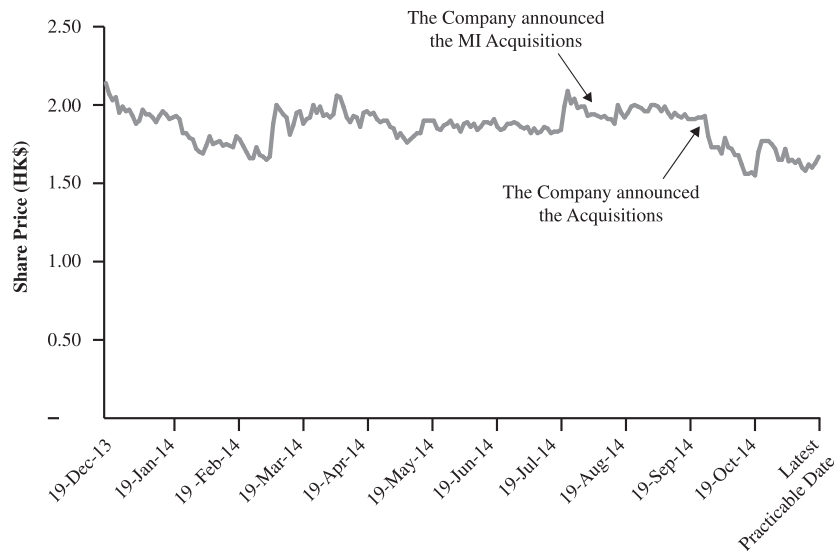
The pricing mechanism above (being no less than 80% of the prevailing market price) is similar to the pricing threshold prescribed by the Listing Rules for a share issue under general mandate. We also note that similar pricing mechanism has also been adopted in equity financing exercises conducted by other companies listed companies in Hong Kong, such as MMG Limited (formerly known as Minmetals Resourced Limited, stock code: 1208) in 2010 in a placing of new shares pursuant to a specific mandate and IRICO Group Electronics Company Limited (stock code: 438) in 2011 in a placing of new H shares pursuant to a specific mandate and accordingly, we consider such pricing mechanism is not uncommon and is in line with market practice.

3.1 *Historical price performance of the Shares*

We note that prior to the 2013 Acquisition, the Group’s underlying assets had remained largely the same before and after the takeover by Achieve Bloom in July 2012. The net asset value per Share of the Company were HK\$0.31, HK\$0.37, HK\$0.35, HK\$0.34, HK\$0.35 and HK\$0.36 as at 31 March 2011, 30 September 2011, 31 March 2012, 30 September 2012, 31 December 2012 and 30 June 2013 respectively, whilst the closing price of the Shares were traded at substantial premium of 162% to 1,803% over the net asset value per Share during the aforesaid period. Such premium ranged from 162% to 320% before the change in control of the Company announced on 16 July 2012 and 320% to 1,803% thereafter. In September 2013, the Company announced the 2013 Acquisition pursuant to which the Company acquired a portfolio of high quality mixed-use complexes and commercial properties in China from COFCO Corporation. Following the 2013 Acquisition being approved in the special general meeting on 18 December 2013, on 19 December 2013, being the date of announcement regarding completion of the 2013 Acquisition, the closing price of the Shares dropped

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significantly by around 34% to HK\$2.14 per Share from the closing price of HK\$3.24 per Share on the prior trading day. Since the completion of the 2013 Acquisition on 19 December 2013, we note that closing price of the Shares gradually went down and traded at levels close to the net asset value per Share of approximately HK\$1.74 (including the Shares and the CPS issued by the Company) of the Company as at 31 December 2013. In view of the abovementioned Share price performance before and after completion of the 2013 Acquisition and the fact that completion of the 2013 Acquisition has brought about substantial changes on the operating scale and financial position of the Group, we are of the view that trading price of the Shares following completion of the 2013 Acquisition are more reflective of the Group's latest position and accordingly, are considered more relevant and appropriate for our analysis. Set out below is a chart reflecting movements in the closing prices of the Shares from 19 December 2013 (being the completion date of the 2013 Acquisition) to the Latest Practicable Date (the “**Review Period**”):



Source: Website of the Stock Exchange

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From the chart above, the closing prices of the Shares were ranged from HK\$1.55 to HK\$2.14 per Share during the period from 19 December 2013 to 12 September 2014 (being the Last Trading Day for the Shares before the publication of the Announcement) (both dates inclusive, the “**Pre-Announcement Period**”), with an average of HK\$1.87 per Share.

The closing prices of the Shares has showed a gradual downward trend since the publication of the Announcement and as at the Latest Practicable Date, the Share price closed at HK\$1.67. The average closing price of the Shares in the five trading days immediately prior to Latest Practicable Date is HK\$1.61.

3.2 *Comparison with comparable companies*

As discussed above, revenue generated from the property and land development has been the main source of income which represented over 50% of the total revenue of the Group during the Period. The rest of the revenue came from the property investment, hotel operations, and, to a lesser extent, property management and related services. Therefore, for comparison purposes, we have identified 42 companies (“**Comparable Companies**”) listed on the Stock Exchange which (i) are principally engaged in businesses similar to the Group that are the property developments, property investment and hotel operation in the PRC, in the latest financial year as set out in their respective published annual report; and (ii) at least 50% of their respective revenue was generated from property developments in the PRC for the latest reported financial year. We consider the Comparable Companies an exhaustive list of relevant comparable companies based on the said criteria above.

For asset-based companies such as property development companies listed in Hong Kong, price-to-book ratio (“**P/B Ratio(s)**”) analysis is a commonly used approach for valuation. Meanwhile, earnings of property development companies are likely to fluctuate widely depending on the timing of completion and sales of the property development projects which may lead to possible distortions on the results of a price-to-earnings ratio analysis. Accordingly, we consider the P/B Ratio analysis a more appropriate approach to assess the valuation of the properties companies. The table below illustrates the level of P/B Ratio of each of the Comparable Companies and the Company.

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Stock code	Company name	Share price (note 1)	Market capitalisation (note 1) HK\$ million	Net assets attributable to owners (note 1) HK\$ million	P/B Ratio (note 2)
3383	Agile Property Holdings Limited	4.520	17,705	38,416	0.46
2868	Beijing Capital Land Limited (note 3)	2.750	5,577	10,457	0.53
588	Beijing North Star Company Limited (note 4)	2.350	14,663	19,696	0.74
832	Central China Real Estate Limited	1.830	4,457	7,818	0.57
1	Cheung Kong (Holdings) Limited (note 5)	137.800	319,167	378,575	0.84
3883	China Aoyuan Property Group Limited	1.250	3,480	9,210	0.38
1838	China Properties Group Limited	1.470	2,659	41,844	0.06
1109	China Resources Land Limited	18.740	109,277	86,460	1.26
1668	China South City Holdings Limited	3.520	28,185	19,970	1.41
2349	China Water Property Group Limited	0.820	1,524	1,740	0.88
298	Chuang's China Investments Limited	0.500	798	2,558	0.31
1124	Coastal Greenland Limited	0.270	1,130	4,933	0.23
3333	Evergrande Real Estate Group Limited	3.030	44,202	57,981	0.76
1777	Fantasia Holdings Group Company Limited	0.860	4,951	10,528	0.47
817	Franshion Properties (China) Limited	1.860	17,040	35,674	0.48
337	Greenland Hong Kong Holdings Limited	3.180	3,632	6,967	0.52
3900	Greentown China Holdings Limited	8.500	18,362	28,196	0.65
754	Hopson Development Holdings Limited	7.060	15,842	53,101	0.30
173	K. Wah International Holdings Limited	4.960	13,824	26,458	0.52
1638	Kaisa Group Holdings Limited	2.990	15,310	23,033	0.66
1813	KWG Property Holding Limited	5.690	16,764	22,966	0.73
1125	Lai Fung Holdings Limited	0.161	2,592	12,663	0.20
95	LVGEM (China) Real Estate Investment Company Limited	2.380	3,294	927	3.56
846	Mingfa Group (International) Company Limited	2.290	13,954	13,365	1.04
1107	Modern Land (China) Company Limited	1.290	2,064	3,243	0.64
917	New World China Land Limited	4.750	41,252	54,349	0.76
119	Poly Property Group Company Limited	3.120	11,371	29,957	0.38
563	Shanghai Industrial Urban Development Group Limited	1.450	6,977	12,244	0.57
755	Shanghai Zendai Property Limited	0.103	1,533	6,123	0.25
604	Shenzhen Investment Limited (note 6)	2.290	15,242	25,172	0.61
813	Shimao Property Holdings Limited	17.100	59,381	54,917	1.08
272	Shui On Land Limited	1.810	14,483	46,203	0.31
3377	Sino-Ocean Land Holdings Limited (note 7)	4.550	33,996	52,599	0.65
59	Skyfame Realty (Holdings) Limited	0.750	1,662	2,270	0.73
1207	SRE Group Limited	0.219	1,241	9,093	0.14
2608	Sunshine 100 China Holdings Limited	3.380	6,760	4,882	1.38
258	Tomson Group Limited	2.020	3,083	11,225	0.27
3688	Top Spring International Holdings Limited	2.200	2,553	5,047	0.51
1369	Wuzhou International Holdings Limited	1.850	8,614	4,735	1.82
123	Yuexiu Property Company Limited	1.470	18,230	32,278	0.56
1628	Yuzhou Properties Company Limited	1.800	6,221	9,419	0.66
672	Zhong An Real Estate Limited	1.080	2,556	7,842	0.33
				Maximum	3.56
				Minimum	0.06
				Average	0.70
	The Company				
	Based on the Illustrative Price (as defined below)	1.336	12,675	16,926	0.75
	Based on the Floor Price	1.000	9,487	16,926	0.56
		(note 8)	(note 9)	(note 10)	(note 11)

Source: Website of the Stock Exchange

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Notes:

1. The closing share price and market capitalisation of the Comparable Companies as at the Latest Practicable Date are sourced from the website of the Stock Exchange. The market capitalisation of the Comparable Companies is calculated based on their respectively closing share price and number of issued shares as at the Latest Practicable Date. The audited/unaudited consolidated net asset value attributable to owners are extracted from the latest annual/interim reports of the Comparable Companies.
2. The historical P/B Ratio of the Comparable Companies is calculated based on their latest audited/unaudited consolidated net asset value attributable to owners and their market capitalisations as at the Latest Practicable Date.
3. As disclosed in the interim report of Beijing Capital Land limited (“**Beijing Capital Land**”) for the six months ended 30 June 2013, it had 649,205,700 domestic shares and 357,998,300 non-H foreign shares in issue as at 30 June 2013. As at the Latest Practicable Date, Beijing Capital Land has 1,020,756,000 H shares in issue which are listed on the Stock Exchange.
4. As at the Latest Practicable Date, Beijing North Star Company Limited (“**Beijing North Star**”) has 707,020,000 H shares in issue which are listed on the Stock Exchange and 2,660,000,000 A shares in issue which are listed on the Shanghai Stock Exchange (stock code: 601588). The closing price of A shares of Beijing North Star is RMB3.88 as at the Latest Practicable Date.
5. As disclosed in the announcement of Sino-Ocean Land Holdings Limited (“**Sino-Ocean**”) dated 27 September 2013 and its circular dated 28 October 2013, Sino-Ocean acquired the remaining interests in several property projects in the PRC from a connected person and the acquisition consideration was settled by part of the proceeds from the subscription of new shares of Sino-Ocean by connected persons (including the connected person who disposed of its interests in the aforesaid property projects) at the subscription price which was at a discount to Sino-Ocean’s then net assets value per share.
6. As disclosed in the announcement of Shenzhen Investments Limited (“**SIL**”) dated 8 January 2014 and 8 May 2014 and its circular dated 12 May 2014, SIL acquired several property projects in the PRC from a connected person and the acquisition consideration was settled by the issue of new shares by SIL to that connected person at the issue price which was at a discount to SIL’s then net assets value per share.
7. As stated in the annual report of Cheung Kong (Holdings) Limited for the year ended 31 March 2014, approximately 85% of the group’s revenue (including the revenue generated by the joint-ventures) was generated from property sales for the year ended 31 March 2014, and approximately 51% of the total revenue of the group (including the revenue generated by the joint-ventures) was generated in the PRC. The annual report of Cheung Kong (Holdings) Limited for the year ended 31 March 2014 did not give the geographical breakdown of each operating segment.
8. Assuming the COFCO Subscription Price being (i) the Illustrative Price (as defined below); and (ii) the Floor Price of HK\$1.00 per Share, respectively.
9. Theoretical market capitalisation of the Company calculated based on (i) the Illustrative Price (as defined below); and (ii) the Floor Price, respectively, times 9,487,416,572 Shares in issue as at the Latest Practicable Date.
10. Being the consolidated net asset value attributable to owners of the Company as at 30 June 2014 which is extracted from 2014 Interim Report.

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11. The P/B Ratio of the Company is calculated based on (i) its respective theoretical market capitalisation; and (ii) consolidated net asset value attributable to owners of the Company as at 30 June 2014. If taking into account 1,095,300,778 CPS in issue as at the Latest Practicable Date, the P/B Ratio of the Company would be approximately (i) 0.84 times based on the Illustrative Price; and (ii) 0.63 times based on the Floor Price.
12. For the purpose of this table, the translation of RMB into HK\$ is based on the average exchange rate of RMB0.7938 to HK\$1.00 for the purpose of illustration only.

For illustrative and comparison purposes, we have looked into hypothetical scenarios by assuming that (i) the relevant placing agreement or other agreement involving the proposed issue of securities under the Specific Mandate was entered into and announced on the Latest Practicable Date; and (ii) the placing or subscription price was fixed on the Latest Practicable Date and pursuant to the terms of the Specific Mandate, the theoretical COFCO Subscription Price (the “**Illustrative Price**”) shall be (1) no less than HK\$1.00 per Share; and (2) at a discount of not more than 20% to the higher of (a) HK\$1.67, which is the closing price of the Share on the Latest Practicable Date, and (b) HK\$1.61, which is the average closing price of the Shares in the five trading days immediately prior to Latest Practicable Date. Accordingly, the Illustrative Price shall be no less than HK\$1.336.

As at the Latest Practicable Date, the historical P/B Ratios of the Comparable Companies ranged from 0.06 times to 3.56 times with an average of 0.70 times. We note from the table above that the P/B Ratio represented by the Illustrative Price over the audited net asset value per share attributable to owners of the Company as at 30 June 2014 of approximately 0.75 times are within the range and above the mean of the P/B Ratios of the Comparable Companies of 0.70 times, and is considered in line with the market.

We also note that, in the case of the Placing Price being set at the Floor Price, the P/B Ratio represented by the Floor Price of approximately 0.56 times is below the mean but still within the range of the P/B Ratios of the Comparable Companies and is in line with the market.

Despite the above observations, we consider the proposed arrangement in relation to the grant of the COFCO Specific Mandate commercially acceptable based on the following factors including that:

- (1) the Specific Mandate as well as the COFCO Specific Mandate shall provide flexibility to the Company in determination of the optimal mix of equity and debt financing for financing the Acquisition;
- (2) the issue of the new Shares pursuant to the Specific Mandate is conditional upon, among other things, the Completion. The COFCO Share Subscription, if materialised, is solely for facilitating the Acquisition. The net proceeds raised from the COFCO Share Subscription will be entirely used to fund the Acquisition and no proceeds in excess of the amount acquired for the settlement of the Consideration will be raised by the COFCO Share Subscription;

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- (3) as discussed earlier, the pricing mechanism under the Placing(s) and the COFCO Share Subscription (being no less than 80% of the prevailing market price) is similar to the pricing threshold prescribed by the Listing Rules for a share issue under general mandate. We also note that similar pricing mechanism has also been adopted in equity financing exercises conducted by other companies listed companies in Hong Kong, and accordingly, we consider such pricing mechanism is not uncommon and is in line with market practice;
- (4) the COFCO Subscription Price will be the same as the Placing Price of the Placing Shares to be placed to third party institutional, professional investors and/or other investors based on arm's length negotiation;
- (5) based on the proposed price mechanism under the Placing(s) and the COFCO Share Subscription, the Placing Price/COFCO Subscription Price will be determined primarily based on the then prevailing Share closing price when the relevant placing agreements(s) are entered into which may not necessarily be at the Floor Price of HK\$1.00 per Share. The Floor Price indeed is a safeguard such that no new Share shall be allowed to be issued under the Placing(s) and the COFCO Share Subscription below HK\$1.00 each;
- (6) as further discussed in the section head "Financial effects of the Acquisition on the Group" below and based on the assumption as discussed therein, it is expected that the Placing(s)/COFCO Share Subscription at the Floor Price of HK\$1.00 will not result in material dilution in the equity attributable to the Shareholder per Share immediately upon completion of the Acquisition, the Placing(s) and the COFCO Share Subscription; and
- (7) the COFCO Share Subscription should not be considered in isolation but in totality with the Acquisition, in particular, (i) the Consideration represents a considerable discount to the Reassessed NAV as discussed in the section headed "5. Principal terms of the Acquisition Agreement" above, which is beneficial to the Company; and (ii) the reasons for and benefits of the Acquisition as described in the section headed "4. Reasons for and benefits of the Acquisition" above, including but not limited to (a) the reinforcement on the association of "Joy City (大悦城)" brand with quality mixed-used complex located in prime locations of the PRC and (b) the provision of a more steady and sustainable return from such projects, and a solid foundation for future development of other mixed-use complex and commercial property projects of the Enlarged Group.

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4. Effect of the completion of Placing(s) and COFCO Share Subscription on the shareholding structure of the Company

As illustrated in the section headed “Effect of the completion of the Placing(s) and the COFCO Share Subscription on the shareholding structure of the Company” set out in the letter from the Board of the Circular, assuming the maximum of 6,229,892,686 new Shares will be issued or placed under the Placing(s) and the COFCO Share Subscription and the Placing(s) and the COFCO Share Subscription shall be completed simultaneously, we noted that shareholdings of the existing public Shareholders (excluding the Investor who will become a connected person of the Company upon Completion) would reduce from approximately 24.80% as at the Latest Practicable Date to approximately 14.97% immediately after completion of the Placing(s) and the COFCO Subscription.

Although there will be dilution effect to the shareholding interests of the existing public Shareholders (excluding the Investor who will become a connected person of the Company upon Completion), taking into account that, in particular, (i) the benefits of the Acquisition as detailed under the section headed “4. Reasons for and benefits of the Acquisition” above; and (ii) the pricing threshold of the Shares proposed to be issued under Specific Mandate and the COFCO Specific Mandate is similar to the pricing threshold prescribed by the Listing Rules and therefore, is fair and reasonable, we are of the view that the dilution effect to the shareholding interests of the existing public Shareholders (excluding the Investor who will become a connected person of the Company upon Completion) as a result of the Placing(s) and the COFCO Share Subscription is commercially acceptable.

(III) FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

The unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular illustrates the effects of the Acquisition on the Group. As the Group and the Target Group were under common control of COFCO Corporation and COFCO Corporation will continue to control the Enlarged Group upon completion of the Acquisition, the Acquisition is considered as a combination of businesses under common control and accounted for under the principles of merger accounting.

We also noted that the adjustments relating to the financing arrangements as mentioned under the sub-sectioned headed “Financing Arrangements in relation to the Acquisition” set out in the letter from the Board of the Circular are not included in the unaudited pro forma financial information.

The Consideration is intended to be funded by the aforesaid financial arrangements, detailed terms of which, however, have not been finalised as at the Latest Practicable Date, Shareholders should note that the discussion of the financial effects of the Acquisition may or may not necessarily reflect the true picture of the financial position or operating results of the Enlarged Group following Completion.

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Earnings

Following completion of the Acquisition, each of the Target Companies will become a wholly-owned subsidiary of the Company. The financial results of the Target Group will be fully consolidated into the financial statements of the Company. As shown in the unaudited pro forma consolidated statement of profit or loss of the Enlarged Group in Appendix III to the Circular, assuming Completion had taken place on 1 January 2013, profit attributable to owners of the Company would increase from approximately RMB2,008.0 million to approximately RMB3,093.7 million, mainly as a result of the contribution of profit attributable to the shareholders of the Target Group for the year ended 31 December 2013. Given the profitability of the Target Group for the year ended 31 December 2013, we concur with the view the Directors that the Acquisition will contribute to the earnings base of the Enlarged Group but the extent of such contribution will depend on the future performance of the Target Group.

Net asset value

Since the assets and liabilities of the Target Group will be fully consolidated into the financial statements of the Company upon completion of the Acquisition, the equity attributable to the owners of the Company will be enhanced upon completion of the Acquisition.

As shown in the unaudited pro forma consolidated statement of financial position of the Enlarged Group in Appendix III to the Circular, assuming Completion had taken place on 30 June 2014, the equity attributable to owners of the Company would increase from approximately RMB13,435.5 million to approximately RMB17,795.7 million and the equity attributable to owners of the Company per Share would be enhanced from approximately RMB1.42 (or approximately RMB1.27 on fully diluted basis) to approximately RMB1.88 (or approximately RMB1.68 on fully diluted basis) immediately upon Completion.

For illustrative purposes, based on the pro forma information as disclosed in the unaudited pro forma consolidated statements of financial position of the Enlarged Group in Appendix III to the Circular and further assuming that 6,229,892,686 new Share were issued under the Placing(s) and the COFCO Share Subscription at the Floor Price of HK\$1.00 per Share, the equity attributable to owners of the Company would be approximately RMB22,740.7 million and the equity attributable to owners of the Company per Share (based on the enlarged issued ordinary share capital of 15,717,309,258 Shares) would be approximately RMB1.45 (or approximately RMB1.35 on fully diluted basis) immediately after completion of the Acquisition, the Placing(s) and the COFCO Share Subscription, which is slightly higher than the equity attributable to owners of the Company per Share of RMB1.42 (or approximately RMB1.27 on fully diluted basis) as at 30 June 2014 before completion of the Acquisition, the Placing(s) and the COFCO Share Subscription.

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Gearing and liquidity

As at 30 June 2014, the Group had bank and other borrowings of around RMB4,342.3 million and total assets of approximately RMB28,210.4 million. Accordingly, the Group's gearing ratio (defined as total borrowings divided by total assets) was 15.4%. With reference to the unaudited pro forma consolidated statement of financial position of the Enlarged Group in Appendix III to the Circular, assuming the Acquisition had taken place on 30 June 2014, the Enlarged Group would have bank and other borrowings of approximately RMB14,236.2 million and total assets of around RMB54,154.2 million immediately upon Completion. Accordingly, the gearing ratio of the Enlarged Group will increase from 15.4% to 26.3% immediately upon Completion.

Without taking into account the debt/capital/funding to be raised through the financing arrangements and according to the unaudited pro forma consolidated statement of financial position of the Enlarged Group in Appendix III to the Circular, the working capital of the Group, being the current assets less current liabilities, would change from net current assets of approximately RMB3,404.0 million to net current liabilities of approximately RMB11,944.2 million immediately upon Completion. As discussed in the section headed "5.4 Conditions precedent to completion of the Acquisition" above, in the event that any one or more of the Placing(s) is not completed in accordance with the terms and conditions of the relevant placing agreement(s) to be entered into by the Company on or before 30 June 2015 for whatever reasons, or the aggregate amount of the net proceeds of the fund raising and financing arrangements of the Company, including the Placing(s), debt financings and/or other equity financings is less than the Consideration, the Company shall, at its discretion, (i) have a right to terminate the Acquisition Agreement by giving a written notice to terminate to the other parties, in which case the Acquisition Agreement shall terminate with immediate effect upon giving such notice and no party shall have any claim against any of the others, except in respect of any antecedent breach of the terms thereof or (ii) pursuant to and subject to the terms of the Supplemental Agreement, have a right to elect for a defer payment of not more than 50% of the Consideration. On such basis, it is expected that there would not be material adverse impact on the working capital of the Group immediately upon Completion if the Company decides to proceed to Completion.

OPINION AND RECOMMENDATION

Having taken into account the principal factors and reasons set out above, we are of the view that the terms of the Acquisition and the transactions contemplated thereunder are on normal commercial terms, and the Acquisition is for the purpose of the ordinary and usual course of business of the Company, fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and its Shareholders as a whole. Having regard to the proposed terms and conditions of the COFCO Share Subscription and its effect on the Acquisition, we also consider

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that the proposed terms of the COFCO Specific Mandate are on normal commercial terms, fair and reasonable and the grant of the COFCO Specific Mandate is for the purpose of the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. We therefore advise the independent Board Committee to recommend, and ourselves recommend, the Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Acquisition, the proposed grant of COFCO Specific Mandate and the transactions contemplated thereunder.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Lyan Tam
Director

RISK FACTORS

You should carefully consider the following risk factors together with all other information contained in this circular in considering the Acquisition. If any of the possible events described below occurs, the business, financial condition, results of operations and prospects of the Enlarged Group could be materially and adversely affected. The risks and uncertainties described below may not be the only ones that are faced by the Enlarged Group. Additional risks and uncertainties that the Company is not aware of or that the Company currently believes are immaterial may also adversely affect the Enlarged Group's business, financial condition, results of operations and prospects.

RISKS RELATING TO THE ACQUISITION

Completion is subject to the fulfilment of conditions precedent and there is no assurance that they can be fulfilled and/or the Acquisition will be completed as contemplated

A number of the conditions precedent to Completion as set out in the section headed "Letter from the Board — Conditions precedent to Completion" in this circular involve the decisions of third parties, including approvals by the Shareholders at the SGM. As fulfilment of these conditions precedent are not within the control of the parties involved in the Acquisition, there is no assurance that they can be fulfilled and/or the Acquisition will be completed as contemplated.

As at the Latest Practicable Date, the Company has not yet entered into any formal placing arrangements in relation to the Placing(s), any formal agreement with Achieve Bloom or COFCO Corporation in relation to the potential COFCO Share Subscription and/or agreement for other funding and financing arrangements proposed by the Company. The terms and conditions of the Placing(s), the COFCO Share Subscription and/or other financing arrangements have not yet been finalised, and the Placing(s), the COFCO Share Subscription and/or other financing arrangements may or may not proceed subject to the then market conditions. Furthermore, there is no assurance that the fund raising and financing arrangements proposed to be conducted by the Company for the settlement of the Consideration will be successfully completed with an aggregate net proceeds of not less than the Consideration. Therefore, the Acquisition may or may not complete, subject to the completion of the fund raising and financing arrangements.

The shareholding percentages of the existing Shareholders will be diluted following the issue of the new Shares pursuant to the Placing(s) and/or the COFCO Share Subscription

The Company may, subject to market condition, issue and place up to a maximum of 6,229,892,686 new Shares to the institutional, professional and/or other investors including existing Shareholders under the Placing(s) and/or the COFCO Shares Subscription. The maximum number of new Shares that may be issued by the Company represents (i) approximately 65.66% of the issued share capital of the Company as at the Latest Practicable Date, and (ii) approximately 39.64% of the enlarged issued share capital of the Company immediately after Completion and the issue of the

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new Shares. Please refer to the section headed “Letter from the Board — Specific mandates to issue new Shares” in this circular for further details of the shareholding structure of the Company upon Completion and completion of the Placing(s) and/or the COFCO Share Subscription.

As a result, the shareholding percentages of the existing Shareholders in the Company would be diluted when the Company issues the Placing Shares and/or the COFCO Subscription Shares. Any value enhancement of the Shares as a result of the Placing(s) and/or the COFCO Share Subscription may not necessarily be reflected in their market price and may not offset the dilutive effect to the Shareholders.

RISKS RELATING TO THE BUSINESS OF THE TARGET GROUP

The Target Group may not be able to effectively implement its business strategies in respect of its mixed-use complex projects and may face delay in completion

The mixed-use complexes that are marketed under the “Joy City (大悦城)” brand are designed with the aim of becoming the focal point of the surrounding urban area and developing to a scale capable of transforming and enhancing the value of the adjacent neighbourhood. Please refer to the sections headed “Business of the Target Group — Competitive Strengths” and “Business of the Target Group — Business Strategies” in this circular for further details of the Target Group’s business strategies relating to the mixed-use complex projects.

Certain Joy City Projects, including the office space of Tianjin Joy City and the Northern Tower of Shanghai Joy City, are still at the development stage. The development of mixed-use complex projects typically requires substantial capital investment during the construction phases, and, depending on the size of the development, the completion of a mixed-use complex project usually requires substantial time to complete. The progress of development of Joy City Projects can be adversely affected by many factors, including, but not limited to:

- relocation of existing residents and/or demolition of existing structures;
- shortages of construction and building materials, equipment, contractors or skilled labour;
- construction accidents;
- natural catastrophes; and
- adverse weather conditions.

The Target Group may also encounter delays or may not be able to obtain all necessary governmental and regulatory licences, permits, approvals and authorisations for the Joy City Projects. The projects under development may be subject to construction risks which include, among others, default by contractors or other third party providers of their obligations or financial difficulties faced by such persons, all of which will cause a delay in construction.

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Consequently, any delay in completion or change in the business environment during the development period of a mixed-use complex project may affect the time and cost involved in the development, including the cost of financing and uncertainties as to market demand or a loss of interest from tenants or consumers in retail projects during the development period of the project may also affect the profitability of the project.

There can be no assurance that the Joy City Projects or any or all of the other mixed-use complex projects in which the Target Group has an interest will be completed within the anticipated timeframe or budget, or at all, for any reason. The Target Group cannot assure you that these projects will generate profit or positive cash flows at the levels originally planned. An inability to find interested occupants or tenants at profitable sales prices or rental rates could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

The Target Group is dependent on rental income from its investment property portfolio

A significant portion of the Target Group's property portfolio comprises investment properties for leasing and the Target Group relies on rental income from these investment properties for operational expenses and property development. The concentration of investment projects in the PRC renders the Target Group highly sensitive to property market downturns, natural disasters and other unfavourable events or conditions in the PRC. The Target Group's revenue derived from leasing of its completed investment properties and the value of its property investments may be adversely affected by a number of factors, including changes in tenants' demand and preferences, the average market rents in the respective cities, the locations of its investment properties and its ability to collect rent on time. The Target Group will also have to incur costs in relation to maintenance, repair and re-letting, which may fluctuate substantially, in order to maintain the attractiveness of the properties held for investment.

The Target Group cannot assure you that its existing and planned investment properties will continue to generate rental income at historical rates, or continue to be successful in the future. If the market rents in Beijing, Shanghai, Tianjin, Yantai, Shenyang or other regions in the PRC decline as a result of changes in investor sentiment, government policies, population levels or any other cause, rental rates and the value of the Target Group's investment properties may be materially and adversely affected. If there is any downturn in the retail, financial or other industries in which the Target Group's existing or potential tenants are engaged, or deterioration in general commercial and economic conditions in the abovementioned cities and regions, demand for the Target Group's properties may be materially and adversely affected. If the Target Group's property leasing business is unable to generate adequate returns, its business, financial condition, results of operations and prospects may be adversely affected.

The Target Group may not be able to continue to attract and retain quality tenants ahead of its competitors

The commercial properties of the Target Group will compete for tenants with a number of other commercial properties in the surrounding areas on the basis of a wide range of factors, including location, design, construction quality and management, rent levels and other lease terms.

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The Target Group relies on securing long-term partnerships with domestic and foreign brands across a wide spectrum of industries to maintain the quality and attractiveness of its mixed-use complexes and commercial properties.

The Target Group cannot assure you that its existing and prospective tenants will not lease properties from its competitors. As a result, the Target Group may lose tenants to its competitors, resulting in difficulty in renewing leases or in finding new tenants. An increase in the number of competing properties, particularly those in close proximity to the Target Group's properties, could increase competition for tenants, reduce the relative attractiveness of the Target Group's properties and force it to reduce its rental rates or incur additional costs in order to enhance its competitiveness. If the Target Group is not able to compete effectively for commercial tenants with other property developers or operators, the occupancy rates of its properties may decline. If the Target Group fails to continue to attract well-known brands as its tenants or maintain its existing major tenants, the attractiveness and competitiveness of its mixed-use complexes and commercial properties may be adversely affected. This in turn could have a material adverse effect on the Enlarged Group's business, reputation, results of operations and financial position.

The Target Group relied on borrowings, advances and guarantees from COFCO Corporation and certain of its subsidiaries and such financial assistance may not be available in the future

Property development is capital intensive. During the Relevant Period, the Target Group has relied on loans, advances and guarantees from its controlling shareholder, COFCO Corporation and certain of its subsidiaries to finance its property projects.

The Target Group has been benefiting from loans and advances provided by the COFCO Corporation and certain of its subsidiaries. As at 31 December 2011, 2012 and 2013, and 30 June 2014, the aggregate amount owed by the Target Group to the COFCO Corporation and certain of its subsidiaries (including an associate of the Target Group) was approximately RMB8,271.7 million, RMB4,695.3 million, RMB6,055.1 million and RMB6,976.0 million, respectively. As at 30 September 2014 (being the latest practicable date for the purpose of determining indebtedness), the Target Group had aggregate outstanding loans of RMB5,263.8 million from COFCO Corporation and certain of its subsidiaries, of which approximately RMB3,768.0 million was repaid and replaced by the Perpetual Loan pursuant to the Perpetual Loan Agreement described below, and an amount of approximately HK\$995.9 million (equivalent to approximately RMB790.6 million) will be acquired by the Company as the Shareholder Loans pursuant to the Acquisition. COFCO Investment (a member of the Target Group) entered into the Perpetual Loan Agreement with COFCO Corporation, pursuant to which COFCO Corporation provided the Perpetual Loan of approximately RMB3,768.0 million to COFCO Investment in October 2014 to repay the loans due from COFCO Investment to COFCO Corporation. In addition, as at 31 December 2011, 2012 and 2013, 30 June 2014 and 30 September 2014, the Target Group's certain bank borrowings in the amounts of approximately RMB417.2 million, RMB477.2 million, nil, nil and nil, respectively, were guaranteed by COFCO Corporation and certain of its subsidiaries. Please see the sections headed "Financial Information of the Target Group — Indebtedness" in this circular for further details.

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There is no assurance that COFCO Corporation and its subsidiaries will not require the Target Group to meet its payment obligations, and that the Enlarged Group will have adequate cash flow to service its financing obligations. In the event that payment obligations arise, the financial position, cash flow position and business prospects of the Enlarged Group may be materially and adversely affected.

There is no assurance that the COFCO Corporation and its subsidiaries will continue to provide loans, financings and/or guarantees, including that with terms and conditions comparable to the Perpetual Loan, to the Enlarged Group in the future, or that the Enlarged Group will be able to obtain financings from third parties on terms comparable to that offered by the COFCO Corporation and its subsidiaries. In the event that the Target Group is not be able to receive the financial assistance from COFCO Corporation and its subsidiaries it has used to rely on in the future, there may be material adverse effect on the business, operations and financial conditions of the Enlarged Group.

The Target Group relied on loans and borrowings from financial institutions and the Enlarged Group's financing costs may increase due to increase in interest rates

During the Relevant Period, the Target Group has relied on loans and borrowings from financial institutions. As at 31 December 2011, 2012, 2103, 30 June 2014 and 30 September 2014, the aggregate amount of outstanding bank borrowings from financial institutions amounted to approximately RMB6,760.4 million, RMB8,152.2 million, RMB9,447.7 million, RMB9,893.9 million and RMB10,279.6 million, respectively.

In addition, the Target Group has substantial interest obligations for its borrowings. For each of the years ended 31 December 2011, 2012 and 2013, and for the six months ended 30 June 2014, the Target Group's finance costs, which consist primarily of interest costs on bank borrowings and loans from connected persons (including the interest capitalised), amounted to approximately RMB391.6 million, RMB583.7 million, RMB872.1 million and RMB484.0 million, respectively. As at 30 September 2014, the weighted average effective interest rates on the Target Group's outstanding bank borrowings ranged from 5.76% to 7.86% per annum. Any increase in interest rates on the Enlarged Group's bank borrowings, including an increase in interest rates by the PBOC, may have a material adverse effect on its financial condition and results of operations. Please refer to the section headed "Financial Information of the Target Group — Qualitative and quantitative disclosure about market risk — Interest risk" in this circular for an interest rate sensitivity analysis.

There is no assurance that the Enlarged Group will be able to obtain bank loans or renew existing credit facilities in the future on acceptable terms or at all. The Enlarged Group's ability to do so will depend on a number of factors, many of which are beyond its control. For instance, the PRC property market has experienced significant volatility in recent years as a result of the recent deterioration in the PRC's economic growth and credit environment. Similarly, the global economic and financial crisis has reduced the general demand for properties, including those in the PRC, and as a consequence the banks and other financial institutions have become less willing to make credit available to companies in the property development industry. If the Enlarged Group is not able to

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raise new financing or refinance its existing borrowings at maturity on commercially acceptable terms or at all, its liquidity will be adversely affected and, as a result, its results of operations, financial condition and business prospects may be adversely affected.

In addition, the PRC government had in the past implemented a number of policy initiatives in the financial sector to further tighten lending requirements both generally and specifically in relation to property developers. There is no assurance that the PRC government will not introduce further initiatives which may limit the Enlarged Group's access to bank financing. The terms of certain facilities and other loans of the Enlarged Group may contain covenants which restrict the Enlarged Group's ability to secure new borrowings. The foregoing and other initiatives introduced by the PRC government may limit the Enlarged Group's flexibility and ability to use bank loans or other forms of financing to fund its land acquisitions or property developments and therefore may require the Enlarged Group to rely on internally sourced funds or equity financing.

The Enlarged Group's business and financial results could be materially and adversely affected by its net current liabilities position

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Target Group's net current liabilities amounted to RMB6,975.9 million, RMB3,173.2 million, RMB1,431.3 million and RMB6,172.9 million, respectively. The Target Group's net current liabilities position as at these dates was mainly attributable to the Target Group's loans from and amounts due to COFCO Corporation and certain of its subsidiaries and the Target Group's non-controlling interest. These loans and outstanding amounts were repayable on demand or within one year and were classified as current liabilities as at each of these dates. Please refer to the section headed "Financial Information of the Target Group — Net current liabilities" in this circular for further details. There can be no assurance that the Enlarged Group will be able to improve its net current liabilities position in the future, in which case it would continue to be exposed to liquidity risk.

The property development business is capital intensive, and typically requires substantial capital contribution for land acquisition and property development. The Target Group had capital commitments in respect of purchase of property, plant and equipment (contracted, but not provided for) in the amount of RMB322.1 million as of 30 June 2014. Please refer to the section headed "Financial Information of the Target Group — Liquidity and capital resources" and the section headed "Financial Information of the Target Group — Contractual obligations and Capital Expenditures" in this circular for further details of the Target Group's liquidity and cash flow positions and capital commitments and expenditures.

The Enlarged Group's ability to repay the principal and interest on its borrowings and to service its capital commitments and current and non-current liabilities depends substantially on the cash flow and results of operations of its operating subsidiaries, which depend in part upon the social, political, economic, legal and other risks described herein, most of which are beyond its control. There is no assurance that the Enlarged Group will be able to achieve or maintain a net cash inflow from its operating activities in a sufficient amount or at all in the future. Any decline or under-performance of the Enlarged Group's pre-sale, sale or leasing activities and any other matter adversely impacting the net cash inflow of the Enlarged Group could significantly affect its cash

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flow position. The Enlarged Group may have difficulty in securing additional financing, and its working capital for the purpose of its business operations and expansions may be insufficient. There can be no assurance that the Enlarged Group will always be able to raise the necessary funding to finance its current liabilities and capital commitments.

The level of the Enlarged Group's indebtedness could also have an adverse effect on its operations. For instance, it may have to dedicate a large portion of its cash flow from operations to fund repayments of its debts, thereby reducing the availability of its cash flow to expand its business and limiting its flexibility in planning for, or reacting to, changes in its business or economic conditions. Any of the above factors and circumstances will adversely affect the Enlarged Group's business and results of operations.

The Enlarged Group may not always be able to obtain sites that are suitable for property development and acquire sufficient land reserves at reasonable cost

To maintain its business growth strategy, the Enlarged Group will need to acquire suitable development sites in first-tier cities as well as prime locations in second-tier cities to replenish its land reserves. The Enlarged Group's ability to identify and acquire suitable sites for expansion is subject to a number of factors, some of which are beyond its control. The PRC government controls all new land supply in the PRC and regulates land transfer in the secondary market. As a result, the policies of the PRC government relating to land supply may adversely affect the ability of the Enlarged Group to acquire land use rights for sites it seeks to develop and could increase the costs of any acquisition. There is no assurance that the PRC government policies, regulations and measures, including those intended to discourage speculation in the real property market, will not adversely affect its business.

The business, financial condition and results of operations of the Enlarged Group may be adversely affected if it is unable to obtain suitable land sites or acquire land sites for development at prices that allow the Enlarged Group to achieve reasonable returns upon the sale or lease of developed properties to its customers.

The appraised value of the properties in the valuation reports may be different from the actual realisable value and is subject to change

The valuations of the Target Group's properties contained in the property valuation report set out in Appendix IV to this circular, are prepared based on various valuation methodologies, bases and assumptions with reference to different property categorisations, natures, types, usages and development status. Please refer to the sections headed "Property Valuation of the Target Group — Property categorization and valuation methodology" set out in Appendix IV to this circular for further details of the valuation methodologies adopted by the independent property valuer.

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Furthermore, the valuations of the Target Group's properties are based upon certain assumptions, which, by their nature, are subjective and uncertain, and may not be realised. Unless otherwise stated in this circular, such assumptions include:

- transferable land use rights in respect of the properties for respective specific terms at nominal land use fees have been granted, and land grant premium payables in respect of the relevant properties have been paid;
- the exclusion of an estimated price inflated or deflated by special terms or circumstances, such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by any party associated with the sale or any other element of special value;
- no allowance being made for any charges, mortgages, amounts owing on the properties, expenses or taxation which may be incurred in effecting a sale;
- the properties can be sold in the prevailing market without the effect of any deferred term contract, leaseback, joint venture or any other similar arrangement which may serve to affect the values of the properties;
- all necessary consents, approvals and licences from relevant government authorities have been or will be granted without onerous conditions or delay;
- the Target Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use terms as granted;
- the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values; and
- the properties will be completed or developed as currently planned.

Further, unforeseen changes to property development projects as well as national and local economic conditions may affect the value of the Target Group's properties. In particular, the appraised value of these properties could remain stable or decrease in the event that the market for comparable properties experiences a downturn in the PRC, for example, as a result of the adoption and application of PRC government policies aimed at "cooling-off" the PRC property market or as a result of any global market fluctuations or economic downturn, or otherwise.

These valuations are not predictions of the actual value of the properties of the Target Group and may deviate from values that could be realised in a public market transaction as at the valuation date. Therefore, the appraised value of the properties may be different from their actual realisable value or a forecast of their realisable value.

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The Target Group's results of operations during the Relevant Period include revaluation adjustments which are unrealised and their future fair value may fluctuate

Under HKFRS, the gains and losses arising from changes in the fair value of the investment properties held by the Target Group are included in their respective statements of profit and loss for the period in which they arise. The Target Group's property portfolio comprises a sizeable portion of investment properties with an aggregate completed leasable GFA of approximately 449,853 sq.m. as at 30 June 2014 and it is required to reassess the fair value of its investment properties at the end of each reporting period in its financial statements. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the Target Group had fair value gains on its investment properties of RMB1,493.5 million, RMB1,162.4 million, RMB647.5 million and RMB1,502.0 million, respectively, which represented 79.4%, 85.1%, 45.0% and 88.6% of its profit before tax for the same periods. Further details of the fair value of the Target Group's properties and the changes in fair value during the Relevant Period and the reasons for such changes are set out in the section headed "Financial Information of the Target Group" in this circular. These adjustments reflected unrealised capital gains on the Target Group's investment properties as at the relevant reporting dates, which neither generated cash nor changed the Target Group's overall cash position. The amount of revaluation adjustments of the Target Group's investment properties has been, and the amount of revaluation adjustments of the Enlarged Group's investment properties will continue to be, subject to market fluctuations.

The Target Group cannot assure you that changes in market conditions (if any) will continue to create fair value gains on its investment properties at previous levels, or at all, that the fair value of its investment properties will not decrease in the future, or that the value of its investment properties will increase substantially, or at all. In particular, the fair value of its investment properties could decline in the event that, among other things, the real estate industry experiences a downturn as a result of the adoption and application of PRC government policies aiming at "cooling-off" the PRC real estate market, or any global market fluctuation or economic downturn. Any decrease in the fair value of its investment properties could lead to a decrease in the fair value gains on investment properties in its statements of comprehensive income which could adversely affect its financial performance.

The Target Group may be subject to potential risks in relation to pre-sale and/or sale of properties

The Target Group relies on the pre-sale of properties as an important source of funding for its property projects which are developed for sale. Under the current PRC laws and regulations, property developers must fulfil certain conditions (including obtaining pre-sale permit) before they can commence pre-sale of the relevant properties and may only use pre-sale proceeds to finance the development of such properties. In the event that the required pre-sale permits cannot be obtained in a timely manner for the properties for pre-sale, or at all, this may have a material adverse effect on the development of such properties and may increase financial pressure on the Target Group. Furthermore, in the current economic climate and market conditions, there can be no assurance that the pre-sale and/or sale price of the properties will meet the expectation of the Target Group. In the

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event that the pre-sale/sale price of the properties is significantly lower than what the Target Group is budgeting for, this may have a material adverse effect on the results of operations of the Target Group.

Third party contractors may not always meet quality standards or provide services in a timely manner

The Target Group generally engages external architectural and design firms, construction contractors, real estate agents, and suppliers to provide it with design and interior decoration, construction, sales, and related services, which the Target Group monitors through the project development, construction, procurement, finance, sales and leasing departments of each project company.

There is no assurance that the services rendered or materials supplied by any of these external contractors and suppliers will always be satisfactory or meet the quality requirements of the Enlarged Group. In the event that the performance of the external contractors and suppliers falls short of the required standard, or the external contractors encounter financial, operational or managerial difficulties or disputes, the construction progress, sales, leasing or operation of the Target Group's property developments may be disrupted or delayed. The Target Group may incur additional costs in respect of remedial action, such as the replacement of such contractors or suppliers, as well as potential damage to reputation and additional financial losses as a result of delay in completion. Any of the above factors could have a material adverse effect on the business, financial condition and results of operations of the Enlarged Group.

Increases in construction and development costs may have an adverse impact on the Enlarged Group's results of operations

The Enlarged Group's ability to derive profits from its property projects depends on how well it can control the relevant construction and development costs. Construction costs in the PRC are generally increasing as contractors face rising materials and labour costs. To ensure that it obtains the best price from its contractors, the Target Group typically holds competitive tenders for its projects. However, the Target Group does not always award contracts to the contractor with the lowest tender price as there are a number of other factors which must be taken into account, including the contractor's relevant skills and expertise as well as the design and deadline demands of the relevant project.

There is no assurance that the Enlarged Group would be able to get the best prices from its contractors. Further, there is no assurance that the actual construction costs incurred for a project will not exceed the initial estimate of the Enlarged Group. If the costs of labour or construction materials increase significantly, and the Enlarged Group cannot offset such increase by reducing other costs or is unable to pass on such increase to the buyers or tenants of its properties, the Enlarged Group's business, results of operations and financial position may be materially and adversely affected.

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The PRC government may impose sanctions and/or rectification order on the Enlarged Group for any project which was not developed in compliance with the conditions of the relevant construction works planning permit and/or applicable PRC laws

During the Relevant Period, the Target Group failed to comply with certain terms and conditions of the relevant construction works planning permits in respect of two projects. Please refer to the section headed “Business of the Target Group — Regulatory Compliance” for further details and the legal implications and consequences of such non-compliance. The Target Group may also occasionally fail to comply with certain applicable PRC laws and regulations with respect to the development of properties and its business operations in a non-material manner.

Under the PRC laws and regulations, if a property developer fails to construct a development in accordance with the construction works planning permit, including without limitation the situation where the actual GFA of a project constructed exceeds the GFA stipulated in the planning permit, the relevant government authorities may order a halt in the construction works. If measures for rectification can be adopted to eliminate the impact on the implementation of the plan, the development will be ordered to make rectification within a time limit and be fined not less than 5% but not more than 10% of the construction cost of the project; otherwise, it will be ordered to demolish the relevant project within a time limit. If the relevant project cannot be demolished, the properties or the illegal revenue generated therefrom will be confiscated, and it may, in addition, be fined not more than 10% of the construction cost of the relevant project.

Depending on the nature and extent of the non-compliance with the construction works planning permit or the applicable PRC laws, the PRC government may impose various sanctions on the Enlarged Group, including imposing fines on the relevant entities, ordering a demolition of the relevant building, ordering that the properties and/or the illegal revenue, proceeds and/or profits arising from the relevant properties be forfeited and/or business licence of the relevant entities be revoked.

In addition to the above sanctions and adverse consequences, there is no assurance that any demolition of buildings or imposition of sanctions will not arise in the future. Any demolition of any part of any property project of the Enlarged Group by the PRC government, any confiscation of any illegal revenue and/or profits arising therefrom, any requirement for the Enlarged Group to pay penalties or revocation of the certificate of approval or business licence of any of the members of the Enlarged Group may adversely affect its business, results of operations or financial condition.

The Target Group may be exposed to certain risks that are not covered by its insurance

The Target Group will maintain insurance policies where practicable covering both its assets and employees in line with general practice in the real estate industry, with policy specifications and insured limits which it believes are reasonable. However, in certain cases it may be difficult to obtain adequate insurance coverage at all or at commercially acceptable rates. Certain types of losses, such as those resulting from wars, earthquakes or other acts of God, are generally not insured as a matter of industry practice. Please refer to the section headed “Business of the Target Group — Insurance” in this circular for further information.

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There is no assurance that adequate insurance coverage against risks of the Target Group's projects and income-generating properties will be available in the future on commercially reasonable terms or at commercially competitive rates. Should an uninsured loss or a loss in excess of insured limits occur or should the Target Group's insurers fail to fulfil their obligations in relation to the sum insured, the Target Group could suffer loss, including loss of rent or future revenue, and/or may be required to pay compensation to third parties. The Target Group may also be liable for any debt or other financial obligation related to the relevant property or to third parties. Any such loss could adversely affect the Target Group's business, financial condition, results of operations and prospects.

The Enlarged Group may not be able to obtain land use right certificates or building ownership certificates for properties in which it has an interest

There are properties which are under construction or in respect of which the relevant building ownership certificates have been applied for. There can be no assurance that the building ownership certificates of these buildings and properties will be granted. In addition to the existing land, buildings and properties owned by the Target Group, there can be no assurance that the land and/or building administrative authorities in the PRC will grant the Enlarged Group appropriate land use rights or building ownership certificates in respect of projects to be developed in the future in a timely manner, or at all. If the Enlarged Group cannot obtain land use rights certificates or building ownership certificates for its development projects, it may not be able to sell or lease the portions of the project or the relevant building or property, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

RISKS RELATING TO PROPERTY DEVELOPMENT IN THE PRC

The Target Group is principally dependent on the performance of the real estate markets in the PRC, and the recent deterioration of the PRC's economic growth and the global financial crisis may affect the Target Group's business

As most of its projects and property developments are located in the PRC, the Target Group's property development business will be significantly affected by the state of the PRC real estate market.

The PRC property market has experienced significant volatility in recent years as a result of market conditions and fluctuations in property sales volumes and prices, especially as a result of the recent deterioration in the PRC's economic growth and the PRC credit environment and the global economic and financial crisis, which have reduced the general demand for the properties sold in the PRC. In particular, during an economic downturn or market slowdown, purchasers or potential purchasers of property tend to become more prudent and may even reverse or defer their decisions to purchase property.

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The Target Group will also continue to generate substantial revenue from its leasing of commercial properties in the PRC, the demand for which is often affected by volatility in market conditions and fluctuation in property prices. If the Target Group does not respond to changes in market conditions and tenants' preferences in a timely and adequate manner, its business, financial condition and results of operations may be materially and adversely affected.

Furthermore, the PRC government may from time to time revise its fiscal and monetary policies to adjust the growth rate of the PRC national and local economies, and such policy changes may affect the real estate market in the relevant regions. There can be no assurance that the Target Group's property development or its sales, leasing and management activities will be maintained at the levels the Target Group had achieved in the past.

The Enlarged Group faces intense competition from other real estate developers

In recent years, a large number of property developers, including a number of leading PRC, Hong Kong and other overseas developers, have begun undertaking property development and investment projects primarily in the first and second-tier cities in the PRC. Some of these developers may have better track records, greater financial, land and other resources, wider brand recognition and greater economies of scale than the Enlarged Group. In the past, the PRC government has introduced various policies and measures in order to limit excessive growth and to curb speculation in the property development sector, which has further increased competition for land among property developers.

Competition among property developers may result in an increase in land acquisition costs and construction costs, an oversupply of properties, a decrease in rental and property prices in certain regions of the PRC, an inability to lease or sell such properties, a slowdown in the rate at which new property developments are reviewed or approved by the relevant PRC government authorities and an increase in administrative costs of hiring or retaining qualified personnel. In particular, competitors of the Enlarged Group may reduce the prices of their properties as a result of the prevailing economic or market conditions, which could result in increased pricing pressure on the Enlarged Group and further restrict the Enlarged Group's ability to generate revenue. Any of the above factors may adversely affect the Enlarged Group's business, financial position and results of operations.

The Target Group's business is subject to extensive PRC government policies, regulations and measures intended to discourage property speculation which may adversely affect the business of the Enlarged Group

The Target Group is subject to extensive government regulation in most aspects of its operations and is highly susceptible to changes in the regulatory environment in the PRC. If the Target Group fails to comply with the relevant laws and regulations, it could be subject to various regulatory or administrative penalties which could have a material adverse impact on the Target Group's business, results of operations and financial condition.

RISK FACTORS

In the past, the PRC government has introduced several policies and measures intended to discourage speculation in the property market. These measures include, among other things, the following:

- tightening lending requirements for property developers;
- for commercial property buyers, (i) prohibiting banks from financing any purchase of pre-sold properties; (ii) increasing the minimum amount of down payment to 50% of the purchase price of the underlying property; (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate; and (iv) limiting the terms of such bank loans to no more than ten years, although commercial banks are allowed flexibility based on their risk assessment;
- for buyers of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price of the underlying property;
- imposing a limitation on onward transfer of uncompleted properties;
- imposing an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land use rights grant contract and cancellation of the land use rights for land left idle for two years or more;
- revoking approvals for projects which do not comply with planning permits;
- for residential property buyers (i) increasing the minimum amount of down payment of the purchase price of the residential property; (ii) increasing the minimum mortgage loan interest rate with respect to the relevant PBOC benchmark lending interest rate for second home buyers using mortgage loans; and (iii) declining loans for the purchase of (a) a third or subsequent residence and (b) local residences by non-local residents who are unable to provide certificates evidencing their payment of local taxes or social insurance for more than one year, which may make the Target Group's properties less affordable to its customers; and
- tightening control over commercial banks' loans to property developers in order to prevent these banks from granting excessive credit.

There can be no assurance that restrictive government policies and measures will not adversely affect the sale of units in the Target Group's developments. In addition, there can be no assurance that the PRC government will not introduce further policies and measures to regulate the rate of growth of the property market or to limit or even prohibit foreign investment in the PRC generally or in the property sector in particular. These existing policies and measures and any future policies and measures, or even rumours or threats of any new policies and measures could adversely affect the Target Group's business, results of operations and financial condition, such as by limiting the Target Group's access to capital, reducing consumer demand for the Target Group's properties and increasing operating costs. This may also lead to changes in market conditions, including price

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instability and imbalance between supply and demand in respect of office, residential, retail, entertainment and cultural properties, which may materially adversely affect the Target Group's business, financial condition and results of operations.

The Target Group may be involved in legal and other proceedings arising out of its operations from time to time and may face significant liabilities as a result

As with other property developers, the Target Group is occasionally subject to legal or arbitration proceedings in its ordinary course of business as a property developer in the PRC. In the event of an unfavourable ruling in these proceedings, the Target Group may be liable for a substantial amount of damages, suffer loss of revenue or face other potential adverse consequences. It is also possible that the Target Group may be ordered to stop the development, leasing or sale of a particular project. In such cases, the Target Group would not be able to recover any costs or expenses already incurred in relation to such project, and will lose revenue from the leasing or sale of such project.

In addition, any involvement in disputes would result in a diversion of resources and management's attention, regardless of their outcome. Further, the Target Group may have disagreements with the PRC regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable decisions that result in penalties and/or delay in its property development schedule. If any such event occurs, the business, financial condition and results of operations of the Enlarged Group could be materially and adversely affected.

The Target Group may face potential liability for environmental problems which could result in substantial costs

The Target Group is subject to a number of laws and regulations concerning environmental protection. The environmental laws and regulations that apply to any given project development site vary greatly according to the site's location, environmental condition and present and former uses, as well as the adjoining properties. Compliance or non-compliance with environmental laws and regulations may result in delays and/or the incurring of substantial costs and can severely restrict project development activities in environmentally sensitive areas.

The Target Group cannot assure you that its policies and procedures will be effective in preventing non-compliance with environmental laws and regulations. If any part of any of its development projects is found to be non-compliant with certain environmental laws or regulations, the Target Group may be subject to suspension of operations or a part of its operations as well as fines and other penalties, which may materially and adversely affect its business, financial condition and results of operations.

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RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

As most of the Enlarged Group's operations are conducted in the PRC, any adverse change in China's political, economic and social conditions may have a material adverse effect on the Enlarged Group

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to:

- structure;
- level of governmental involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been in transition from a planned economy to a more market-oriented economy. The PRC government has implemented economic reform measures emphasising responsiveness to market forces in the development of the PRC economy. Yet, the PRC government continues to play a significant role in regulating industries by imposing industrial policies. Furthermore, despite the implementation of such reforms, it is uncertain whether changes in the PRC's political and social conditions, laws, regulations, policies and diplomatic relationships with other countries will have any adverse effect on the current or future business, results of operations or financial condition of the Enlarged Group.

There are uncertainties regarding the interpretation and enforcement of the PRC laws and regulations which could adversely affect the Enlarged Group

The majority of the Enlarged Group's operations are conducted in the PRC and are therefore subject to PRC laws and regulations. Since the late 1970s, many new laws and regulations covering general economic matters have been promulgated in the PRC. Despite these significant developments, the PRC does not have a comprehensive system of laws. Even where adequate laws exist in the PRC, the enforcement of such laws may be uncertain, and it may be difficult to obtain swift and effective enforcement, or to obtain enforcement of a judgment of a court of another jurisdiction. The PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited for reference but have limited weight as precedents. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

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The relevant PRC tax authorities may enforce the payment of land appreciation tax and may challenge the basis on which the Target Group calculates its respective land appreciation tax obligations

Under the PRC tax laws and regulations, properties developed for transfer are subject to land appreciation tax (“LAT”), which is payable to the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined by the relevant tax laws. Pursuant to the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》), the sale of ordinary standard residences is exempt from LAT if the appreciation derived from the sale does not exceed 20% of the sum of deductible items. Deductible items include acquisition costs of land use rights, development costs of the land, construction costs of new buildings and facilities or assessed value of used properties and buildings, taxes chargeable for or already imposed on the transfer of real estate and other deductible items as stipulated by the Ministry of Finance. Sales of commercial properties, however, are not eligible for such exemption. Pursuant to the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例實施細則》), in respect of property developers, an additional 20% of deductible expenses may be deducted in the calculation of the land appreciation amount.

On 28 December 2006, the State Administration of Taxation issued the Notice on the Settlement Management of Land Appreciation Tax on Real Estate Enterprises (《關於房地產開發企業土地增值稅清算管理有關問題的通知》) with the intention of strengthening the collection of LAT. This notice, among other things, requires property developers to settle the final LAT payable in respect of development projects that meet any one of certain criteria, such as 85% of the development project having been pre-sold or sold. Local provincial tax authorities are authorised to formulate detailed implementation rules in accordance with this notice taking into account local conditions.

For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the Target Group made provisions for LAT in the amounts of RMB83.9 million, RMB54.1 million, RMB56.8 million and RMB9.5 million, respectively. However, the implementation of LAT varies among different cities of the PRC and certain projects of the Target 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, and the ultimate tax amount payable under the above laws and regulations is uncertain. In the event that the LAT that the Target Group has provided for is required to be paid, the cashflow and financial position of the Target Group will be adversely affected by such payment. Furthermore, in the event that the actual LAT paid (due to changes in local practices and interpretations of related regulations of local tax authorities) exceeds the amount that the Target Group has provided for, the results of operations and financial position of the Enlarged Group will be adversely affected.

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Changes to the PRC enterprise income tax law or its implementation could have a material adverse effect on the Enlarged Group, and dividends payable by us to our Shareholders and gain on the sale of our Share may become subject withholding taxes under PRC tax law

Under the PRC enterprise income tax law (“EIT Law”), which came into effect on 1 January 2008, the exemption from withholding tax on dividends distributed by foreign-invested enterprises to their foreign investors under the previous tax law is no longer available. Foreign investors that are “non-resident enterprises” are subject to the PRC withholding tax at a rate 10%, to the extent any dividends distributed by PRC resident enterprises as well as any gain realized on the transfer of the shares or interests in PRC resident enterprises. According to the treaty between PRC and Hong Kong, such investors established in Hong Kong are subject to such tax at rate of 5% under certain conditions.

In addition, the new tax law deems an enterprise established offshore but with “de facto management bodies” in the PRC as a “resident enterprise” which is subject to PRC enterprise income tax on its global income, excluding dividends, received from its PRC subsidiaries. Since some of the members of the Target Group’s management team reside in the PRC, the non-PRC members of the Target Group may be considered PRC resident enterprises even though the Directors believe that the non-PRC members of the Target Group have real operations outside the PRC. If the PRC tax authorities subsequently determine that the Company should be classified as a resident enterprise, its global income, excluding dividends, received from its PRC subsidiaries, will be subject to the PRC enterprise income tax at a rate of 25%. There is no assurance that the relevant PRC tax authorities will not certify the Company as a resident enterprise under the EIT Law in the future.

The imposition of withholding tax on dividends payable from the PRC entities of the Target Group or the imposition of the PRC enterprise income tax on the Target Group’s global income as a result of “resident enterprise” categorisation under the EIT Law may have a material adverse effect on the financial condition and results of operations of the Target Group.

In addition, based on the above, if the PRC tax authority classifies the Company as a resident enterprise, the Enlarged Group will be required under the EIT Law to withhold PRC income tax on its dividends payable to its “non-resident enterprise” Shareholders or such Shareholder will be required to pay the withholding tax on the transfer of our Share. The value of its investment of the Shares may be materially and adversely affected.

The Company is a holding company that relies on dividend payments from its subsidiaries for funding and dividends from its PRC subsidiaries which are subject to PRC withholding tax

The PRC laws require dividends to be paid out of the net profit calculated according to the PRC accounting principles, which, in many aspects, differ from the generally accepted accounting principles in other jurisdictions, including the HKFRS. Foreign-invested enterprises, such as the Target Group’s subsidiaries in China, are also required to set aside part of their net profits as statutory reserves, which are not available for distribution as cash dividends. Such dividends are also subject to the PRC withholding tax.

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The Company is a holding company incorporated in Bermuda and, upon Completion, the operations of the Enlarged Group will be conducted through its subsidiaries, a number of which are incorporated in the PRC. Therefore, the availability of funds to pay dividends to the Shareholders and to service the Company's debts depends on dividends received from these subsidiaries. If the subsidiaries incur any debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to the Company. As a result, the Company's ability to pay dividends or other distributions and to service its debts will be restricted.

Government control of foreign currency conversion may materially and adversely affect the Enlarged Group and its ability to meet foreign exchange requirements

RMB is not a freely convertible currency. Upon Completion, most of the revenue of the Enlarged Group will be generated in the PRC and in RMB, and it will need to convert RMB into Hong Kong dollars and other foreign currencies for payment of dividends to the Shareholders and to service its debts. The exchange rates of the RMB against the Hong Kong dollar, the US dollar and other foreign currencies fluctuate and are affected by, among other things, the policies of the PRC government and changes in the PRC's and global political and economic conditions. There is significant international pressure on the PRC government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a further and more significant appreciation of RMB against the Hong Kong dollar, the US dollar or other foreign currencies. As the Enlarged Group needs to convert future financing into RMB for its operations, the continued appreciation of RMB against the relevant foreign currencies would reduce the RMB amount the Enlarged Group would receive from the conversion.

On the other hand, as dividends on the Shares, if any, and interest payment on certain debts of the Enlarged Group are paid in foreign currencies, any devaluation of RMB against the relevant foreign currencies would adversely affect the Enlarged Group's results of operations and financial condition, which may reduce the amount of any cash dividends on the Shares. In addition, the conversion of RMB into Hong Kong dollars and other foreign currencies is subject to a number of foreign exchange control rules, regulations and notices issued by the PRC government. In general, foreign investment enterprises are permitted to convert RMB to foreign currencies for current account transactions (including, for example, distribution of profits and payment of dividends to foreign investors) through designated foreign exchange banks following prescribed procedural requirements. Control over conversion of RMB into foreign currencies for capital account transactions (including, for example, direct investment, loan and investment in securities) is more stringent and such conversion is subject to a number of limitations. The requirement for the Company to pay dividends in a currency other than RMB to the Shareholders may expose the Company to foreign exchange risk. Under the current foreign exchange control system, there is no assurance that the Company will be able to obtain sufficient foreign currency to pay dividends or satisfy other foreign exchange requirements in the future.

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The Enlarged Group's investments in the PRC are subject to the PRC government's control over foreign investment in the property sector

The PRC government imposes restrictions on foreign investment in the property sector to curtail the speculation in the property sector by, among other things, increasing the capital and other requirements for establishing FIREEs, tightening foreign exchange control and imposing restrictions on the purchase of properties in China by foreign persons. For example, in May 2007, MOFCOM and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Administration regarding Foreign Direct Investment in the Real Estate Industry (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》) which, among other things, provides that:

- foreign investment in the luxury property sector in the PRC should be strictly controlled;
- prior to obtaining approval for the establishment of FIREEs, either (i) both the land use rights certificates and housing title certificates should be obtained or (ii) contracts for obtaining land use rights or housing titles should be entered into;
- FIREEs approved by local authorities must immediately register with MOFCOM through a filing made by the local authorities; and
- foreign exchange administration authorities and banks authorised to conduct foreign exchange business should not affect foreign exchange settlements of capital account items for those FIREEs which have not completed their filings with MOFCOM or have failed to pass the annual inspection.

In regards of the filing requirement, MOFCOM and SAFE jointly promulgated the Notice on Improving the Filing Process for Foreign-invested Real Estate Enterprises (《商務部、國家外匯管理局關於改進外商投資房地產備案工作的通知》) in June 2014, which provides that MOFCOM entrusts competent commerce departments at provincial level to conduct the verification and filing procedure of FIREEs. Nevertheless, MOFCOM will carry out random inspections against the filed FIREEs on a weekly basis and conduct a review of the projects that have been publicized but are not randomly inspected on a quarterly basis to strengthen the supervision of filing.

These restrictions may affect the Enlarged Group's ability to make further investments in its PRC subsidiaries and as a result may limit its business growth and have a material adverse effect on its business, prospects, financial condition and results of operations.

Also, the PRC government has imposed restrictions on the ability of foreign-invested PRC property developers to receive offshore funds. In September 2006, SAFE and MOC (原建設部) issued the Notice on Regulating Foreign Exchange Measures of Real Estate Market (《關於規範房地產市場外匯管理有關問題的通知》). In May 2013, SAFE issued the Administrative Measures for Foreign Debt Registration (《外債登記管理辦法》) and the Operational Guidelines on Administrative for Foreign Debt Registration (《外債登記管理操作指引》). The above mentioned regulations stipulate, among other things, that (i) SAFE will not process foreign debt signing registrations for

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FIREEs who obtained authorisation certificates from and registered with MOFCOM on or after 1 June 2007; (ii) only foreign-invested real estate companies established before 1 June 2007 can borrow foreign debt within the balance of its total investment amount and the registered capital; and (iii) if foreign-invested real estate companies do not have a registered capital that is fully paid up or have not obtained the relevant state-owned land use rights certificate, or the capital injected into the project is less than 35% of the total investment amount, such companies cannot borrow foreign debt. These regulations impose restrictions on FIREEs on raising funds offshore for the purpose of injecting such funds into the companies by way of shareholder loans. These regulations, however, do not restrict property developers from receiving foreign capital by way of increasing the registered capital of existing foreign-invested companies or through the establishment of new FIREEs, provided that such increase of registered capital or establishment of new company has been duly approved by MOFCOM or its relevant local branch and registered with MOFCOM.

As a foreign-invested PRC property developer, the Enlarged Group is subject to this notice. However, there can be no assurance that the Enlarged Group will be able to obtain in a timely manner, if at all, all necessary foreign-exchange approval certificates for the deployment of offshore funds, any registration of new foreign-invested subsidiaries or additional registered capital increases in the future. Further, there can be no assurance that the PRC government will not introduce new policies that further restrict the ability of the Enlarged Group to repatriate funds to the PRC. Should there be any limitation on the Enlarged Group's ability to repatriate funds to the PRC, its liquidity and ability to fund and expand its business could be adversely and materially affected.

In addition, any capital contributions made to the Enlarged Group's operating subsidiaries in the PRC are subject to foreign investment regulations and foreign exchange regulations in the PRC. For example, in accordance with the Notice on Relevant Business Operations Issues on the Improvement of the Administration of Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) (the “**Notice 142**”) promulgated by SAFE in August 2008 which is aimed at strengthening the administration of payment and settlement of foreign exchange capital of foreign-invested enterprises, unless otherwise permitted by the PRC laws or regulations, RMB capital converted from foreign exchange capital contributions can only be applied to the activities within the approved business scope of such foreign-invested enterprise and cannot be used for domestic equity investment or acquisition. In July 2011, SAFE issued a supplementary notice to the Notice 142, which provides more detailed procedures and additional requirements for the administration over the settlement of foreign exchange capital. As a result of the Notice 142 and the supplementary notice, the Enlarged Group may encounter difficulties in increasing the capital contribution to its project companies and subsequently converting such capital contribution into RMB for equity investment or acquisition in the PRC. If the Enlarged Group fails to obtain such approvals, its ability to fund its operations or to make capital contributions to its project companies as general working capital may be negatively affected, which could materially and adversely affect its business, prospects, financial condition and results of operations.

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Natural disasters, public health and public security hazards in the PRC may severely disrupt the Target Group's business and operations, and may have a material and adverse effect on its business, financial condition and results of operations

The outbreak of any severe communicable disease in the PRC, if uncontrolled, could have an adverse effect on the overall business sentiment and environment in the PRC, which in turn may have an adverse impact on domestic consumption and, possibly, on its overall GDP growth. As all of the Target Group's revenue is derived from its operations in the PRC, any contraction or slowdown in the growth of domestic consumption or slowdown in the growth of GDP may materially and adversely affect the financial condition, results of operations and future growth of the Target Group. In addition, if employees are affected by a severe communicable disease, the Target Group may be required to institute measures to prevent the spread of the disease. The spread of any severe communicable disease in the PRC may also affect the operations of the Target Group's general contractors and construction service providers.

Moreover, the PRC has experienced natural disasters like earthquakes, floods, landslides and droughts in the past few years, resulting in deaths of people, significant economic losses and significant and extensive damage to factories, power lines, homes, automobiles, crops, and other properties, as well as blackouts, transportation and communications disruptions and other losses in the affected areas.

Any future natural disasters and public health and public security hazards may, among other things, materially and adversely affect or disrupt the Target Group's operations and the progress of its projects. Furthermore, such natural disasters and public health and public security hazards may severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect the business, results of operations and prospects of the Enlarged Group.

BUSINESS OF THE TARGET GROUP

OVERVIEW

The Target Group is primarily engaged in the development, operation, sale, leasing and management of mixed-use complexes under the flagship brand “Joy City (大悦城)” in five key cities in the PRC. The Target Group had a portfolio of six mixed-use complexes property projects located in Beijing, Shenyang, Shanghai, Tianjin and Yantai in the PRC. The Target Group also holds a commercial property project in Beijing and non-controlling interests in two property projects in Beijing and Shanghai. The total market value attribute to the properties owned by the Target Group as at 31 August 2014 as determined by Savills and as detailed in Appendix IV to this circular is approximately RMB35,117 million.

The Target Group is indirectly owned by the ultimate controlling shareholder of the Company, COFCO Corporation. COFCO Corporation is a state-owned enterprise under the purview of SASAC engaged in a wide range of businesses through its subsidiaries including property development and management in the PRC and overseas, agricultural commodities trading, agricultural products cultivation and processing, processing of animal by-products, manufacture of food and beverages, dairy products and packaging materials, hotel management and provision of logistics and financial services in the PRC. As one of the 21 state-owned enterprises with the approval of SASAC to develop, invest in and manage real estate projects, COFCO Corporation owns and develops various types of property projects ranging from commercial and office complexes and residential housing to luxury hotels and resorts mainly under its flagship brands, “COFCO (中糧)” and “Joy City (大悦城)”.

The six mixed-use complexes developed under the flagship brand “Joy City (大悦城)” owned by the Target Group are located in Beijing, Shenyang, Shanghai, Tianjin and Yantai in the PRC, the details of which are set out in the paragraph headed “Property projects of the Target Group” in this section. These Joy City Projects, namely Beijing Xidan Joy City, Shenyang Joy City, Beijing Chaoyang Joy City, Shanghai Joy City, Tianjin Joy City and Yantai Joy City, were or will be developed to comprise large shopping malls, office space, residential space and commercial apartments coupled with other entertainment and recreational facilities.

Upon completion of the Acquisition, the Group will expand its existing property portfolio with the addition of six mixed-use complexes and one commercial property, and the Enlarged Group will be holding a total of 19 property projects located in the various key cities of the PRC and Hong Kong, which comprises of eight mixed-use complex projects, five commercial property projects (including the Shanghai COFCO Tower), four hotel projects, one integrated tourist project and one minority-held project. Following its acquisition of the non-controlling interests in two property projects, namely Beijing COFCO Plaza and Shanghai COFCO Tower, in which the Group already holds 60% and 50% interests respectively prior to the Acquisition, the Enlarged Group will also be holding the entire interests in these two property projects upon Completion.

With the addition of quality commercial property projects located in various major cities in the PRC to the Group’s existing property portfolio, the Acquisition will have an effect of enhancing the value of the property projects held by the Group to attain a more steady and sustainable return from such projects. Going forward, the Enlarged Group will continue to maintain a balanced portfolio of

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properties for sale and properties for investment and operation, taking into consideration various factors including, but not limited to, the expansion plan of the Enlarged Group, the related cash flow requirements and the financial position of the Enlarged Group as may be appropriate from time to time.

COMPETITIVE STRENGTHS

The Directors believe that the principal competitive strengths of the Enlarged Group will include the following:

The focus on mixed-use complexes under the well-developed flagship brand “Joy City (大悦城)” which further strengthen the leading market position as a mixed-use complex and commercial property developer in the PRC

Upon Completion, the Company will acquire six quality mixed-use complex property projects, namely Beijing Xidan Joy City, Shenyang Joy City, Beijing Chaoyang Joy City, Shanghai Joy City, Tianjin Joy City and Yantai Joy City, which were or will be developed under the flagship brand of “Joy City (大悦城)” and comprise large shopping malls, offices and commercial apartments coupled with other entertainment and recreational facilities. These Joy City Projects are located in first-tier cities including Beijing and Shanghai, and prime areas of second-tier cities including Tianjin, Yantai and Shenyang, and are currently at different development stages. With differentiated positioning of target customer base, highly diversified portfolio, primary focus on customer traffic, and data-driven management and operations, the Joy City Projects demonstrate the core competencies and strategies of the Group’s focus on the development of mixed-use complex projects, which, upon Completion, will benefit the Company with solid property base and further strengthen its leading market position.

The injection of the Joy City Projects into the Group is an essential strategy to strengthen the position of the Company as the overseas listed platform of COFCO Corporation for its mixed-use complexes as well as other commercial properties. The acquisition of the Joy City Projects is also a remarkable addition to the Group’s existing mixed-use complex property project developed under the flagship brand of “Joy City (大悦城)”, namely Chengdu Joy City, and will significantly increase the size of the property portfolio and total assets of the Enlarged Group. Upon Completion, with property project portfolio of the mixed-use complex and commercial properties under the flagship brand of “Joy City (大悦城)” and high-end retail leasing properties, the Enlarged Group will be expected to attain a more steady and sustainable cash flow from such projects and enjoy a higher gross margin than its peers.

High quality mixed-use complexes and commercial properties in prime locations and at different development stages with good investment and growth potential

Most of the properties in the portfolio of the Target Group, including the Joy City Projects are located in the prime locations in first-tier cities in the PRC including Beijing and Shanghai and second-tier cities in the PRC including Tianjin, Yantai and Shenyang, and are

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currently at different development stages. The strategic locations of the properties to be acquired by the Group are key to the continued success of the Enlarged Group's business. The level of rent and selling price of the Enlarged Group's properties situated in such prime areas are generally higher than those of the properties of its competitors in suburban areas in the same city. Easy access to major roads, railways or other transportation networks also increase the value, investment potential and marketability of these properties.

With a sophisticated business model which positions shopping mall as the core component combined with one or more other components including offices, hotels and serviced apartments, the mixed-use complexes developed under the "Joy City (大悦城)" brand are typically designed with the aim of becoming the focal point of their respective surrounding urban areas and to be developed to such a scale and extent as is capable of transforming and enhancing the value of the adjacent neighborhood. In addition, the Directors believe that the integration of different commercial elements within the mixed-use complexes not only creates synergy to maximize the values of the complexes but also attracts consumers and visitors from other areas. Moreover, after completion of the injection, the Enlarged Group will hold a portfolio of Joy City Projects at different development stages, including more matured ones such as Beijing Xidan Joy City and growing ones such as Yantai Joy City. Such portfolio of both mature and growing projects provides the Enlarged Group with stable revenue streams and good growth potential.

Upon Completion, with the addition of the Joy City Projects to its property portfolio, the Enlarged Group will hold and operate seven mixed-use complexes developed under the "Joy City (大悦城)" brand located in different first- and second-tier cities in the PRC. Please refer to the paragraph headed "Property Projects of the Target Group" in this section for further details of the Joy City Projects.

A strong brand and reputation as a landlord of choice

Upon Completion, with the addition of the Joy City Projects which has a large and diverse tenant base, the Directors believe that the Enlarged Group will strengthen its position as a landlord of choice benefiting from the positive brand image of the "COFCO (中糧)" brand and the "Joy City (大悦城)" brand as well as the location and scale of its commercial developments.

As COFCO Corporation is engaged in a wide array of businesses including real estate development and other businesses in the PRC, the Directors believe that the "COFCO (中糧)" brand has become a widely recognised brand name in the PRC. In particular, COFCO Corporation has a proven track record in managing a number of large-scale property projects such as Beijing Xidan Joy City and Beijing Chaoyang Joy City. Furthermore, the "Joy City (大悦城)" brand has been increasingly recognised as the leading mixed-use complex and commercial property developer and enjoyed more and more popularity. As such, the Directors believe that the synergy created by the Target Group's association with the positive image of the "COFCO (中糧)" brand and its reinforcement of the association of "Joy City (大悦城)"

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brand with quality mixed-used complex and commercial properties in prime locations will bolster the Enlarged Group's reputation and credibility as a leading mixed-use complex and commercial property developer.

Furthermore, the location and scale of the property projects of the Enlarged Group will further increase its ability to maintain a large and diverse tenant base. In addition to the benefit of being in close proximity to transportation links, due to the scale of the Enlarged Group's commercial developments, retail tenants benefit from the visitor traffic drawn by the non-retail components of the same development. All these benefits will enable the Enlarged Group to continue to be a landlord of choice, as evidenced by the high average occupancy rate of each of the property projects of the Target Group and the close relationship established between the Target Group and various well-known international companies and retailers. Please refer to the paragraph headed "Property Projects of the Target Group" in this section for further details of the Joy City Projects.

Access to prime land bank and ability to identify relatively low cost development sites with growth potential

The Directors believe that the Target Group has access to prime land bank and has the ability to identify land reserves with growth potential for development of different types of property projects and to acquire them at relatively low cost specifically for the development of mixed-use complexes, and that they will provide the Enlarged Group with a competitive advantage in the PRC property market. Under the relevant PRC government policies, granting of land use rights for further development in respect of land parcels is dependent on a number of factors including the bidding price, the bidder's quality of work and reputation as well as its general understanding of the relevant land parcel and related government development plan. As such, the Directors believe that the Enlarged Group's continued participation in the primary development of land parcels, which enhances its understanding of the relevant land parcel and government development plan, may increase its chances of successfully obtaining any such land parcels for further property development through the competitive bidding, public auction and listing-for-sale processes.

As a result of being able to share the knowledge and experience of COFCO Corporation, and the Target Group's ability in, and practice of, conducting regular and thorough analyses in various aspects of property development, the Directors strongly believe that the Enlarged Group will have a better understanding than most of the other industry players of the overall government land zoning and development plans and policies for a particular city or region. As such, it is also the Directors' belief that the Enlarged Group's understanding of the government plans and policies may enable it to gain a competitive edge in identifying developable sites with growth potential ahead of other developers, enabling it to promptly make investment decisions to acquire suitable sites at an appropriate price.

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Ability to leverage on relationship with COFCO Corporation

COFCO Corporation is one of the 53 key enterprises under the administration of the central government and one of the 21 state-owned enterprises with the approval of SASAC to develop, invest in and manage real estate projects. It has been engaged in property development, sales and leasing and hotel management businesses in the PRC since the 1990s. The Acquisition will strengthen the position of the Company as the overseas listed platform of COFCO Corporation focusing on the development, operation, sale, leasing and management of mixed-use complexes under the flagship brand of “Joy City (大悦城)” and commercial properties. The Directors believe that the Enlarged Group will continue to benefit from COFCO Corporation’s long-standing working relationships with the various PRC government departments and officials involved in the real estate industry. Further, with COFCO Corporation as a controlling shareholder and coupled with its long-standing background in the property industry, the Directors believe that the Enlarged Group will be in a favourable position to receive competitive financing terms from banks and other financial institutions.

Experienced and capable senior management and operational teams

The Group has an experienced and capable senior management team with a proven track record in overseeing and managing mixed-use complexes and commercial properties. Members of the senior management team work closely with regional operational teams that possess in-depth knowledge and understanding of local property markets and business environments, to identify potential developable sites and manage existing property projects. Leveraging on their extensive experience and expertise, the Enlarged Group may deploy its senior management and operational teams to target new property markets and facilitate their development when necessary. The Directors believe this would generally enhance operational efficiency and execution capability.

BUSINESS STRATEGIES

Going forward, the Enlarged Group intends to enhance its positions as a leading mixed-use complex property developer in the PRC by implementing the following business strategies:

Continue to create value through the flagship brand of “Joy City (大悦城)”

The Enlarged Group aims to continue to create long term value by developing, operating, leasing and managing mixed-use complexes in the PRC under the flagship brand of “Joy City (大悦城)” positioned as a brand representing stylish and fashionable shopping malls targeted at the middle class younger generation within the age group of 18 to 35. In addition to the seven mixed-use complexes developed under the “Joy City (大悦城)” brand held by the Enlarged Group upon Completion, it is also the intention of the Enlarged Group to develop other new mixed-use complexes in carefully selected cities when opportunities arise. The Directors believe that any new mixed-use complexes developed and marketed under the “Joy City (大悦城)” brand will emerge as new centres of commercial, financial and retail activities, which in turn will transform the nearby communities into sites of rapid commercial

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development. The Enlarged Group will conduct careful planning and extensive research and consider the condition of the commercial property market, property prices, growth potential, customer demands and competition dynamics in the locality as well as the overall market sentiment in the relevant region, province or city when determining whether to expand into a new region, province or city or determining the composition of property types within a mixed-use complex.

Continue to acquire land in prime locations in first- and second-tier cities

The Enlarged Group intends to continue to identify and acquire land situated in prime locations in first- and second-tier cities in the PRC given their growth potentials. In particular, the Enlarged Group will look at sub-centers of first-tier cities and core areas of second-tier cities. The Enlarged Group also plans to continue overseeing project development and management with the “Full Life Cycle Development & Management Process,” a property development and management concept adopted by the Enlarged Group, which takes into consideration purchase power, economic development, market acceptance and competition when screening locations, and helps the Enlarged Group better manage its projects from location screening to project development and management.

Capitalise on strong fund raising capability to support the continual development of the Enlarged Group

As the overseas listed platform of COFCO Corporation focusing on the development, operation, sale, leasing and management of mixed-use complexes and commercial properties with access to the international capital markets, the Directors believe that the Enlarged Group with a commercial property portfolio of strong growth potential will be able to attract additional financing through the sale to investors of equity or debt securities. The Enlarged Group also intends to continue to leverage its relationship with COFCO Corporation and benefit from COFCO Corporation’s long-standing background in the property industry to obtain competitive financing terms from banks and other financial institutions. The Directors believe that the Enlarged Group will have strong capability to raise sufficient funds to develop and expand its property business to create value for its shareholders and maintain prudent financial metrics.

Attract, retain and motivate talented personnel through systematic training programmes and competitive remuneration packages

The Enlarged Group is committed to building a professional and highly specialised team with strong execution capability that shares its values, vision and corporate culture. The Directors believe the Enlarged Group’s success and future growth strategy depends on its ability to attract and retain talented professionals, particularly experienced individuals with growth potential. To attract and retain talented professionals, the Enlarged Group will offer systemic and comprehensive training programmes targeted at employees of different seniorities at different stages of their career. The Enlarged Group will also continue to place great emphasis on the enhancement of its operations team’s knowledge and understanding of the

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property development industry especially in relation to the development, operation, sale, leasing and management of mixed-use complexes and commercial properties through training and rotation programmes. The Enlarged Group plans to continue to offer competitive remuneration packages to attract and retain talented professionals. The Enlarged Group will offer its employees a wide range of performance incentives, including performance-based bonuses, to better align its employees' interests with its interest and to foster a higher level of recognition and approval of its corporate value and culture.

HISTORY AND DEVELOPMENT

The Target Group's property projects mainly comprise of six mixed-use complex projects developed under the brand name "Joy City (大悦城)", the key milestones of which are set forth below:

2007	Grand opening of Beijing Xidan Joy City
2009	Grand opening of Shengyang Joy City
2010	Grand opening of Beijing Chaoyang Joy City
	Grand opening of Southern Tower of Phase 1 of Shanghai Joy City ⁽¹⁾
2011	Grand opening of Tianjin Joy City ⁽²⁾
2014	Grand opening of Yantai Joy City

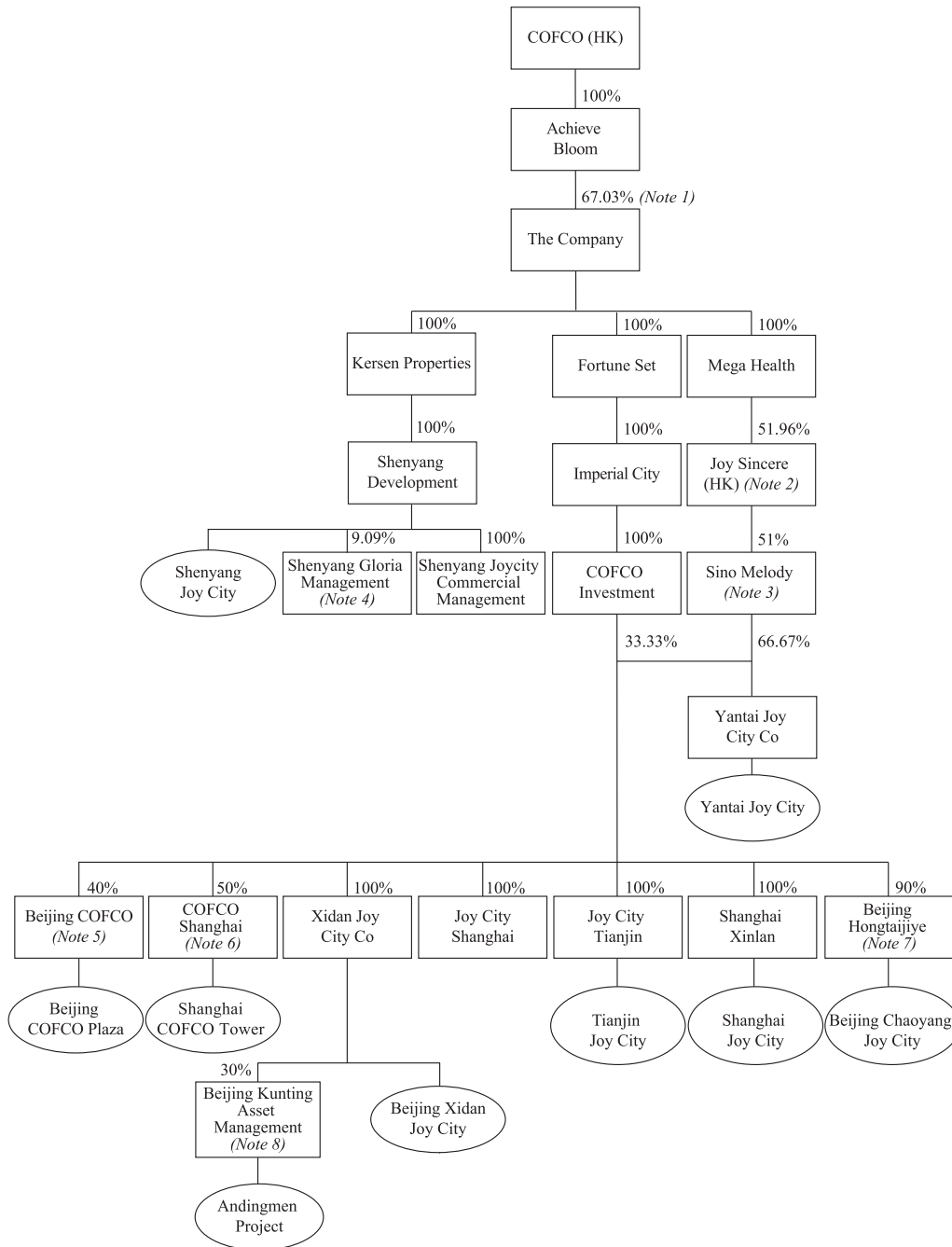
Notes:

- (1) As at 30 June 2014, Northern Tower of Phase 1 and Phase 2 of Shanghai Joy City was still under development.
- (2) As at 30 June 2014, the office space of Tianjin Joy City was still under development.

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CORPORATE CHART OF THE TARGET GROUP

The corporate structure of the Target Companies upon Completion is illustrated below:



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Notes:

- (1) Without taking into account the potential dilution effect of the Placing(s) and the impact of the COFCO Share Subscription, if they are materialised.
- (2) The remaining approximately 48.04% of the share capital in Joy Sincere (HK) is owned by the Investor, an independent overseas investment fund which is an independent third party of the Company as at the Latest Practicable Date.
- (3) The remaining 49% of the share capital in Sino Melody is owned by the Investor, an independent overseas investment fund which is an independent third party of the Company as at the Latest Practicable Date.
- (4) The remaining approximately 90.91% of the share capital in Shenyang Gloria Management is owned by Gloria Properties Management Limited (凱萊物業管理有限公司), an indirect wholly-owned subsidiary of the Company. Upon Completion, Shenyang Gloria Management will become an indirect wholly-owned subsidiary of the Company.
- (5) The remaining 60% of the share capital in Beijing COFCO is owned by Top Spring Development (Beijing) Limited (鵬源發展(北京)有限公司), an indirect wholly-owned subsidiary of the Company. Upon Completion, Beijing COFCO will become an indirect wholly-owned subsidiary of the Company.
- (6) The remaining 50% of the share capital in COFCO Shanghai is owned by COFCO (BVI) NO. 94 Limited, a wholly-owned subsidiary of the Company. Upon Completion, COFCO Shanghai will become an indirect wholly-owned subsidiary of the Company.
- (7) The remaining 10% of the share capital in Beijing Hongtaijiye is owned by Beijing Haidian Technology Development Co., Ltd (北京海澱科技發展有限公司), an independent third party of the Company.
- (8) The remaining 70% of the share capital in Beijing Kunting Asset Management is owned by China Native Produce and Animal By-products.

PROPERTY PROJECTS OF THE TARGET GROUP

Overview of the property projects

The Target Group is primarily engaged in the development, operation, sale, leasing and management of mixed-use complex under the flagship brand “Joy City (大悦城)” in five key cities in the PRC, and has a portfolio of six mixed-use complexes property projects located in Beijing, Shenyang, Shanghai, Tianjin and Yantai in the PRC. The Target Group also holds a commercial property project, namely Andingmen Project, and non-controlling interests in two property projects, namely Beijing COFCO Plaza and Shanghai COFCO Tower in which the Group already holds 60% and 50% interests respectively prior to the Acquisition.

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The following tables set out details of the property projects held by the Target Group as at 30 June 2014:

(I) Information relating to the use, GFA and development status as at 30 June 2014 (Note 1)

Projects (Note 2)	Use/Planned Use (Note 3)	Status	Total Site Area (sq.m.)	Total GFA/Estimated total GFA (Note 4) (sq.m.)	Estimated total leasable area (Note 5) (sq.m.)	Estimated total saleable GFA (Note 5) (sq.m.)	Of which was sold	Of which remains unsold	Actual/Expected construction commencement date	Pre-sale commencement date	Actual/Expected construction completion date	Interest attributable to the Target Group (%)	Appraised property value attributable to the Target Group (Note 6) RMB'000	Reference to Valuation Report
Beijing Xidan Joy City (北京西單大悅城)	Retail, office and hotel	Completed	14,541	185,654	68,134 (Note 7)	N/A	N/A	N/A	2005	N/A	2008	100	8,670,600	5, 6, 9, 10, 18
Shenyang Joy City (瀋陽大悅城)	Retail and residential	Completed	50,719	555,146	121,643	199,579	0	103	2002	2003	2012	100	2,629,000	3, 15
Beijing Chaoyang Joy City (北京朝陽大悅城)	Retail and commercial apartment	Completed	58,958	405,570	114,198	64,703	—	—	2008	2009	2010	90	4,888,800	4, 7, 8
Shanghai Joy City (上海大悅城)	Retail, office, residential and serviced apartment	Completed	78,076	457,609	— (Note 8)	— (Note 8)	— (Note 8)	— (Note 8)	Southern Tower of Phase 1 – Fourth quarter of 2010; Northern Tower of Phase 1 – First quarter of 2013	— (Note 7)	Southern Tower of Phase 1 – Second quarter of 2011; Northern Tower of Phase 1 – Fourth quarter of 2015	100	10,903,800	12, 19, 21
Tianjin Joy City (天津大悅城)	Retail office, residential and commercial apartment	Retail and residential space and commercial apartments — completed	77,450	531,349	83,965	89,962 (Note 9)	4,586 (Note 9)	18,786 (Note 9)	2010	2011	Phase 2 – Third quarter of 2014 Retail and residential space and commercial apartments — Third quarter of 2015	100	5,048,700	1, 2, 13, 14, 20
Yantai Joy City (煙台大悅城)	Retail	Completed (Note 10)	40,762	219,964	78,432	N/A	N/A	N/A	2011	N/A	2014	51	796,110	11
Other projects with non-controlling interest														
Beijing COFCO Plaza (北京中糧廣場)	Office and retail	Completed	22,555	118,632	107,989	3,226	—	—	1992	N/A	1996	40	2,004,000	16
Shanghai COFCO Tower (上海中糧大廈)	Office	Completed	3,285	20,606	17,848	N/A	N/A	N/A	1996	N/A	2001	50	176,000	17

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Notes:

- (1) Information (other than the appraised value) set out in this table is based on the Target Group's internal estimates, records and existing project plans as at 30 June 2014 and may be subject to changes. Andingmen Project is still at an early planning stage and the information in relation to this project to the extent available is set out in the paragraph headed "Overview of the property projects" in this section.
- (2) The project names referred to in this circular are the names used, or the Target Group intended to use, for marketing purposes as at the Latest Practicable Date. They shall not be treated as the official names of the projects. Furthermore, the English project names are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translations.
- (3) Planned uses of these projects are based on the Target Group's existing project plans and current intentions and are subject to changes during the course of the development.
- (4) The total GFA or estimated total GFA includes civil defense area for certain property projects.
- (5) The estimated total leasable area and estimated total saleable GFA do not include car parking spaces.
- (6) The values are based on Savills' valuation of the market value attributable to the Target Group of the respective property projects as at 31 August 2014 after deducting the outstanding construction cost and without taking into account any potential title defects of the land and other potential encumbrances, restrictions and outgoings of an onerous nature which could affect the values and may be subject to changes.
- (7) The estimated total leasable area of Beijing Xidan Joy City does not include the hotel with a total GFA of 32,885 sq.m. held for operation.
- (8) As at the date of the Latest Practicable Date, the total leasable area, the total saleable GFA and the pre-sale commencement date of Shanghai Joy City were yet to be determined as some parts of the project were still under development.
- (9) The estimated total saleable GFA of Tianjin Joy City comprises residential space and commercial apartments. As at the Latest Practicable Date, the total saleable GFA of the office space of Tianjin Joy City, which was still under development, was yet to be determined.
- (10) Yantai Joy City opened for business on 6 July 2014.

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(II) Information relating to the development costs and revenue as at 30 June 2014 (Note 1)

Projects (Note 2)	Development costs incurred (RMB million)		Estimated development costs to be paid (RMB million) (Note 3)		Period	Revenue derived from (Note 5)	
	Land cost paid	Construction cost paid (Note 4)	Land cost to be paid	Construction cost to be paid (Note 4)		Sales of properties (RMB'000)	Rental income (RMB'000)
Mixed-use complex projects							
Beijing Xidan Joy City (北京西單大悅城)	1,194	2,286	N/A	N/A	Year ended 31 December 2011	N/A	460,149
					Year ended 31 December 2012	N/A	529,118
					Year ended 31 December 2013	N/A	579,707
					Six months ended 30 June 2014	N/A	324,211
Shenyang Joy City (瀋陽大悅城)	195	2,407	—	129	Year ended 31 December 2011	299,918	96,862
					Year ended 31 December 2012	144,401	116,681
					Year ended 31 December 2013	26,409	100,286
					Six months ended 30 June 2014	—	61,659
Beijing Chaoyang Joy City (北京朝陽大悅城)	691	3,429	N/A	N/A	Year ended 31 December 2011	977,410	219,624
					Year ended 31 December 2012	316,267	237,248
					Year ended 31 December 2013	26,786	340,876
					Six months ended 30 June 2014	—	210,046
Shanghai Joy City (上海大悅城)	6,163	1,796	1,837	6,255	Year ended 31 December 2011	N/A	82,116
					Year ended 31 December 2012	N/A	83,481
					Year ended 31 December 2013	N/A	86,381
					Six months ended 30 June 2014	N/A	41,292
Tianjin Joy City (天津大悅城)	1,019	3,593	—	752	Year ended 31 December 2011	—	—
					Year ended 31 December 2012	320,595	150,373
					Year ended 31 December 2013	1,179,646	197,543
					Six months ended 30 June 2014	211,857	120,618
Yantai Joy City (煙台大悅城)	216	838	—	826	Year ended 31 December 2011	N/A	N/A
					Year ended 31 December 2012	N/A	N/A
					Year ended 31 December 2013	N/A	N/A
					Six months ended 30 June 2014	N/A	N/A
Other projects with non-controlling interest							
Beijing COFCO Plaza (北京中糧廣場)		1,036 (Note 6)		N/A	Year ended 31 December 2011	N/A	177,483
					Year ended 31 December 2012	N/A	179,843
					Year ended 31 December 2013	N/A	199,544
					Six months ended 30 June 2014	N/A	113,662
Shanghai COFCO Tower (上海中糧大廈)		130 (Note 6)		N/A	Year ended 31 December 2011	N/A	13,072
					Year ended 31 December 2012	N/A	13,787
					Year ended 31 December 2013	N/A	15,043
					Six months ended 30 June 2014	N/A	7,474

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Notes:

- (1) Information set out in this table are based on the Target Group's internal estimates, records and existing project plans as at 30 June 2014 and may be subject to changes. Andingmen Project is still at an early planning stage and the information in relation to this project to the extent available is set out in the paragraph headed "Overview of the property projects" in this section.
- (2) The project names referred to in this circular are the names used, or the Target Group intended to use, for marketing purposes as at the Latest Practicable Date. They shall not be treated as the official names of the projects. Furthermore, the English project names are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translations.
- (3) The Target Group intends to finance the future development costs by bank loans, other borrowings and internal cash flows.
- (4) Construction cost includes capitalised interest.
- (5) Apart from revenue derived from sales of properties and rental income, certain projects also generate income from other business activities, including property management and hotel operations.
- (6) The relevant amount represents the original book value of the project.

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Classification and status of the property projects held by the Target Group

The Target Group's property portfolio mainly comprise six mixed-use complex projects and one commercial property project. The Target Group also holds two property projects with non-controlling interests in which the Target Group has a 50% or less interest. The two non-controlling interests projects comprise one mixed-used complex and one commercial property project.

A property project is classified as a mixed-use complex project if it consists of at least two property types such as office(s), shopping mall(s), retail, serviced apartment(s) and/or residential space(s). A commercial property project principally involves the development of commercial properties with the presence of office(s) or shopping mall(s) or serviced apartment(s).

Status of the property projects

The Target Group also categorises its different property projects according to their stage of development. The classification of properties by the Target Group reflects the basis on which it operates its business and may differ from the classification employed by other developers. Each property project or project phase may be subject to the requirement for multiple land use rights certificates, construction land planning permit, construction works commencement permit and construction works planning permit, pre-sale permits and other permits and certificates which may be issued at different times throughout their development.

The Target Group's classification of its properties may be different from the classification of properties in the section headed "Property Valuation of the Target Group" set out in Appendix IV to this circular and the section headed "Accountants' Report on the Target Group" set out in Appendix II to this circular. Both reports, which were prepared in accordance with the relevant professional standards, share many similarities in their treatment of these properties.

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A summary of the differences between the Target Group’s classification of properties and the classification of properties set out in the section headed “Property Valuation of the Target Group” set out in Appendix IV to this circular and the section headed “Accountants’ Report of the Target Group” set out in Appendix II to this circular is set out in the table below:

The Target Group’s classification of properties	Property Valuation of the Target Group	Accountants’ Report on the Target Group
<p>Completed projects</p> <p>A property is treated as completed and held for sale or lease when the completion certificate is received from the relevant local government authorities in respect of the property or construction of all buildings in respect of which has been completed</p>	<p>Group I — Properties held by the Target Group for sale in the PRC</p> <p>Group II — Properties held by the Target Group for owner occupation in the PRC</p> <p>Group III — Properties held by the Target Group for investment in the PRC</p> <p>Group IV — Property held by the Target Group for operation in the PRC</p>	<p>Property held for sale</p> <p>Property, plant and equipment, Land use right</p> <p>Investment properties</p> <p>Property, plant and equipment, Land use right</p>
<p>Projects under construction</p> <p>A property or land parcel is treated as under construction as soon as the construction works commencement permit is received from the relevant local government authority in respect of the property or land parcel but prior to the issuance of the completion certificate</p>	<p>Group V — Properties held by the Target Group under development in the PRC</p>	<p>Investment properties</p>

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The Target Group's classification of properties	Property Valuation of the Target Group	Accountants' Report on the Target Group
Projects held for future development	Group VI — Properties held by the Target Group for future development in the PRC	Properties under development for sale
A property is treated as held for future development if the land use rights certificate(s) is received from the relevant local government authorities in respect of the property, but in each case, construction work has not yet commenced		

The project names referred to in this circular are the names used, or the Target Group intends to use, for marketing purposes as at the Latest Practicable Date. They shall not be treated as the official names of the projects. Furthermore, the English project names are translations of their Chinese names and are included in this circular for identification purposes only, and should not be regarded as their official English translations. Some of the property project names require approval of the relevant authorities and the relevant authorities may not have accepted or may not accept the names the Target Group has used or intends to use as the registered names of the properties. As a result, the actual names registered with the relevant authorities may be different from the names the Target Group has used or intends to use and the names the Target Group uses or intends to use are subject to change.

Description of the property projects of the Target Group

Mixed-use complex projects

(i) *Beijing Xidan Joy City* (北京西單大悅城)



Beijing Xidan Joy City is a mixed-use complex located in the prime location of Xicheng District of Beijing City comprising a shopping mall, a hotel and office space. Beijing Xidan Joy City also includes restaurants, car parking spaces and other entertainment and recreational facilities. This project is well-connected to transportation networks in proximity to the Xidan metro station of the Beijing metro system and various bus stops.

Construction of this project was completed in January 2008. As at 30 June 2014, this project occupied a total site area of 14,541 sq.m., with a total GFA of 185,654 sq.m.. As at the same date, this project had a total leasable area of 68,134 sq.m., which comprises retail space with a leasable area of 53,012 sq.m. and office space with a leasable area of 15,122 sq.m.. This project also had a 11-storey hotel with a total GFA of 32,885 sq.m. held for operation and more than 900 car parking spaces.

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The following table shows details of the retail space and office space for lease and the hotel of Beijing Xidan Joy City for the period indicated.

	Average rental rate or REVPAR				Occupancy rate			
	2011	2012	2013	2014 1H	2011	2012	2013	2014 1H
	<i>(RMB/sq.m./day or RMB/room/day)</i>				<i>(%)</i>			
Retail space	23.4	26.7	28.8	32.7	98%	99%	98%	99%
Office space	5.3	5.7	8.1	9.0	99%	90%	94%	98%
Hotel	468.4	509.5	506.4	454.9	76%	78%	76%	71%

Beijing Xidan Joy City is owned and developed by the project company Xidan Joy City Co. As at 30 June 2014, the total development costs incurred in relation to the development of this project amounted to approximately RMB3,480 million.

(ii) *Shenyang Joy City (瀋陽大悅城)*



Shenyang Joy City is a mixed-use complex located in Dadong District of Shenyang City which includes a shopping street, which is one of the most famous commercial streets in the PRC, and various spaces for dining, entertainment, culture and leisure. The Shenyang Joy City project also includes residential units for sale, car parking spaces and other recreational facilities. The project is well-connected to transportation networks in proximity to the Dongzhong Street metro station of the Shenyang metro system and various bus stops.

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Construction of this project was completed in December 2011. As at 30 June 2014, the project occupied a total site area of 50,719 sq.m., with a total GFA of 555,146 sq.m.. As at the same date, this project had a total leasable area and saleable GFA of 321,222 sq.m., which comprises retail space with a total leasable area of 121,643 sq.m. and residential space with a total saleable GFA of 199,682 sq.m.. It also had more than 950 car parking spaces.

The following table shows details of the retail space for lease and the residential space for sale of Shenyang Joy City for the period indicated.

	Average rental rate				Occupancy rate				Average selling price			
	2011	2012	2013	2014 1H	2011	2012	2013	2014 1H	2011	2012	2013	2014 1H
	(RMB/sq.m./day)				(%)				(RMB/sq.m.)			
Retail space	3.0	3.6	3.4	3.5	72%	72%	67%	84%	—	—	—	—
Residential space	—	—	—	—	—	—	—	—	11,006	11,180	9,281	—

Shenyang Joy City is owned and developed by the project company Shenyang Development. As at 30 June 2014, the total development costs incurred in relation to the development of this project amounted to approximately RMB2,602 million.

(iii) *Beijing Chaoyang Joy City* (北京朝陽大悅城)



Beijing Chaoyang Joy City is a mixed-use complex located in the prime location of Chaoyang District of Beijing City comprising commercial apartments and retail space. This project is well-connected to transportation networks being in proximity to the Youth Road metro station of the Beijing metro system and various bus stops.

BUSINESS OF THE TARGET GROUP

Construction of this project was completed in August 2010. As at 30 June 2014, this project occupied a total site area of 58,958 sq.m., with a total GFA of 405,570 sq.m.. As at the same date, this project had a total leasable area and saleable GFA of 178,901 sq.m., which comprises retail space with a total leasable area of 114,198 sq.m., and commercial apartments with a total saleable GFA of 64,703 sq.m.. It also had more than 2,100 car parking spaces.

The following table shows details of the retail space for lease and the commercial apartments for sale of Beijing Chaoyang Joy City for the period indicated.

	Average rental rate				Occupancy rate				Average selling price			
	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
				1H				1H				1H
	(RMB/sq.m./day)				(%)				(RMB/sq.m.)			
Retail space	5.4	6.5	8.4	10.3	95%	90%	99%	97%	—	—	—	—
Commercial apartments	—	—	—	—	—	—	—	—	28,450	29,198	26,648	—

Beijing Chaoyang Joy City is owned and developed by the project company Beijing Hongtaijiye. As at 30 June 2014, the total development costs incurred in relation to the development of this project amounted to approximately RMB4,120 million.

(iv) *Shanghai Joy City (上海大悦城)*



Shanghai Joy City is a mixed-use complex located in the central residential district of Shanghai City comprising shopping malls, office and residential spaces and serviced apartments, coupled with restaurants, car parking spaces and other recreational facilities. This project is well-connected to transportation networks being in proximity to the interchange metro station of routes no. 8 and no. 12 of the Shanghai metro system and various bus stops.

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As at 30 June 2014, this project occupied a total site area of 78,076 sq.m. with an estimated total GFA of 437,609 sq.m.. This project will be developed in two phases. Southern Tower of Phase 1, completed in May 2011, comprises a 11-storey shopping mall and one underground storey for commercial use with a total GFA of 63,922 sq.m. and over 140 car parking spaces.

The following table shows details of the retail space for lease of the Southern Tower of Phase 1 of Shanghai Joy City for the period indicated.

	Average rental rate				Occupancy rate			
	2011	2012	2013	2014 1H	2011	2012	2013	2014 1H
	<i>(RMB/sq.m./day)</i>				<i>(%)</i>			
Retail space	8.0	8.2	8.7	8.2	99%	97%	98%	98%

As at 30 June 2014, Northern Tower of Phase 1 and Phase 2 of Shanghai Joy City were still under development. Northern Tower of Phase 1 is expected to comprise an 8-storey shopping mall with an estimated total GFA of 95,217 sq.m. and over 200 car parking spaces. Phase 2 is expected to have an estimated total GFA of 278,470 sq.m., comprising a 42-storey office building, a 3-storey building for serviced apartments, a 28-storey residential building, retail space, a club house and over 2,000 car parking spaces. As at 30 June 2014, the total leasable area and total saleable GFA of Shanghai Joy City were yet to be determined as some parts of the project were still under development.

Shanghai Joy City is owned and developed by the project company Shanghai Xinlan. As at 30 June 2014, the total development costs incurred in relation to the development of this project amounted to approximately RMB7,959 million.

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(v) *Tianjin Joy City* (天津大悦城)



Tianjin Joy City is a mixed-use complex located in the central residential district of Tianjin City comprising a shopping mall, office space, residential space and commercial apartments. Tianjin Joy City offers a variety of facilities and amenities including restaurants, a theatre, car parking spaces and other recreational and entertainment facilities. This project is well-connected to transportation networks, being in proximity to the Gulou metro station of the Tianjin metro system and various bus stops.

As at 30 June 2014, this project occupied a total site area of 77,450 sq.m. with an estimated total GFA of 531,369 sq.m.. The retail and residential spaces and commercial apartments of the project were completed, while the office space was still under development.

Based on the internal estimates, records and existing project plans as at 30 June 2014, the completed portion of this project had a total leasable area and saleable GFA of 197,299 sq.m., which comprises (i) retail space with a total leasable area of 82,522 sq.m., (ii) ancillary retail shops with a total leasable area of 1,443 sq.m., (iii) residential space with a total saleable GFA of 67,248 sq.m., and (iv) commercial apartments with a total saleable GFA of 46,086 sq.m. As at 30 June 2014, the office space which was still under development had an estimated total GFA of 63,935 sq.m.. This project also had more than 2,900 car parking spaces.

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The following table shows details of the retail space for lease, the residential space and commercial apartments for sale of Tianjin Joy City for the period indicated.

	Average rental rate				Occupancy rate				Average selling price			
				2014				2014				2014
	2011	2012	2013	1H	2011	2012	2013	1H	2011	2012	2013	1H
	(RMB/sq.m./day)				(%)				(RMB/sq.m.)			
Retail space	—	5.9	7.1	8.2	—	84%	95%	98%	—	—	—	—
Commercial apartments	—	—	—	—	—	—	—	—	—	—	15,589	16,234
Residential space	—	—	—	—	—	—	—	—	—	18,641	20,863	23,011

Tianjin Joy City is owned and developed by the project company Joy City Tianjin. As at 30 June 2014, the total development costs incurred in relation to the development of this project amounted to approximately RMB4,612 million.

(vi) *Yantai Joy City* (煙台大悅城)



Yantai Joy City is a mixed-use complex located in Zhifu District of Yantai City comprising a shopping mall, car parking spaces and recreational facilities. This project is well-connected to transportation networks in proximity to the planned metro station of the Yantai metro system, Yantai train station and various bus stops.

This project opened for business in July 2014. As at 30 June 2014, this project occupied a total site area of 40,762 sq.m. with a total GFA of 219,964 sq.m..

Yantai Joy City is owned and developed by the project company Yantai Joy City Co., in which an independent overseas investment fund owns an indirect non-controlling interest. As at 30 June 2014, the total development costs incurred in relation to the development of this project amounted to approximately RMB1,054 million.

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The Target Group granted a tag along right in relation to Yantai Joy City which has been not been exercised by the holder of such right. Please refer to the section headed “Letter from the Board — Tag Along Rights in relation to Yantai Joy City” in this circular for further details.

Commercial property project

(i) *Andingmen Project (安定門項目)*

Andingmen Project is expected to be developed into a commercial property located in Dongcheng District of Beijing. This project is well-connected to transportation networks and is located in proximity to the entrance of Andingmen subway station of No. 2 subway line of the Beijing metro system.

As at 30 June 2014, this project occupied a total site area of 13,030 sq.m., with an estimated total GFA of 102,390 sq.m.. This project is still at an early planning stage and as at the Latest Practicable Date, there was no estimate or plan in respect of the construction period of this project.

This project is currently owned and developed by the project company Beijing Kunting Asset Management. Xidan Joy City Co, a member of the Target Group, holds 30% equity interest in Beijing Kunting Asset Management, and the remaining 70% equity interest is held by China Native Produce and Animal By-products. China Native Produce and Animal By-products had provided an undertaking in favour of Xidan Joy City Co, that it will exercise its voting rights on all matters to be approved in the board meetings and shareholders’ meetings of Beijing Kunting Asset Management in accordance with Xidan Joy City Co’s instructions. As such, the Target Group has control on Beijing Kunting Asset Management and Beijing Kunting Asset Management is a subsidiary of the Target Group, while Xidan Joy City Co and China Native Produce and Animal By-products share the economic interests of Beijing Kunting Asset Management as to 30% and 70%, respectively.

As the Call Options were only granted for the interests in the Joy City Projects, the 70% equity interest in Beijing Kunting Asset Management held by China Native Produce and Animal By-Products is not subject to the Call Options. The Company has been in discussions with China Native Produce and Animal By-products on the potential acquisition of the remaining 70% equity interest in Beijing Kunting Asset Management. The terms of the proposed acquisition, including the consideration, pricing basis and time schedule, are subject to further discussions between the Target Group and China Native Produce and Animal By-Products. As at the Latest Practicable Date, no definite agreement has yet been agreed with China Native Produce and Animal By-products. The Company shall ensure that the applicable requirements of the Listing Rules are complied with if the Company enters into a definite agreement for the acquisition of equity interest in Beijing Kunting Asset Management.

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As disclosed on page 296 of the 2013 Circular, certain property projects held by the COFCO Group were not injected into the Group at the relevant time as they were non-core mixed-use complexes and commercial properties with old buildings or mixed-used complexes with outdated facilities, amongst which is the Sanli Building located in Andingmen, Beijing. The Andingmen Project is located on the same parcel of land of Sanli Building, and is planned to be developed into a commercial building after the old building of Sanli Building is demolished.

Notwithstanding that COFCO Corporation signed a deed of non-competition in favour of the Group on 29 November 2013, as COFCO Group was already holding the property project in Sanli Building (the original property site of Andingmen Project) at the time it signed the deed of non-competition, the Andingmen Project fell within the exception in the deed of non-competition and therefore the interest in the Andingmen Project held by the COFCO Group did not constitute a breach of the deed of non-competition given by COFCO Corporation.

Property projects in which the Target Group has a non-controlling interest

(i) *Beijing COFCO Plaza (北京中糧廣場)*

The Beijing COFCO Plaza is a mixed-use complex comprising offices and a shopping mall located in the heart of Beijing facing Chang An Avenue and near the entrances of Jianguomen subway station of No. 1 subway line and Beijing station of No. 2 subway line of the Beijing metro system. This project comprises two office buildings and a shopping mall. The office buildings of the Beijing COFCO Plaza have successfully attracted a number of sizeable local and overseas banks and corporations as tenants. The shopping mall of Beijing COFCO Plaza is a renowned centre for luxury furniture with a number of high-end furniture brands as its tenants.

Construction of this project was completed in 1996. As at 30 June 2014, this project occupied a total site area of 22,555 sq.m., with a total GFA of 118,632 sq.m.. As at the same date, this project had a total leasable area of 107,989 sq.m., which comprises office space with a total leasable area of 61,880 sq.m. and retail spaces with a total leasable area of 46,109 sq.m.. This project also had office space with a total saleable GFA of 3,226 sq.m. which had been sold in 1998 and 2000. It also had more than 300 parking spaces.

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The following table shows details of the office space and retail space for lease of Beijing COFCO Plaza for the period indicated.

	Average rental rate				Occupancy rate			
	2011	2012	2013	2014 1H	2011	2012	2013	2014 1H
	<i>(RMB/sq.m./day)</i>				<i>(%)</i>			
Retail space	4.3	4.6	4.1	4.2	94%	88%	89%	86%
Office space	5.0	5.4	7.6	8.6	96%	92%	83%	87%

This project is currently held by the project company Beijing COFCO. The total development costs incurred in relation to the development of this project amounted to approximately RMB1,036 million as at 30 June 2014.

The Group is currently holding 60% of the equity interest of Beijing COFCO. Upon acquisition of the non-controlling interest of Beijing COFCO held by the Target Group, the Enlarged Group will be holding the entire interest of Beijing COFCO Plaza.

(ii) *Shanghai COFCO Tower (上海中糧大廈)*

Shanghai COFCO Tower is an office tower in close proximity to the newly emerging commercial centre in Shanghai — Xujiahui. Construction of this project was completed in 2001. As at 30 June 2014, this project occupied a total site area of 3,285 sq.m., with a total GFA of 20,606 sq.m.. As at the same date, this project had a total leasable area of 17,848 sq.m., all of which was office space. It also had more than 60 car parking spaces.

The following table shows details of the office space for lease of Shanghai COFCO Tower for the period indicated.

	Average rental rate				Occupancy rate			
	2011	2012	2013	2014 1H	2011	2012	2013	2014 1H
	<i>(RMB/sq.m./day)</i>				<i>(%)</i>			
Office space	2.1	2.2	2.3	2.4	98%	95%	100%	96%

Shanghai COFCO Tower is held and developed by the project company COFCO Shanghai. The total development costs incurred in relation to the development of this project amounted to approximately RMB130 million as at 30 June 2014.

The Group is currently holding 50% of the equity interest of COFCO Shanghai. Upon acquisition of the non-controlling interest of COFCO Shanghai held by the Target Group, the Enlarged Group will be holding the entire interest of Shanghai COFCO Tower. As the Company will focus on the development and management of mixed-use complexes under the well-developed

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flagship brand “Joy City (大悦城)” after the Acquisition, it will continue to refine its property portfolio in line with its business strategy from time to time, including the disposal of certain non-core property projects such as office buildings and residential units held by it. Shanghai COFCO Tower is a commercial property with a single office tower which completed construction in 2001. Having considered the ranking and positioning of Shanghai COFCO Tower, its current condition and the maintenance cost, and the anticipated future return from this property project, the Company considers it in the interest of the Group to dispose of its interest in Shanghai COFCO Tower in order for the Group to deploy its resources on its core business projects. The Group and the Target Group have commenced the preliminary procedures for the proposed disposal of the entire equity interest in COFCO Shanghai to independent third party purchaser by way of public auction, and expect to enter into agreement(s) for the disposal of its respective 50% equity interest in COFCO Shanghai by the end of 2015. Based on the size of COFCO Shanghai and the expected transaction terms, it is expected that the proposed disposal of COFCO Shanghai will not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, no definite agreement has yet been entered into by the Group or the Target Group with respect to the equity interest in COFCO Shanghai. The Company shall make a further announcement to inform the Shareholder of the status of the proposed disposal of COFCO Shanghai on or around the Completion Date.

FINANCING OF THE JOY CITY PROJECTS

The Target Group generally finances its property projects through capital contribution from shareholders, bank loans, other borrowings and internal cash flows. The Target Group will generally take into account a number of factors including availability of internal resources, cost of financing and cash inflow from its operating activities from time to time, for the purpose of determining whether and when external financing should be sought. While the relevant loan documents are generally entered into by the relevant project companies, for the purpose of centralising and standardising the management functions, it is expected that the negotiation of bank loans and other financing arrangements in relation to the Target Group’s property projects will be consolidated with and be conducted by the central management of the Group upon Completion.

Proceeds from pre-sale activities form an integral source of operating cash inflows during the project development stage. According to the PRC laws, the Target Group may pre-sell properties under construction after certain criteria are met and the pre-sale permit is obtained. Under the current PRC laws and regulations, property developers must fulfil certain conditions (including obtaining pre-sale permit) before they can commence pre-sale of the relevant properties and may only use pre-sale proceeds to finance the development of such properties.

To the extent necessary and subject to the guidelines issued by CBRC, the Target Group also finances some of its projects through external borrowings from bank loans. As at 30 September 2014 (being the latest practicable date for the purpose of determining indebtedness), the Target Group’s total outstanding bank borrowings amounted to approximately RMB10,279.6 million.

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Please refer to the section headed “Financial Information of the Target Group — Indebtedness” in this circular for further details. During the Relevant Period and up to the Latest Practicable Date, there had been no material default of any of the bank loans by the Target Group.

The Target Group has also been benefitting from loans provided by the COFCO Corporation and certain of its subsidiaries for the funding of the its projects during the Relevant Period. As at 30 September 2014 (being the latest practicable date for the purpose of determining indebtedness), the Target Group had aggregate outstanding loans of approximately RMB5,263.8 million owed to the COFCO Corporation and certain of its subsidiaries. Pursuant to the Perpetual Loan Agreement, amongst the borrowings provided by COFCO Group, approximately RMB3,768.0 million was repaid and replaced by the Perpetual Loan in October 2014. Please see the sections headed “Financial Information of the Target Group — Indebtedness” and “Continuing Connected Transactions — Exempt Continuing Connected Transactions — Financial assistance from COFCO Group to the Target Group” in this circular for further details of the Perpetual Loan and the borrowings and advance from COFCO Group.

PROJECT MANAGEMENT

The Target Group adopts a standardised management and reporting structure and project management process, with certain key planning and long-term development strategies of the various mixed-use complex projects carried out by the central management of the Target Group. Notwithstanding that the Company does not have interests in the Joy City Projects held by the Target Group prior to the completion of the Acquisition, the Group has been actively managing the operations of the relevant Joy City Projects (other than Shenyang Joy City) pursuant to the Joy City Projects Entrustment Contracts, and has been providing project consultation and property management services to the Joy City Projects in their various development stages pursuant to the property management services agreements. Upon completion of the Acquisition, the central management of the Enlarged Group shall review and decide on key strategies and actions of the Joy City Projects as well as to continue to manage the Joy City Projects in accordance with the relevant property management services agreements.

Central management and the management of the respective mixed-use complexes

The Target Group was engaged in the development, operation, sale, leasing and management of mixed-use complexes and commercial properties which comprise different property types such as office(s), shopping mall(s), retail, serviced apartment(s) and/or residential space(s). Notwithstanding the various properties types developed by the Target Group in its mixed-use complex projects, the Target Group adopts a standardised management and reporting structure and project management process, which are summarised below.

The Target Group generally conducts its project development, primary development of land parcels and property management operations through its project companies, being the PRC subsidiaries of the Target Group which are responsible for the daily operations of the respective mixed-use complex projects. The typical activities carried out by these project companies include, among others, the implementation of the project design management, pre-construction planning,

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construction management, quality control, presale activities, leasing, sales, marketing, completion and delivery of completed properties, tenant management, primary development of land parcels and property management. These project companies generally establish their own project development, finance, human resources, planning and design, construction and procurement, budget, marketing and sales, leasing, safety and environmental protection and leasing operations departments. These departments are supported and monitored by and report to the central management of the Target Group.

While the project companies are responsible for the day-to-day running of the relevant projects, certain key planning and long-term development strategies of the various mixed-use complex projects held by the Target Group, such as the market research relating to target location and potential projects, positioning and commercial assessment, land acquisition operations and project financing, are carried out by the central management of the Target Group. Upon Completion, for the purpose of centralising and standardising the management functions of the Enlarged Group, it is expected that the above central management of the Target Group will be consolidated with and be conducted by the central management of the Group upon Completion. Going forward, the central management of the Enlarged Group (including the senior management of the project companies) through holding regular discussions or meetings, shall review and decide on key strategies and actions as well as consider and approve overall planning and proposals submitted to them by the project companies.

Entrustment arrangements for the Joy City Projects

In connection with the grant of the Call Options to the Company, the Company has entered into the Joy City Projects Entrustment Contracts with certain members of the Target Group holding the respective Joy City Projects, pursuant to which the Company was granted the right to manage these companies and the relevant Joy City Projects (excluding Shenyang Joy City) with effect from the completion date of the Company's acquisition of the commercial property portfolio from COFCO Corporation as disclosed in the 2013 Circular, and until 31 December 2015 (subject to renewal). Details of the Joy City Projects Entrustment Contracts are set out below:

Relevant member of the Target Group	Joy City Projects entrusted to the Group
Joy City (Tianjin)	Tianjin Joy City
Shanghai Xinlan	Shanghai Joy City
Beijing Hongtaijiye	Beijing Chaoyang Joy City
Xidan Joy City Co	Beijing Xidan Joy City
Yantai Joy City Co	Yantai Joy City

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Pursuant to the Joy City Projects Entrustment Contracts, the relevant members of the Target Group holding the Joy City Projects (other than Shenyang Joy City) had entrusted the Group to operate and manage their respective businesses and underlying assets (including the relevant Joy City Projects) and the Group has day-to-day management rights and full discretion to deal with the operational matters of each of such companies and the relevant Joy City Project. Since December 2013, the Group has been actively managing the operations of the relevant Joy City Projects (other than Shenyang Joy City) in accordance with the Joy City Projects Entrustment Contracts, and its rights include but are not limited to:

- (a) determining business development and operation policies, and implementing annual business plans;
- (b) project construction management;
- (c) cost management;
- (d) financial management; and
- (e) sales and operations management.

Notwithstanding the above entrustment arrangements, pursuant to the Joy City Projects Entrustment Contracts, the relevant member of the Target Group are entitled to retain all revenue and profits and is responsible for all the losses and risks arising from the respective businesses and operations of the relevant Joy City Project prior to the completion of the Acquisition. Each relevant member of the Target Group had pay an entrustment fee of RMB500,000 per annum for the services provided by the Group under the relevant Joy City Projects Entrustment Contract.

For further details of the background to and reasons for the entrustment arrangements under the Joy City Projects Entrustment Contracts, please refer to the sections headed “Relationship with Controlling Shareholders — Property projects retained by COFCO Corporation and its other subsidiaries — Properties subject to the Call Options — the Retained Joy City Projects”, “Relationship with Controlling Shareholders — Measures to minimise future potential competition among the Enlarged Group, COFCO Corporation and COFCO Property — Call Options to acquire the Retained Joy City Projects”, “Relationship with Controlling Shareholders — Measures to minimise future potential competition among the Enlarged Group, COFCO Corporation and COFCO Property — Entrustment arrangements for Retained Joy City Projects” and “Continuing Connected Transactions — Non-Exempt Continuing Connected Transactions — (b) Provision of project consultation, property management and hotel management services” of the 2013 Circular.

Pursuant to the Joy City Projects Entrustment Contracts, if any of the Joy City Projects is acquired by the Group pursuant to the exercise of the Call Option during the term of the Joy City Projects Entrustment Contracts, the relevant contract will be terminated upon completion of the acquisition of the relevant Joy City Project. In accordance with the terms of the Joy City Projects Entrustment Contracts, the respective contracts will be terminated immediately upon Completion. The Group, as the then owner of the Joy City Projects, will continue to have full operation and management control over the Joy City Projects upon Completion.

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In respect of Shenyang Joy City, it shall continue to be entrusted to COFCO Property pursuant to the existing entrusted operation and management contract dated 26 September 2012 between COFCO Property and Shenyang Development. Such existing entrustment arrangement will expire in September 2015 and COFCO Corporation has no intention to renew such arrangement with COFCO Property upon its expiry. Upon expiry of the aforesaid entrusted operation and management contract in September 2015, the Group shall have full management control on Shenyang Joy City.

Provision of project consultation and property management services by the Group

Beijing Gloria Management, a subsidiary of the Company, has been providing project consultation and property management services for the Group's own property projects, as well as property projects of the COFCO Group and to other external customers. In its ordinary and usual course of business, Beijing Gloria Management has entered into project consultation and property management agreements with certain members of the Target Group, pursuant to which the Group provides project consultation and property management services to the property projects owned and developed by the Target Group.

Relevant member of the Target Group	Property management services provided by the Group to the Target Group
Joy City Tianjin	Provision of project consultation and property management services for Tianjin Joy City
Shanghai Xinlan	Provision of property management services for Shanghai Joy City
Beijing Hongtaijiye	Provision of property management services for Beijing Chaoyang Joy City and its residential units Joy City Residence (大悦公寓)
Xidan Joy City Co	Provision of property management services for Beijing Xidan Joy City
Yantai Joy City Co	Provision of project consultation services for Yantai Joy City
COFCO Shanghai (<i>Note 1</i>)	Provision of property management services for Shanghai COFCO Tower
Beijing COFCO (<i>Note 2</i>)	Provision of property management services for Beijing COFCO Plaza

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Notes:

1. COFCO Shanghai is a non-controlling associate of the Group, which is owned as to 50% by the Group and 50% by COFCO Investment, a member of the Target Group. The Group has been providing property management services for Shanghai COFCO Tower, a non-controlling property projects of the Target Group, through the relevant management service agreements entered into with COFCO Shanghai. Upon Completion and prior to the disposal of the equity interest in COFCO Shanghai by the Group and the Target Group, COFCO Shanghai will become an indirect wholly-owned subsidiary of the Company.
2. Beijing COFCO is a non-wholly owned subsidiary of the Group, which is owned as to 60% by the Group and 40% by COFCO Investment, a member of the Target Group. The Group has been providing property management services for Beijing COFCO Plaza, a minority-held property projects of the Target Group, through the relevant management service agreements entered into with Beijing COFCO. Upon Completion, Beijing COFCO will become an indirect wholly-owned subsidiary of the Company.

The relevant project consultation and property management agreements entered into between Beijing Gloria Management and the relevant member of the Target Group are subject to the general terms and conditions of the Master Property Management Agreement, and have been entered into on normal commercial terms and the relevant management and service fees have been agreed and determined on an arm's length basis between the relevant parties. For further details of the project consultation and property management services provided by the Group to the Target Group, the terms of the Master Property Management Agreement and the relevant project consultation and property management services agreements relating to the management of the property projects held by the Target Group, please refer to the section headed "Continuing Connected Transactions — Non-Exempt Continuing Connected Transactions — (b) Provision of project consultation, property management and hotel management services" of the 2013 Circular.

Upon Completion, the Group will continue to provide the project consultation and property management services to the Joy City Projects and other property projects held by the Target Group in accordance with the terms and conditions of the relevant project consultation and property management agreements entered into between Beijing Gloria Management and the relevant members of the Target Group.

COMPETITION

The commercial property market in the PRC is highly fragmented. The existing and potential competitors of the Target Group include major domestic developers in the PRC who develop and operate property projects in nearby locations. The Directors believes that the principal competitive factor in the commercial property market are operation and management capability and experience of the management team. Other competitive factors applicable to the commercial property markets include branding, financial resources, location, pricing and quality of properties. In view of the limited supply of developable sites in areas where the Target Group's mixed-use complex projects are located such as the city centre of Beijing, Shanghai and Tianjin, the Directors believe that one of the major barriers for potential competitors would be their limited access to land banks in prime locations with investment value. Other entry barriers include limited knowledge of local property market conditions, limited brand recognition and availability of financial resources.

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INSURANCE

There are no mandatory provisions under the relevant PRC laws, regulations or rules which require a real estate developer to take out insurance policies for its real estate development projects. The Target Group typically maintains property all risk insurance as well as construction works all liability insurance and third party liability insurance covering its employees and third parties engaged by it to work at construction sites. Under the construction agreements entered into between the Target Group and its contractors, the contractors are generally required to maintain construction accident and personal injury insurance for their construction workers.

The Directors are of the view that the existing insurance coverage maintained by the Target Group is in line with market practice and industry norms, and is adequate for the operations of the Target Group. Nevertheless, the Target Group may not have sufficient insurance coverage for all types of losses, damages or liabilities that may arise in the course of its business operations. Please refer to the section headed “Risk Factors — Risks relating to the business of the Target Group— The Target Group may be exposed to certain risks that are not covered by its insurance” in this circular for further details.

INTELLECTUAL PROPERTY

The majority of the mixed-use complex projects developed by the Target Group are currently and will continue to be developed and marketed under the “Joy City (大悦城)” brand. As such, the Target Group uses the “Joy City (大悦城)” brand and trademarks for its properties development businesses.

On 29 November 2013, COFCO Corporation and the Company entered into the Trademark Licence Agreement (as defined in the 2013 Circular) pursuant to which COFCO Corporation granted licences to the Group to use certain trademarks bearing the “COFCO (中糧)” and “Joy City (大悦城)” brands on a royalty-free basis from the completion date of the Company’s acquisition of the commercial property portfolio from COFCO Corporation as disclosed in the 2013 Circular, until 31 December 2015. Please refer to the section headed “Statutory and General Information — Further information about the Target Group — Intellectual property rights of the Enlarged Group — Trademarks licensed by the COFCO Group” set out in Appendix VIII to the 2013 Circular for further details of the trademarks licensed by the COFCO Group to the Group pursuant to the Trademark Licence Agreement. Upon Completion, the Enlarged Group will continue to develop and market the Joy City Projects under the “Joy City (大悦城)” brands, leveraging on the “Joy City (大悦城)” trademarks being licensed by COFCO Corporation to it pursuant to the Trademark Licence Agreement.

As at the Latest Practicable Date, the Target Group was not aware of any material infringement (i) by it of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by it.

SAFETY AND ENVIRONMENTAL MATTERS

The Target Group is subject to the PRC laws and regulations regarding labour, safety and work-related incidents and protection of the environment. The Target Group has retained sufficient employees with relevant qualifications and experience on safety and environmental protection. To ensure compliance with these laws and regulations, the Target Group has a series of safety policies and systems in place to deal with safety and environmental issues covering different stages of operation. Moreover, construction or development works with high safety risks are being identified, and specific management systems to regulate the conduct of these high risk works are in place for the purpose of reducing any risk of injury or death. Specific measures implemented by the Target Group to promote occupational health and safety and environmental protection are detailed below.

Occupational health and safety

Pursuant to the relevant laws and regulations in the PRC, the Target Group is required to pay contributions for basic medical insurance, pension insurance, maternity insurance, unemployment insurance and personal injury insurance as well as to housing funds for its employees. Further, the Target Group provides safety training relating to safety management, operations at construction sites and high risk work for all of its employees.

During the Relevant Period and up to the Latest Practicable Date, the Target Group had been in compliance with the applicable PRC labour and safety regulations in all material respects and had not had any incident or complaint which had a material adverse effect on its operations, and there had been no major accident that had resulted in the death or serious injury of any employee of the Target Group.

Environmental matters

Depending on a number of factors such as location, environmental factors associated with the relevant project, construction, operations and current and future uses of the relevant land parcels and properties, the specific environmental laws and regulations that apply would vary from project to project. Pursuant to these laws and regulations, each property development project is required to undergo environmental impact assessments. An environmental impact assessment document must be submitted by the property developer before the relevant authority grants a permit for commencement of construction work on the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with applicable environmental standards and regulations before the property can be delivered to the purchaser.

Safety and environmental impact assessments and studies are carried out by the Target Group in respect of each new project to be launched by the Target Group for the purpose of identifying potential sources of pollution and eliminating any potential adverse environmental impact and risk, and to ensure compliance with relevant environmental laws and regulations at the outset. During the Relevant Period and up to the Latest Practicable Date, all projects of the Target Group had been in compliance with the applicable PRC environmental laws and regulations in all material respects.

BUSINESS OF THE TARGET GROUP

EMPLOYEES

The Target Group mainly recruits its employees based on the relevant requirements of the position and the relevant property projects, the experience and qualifications of the employee and prevailing market conditions at the relevant time. As at 31 August 2014, the Target Group has approximately 1,588 full-time employees.

A breakdown of the Target Group's full-time employees by the respective member as at 31 August 2014 is set out below:

	Member of the Target Group (Note 1)	Number of employees
Beijing	COFCO Investment	268
	Beijing COFCO	51
	Xidan Joy City Co	137
	Beijing Kunting Asset Management	25
	Beijing Hongtaijiye	205
Shanghai	Shanghai Xinlan	154
Tianjin	Joy City Tianjin	253
Yantai	Yantai Joy City Co	175
Shenyang	Shenyang Development	318

Note 1: Excluding the overseas investment holding companies that do not have substantive business activities other than investment holding and certain PRC subsidiaries that do not have substantive business activities.

The remuneration of the employees includes basic salaries, discretionary bonuses, performance-based rewards, housing and other allowances and retirement benefit scheme contributions. The Target Group had complied with applicable laws and regulations relating to the registration of social insurance and housing fund in the PRC in all material respects during the Relevant Period and up to the Latest Practicable Date.

LEGAL PROCEEDINGS

The Target Group is occasionally subject to legal or arbitration proceedings in its ordinary course of business as a property developer in the PRC. During the Relevant Period and up to the Latest Practicable Date, no member of the Target Group had engaged in any litigation, arbitration or claim of material importance, and no such litigation, arbitration or claim of material importance are pending or threatened by or against the Target Group that would have a material adverse impact on the Target Group's business, operations and prospects.

BUSINESS OF THE TARGET GROUP

REGULATORY COMPLIANCE

The following table summarises the details of certain non-compliance incidents of the Target Group during the Relevant Period and up to the Latest Practicable Date:

No.	Entity name	Relevant property project	Description and nature of non-compliance incident	Legal consequence, potential maximum penalties	Remedial actions
1	Beijing Hongtaijiye	Chaoyang Joy City	Failure to adhere to the planning conditions of the relevant construction works planning permit in respect of the shopping mall	A fine of up to 10% of the construction cost of the construction work, demolition of the relevant property and confiscation of illegal revenue	Indemnity from COFCO Corporation
2	Shenyang Development	Shenyang Joy City	Actual GFA of Block A exceeded the permitted GFA under the relevant construction works planning permit	A fine of up to 10% of the construction cost of the construction work, demolition of the relevant property and confiscation of illegal revenue	Continue undergoing the necessary procedures to alter the planning permit; to sign supplemental land use rights grant contract with relevant authority and settle the additional land premium Indemnity from COFCO Corporation

An extra storey was constructed on top of the shopping mall of the Chaoyang Joy City, which was not compliant with the planning conditions of the relevant construction works planning permit. As advised by the PRC legal advisers to the Company, a fine of up to 10% of the construction cost of the relevant construction work may be imposed and a rectification order may be issued by the relevant planning authority to demolish the relevant property within a time limit. Based on (i) the fact that the land use rights certificate in respect of the land on which the Chaoyang Joy City (including the shopping mall) is erected has been obtained and the building ownership certificate in respect of the Chaoyang Joy City (other than the extra storey of the shopping mall) has been obtained; (ii) the construction of the extra storey has completed and the property has been in use; and (iii) the fact that, as at the Latest Practicable Date, Beijing Hongtaijiye has not received any sanction notification in relation to its failure to adhere to the planning conditions of the construction works planning permit, the Directors believe that the risk that Beijing Hongtaijiye will be subject to any fine, penalty or demolition or confiscation order is not probable.

BUSINESS OF THE TARGET GROUP

The Block A and the Block B of the Shenyang Joy City share a same construction works planning permit. The actual GFA of Block A of the Shenyang Joy City exceeded the permitted GFA under the construction works planning permit due to the excess construction of Block A. Shenyang Development needs to rectify this by applying to alter the planning permit, sign a supplemental land use rights grant contract with the relevant authority and pay an extra land premium for the corresponding land use rights. Shenyang Development is currently undergoing the necessary procedures to alter the planning permit. Based on (i) the fact that Shenyang Development is currently undergoing the necessary procedures to alter the planning permit; and (ii) the fact that, as at the Latest Practicable Date, Shenyang Development has not received any sanction notification in relation to its failure to adhere to the permitted GFA under the construction works planning permit, the Directors believe that the risk that Shenyang Development will be subject to any fine, penalty or demolition or confiscation order is not probable.

For the construction cost of Chaoyang Joy City and Shenyang Joy City and the revenue generated therefrom, please refer to Note 37 to the Accountant's Report of the Target Group as set out in Appendix II to this circular.

COFCO Corporation has undertaken to the Company to indemnify the Company against all penalties, losses and expenses that have been or will be suffered or incurred by the Target Group arising from, or in connection with certain non-compliance matters of the Target Group, including the failure to adhere to the planning conditions of the relevant construction works planning permit in respect of the shopping mall of the Chaoyang Joy City and the construction of properties in excess of the permitted GFA of the Block A of the Shenyang Joy City.

Save as disclosed above, the Target Group has obtained all the necessary permits, licences and approvals that are material to its business operations within the PRC, and during the Relevant Period and up to the Latest Practicable Date, the Target Group had been in compliance in all material respects with the applicable laws and regulations in the PRC. So far as the Company is aware, there are no pending or threatened actions against the Target Group by any regulatory authority in the PRC that are material to its business operations and the Target Group is not currently subject to any penalty of a material nature imposed by the relevant PRC authorities that are material to its business operations. The Directors are of the view that these non-compliance incidents, whether individually or collectively, will not have a material adverse effect on the operations and financial conditions of the Enlarged Group as a whole.

CONTINUING CONNECTED TRANSACTIONS

OVERVIEW

Upon the Company acquiring the Target Group at Completion, any transactions between the Enlarged Group (comprising the Target Group) and the COFCO Group (which for the purpose of this section, includes the associates of COFCO Corporation) will constitute connected transactions or continuing connected transactions of the Company. Set out below is a summary of the continuing connected transactions involving members of the Target Group upon Completion:

SUMMARY OF TRANSACTIONS AND LISTING RULES IMPLICATIONS

Type 1 — Non-exempt continuing connected transactions

Subject to the reporting, annual review and announcement requirements, but exempted from the shareholders' approval requirement

- (a) Revision of the annual caps for the leasing of properties to the COFCO Group
- (b) Revision of the annual caps for the provision of hotel and property management services by the COFCO Group to the Target Group
- (c) Revision of the annual caps for the sourcing of staple supplies and catering services from the COFCO Group
- (d) Leasing of property by COFCO Corporation to COFCO Investment

Type 2 — exempt continuing connected transactions

Exempt from the reporting, annual review, announcement and shareholders' approval requirements

- (a) Financial assistance from COFCO Group to the Target Group

THE CONNECTED PERSONS

COFCO Corporation, through its wholly-owned subsidiaries COFCO (HK) and Achieve Bloom, was indirectly interested in approximately 67.03% of the issued share capital of the Company as at the Latest Practicable Date. Upon Completion, it will continue to be the controlling shareholder of the Company. COFCO Corporation, together with other members of the COFCO Group and their respective associates, will continue to be the Company's connected persons under Chapter 14A of the Listing Rules.

COFCO Corporation is a state-owned enterprise incorporated in the PRC under the purview of SASAC. COFCO Corporation is engaged in a wide range of businesses through its subsidiaries including property development and management in the PRC and overseas, agricultural commodities trading, agricultural products cultivation and processing, processing of animal by-products, food and beverages, dairy products and packaging materials, hotel management and

CONTINUING CONNECTED TRANSACTIONS
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provision of logistics and financial services in the PRC. Please refer to the section headed “Letter from the Board — Information on Achieve Bloom and COFCO Corporation” in this circular for further details of the business of COFCO Group.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(a) Revision of the annual caps for the leasing of properties to the COFCO Group

Leasing of commercial premises by the Target Group to the COFCO Group

The Company entered into the Master Lease Agreement on 29 November 2013 with COFCO Corporation to govern the terms of the lease arrangements between the Group and the COFCO Group. Upon Completion, certain lease agreements for the leasing of commercial premises by the Target Group to the COFCO Group will also constitute continuing connected transactions of the Enlarged Group.

During the Relevant Period, certain members of the Target Group entered into various lease agreements for the leasing of commercial premises to COFCO Group, which include but are not limited to the following:

Relevant member of the COFCO Group	Relevant member of the Target Group	Relevant leased property
Yantai COFCO Borui Property Development Co., Ltd.* (煙台中糧博瑞房地產開發有限公司)	Yantai Joy City Co	Shop 1F-11 of Yantai Joy City
COFCO International Beijing Co., Ltd.* (中糧國際北京有限公司)	COFCO Shanghai	Unit 101B and 301 of Shanghai COFCO Tower

The Company considers that the leasing of the commercial premises by the Target Group to the COFCO Group is conducted in the Target Group’s ordinary and usual course of business based on the commercial needs of the Target Group and the COFCO Group. It is expected that the Enlarged Group will continue to lease the commercial premises to the COFCO Group pursuant to the existing lease arrangements and may renew the same after they expire, or enter into new lease agreements with other members of the COFCO Group.

Savills, an independent property valuer, has confirmed that the annual rents payable under the lease agreements entered into between the Target Group and the COFCO Group are at the prevailing market rent level as at the commencement date of the respective lease agreement, and are considered fair and reasonable.

CONTINUING CONNECTED TRANSACTIONS

The Master Lease Agreement

The lease agreements entered into by the Target Group and the COFCO Group will be subject to the terms and conditions of the Master Lease Agreement, which has, by a supplemental agreement thereto and subject to Completion, extended its term to 31 December 2016. Pursuant to the Master Lease Agreement, the rent and management fees payable by the COFCO Group are subject to the general pricing terms therein which provides that the rent and service fees are to be agreed and determined on an arm's length basis and shall be comparable to, or no less favourable to the Enlarged Group than, the fair market rents or market prices for similar products and services offered by the Enlarged Group to independent third parties, and are to be agreed between the relevant members of the Enlarged Group and the COFCO Group having regard to the quality and nature of the relevant property, its location, neighbourhood 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.

The Master Lease Agreement also provides that before the entering into a lease agreement, the relevant member of the Enlarged Group shall:

- (a) when the price is the sole determining factor: (i) obtain quotations from not less than two independent third parties in relation to leasing of same/similar premises; or (ii) obtain from COFCO Group not less than two lease records of similar properties leased to it by other lessors, and in such case the rent payable by COFCO Group and other relevant conditions under such lease agreement shall not be less favourable from the Enlarged Group's perspective than those quotations or lease 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.

In view of the nature of the transaction and the quotations and/or pricing records to be obtained by the Group as reference price of the transaction, the Directors consider that such procedures are sufficient for the purpose of ensuring that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders. Further details of the Master Lease Agreement are set out in the section headed "Continuing Connected Transactions — Common terms of the Master Agreements" in the 2013 Circular.

CONTINUING CONNECTED TRANSACTIONS
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Revision of the annual caps

The Company proposes that, upon Completion, the annual caps for the transactions under the Master Lease Agreement shall be revised as follows:

	Historical transaction amounts between the Group and the COFCO Group (financial year ended) RMB'000	Original annual caps (financial year ended/ending) RMB'000	Revised annual caps (financial year ending) RMB'000
31 December 2011	38,295	—	—
31 December 2012	41,082	—	—
31 December 2013	72,933	80,000	—
31 December 2014	—	105,000	111,000
31 December 2015	—	116,000	162,200
31 December 2016	—	—	184,000

The revised annual caps for the financial year ending 31 December 2014 and 2015 and the proposed annual cap for the financial year ending 31 December 2016 have been determined based on (a) the existing annual caps for the financial year ending 31 December 2014 and 2015 as approved by the Shareholders; (b) the additional lease agreements between the Target Group and the COFCO Group which will constitute continuing connected transactions of the Enlarged Group upon Completion; (c) the historical transaction amounts of the lease agreements between the Target Group and the COFCO Group during the Relevant Period; (d) for the financial year ending 31 December 2015 and 2016, the inclusion of one additional lease agreement for the leasing of office premises to the COFCO Group expected to be effective as from 1 January 2015 as agreed in a memorandum of understanding signed between the relevant member of the Target Group and the COFCO Group, and two additional new lease agreements as anticipated to be entered into between the Enlarged Group and other members of the COFCO Group; (e) the projected increase in the prevailing market rent of the relevant properties in the coming years; and (f) an annual growth in the annual cap of approximately 46% for the year 2015 (compared to 2014, which is mainly due to the anticipated new lease expected to be entered into with COFCO Group from 1 January 2015 as agreed in a signed memorandum of understanding) and approximately 13% for the year 2016 (compared to 2015) having taken into account the above factors.

CONTINUING CONNECTED TRANSACTIONS
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(b) Revision of the annual caps for the provision of hotel and property management services by the COFCO Group to the Target Group

Provision of property management services by the COFCO Group to the Target Group

The Company entered into the Master Property Management Agreement on 29 November 2013 with COFCO Corporation to govern the terms of the provision of hotel and property management services by the COFCO Group to the Group. Upon Completion, transactions pursuant to the existing property management agreements between the Target Group and the COFCO Group will also constitute continuing connected transactions of the Enlarged Group.

During the Relevant Period, certain members of the COFCO Group provided property management services to the property projects developed by the Target Group, which include but are not limited to the following:

Relevant member of the COFCO Group	Relevant member of the Target Group	Property management services provided to the Target Group
COFCO Property Group Shenzhen Property Management Co., Ltd., Shenyang Branch* (中糧地產集團深圳物業管理有限公司瀋陽分公司)	Shenyang Development	Management services including but not limited to maintenance, repair and management of building, cleaning services, security services, fire and safety services, greenery maintenance and customer services for Shenyang Joy City

The Company considers that the provision of the property management services by the COFCO Group to the Target Group is conducted in the Target Group's ordinary and usual course of business based on the commercial needs of the Target Group and the COFCO Group. It is expected that the COFCO Group will continue to provide hotel and property management services to the Enlarged Group pursuant to the existing hotel and property management agreements and may renew the same after they expire, or enter into new management agreements with other members of the Enlarged Group.

The Master Property Management Agreement

The property management agreements entered into by the Target Group and the COFCO Group will be subject to the terms and conditions of the Master Property Management Agreement, which has, by a supplemental agreement thereto and subject to Completion, extended its term to 31 December 2016. Pursuant to the Master Property Management Agreement, the service fees for the project consultation, hotel and property management services are subject to the general pricing terms therein which provides that the service fees are to be agreed and determined on an arm's length basis and shall be comparable to, or no less favourable to the Enlarged Group than the fair market prices for similar services offered

CONTINUING CONNECTED TRANSACTIONS

by independent third parties to the Enlarged Group. Detailed terms of the hotel and property management services to be provided by the COFCO Group and the pricing terms shall be set out in the specific management service contracts to be entered into between the relevant members of the Enlarged Group and the COFCO Group which are ancillary to and subject to the terms and conditions of the Master Property Management Agreement.

Pursuant to the Master Property Management Agreement, the consideration to be paid by the respective members of the Enlarged Group shall be agreed between the relevant members of the Enlarged 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.

The Master Property Management Agreement also provides that before entering into a hotel or property management agreement, the relevant member of the Enlarged Group shall:

- (a) when the price is the sole determining factor: (i) obtain quotations from not less than two independent third party service providers of similar hotel or property management services; or (ii) obtain from COFCO Group not less than two records of hotel or property management services provided by it to other clients, and in such case the service fees payable by the Enlarged Group and other relevant conditions under such hotel or property management agreement shall not be less favourable from the Enlarged 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.

In view of the nature of the transaction and the quotations and/or pricing records to be obtained by the Group as reference price of the transaction, the Directors consider that such procedures are sufficient for the purpose of ensuring that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders. Further details of the Master Property Management Agreement are set out in the section headed "Continuing Connected Transactions — Common terms of the Master Agreements" in the 2013 Circular.

CONTINUING CONNECTED TRANSACTIONS
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Revision of the annual caps

The Company proposes that, upon Completion, the annual caps for the transactions under the Master Property Management Agreement shall be revised as follows:

	Historical transaction amounts between the Group and the COFCO Group (financial year ended) RMB'000	Original annual caps (financial year ended/ending) RMB'000	Revised annual caps (financial year ending) RMB'000
31 December 2011	8,079	—	—
31 December 2012	7,702	—	—
31 December 2013	7,714	9,000	—
31 December 2014	—	9,000	11,000
31 December 2015	—	9,000	11,000
31 December 2016	—	—	11,000

The revised annual caps for the financial year ending 31 December 2014 and 2015 and the proposed annual cap for the financial year ending 31 December 2016 have been determined based on (a) the existing annual caps for the financial year ending 31 December 2014 and 2015 as approved by the Shareholders; (b) the additional property management agreements between the Target Group and the COFCO Group which will constitute continuing connected transactions of the Enlarged Group upon Completion; (c) the projected revenue trend of the hotel operation businesses of the Enlarged Group being one of the factors for the assessment of the management fees payable to the COFCO Group; (d) the historical transaction amounts for the provision of project consultation, hotel and property management services by the COFCO Group to Target Group during the Relevant Period; (e) the nature of services required under specific contracts signed or agreed between the relevant members of the Enlarged Group and the COFCO Group; (f) the projected demand for the relevant services in anticipation of the new project developments of the Enlarged Group; and (g) the projected increase in the average market prices for the similar services due to increased management and labour costs and other factors.

CONTINUING CONNECTED TRANSACTIONS

(c) **Revision of the annual caps for the sourcing of staple supplies and catering services from the COFCO Group**

Sourcing of staple supplies and catering services from the COFCO Group

The Company entered into the Master Sourcing Agreement on 29 November 2013 with COFCO Corporation to govern the terms of provision of staple supplies and catering services by the COFCO Group to the Group. Upon Completion, existing arrangements for the provision of staple supplies and catering services by the COFCO Group to the Target Group will also constitute continuing connected transactions of the Enlarged Group.

The Company considers that the provision of staple supplies and catering services by the COFCO Group to the Target Group is conducted in the Target Group's ordinary and usual course of business based on the commercial needs of the Target Group and the COFCO Group. It is expected that the COFCO Group will continue to provide staple supplies and catering services to the Enlarged Group pursuant to the existing supply arrangements and may renew the same after they expire, or enter into new supply arrangements with other members of the Enlarged Group.

The Master Sourcing Agreement

The staple supplies and catering services supply arrangements between the Target Group and the COFCO Group will be subject to the terms and conditions of the Master Sourcing Agreement, which has, by a supplemental agreement thereto and subject to Completion, extended its term to 31 December 2016. Pursuant to the Master Sourcing Agreement, the prices for the staple supplies and catering services are subject to the general pricing terms therein which provides that the purchase price or service fees are to be agreed and determined on an arm's length basis and shall be comparable to, or no less favourable to the Enlarged Group than the fair market prices for similar products offered by independent third parties to the Enlarged Group. Detailed terms of the provision of staple supplies and catering services and the pricing terms shall be set out in the specific service contracts or confirmation orders to be entered into between the relevant members of the Enlarged Group and the COFCO Group which are ancillary to and subject to the terms and conditions of the Master Sourcing Agreement.

Pursuant to the Master Sourcing Agreement, the prices for the staple supplies and catering services shall be agreed between the relevant members of the Enlarged Group and the COFCO Group having regard to various factors such as the quantity and quality of the staple supplies and catering 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.

CONTINUING CONNECTED TRANSACTIONS

The Master Sourcing Agreement also provides that before entering into a service contract or placing a confirmation order, the relevant member of the Enlarged Group shall:

- (a) when the price is the sole determining factor: (i) obtain quotations from not less than two independent third party providers of similar staple supplies or catering services; or (ii) obtain from COFCO Group not less than two records of similar staple supplies or catering services provided by it to other customers, and in such case the price payable by the Enlarged Group and other relevant conditions under such service contract or confirmation order shall not be less favourable from the Enlarged 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.

In view of the nature of the transaction and the quotations and/or pricing records to be obtained by the Group as reference price of the transaction, the Directors consider such procedures are sufficient for the purpose of ensuring that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders. Further details of the Master Sourcing Agreement are set out in the section headed "Continuing Connected Transactions — Common terms of the Master Agreements" in the 2013 Circular.

Revision of the annual caps

The Company proposes that, upon Completion, the annual caps for the transactions under the Master Sourcing Agreement shall be revised as follows:

	Historical transaction amounts between the Group and the COFCO Group (financial year ended) RMB'000	Original annual caps (financial year ended/ending) RMB'000	Revised annual caps (financial year ending) RMB'000
31 December 2011	4,275	—	—
31 December 2012	4,035	—	—
31 December 2013	1,292	5,900	—
31 December 2014	—	7,000	9,200
31 December 2015	—	8,300	10,800
31 December 2016	—	—	12,550

CONTINUING CONNECTED TRANSACTIONS

The revised annual caps for the financial year ending 31 December 2014 and 2015 and the proposed annual cap for the financial year ending 31 December 2016 have been determined based on (a) the existing annual caps for the financial year ending 31 December 2014 and 2015 as approved by the Shareholders; (b) the additional staple supplies and catering services supply arrangements between the Target Group and the COFCO Group which will constitute continuing connected transactions of the Enlarged Group upon Completion; (c) the quantity and historical transaction amounts for the staple supplies and catering services provided by the COFCO Group to the Target Group during the Relevant Period; (d) the market prices for the relevant staple supplies and catering services and the prices offered by independent third party suppliers; (e) the projected demand by the Enlarged Group for staple supplies and catering services due to marketing and promotional activities for new development projects by the Enlarged Group; (f) the projected increase in the average market prices for the relevant staple supplies and catering services; and (g) an annual growth in the annual cap of approximately 17% for the year 2015 (compared to 2014) and approximately 16% for the year 2016 (compared to 2015) having taken into account the above factors.

(d) Leasing of property by COFCO Corporation to COFCO Investment

During the Relevant Period, COFCO Corporation has been leasing a commercial premise in COFCO Fortune Plaza in Beijing to COFCO Investment, a member of the Target Group. Details of the existing lease agreement between COFCO Corporation and COFCO Investment in relation to the relevant commercial premise (the “**Fortune Plaza Lease Agreement**”) are set out below:

Property leased by COFCO Corporation to COFCO Investment	Effective period of the lease agreement	Annual rent payable under the lease agreement (RMB'000)	Total annual rent and estimated ancillary management fees payable by COFCO Investment (RMB'000)
Level 12 and 19 car parking spaces on Level B4 of COFCO Fortune Plaza (福臨門大廈)	1 January 2014 to 31 December 2014	9,615	11,154

The above commercial premise is currently occupied by COFCO Investment for self-use as offices. The Company considers that the leasing of the relevant commercial premise by COFCO Corporation to COFCO Investment is in COFCO Investment’s ordinary and usual course of business based on its commercial needs. It is expected that COFCO Investment will continue to rent the relevant commercial premise from COFCO Corporation pursuant to the Fortune Plaza Lease Agreement and may renew the same after it expires.

CONTINUING CONNECTED TRANSACTIONS

The aggregate rent and management fees related to the relevant leased property paid by COFCO Investment to COFCO Group during the Relevant Period and the proposed annual caps for the rent and management fees payable under or ancillary to the Fortune Plaza Lease Agreement and the subsequent lease agreements renewed therefrom are set out below:

RMB'000

Historical transaction amounts (financial year/period ended)

31 December 2011	8,055
31 December 2012	8,089
31 December 2013	11,003
30 June 2014	5,438

Annual caps (financial year ending)

31 December 2014	11,150
31 December 2015	12,580
31 December 2016	13,840

Savills, an independent property valuer, has confirmed that, the annual rent payable by COFCO Investment under the Fortune Plaza Lease Agreement is at the prevailing market rent level at its commencement date, and is considered fair and reasonable.

The above annual caps have been determined based on (a) the rent and management fees payable by COFCO Investment for the financial year ending 31 December 2014 under or ancillary to the Fortune Plaza Lease Agreement; (b) the projected increase in the prevailing market rent of the relevant property for the financial years ending 2015 and 2016; and (c) an annual growth in the annual cap of approximately 13% for the year 2015 (compared to 2014) and approximately 10% for the year 2016 (compared to 2015) having taken into account the above factors.

LISTING RULES IMPLICATIONS FOR THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for its continuing connected transactions or to renew the agreement for the relevant continuing connected transactions, the Company is required to re-comply with the announcement and shareholders' approval requirements of the Listing Rules applicable to the relevant continuing connected transactions.

CONTINUING CONNECTED TRANSACTIONS

As one or more of the applicable percentage ratios calculated based on (i) the revised annual caps for each of the Master Lease Agreement, the Master Property Management Agreement and the Master Sourcing Agreement; and (ii) the annual rent and management fees payable under or ancillary to the Fortune Plaza Lease Agreement, exceeds 0.1% but are less than 5%, (i) the revision of each of the annual caps for and the renewal of the Master Lease Agreement, the Master Property Management Agreement and the Master Sourcing Agreement and (ii) the Fortune Plaza Lease Agreement, is subject to the reporting, annual review and announcement requirements but are exempted from the shareholders' approval requirement.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

(a) Financial assistance from COFCO Group to the Target Group

(i) *Perpetual loan from COFCO Corporation to COFCO Investment*

COFCO Investment is a wholly-owned subsidiary of the Target Group. As the ultimate controlling shareholder of COFCO Investment, COFCO Corporation has been providing shareholder loans to COFCO Investment for its operating costs and business expansion. Immediately before the Perpetual Loan Agreement (as defined below), an aggregate amount of approximately RMB3,768 million was due from COFCO Investment to COFCO Corporation.

To better manage the shareholder loans provided by COFCO Corporation to COFCO Investment, on 13 October 2014, COFCO Investment, COFCO Corporation and Bank of Beijing Co., Ltd., Hongxing Sub-branch ("**Bank of Beijing**") entered into the Perpetual Loan Agreement, pursuant to which COFCO Corporation entrusted Bank of Beijing to lend the Perpetual Loan of approximately RMB3,768 million to COFCO Investment for the purpose of repaying the existing shareholder loans due from COFCO Investment to COFCO Corporation. The Perpetual Loan Agreement took effect on 20 October 2014 and the Perpetual Loan had been granted to COFCO Investment.

The principle terms of the Perpetual Loan Agreement and the Perpetual Loan are as follows:

- | | |
|-------------|--|
| Purpose: | COFCO Investment shall use the Perpetual Loan to repay the existing shareholder loans in an amount of approximately RMB3,768 million due from COFCO Investment to COFCO Corporation. |
| Securities: | Under the Perpetual Loan Agreement, no guarantee of any kind is required to be given by any member of the Target Group (including COFCO Investment) to either COFCO Corporation or Bank of Beijing for the Perpetual Loan. |

CONTINUING CONNECTED TRANSACTIONS

- Term:** The Perpetual Loan Agreement took effect on 20 October 2014, and shall remain effective until the earlier of the date when COFCO Investment announces liquidation of the company (including the liquidation date) or the date when the Perpetual Loan is fully redeemed. Neither COFCO Corporation nor Bank of Beijing could request for repayment of the principal and accrued interest of the Perpetual Loan, save and except in the event of liquidation of COFCO Investment, or COFCO Investment elects to repay the principal and accrued interest at its sole discretion.
- Subordination:** The Perpetual Loan is a subordinated loan which shall be subordinated to the other creditors of COFCO Investment.
- Early redemption:** COFCO Investment may, at its sole discretion, elect to repay, in part or in whole, the principal and accrued interest of the Perpetual Loan.
- Interest rate:** The initial interest rate of the Perpetual Loan is 6.50%, which equals to the sum of the initial base rate and the initial interest margin. The initial base rate is 3.73%, which is the simple average of the interest rates of treasury bonds (rounded to 0.01%) with maturity of five years extracted from the China Inter-bank Fixed-rate Treasury Bond Yield Curve published on China Bond website (www.chinabond.com.cn) from 13 October 2014 to 17 October 2014 (five working days before 20 October 2014); and the initial interest margin is 2.77% (the “**Initial Interest Margin**”), which is the difference between the initial interest rate and initial base rate.
- Starting from the sixth interest-bearing year, the interest rate shall reset every five years and remain constant during such five-year period. The interest rate shall be the sum of 3% plus prevailing base rate and the Initial Interest Margin. The prevailing base rate shall be the simple average of the interest rates of treasury bond (rounded to 0.01%) with maturity of five years extracted from the China Inter-bank Fixed-rate Treasury Bond Yield Curve published on China Bond website (www.chinabond.com.cn) five working days before the interest reset date.
- Interest reset date:** The interest reset date shall be 1 January following each five interest-bearing years. The interest-bearing year shall start from 1 January and end on 31 December each year, and in which the first interest-bearing year shall start from 20 October 2014 and end on 31 December 2014.

CONTINUING CONNECTED TRANSACTIONS

Upon Completion, the Perpetual Loan constitutes financial assistance received by the Enlarged Group from COFCO Corporation, a connected person of the Company, under Rule 14A.90 of the Listing Rules. Neither COFCO Corporation nor Bank of Beijing shall have a right to request for repayment of the principal and accrued interest of the Perpetual Loan, save and except in the event of liquidation of COFCO Investment, or COFCO Investment elects to repay the principal and accrued interest of the Perpetual Loan at its sole discretion. COFCO Investment shall not be under any obligations to repay any principal or the interest of the Perpetual Loan unless it has sufficient cash resources and it considers the repayment is in the interest of the Enlarged Group and will not materially disrupt the business operation or the financial position of the Enlarged Group.

The Directors (including the independent non-executive Directors) are of the view that (i) the Perpetual Loan Agreement is conducted on normal commercial terms or better; and (ii) the Perpetual Loan is not secured by any assets of the Enlarged Group, therefore the Perpetual Loan is fully exempt from the reporting, annual review, announcement and shareholders' approval requirements pursuant to Rules 14A.90 of the Listing Rules. The initial interest rate of the Perpetual Loan is comparable to, if not more favourable than, normal interest rates granted by commercial banks in China of 6.55% (for a long-term loan of above five years as announced by PBOC). The terms for the review and reset of interest rate of the Perpetual Loan are also comparable to usual market terms of perpetual loans. The Directors consider that it is in the interest of the Enlarged Group and the Shareholders as a whole to enter into the Perpetual Loan Agreement.

(ii) *Other borrowings and advances from COFCO Group*

Apart from the shareholder loans in an amount of approximately RMB3,768 million due from COFCO Investment to COFCO Corporation which had been repaid and replaced by the Perpetual Loan, the COFCO Group has also provided borrowings and advances to members of the Target Group with an aggregate outstanding amount of approximately RMB1,899.3 million as at 30 September 2014 (being the latest practicable date for the purpose of determining indebtedness). Certain of such borrowings and advances are expected to remain outstanding as at the Completion Date. Please refer to the section headed "Financial Information of the Target Group — Indebtedness — Borrowings from related parties" in this circular for further details.

The outstanding borrowings and advances from the COFCO Group to the Target Group upon Completion constitute financial assistance received by the Enlarged Group from COFCO Group, connected persons of the Company, under Rule 14A.90 of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that all of the outstanding borrowings and advances from COFCO Group as at the Completion Date (i) will be conducted on normal commercial terms or better; and (ii) will not be secured by any assets of the Enlarged Group, therefore all of the outstanding borrowings and advances as at Completion Date are fully exempt from the reporting, annual review, announcement and shareholders' approval requirements pursuant to Rules 14A.90 of the Listing Rules. The

CONTINUING CONNECTED TRANSACTIONS

interest rates of the outstanding borrowings and advances upon Completion are expected to range from approximately 5.60% to 6.65%, which is comparable to, if not more favourable than, normal interest rates granted by commercial banks in China. The Directors consider that it is in the interest of the Enlarged Group and the Shareholders as a whole to retain such borrowings and advances from COFCO Group.

CONFIRMATION FROM THE DIRECTORS

The Directors (including the independent non-executive Directors) are of the view that (i) the Master Lease Agreement, the Master Property Management Agreement, the Master Sourcing Agreement and the respective supplemental agreements thereto and the Fortune Plaza Lease Agreement have been entered into in the ordinary and usual course of business of the Enlarged Group; (ii) all of the above agreements and the transactions contemplated therein have been negotiated on an arm's length basis, on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the revised annual caps for each of the Master Lease Agreement, the Master Property Management Agreement and the Master Sourcing Agreement and the annual caps for the Fortune Plaza Lease Agreement and subsequent lease agreements renewed therefrom are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered that (i) the internal procedures in place for a member of the Enlarged Group to obtain quotations and/or pricing records and/or conduct negotiations to assess and determine the purchase price and/or services fees before it enters into connected transactions; (ii) the reporting, approval and record-keeping procedures in place to ensure the strict compliance with the pricing policy of the connected transactions; and (iii) the internal procedures to monitor the annual caps of the connected transactions, the Directors are of the view that the internal control procedures of the Enlarged Group on continuing connected transactions are sufficient and adequate to ensure the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders.

FINANCIAL INFORMATION OF THE TARGET GROUP

The following discussion should be read in conjunction with the Target Group's combined financial statements and the accompanying notes set out in the Accountants' Report on the Target Group in Appendix I to this circular, which contains the Target Group's audited combined financial information as at and for the years ended 31 December 2011, 2012 and 2013 and as at and for the six months ended 30 June 2014 and unaudited comparative combined financial information for the six months 30 June 2013. The combined financial information of the Target Group has been prepared in accordance with Hong Kong Accounting Standards, Hong Kong Financial Reporting Standards and the disclosure requirements of the Listing Rules and the Companies Ordinance, which may differ in certain material respects from generally accepted accounting principles in other jurisdictions. This discussion contains forward-looking statements that reflect the current views of the Target Group's management and involve risks and uncertainties. The Target Group's actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to, those described under "Risk Factors" and factors described elsewhere in this circular.

OVERVIEW

The Target Group is primarily engaged in the development, operation, sale, leasing and management of mixed-use complexes under the flagship brand "Joy City" in five key cities in the PRC. The Target Group has a portfolio of six mixed-use complex property projects located in Beijing, Shanghai, Tianjin, Yantai and Shenyang in the PRC. It also has a commercial property project in Beijing and holds non-controlling interests in another two property projects in Beijing and Shanghai. As at 30 June 2014, these property projects had an estimated attributable total GFA of 2,275,445 sq.m., of which 349,064 sq.m. had been sold.

The Target Group's businesses are categorised into four segments as follows:

- **Property development.** The Target Group is engaged in the development and sale of properties.
- **Property investment.** The Target Group owns and leases out commercial properties developed by the Target Group.
- **Property management and related services.** The Target Group provides property management and related services to tenants of its commercial properties.
- **Hotel operations.** The Target Group owns and manages a hotel in a mixed-use complex property project.

For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, the Target Group' total revenue was RMB2,369.1 million, RMB2,200.2 million, RMB2,870.6 million, RMB1,268.9 million and RMB1,153.9 million, respectively, and its profit and

FINANCIAL INFORMATION OF THE TARGET GROUP

total comprehensive income for the year or period attributable to COFCO Corporation was RMB1,216.9 million, RMB863.8 million, RMB1,109.7 million, RMB889.0 million and RMB1,134.8 million, respectively.

BASIS OF PRESENTATION

The Target Companies are direct wholly-owned subsidiaries of COFCO Land or Sheen Jade and indirect wholly-owned subsidiaries of COFCO Corporation. The Target Group's combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Relevant Period include the combined results and cash flows of the Target Companies as if they constituted a single reporting unit throughout the Relevant Period, or since the respective dates of their establishment if this represents a shorter period. The Target Group's combined statements of financial position as at 31 December 2011, 2012 and 2013 and 30 June 2014 have been prepared to present the assets and liabilities of the Target Companies as if they constituted a single reporting unit as at those dates. However, the combined financial information of the Target Group may not necessarily reflect what its financial position, results of operations and cash flows would have been had the Target Group been a stand-alone company during the periods presented.

FACTORS AFFECTING THE RESULTS OF OPERATIONS OF THE TARGET GROUP

General economic and real estate market conditions

The Target Group's revenue from property investment and development and its results of operations are significantly affected by volatility in general economic conditions, as well as conditions of the PRC property market, in particular in the five key cities in which the relevant property projects are located. Changes in consumption spending, consumer confidence level and general business environments can affect the business of existing and potential tenants, which in turn may result in changes in their demand for the Target Group's commercial properties. As the rental rates of certain retail tenants of the Target Group are determined partly by reference to their sales, the business performance of retail tenants may also have an impact on the Target Group's rental income. In addition, the PRC government has in the past implemented a number of policy initiatives to adjust the growth of the PRC national and local economies and selected industry sectors, and such policy changes may affect the real estate market in the relevant regions. For example, the Target Group's results of operations could be affected by PRC governmental policies that affect development of commercial and residential properties, including those that have tightened credit on financing and mortgage loans. As a result, the Target Group's rental rates, occupancy rates, sales volumes and selling prices may fluctuate from period to period.

Fair value of investment properties

Changes in the fair value of the Target Group's investment properties have had, and are expected to continue to have, a substantial impact on the Target Group's results of operations. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, the Target Group recorded fair value gain of investment properties in the amounts of

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RMB1,493.5 million, RMB1,162.4 million, RMB647.5 million, RMB121.7 million and RMB1,502.0 million, respectively, representing 79.4%, 85.1%, 45.0%, 12.1% and 88.6% of the Target Group's profit before tax, respectively. Investment properties are measured at fair values subsequent to initial recognition at each reporting date. The fair values are based on valuations performed by independent professional property valuers. During the Relevant Period, the valuations of completed investment properties were arrived at by making reference to the comparable market transactions as available in the market and, where appropriate, by valuing the properties on the basis of capitalisation of the rental income derived from the existing tenancy agreements with due allowance for the reversionary income potential of the properties. For investment properties under development, the valuations were arrived at with adoption of the direct comparison approach by making reference to comparable sales transactions as available in the relevant markets and, where applicable, by taking into account the costs that will be expended to complete the developments to reflect the quality of the completed development. Accordingly, fluctuations in property market transactions and changes in the Target Group's rental rates and collection could significantly affect the fair value of investment properties of the Target Group and the corresponding changes in fair value is recognised as profit or loss.

Development schedule

Property development projects, in particular mixed-use complex projects undertaken by the Target Group, typically require substantial capital expenditure and a substantial amount of time to complete. The development schedule of a property development project can be affected by many factors, including but not limited to relocation of existing residents, availability of construction and building materials, progress of construction works, construction accidents, natural catastrophes and adverse weather conditions. The Target Group may encounter delays in obtaining the necessary land use, building, development and other required governmental and regulatory licences, permits, approvals and authorisations for its projects. Projects under development may also be subject to construction risks which include, among others, default by contractors or other third-party service and goods providers of their obligations or financial difficulties faced by such contractors and providers. As pre-sale, delivery and leasing of properties depend to a large extent on the timing of the development schedule, the Target Group's revenue, results of operations and cash flows for a particular period are significantly affected by the development schedule of the Target's Group's property development projects.

Property mix

The Target Group generates revenue from six mixed-use complex property projects located in five key cities in the PRC. These property projects comprise a combination of retail space, offices, residential space, commercial apartments and, upon completion, serviced apartments. In addition, the Target Group has another property project in Beijing, which is at an early stage of development and is expected to be developed into a commercial property. The following table sets out a

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breakdown of the Target Group's completed leasable GFA as at 30 June 2014 and its GFA delivered during the Relevant Period by property project and property type:

	At 30 June 2014		Relevant Period	
	Completed leasable GFA		GFA delivered	
	<i>sq.m.</i>	<i>% of total</i>	<i>sq.m.</i>	<i>% of total</i>
Beijing Xidan Joy City				
Retail	53,012	11.8	—	—
Office	15,122	3.4	—	—
Hotel	32,885	7.3	—	—
	<u>101,019</u>	<u>22.5</u>	<u>—</u>	<u>—</u>
Subtotal				
	<u>101,019</u>	<u>22.5</u>	<u>—</u>	<u>—</u>
Shenyang Joy City				
Retail	121,643	27.0	—	—
Residential	—	—	199,579	56.3
	<u>121,643</u>	<u>27.0</u>	<u>199,579</u>	<u>56.3</u>
Subtotal				
	<u>121,643</u>	<u>27.0</u>	<u>199,579</u>	<u>56.3</u>
Beijing Chaoyang Joy City				
Retail	110,769	24.6	—	—
Commercial apartments ⁽¹⁾	3,429	0.8	64,703	18.3
	<u>114,198</u>	<u>25.4</u>	<u>64,703</u>	<u>18.3</u>
Subtotal				
	<u>114,198</u>	<u>25.4</u>	<u>64,703</u>	<u>18.3</u>
Shanghai Joy City				
Retail	29,028	6.5	—	—
	<u>29,028</u>	<u>6.5</u>	<u>—</u>	<u>—</u>
Tianjin Joy City				
Retail	82,522	18.4	—	—
Residential	—	—	63,020	17.8
Commercial apartments ⁽¹⁾	1,443	0.3	26,942	7.6
	<u>83,965</u>	<u>18.7</u>	<u>89,962</u>	<u>25.4</u>
Subtotal				
	<u>83,965</u>	<u>18.7</u>	<u>89,962</u>	<u>25.4</u>
All properties				
Retail	396,974	88.2	—	—
Office	15,122	3.4	—	—
Hotel	32,885	7.3	—	—
Residential	—	—	262,599	74.1
Commercial apartments	4,872	1.1	91,645	25.9
	<u>449,853</u>	<u>100.0</u>	<u>354,244</u>	<u>100.0</u>
Total				
	<u>449,853</u>	<u>100.0</u>	<u>354,244</u>	<u>100.0</u>

Note:

- (1) The completed leasable GFA for the above commercial apartments represents retail space for shops at the ground level and second level of those commercial apartments.

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The rental rates or average selling prices of properties and their gross profit margins depend on, among other factors, their property types and the location of the relevant property projects. Accordingly, the results of operations and cash flows of the Target Group may vary from period to period, depending on, among other factors, the amounts of various types of properties delivered or leased and their locations.

Competition

Competition among property developers may result in increases in land acquisition costs and construction costs, oversupply of properties, slowdowns in the rate at which new property developments are reviewed or approved by the relevant PRC government authorities and increases in administrative costs of hiring or retaining qualified personnel. These and other changes in the competitive landscape can result in pressures on pricing, transaction volume, rental rates, occupancy rates, operating costs and capital appreciation.

CRITICAL ACCOUNTING POLICIES

The preparation of the Target Group's combined financial information requires selecting accounting policies and making estimates and judgements that affect reported items in the combined financial statements. The determination of accounting policies is fundamental to the Target Group's results of operations and financial condition and requires the management of the Target Group to make judgements, estimates and assumptions about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of subjective judgements and estimates as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on the Target Group's financial condition, results of operations and cash flows. For more information regarding the Target Group's significant accounting policies and judgements and key sources of estimation and uncertainty, see Notes 3 and 4 to the Accountants' Report on the Target Group set forth in Appendix I to this circular.

Revenue recognition

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers, at which time all of the following criteria are satisfied: (i) the Target Group has transferred to the buyer the significant risks and rewards of ownership of the properties; (ii) the Target Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to the Target Group; and (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

Revenue from hotel operation and management is recognised when the relevant services are provided.

Classification between investment properties and owner-occupied properties

The Target Group determines whether a property qualifies as an investment property and has developed criteria to make that judgement. Investment property is property held to earn rentals or for capital appreciation or both. Therefore, the Target Group considers whether a property generates cash flows largely independently of the other assets held by the Target 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 Target Group accounts for the portions separately. If the portions could not be sold separately, the property is accounted for as 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.

Changes in fair value 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 them on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the management of the Target Group have exercised their judgements and are satisfied that the assumptions used in the valuation are reflective of prevailing market conditions. Changes to these assumptions would therefore result in changes in the fair value of the Target Group's investment properties and the corresponding changes in fair value would be recognised as a fair value gain or loss.

Deferred tax on investment properties

During the Relevant Period, the Target Group recorded deferred tax mainly in relation to the deferred tax liabilities arising from investment properties that are measured using the fair value model. For the purposes of measuring such deferred tax liabilities, the management of the Target Group have reviewed the Target Group's investment property portfolios and 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 management of the Target Group have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Target Group recognised deferred taxes on changes in fair value of the Target Group's investment properties on the basis that the entire carrying amounts of these properties are recovered through use.

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Land Appreciation Tax

The Target Group is subject to land appreciation tax (“LAT”) in the PRC. However, the implementation of LAT varies among different tax jurisdictions in various cities of the PRC and certain projects of the Target 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 LAT and its related income tax provisions. The Target Group recognised LAT based on the management’s best estimates. The final tax outcome could be different from the amounts that were initially recorded and these differences would affect the income tax expense and the related income tax provisions in the period in which such tax is finalised with the local tax authorities.

DESCRIPTION OF SELECTED ITEMS IN THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

The following table sets forth the Target Group’s revenue by segment for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Property development	1,277,328	53.9	781,262	35.5	1,232,841	42.9	469,766	37.0	211,857	18.4
Property investment	858,752	36.3	1,116,902	50.8	1,304,792	45.5	640,243	50.5	757,826	65.7
Property management and related services	165,846	7.0	230,251	10.4	261,425	9.1	124,287	9.8	152,437	13.2
Hotel operations	67,139	2.8	71,748	3.3	71,503	2.5	34,580	2.7	31,812	2.7
Total revenue	<u>2,369,065</u>	<u>100.0</u>	<u>2,200,163</u>	<u>100.0</u>	<u>2,870,561</u>	<u>100.0</u>	<u>1,268,876</u>	<u>100.0</u>	<u>1,153,932</u>	<u>100.0</u>

Property development. Revenue from property development comprises sales of properties held for sale. During the Relevant Period, the Target Group was engaged in the sale of residential space and commercial apartments only. Upon completion of the office space in Tianjin Joy City, the Target Group plans to engage in the sale of office space as well. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, property development accounted for 53.9%, 35.5%, 42.9%, 37.0% and 18.4% of the Target Group’s total revenue,

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respectively. The amount of revenue from property development depends significantly on the development schedule of the Target Group's property projects and is expected to continue to fluctuate from period to period. The following table sets forth certain details of the Target Group's properties sold and delivered for the periods indicated:

Property	Property types sold	Year ended 31 December						Six months ended 30 June			
		2011	2012		2013		2013		2014		
		GFA delivered sq.m.	Average selling price RMB/sq.m.	GFA delivered sq.m.	Average selling price RMB/sq.m.	GFA delivered sq.m.	Average selling price RMB/sq.m.	GFA delivered sq.m.	Average selling price RMB/sq.m.	GFA delivered sq.m.	Average selling price RMB/sq.m.
Shenyang Joy City	Residential	27,251	11,006	12,915	11,180	2,845	9,281	2,520	9,368	—	—
Beijing Chaoyang Joy City	Commercial apartments	34,356	28,450	10,832	29,198	1,005	26,648	820	25,772	—	—
Tianjin Joy City	Residential, commercial apartments	—	—	17,198	18,641	62,123	18,989	21,158	20,088	10,642	19,909
		<u>61,607</u>	20,733	<u>40,945</u>	19,081	<u>65,973</u>	18,687	<u>24,498</u>	19,176	<u>10,642</u>	19,909

Property investment. Revenue from property investment comprises gross rental income from the leasing of investment properties. During the Relevant Period, the Target Group was engaged in the leasing of retail and office space. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, property investment accounted for 36.3%, 50.8%, 45.5%, 50.5% and 65.7% of the Target Group's total revenue, respectively. The amount of revenue from property investment has increased and is expected to continue to increase generally, as (i) more investment properties are being developed and will be leased upon completion and (ii) the rental rates and occupancy rates are expected to increase gradually over time. During the Relevant Period, the Target Group's investment properties had an average occupancy rate of between 67% and 99%. The following table sets forth certain details of the Target Group's investment properties for the periods indicated:

Property project	Properties leased during Relevant Period	Year ended 31 December						Six months ended 30 June			
		2011	2012		2013		2013		2014		
		Average daily rent RMB/sq.m.	Average occupancy rate %	Average daily rent RMB/sq.m.	Average occupancy rate %	Average daily rent RMB/sq.m.	Average occupancy rate %	Average daily rent RMB/sq.m.	Average occupancy rate %	Average daily rent RMB/sq.m.	Average occupancy rate %
Beijing Xidan Joy City	Retail	23.4	98	26.7	99	28.8	98	29.0	98	32.7	99
	Office	5.3	99	5.7	90	8.1	94	7.8	90	9.0	98
Shenyang Joy City	Retail	3.0	72	3.6	72	3.4	67	3.3	67	3.5	84
Beijing Chaoyang Joy City	Retail	5.4	95	6.5	90	8.4	99	7.9	99	10.3	97
Shanghai Joy City	Retail	8.0	99	8.2	97	8.7	98	8.5	96	8.2	98
Tianjin Joy City	Retail	—	—	5.9	84	7.1	95	6.8	96	8.2	98

Property management and related services. The Target Group generates fee income from certain property management and related services, such as security services, property maintenance and cleaning services, which it provided to tenants of its commercial properties. The Target Group

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also generates income from other property related services, including customer parking, advertising and miscellaneous services for tenants. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, total property management and related services accounted for an aggregate of 7.0%, 10.4%, 9.1%, 9.8% and 13.2% of the Target Group's total revenue, respectively.

Hotel operations. The Target Group generates hotel room revenue and other ancillary service fee from its operation of a hotel in Beijing Xidan Joy City. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, hotel operations accounted for an aggregate of 2.8%, 3.3%, 2.5%, 2.7% and 2.7% of the Target Group's total revenue, respectively.

Cost of sales and services

Cost of sales and services comprises the costs that the Target Group incurs directly in relation to its sales, leasing and management of properties and hotel operations, as well as other direct costs. Cost of sales and services mainly includes land acquisition costs, construction costs, interest capitalised for properties under development for sale, staff costs, utilities, property maintenance costs, insurance costs, and business and other taxes. The following table sets out a breakdown of cost of sales and services of the Target Group for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(unaudited)		
Cost of properties sold	867,222	548,034	987,122	338,682	163,446
Cost of properties leased	245,415	394,995	449,493	173,480	199,221
Cost of property management and related services	70,731	80,454	87,127	51,261	51,017
Cost of hotel services provided	20,001	19,898	20,365	9,911	8,910
Other direct costs	<u>3,113</u>	<u>8,458</u>	<u>6,915</u>	<u>3,863</u>	<u>1,463</u>
Total cost of sales and services	<u>1,206,482</u>	<u>1,051,839</u>	<u>1,551,022</u>	<u>577,197</u>	<u>424,057</u>

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Other income

Other income mainly includes (i) interest income from bank deposits, from deposits with a non-banking financial institution (namely, COFCO Finance Corporation Limited (“COFCO Finance”), which is a fellow subsidiary of the Target Group), and from loans to fellow subsidiaries and (ii) government grants. The following table sets out a breakdown of other income of the Target Group for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Interest income from:					
Banks	10,345	8,444	9,024	2,845	4,928
Deposits placed with a non-banking financial institution	435	845	509	247	863
Loans to fellow subsidiaries	5,855	6,714	485	180	244
Government grants	4,320	3,329	12,810	4,852	3,380
Others	<u>1,691</u>	<u>1,232</u>	<u>3,390</u>	<u>1,540</u>	<u>1,810</u>
Total	<u><u>22,646</u></u>	<u><u>20,564</u></u>	<u><u>26,218</u></u>	<u><u>9,664</u></u>	<u><u>11,225</u></u>

COFCO Finance is a subsidiary of COFCO Corporation. The Target Group made deposits with COFCO Finance and provided interest-bearing loans to fellow subsidiaries during the Relevant Period. The Target Group will withdraw the entire deposits from COFCO Finance and the loans to fellow subsidiaries will be fully repaid prior to or upon the Completion.

Government grants recognised by the Target Group during the Relevant Period mainly comprised discretionary awards granted by local governments in certain provinces to the Target Group in support of their investment in and operations in the local areas. These government grants were discretionary and not recurring in nature. There were no unfulfilled conditions or contingencies attached to these government grants.

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Other gains and losses, net

Other gains and losses, net, comprise (i) impairment losses on accounts receivable, net (or its reversal), other receivables, net, and properties under development for sale, (ii) gain or loss on disposal of property, plant and equipment, (iii) exchange gains or losses, net, arising mainly from certain amounts denominated in Hong Kong dollars due to the immediate holding company of certain Target Company, fellow subsidiaries of the Target Group and non-controlling interests, (iv) compensation to tenants for early termination of rental agreements in connection with the enhancement of tenant mix for Shenyang Joy City, and (v) other miscellaneous net losses. The following table sets out a breakdown of other gains and losses, net, of the Target Group for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
(Impairment loss)/reversal of impairment loss on accounts receivable, net	(4,052)	(16,722)	10,008	1,876	(896)
Impairment loss on other receivables, net	(3,939)	(5,027)	(16,587)	(7,690)	(980)
Impairment loss on properties under development for sale	—	(5,892)	—	—	—
(Loss)/gain on disposal of property, plant and equipment	(133)	(1,244)	7	(561)	(282)
Exchange gains/(losses), net	33,692	(1,033)	7,142	1,101	(10,337)
Compensation to tenants for early termination of rental agreements	—	—	(6,350)	—	—
Others	(5,576)	(2,076)	(14,825)	(2,974)	(809)
Total	<u>19,992</u>	<u>(31,994)</u>	<u>(20,605)</u>	<u>(8,248)</u>	<u>(13,304)</u>

Distribution and selling costs

Distribution and selling costs comprise advertising expenses, promotion expenses, sales commissions, staff costs, and other expenses relating to sales and marketing. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, distribution and selling costs accounted for 11.4%, 9.7%, 8.7%, 6.4% and 7.1% of the Target Group's total revenue, respectively.

Administrative expenses

Administrative expenses comprise staff costs, depreciation and amortisation expenses, professional fees, office expenses, insurance expenses, taxes, traveling and entertainment expenses, and other miscellaneous expenses. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, administrative expenses accounted for 12.7%, 14.8%, 12.5%, 12.3% and 12.0% of the Target Group's total revenue, respectively.

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Fair value gain of investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. Investment properties, whether completed or under development, are measured at fair values subsequent to initial recognition at each reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the Target Group's combined statements of profit or loss and comprehensive income in the year in which they arise. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, fair value gain of investment properties accounted for 79.4%, 85.1%, 45.0%, 12.1% and 88.6% of the Target Group's profit before tax, respectively.

Finance costs

Finance costs consist primarily of interest expenses on bank borrowings and loans from related parties. The Target Group capitalises a portion of its costs of borrowings to property under development to the extent that such costs are directly attributable to construction. The following table sets out a breakdown of finance costs of the Target Group for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Interest on:					
Bank borrowings wholly repayable within five years	185,142	332,815	347,159	149,845	199,579
Bank borrowings not wholly repayable within five years	172,564	199,593	224,747	116,290	124,594
Loans from the ultimate holding company	—	—	228,851	107,379	113,258
Loans from COFCO Finance	27,897	33,232	46,789	23,163	25,258
Loans from fellow subsidiaries	4,533	12,255	24,505	8,627	21,270
Loan from an associate	1,503	5,813	—	—	—
	<u>391,639</u>	<u>583,708</u>	<u>872,051</u>	<u>405,304</u>	<u>483,959</u>
Total interest expenses	391,639	583,708	872,051	405,304	483,959
Total interest capitalised	<u>(66,280)</u>	<u>(97,411)</u>	<u>(166,894)</u>	<u>(77,039)</u>	<u>(129,509)</u>
Total finance costs	<u><u>325,359</u></u>	<u><u>486,297</u></u>	<u><u>705,157</u></u>	<u><u>328,265</u></u>	<u><u>354,450</u></u>

Finance costs are primarily affected by the amount of borrowings, interests on borrowings and the amount and timing of capitalisation. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, finance costs accounted for 13.7%, 22.1%, 24.6%, 25.9% and 30.7% of the Target Group's total revenue, respectively.

Share of profit of an associate

Share of profit of an associate represents the amount of profit of Beijing COFCO attributable to the Target Group based on its percentage of shareholding in Beijing COFCO. Beijing COFCO is the project company for Beijing COFCO Plaza. During the Relevant Period, Beijing COFCO was

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the only associate of the Target Group, which held a 40% equity interest in Beijing COFCO as at each reporting date during the Relevant Period. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, share of profit of an associate accounted for 4.1%, 10.1%, 73.9%, 90.8% and 3.3% of the Target Group's profit and total comprehensive income or expense for the year or period, respectively.

Share of profit or loss of a joint venture

Share of profit or loss of a joint venture represents the amount of profit or loss of COFCO Shanghai attributable to the Target Group based on its percentage of shareholding in COFCO Shanghai. COFCO Shanghai is the project company for Shanghai COFCO Tower. During the Relevant Period, COFCO Shanghai was the only 50% held joint venture of the Target Group. The Target Group's equity interest in COFCO Shanghai remained at 50% as at each reporting date during the Relevant Period. Share of profit of a joint venture for the years ended 31 December 2011 and 2012 and the six months ended 30 June 2014 accounted for 2.0%, 0.3% and 0.1% of the Target Group's profit and total comprehensive income for the year or period, respectively. Share of loss of a joint venture for the year ended 31 December 2013 and the six months ended 30 June 2013 accounted for 1.1% and 1.5% of the Target Group's loss and total comprehensive expense for the year or period, respectively.

Income tax expense

Income tax expense comprises the current PRC enterprise income tax charge and LAT and deferred tax. Under the EIT Law, the tax rate of the PRC companies in the Target Group was 25% during the Relevant Period. 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 27% to 38% 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 BVI, the Target Group is not subject to any income tax in the BVI.

The income of the companies comprising the Target Group neither arises in nor is derived from Hong Kong during the Relevant Period. Accordingly, no provision of Hong Kong profits tax has been made.

The effective tax rate for the Target Group for the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2013 and 2014 was 32.9%, 35.0%, 25.6%, 15.6% and 28.0%, respectively.

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COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets out the combined results of operations of the Target Group for the periods indicated:

	Year ended 31 December			Six months ended	
	2011	2012	2013	30 June	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2013</i>	<i>2014</i>
				<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Revenue	2,369,065	2,200,163	2,870,561	1,268,876	1,153,932
Cost of sales and services	<u>(1,206,482)</u>	<u>(1,051,839)</u>	<u>(1,551,022)</u>	<u>(577,197)</u>	<u>(424,057)</u>
Gross profit	1,162,583	1,148,324	1,319,539	691,679	729,875
Other income	22,646	20,564	26,218	9,664	11,225
Other gains and losses, net	19,992	(31,994)	(20,605)	(8,248)	(13,304)
Distribution and selling costs	(269,706)	(212,550)	(248,467)	(81,558)	(81,895)
Administrative expenses	(299,757)	(325,919)	(359,514)	(156,605)	(139,037)
Fair value gain of investment properties	1,493,514	1,162,404	647,499	121,676	1,502,016
Finance costs	(325,359)	(486,297)	(705,157)	(328,265)	(354,450)
Share of profit of an associate	52,308	89,684	791,530	771,296	40,417
Share of profit/(loss) of a joint venture	<u>25,479</u>	<u>2,255</u>	<u>(11,893)</u>	<u>(12,662)</u>	<u>1,125</u>
Profit before tax	1,881,700	1,366,471	1,439,150	1,006,977	1,695,972
Income tax expense	<u>(618,637)</u>	<u>(478,184)</u>	<u>(368,536)</u>	<u>(157,185)</u>	<u>(475,035)</u>
Profit and total comprehensive income for the year/period	<u>1,263,063</u>	<u>888,287</u>	<u>1,070,614</u>	<u>849,792</u>	<u>1,220,937</u>
Profit/(loss) and total comprehensive income/ (expense) for the year/period attributable to:					
COFCO Corporation	1,216,910	863,778	1,109,697	888,958	1,134,806
Non-controlling interests	<u>46,153</u>	<u>24,509</u>	<u>(39,083)</u>	<u>(39,166)</u>	<u>86,131</u>
	<u>1,263,063</u>	<u>888,287</u>	<u>1,070,614</u>	<u>849,792</u>	<u>1,220,937</u>

Six months ended 30 June 2014 compared to six months ended 30 June 2013

Revenue

Revenue for the six months ended 30 June 2014 was RMB1,153.9 million, which represented a decrease of 9.1% from RMB1,268.9 million from the six months ended 30 June 2013. This decrease was mainly attributable to a decrease of RMB257.9 million in revenue from property development, partially offset by an increase of RMB117.6 million in revenue from property investment.

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Property development. Revenue from property development decreased by 54.9% from RMB469.8 million for the six months ended 30 June 2013 to RMB211.9 million for the six months ended 30 June 2014. This decrease was attributable to a decrease in GFA delivered from 24,498 sq.m. for the six months ended 30 June 2013 to 10,642 sq.m. for the six months ended 30 June 2014. The amount of GFA delivered decreased, in particular for Tianjin Joy City, between the two periods primarily because of the timing of completion and delivery of properties according to the development schedule of the respective projects, as well as adjustments of market conditions during the corresponding pre-sales and sales periods. The average selling price remained at relatively steady levels between the two periods.

Property investment. Revenue from property investment increased by 18.4% from RMB640.2 million for the six months ended 30 June 2013 to RMB757.8 million for the six months ended 30 June 2014. This increase was mainly attributable to an increase in the average occupancy rate of Shenyang Joy City from 67% for the six months ended 30 June 2013 to 84% for the six months ended 30 June 2014, primarily as a result of the enhancement of tenant mix for Shenyang Joy City in 2013. Average daily rent also increased steadily in general for the investment properties of the Target Group between the two periods.

Property management and related services. Revenue from property management and related services increased by 22.6% from RMB124.3 million for the six months ended 30 June 2013 to RMB152.4 million for the six months ended 30 June 2014. Total fee and other income from property management and related services and other property related services increased in particular for Shenyang Joy City as its average occupancy rate increased significantly between the two periods.

Hotel operations. Revenue from hotel operations decreased by 8.0% from RMB34.6 million for the six months ended 30 June 2013 to RMB31.8 million for the six months ended 30 June 2014. This decrease was attributable to a decrease of RMB1.5 million in revenue from other ancillary service and a decrease of RMB1.2 million in revenue from hotel room revenue for the hotel in Beijing Xidan Joy City, as market demand for hotel and hospitality services generally weakened. Revenue per available room and the occupancy rate of the hotel both decreased between the periods.

Cost of sales and services

Cost of sales and services for the six months ended 30 June 2014 was RMB424.1 million, which represented a decrease of 26.5% from RMB577.2 million for the six months ended 30 June 2013. This decrease was mainly attributable to a decrease of RMB175.2 million in cost of properties sold primarily due to a decrease in GFA delivered. The decrease in cost of properties sold was partially offset by an increase of RMB25.7 million in cost of properties leased, which resulted primarily from an increase in the heat supply fees for Tianjin Joy City and an increase in property maintenance costs for Shenyang Joy City as a result of its higher average occupancy rate.

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Gross profit and gross profit margin

As a result of the foregoing, gross profit for the six months ended 30 June 2014 was RMB729.9 million, which represented an increase of 5.5% from RMB691.7 million for the six months ended 30 June 2013. Gross profit margin increased from 54.5% for the six months ended 30 June 2013 to 63.3% for the six months ended 30 June 2014. This increase in gross profit margin was primarily due to an increase in revenue contribution from property investment, which generally had a higher gross profit margin than property development for the Target Group.

Other income

Other income for the six months ended 30 June 2014 was RMB11.2 million, which represented an increase of 16.2% from RMB9.7 million for the six months ended 30 June 2013. This increase was mainly attributable to an increase of RMB2.1 million in interest income from banks, partially offset by a decrease of RMB1.5 million in government grants awarded by local governments.

Other losses, net

Other losses, net, for the six months ended 30 June 2014 were RMB13.3 million, which represented an increase of 61.3% from RMB8.2 million for the six months ended 30 June 2013. This increase was mainly attributable to the net exchange losses of RMB10.3 million for the six months ended 30 June 2014, as compared to the net exchange gains of RMB1.1 million for the six months ended 30 June 2013, as a result of fluctuations in the exchange rate of Hong Kong dollars against Renminbi. An appreciation of Renminbi against Hong Kong dollars was recorded during the first half of 2013 while a depreciation was recorded during the first half of 2014. Such net exchange losses incurred for the six months ended 30 June 2014 were partially offset by a decrease of RMB6.7 million in impairment loss on other receivables, net, between the two periods.

Distribution and selling costs

Distribution and selling costs for the six months ended 30 June 2014 were RMB81.9 million, which represented an increase of 0.4% from RMB81.6 million for the six months ended 30 June 2013.

Administrative expenses

Administrative expenses for the six months ended 30 June 2014 were RMB139.0 million, which represented a decrease of 11.2% from RMB156.6 million for the six months ended 30 June 2013. This decrease was mainly attributable to a decrease in staff costs.

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Fair value gain of investment properties

Fair value gain of investment properties was RMB1,502.0 million for the six months ended 30 June 2014, compared to RMB121.7 million for the six months ended 30 June 2013. The larger fair value gain for the six months ended 30 June 2014 was mainly attributable to a significant increase in the fair value of Shenyang Joy City, which was primarily due to a general increase in rental income after the enhancement of its tenant mix in 2013.

Finance costs

Finance costs for the six months ended 30 June 2014 were RMB354.5 million, which represented an increase of 8.0% from RMB328.3 million for the six months ended 30 June 2013. This increase was mainly attributable to (i) an increase of RMB58.0 million in interest on total bank borrowings primarily due to a larger average outstanding amount and (ii) an increase of RMB12.6 million in interest on loans from fellow subsidiaries primarily due to a larger average outstanding amount, partially offset by an increase of RMB52.5 million in total interest capitalised.

Share of profit of an associate

Share of profit of an associate for the six months ended 30 June 2014 was RMB40.4 million, which represented a decrease of 94.8% from RMB771.3 million for the six months ended 30 June 2013. This decrease was mainly attributable to a fair value gain of investment properties recorded for Beijing COFCO Plaza during the first half of 2013. This fair value gain of investment properties was primarily due to a reduction in the capitalisation rate applied in the valuation as at 30 June 2013, which was determined with reference to historical and actual rental and sales transactions in prime commercial property markets in Beijing and supplemented by potential positive future changes in the rental rates of Beijing COFCO Plaza upon lease reversion.

Share of profit or loss of a joint venture

Share of profit of a joint venture for the six months ended 30 June 2014 was RMB1.1 million, compared to share of loss of a joint venture of RMB12.7 million for the six months ended 30 June 2013. This change was mainly attributable to a fair value loss of investment properties recorded for Shanghai COFCO Tower during the first half of 2013. This fair value loss of investment properties was primarily due to the decrease in its average occupancy rate in the first half of 2014.

Profit before tax

As a result of the foregoing, profit before tax was RMB1,696.0 million for the six months ended 30 June 2014, which represented an increase of 68.4% from RMB1,007.0 million for the six months end 30 June 2013.

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Income tax expense

Income tax expense for the six months ended 30 June 2014 was RMB475.0 million, which represented an increase of RMB317.8 million from RMB157.2 million for the six months ended 30 June 2013. This increase was mainly attributable to an increase of RMB327.4 million in deferred tax primarily as a result of the larger fair value gain of investment properties recorded for the six months ended 30 June 2014.

The effective tax rate increased from 15.6% for the six months ended 30 June 2013 to 28.0% for the six months ended 30 June 2014. The higher effective tax rate for the six months ended 30 June 2014 was primarily due to the decrease in share of profit of an associate, which was included in the Target Group's profit before tax but for which no tax was chargeable on the Target Group.

Profit and total comprehensive income or expense for the period

As a result of the foregoing, profit and total comprehensive income for the six months ended 30 June 2014 was RMB1,220.9 million, which represented an increase of 43.7% from profit and total comprehensive expense of RMB849.8 million for the six months ended 30 June 2013.

Year ended 31 December 2013 compared to year ended 31 December 2012

Revenue

Revenue for the year ended 31 December 2013 was RMB2,870.6 million, which represented an increase of 30.5% from RMB2,200.2 million from the year ended 31 December 2012. This increase was mainly attributable to an increase of RMB451.6 million in revenue from property development and an increase of RMB187.9 million in revenue from property investment.

Property development. Revenue from property development increased by 57.8% from RMB781.3 million for the year ended 31 December 2012 to RMB1,232.8 million for the year ended 31 December 2013. This increase was attributable to an increase in GFA delivered from 40,945 sq.m. in 2012 to 65,973 sq.m. in 2013, which was a result of an increase in GFA delivered for Tianjin Joy City, partially offset by decreases in GFA delivered for Shenyang Joy City and Beijing Chaoyang Joy City. These changes in GFA delivered were primarily due to the timing of completion and delivery of properties according to the development schedule of the respective projects. The average selling price remained at relatively steady levels between 2012 and 2013.

Property investment. Revenue from property investment increased by 16.8% from RMB1,116.9 million for the year ended 31 December 2012 to RMB1,304.8 million for the year ended 31 December 2013. This increase was attributable to a general increase in rental rates for the Target Group's investment properties in 2013, as leasing demand for the retail space of the Target Group's property projects continued to grow. While the average occupancy rate of Tianjin Joy City increased from 84% in 2012 to 95% in 2013 as more retail tenants have moved in since the

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shopping mall was opened in 2012, the average occupancy rate of Shenyang Joy City decreased from 72% in 2012 to 67% in 2013 primarily as a result of the termination of certain leases by the Target Group in 2013 in preparation for its enhancement of tenant mix for Shenyang Joy City.

Property management and related services. Revenue from property management and related services increased by 13.5% from RMB230.3 million for the year ended 31 December 2012 to RMB261.4 million for the year ended 31 December 2013. This increase was mainly attributable to Tianjin Joy City primarily due to its higher average occupancy rate.

Hotel operations. Revenue from hotel operations decreased by 0.3% from RMB71.7 million for the year ended 31 December 2012 to RMB71.5 million for the year ended 31 December 2013.

Cost of sales and services

Cost of sales and services for the year ended 31 December 2013 was RMB1,551.0 million, which represented an increase of 47.5% from RMB1,051.8 million for the year ended 31 December 2012. This increase was mainly attributable to (i) an increase of RMB439.1 million in cost of properties sold primarily due to an increase in GFA delivered and (ii) an increase of RMB54.5 million in cost of properties leased resulting primarily from renovation and upgrade works conducted in preparation for the enhancement of tenant mix for Shenyang Joy City and an increase in costs incurred for Tianjin Joy City primarily due to its higher average occupancy rate.

Gross profit and gross profit margin

As a result of the foregoing, gross profit for the year ended 31 December 2013 was RMB1,319.5 million, which represented an increase of 14.9% from RMB1,148.3 million for the year ended 31 December 2012. Gross profit margin decreased from 52.2% for the year ended 31 December 2012 to 46.0% for the year ended 31 December 2013. This decrease in gross profit margin was primarily due to an increase in revenue contribution from property development, which generally had a lower gross profit margin than property investment for the Target Group.

Other income

Other income for the year ended 31 December 2013 was RMB26.2 million, which represented an increase of 27.5% from RMB20.6 million for the year ended 31 December 2012. This increase was mainly attributable to an increase of RMB9.5 million in government grants, partially offset by a decrease in interest income from loans to fellow subsidiaries from RMB6.7 million in 2012 to RMB0.5 million in 2013 due to a smaller amount of average loans outstanding in 2013.

Other losses, net

Other losses, net, for the year ended 31 December 2013 were RMB20.6 million, which represented a decrease of 35.6% from RMB32.0 million for the year ended 31 December 2012. This decrease was mainly attributable to the reversal of impairment loss on accounts receivable, net, in the amount of RMB10.0 million in 2013, as compared to the charge of impairment loss on accounts receivable, net, in the amount of RMB16.7 million in 2012. The Target Group recorded this

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impairment loss in 2012 in accordance with its impairment policy, but reversed part of this amount in 2013 that was successfully recovered during that year. This positive impact on other losses, net, in 2013 was partially offset by (i) an increase of RMB12.7 million in other losses, net, which was incurred mainly for certain construction in the public area adjacent to Shenyang Joy City, and (ii) an increase of RMB11.6 million in impairment loss on other receivables, net.

Distribution and selling costs

Distribution and selling costs for the year ended 31 December 2013 were RMB248.5 million, which represented an increase of 16.9% from RMB212.6 million for the year ended 31 December 2012. This increase was mainly attributable to an increase in related staff costs, which was due to increases in the average compensation level and number of sales and marketing staff.

Administrative expenses

Administrative expenses for the year ended 31 December 2013 were RMB359.5 million, which represented an increase of 10.3% from RMB325.9 million for the year ended 31 December 2012. This increase was mainly attributable to (i) an increase in related staff costs, which was due to increases in the average compensation level and number of administrative staff, and (ii) an increase in office expenses.

Fair value gain of investment properties

Fair value gain of investment properties for the year ended 31 December 2013 was RMB647.5 million, compared to RMB1,162.4 million for the year ended 31 December 2012. The fair value gain in 2013 was mainly attributable to Beijing Xidan Joy City and Beijing Chaoyang Joy City, while the fair value gain in 2012 was mainly attributable to Beijing Chaoyang Joy City, Tianjin Joy City and Yantai Joy City. These fair value gains in 2012 and 2013 were primarily due to general increases in average daily rent of these property projects and the market rent levels of comparable properties.

Finance costs

Finance costs for the year ended 31 December 2013 were RMB705.2 million, which represented an increase of 45.0% from RMB486.3 million for the year ended 31 December 2012. This increase was mainly attributable to an increase in interest on loans from COFCO Corporation from nil in 2012 to RMB228.9 million in 2013 as the relevant loans were interest-free in 2012 but began to bear interest in 2013. This increase in interest expenses was partially offset by an increase of RMB69.5 million in total interest capitalised.

Share of profit of an associate

Share of profit of an associate for the year ended 31 December 2013 was RMB791.5 million, which represented an increase of RMB701.8 million from RMB89.7 million for the year ended 31 December 2012. This increase was mainly attributable to the fair value gain of investment properties recorded for Beijing COFCO Plaza during the first half of 2013.

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Share of profit or loss of a joint venture

Share of loss of a joint venture for the year ended 31 December 2013 was RMB11.9 million, compared to share of profit of a joint venture of RMB2.3 million for the year ended 31 December 2012. This change was mainly attributable to the fair value loss of investment properties recorded for Shanghai COFCO Tower during the first half of 2013.

Profit before tax

As a result of the foregoing, profit before tax was RMB1,439.2 million for the year ended 31 December 2013, which represented an increase of 5.3% from RMB1,366.5 million for the year ended 31 December 2012.

Income tax expense

Income tax expense for the year ended 31 December 2013 was RMB368.5 million, which represented a decrease of 22.9% from RMB478.2 million for the year ended 31 December 2012. This decrease was mainly attributable to a decrease of RMB125.8 million in deferred tax primarily as a result of the smaller fair value gain of investment properties recorded in 2013.

The effective tax rate decreased from 35.0% for the year ended 31 December 2012 to 25.6% for the year ended 31 December 2013. The lower effective tax rate in 2013 was primarily due to the increase in share of profit of an associate, which was included in the Target Group's profit before tax but for which no tax was chargeable on the Target Group.

Profit and total comprehensive income or expense for the year

As a result of the foregoing, profit and total comprehensive expense for the year ended 31 December 2013 was RMB1,070.6 million, which represented an increase of 20.5% from profit and total comprehensive income of RMB888.3 million for the year ended 31 December 2012.

Year ended 31 December 2012 compared to the year ended 31 December 2011

Revenue

Revenue for the year ended 31 December 2012 was RMB2,200.2 million, which represented a decrease of 7.1% from RMB2,369.1 million from the year ended 31 December 2011. This decrease was mainly attributable to a decrease of RMB496.1 million in revenue from property development, partially offset by an increase of RMB258.2 million in revenue from property investment.

Property development. Revenue from property development decreased by 38.8% from RMB1,277.3 million for the year ended 31 December 2011 to RMB781.3 million for the year ended 31 December 2012. This decrease was attributable to a decrease in GFA delivered from 61,607 sq.m. in 2011 to 40,945 sq.m. in 2012, which was a result of decreases in GFA delivered for Beijing Chaoyang Joy City and Shenyang Joy City, partially offset by an increase in GFA

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delivered for Tianjin Joy City. These changes in GFA delivered were mainly due to the timing of completion and delivery according to the development schedule of the respective projects. The average selling price remained at relatively steady levels between 2011 and 2012.

Property investment. Revenue from property investment increased by 30.1% from RMB858.8 million for the year ended 31 December 2011 to RMB1,116.9 million for the year ended 31 December 2012. This increase was attributable to (i) an increase in leasable GFA in 2012 as the shopping mall of Tianjin Joy City was opened in 2012 and (ii) a general increase in average daily rent for the investment properties of the Target Group.

Property management and related services. Revenue from property management and related services increased by 38.8% from RMB165.8 million for the year ended 31 December 2011 to RMB230.3 million for the year ended 31 December 2012. This increase was mainly attributable to Tianjin Joy City as its shopping mall was opened in 2012.

Hotel operations. Revenue from hotel operations increased by 6.9% from RMB67.1 million for the year ended 31 December 2011 to RMB71.7 million for the year ended 31 December 2012. This increase was attributable to an increase of RMB4.1 million in hotel room revenue and an increase of RMB0.5 million in revenue from other ancillary service for the hotel in Beijing Xidan Joy City.

Cost of sales and services

Cost of sales and services for the year ended 31 December 2012 was RMB1,051.8 million, which represented a decrease of 12.8% from RMB1,206.5 million for the year ended 31 December 2011. This decrease was mainly attributable to a decrease of RMB319.2 million in cost of properties sold primarily due to a decrease in GFA delivered, partially offset by an increase of RMB149.6 million in cost of properties leased resulting primarily from an increase in costs incurred for Tianjin Joy City as its shopping mall was opened in 2012.

Gross profit and gross profit margin

As a result of the foregoing, gross profit for the year ended 31 December 2012 was RMB1,148.3 million, which represented a decrease of 1.2% from RMB1,162.6 million for the year ended 31 December 2011. Gross profit margin increased from 49.1% for the year ended 31 December 2011 to 52.2% for the year ended 31 December 2012. This increase in gross profit margin was primarily due to an increase in revenue contribution from property investment, which generally had a higher gross profit margin than property development for the Target Group.

Other income

Other income for the year ended 31 December 2012 was RMB20.6 million, which represented a decrease of 9.2% from RMB22.6 million for the year ended 31 December 2011. This decrease was mainly attributable to a decrease of RMB1.9 million in interest income from banks.

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Other gains and losses, net

Other losses, net, for the year ended 31 December 2012 were RMB32.0 million, compared to other gains, net, of RMB20.0 million for the year ended 31 December 2011. This change was mainly attributable to (i) the net exchange losses of RMB1.0 million for the year ended 31 December 2012, as compared to the net exchange gains of RMB33.7 million for the year ended 31 December 2011 which were a result of the appreciation of Renminbi against Hong Kong dollars in 2011, and (ii) an increase of RMB12.7 million in impairment loss on accounts receivables, net.

Distribution and selling costs

Distribution and selling costs for the year ended 31 December 2012 were RMB212.6 million, which represented a decrease of 21.2% from RMB269.7 million for the year ended 31 December 2011. This decrease was primarily due to decreases in advertising expenses and sales commissions incurred in 2012 for the sales of commercial apartments in Beijing Chaoyang Joy City as most units had been sold by the end of 2011.

Administrative expenses

Administrative expenses for the year ended 31 December 2012 were RMB325.9 million, which represented an increase of 8.7% from RMB299.8 million for the year ended 31 December 2011. This increase was primarily due to the opening of Tianjin Joy City in 2012.

Fair value gain of investment properties

Fair value gain of investment properties for the year ended 31 December 2012 was RMB1,162.4 million, compared to RMB1,493.5 million for the year ended 31 December 2011. The fair value gain in 2012 was mainly attributable to Beijing Chaoyang Joy City and Tianjin Joy City, while the fair value gain in 2011 was mainly attributable to Beijing Xidan Joy City, Tianjin Joy City and Beijing Chaoyang Joy City. These fair value gains in 2011 and 2012 were primarily due to increases in rental income for these property projects and market rent levels.

Finance costs

Finance costs for the year ended 31 December 2012 were RMB486.3 million, which represented an increase of 49.5% from RMB325.4 million for the year ended 31 December 2011. This increase was mainly attributable to an increase of RMB174.7 million in interest on total bank borrowings primarily due to a larger average outstanding amount, partially offset by an increase of RMB31.1 million in total interest capitalised.

Share of profit of an associate

Share of profit of an associate for the year ended 31 December 2012 was RMB89.7 million, which represented an increase of 71.5% from RMB52.3 million for the year ended 31 December 2011. This increase was mainly attributable to a larger fair value gain of investment properties recorded for Beijing COFCO Plaza in 2012.

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Share of profit of a joint venture

Share of profit of a joint venture for the year ended 31 December 2012 was RMB2.3 million, which represented a decrease of 91.1% from RMB25.5 million for the year ended 31 December 2011. This decrease was mainly attributable to a fair value loss of investment properties recorded for Shanghai COFCO Tower in 2012 while a fair value gain of investment properties was recognised in 2011. These changes in fair value were primarily due to fluctuations in the average occupancy rate of Shanghai COFCO Tower.

Profit before tax

As a result of the foregoing, profit before tax was RMB1,366.5 million for the year ended 31 December 2012, which represented a decrease of 27.4% from RMB1,881.7 million for the year ended 31 December 2011.

Income tax expense

Income tax expense for the year ended 31 December 2012 was RMB478.2 million, which represented a decrease of 22.7% from RMB618.6 million for the year ended 31 December 2011. This decrease was attributable to (i) a decrease of RMB55.0 million in current EIT charge for the year and a decrease of RMB29.8 million in LAT, which were primarily due to the decrease in revenue from property development, and (ii) a decrease of RMB55.6 million in deferred tax primarily as a result of the smaller fair value gain of investment properties recorded in 2012.

The effective tax rate increased from 32.9% for the year ended 31 December 2011 to 35.0% for the year ended 31 December 2012.

Profit and total comprehensive income for the year

As a result of the foregoing, profit and total comprehensive income for the year ended 31 December 2012 was RMB888.3 million, which represented a decrease of 29.7% from RMB1,263.1 million for the year ended 31 December 2011.

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SEGMENT RESULTS

The following table sets forth the Target Group's segment results for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Property development	410,106	233,231	245,722	131,084	48,411
Property investment	425,489	519,017	635,030	318,618	479,617
Property management and related services	92,061	142,544	167,061	69,083	99,954
Hotel operations	<u>47,138</u>	<u>51,850</u>	<u>51,138</u>	<u>24,669</u>	<u>22,903</u>
Total segment results	<u>974,794</u>	<u>946,642</u>	<u>1,098,951</u>	<u>543,454</u>	<u>650,885</u>

Property development

Segment results for property development decreased by 43.1% from RMB410.1 million for the year ended 31 December 2011 to RMB233.2 million for the year ended 31 December 2012, and increased by 5.4% to RMB245.7 million for the year ended 31 December 2013. Segment results for property development decreased by 63.1% from RMB131.1 million for the six months ended 30 June 2013 to RMB48.4 million for the six months ended 30 June 2014. These fluctuations in segment results for property development were generally in line with the fluctuations in segment revenue from property development during the Relevant Period.

Property investment

Segment results for property investment increased by 22.0% from RMB425.5 million from the year ended 31 December 2011 to RMB519.0 million for the year ended 31 December 2012, and further by 22.4% to RMB635.0 million for the year ended 31 December 2013. Segment results for property investment increased by 50.5% from RMB318.6 million for the six months ended 30 June 2013 to RMB479.6 million for the six months ended 30 June 2014. These increases in segment results for property investment were primarily due to the corresponding increases in segment revenue from property investment during the Relevant Period.

Property management and related services

Segment results for property management and related services increased by 54.8% from RMB92.1 million for the year ended 31 December 2011 to RMB142.5 million for the year ended 31 December 2012, and further by 17.2% to RMB167.1 million for the year ended 31 December 2013. Segment results for property management and related services increased by 44.7% from RMB69.1 million for the six months ended 30 June 2013 to RMB100.0 million for the six months ended 30 June 2014. These increases in segment results for property management and related services were primarily due to the corresponding increases in segment revenue from property management and related services during the Relevant Period.

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Hotel operations

Segment results for hotel operations increased by 10.0% from RMB47.1 million for the year ended 31 December 2011 to RMB51.9 million for the year ended 31 December 2012 and then decreased slightly by 1.4% to RMB51.1 million for the year ended 31 December 2013. Segment results for hotel operations decreased by 7.2% from RMB24.7 million for the six months ended 30 June 2013 to RMB22.9 million for the six months ended 30 June 2014. These fluctuations in segment results for hotel operations were generally in line with the fluctuations in segment revenue from hotel operations during the Relevant Period.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Target Group's principal cash requirements are to pay for capital expenditures and working capital needs in connection with the investment in and development of its mixed-use complex and commercial property projects (including by way of equity investment in project companies), as well as various operating expenditures for the leasing and management of its investment properties and payment of interest expenses. The Target Group has historically financed its cash requirements through using cash generated from operating activities (which mainly included cash generated from the sale and pre-sale of properties, rental income, fee and other income from property management and related services and other property related services, and income from hotel operations), capital contribution from COFCO Corporation, bank borrowings, and loans and advances from COFCO Corporation and other related parties. After the Completion, the Enlarged Group expects cash generated from operating activities and bank borrowings to continue to be the main sources of funding and may consider the issuance of bonds or other securities. The Directors have confirmed that, after considering the foregoing sources of funding, the proceeds to be received from the concurrent Placing and the various arrangements the Target Group has made to settle certain borrowings from and amounts due to COFCO Corporation and other related parties as discussed in further detail under the section headed "— Net Current Liabilities" below, the Enlarged Group will have sufficient working capital for its requirements for at least the next 12 months from the date of the circular.

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Cash Flows

The following table sets forth selected information of the Target Group's combined cash flow statements for the periods indicated:

	Year ended 31 December			Six months ended
	2011	2012	2013	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated by/(used in)				
operating activities	517,125	(2,112,086)	(836,632)	(37,497)
Net cash used in investing activities	(4,064,789)	(96,014)	(1,282,864)	(794,436)
Net cash generated by financing activities	<u>4,140,275</u>	<u>1,521,426</u>	<u>2,341,281</u>	<u>1,008,699</u>
Net increase/(decrease) in cash and cash equivalents	<u>592,611</u>	<u>(686,674)</u>	<u>221,785</u>	<u>176,766</u>
Cash and cash equivalents at the end of year/period	<u><u>1,531,707</u></u>	<u><u>845,033</u></u>	<u><u>1,066,818</u></u>	<u><u>1,243,584</u></u>

Cash flow from operating activities

Net cash used in operating activities for the six months ended 30 June 2014 was RMB37.5 million, which principally reflected (i) profit before tax in the amount of RMB1,696.0 million, (ii) negative adjustment for fair value gain on investment properties in the amount of RMB1,502.0 million and positive adjustment for finance costs in the amount of RMB354.5 million, (iii) a net cash outflow of RMB513.7 million attributable to movements in working capital, and (iv) total tax payments in the amount of RMB46.3 million. The net movements in working capital were principally due to (i) a decrease in accounts payable primarily due to the payment of development costs for commercial apartments and office and residential space in Tianjin Joy City, and (ii) an increase in properties under development for sale primarily due to the payment of relocation compensation in connection with the development of Phase 2 of Shanghai Joy City, partially offset by a decrease in properties held for sale.

Net cash used in operating activities for the year ended 31 December 2013 was RMB836.6 million, which principally reflected (i) profit before tax in the amount of RMB1,439.2 million, (ii) negative adjustments for share of profit of an associate in the amount of RMB791.5 million and fair value gain on investment properties in the amount of RMB647.5 million and positive adjustment for finance costs in the amount of RMB705.2 million, (iii) a net cash outflow of RMB1,495.7 million attributable to movements in working capital, and (iv) total tax payments in the amount of

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RMB94.9 million. The net movements in working capital were principally due to an increase in properties under development for sale attributable to the development of Phase 2 of Shanghai Joy City, partially offset by a decrease in properties held for sale primarily due to the delivery of completed residential space and commercial apartments for Tianjin Joy City.

Net cash used in operating activities for the year ended 31 December 2012 was RMB2,112.1 million, which principally reflected (i) profit before tax in the amount of RMB1,366.5 million, (ii) negative adjustment for fair value gain on investment properties in the amount of RMB1,162.4 million and positive adjustment for finance costs in the amount of RMB486.3 million, (iii) a net cash outflow of RMB2,573.3 million attributable to movements in working capital, and (iv) total tax payments in the amount of RMB188.9 million. The net movements in working capital were principally due to an increase in properties under development for sale primarily attributable to the development of Phase 2 of Shanghai Joy City and Tianjin Joy City, partially offset by (i) an increase in other payables and accruals relating to the development of Northern Tower of Phase 1 of Shanghai Joy City and (ii) a decrease in deposits, prepayments and other receivables primarily due to the recognition as properties under development for sale of the amount of relocation compensation prepaid by the Target Group in connection with the development of Phase 2 of Shanghai Joy City.

Net cash generated from operating activities for the year ended 31 December 2011 was RMB517.1 million, which principally reflected (i) profit before tax in the amount of RMB1,881.7 million, (ii) negative adjustment for fair value gain on investment properties in the amount of RMB1,493.5 million and positive adjustment for finance costs in the amount of RMB325.4 million, (iii) a net cash inflow of RMB23.9 million attributable to movements in working capital, and (iv) total tax payments in the amount of RMB167.1 million. The net movements in working capital were principally due to an increase in properties under development for sale primarily attributable to the development of Phase 2 of Shanghai Joy City and development of residential space, commercial apartments and office space for Tianjin Joy City, partially offset by an increase in other payables and accruals relating to the development of Northern Tower of Phase 1 of Shanghai Joy City.

Cash flow from investing activities

Net cash used in investing activities for the six months ended 30 June 2014 was RMB794.4 million. This was mainly attributable to payments for investment properties in the amount of RMB597.4 million, which were incurred primarily for the development of retail space for Yantai Joy City and Northern Tower of Phase 1 of Shanghai Joy City.

Net cash used in investing activities for the year ended 31 December 2013 was RMB1,282.9 million. This was mainly attributable to (i) payments for investment properties in the amount of RMB1,275.7 million, which were incurred primarily for the development of retail space for Yantai Joy City and Northern Tower of Phase 1 of Shanghai Joy City, and (ii) provision of loans to fellow subsidiaries in the amount of RMB230.8 million. These cash outflows were partially offset by a decrease in restricted bank deposits in the amount of RMB228.5 million, which represented deposits received in respect of the pre-sale of mainly residential space and commercial apartments for Tianjin Joy City and which were released upon completion of such properties.

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Net cash used in investing activities for the year ended 31 December 2012 was RMB96.0 million. This was mainly attributable to (i) an increase in restricted bank deposits in the amount of RMB121.4 million, which represented deposits received in respect of the pre-sale of mainly residential space and commercial apartments for Tianjin Joy City, and (ii) payments for investment properties in the amount of RMB73.6 million. These cash outflows were partially offset by the repayment of loans to fellow subsidiaries in the amount of RMB100.0 million.

Net cash used in investing activities for the year ended 31 December 2011 was RMB4,064.8 million. This was mainly attributable to payments for investment properties in the amount of RMB3,963.3 million primarily for (i) development of retail space for Tianjin Joy City and Shenyang Joy City and (ii) payment for resettlement costs in connection with the development of Northern Tower of Phase 1 of Shanghai Joy City.

Cash flow from financing activities

Net cash generated from financing activities for the six months ended 30 June 2014 was RMB1,008.7 million. This was mainly attributable to proceeds from (i) loans from COFCO Corporation in the amount of RMB547.9 million and (ii) net bank borrowings in the amount of RMB446.2 million, partially offset by interest payment in the amount of RMB358.3 million.

Net cash generated from financing activities for the year ended 31 December 2013 was RMB2,341.3 million. This was mainly attributable to proceeds from (i) net bank borrowings in the amount of RMB1,295.5 million, (ii) net borrowings from fellow subsidiaries in the amount of RMB596.6 million, and (iii) net borrowings from COFCO Corporation in the amount of RMB593.2 million, partially offset by interest payment in the amount of RMB702.8 million.

Net cash generated from financing activities for the year ended 31 December 2012 was RMB1,521.4 million. This was mainly attributable to (i) the capital contribution from COFCO Corporation to a member of the Target Group in the amount of RMB4,208.3 million, (ii) proceeds from net bank borrowings in the amount of RMB1,391.8 million, and (iii) advance from the immediate holding company of certain Target Company in the amount of RMB882.4 million. These cash inflows were partially offset by (i) the repayment of RMB3,565.1 million for loans from COFCO Corporation, (ii) the repayment of RMB778.2 million for advances from fellow subsidiaries of the Target Group, and (iii) interest payment in the amount of RMB478.3 million.

Net cash used in financing activities for the year ended 31 December 2011 was RMB4,140.3 million. This was mainly attributable to proceeds from (i) loans from COFCO Corporation in the amount of RMB2,815.1 million and (ii) net bank borrowings in the amount of RMB1,594.0 million. These cash inflows were partially offset by (i) the payment of RMB340.7 million for the acquisition of non-controlling interests in Shanghai Xinlan, the project company for Shanghai Joy City, and (ii) interest payment in the amount of RMB320.0 million.

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CERTAIN BALANCE SHEET ITEMS

Investment properties

The investment properties held by the Target Group are classified as non-current assets. As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Target Group's investment properties had a carrying amount of RMB20,326.2 million, RMB22,162.0 million, RMB23,524.2 million and RMB26,322.1 million, respectively. The general increase in the carrying amount of investment properties during the Relevant Period was mainly attributable to additions on subsequent expenditure and increases in fair value of investment properties as at each reporting date.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, certain investment properties with an aggregate carrying amount of RMB18,977.2 million, RMB21,518.5 million, RMB22,610.2 million and RMB26,322.1 million, respectively, were pledged to banks to secure bank loan facilities granted to the Target Group.

Properties under development for sale

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Target Group's properties under development for sale amounted to RMB2,537.5 million, RMB4,415.3 million, RMB5,856.8 million and RMB6,131.1 million, respectively. The general increase in the carrying amount of properties under development for sale during the Relevant Period was mainly attributable to an increase in construction activities of properties for sale, which resulted in more additions of properties under development for sale than the amounts transferred to properties held for sale upon completion.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, certain properties under development for sale with an aggregate carrying amount of RMB522.2 million, RMB550.9 million, nil and nil, respectively, were pledged to banks to secure bank loan facilities granted to the Target Group.

Accounts receivable

Accounts receivable comprise (i) receivables from sale of properties, rental receivables, property management fee receivables and receivables from hotel operations and related services, less allowance for doubtful debts, and (ii) rental adjustments relating to the recognition of rental income on a straight-line basis over the term of the relevant leases. In respect of property sales, the consideration for properties sold is usually fully paid by the purchasers prior to the delivery of the properties. Receivables from leasing, property management and related services, and hotel operations are usually settled within the same month the services are provided, except for certain tenants and customers to which the Target Group granted a credit period up to 30 to 60 days.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Target Group's accounts receivable amounted to RMB122.2 million, RMB139.8 million, RMB116.5 million and RMB109.0 million, respectively.

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Accounts receivable increased by RMB17.6 million, or 14.4%, from 31 December 2011 to 31 December 2012, which was mainly attributable to an increase of RMB29.3 million in rental receivables and an increase of RMB14.8 million in rental adjustments, partially offset by an increase of RMB16.7 million in allowance for doubtful debts and a decrease of RMB10.8 million in property management fee receivables.

Accounts receivable decreased by RMB23.3 million, or 16.7%, from 31 December 2012 to 31 December 2013, which was mainly attributable to a decrease of RMB23.0 million in rental receivables, partially offset by a decrease of RMB10.0 million in allowance for doubtful debts due to the reversal of impairment loss on accounts receivable, net.

Accounts receivable decreased by RMB7.5 million, or 6.4%, from 31 December 2013 to 30 June 2014, which was mainly attributable to a decrease of RMB8.0 million in rental receivables.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Target Group's accounts receivable excluding rental adjustments and net of impairment losses amounted to RMB81.2 million, RMB84.0 million, RMB60.8 million and RMB53.3 million, respectively. The following table sets forth the aged analysis of these amounts as at the dates indicated:

	At 31 December			At 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Less than three months	51,176	51,092	38,963	35,573
Three months to one year	27,086	19,423	16,610	12,928
One to two years	2,579	11,929	3,009	3,942
Two to three years	358	1,534	2,168	838
Over three years	—	47	—	—
Total	<u>81,199</u>	<u>84,025</u>	<u>60,750</u>	<u>53,281</u>

The Target Group's accounts receivable turnover days were 19.8 days, 21.0 days, 16.1 days and 17.6 days in 2011, 2012 and 2013 and for the six months ended 30 June 2014, respectively. Accounts receivable turnover days are derived by dividing the average of the opening and closing balances of accounts receivable for the relevant period by total revenue for the period and multiplying by the number of days in the period. The increases in accounts receivable turnover days from 2011 to 2012 and from 2013 to the first half of 2014 were mainly because of the decreases in revenue contribution by property development during those periods. The decrease from 2012 to 2013 was mainly because of the increase in revenue contribution by property development in 2013 compared to 2012.

As at 30 September 2014, the Target Group had collected 26.7% of the outstanding accounts receivable as at 30 June 2014.

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Accounts payable

Accounts payable comprise trade payables and accrued expenditures on construction. These mainly include construction costs and other project-related expenses which are payable based on project progress measured by the Target Group. Accounts payable generally have a credit period of 60 to 90 days, except for the retention monies of certain construction costs of which the credit period is up to three years.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Target Group's accounts payable amounted to RMB1,674.1 million, RMB1,223.7 million, RMB1,156.5 million and RMB724.9 million, respectively. The general decrease in accounts payable during the Relevant Period was mainly attributable to general decrease in accounts payable for Tianjin Joy City. Construction for Tianjin Joy City commenced in 2010 and was gradually completed for certain properties beginning in 2012. As a result, the accounts payable for Tianjin Joy City generally decreased during the period from 2011 to June 2014 as the increase in payments outpaced the additional payables incurred.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Target Group's trade payables amounted to RMB148.2 million, RMB520.0 million, RMB455.2 million and RMB131.1 million, respectively. The following table sets forth the aged analysis of trade payables as at the dates indicated:

	At 31 December			At 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	106,267	487,119	430,681	87,448
One to two years	31,562	21,362	11,653	26,377
Two to three years	10,322	7,176	6,293	11,616
Over three years	—	4,309	6,617	5,618
Total	<u>148,151</u>	<u>519,966</u>	<u>455,244</u>	<u>131,059</u>

As at 30 September 2014, the Target Group had settled 1.9% of the outstanding accounts payable as at 30 June 2014.

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Other payables and accruals

The following table sets out a breakdown of the Target Group's other payables and accruals as at the dates indicated:

	At 31 December			At 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Rental deposits received	70,146	119,269	172,334	173,587
Receipts of credit card payments on behalf of tenants	131,852	214,839	263,202	244,981
Other deposits received	87,554	87,858	105,666	141,987
Salaries and payroll payable	21,873	26,766	40,765	27,819
Receipts in advance from customers	75,342	63,155	117,065	126,903
Other receipts in advance	10,299	29,622	23,248	21,274
Consideration payable for acquisition of a subsidiary	83,695	49,695	42,895	42,895
Construction costs payable for property, plant and equipment and investment properties	842,545	1,058,425	497,458	1,195,961
Promotional fees payable	19,328	38,601	39,532	11,153
Interest payables	8,536	16,564	18,935	15,051
Other tax payable	17,338	17,132	18,821	9,550
Other payables and accruals	<u>52,092</u>	<u>52,415</u>	<u>58,144</u>	<u>76,614</u>
Total other payables and accruals	<u>1,420,600</u>	<u>1,774,341</u>	<u>1,398,065</u>	<u>2,087,775</u>

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Target Group's other payables and accruals amounted to RMB1,420.6 million, RMB1,774.3 million, RMB1,398.1 million and RMB2,087.8 million, respectively. The fluctuations in other payables and accruals during the Relevant Period were primarily due to changes in construction costs payable for certain investment properties, which were incurred principally for the construction of retail space for Tianjin Joy City, Shanghai Joy City and Yantai Joy City.

Deposits received in respect of pre-sale of properties

Deposits received in respect of pre-sales of properties represent proceeds received on property sales that have not been recognised as revenue in accordance with the Target Group's revenue recognition policy. Such amounts are expected to be recognised as revenue upon the properties being transferred to customers.

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As at 31 December 2011, 2012 and 2013 and 30 June 2014, deposits received in respect of pre-sale of properties by the Target Group amounted to RMB422.9 million, RMB462.2 million, RMB88.5 million and RMB121.8 million, respectively.

Deferred tax liabilities

As at 31 December 2011, 2012 and 2013 and 30 June 2014, deferred tax liabilities amounted to RMB1,909.7 million, RMB2,275.1 million, RMB2,514.7 million and RMB2,933.6 million, respectively. The general increase in deferred tax liabilities during the Relevant Period was mainly attributable to deferred tax charges on fair value gains of investment properties during the Relevant Period.

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NET CURRENT LIABILITIES

The following table sets out the Target Group's current assets and current liabilities as at the dates indicated:

	At 31 December			At 30 June	At
	2011	2012	2013	2014	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets					
Inventories	15,075	14,622	13,996	14,526	43,015
Properties held for sale	367,441	737,523	519,769	367,515	319,287
Properties under development for sale	2,537,471	4,415,269	5,856,806	6,131,058	6,957,853
Accounts receivable	122,201	139,777	116,502	109,033	119,442
Deposits, prepayments and other receivables	132,732	185,248	202,310	235,552	202,610
Amounts due from the ultimate holding company	—	—	—	20,025	20,024
Amounts due from fellow subsidiaries	1,219	1,580	365	2,333	11,276
Amount due from an associate	25,879	1,921	—	1,807	2,496
Amounts due from non-controlling interests	—	—	—	39,861	40,311
Loans to fellow subsidiaries	100,000	—	—	317,623	273,481
Tax recoverable	41,100	44,228	7,284	7,284	7,284
Restricted bank deposits	133,553	254,977	26,484	90,264	123,414
Cash and cash equivalents	<u>1,531,707</u>	<u>845,033</u>	<u>1,066,818</u>	<u>1,243,584</u>	<u>930,771</u>
Total current assets	5,008,378	6,640,178	7,810,334	8,580,465	9,051,264
Current Liabilities					
Accounts payable	1,674,137	1,223,733	1,156,474	724,927	707,585
Other payables and accruals	1,420,600	1,774,341	1,398,065	2,087,775	1,916,429
Deposits received in respect of pre-sale of properties	422,887	462,243	88,490	121,812	117,790
Amounts due to the ultimate holding company	—	—	228,851	344,611	402,616
Amounts due to the immediate holding company	—	882,399	857,771	865,981	789,287
Amounts due to fellow subsidiaries	785,085	6,847	2,705	2,984	573
Amounts due to non-controlling interests	—	—	2,156	2,177	2,174
Amount due to an associate	—	30,000	—	—	—
Loans from fellow subsidiaries	706,498	424,075	972,134	1,556,305	1,231,150
Loans from the ultimate holding company	6,442,102	2,876,996	3,470,183	4,018,070	3,917,681
Loan from an associate	110,000	—	—	—	—
Bank borrowings	264,036	2,046,811	981,714	4,935,742	4,827,490
Income tax and land appreciation tax payable	<u>158,901</u>	<u>85,942</u>	<u>83,056</u>	<u>92,991</u>	<u>98,395</u>
Total current liabilities	(11,984,246)	(9,813,387)	(9,241,599)	(14,753,375)	(14,011,170)
Net current liabilities	<u>(6,975,868)</u>	<u>(3,173,209)</u>	<u>(1,431,265)</u>	<u>(6,172,910)</u>	<u>(4,959,906)</u>

FINANCIAL INFORMATION OF THE TARGET GROUP

The Target Group had net current liabilities as at each of 31 December 2011, 2012 and 2013, 30 June 2014 and 30 September 2014. The net current liabilities position as at these dates was mainly attributable to (i) loans from COFCO Corporation and the Target Group's fellow subsidiaries and (ii) amounts due to COFCO Corporation, the immediate holding company of certain Target Company and fellow subsidiaries of the Target Group. These loans and outstanding amounts were repayable on demand or within one year and were classified as current liabilities as at each of these dates. As at 30 September 2014, the carrying balance of loans from COFCO Corporation was RMB3,917.7 million, of which approximately RMB3,768.0 million was repaid and replaced by the Perpetual Loan pursuant to the Perpetual Loan Agreement as described in further detail in the section headed "Continuing Connected Transactions — Exempt Continuing Connected Transactions — Financial assistance from COFCO Group to the Target Group" in this circular. Furthermore, of the amounts due to the immediate holding company of certain Target Company, an amount of approximately HK\$995.9 million (equivalent to approximately RMB790.6 million) will be acquired by the Company as the Shareholder Loans pursuant to the Acquisition.

As at 30 September 2014, the Target Group had net current liabilities in the amount of RMB4,959.9 million. Its total current liabilities amounted to RMB14,011.2 million, mainly including bank borrowings in the amount of RMB4,827.5 million, loans from COFCO Corporation in the amount of RMB3,917.7 million, other payables and accruals in the amount of RMB1,916.4 million, loans from fellow subsidiaries in the amount of RMB1,231.2 million, amounts due to the immediate holding company of certain Target Company in the amount of RMB789.3 million, accounts payable of RMB707.6 million and amounts due to COFCO Corporation in the amount of RMB402.6 million. Its total current assets amounted to RMB9,051.3 million, mainly including properties under development for sale in the amount of RMB6,957.9 million, cash and cash equivalents in the amount of RMB930.8 million, properties held for sale in the amount of RMB319.3 million and loans to fellow subsidiaries of RMB273.5 million.

After taking into consideration these arrangements, the Target Group's cash flows generated from operations and the Target Group's available banking facilities, the Directors believe that the Enlarged Group has sufficient financial resources to meet its financial obligations and finance its operations in the foreseeable future.

FINANCIAL INFORMATION OF THE TARGET GROUP
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INDEBTEDNESS

Bank borrowings

The Target Group obtain bank borrowings as one of its principal sources of funding. As at 31 December 2011, 2012 and 2013, 30 June 2014 and 30 September 2014, being the latest practicable date for the purpose of determining indebtedness, the Target Group had total bank borrowings in the amounts of RMB6,760.4 million, RMB8,152.2 million, RMB9,447.7 million, RMB9,893.9 million and RMB10,279.6 million, respectively. The general increase in bank borrowings was primarily due to our increased capital needs in connection with property development activities. The following table sets out the Target Group's outstanding bank borrowings as at the dates indicated:

	At 31 December			At 30 June 2014	At 30 September 2014
	2011	2012	2013	2014	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current bank borrowings	264,036	2,046,811	981,714	4,935,742	4,827,490
Non-current bank borrowings	<u>6,496,363</u>	<u>6,105,357</u>	<u>8,465,938</u>	<u>4,958,115</u>	<u>5,452,152</u>
Total bank borrowings	<u><u>6,760,399</u></u>	<u><u>8,152,168</u></u>	<u><u>9,447,652</u></u>	<u><u>9,893,857</u></u>	<u><u>10,279,642</u></u>

All bank borrowings of the Target Group are denominated in Renminbi. The effective interest rates (which are also equal to contracted interest rates) on the bank borrowings ranged from 4.86% to 7.22%, 4.86% to 8.46%, 4.86% to 7.86%, 5.76% to 7.86% and 5.76% to 7.86% per annum as at 31 December 2011, 2012 and 2013, 30 June 2014 and 30 September 2014, respectively.

As at 31 December 2011, 2012 and 2013, 30 June 2014 and 30 September 2014, certain bank borrowings in the amounts of RMB6,343.3 million, RMB7,675.0 million, RMB7,330.7 million, RMB6,846.1 million and RMB7,172.0 million, respectively, were secured by the Target Group's non-current and current assets as collateral, including investment properties, property, plant and equipment, land use rights, properties held for sale. In addition, as at 31 December 2011, 2012 and 2013, 30 June 2014 and 30 September 2014, certain bank borrowings in the amounts of RMB417.2 million, RMB477.2 million, nil, nil and nil, respectively, were guaranteed by COFCO Corporation and certain fellow subsidiaries of the Target Group.

FINANCIAL INFORMATION OF THE TARGET GROUP
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The following table sets out the maturity profile of the Target Group's outstanding bank borrowings as at the dates indicated:

	At	At
	30 June	30 September
	2014	2014
	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)
Within one year	4,935,742	4,827,490
In the second year	—	—
In the third to fifth years, inclusive	1,547,640	1,904,115
Beyond five years	<u>3,410,475</u>	<u>3,547,997</u>
Total	<u><u>9,893,857</u></u>	<u><u>10,279,642</u></u>

During the Relevant Period and as at 30 September 2014, the Target Group obtained all of its bank borrowings from commercial banks in China, and its bank loan agreements substantially followed the standard terms adopted by those banks. The Directors are of the view that there are no material covenants in the Target Group's bank borrowings that impose a substantial limitation on the Target Group's ability to obtain further financing. During the Relevant Period and up to the Latest Practicable Date, the Directors have confirmed that the Target Group had no material default or breaches of covenants under its bank borrowings.

As at 30 September 2014, the Target Group had total banking facilities in the amount of RMB16,202.2 million, of which RMB2,665.3 million remained unrestricted undrawn and was available as at the same date.

FINANCIAL INFORMATION OF THE TARGET GROUP
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Loans and advances from Related Parties

As at 31 December 2011, 2012 and 2013, 30 June 2014 and 30 September 2014, the Target Group had total loans from related parties in the amounts of RMB7,486.6 million, RMB3,776.1 million, RMB4,965.8 million, RMB5,762.4 million and RMB5,263.8 million, respectively. These loans were obtained primarily to fund the capital needs in connection with property development activities. The following table sets out the Target Group's outstanding borrowings from related parties as at the dates indicated:

	At 31 December			At	At
	2011	2012	2013	30 June 2014	30 September 2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(unaudited)
Current loans from:					
COFCO					
Corporation	6,442,102	2,876,996	3,470,183	4,018,070	3,917,681
Fellow subsidiaries	706,498	424,075	972,134	1,556,305	1,231,150
An associate	<u>110,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	7,258,600	3,301,071	4,442,317	5,574,375	5,148,831
Non-current loans from a fellow subsidiary	<u>228,000</u>	<u>475,000</u>	<u>523,500</u>	<u>188,000</u>	<u>115,000</u>
Total	<u>7,486,600</u>	<u>3,776,071</u>	<u>4,965,817</u>	<u>5,762,375</u>	<u>5,263,831</u>

The loans from COFCO Corporation were unsecured and unguaranteed, bore interest at rates of nil, nil, 6%, 6%, and 6% per annum as at 31 December 2011, 2012 and 2013, 30 June 2014 and 30 September 2014, respectively, and were repayable within one year from each of these dates. As at 30 September 2014, the carrying balance of loans from COFCO Corporation was RMB3,917.7 million, of which approximately RMB3,768.0 million was repaid and replaced by the Perpetual Loan pursuant to the Perpetual Loan Agreement as described in further detail in the section headed “Continuing Connected Transactions — Exempt Continuing Connected Transactions — Financial assistance from COFCO Group to the Target Group” in this circular.

The loans from fellow subsidiaries classified under current liabilities were unsecured and unguaranteed, bore interest at rates ranging from 4.78% to 6.65%, 4.78% to 6.65%, 5.36% to 6.63%, 5.36% to 6.65%, and 5.36% to 6.65% per annum as at 31 December 2011, 2012 and 2013, 30 June 2014 and 30 September 2014, respectively, and were repayable within one year from each of these dates.

FINANCIAL INFORMATION OF THE TARGET GROUP

The loans from a fellow subsidiary, COFCO Finance, classified under non-current liabilities were unsecured and unguaranteed, bore interest at rates ranging from 4.78% to 6.65%, 4.78% to 6.65%, 6% to 6.65%, 5.36% to 6.65%, and 6% to 6.65% per annum as at 31 December 2011, 2012 and 2013, 30 June 2014 and 30 September 2014, respectively, and were not repayable within one year from each of these dates.

Apart from the above, as at 30 September 2014, the Target Group had amounts due to COFCO Corporation, the immediate holding company, fellow subsidiaries and non-controlling interests of RMB402.6 million, RMB789.3 million, RMB0.6 million and RMB2.2 million, respectively. The above balances were unsecured and unguaranteed, interest-free and repayable on demand.

Contingent liabilities

The Target 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. As described more fully in the section headed “Business of the Target Group — Regulatory Compliance” to this Circular, based on the reasons and circumstances of these non-compliances and the PRC legal advice, of which details of the non-compliances are set out, the management of the Target Group considers that the risk of the Target Group will be subject to any fine, penalty or demolition or confiscation order is not probable and, accordingly, no provision has been made. In respect of these non-compliance incidents, the Target Group may be subject to a maximum penalty of a fine of up to 10% of the construction cost of the related construction work, demolition of the relevant property and confiscation of illegal revenue. Save as disclosed above, the Target Group has no material contingent liabilities. The Target Group is not involved in any current material legal proceedings, nor are the directors aware of an pending or potential material legal proceedings involving the Target Group.

CONTRACTUAL OBLIGATIONS AND CAPITAL EXPENDITURES

The following table shows the amounts and payment schedule of certain contractual obligations of the Target Group as at 30 June 2014:

	Within one year <i>RMB'000</i>	More than one year <i>RMB'000</i>	Total <i>RMB'000</i>
Capital commitments in respect of purchase of property, plant and equipment:			
Contracted, but not provided for	111,000	211,070	322,070
Minimum lease payments under non-cancellable operating lease	2,119	608	2,727

FINANCIAL INFORMATION OF THE TARGET GROUP

The Target Group plans to make capital expenditures with an aggregate amount of RMB1,321.9 million in the second half of 2014 consisting of RMB1,066.6 million mainly to finance the construction costs of Yantai Joy City and Shanghai Joy City and RMB255.3 million mainly to finance the demolition and relocation costs for Shanghai Joy City. The Target Group also plans to make capital expenditures with an aggregate amount of RMB3,531.4 million in 2015, consisting of (i) RMB2,625.1 million mainly to finance the construction costs of Yantai Joy City, Tianjin Joy City, Shanghai Joy City and Andingmen Project, (ii) RMB764.8 million mainly to finance demolition and relocation process costs for Shanghai Joy City and (iii) RMB141.5 million mainly to finance land acquisition costs for Andingmen Project.

The Target Group plans to finance the above projects by using internally generated cash, bank borrowings and other available financial resources. As at the Latest Practicable Date, the Company had no definite plan to conduct specific fund raising activities on the capital market to finance such capital expenditures.

The Target Group may plan for additional project developments in the future which would require additional capital expenditures. However, currently there are no definitive project development plans and there are no firm requirements for capital expenditures other than those disclosed above.

OFF-BALANCE SHEET ARRANGEMENTS

During the Relevant Period and as of the Latest Practicable Date, the Target Group has not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. The Target Group does not have any variable interest in any uncombined entity that provides financing, liquidity, market risk or credit support to the Target Group or engages in leasing or hedging or research and development services with the Target Group.

KEY FINANCIAL RATIOS

The following financial ratios are calculated based on the financial information that was prepared as if the entities comprising the Target Group constituted a single reporting unit throughout the Relevant Period. These financial ratios would likely have been different had all the entities comprising the Target Group been in fact operated and financed as a single business.

FINANCIAL INFORMATION OF THE TARGET GROUP

Total debt to total capital ratio

The Target Group's total debt to total capital ratio, which is calculated by dividing total debt (comprising bank borrowings and loans from COFCO Corporation, fellow subsidiaries and an associate) by the sum of total liabilities and total equity, was 68.7%, 50.8%, 52.5% and 52.4% as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively. The significant decrease in total debt to total capital ratio from 31 December 2011 to 31 December 2012 was primarily due to an increase in total equity in 2012 as a result of the capital contribution from COFCO Corporation to a member of the Target Group in the amount of RMB4,208.3 million in 2012.

Net debt to total equity ratio

The Target Group's net debt to total equity ratio, which is calculated by dividing net debt (comprising total debt less cash and cash equivalents and restricted bank deposits) by total equity, was 193.6%, 93.6%, 102.2% and 100.5% as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively. The significant decrease in net debt to total equity ratio from 31 December 2011 to 31 December 2012 was primarily due to the increase in total equity in 2012. The net debt to total equity ratio increased further in 2013 primarily because of increases in bank borrowings and loans from COFCO Corporation and fellow subsidiaries in 2013.

Return on equity

The Target Group's return on equity, which is calculated by dividing profit and total comprehensive income for the year or period (unannualised) by total equity as at the end of the year or period, was 19.4%, 7.7%, 8.2% and 8.6% for the year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively. The significant decrease in return on equity in 2012 compared to 2011 was primarily due to the increase in total equity in 2012.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

The Target Group is exposed to various types of market risks, including currency risk, interest risk, credit risk and liquidity risk in its normal course of business.

Currency risk

The Target Group collects most of its revenue in Renminbi and most of the expenditures, including expenditures incurred in property sales as well as capital expenditures, are also denominated in Renminbi. The Target Group has account balances denominated in foreign currencies, hence exposure to exchange rate fluctuations arises. The Target Group currently does not have a foreign currency hedging policy. However, the management of the Target Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Target Companies with Renminbi as the functional currency had bank balances denominated in foreign currencies, which consisted mainly of Hong Kong dollars, and amounts due to fellow

FINANCIAL INFORMATION OF THE TARGET GROUP
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subsidiaries of the Target Group, the immediate holding company of certain Target Company, and non-controlling interests, which consisted mainly of Hong Kong dollars. These bank balances and outstanding amounts exposed the Target Group to foreign currency risk.

The following table details the Target Group's sensitivity to a 5% increase and decrease in Renminbi against Hong Kong dollars while all other variables are held constant, which represents the assessment of management of the Target Group of the reasonably possible change in foreign exchange rate:

	Year ended 31 December			Six months ended
	2011	2012	2013	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2014
				<i>RMB'000</i>
Increase/(decrease) in post-tax profit for the year/period:				
— if Renminbi weakens against Hong Kong dollars	(29,376)	(33,143)	(29,400)	(29,651)
— if Renminbi strengthens against Hong Kong dollars	29,376	33,143	29,400	29,651

Interest risk

The Target Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and loans from COFCO Corporation, its fellow subsidiaries and an associate. The Target Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and deposits with a non-banking financial institution, and variable-rate bank borrowings.

The Target Group's exposure to the cash flow interest rate risk relates primarily to the interest-bearing bank borrowings with floating interest rates. It is the Target Group's policy to negotiate the terms of the interest-bearing bank borrowings in order to balance the interest rate exposure.

FINANCIAL INFORMATION OF THE TARGET GROUP
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The sensitivity analysis on post-tax profit below (after taking into account the interest capitalisation effect) has been determined based on the exposure to interest rates for bank borrowings as at the end of each reporting period. The analysis is prepared assuming the bank borrowings outstanding at the end of each reporting period were outstanding for the whole year or period. A 50 basis points increase or decrease during the Relevant Period is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	Year ended 31 December			Six months ended
	2011	2012	2013	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Increase/(decrease) in post-tax profit for the year/period:				
— interest rates 50 basis points higher	(16,591)	(18,006)	(9,341)	(4,164)
— interest rates 50 basis points lower	16,591	18,006	9,341	4,164

Credit risk

The Target Group's maximum exposure to credit risk which will cause a financial loss to the Target 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 combined statements of financial positions.

The Target Group's credit risk is primarily attributable to its amounts due from COFCO Corporation, fellow subsidiaries, an associate and non-controlling interests, loans to fellow subsidiaries, accounts and other receivables, restricted bank deposits and cash equivalents. In order to minimise the credit risk of accounts receivable, the management of the Target Group review the recoverability of each debt at the end of each reporting period and have monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Target Group consider that the Target Group's credit risk is significantly reduced. For the amounts due from COFCO Corporation, fellow subsidiaries, an associate and non-controlling interests and loans to fellow subsidiaries, the management of the Target Group are in the opinion that the failure of these entities to make required payments is unlikely after considering their past settlement records.

FINANCIAL INFORMATION OF THE TARGET GROUP

Except for the loans to fellow subsidiaries, the Target Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. The credit risks of the Target Group on liquid funds are limited because the counterparties are banks with good reputation. The Target Group has no significant concentration of credit risk on liquid funds, with exposure spread over a number of banks.

Liquidity risk

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Target Group's total assets less current liabilities amounted to RMB15,324.6 million, RMB20,649.1 million, RMB24,749.0 million and RMB22,571.2 million, respectively, and its net current liabilities amounted to RMB6,975.9 million, RMB3,173.2 million, RMB1,431.3 million and RMB6,172.9 million, respectively. The Target Group's net current liabilities position was mainly attributable to the loans from and amounts due to COFCO Corporation and other related parties. The Target Group has made various arrangements to settle certain of these amounts prior to or upon the Completion, as discussed in further detail under the section headed "— Current Net Liabilities" above. After considering the foregoing factors, the cash flows from operations and the available banking facilities, the management of the Target Group considers that the Target Group has sufficient financial resources to meet its financial obligations and finance its operations in the foreseeable future.

RELATED PARTY TRANSACTIONS

The related party transactions of the Target Group during the Relevant Period are set out in Note 43 of the Accountants' Report on the Target Group in Appendix I of this circular. Some of these related party transactions which are expected to continue after the Completion and will constitute non-exempt continuing connected transaction of the Company are set out in the section headed "Continuing Connected Transactions" in this circular.

DISTRIBUTABLE RESERVES

As at 30 June 2014, the aggregate amount of retained profits of the Target Companies in their separate financial statements was approximately RMB16.5 million.

FINANCIAL INFORMATION OF THE TARGET GROUP

DIVIDENDS AND DIVIDEND POLICY

During the Relevant Period, the Target Companies did not declare any dividends. The Directors may recommend a payment of a dividend in the future after taking into account various relevant factors, including the financial condition, capital requirements and earnings of the Enlarged Group, and subject to the Bye-laws. There is no guarantee that dividends will be paid in the future. Any cash dividend will be paid in Hong Kong dollars and other distributions (if any) will be paid to the Shareholders by any means as the Directors deem legal, fair and practical.

PLACING EXPENSES

The aggregate fees payable by the Company in connection with the Acquisition and the Placing, including legal and other professional fees, printing and other expenses but not including commissions, are estimated to be approximately RMB24.0 million in aggregate.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited financial information of the Enlarged Group, which illustrates the impact of the Acquisition on the Group's financial position as at 30 June 2014 as if the Acquisition had taken place on 30 June 2014 and the Group's financial performance and cash flows for the year ended 31 December 2013 as if the Acquisition had taken place on 1 January 2013, is set out in "Appendix III — Unaudited Pro Forma Financial Information of the Enlarged Group" in this circular.

PROPERTY VALUATION

For details of the Target Group's properties as at 31 August 2014 and the text of the valuation certificate of these property interests prepared by Savills, see Appendix IV of this circular.

FINANCIAL INFORMATION OF THE TARGET GROUP
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Disclosure of the reconciliation of the Target Group's properties from the audited combined financial statements as at 30 June 2014 to the valuation as at 31 August 2014 is set out below:

	<i>RMB millions</i>
Net book value of the following properties as at 30 June 2014	
— Properties under development for sale	6,131
— Properties held for sale	368
— Investment properties	26,322
— Property, plant and equipment	486
— Land use rights	<u>176</u>
	33,483
Add: Additions during the period from 1 July 2014 to 31 August 2014	33
Less: Decrease during the period from 1 July 2014 to 31 August 2014	(41)
Fair value gain of investment properties	<u>125</u>
Net book value of the above properties as at 31 August 2014	33,600
Less: Items of properties under development for sale and property, plant and equipment not included in property valuation report	<u>(175)</u>
Net book value of the properties as at 31 August 2014	33,425
Less: Land premium and construction cost payables	<u>(1,744)</u>
	<u><u>31,681</u></u>
Valuation of properties as at 31 August 2014 as set out in the property valuation report in Appendix IV to this circular (<i>note</i>)	<u>34,245</u>
Less: Revaluation surplus, before income tax and land appreciation tax	<u>(2,564)</u>
	<u><u>31,681</u></u>

Note: This represents the total valuation of the properties of the Target Group as set out in Appendix IV of RMB39,607 million, less the total valuation of the properties held by associates of the Target Group of RMB5,362 million.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the Target Group's financial or trading position or prospects since 30 June 2014 and up to the date of this circular.

FINANCIAL STATEMENTS OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2013 AND SIX MONTHS ENDED 30 JUNE 2014

The auditors' report and the audited consolidated financial statements of the Group for each of the three financial years ended 31 December 2011, 2012 and 2013 and the auditors' review report and the condensed consolidated financial statements of the Group for the six months ended 30 June 2014 were disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the Company's website (www.cofcoholdings.com):

- Interim report of the Group for the six months ended 30 June 2014 published on 18 September 2014 (pages 69 to 97);
- Annual report of the Group for the year ended 31 December 2013 published on 16 April 2014 (pages 101 to 193);
- Annual report of the Group for the nine months ended 31 December 2012 published on 26 April 2013 (pages 34 to 88);
- Annual report of the Group for the financial year ended 31 March 2012 published on 23 July 2012 (pages 16 to 57); and
- Annual report of the Group for the year ended 31 March 2011 published on 18 May 2011 (pages 16 to 63).

STATEMENT OF INDEBTEDNESS**Borrowing**

At the close of business on 30 September 2014, being the latest practicable date for the purpose of determining the indebtedness prior to the printing of this circular, the Group had outstanding bank borrowings of RMB4,230.0 million (of which certain bank borrowings in the amount of RMB3,585.0 million were secured by the Group's assets, including investment properties, property, plant and equipment, properties under development for sale and leasehold land and land use rights, and unguaranteed, and the remaining bank borrowings of RMB645.0 million were unsecured and unguaranteed) and amounts due to fellow subsidiaries of RMB0.5 million which were unsecured and unguaranteed.

Contingent liabilities

At the close of business on 30 September 2014, there are a few non-compliance incidents where the Group's construction activities are not in full compliance with certain property construction regulations in the PRC. The Group may be subject to a maximum penalty of approximately RMB220.4 million as at 30 September 2014. However, based on the reasons and circumstances of these incidents and the PRC legal counsel's advice, the directors of the Company consider that the risk of the Group being subject to the penalty is remote, and accordingly, no provision has been made in the financial statements.

Save as aforesaid and apart from intra-group liabilities, the Group did not have, at the close of business on 30 September 2014, any other outstanding liabilities or any debt securities, or any mortgages, charges, debentures, loan capital, bank overdrafts, loans, liabilities under acceptance (other than normal trade bills) or other similar indebtedness, hire purchase or finance lease obligations or any guarantees or other material contingent liabilities.

FINANCIAL AND TRADING PROSPECT

As it is unlikely that the control measures over the real estate's industry will be fully relaxed and the demand and supply of the market will gradually resume rational, this contributes a healthy development of the real estate market and will be to the benefits of the future development of the Group in the long run. In the meanwhile, with the favorable development opportunities brought forward by the Group's ultimate parent company, COFCO Corporation, which is a state-owned capital investment pilot enterprise, in the second half of this year, the Group will continue to take the initiative in exploring new ways of development and, by leveraging on capital investment and following the market demand, further enhance the vitality and competitiveness of each segment of the Group, raise industry standard and establish control and influence in the industry. Looking ahead, the Group will insist combining holding and selling of properties together, taking a conventional approach in development with low-cost expansion methods, product standardization with technical innovation as well as developing existing cities with new towns, so as to continuously enhance its corporate value and market position.

Upon Completion, the Enlarged Group will be receiving stable rental income from the Joy City Projects, which is expected to enhance the financial performance of the Enlarged Group going forward. Looking forward, the Enlarged Group targets to complete the office portion of Tianjin Joy City in the third quarter of 2015, the Northern Tower Phase 1 of Shanghai Joy City in the fourth quarter of 2015 and the Northern Tower Phase 2 of Shanghai Joy City in the fourth quarter of 2018, which is expected to provide the Enlarged Group with sustainable growth potential.

EFFECT OF THE ACQUISITION ON EARNINGS, ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The financial impact of the Acquisition on the Company (including their effect on the earnings, assets and liabilities of the Company) is illustrated by way of the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular. As the Group and the Target Group have been under the common control of COFCO Corporation and COFCO Corporation will continue to be the ultimate controlling shareholder of the Company upon Completion, the Acquisition is considered as a combination of businesses under common control and accounted for under the merger basis.

WORKING CAPITAL

After taking into account of the effect of the Acquisition, the present financial resources available to the Enlarged Group (including internally generated revenue, funds and other available and forthcoming banking facilities), the Board believes that the Enlarged Group shall have sufficient working capital to meet its present requirement for at least 12 months from the date of this circular in the absence of unforeseen circumstance.

MATERIAL ACQUISITIONS AFTER THE LATEST FINANCIAL STATEMENTS

On 19 August 2014, the Company completed its acquisition of 22% of the issued share capital of Jetway Developments Limited together with a shareholder's loan in an amount of HK\$69,904,943 from Grow Wealth Limited for a consideration of HK\$1,018,921,728, which was satisfied by the issue and allotment of 509,460,864 Shares to Grow Wealth Limited. Jetway Developments Limited is an investment holding company directly holding equity interests in a project company incorporated in the PRC, which in turn holds a commercial property project, comprising Ocean Once (海景壹號) and Fraser Suites Top Glory Shanghai (上海鵬利輝盛閣公寓) located in the Pudong New Area of Shanghai. Following the completion of the acquisition, Jetway Developments Limited became a wholly-owned subsidiary of the Company.

On the same date, the Company completed its acquisition of approximately 32.43% of the issued share capital of Yalong Development (HK) Company Limited together with a shareholder's loan in an amount of HK\$174,014,191 from Woo + Woo Investments Limited for a consideration of HK\$998,446,456, which was satisfied by the issue and allotment of 499,223,228 Shares to Woo + Woo Investments Limited. Yalong Development (HK) Company Limited is an investment holding company directly or indirectly holding equity interest in project companies incorporated in the PRC, which in turn hold an integrated tourist project located in Yalong Bay National Resort District. Following the completion of the acquisition, Yalong Development (HK) Company Limited became an indirect wholly-owned subsidiary of the Company.

No variation in the remuneration payable to and benefits in kind receivable by the Directors was involved in relation to the above acquisitions. Please refer to the announcements of the Company dated 1 August 2014 and 19 August 2014 in relation to the above acquisitions and completion of the same, respectively, and the Company's circular dated 22 August 2014 in relation thereto for further details.

MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, save as disclosed in the profit warning announcement issued by the Company and dated 25 June 2014 which provides that the Group is expected to record a significant decline in profit for the six months ended 30 June 2014 as compared to that for the corresponding period in the previous year mainly due to the expected lesser increase in the fair value of the Group's investment properties at the relevant time, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest audited consolidated financial statements of the Group were made up.

The following is the text of a report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the Company's reporting accountants, for the purpose of incorporation in this Circular.

Deloitte.
德勤

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Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

5 November 2014

The Directors
COFCO Land Holdings Limited

Dear Sirs,

We set out below our report on the financial information for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 (the "Relevant Period") (the "Financial Information") of certain subsidiaries of COFCO Land Limited ("COFCO Land") and Sheen Jade Limited ("Sheen Jade") (collectively the "Target Group") which are proposed to be acquired by COFCO Land Holdings Limited (the "Company") for inclusion in the circular of the Company dated 5 November 2014 (the "Circular").

Both COFCO Land and Sheen Jade are indirect wholly-owned subsidiaries of COFCO Corporation, the ultimate holding company of the Company.

Pursuant to an acquisition agreement dated 12 September 2014 (the "Acquisition Agreement") entered into, among others, COFCO Land and Sheen Jade as the sellers and the Company as the purchaser, as described more fully in the section headed "Letter from the Board" included in the Circular, the Company has conditionally agreed to acquire the following:

- (i) from Sheen Jade all the issued share capital of Fortune Set Limited ("Fortune Set") after the proposed transfer by Magic Grain Limited, an indirect wholly-owned subsidiary of COFCO Corporation, of its entire issued share capital in Fortune Set to Sheen Jade (the "Restructuring");
- (ii) from COFCO Land all the issued share capital of Kersen Properties Limited ("Kersen Properties") and Mega Health Limited ("Mega Health") (collectively, together with Fortune Set, the "Target Companies");
- (iii) the shareholders' loans of HK\$995.9 million (approximately RMB790.5 million) which were outstanding and owing by certain of the Target Companies to COFCO Land as of the date of the Acquisition Agreement (together with the acquisition of the Target Companies, referred to as the "Acquisition").

The Target Companies are subsidiaries directly owned by Sheen Jade (Magic Grain Limited before the Restructuring) or COFCO Land, and are investment holding companies holding, directly or indirectly, equity interests in entities operating in Hong Kong and the People's Republic of China (the "PRC"). Details of entities comprising the Target Group are as follows:

Company name	Date of incorporation/ establishment	Issued and fully paid up share capital/registered capital	Attributable equity interest held by COFCO Corporation					At 30 June 2014	At date of this report	Principal activities
			At 31 December 2011	2012	2013	2014	2015			
Entities incorporated in Hong Kong										
Imperial City Limited (佑城有限公司)	6 November 2012	HK\$2	N/A	100%	100%	100%	100%	100%	Investment holding	
Joy Sincere (Hong Kong) Limited ("Joy Sincere (HK)") (悦城(香港)有限公司)	26 February 2013	HK\$2,040	N/A	N/A	52.0%	52.0%	52.0%	52.0%	Investment holding	
Sino Melody Limited (華鏗有限公司) ("Sino Melody") (Note 2)	1 April 2011	HK\$400	100%	100%	26.5%	26.5%	26.5%	26.5%	Investment holding	
Entities established in the PRC										
煙台大悅城有限公司 (Yantai Joy City Co., Ltd*) ("Yantai Joy City Co") (Notes 1 and 3)	3 May 2011	RMB750,000,000	100%	100%	51.0%	51.0%	51.0%	51.0%	Property investment and development	
瀋陽大悅城房產開發有限公司 ("Shenyang Joy City Real Estate Development Co. Ltd.*") ("Shenyang Development") (Note 4)	15 October 1992	USD67,500,000	100%	100%	100%	100%	100%	100%	Property investment and development	
瀋陽大悅城商業管理有限公司 (Shenyang Joycity Commercial Management Co., Ltd*) ("Shenyang Joycity Commercial Management") (Note 5)	10 July 2009	RMB1,080,000	100%	100%	100%	100%	100%	100%	Property management	
中糧置業投資有限公司 (COFCO Commercial Property Investment Co., Ltd*) ("COFCO Investment") (Note 4)	15 February 2007	RMB5,000,000,000	100%	100%	100%	100%	100%	100%	Investment holding	

APPENDIX II
ACCOUNTANTS' REPORT OF THE TARGET GROUP

Company name	Date of incorporation/ establishment	Issued and fully paid up share capital/registered capital	Attributable equity interest held by COFCO Corporation				At 30 June 2014	At date of this report	Principal activities
			At 31 December			2013			
			2011	2012	2013				
西單大悅城有限公司 (Xidan Joy City Co., Ltd*) ("Xidan Joy City Co") (Note 5)	4 March 2005	RMB1,025,000,000	100%	100%	100%	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*) ("Beijing Hongtaijiye") (Note 5)	17 September 2002	RMB1,055,000,000	90%	90%	90%	90%	90%	Property investment and development	
大悅城(天津)有限公司 (Joy City (Tianjin) Co., Ltd*) ("Joy City Tianjin") (Note 5)	13 April 2004	RMB1,370,000,000	100%	100%	100%	100%	100%	Property investment and development	
上海新蘭房地產開發有限公司 (Shanghai Xinlan Real Estate Co., Ltd*) ("Shanghai Xinlan") (Note 5)	31 July 2002	RMB4,200,000,000	100%	100%	100%	100%	100%	Property investment and development	
大悅城(上海)有限責任公司 (Joy City (Shanghai) Co. Ltd* ("Joy City Shanghai") (Note 5)	9 February 2010	RMB520,000,000	100%	100%	100%	100%	100%	Property management	
北京昆庭資產管理有限公司 (Beijing Kunting Asset Management Co., Ltd*) ("Beijing Kunting Asset Management") (Notes 5 and 6)	21 November 2013	RMB214,863,720	N/A	N/A	100%	100%	100%	Property management	

Entities incorporated in the British Virgin Islands ("BVI")

Fortune Set (立運有限公司)	6 November 2012	US\$1	N/A	100%	100%	100%	100%	Investment holding
Kersen Properties	13 July 1992	US\$1	100%	100%	100%	100%	100%	Investment holding
Mega Health (兆康有限公司)	3 May 2012	US\$1	N/A	100%	100%	100%	100%	Investment holding

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

The percentage shown above represents effective interest in these subsidiaries attributable to COFCO Corporation.

Notes:

1. Yantai Joy City Co is 33.33% held by COFCO Investment and 66.67% held by Sino Melody throughout the Relevant Period.
2. Upon completion of the group restructuring during the year ended 31 December 2013, Sino Melody is 51% held by Joy Sincere (HK), which is in turn 52% held by Mega Health, a wholly-owned subsidiary of COFCO Land and, accordingly, Sino Melody is accounted for as a subsidiary by virtue of COFCO Land's control over Sino Melody.
3. These companies are sino-foreign equity joint ventures.
4. These companies are wholly-foreign owned enterprises.
5. These companies are PRC limited liability companies.
6. Beijing Kunting Asset Management is 30% held by Xidan Joy City Co and 70% held by 中國土產畜產進出口總公司 ("China National Native Produce & Animal By-products Import & Export Corporation") ("China Native Produce and Animal By-products"), a subsidiary of COFCO Corporation. China Native Produce and Animal By-products has agreed to act in concert in any decisions made by Xidan Joy City Co in the shareholders' and directors' meetings and, accordingly, Beijing Kunting Asset Management is accounted for as a subsidiary by virtue of the Target Group's control over the Beijing Kunting Asset Management. Up to the date of this report, China Native Produce and Animal By-products has not injected capital into Beijing Kunting Asset Management yet.

The financial year end date of the entities comprising the Target Group is 31 December.

No statutory audited financial statements have been prepared for entities incorporated in the BVI as there are no statutory audit requirements in the BVI. For the purposes of this report, we have reviewed all the relevant transactions of these companies and carried out such procedures as we considered necessary in preparing our report for inclusion in the Circular.

The statutory financial statements of other entities comprising the Target Group for each of the three years ended 31 December 2013, or since the respective dates of their incorporation/establishment, where there is a shorter period which were audited by auditors other than Deloitte Touche Tohmatsu as follows:

Name of company	Statutory auditors for the financial period ended 31 December		
	2011	2012	2013
Entities incorporated in Hong Kong			
Imperial City Limited	N/A	Note (d)	Note (d)
Joy Sincere (HK)	N/A	N/A	Note (a)
Sino Melody	Note (a)	Note (a)	Note (a)
Entities established in the PRC			
Yantai Joy City Co	Note (b)	Note (b)	Note (b)
Shenyang Development	Note (c)	Note (c)	Note (c)
Shenyang Joycity Commercial Management	Note (c)	Note (c)	Note (c)
COFCO Investment	Note (b)	Note (b)	Note (b)
Xidan Joy City Co	Note (b)	Note (b)	Note (b)
Beijing Hongtaijiye	Note (b)	Note (b)	Note (b)
Joy City Tianjin	Note (b)	Note (b)	Note (b)
Shanghai Xinlan	Note (b)	Note (b)	Note (b)
Joy City Shanghai	Note (b)	Note (b)	Note (b)
Beijing Kunting Asset Management	N/A	N/A	Note (b)

Notes:

- (a) Statutory financial statements for the financial period were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and audited by Baker Tilly Hong Kong Limited, certified public accountants registered in Hong Kong. No statutory financial statements have been prepared for Joy Sincere (HK) for the financial periods ended 31 December 2011 and 2012 as Joy Sincere (HK) was incorporated on 26 February 2013. The audited financial statements for Joy Sincere (HK) for the financial period ended 31 December 2013 cover the period from 26 February 2013 (date of incorporation) to 31 December 2013.
- (b) Statutory financial statements for these financial periods were prepared in accordance with relevant accounting principles and regulations applicable to entities established in the PRC (“PRC GAAP”) and were audited by 天職國際會計師事務所 (“Baker Tilly China Certified Public Accountants”), certified public accountants registered in the PRC. The audited financial statements for Beijing Kunting Asset Management for the financial period ended 31 December 2013 cover the period from 21 November 2013 (date of establishment) to 31 December 2013.
- (c) Statutory financial statements for these financial periods were prepared in accordance with PRC GAAP and were audited by 信永中和會計師事務所 (“ShineWing Certified Public Accountants”), certified public accountants registered in the PRC.
- (d) No statutory financial statements have been prepared for the financial period ended 31 December 2012 as Imperial City Limited was incorporated on 6 November 2012 and the statutory audited financial statements for the financial period from 6 November 2012 to 31 December 2013 have not yet been issued as at the date of this report.

For the purpose of this report, the directors of Fortune Set, Kersen Properties and Mega Health have prepared the consolidated financial statements of each Target Company and its subsidiaries for the Relevant Period (collectively the “Underlying Financial Statements”) in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA. We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements on the basis set out in Note 1 of Section A below after making such adjustments as we considered necessary in preparing our report for inclusion in the Circular. The preparation of the Underlying Financial Statements is the responsibility of the directors of the Target Companies. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation of the Financial Information set out in Note 1 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Group as at 31 December 2011, 2012 and 2013 and 30 June 2014, and of the combined results and combined cash flows of the Target Group for the Relevant Period.

The comparative combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Target Group for the six months ended 30 June 2013 together with the notes thereon (the “June 2013 Financial Information”) have been extracted from the Target Group’s unaudited combined financial information for the same period, which was prepared by the directors of COFCO Land, Sheen Jade and the Target Companies and solely for the purpose of this report. We have reviewed the June 2013 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review of the June 2013 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the June 2013 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 2013 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATION

Combined Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December			Six months ended 30 June	
		2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (unaudited)	2014 RMB'000
Revenue	5	2,369,065	2,200,163	2,870,561	1,268,876	1,153,932
Cost of sales and services		<u>(1,206,482)</u>	<u>(1,051,839)</u>	<u>(1,551,022)</u>	<u>(577,197)</u>	<u>(424,057)</u>
Gross profit		1,162,583	1,148,324	1,319,539	691,679	729,875
Other income	7	22,646	20,564	26,218	9,664	11,225
Other gains and losses, net	8	19,992	(31,994)	(20,605)	(8,248)	(13,304)
Distribution and selling costs		(269,706)	(212,550)	(248,467)	(81,558)	(81,895)
Administrative expenses		(299,757)	(325,919)	(359,514)	(156,605)	(139,037)
Fair value gain of investment properties		1,493,514	1,162,404	647,499	121,676	1,502,016
Finance costs	9	(325,359)	(486,297)	(705,157)	(328,265)	(354,450)
Share of profit of an associate		52,308	89,684	791,530	771,296	40,417
Share of profit/(loss) of a joint venture		<u>25,479</u>	<u>2,255</u>	<u>(11,893)</u>	<u>(12,662)</u>	<u>1,125</u>
Profit before tax	10	1,881,700	1,366,471	1,439,150	1,006,977	1,695,972
Income tax expense	11	<u>(618,637)</u>	<u>(478,184)</u>	<u>(368,536)</u>	<u>(157,185)</u>	<u>(475,035)</u>
Profit and total comprehensive income for the year/period		<u>1,263,063</u>	<u>888,287</u>	<u>1,070,614</u>	<u>849,792</u>	<u>1,220,937</u>
Profit/(loss) for the year/period and total comprehensive income/(expense) attributable to:						
COFCO Corporation		1,216,910	863,778	1,109,697	888,958	1,134,806
Non-controlling interests		<u>46,153</u>	<u>24,509</u>	<u>(39,083)</u>	<u>(39,166)</u>	<u>86,131</u>
		<u>1,263,063</u>	<u>888,287</u>	<u>1,070,614</u>	<u>849,792</u>	<u>1,220,937</u>

Combined Statements of Financial Position

	Notes	At 31 December			At 30 June
		2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
Non-current assets					
Investment properties	15	20,326,217	22,161,999	23,524,200	26,322,100
Property, plant and equipment	16	538,045	517,129	494,113	486,307
Land use rights	17	191,559	185,444	179,330	176,273
Intangible assets	18	5,362	7,125	7,263	7,182
Interest in an associate	19	699,176	760,860	1,552,390	1,592,807
Interest in a joint venture	20	125,973	128,228	116,335	117,460
Available-for-sale investment	21	53	53	53	53
Deposits, prepayments and other receivables	27	413,850	41,489	55,789	41,879
Amount due from the ultimate holding company	22	221	20,000	20,000	—
Loan to a fellow subsidiary	28	—	—	230,792	—
		<u>22,300,456</u>	<u>23,822,327</u>	<u>26,180,265</u>	<u>28,744,061</u>
Current assets					
Inventories	23	15,075	14,622	13,996	14,526
Properties held for sale	24	367,441	737,523	519,769	367,515
Properties under development for sale	25	2,537,471	4,415,269	5,856,806	6,131,058
Accounts receivable	26	122,201	139,777	116,502	109,033
Deposits, prepayments and other receivables	27	132,732	185,248	202,310	235,552
Amounts due from the ultimate holding company	22	—	—	—	20,025
Amounts due from fellow subsidiaries	22	1,219	1,580	365	2,333
Amount due from an associate	19	25,879	1,921	—	1,807
Amounts due from non-controlling interests	22	—	—	—	39,861
Loans to fellow subsidiaries	28	100,000	—	—	317,623
Tax recoverable		41,100	44,228	7,284	7,284
Restricted bank deposits	29	133,553	254,977	26,484	90,264
Cash and cash equivalents	30	<u>1,531,707</u>	<u>845,033</u>	<u>1,066,818</u>	<u>1,243,584</u>
		<u>5,008,378</u>	<u>6,640,178</u>	<u>7,810,334</u>	<u>8,580,465</u>

	Notes	At 31 December			At 30 June
		2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
Current liabilities					
Accounts payable	31	1,674,137	1,223,733	1,156,474	724,927
Other payables and accruals	32	1,420,600	1,774,341	1,398,065	2,087,775
Deposits received in respect of pre-sale of properties		422,887	462,243	88,490	121,812
Amounts due to the ultimate holding company	22	—	—	228,851	344,611
Amounts due to the immediate holding company	22	—	882,399	857,771	865,981
Amounts due to fellow subsidiaries	22	785,085	6,847	2,705	2,984
Amounts due to non-controlling interests	22	—	—	2,156	2,177
Amount due to an associate	19	—	30,000	—	—
Loans from fellow subsidiaries	28	706,498	424,075	972,134	1,556,305
Loans from the ultimate holding company	28	6,442,102	2,876,996	3,470,183	4,018,070
Loan from an associate	19	110,000	—	—	—
Bank borrowings	33	264,036	2,046,811	981,714	4,935,742
Income tax and land appreciation tax payable		158,901	85,942	83,056	92,991
		<u>11,984,246</u>	<u>9,813,387</u>	<u>9,241,599</u>	<u>14,753,375</u>
Net current liabilities		<u>(6,975,868)</u>	<u>(3,173,209)</u>	<u>(1,431,265)</u>	<u>(6,172,910)</u>
Total assets less current liabilities		<u>15,324,588</u>	<u>20,649,118</u>	<u>24,749,000</u>	<u>22,571,151</u>
Non-current liabilities					
Bank borrowings	33	6,496,363	6,105,357	8,465,938	4,958,115
Loans from a fellow subsidiary	28	228,000	475,000	523,500	188,000
Rental deposits received		191,148	221,694	215,692	241,393
Deferred tax liabilities	34	1,909,723	2,275,132	2,514,721	2,933,557
		<u>8,825,234</u>	<u>9,077,183</u>	<u>11,719,851</u>	<u>8,321,065</u>
Net assets		<u>6,499,354</u>	<u>11,571,935</u>	<u>13,029,149</u>	<u>14,250,086</u>
Capital and reserves					
Combined capital	35	—	—	—	—
Reserves	36	6,272,885	11,328,065	12,348,556	13,483,362
Equity attributable to COFCO Corporation		6,272,885	11,328,065	12,348,556	13,483,362
Non-controlling interests		226,469	243,870	680,593	766,724
Total equity		<u>6,499,354</u>	<u>11,571,935</u>	<u>13,029,149</u>	<u>14,250,086</u>

Combined Statements of Changes in Equity

	Attributable to COFCO Corporation					Non-controlling interests	Total equity
	Combined capital	Statutory reserve	Capital reserves	Retained profits	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 35)	(Note (a))					
At 1 January 2011	—	12,759	1,302,324	3,734,107	5,049,190	527,796	5,576,986
Profit and total comprehensive income for the year	—	—	—	1,216,910	1,216,910	46,153	1,263,063
Acquisition of non-controlling interests (Note (b))	—	—	6,785	—	6,785	(347,480)	(340,695)
Statutory reserve appropriation	—	19,683	—	(19,683)	—	—	—
At 31 December 2011 and 1 January 2012	—	32,442	1,309,109	4,931,334	6,272,885	226,469	6,499,354
Profit and total comprehensive income for the year	—	—	—	863,778	863,778	24,509	888,287
Contribution from the ultimate holding company (Note (c))	—	—	4,208,294	—	4,208,294	—	4,208,294
Gain on deemed acquisition of non-controlling interests	—	—	7,108	—	7,108	(7,108)	—
Dividend declared (Note 12)	—	—	—	(24,000)	(24,000)	—	(24,000)
Statutory reserve appropriation	—	17,488	—	(17,488)	—	—	—
At 31 December 2012 and 1 January 2013	—	49,930	5,524,511	5,753,624	11,328,065	243,870	11,571,935
Profit/(loss) and total comprehensive income/ (expense) for the year	—	—	—	1,109,697	1,109,697	(39,083)	1,070,614
Partial disposal of interest in a subsidiary to a non-controlling interest (Note (d))	—	—	(89,206)	—	(89,206)	475,806	386,600
Statutory reserve appropriation	—	21,098	—	(21,098)	—	—	—
At 31 December 2013 and 1 January 2014	—	71,028	5,435,305	6,842,223	12,348,556	680,593	13,029,149
Profit and total comprehensive income for the period	—	—	—	1,134,806	1,134,806	86,131	1,220,937
At 30 June 2014	—	71,028	5,435,305	7,977,029	13,483,362	766,724	14,250,086
(Unaudited)							
At 1 January 2013	—	49,930	5,524,511	5,753,624	11,328,065	243,870	11,571,935
Profit/(loss) and total comprehensive income/ (expense) for the period	—	—	—	888,958	888,958	(39,166)	849,792
Partial disposal of interest in a subsidiary to a non-controlling interest (Note (d))	—	—	(89,206)	—	(89,206)	475,806	386,600
At 30 June 2013	—	49,930	5,435,305	6,642,582	12,127,817	680,510	12,808,327

Notes:

- (a) The amount mainly represents statutory reserve of the companies registered in the PRC. According to the relevant laws in the PRC, companies established in the PRC are required to transfer their net profit after tax, as determined under the PRC GAAP, to a non-distributable reserve fund before the distribution of a dividend to equity owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.
- (b) During the year ended 31 December 2011, the Target Group increased its interest in Shanghai Xinlan from 54.8% to 100% through acquisition of non-controlling interests and subscription of new shares issued by Shanghai Xinlan. The aggregate consideration paid amounted to RMB340,695,000. The difference of RMB6,785,000 between the decrease in the non-controlling interests and the consideration paid has been credited to capital reserves.
- (c) The amount represented capital contribution from COFCO Corporation to a subsidiary of the Target Group during the year ended 31 December 2012.
- (d) Upon completion of the group restructuring which involved the disposal of 48% and 49% equity interests in Joy Sincere (HK) and Sino Melody respectively during the year ended 31 December 2013, Sino Melody is 51% held by Joy Sincere (HK) and the Target Group's continuing effective interest in Joy Sincere (HK) and Sino Melody reduced to 52% and 26.5% respectively. The aggregate proceeds on disposal of RMB386,600,000 were received in cash. An amount of RMB475,806,000 (being the proportionate share of the carrying amount of the net assets of Joy Sincere (HK) and Sino Melody) has been transferred to non-controlling interests. The difference of RMB89,206,000 between the increase in the non-controlling interests and the consideration received has been debited to capital reserves.

Combined Statements of Cash Flows

	Year ended 31 December			Six months ended 30 June	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (unaudited)	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	1,881,700	1,366,471	1,439,150	1,006,977	1,695,972
Adjustments for:					
Finance costs	325,359	486,297	705,157	328,265	354,450
Interest income	(16,635)	(16,003)	(10,018)	(3,272)	(6,035)
Share of profit of an associate	(52,308)	(89,684)	(791,530)	(771,296)	(40,417)
Share of (profit)/loss of a joint venture	(25,479)	(2,255)	11,893	12,662	(1,125)
Amortisation of intangible assets	1,203	2,021	2,328	1,156	1,281
Amortisation of land use rights	6,114	6,115	6,114	3,057	3,057
Depreciation of property, plant and equipment	25,759	30,173	31,807	14,816	15,045
Fair value gain of investment properties	(1,493,514)	(1,162,404)	(647,499)	(121,676)	(1,502,016)
Impairment loss on properties under development for sale	—	5,892	—	—	—
Impairment loss/(reversal of impairment loss) on accounts receivable	4,052	16,722	(10,008)	(1,876)	896
Impairment loss on other receivables	3,939	5,027	16,587	7,690	980
Written off of intangible assets	—	478	—	—	97
Loss/(gain) on disposal of property, plant and equipment	133	1,244	(7)	561	282
Operating cash flows before movements in working capital	660,323	650,094	753,974	477,064	522,467
(Increase)/decrease in inventories	(3,892)	453	626	(16)	(530)
Decrease/(increase) in properties held for sale	551,575	(370,082)	217,754	311,701	152,254
Increase in properties under development for sale	(1,639,296)	(1,883,690)	(1,441,537)	(843,009)	(274,252)
Decrease/(increase) in accounts receivable	12,141	(34,298)	33,283	1,883	6,573
Increase in deposits, prepayments and other receivables	(35,646)	(69,032)	(47,949)	(57,446)	(20,312)
Decrease in accounts payable	(76,846)	(450,404)	(67,259)	(130,244)	(431,547)
Increase/(decrease) in other payables and accruals	1,451,768	194,379	183,118	(2,104)	20,792
(Decrease)/increase in deposits received in respect of pre-sale of properties	(235,874)	39,356	(373,753)	(37,802)	33,322
Cash generated from/(used in) operations	684,253	(1,923,224)	(741,743)	(279,973)	8,767
PRC Enterprise Income Tax paid	(135,011)	(74,090)	(53,329)	(33,562)	(37,873)
Land Appreciation Tax paid	(32,117)	(114,772)	(41,560)	(31,936)	(8,391)
Net cash generated from/(used in) operating activities	517,125	(2,112,086)	(836,632)	(345,471)	(37,497)

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	16,635	16,003	10,018	3,272	6,035
Payments for investment properties	(3,963,261)	(73,648)	(1,275,669)	(689,000)	(597,381)
Payments for property, plant and equipment	(48,272)	(13,106)	(9,948)	(7,829)	(7,945)
Payments for intangible assets	(2,863)	(4,262)	(2,466)	(1,322)	(1,297)
Proceeds from disposal of property, plant and equipment	526	2,605	1,164	266	424
Dividends received from an associate	25,600	28,000	—	—	—
Payments for acquisition of a subsidiary	—	(34,000)	(6,800)	—	—
Advance to the ultimate holding company	—	(20,000)	—	—	(25)
Repayment from the ultimate holding company	100	221	—	—	—
Advance to fellow subsidiaries	—	(361)	(138,800)	(138,800)	(1,968)
Repayment from fellow subsidiaries	4,959	—	140,015	—	—
Advance to an associate	(25,649)	—	(1,866)	(1,866)	(1,807)
Repayment from an associate	—	23,958	3,787	—	—
Advance to non-controlling interests	—	—	—	—	(39,861)
Increase in restricted bank deposits	(225,865)	(665,068)	(2,845,976)	(530,759)	(296,702)
Decrease in restricted bank deposits	153,301	543,644	3,074,469	582,002	232,922
Loans to fellow subsidiaries	—	—	(230,792)	(30,213)	(86,831)
Repayment of loans to fellow subsidiaries	—	100,000	—	—	—
Net cash used in investing activities	(4,064,789)	(96,014)	(1,282,864)	(814,249)	(794,436)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid	(319,994)	(478,269)	(702,786)	(334,148)	(358,334)
Proceeds from bank borrowings	1,980,915	2,041,721	4,264,714	1,312,500	1,940,870
Repayment of bank borrowings	(386,934)	(649,952)	(2,969,230)	(676,029)	(1,494,665)
Advance from the immediate holding company	—	882,399	—	—	8,210
Repayment to the immediate holding company	(6,103)	—	(24,628)	(14,908)	—
Advance from the ultimate holding company	—	—	228,851	107,379	115,760
Advance from fellow subsidiaries	71,724	—	4,090	4,090	279
Repayment to fellow subsidiaries	—	(778,238)	(8,232)	—	—
Advance from an associate	—	30,000	—	—	—
Repayment to an associate	—	—	(30,000)	(30,000)	—
Advance from non-controlling interests	—	—	2,156	—	21
Loan from an associate	110,000	—	—	—	—
Repayment of loan from an associate	—	(110,000)	—	—	—
Loans from the ultimate holding company	2,815,131	—	893,187	893,187	547,887
Repayment of loans from the ultimate holding company	—	(3,565,106)	(300,000)	—	—
Loans from fellow subsidiaries	436,231	674,075	1,020,634	735,147	260,671
Repayment of loans from fellow subsidiaries	(220,000)	(709,498)	(424,075)	(419,075)	(12,000)
Acquisition of non-controlling interests	(340,695)	—	—	—	—
Disposal of partial interest in a subsidiary	—	—	386,600	386,600	—
Contribution from the ultimate holding company	—	4,208,294	—	—	—
Dividend paid	—	(24,000)	—	—	—
Net cash generated from financing activities	4,140,275	1,521,426	2,341,281	1,964,743	1,008,699

	Year ended 31 December			Six months ended 30 June	
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2013 <i>RMB'000</i> (unaudited)	2014 <i>RMB'000</i>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	592,611	(686,674)	221,785	805,023	176,766
Cash and cash equivalents at the beginning of year/period	<u>939,096</u>	<u>1,531,707</u>	<u>845,033</u>	<u>845,033</u>	<u>1,066,818</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD, represented by bank balances and cash, and deposits with a non-banking financial institution (<i>Note 30</i>)	<u><u>1,531,707</u></u>	<u><u>845,033</u></u>	<u><u>1,066,818</u></u>	<u><u>1,650,056</u></u>	<u><u>1,243,584</u></u>

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Target Companies are direct wholly-owned subsidiaries of COFCO Land or Sheen Jade (Magic Grain Limited before the Restructuring) and indirect wholly-owned subsidiaries of COFCO Corporation.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Relevant Period include the combined results and cash flows of the entities comprising the Target Group as if they constituted as a single reporting unit throughout the Relevant Period, or since the respective dates of their incorporation/establishment of the individual company, where this is a shorter period.

The combined statements of financial position as at 31 December 2011, 2012 and 2013 and as at 30 June 2014 have been prepared to present the assets and liabilities of the entities comprising the Target Group as at respective dates as if they constituted as a single reporting unit as at those dates.

The Financial Information is presented in Renminbi ("RMB"), the currency of the primary economic environment in which most of the group entities operate (the functional currency of most of the entities comprising the Target Group).

2. APPLICATION OF HKFRSs

For the purposes of preparing and presenting the Financial Information for the Relevant Period, the Target Group has consistently applied Hong Kong Accounting Standards ("HKASs"), HKFRSs and Interpretations issued by the HKICPA, which are effective for the accounting period beginning on 1 January 2014 throughout the Relevant Period.

At the date of this report, the Target Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	<i>Financial Instruments</i> ¹
HKFRS 14	<i>Regulatory Deferral Accounts</i> ²
HKFRS 15	<i>Revenue from Contracts with Customers</i> ³
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ⁵
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ⁵
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ⁵
Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i> ⁴
Amendments to HKAS 27	<i>Equity Method in Separate Financial Statements</i> ⁵
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁵
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2010–2012 Cycle</i> ⁶
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2011–2013 Cycle</i> ⁴
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2012–2014 Cycle</i> ⁵

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 July 2014

⁵ Effective for annual periods beginning on or after 1 January 2016

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

Other than as further explained below, the management of the Target Group anticipate that the application of other new and revised HKFRSs will have no material impact on the Financial Information.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The management of the Target Group anticipate that the adoption of HKFRS 9 in the future would not have a significant impact on amounts reported in respect of the Target Group's financial assets and financial liabilities based on an analysis of the Target Group's financial instruments as at 30 June 2014.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

The management of the Target Group anticipates that the application of HKFRS 15 in the future may affect the amounts reported and disclosures made in the Financial Information. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Target Group performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which are in conformity with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance which for the Relevant Period continue to be those of the predecessor Companies Ordinance (Cap 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Account and Audit”, which are set out in Sections 76 to 87 of Schedule 11 to that Ordinance.

The Financial Information has been prepared on the historical cost basis except for investment properties, which are measured at fair values, as explained in the accounting policies set out 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 Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. For non-financial assets, fair value measurement takes into account a market participant’s ability to generate economic benefits by using the assets in its highest and best use or selling it to another market participants that use the asset in its highest and best use. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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 combination

The Financial Information incorporates the financial information of the entities comprising the Target Group. Control is achieved where COFCO Corporation:

- 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.

COFCO Corporation 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.

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from COFCO Corporation's equity therein.

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

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

Merger accounting for business combination involving entities under common control

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

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

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

Investment properties

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

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

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

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

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method, from the date when it is available for use and after taking into account of their estimated residual values. The estimated useful lives 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.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Target Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Land use rights

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life and the amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Investments in associates and joint ventures

An associate is an entity over which the Target 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 or joint ventures are incorporated in the Financial Information using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Target 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 combined statement of financial position at cost and adjusted thereafter to recognise for the Target Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Target Group's share of losses of an associate or joint venture exceeds the Target Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Target Group's net investment in the associate or joint venture), the Target Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Target Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or 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 a joint venture, any excess of the cost of the investment over the Target 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 Target Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

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

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Target Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating unit for which a reasonable and consistent allocation basis can be identified.

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

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

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

Properties held for sale/Properties under development for sale

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the combined statement of financial position when the entities comprising the Target Group becomes a party to the contractual provisions of the instrument.

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts and other receivables, amounts due from and/or loans to fellow subsidiaries, the ultimate holding company, an associate and non-controlling interests, restricted bank deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

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

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Derecognition

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

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

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

Foreign currencies

In preparing the financial statements of each individual entities comprising the Target Group, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on 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 on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Leasing

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

The Target Group as lessor

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

The Target Group as lessee

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

Inventories

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

Taxation

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

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from “profit before tax” as reported in the combined statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target 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 is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

Other than deferred tax liabilities related to investment properties which are presumed to be recovered from sale, the measurement of other deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Borrowing costs

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

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 Target Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Target 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 Target Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

Revenue recognition

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

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

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

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

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

Revenue from hotel operations and management is recognised when the relevant services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefit will flow to the Target Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the Target 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 Target 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 Target Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in Note 3, the management of the Target Group are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 judgments, apart from those involving estimations (see below), that the management of the Target Group have made in the process of applying the Target Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Operating lease commitments — Target Group as lessor

The Target Group has entered into commercial property leases on its investment property portfolio. The Target Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out through operating leases.

Classification between investment properties and owner-occupied properties

The Target 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 Target Group considers whether a property generates cash flows largely independently of the other assets held by the Target 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 Target Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Deferred tax on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management of the Target Group has reviewed the Target Group's investment property portfolios and 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 management of the Target Group has determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Target Group recognised deferred taxes on changes in fair value of the Target Group's investment properties on the basis that the entire carrying amounts of these properties are recovered through use.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation of uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months from the end of each reporting period.

Valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the management of the Target Group has 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 Target Group's investment properties and the corresponding adjustments to the amount of gain or loss would be recognised in profit or loss. Details are set out in Note 15.

Land Appreciation Tax ("LAT")

Certain entities of the Target 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 Target 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 Target 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.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred tax asset has been recognised in respect of the following unutilised tax losses due to the unpredictability of future profit streams, estimated at the end of each reporting period. The amount of unrecognised tax losses as at 31 December 2011, 2012 and 2013 and 30 June 2014 was RMB234,211,000, RMB697,315,000, RMB1,034,621,000 and RMB1,175,056,000, respectively. Further details are contained in Note 34.

Impairment of loans and receivables

Impairment of loans and receivables is made based on an assessment of the recoverability of accounts and other receivables, loans to fellow subsidiaries, and amounts due from fellow subsidiaries, the ultimate holding company, an associate and non-controlling interests, and the timing of their recovery. The identification of impairment of loans and receivables requires management judgement and estimation. Where the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying amount of the respective loans and receivables and the amount of impairment loss/reversal of impairment loss in the periods in which such estimates have been changed. Net impairment loss of loans and receivables of RMB7,991,000, RMB21,749,000, RMB6,579,000, RMB5,814,000 (unaudited) and RMB1,876,000, was recognised in profit or loss for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, respectively. The aggregate carrying amount of the accounts and other receivables, loans to fellow subsidiaries, and amounts due from fellow subsidiaries, the ultimate holding company, an associate and non-controlling interests as at 31 December 2011, 2012 and 2013 and 30 June 2014 was RMB346,690,000, RMB291,255,000, RMB515,270,000 and RMB679,054,000, respectively.

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

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

The aggregate carrying amount of properties held for sale as at 31 December 2011, 2012 and 2013 and 30 June 2014 was RMB367,441,000, RMB737,523,000, RMB519,769,000 and RMB367,515,000, respectively. The aggregate carrying amount of properties under development for sale as at 31 December 2011, 2012 and 2013 and 30 June 2014 was RMB2,537,471,000, RMB4,415,269,000, RMB5,856,806,000 and RMB6,131,058,000, respectively.

Impairment of property, plant and equipment

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable in accordance with the accounting policies as disclosed in Note 3. The recoverable amount of the property, plant and equipment is the higher 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 2011, 2012 and 2013 and 30 June 2014 was RMB538,045,000, RMB517,129,000, RMB494,113,000 and RMB486,307,000, respectively.

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 Target Group based on management's best estimate.

When developing properties, the Target 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

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Property investment and development:					
Sales of properties held for sale	1,277,328	781,262	1,232,841	469,766	211,857
Gross rental income from investment properties	858,752	1,116,902	1,304,792	640,243	757,826
Property management and related services	115,900	156,703	176,587	83,087	98,479
Other property related service income	<u>49,946</u>	<u>73,548</u>	<u>84,838</u>	<u>41,200</u>	<u>53,958</u>
	<u>2,301,926</u>	<u>2,128,415</u>	<u>2,799,058</u>	<u>1,234,296</u>	<u>1,122,120</u>
Hotel operations:					
Hotel room revenue	48,354	52,446	52,672	25,151	23,912
Other ancillary service	<u>18,785</u>	<u>19,302</u>	<u>18,831</u>	<u>9,429</u>	<u>7,900</u>
	<u>67,139</u>	<u>71,748</u>	<u>71,503</u>	<u>34,580</u>	<u>31,812</u>
Total revenue	<u>2,369,065</u>	<u>2,200,163</u>	<u>2,870,561</u>	<u>1,268,876</u>	<u>1,153,932</u>

6. SEGMENT INFORMATION

Each of the Target Companies together with its subsidiaries are organised into certain business units according to the nature of goods sold or services provided. The operating segments of the Target Companies together with its subsidiaries are determined 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 management of COFCO Corporation and the chief operating decision maker for the purpose of resource allocation and performance assessment. The operating segments of the Target Companies together with its subsidiaries with similar economic characteristics and similar nature of goods sold or services provided have been aggregated into the following reportable segments.

Property development	Development and sale of properties
Property investment	Property letting
Property management and related services	Provision of property management services
Hotel operations	Hotel ownership and management

Information regarding the above segments is reported below.

Segment revenue and segment results

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

	Property development RMB'000	Property investment RMB'000	Property management and related services RMB'000	Hotel operations RMB'000	Segment total RMB'000	Inter- segment elimination RMB'000	Total RMB'000
Year ended 31 December 2011							
<i>Segment revenue</i>							
External customers	1,277,328	855,747	165,846	67,139	2,366,060	—	2,366,060
Inter-segment revenue	—	—	28,000	—	28,000	(28,000)	—
Combined	<u>1,277,328</u>	<u>855,747</u>	<u>193,846</u>	<u>67,139</u>	<u>2,394,060</u>	(28,000)	2,366,060
Rental adjustments							<u>3,005</u>
Revenue as presented in combined profit or loss and other comprehensive income							<u>2,369,065</u>
<i>Segment results</i>							
External customers	<u>410,106</u>	<u>425,489</u>	<u>92,061</u>	<u>47,138</u>	<u>974,794</u>		974,794
Unallocated corporate income and other gains							47,212
Unallocated corporate expenses and other losses							(386,248)
Fair value gain of investment properties							1,493,514
Finance costs							(325,359)
Share of profit of an associate							52,308
Share of profit of a joint venture							<u>25,479</u>
Profit before tax as presented in combined profit or loss and other comprehensive income							<u>1,881,700</u>
Year ended 31 December 2012							
<i>Segment revenue</i>							
External customers	<u>781,262</u>	<u>1,102,152</u>	<u>230,251</u>	<u>71,748</u>	<u>2,185,413</u>	—	2,185,413
Rental adjustments							<u>14,750</u>
Revenue as presented in combined profit or loss and other comprehensive income							<u>2,200,163</u>
<i>Segment results</i>							
External customers	<u>233,231</u>	<u>519,017</u>	<u>142,544</u>	<u>51,850</u>	<u>946,642</u>	—	946,642
Unallocated corporate income and other gains							11,498
Unallocated corporate expenses and other losses							(359,715)
Fair value gain of investment properties							1,162,404
Finance costs							(486,297)
Share of profit of an associate							89,684
Share of profit of a joint venture							<u>2,255</u>
Profit before tax as presented in combined profit or loss and other comprehensive income							<u>1,366,471</u>

	Property development RMB'000	Property investment RMB'000	Property management and related services RMB'000	Hotel operations RMB'000	Segment total RMB'000	Inter- segment elimination RMB'000	Total RMB'000
Year ended 31 December 2013							
<i>Segment revenue</i>							
External customers	1,232,841	1,304,792	261,425	71,503	2,870,561	—	2,870,561
Inter-segment revenue	—	—	3,774	—	3,774	(3,774)	—
Combined	<u>1,232,841</u>	<u>1,304,792</u>	<u>265,199</u>	<u>71,503</u>	<u>2,874,335</u>	(3,774)	<u>2,870,561</u>
<i>Segment results</i>							
External customers	<u>245,722</u>	<u>635,030</u>	<u>167,061</u>	<u>51,138</u>	<u>1,098,951</u>	—	1,098,951
Unallocated corporate income and other gains							18,681
Unallocated corporate expenses and other losses							(400,461)
Fair value gain of investment properties							647,499
Finance costs							(705,157)
Share of profit of an associate							791,530
Share of loss of a joint venture							<u>(11,893)</u>
Profit before tax as presented in combined profit or loss and other comprehensive income							<u>1,439,150</u>
Six months ended 30 June 2013 (unaudited)							
<i>Segment revenue</i>							
External customers	469,766	640,243	124,287	34,580	1,268,876	—	1,268,876
Inter-segment revenue	—	—	3,774	—	3,774	(3,774)	—
Combined	<u>469,766</u>	<u>640,243</u>	<u>128,061</u>	<u>34,580</u>	<u>1,272,650</u>	(3,774)	<u>1,268,876</u>
<i>Segment results</i>							
External customers	<u>131,084</u>	<u>318,618</u>	<u>69,083</u>	<u>24,669</u>	<u>543,454</u>	—	543,454
Unallocated corporate income and other gains							12,082
Unallocated corporate expenses and other losses							(100,604)
Fair value gain of investment properties							121,676
Finance costs							(328,265)
Share of profit of an associate							771,296
Share of loss of a joint venture							<u>(12,662)</u>
Profit before tax as presented in combined profit or loss and other comprehensive income							<u>1,006,977</u>

	Property development RMB'000	Property investment RMB'000	Property management and related services RMB'000	Hotel operations RMB'000	Segment total RMB'000	Inter- segment elimination RMB'000	Total RMB'000
Six months ended 30 June 2014							
<i>Segment revenue</i>							
External customers	<u>211,857</u>	<u>757,826</u>	<u>152,437</u>	<u>31,812</u>	<u>1,153,932</u>	—	<u>1,153,932</u>
<i>Segment results</i>							
External customers	<u>48,411</u>	<u>479,617</u>	<u>99,954</u>	<u>22,903</u>	<u>650,885</u>	—	650,885
Unallocated corporate income and other gains							3,295
Unallocated corporate expenses and other losses							(147,316)
Fair value gain of investment properties							1,502,016
Finance costs							(354,450)
Share of profit of an associate							40,417
Share of profit of a joint venture							<u>1,125</u>
Profit before tax as presented in combined profit or loss and other comprehensive income							<u>1,695,972</u>

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

Segment revenue represents revenue earned by each segment without rental adjustments for property letting relating to the recognition of rental income from operating lease on a straight-line basis over the term of the relevant lease. Segment results represents the profit earned/loss incurred by each segment without allocation of certain items incurred for management purpose, including certain other income, other gains and losses, distribution and selling costs, administrative expenses, fair value gain of investment properties, finance costs, share of results of an associate and a joint venture and income tax expense. The above is the measure reported to the management of COFCO Corporation for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

Segment assets and liabilities are not disclosed in the Financial Information as they are not regularly provided to the management of COFCO Corporation for the purposes of resource allocation and performance assessment.

Geographical information

All the revenue and operating results of the Target Group is derived from the PRC based on location of the operations. All the Target Group's non-current assets, excluding available-for-sale investment, amount from the ultimate holding company, loan to a fellow subsidiary, and deposits and other receivables, amounting to RMB22,270,182,000, RMB23,772,274,000, RMB25,899,420,000 and RMB28,714,008,000 at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively, are located in the PRC based on geographical location of the assets.

Information about major customers

No revenue from transaction with single external customer is amounted to 10% or more of the Target Group's revenue in each of the reporting periods over the Relevant Period.

Other information

Amounts included in the measure of segment profit or loss.

	Property development	Property investment	Property management and related services	Hotel operations	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2011					
Impairment loss of accounts receivable, net	1,507	2,545	—	—	4,052
Impairment loss of other receivables, net	—	3,939	—	—	3,939
Loss/(gain) on disposal of property, plant and equipment	187	(89)	35	—	133
Amortisation of intangible assets	343	796	64	—	1,203
Depreciation of property, plant and equipment	1,344	11,250	4,370	8,795	25,759
Amortisation of land use rights	216	—	—	5,898	6,114
Year ended 31 December 2012					
Impairment loss of properties under development for sale	—	5,892	—	—	5,892
Impairment loss of accounts receivable, net	996	15,726	—	—	16,722
Impairment loss of other receivables, net	—	5,027	—	—	5,027
Loss on disposal of property, plant and equipment	11	1,233	—	—	1,244
Amortisation of intangible assets	700	1,257	64	—	2,021
Depreciation of property, plant and equipment	2,322	14,465	4,591	8,795	30,173
Amortisation of land use rights	216	—	—	5,899	6,115
Written off of intangible assets	—	—	—	478	478
Year ended 31 December 2013					
Impairment loss/(reversal of impairment loss) of accounts receivable, net	11	(10,019)	—	—	(10,008)
Impairment loss of other receivables, net	—	16,587	—	—	16,587
Gain on disposal of property, plant and equipment	—	(7)	—	—	(7)
Amortisation of intangible assets	793	1,476	59	—	2,328
Depreciation of property, plant and equipment	2,670	15,719	4,623	8,795	31,807
Amortisation of land use rights	216	—	—	5,898	6,114

	Property development RMB'000	Property investment RMB'000	Property management and related services RMB'000	Hotel operations RMB'000	Total RMB'000
Six months ended 30 June 2013 (unaudited)					
Reversal of impairment loss of accounts receivable, net	—	(1,876)	—	—	(1,876)
Impairment loss of other receivables, net	—	7,690	—	—	7,690
Loss on disposal of property, plant and equipment	17	544	—	—	561
Amortisation of intangible assets	383	746	27	—	1,156
Depreciation of property, plant and equipment	1,311	6,801	2,306	4,398	14,816
Amortisation of land use rights	108	—	—	2,949	3,057
Six months ended 30 June 2014 (Reversal of impairment loss)/ impairment loss of accounts receivable, net					
	(69)	965	—	—	896
Impairment loss of other receivables, net	—	980	—	—	980
Loss on disposal of property, plant and equipment	46	236	—	—	282
Amortisation of intangible assets	399	849	33	—	1,281
Depreciation of property, plant and equipment	1,336	6,984	2,327	4,398	15,045
Amortisation of land use rights	108	—	—	2,949	3,057
Written off of intangible assets	—	—	—	97	97

7. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest income from:					
Banks	10,345	8,444	9,024	2,845	4,928
Deposits placed with a non-banking financial institution*	435	845	509	247	863
Loans to fellow subsidiaries	5,855	6,714	485	180	244
Government grants**	4,320	3,329	12,810	4,852	3,380
Others	1,691	1,232	3,390	1,540	1,810
	22,646	20,564	26,218	9,664	11,225

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

** Various government grants have been received for developments in certain provinces in Mainland China. The government grants mainly related to discretionary awards granted by local governments to certain subsidiaries of the Target Group to award their contributions to the local development. There are no unfulfilled conditions or contingencies relating to these grants.

8. OTHER GAINS AND LOSSES, NET

	Year ended 31 December			Six months ended 30 June	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (unaudited)	2014 RMB'000
(Impairment loss)/reversal of impairment loss on accounts receivable, net	(4,052)	(16,722)	10,008	1,876	(896)
Impairment loss on other receivables, net	(3,939)	(5,027)	(16,587)	(7,690)	(980)
Impairment loss on properties under development for sale (Note 25)	—	(5,892)	—	—	—
(Loss)/gain on disposal of property, plant and equipment	(133)	(1,244)	7	(561)	(282)
Exchange gains/(losses), net	33,692	(1,033)	7,142	1,101	(10,337)
Compensation to tenants for early termination of rental agreements	—	—	(6,350)	—	—
Others	(5,576)	(2,076)	(14,825)	(2,974)	(809)
	<u>19,992</u>	<u>(31,994)</u>	<u>(20,605)</u>	<u>(8,248)</u>	<u>(13,304)</u>

9. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (unaudited)	2014 RMB'000
Interest on:					
Bank borrowings wholly repayable within five years	185,142	332,815	347,159	149,845	199,579
Bank borrowings not wholly repayable within five years	172,564	199,593	224,747	116,290	124,594
Loans from the ultimate holding company	—	—	228,851	107,379	113,258
Loans from COFCO Finance	27,897	33,232	46,789	23,163	25,258
Loans from fellow subsidiaries	4,533	12,255	24,505	8,627	21,270
Loan from an associate	1,503	5,813	—	—	—
Total interest expenses	<u>391,639</u>	<u>583,708</u>	<u>872,051</u>	<u>405,304</u>	<u>483,959</u>
Less: Interest capitalised for:					
Investment properties under development (Note 15)	(29,083)	(18,780)	(53,430)	(27,214)	(38,049)
Properties under development for sale (Note 25)	(37,197)	(78,631)	(113,464)	(49,825)	(91,460)
Total interest capitalised	<u>(66,280)</u>	<u>(97,411)</u>	<u>(166,894)</u>	<u>(77,039)</u>	<u>(129,509)</u>
Finance costs	<u>325,359</u>	<u>486,297</u>	<u>705,157</u>	<u>328,265</u>	<u>354,450</u>

Borrowing costs capitalised were based on actual borrowing costs incurred for respective specific borrowings as disclosed in Note 33.

10. PROFIT BEFORE TAX

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit before tax has been arrived at after charging/(crediting):					
Directors' emoluments (<i>Note 14</i>)	—	—	—	—	—
Amortisation of intangible assets	1,203	2,021	2,328	1,156	1,281
Amortisation of land use rights	6,114	6,115	6,114	3,057	3,057
Depreciation of property, plant and equipment*	25,759	30,173	31,807	14,816	15,045
Written off of intangible assets	—	478	—	—	97
Cost of sales and services including:					
Cost of properties sold	867,222	548,034	987,122	338,682	163,446
Cost of hotel services provided	20,001	19,898	20,365	9,911	8,910
Cost of properties letting	245,415	394,995	449,493	173,480	199,221
Cost of property management and related services	70,731	80,454	87,127	51,261	51,017
Other direct costs	3,113	8,458	6,915	3,863	1,463
	<u>1,206,482</u>	<u>1,051,839</u>	<u>1,551,022</u>	<u>577,197</u>	<u>424,057</u>
Gross rental income for investment properties	(858,752)	(1,116,902)	(1,304,792)	(640,243)	(757,826)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year/period	<u>245,415</u>	<u>394,995</u>	<u>449,493</u>	<u>173,480</u>	<u>199,221</u>
	<u>(613,337)</u>	<u>(721,907)</u>	<u>(855,299)</u>	<u>(466,763)</u>	<u>(558,605)</u>
Staff costs (including directors' emoluments (<i>Note 14</i>)):					
Salaries, allowances and other benefits	169,040	212,369	269,518	115,622	124,587
Retirement benefit scheme contributions	11,781	19,276	24,520	11,897	11,812
	<u>180,821</u>	<u>231,645</u>	<u>294,038</u>	<u>127,519</u>	<u>136,399</u>
Auditors' remuneration	<u>1,460</u>	<u>1,645</u>	<u>1,927</u>	<u>458</u>	<u>360</u>

* Depreciation of property, plant and equipment of RMB8,795,000, RMB8,795,000, RMB8,795,000, RMB4,398,000 (unaudited) and RMB4,398,000 for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, respectively, was included in cost of sales and services on the combined statement of profit or loss and other comprehensive income.

11. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current tax:					
Mainland China					
Charge for the year	113,694	58,661	72,107	38,130	46,723
LAT	<u>83,910</u>	<u>54,114</u>	<u>56,840</u>	<u>27,633</u>	<u>9,476</u>
	197,604	112,775	128,947	65,763	56,199
Deferred tax (<i>Note 34</i>)	<u>421,033</u>	<u>365,409</u>	<u>239,589</u>	<u>91,422</u>	<u>418,836</u>
	<u>618,637</u>	<u>478,184</u>	<u>368,536</u>	<u>157,185</u>	<u>475,035</u>

The share of tax of an associate (included in share of profit of an associate) for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 amounted to RMB17,450,000, RMB30,408,000, RMB265,820,000, RMB257,131,000 (unaudited) and RMB9,617,000, respectively. The share of tax expense/(credit) of a joint venture (included in share of profit/loss of a joint venture) for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 amounted to RMB8,488,000, RMB736,000, (RMB3,960,000), (RMB4,221,000) (unaudited) and RMB375,000, respectively.

Under the Law of the PRC on Enterprise Income Tax ("EIT Law") effective from 1 January 2008 and Implementation Regulation of the EIT Law, the statutory EIT rate of PRC companies in the Target Group is 25% during the Relevant Period.

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 BVI, the Target Group is not subject to any income tax in the BVI.

No Hong Kong Profits Tax has been made as the income of the companies comprising the Target Group neither arises in, nor is derived from Hong Kong during the Relevant Period.

The income tax expense for the Relevant Period can be reconciled to the profit before tax per the combined statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000	2014 RMB'000
Profit before tax	<u>1,881,700</u>	<u>1,366,471</u>	<u>1,439,150</u>	<u>1,006,977</u>	<u>1,695,972</u>
Tax at PRC enterprise income tax rate of 25%	470,425	341,618	359,788	251,744	423,993
Lower tax rates for entities comprising the Target Group operating in other jurisdictions	(8,235)	78	723	715	2,513
PRC LAT	83,910	54,114	56,840	27,633	9,476
Tax effect of PRC LAT	(20,978)	(13,529)	(14,210)	(6,908)	(2,369)
Tax effect of expenses not deductible for tax purpose	23,940	5,729	67,767	26,845	3,339
Tax effect of unrecognised deductible temporary difference and utilisation of unrecognised deductible temporary difference	39,185	(2,093)	9,508	—	12,475
Tax effect of tax losses not recognised	46,042	115,776	105,858	52,159	52,457
Tax effect of utilisation of tax losses not previously recognised	—	—	(21,531)	(3,531)	(17,348)
Tax effect of share of (profit)/loss of an associate and a joint venture	(19,447)	(22,985)	(194,909)	(189,659)	(10,385)
Others	<u>3,795</u>	<u>(524)</u>	<u>(1,298)</u>	<u>(1,813)</u>	<u>884</u>
Income tax expense for the year/period	<u>618,637</u>	<u>478,184</u>	<u>368,536</u>	<u>157,185</u>	<u>475,035</u>

12. DIVIDEND

During the Relevant Period, one of the Target Companies made distributions to its immediate holding company, which is not part of the Target Group.

	Year ended 31 December			Six months ended 30 June	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000	2014 RMB'000
Dividends declared	<u>—</u>	<u>24,000</u>	<u>—</u>	<u>—</u>	<u>—</u>

The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not meaningful having regard to the purpose of this report.

No special dividend was proposed to be distributed after 30 June 2014.

13. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the presentation of the Financial Information on combined basis as disclosed in Note 1.

14. CHIEF EXECUTIVE'S AND DIRECTORS' EMOLUMENTS AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Chief executive's and directors' emoluments

Each of the Target Company has its own chief executive and directors, and certain of these directors have proposed to be the directors of the Company upon completion of the Acquisition. During the Relevant Period, no chief executives or directors waived or agreed to waive any emoluments, and no emoluments were paid to the chief executives or directors as an inducement to join or upon joining the Target Companies or as compensation for loss of office. The remuneration of these chief executives and directors was borne by COFCO Corporation or its subsidiaries during the Relevant Period. In opinion of the management of the Target Group, there is no reasonable basis to allocate their remuneration to the Target Group.

Five highest paid employees

The emoluments of the five highest paid individuals of the entities comprising the Target Group for the Relevant Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (unaudited)	2014 RMB'000
Salaries and other allowances	5,132	6,256	8,787	4,249	3,469
Retirement benefit scheme contributions	149	163	180	86	89
	<u>5,281</u>	<u>6,419</u>	<u>8,967</u>	<u>4,335</u>	<u>3,558</u>

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

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013 (unaudited)	2014
<i>Number of individuals</i>					
No more than HK\$1,000,000 (Not more than approximately RMB794,000)	1	—	—	4	4
HK\$1,000,001 to HK\$1,500,000 (approximately RMB794,001 to RMB1,191,000)	3	4	—	—	1
HK\$1,500,001 to HK\$2,000,000 (approximately RMB1,191,001 to RMB1,588,000)	—	—	4	—	—
HK\$2,000,001 to HK\$2,500,000 (approximately RMB1,588,001 to RMB1,984,000)	1	—	—	1	—
HK\$3,000,001 to HK\$3,500,000 (approximately RMB2,381,001 to RMB2,778,000)	—	1	—	—	—
HK\$4,000,001 to HK\$4,500,000 (approximately RMB3,175,000 to RMB3,572,000)	—	—	1	—	—
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

15. INVESTMENT PROPERTIES

	2011	At 31 December		At 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Completed investment properties, at fair value:				
At beginning of the year/period	12,875,200	18,997,217	19,940,499	20,726,200
Additions on subsequent expenditure	53,561	120,007	128,954	20,641
Reclassification upon completion	4,573,501	—	—	2,086,994
Change in fair value recognised in profit or loss	<u>1,494,955</u>	<u>823,275</u>	<u>656,747</u>	<u>1,283,265</u>
At end of the year/period	<u>18,997,217</u>	<u>19,940,499</u>	<u>20,726,200</u>	<u>24,117,100</u>
Investment properties under development, at fair value:				
At beginning of the year/period	3,019,000	1,329,000	2,221,500	2,798,000
Additions on subsequent expenditure	2,855,859	534,591	532,318	1,237,194
Interest capitalised (<i>Note 9</i>)	29,083	18,780	53,430	38,049
Reclassification upon completion	(4,573,501)	—	—	(2,086,994)
Change in fair value recognised in profit or loss	<u>(1,441)</u>	<u>339,129</u>	<u>(9,248)</u>	<u>218,751</u>
At end of the year/period	<u>1,329,000</u>	<u>2,221,500</u>	<u>2,798,000</u>	<u>2,205,000</u>
At end of the year/period	<u>20,326,217</u>	<u>22,161,999</u>	<u>23,524,200</u>	<u>26,322,100</u>

All of the Target Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The Target Group's investment properties are commercial properties located in Mainland China.

The Target Group's completed investment properties and investment properties under development are held under medium term leases (10 to 50 years) in Mainland China.

At 31 December 2011, 2012 and 2013 and 30 June 2014, the Target Group's investment properties with an aggregate carrying amount of RMB18,997,217,000, RMB21,518,499,000, RMB22,610,200,000 and RMB26,322,100,000, respectively, were pledged to secure banking facilities granted to the Target Group (Note 40).

At 31 December 2011, 2012 and 2013 and 30 June 2014, land use rights and/or building ownership certificates in respect of investment properties of the Target Group, with an aggregate carrying amount of RMB17,970,805,000, RMB6,139,975,000, RMB5,282,087,000 and RMB6,830,696,000 respectively had not been issued by the relevant PRC authorities.

Fair value measurement of the Target Group's investment properties

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

The fair value of the Target Group's investment properties and investment properties under development at 31 December 2011, 2012 and 2013 and 30 June 2014 has been arrived at on the basis of a valuation carried out as at that date by Savills Valuation and Professional Services Limited ("Savills"), independent qualified professional valuers not connected with the Target Group. The address of Savills is 23rd Floor, Two Exchange Square, Central, Hong Kong.

For completed investment properties, the valuations were arrived at by making reference to the comparable market transactions as available in the market and where appropriate, by valuing the properties on the basis of capitalisation of the rental income derived from the existing tenancy agreements with due allowance for the reversionary income potential of the properties. There has been no change in the valuation technique during the Relevant Period.

For investment properties under development, the valuations were arrived at with adoption of direct comparison approach by making reference to comparable sales transactions as available in the relevant markets and where applicable, by taking into account the costs that will be expended to complete the developments to reflect the quality of the completed development.

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

The amount of the change in fair value recognised in profit or loss were related to investment properties held at the end of each reporting period.

The fair values of the Target Group's investment properties at 31 December 2011, 2012 and 2013 and 30 June 2014 are grouped into Level 3 of fair value measurement. There were no transfers into or out of Level 3 during the Relevant Period.

The following table gives information about how the fair values of the Target Group's major investment properties as at 31 December 2011, 2012 and 2013 and 30 June 2014 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements is observable.

At 31 December 2011

Major investment properties of the Target Group	Fair value hierarchy	Value technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Property 1 — Xidan Joy City (completed investment property)	Level 3	Income method — Capitalisation approach The key inputs are capitalisation rate and monthly rent.	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 6% for office and 6.5% for shop. Month unit rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB227 to RMB256/sqm/month for office and RMB147 to RMB1,400/sqm/month for shop.	A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

Major investment properties of the Target Group	Fair value hierarchy	Value technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Property 2 — Chaoyang Joy City (completed investment property)	Level 3	Income method — Capitalisation approach The key inputs are capitalisation rate and monthly rent.	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 6% for shop.	A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
			Month unit rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB91 to RMB610/sqm/month for shop.	A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
Property 3 — Tianjin Joy City (completed investment property)	Level 3	Income method — Capitalisation approach The key inputs are capitalisation rate and monthly rent.	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 7.25% for shop.	A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
			Month unit rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB194 to RMB485/sqm/month for shop.	A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
Property 4 — Shanghai Joy City (completed investment property)	Level 3	Income method — Capitalisation approach The key inputs are capitalisation rate and monthly rent.	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 6.5% for shop.	A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
			Month unit rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB140 to RMB699/sqm/month for shop.	A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

At 31 December 2012

Major investment properties of the Target Group	Fair value hierarchy	Value technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Property 1 — Xidan Joy City (completed investment property)	Level 3	Income method — Capitalisation approach The key inputs are capitalisation rate and monthly rent.	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 6% for office and 6.5% for shop.	A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
			Month unit rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB257 to RMB291/sqm/month for office and RMB154 to RMB1,470/sqm/month for shop.	A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
Property 2 — Chaoyang Joy City (completed investment property)	Level 3	Income method — Capitalisation approach The key inputs are capitalisation rate and monthly rent.	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 6.5% for shop.	A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
			Month unit rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB99 to RMB668/sqm/month for shop.	A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
Property 3 — Tianjin Joy City (completed investment property)	Level 3	Income method — Capitalisation approach. The key inputs are capitalisation rate and monthly rent.	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 7.25% for shop.	A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
			Month unit rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB206 to RMB514/sqm/month for shop.	A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

Major investment properties of the Target Group	Fair value hierarchy	Value technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Property 4 — Shanghai Joy City (completed investment property)	Level 3	Income method — Capitalisation approach	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 6.5% for shop.	A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		The key inputs are capitalisation rate and monthly rent.	Month unit rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB145 to RMB729/sqm/month for shop.	A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

At 31 December 2013

Major investment properties of the Target Group	Fair value hierarchy	Value technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Property 1 — Xidan Joy City (completed investment property)	Level 3	Income method — Capitalisation approach	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 6% for office and 6.5% for shop.	A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		The key inputs are capitalisation rate and monthly rent.	Month unit rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB276 to RMB311/sqm/month for office and RMB159 to RMB1,510/sqm/month for shop.	A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

Major investment properties of the Target Group	Fair value hierarchy	Value technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Property 2 — Chaoyang Joy City (completed investment property)	Level 3	Income method — Capitalisation approach The key inputs are capitalisation rate and monthly rent.	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 6.5% for shop.	A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
			Month unit rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB104 to RMB695/sqm/month for shop.	A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
Property 3 — Tianjin Joy City (completed investment property)	Level 3	Income method — Capitalisation approach The key inputs are capitalisation rate and monthly rent.	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 7% for shop.	A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
			Month unit rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB198 to RMB495/sqm/month for shop.	A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
Property 4 — Shanghai Joy City (completed investment property)	Level 3	Income method — Capitalisation approach The key inputs are capitalisation rate and monthly rent.	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 6.5% for shop.	A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
			Month unit rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB155 to RMB775/sqm/month for shop.	A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

At 30 June 2014

Major investment properties of the Target Group	Fair value hierarchy	Value technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Property 1 — Xidan Joy City (completed investment property)	Level 3	Income method — Capitalisation approach The key inputs are capitalisation rate and monthly rent.	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 6% for office and 6.5% for shop.	A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
			Month unit rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB280 to RMB316/sqm/month for office and RMB163 to RMB1,550/sqm/month for shop.	A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
Property 2 — Chaoyang Joy City (completed investment property)	Level 3	Income method — Capitalisation approach The key inputs are capitalisation rate and monthly rent.	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 6.5% for shop.	A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
			Month unit rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB105 to RMB700/sqm/month for shop.	A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
Property 3 — Tianjin Joy City (completed investment property)	Level 3	Income method — Capitalisation approach The key inputs are capitalisation rate and monthly rent.	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 7% for shop.	A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
			Month unit rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB204 to RMB510/sqm/month for shop.	A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

Major investment properties of the Target Group	Fair value hierarchy	Value technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Property 4 — Shanghai Joy City (completed investment property)	Level 3	Income method — Capitalisation approach The key inputs are capitalisation rate and monthly rent.	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 6.5% for shop. Month unit rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB158 to RMB790/sqm/month for shop.	A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Hotel properties <i>RMB'000</i>	Equipment, furniture and fixtures <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Cost							
At 1 January 2011	145,948	13,451	355,031	35,098	14,706	—	564,234
Additions	—	2,076	—	41,402	4,794	—	48,272
Disposals	—	—	—	(279)	(971)	—	(1,250)
At 31 December 2011 and 1 January 2012	145,948	15,527	355,031	76,221	18,529	—	611,256
Additions	—	86	—	8,578	3,233	1,209	13,106
Disposals	—	—	—	(4,081)	—	—	(4,081)
At 31 December 2012 and 1 January 2013	145,948	15,613	355,031	80,718	21,762	1,209	620,281
Additions	368	397	—	7,497	1,686	—	9,948
Reclassification	—	—	—	1,209	—	(1,209)	—
Disposals	—	—	—	(3,712)	—	—	(3,712)
At 31 December 2013 and 1 January 2014	146,316	16,010	355,031	85,712	23,448	—	626,517
Additions	—	—	—	7,945	—	—	7,945
Disposals	—	—	—	(117)	(760)	—	(877)
At 30 June 2014	146,316	16,010	355,031	93,540	22,688	—	633,585
Accumulated depreciation							
At 1 January 2011	9,809	—	25,653	6,335	6,246	—	48,043
Charge for the year	2,159	4,141	8,795	8,342	2,322	—	25,759
Written back on disposals	—	—	—	(177)	(414)	—	(591)
At 31 December 2011 and 1 January 2012	11,968	4,141	34,448	14,500	8,154	—	73,211
Charge for the year	3,962	4,457	8,795	10,707	2,252	—	30,173
Written back on disposals	—	—	—	(232)	—	—	(232)
At 31 December 2012 and 1 January 2013	15,930	8,598	43,243	24,975	10,406	—	103,152
Charge for the year	3,953	4,506	8,795	12,039	2,514	—	31,807
Written back on disposals	—	—	—	(2,555)	—	—	(2,555)
At 31 December 2013 and 1 January 2014	19,883	13,104	52,038	34,459	12,920	—	132,404
Charge for the period	1,969	2,237	4,398	5,192	1,249	—	15,045
Written back on disposals	—	—	—	(33)	(138)	—	(171)
At 30 June 2014	21,852	15,341	56,436	39,618	14,031	—	147,278
Carrying amounts							
At 31 December 2011	133,980	11,386	320,583	61,721	10,375	—	538,045
At 31 December 2012	130,018	7,015	311,788	55,743	11,356	1,209	517,129
At 31 December 2013	126,433	2,906	302,993	51,253	10,528	—	494,113
At 30 June 2014	124,464	669	298,595	53,922	8,657	—	486,307

The properties of the Target Group shown above are held under the following lease terms:

	2011	At 31 December		At 30 June
	2012	2013	2014	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Buildings				
Held in Mainland China under:				
Long lease (over 50 years)	110,363	107,072	103,781	102,136
Medium term lease (10 to 50 years)	<u>23,617</u>	<u>22,946</u>	<u>22,652</u>	<u>22,328</u>
	<u>133,980</u>	<u>130,018</u>	<u>126,433</u>	<u>124,464</u>
Hotel properties				
Held in Mainland China under:				
medium term lease (10 to 50 years)	<u>320,583</u>	<u>311,788</u>	<u>302,993</u>	<u>298,595</u>

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:

Buildings	1.8% to 4.5%
Leasehold improvements	Over the shorter of the term of the lease, and 10% to 25%
Hotel properties	2.5%
Equipment, furniture and fixtures and motor vehicles	5% to 20%

At 31 December 2011, 2012 and 2013 and 30 June 2014, certain of the Target Group's property, plant and equipment with a net carrying amount of approximately RMB454,030,000, RMB441,352,000, RMB428,674,000 and RMB422,335,000, respectively, were pledged to secure banking facilities granted to the Target Group (Note 40).

At 31 December 2011, 2012 and 2013 and 30 June 2014, building ownership certificates in respect of property, plant and equipment of the Target Group, with an aggregate carrying amount of RMB374,632,000, RMB311,788,000, nil and nil respectively had not been issued by the relevant PRC authorities.

17. LAND USE RIGHTS

The carrying amount of land use rights is analysed as follows:

	2011	At 31 December		At 30 June
	2012	2013	2014	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Land use rights in Mainland China				
Long term lease (over 50 years)	190,904	185,005	179,107	176,158
Medium term lease (10 to 50 years)	<u>6,769</u>	<u>6,553</u>	<u>6,337</u>	<u>6,229</u>
	<u>197,673</u>	<u>191,558</u>	<u>185,444</u>	<u>182,387</u>
Analysed for reporting purposes as:				
Current assets (included in deposits, prepayments and other receivables)	6,114	6,114	6,114	6,114
Non-current assets	<u>191,559</u>	<u>185,444</u>	<u>179,330</u>	<u>176,273</u>
	<u>197,673</u>	<u>191,558</u>	<u>185,444</u>	<u>182,387</u>

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

At 31 December 2011, 2012 and 2013 and 30 June 2014, land use rights with an aggregate carrying amount of RMB191,559,000, RMB185,444,000, RMB179,330,000 and RMB176,273,000, respectively, were pledged to secure certain banking facilities granted to the Target Group (Note 40).

18. INTANGIBLE ASSETS

	<i>RMB'000</i>
Cost	
At 1 January 2011	4,944
Additions	<u>2,863</u>
At 31 December 2011 and 1 January 2012	7,807
Additions	4,262
Written off	<u>(478)</u>
At 31 December 2012 and 1 January 2013	11,591
Additions	<u>2,466</u>
At 31 December 2013 and 1 January 2014	14,057
Additions	1,297
Written off	<u>(97)</u>
At 30 June 2014	<u>15,257</u>
Accumulated amortisation	
At 1 January 2011	1,242
Amortisation provided during the year	<u>1,203</u>
At 31 December 2011 and 1 January 2012	2,445
Amortisation provided during the year	<u>2,021</u>
At 31 December 2012 and 1 January 2013	4,466
Amortisation provided during the year	<u>2,328</u>
At 31 December 2013 and 1 January 2014	6,794
Amortisation provided during the period	<u>1,281</u>
At 30 June 2014	<u>8,075</u>
Carrying amounts	
At 31 December 2011	<u><u>5,362</u></u>
At 31 December 2012	<u><u>7,125</u></u>
At 31 December 2013	<u><u>7,263</u></u>
At 30 June 2014	<u><u>7,182</u></u>

Intangible assets, which mainly represent purchased computer software, are stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 to 10 years.

19. INTEREST IN AN ASSOCIATE

	2011	At 31 December			At 30 June
	2012	2013	2014	2014	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of investment, unlisted	128,110	128,110	128,110	128,110	128,110
Share of post-acquisition profits and other comprehensive income, net of dividends received	<u>571,066</u>	<u>632,750</u>	<u>1,424,280</u>	<u>1,464,697</u>	<u>1,464,697</u>
	<u>699,176</u>	<u>760,860</u>	<u>1,552,390</u>	<u>1,592,807</u>	<u>1,592,807</u>

At 31 December 2011, 2012 and 2013 and 30 June 2014, the Target Group had interest in the following associate:

Company name	Place of establishment	Place of operation	Proportion of ownership interest and proportion of voting rights held by the Target Group				Principal activity
			At December		At 30 June		
			2011	2012	2013	2014	
北京中糧廣場發展有限公司 (Beijing COFCO Plaza Development Co Ltd*)	PRC	Beijing, PRC	40%	40%	40%	40%	Property investment

* The English name of the company marked with "*" is translation of its Chinese name and is included for identification purpose only, and should not be regarded as its official English translation.

At 31 December 2011, 2012 and 2013 and 30 June 2014, the amount due from an associate included in the Target Group's current assets amounted to RMB25,879,000, RMB1,921,000, nil and RMB1,807,000, respectively, and amount due to an associate included in the Target Group's current liabilities amounted to nil, RMB30,000,000, nil and nil, respectively, are unsecured, interest-free and repayable on demand.

At 31 December 2011, loan from an associate amounted to RMB110,000,000 was unsecured, bore interest at a rate of 6.56% per annum and fully repaid during the year ended 31 December 2012.

All receivable balances are not past due at the reporting date and there had not been a significant change in credit quality and the Target Group believes that the amounts are considered recoverable.

APPENDIX II
ACCOUNTANTS' REPORT OF THE TARGET GROUP

Summarised financial information in respect of the Target Group's associate which is accounted for using the equity method is set out below. The summarised financial information below represents amounts prepared in accordance with HKFRSs.

	At 31 December			At 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	187,120	177,762	279,840	356,619
Non-current assets	<u>2,352,807</u>	<u>2,523,750</u>	<u>5,016,101</u>	<u>5,024,839</u>
Total assets	<u>2,539,927</u>	<u>2,701,512</u>	<u>5,295,941</u>	<u>5,381,458</u>
Current liabilities	267,452	290,498	306,409	304,575
Non-current liabilities	<u>508,344</u>	<u>492,674</u>	<u>1,092,367</u>	<u>1,094,867</u>
Total liabilities	<u>775,796</u>	<u>783,172</u>	<u>1,398,776</u>	<u>1,399,442</u>

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Revenue	<u>208,060</u>	<u>210,511</u>	<u>229,804</u>	<u>112,074</u>	<u>129,997</u>
Profit and total comprehensive income for the year/period	<u>130,771</u>	<u>224,209</u>	<u>1,978,825</u>	<u>1,928,240</u>	<u>84,853</u>
Profit and total comprehensive income for the year/period shared by the Target Group	<u>52,308</u>	<u>89,684</u>	<u>791,530</u>	<u>771,296</u>	<u>40,417</u>
Dividends received from the associate during the year/period	<u>25,600</u>	<u>28,000</u>	<u>—</u>	<u>—</u>	<u>—</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the Financial Information.

	At 31 December			At 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net assets of the associate	1,764,131	1,918,340	3,897,165	3,982,016
Proportion of the Target Group's ownership in the associate	40%	40%	40%	40%
Share of net assets of the associate	705,652	767,336	1,558,866	1,592,807
Other adjustments	<u>(6,476)</u>	<u>(6,476)</u>	<u>(6,476)</u>	<u>—</u>
Carrying amount of the Target Group's interest in the associate	<u>699,176</u>	<u>760,860</u>	<u>1,552,390</u>	<u>1,592,807</u>

20. INTEREST IN A JOINT VENTURE

	2011	At 31 December			At 30 June
	RMB'000	2012	2013	2014	2014
		RMB'000	RMB'000	RMB'000	RMB'000
Cost of investment in a joint venture, unlisted	5,712	5,712	5,712	5,712	5,712
Share of post-acquisition profits and other comprehensive income, net of dividends received	<u>120,261</u>	<u>122,516</u>	<u>110,623</u>	<u>111,748</u>	<u>111,748</u>
	<u>125,973</u>	<u>128,228</u>	<u>116,335</u>	<u>117,460</u>	<u>117,460</u>

At 31 December 2011, 2012 and 2013 and 30 June 2014, the Target Group had interest in the following joint venture:

Company name	Place of establishment	Place of operation	Proportion of ownership interest and proportion of voting rights held by the Target Group				Principal activity
			At December		At 30 June		
			2011	2012	2013	2014	
上海中樞置業發展有限公司 (Shanghai COFCO Property Development Co Ltd*)	PRC	Shanghai, PRC	50%	50%	50%	50%	Property investment

* The English name of the company marked with "*" is translation of its Chinese name and is included for identification purpose only, and should not be regarded as its official English translation.

The joint venture is accounted for using the equity method in the Financial Information.

In the opinion of the management of the Target Group, the Target Group's interest in a joint venture are not material to the Target Group. Hence, no summarised financial information of the joint venture is disclosed.

21. AVAILABLE-FOR-SALE INVESTMENT

The available-for-sale investments represent unlisted equity securities issued by a private entity established in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the management of the Target Group are of the opinion that their fair values cannot be measured reliably.

22. AMOUNTS DUE FROM/TO THE ULTIMATE HOLDING COMPANY, THE IMMEDIATE HOLDING COMPANY, FELLOW SUBSIDIARIES AND NON-CONTROLLING INTERESTS

The amount due from the ultimate holding company classified under non-current assets is unsecured, interest-free and not expected to be repaid within twelve months from the end of the reporting period.

The amounts due from/to the ultimate holding company, the immediate holding company, fellow subsidiaries and non-controlling interests classified under current assets and current liabilities, respectively, are unsecured, interest-free and repayable on demand.

Included in the amounts due to the immediate holding company were balances of HK\$995.9 million (approximately RMB790.5 million) which pursuant to the Acquisition Agreement, the Company has conditionally agreed to acquire pursuant to the Acquisition.

The following information is disclosed pursuant to Section 161B of the predecessor Hong Kong Companies Ordinance (Cap 32):

	2011	At 31 December		At 30 June
	RMB'000	2012	2013	2014
		RMB'000	RMB'000	RMB'000
Amounts due from fellow subsidiaries*:				
<i>Name of fellow subsidiaries</i>				
卓遠地產(成都)有限公司 (Zhuoyuan Property (Chengdu) Co., Ltd.**) ("Zhuoyuan Property (Chengdu)")	—	51	—	16
中糧上海糧油進出口有限公司 (COFCO Shanghai Grain & Oil Import & Export Company**) ("COFCO Shanghai G&O")	58	—	—	—
	<u>58</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>58</u>	<u>51</u>	<u>—</u>	<u>16</u>

Maximum amount outstanding during the year/period

Amounts due from fellow subsidiaries:				
<i>Name of fellow subsidiaries</i>				
Zhuoyuan Property (Chengdu)	—	51	51	16
COFCO Shanghai G&O	58	58	—	—
	<u>58</u>	<u>58</u>	<u>—</u>	<u>—</u>

* certain directors of these companies are also directors of the Target Companies

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

Analysis of balances with the immediate holding company, fellow subsidiaries and non-controlling interests denominated in currencies other than the functional currency of the entities comprising the Target Group to which they relate:

	2011	At 31 December		At 30 June
	RMB'000	2012	2013	2014
		RMB'000	RMB'000	RMB'000
Denominated in Hong Kong dollars ("HK\$"):				
Amounts due to the immediate holding company	—	882,399	857,771	865,981
Amounts due to fellow subsidiaries	783,410	1,456	883	97
Amounts due to non-controlling interests	—	—	2,156	2,177
	<u>783,410</u>	<u>883,855</u>	<u>860,810</u>	<u>868,255</u>

23. INVENTORIES

	2011	At 31 December		At 30 June
	RMB'000	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	14,742	14,265	13,609	14,246
Consumables	<u>333</u>	<u>357</u>	<u>387</u>	<u>280</u>
	<u>15,075</u>	<u>14,622</u>	<u>13,996</u>	<u>14,526</u>

24. PROPERTIES HELD FOR SALE

	2011	At 31 December		At 30 June
	RMB'000	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Completed properties held for sale	<u>367,441</u>	<u>737,523</u>	<u>519,769</u>	<u>367,515</u>

The Target Group's properties held for sale are on lands under medium-term leases (10–50 years) located in Mainland China. They are stated at the lower of cost and net realisable value.

At 31 December 2011, 2012 and 2013 and 30 June 2014, properties held for sale with an aggregate carrying amount of nil, RMB653,794,000, RMB488,897,000 and RMB290,432,000, respectively, were pledged to secure certain banking facilities granted to the Target Group (Note 40).

Included in the completed properties held for sale as at 31 December 2011, 2012 and 2013 and 30 June 2014 is carrying amount of RMB32,160,000, RMB131,295,000, nil and nil, respectively, of which is expected to be sold after more than twelve months from the end of the reporting period.

25. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2011	At 31 December		At 30 June
	RMB'000	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
At cost:				
At beginning of the year/period	898,175	2,537,471	4,415,269	5,856,806
Additions	1,843,991	2,683,504	2,029,814	182,792
Interest capitalised (Note 9)	37,197	78,631	113,464	91,460
Transfer to properties held for sale upon completion	(241,892)	(878,445)	(701,741)	—
Impairment	<u>—</u>	<u>(5,892)</u>	<u>—</u>	<u>—</u>
At end of the year/period	<u>2,537,471</u>	<u>4,415,269</u>	<u>5,856,806</u>	<u>6,131,058</u>

The Target Group's properties under development for sale are on lands under medium-term leases (10 to 50 years) located in Mainland China.

Included in the properties under development for sale as at 31 December 2011, 2012 and 2013 and 30 June 2014 is carrying amount of RMB1,997,998,000, RMB3,853,026,000, RMB5,845,466,000 and RMB6,119,768,000, respectively, 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 2011, 2012 and 2013 and 30 June 2014, properties under development for sale with an aggregate carrying amount of RMB522,241,000, RMB550,903,000, nil and nil, respectively, were pledged to secure certain banking facilities granted to the Target Group (Note 40).

26. ACCOUNTS RECEIVABLE

	At 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Receivables from sale of properties	—	5,118	1,042	2,270
Rental receivables	58,785	88,054	65,081	57,118
Property management fee receivables	25,816	15,034	9,245	9,406
Receivables from hotel operations and related services	4,502	445	—	1
Less: Allowance for doubtful debts	<u>(7,904)</u>	<u>(24,626)</u>	<u>(14,618)</u>	<u>(15,514)</u>
	81,199	84,025	60,750	53,281
Rental adjustments*	<u>41,002</u>	<u>55,752</u>	<u>55,752</u>	<u>55,752</u>
	<u>122,201</u>	<u>139,777</u>	<u>116,502</u>	<u>109,033</u>

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

In respect of sale of properties, a minimum down payment is required in accordance with the terms of the related sale and purchase agreements and in general consideration in cash is fully received prior to the delivery of the properties to the customers.

In general, rental income, property management fee income and income from hotel operations and related services are received in the month when the relevant services provided, except for certain tenants and customers of which credit period of up to 30 to 60 days are granted.

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

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

	At 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 3 months	51,176	51,092	38,963	35,573
3 months to 1 year	27,086	19,423	16,610	10,928
1 to 2 years	2,579	11,929	3,009	5,942
2 to 3 years	358	1,534	2,168	838
Over 3 years	<u>—</u>	<u>47</u>	<u>—</u>	<u>—</u>
	<u>81,199</u>	<u>84,025</u>	<u>60,750</u>	<u>53,281</u>

Movements in the allowance for doubtful debts during the Relevant Period:

	2011	At 31 December		At 30 June
	2012	2013	2014	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year/period	3,852	7,904	24,626	14,618
Impairment losses/(reversal of impairment), net	<u>4,052</u>	<u>16,722</u>	<u>(10,008)</u>	<u>896</u>
At the end of the year/period	<u><u>7,904</u></u>	<u><u>24,626</u></u>	<u><u>14,618</u></u>	<u><u>15,514</u></u>

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

	2011	At 31 December		At 30 June
	2012	2013	2014	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Overdue by:				
Less than 3 months	47,381	45,459	37,922	35,560
3 months to 1 year	27,086	19,423	16,500	8,658
1 to 2 years	2,579	11,929	3,009	5,942
2 to 3 years	358	1,534	2,168	838
Over 3 years	<u>—</u>	<u>47</u>	<u>—</u>	<u>—</u>
	<u><u>77,404</u></u>	<u><u>78,392</u></u>	<u><u>59,599</u></u>	<u><u>50,998</u></u>

Receivables that were past due but not impaired mainly relate to tenants that have a good track record with the Target Group. Based on past experience, the management of the Target Group is of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Target Group does not hold any collateral or other credit enhancements over these balances.

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

27. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Classified under non-current assets				
Relocation compensation*	383,850	—	—	—
Prepaid construction costs	—	11,489	25,789	11,879
Other deposits	30,000	30,000	30,000	30,000
	<u>413,850</u>	<u>41,489</u>	<u>55,789</u>	<u>41,879</u>
Classified under current assets				
Prepayments to suppliers	6,765	11,503	22,657	11,128
Prepaid LAT and business tax	11,681	13,902	176	4,186
Current portion of land use rights	6,114	6,114	6,114	6,114
Other deposits paid	13,282	10,394	5,255	5,755
Receivables in relation to relocation arrangement**	40,620	68,400	113,766	112,208
Receivables from a former shareholder of a subsidiary	15,379	15,379	15,379	15,379
Receivable from a government-related entity	—	32,881	32,881	32,881
Receivables from tenants for utility expenses paid on behalf	19,280	18,320	21,727	45,151
Sales proceeds receivable in respect of sale of property, plant and equipment	13,576	—	—	—
Others receivables	11,960	19,307	11,894	31,269
	138,657	196,200	229,849	264,071
Less: Allowance for doubtful debts	<u>(5,925)</u>	<u>(10,952)</u>	<u>(27,539)</u>	<u>(28,519)</u>
	<u>132,732</u>	<u>185,248</u>	<u>202,310</u>	<u>235,552</u>

* The relocation compensation relates to investment properties of the Target Group under development.

** The balances are receivables from residents previously resided in the construction sites of the Target Group's properties development projects and represent the excess of the market value of properties provided to these former residents for relocation purpose over the agreed amount of relocation compensation provided to them.

Movements in the allowance for doubtful debts of other receivables during the Relevant Period:

	At 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	1,987	5,925	10,952	27,539
Impairment losses recognised, net	3,939	5,027	16,587	980
Amount written off as uncollectible	<u>(1)</u>	<u>—</u>	<u>—</u>	<u>—</u>
At the end of the year/period	<u>5,925</u>	<u>10,952</u>	<u>27,539</u>	<u>28,519</u>

28. LOANS FROM/TO FELLOW SUBSIDIARIES AND THE ULTIMATE HOLDING COMPANY

	2011	At 31 December		At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Classified under non-current assets				
Loan to a fellow subsidiary (<i>note (a)</i>)	—	—	230,792	—
Classified under current assets				
Loans to fellow subsidiaries (<i>note (b)</i>)	100,000	—	—	317,623
Classified under current liabilities				
Loans from the ultimate holding company (<i>note (c)</i>)	6,442,102	2,876,996	3,470,183	4,018,070
Loans from fellow subsidiaries (<i>note (d)</i>)	706,498	424,075	972,134	1,556,305
Classified under non-current liabilities				
Loans from a fellow subsidiary (<i>note (d)</i>)	228,000	475,000	523,500	188,000

Notes:

- (a) At 31 December 2013, the loan to a fellow subsidiary classified under non-current assets is unsecured, bear interest at a rate of 0.3859% per annum and not expected to be repaid within twelve months from the end of the reporting period.
- (b) At 31 December 2011, the loans to fellow subsidiaries classified under current assets are unsecured, bear interest at 5.94% per annum and fully settled during the year ended 31 December 2012. At 30 June 2014, the loan to a fellow subsidiary classified under current assets is unsecured, bear interest at a rate of 0.3859% per annum and is expected to be repaid within twelve months from the end of the reporting period.
- (c) The loans from the ultimate holding company, COFCO Corporation, classified under current liabilities are unsecured, bear interest at nil, nil, 6% and 6% per annum as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively, and are repayable on demand or within twelve months from the end of the reporting period. Subsequent to 30 June 2014, the Target Group, the ultimate holding company and a bank has entered into an entrustment loan agreement ("Perpetual Loan Agreement") pursuant to which the ultimate holding company shall entrust the bank to lend approximately RMB3,768 million to the Target Group for the purpose of repaying part of the above loans from the ultimate holding company. The Perpetual Loan Agreement took effect on 20 October 2014 and the loan had been granted to the Target Group.

Pursuant to the Perpetual Loan Agreement, neither the ultimate holding company nor the bank would request for repayment of the principal and accrued interest save and except the Target Group elects to repay the principal and accrued interest at its sole discretion, or in the event of liquidation.

- (d) The loans from fellow subsidiaries classified under current liabilities are unsecured, bear interest at rates ranging from 4.78% to 6.65%, 4.78% to 6.65%, 5.36% to 6.65% and 5.36% to 6.65% per annum as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively, and are repayable within twelve months from the end of the reporting period. Included in the above loans from fellow subsidiaries are loans from COFCO Finance, a non-banking financial institution, of RMB510,000,000, RMB280,000,000, RMB303,000,000 and RMB633,000,000 as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively.

The loans from a fellow subsidiary, COFCO Finance, classified under non-current liabilities is unsecured, bear interest at rates ranging from 4.78% to 6.65%, 4.78% to 6.65%, 6% to 6.65% and 5.36% to 6.65% per annum as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively, and is not repayable within twelve months from the end of the reporting period.

The maturity profile of the loans from fellow subsidiaries is as follows:

	At 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of loans from fellow subsidiaries repayable*:				
Within one year	706,498	424,075	972,134	1,556,305
In the second year	—	—	465,000	188,000
In the third to fifth year inclusive	<u>228,000</u>	<u>475,000</u>	<u>58,500</u>	<u>—</u>
Total loans from fellow subsidiaries	934,498	899,075	1,495,634	1,744,305
Less: Amounts due within twelve months shown under current liabilities	<u>(706,498)</u>	<u>(424,075)</u>	<u>(972,134)</u>	<u>(1,556,305)</u>
Amounts shown under non-current liabilities	<u><u>228,000</u></u>	<u><u>475,000</u></u>	<u><u>523,500</u></u>	<u><u>188,000</u></u>

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

Certain loans from fellow subsidiaries are under corporate guarantee executed by related parties as follows:

	At 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Guaranteed by:				
Ultimate holding company	460,000	128,000	346,000	301,000
Fellow subsidiaries	<u>228,000</u>	<u>228,000</u>	<u>228,000</u>	<u>228,000</u>
	<u><u>688,000</u></u>	<u><u>356,000</u></u>	<u><u>574,000</u></u>	<u><u>529,000</u></u>

The following information is disclosed pursuant to Section 161B of the predecessor Hong Kong Companies Ordinance (Cap 32):

	At 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Loans to fellow subsidiaries*:				
<i>Name of fellow subsidiaries</i>				
中糧置地管理有限公司 (COFCO Land Management Co., Ltd**)				
(“COFCO Land Management”)	—	—	230,792	317,623
COFCO Shanghai G&O	<u>100,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>100,000</u></u>	<u><u>—</u></u>	<u><u>230,792</u></u>	<u><u>317,623</u></u>

Maximum amount outstanding during the year/period

Loans to fellow subsidiaries:				
<i>Name of fellow subsidiaries</i>				
COFCO Land Management	—	—	830,055	1,127,146
COFCO Shanghai G&O	<u>100,000</u>	<u>100,000</u>	<u>—</u>	<u>—</u>

* certain directors of these companies are also directors of the Target Companies

** The English name of the Chinese company marked with “**” is translation of its Chinese name and is included for identification purpose only, and should not be regarded as its official English translation.

29. RESTRICTED BANK DEPOSITS

	2011 RMB'000	At 31 December		At 30 June
		2012 RMB'000	2013 RMB'000	2014 RMB'000
Deposits pledged for banking facilities (<i>note (a)</i>)	44,517	18,685	6,209	69,947
Restricted bank deposits (<i>note (b)</i>)	<u>89,036</u>	<u>236,292</u>	<u>20,275</u>	<u>20,317</u>
	<u>133,553</u>	<u>254,977</u>	<u>26,484</u>	<u>90,264</u>

Notes:

- (a) The amounts represent bank deposits pledged to banks as security for certain banking facilities granted to the Target Group (Note 40).
- (b) The amounts represent deposits received in respect of pre-sale of properties, which will be released upon completion of the sale of properties, and that are expected to be released within twelve months after the end of the reporting period.

The restricted bank deposits carry variable rates as follows:

	2011 %	At 31 December		At 30 June
		2012 %	2013 %	2014 %
Interest rate per annum	<u>0.4</u>	<u>0.35</u>	<u>0.35</u>	<u>0.35</u>

30. CASH AND CASH EQUIVALENTS

	2011 RMB'000	At 31 December		At 30 June
		2012 RMB'000	2013 RMB'000	2014 RMB'000
Cash at bank and on hand	1,141,582	354,348	1,002,151	1,044,625
Time deposits with an original maturity of three months or less	—	—	20,000	20,000
Deposits with a non-banking financial institution with an original maturity of three months or less*	<u>390,125</u>	<u>490,685</u>	<u>44,667</u>	<u>178,959</u>
	<u>1,531,707</u>	<u>845,033</u>	<u>1,066,818</u>	<u>1,243,584</u>

* Represented deposits placed with COFCO Finance, a fellow subsidiary of the Target Group.

Cash at banks earns interest at rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one week and three months depending on the immediate cash requirements of the Target Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks.

The bank balances, time deposits and deposits with COFCO Finance, carry variable rates as follows:

	2011	At 31 December		At 30 June
	%	2012	2013	2014
		%	%	%
Interest rate per annum	<u>0.40</u>	<u>0.35</u>	<u>0.35 to 1.35</u>	<u>0.35 to 1.35</u>

Analysis of cash and cash equivalents denominated in currencies other than the functional currency of the entities comprising the Target Group to which they relate:

	2011	At 31 December		At 30 June
	<i>RMB'000</i>	2012	2013	2014
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Denominated in HK\$	<u>45</u>	<u>57</u>	<u>76,814</u>	<u>77,549</u>

31. ACCOUNTS PAYABLE

	2011	At 31 December		At 30 June
	<i>RMB'000</i>	2012	2013	2014
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payable	148,151	519,966	455,244	131,059
Accrued expenditure on construction	<u>1,525,986</u>	<u>703,767</u>	<u>701,230</u>	<u>593,868</u>
	<u>1,674,137</u>	<u>1,223,733</u>	<u>1,156,474</u>	<u>724,927</u>

Accounts payable, including trade payable and accrued expenditure on construction, mainly comprise construction costs and other project-related expenses in relation to properties under development for sale which are payable based on project progress measured by the Target Group. Trade payable are generally with credit period of 60 to 90 days, except for the retention monies of certain construction costs of which the credit period is up to 3 years. The Target Group has financial risk management policies in place to ensure that all payables within the credit timeframe.

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

	2011	At 31 December		At 30 June
	<i>RMB'000</i>	2012	2013	2014
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	106,267	487,119	430,681	87,448
1 to 2 years	31,562	21,362	11,653	26,377
2 to 3 years	10,322	7,176	6,293	11,616
Over 3 years	<u>—</u>	<u>4,309</u>	<u>6,617</u>	<u>5,618</u>
	<u>148,151</u>	<u>519,966</u>	<u>455,244</u>	<u>131,059</u>

32. OTHER PAYABLES AND ACCRUALS

	2011	At 31 December		At 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Rental deposits received	70,146	119,269	172,334	173,587
Receipts of credit card payments on behalf of tenants	131,852	214,839	263,202	244,981
Other deposits received	87,554	87,858	105,666	141,987
Salaries and payroll payable	21,873	26,766	40,765	27,819
Rental receipt in advance	75,342	63,155	117,065	126,903
Other receipts in advance	10,299	29,622	23,248	21,274
Consideration payable for acquisition of a subsidiary	83,695	49,695	42,895	42,895
Construction costs payable for investment properties	842,545	1,058,425	497,458	1,195,961
Promotional fees payable	19,328	38,601	39,532	11,153
Interest payables	8,536	16,564	18,935	15,051
Other tax payable	17,338	17,132	18,821	9,550
Other payables and accruals	<u>52,092</u>	<u>52,415</u>	<u>58,144</u>	<u>76,614</u>
	<u>1,420,600</u>	<u>1,774,341</u>	<u>1,398,065</u>	<u>2,087,775</u>

33. BANK BORROWINGS

	2011	At 31 December		At 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans:				
Secured	6,343,249	7,675,018	7,330,652	6,846,067
Unsecured	<u>417,150</u>	<u>477,150</u>	<u>2,117,000</u>	<u>3,047,790</u>
	<u>6,760,399</u>	<u>8,152,168</u>	<u>9,447,652</u>	<u>9,893,857</u>
Represented:				
Fixed-rate borrowings	1,434,899	2,388,796	6,367,149	6,861,329
Floating-rate borrowings	<u>5,325,500</u>	<u>5,763,372</u>	<u>3,080,503</u>	<u>3,032,528</u>
	<u>6,760,399</u>	<u>8,152,168</u>	<u>9,447,652</u>	<u>9,893,857</u>

All bank borrowings are denominated in the functional currency of the Target Companies.

The floating-rate borrowings are arranged at variable rate based on the benchmark interest rate quoted by the People's Bank of China.

Details of securities for the secured bank loans are set out in Note 40. Certain of bank loans are under corporate guarantee executed by related parties as follows:

	2011	At 31 December		At 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guaranteed by:				
Ultimate holding company	317,150	317,150	—	—
Fellow subsidiaries	<u>100,000</u>	<u>160,000</u>	<u>—</u>	<u>—</u>
	<u><u>417,150</u></u>	<u><u>477,150</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

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

	2011	At 31 December		At 30 June
	2011	2012	2013	2014
	%	%	%	%
Effective interest rate per annum	<u>4.86–7.22</u>	<u>4.86–8.46</u>	<u>4.86–7.86</u>	<u>5.76–7.86</u>

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

	2011	At 31 December		At 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount of bank loans repayable*:				
Within one year	264,036	2,046,811	981,714	4,935,742
In the second year	2,025,150	1,164,150	3,957,000	—
In the third to fifth years, inclusive	1,772,000	2,160,000	1,014,640	1,547,640
Beyond five years	<u>2,699,213</u>	<u>2,781,207</u>	<u>3,494,298</u>	<u>3,410,475</u>
Total bank loans	6,760,399	8,152,168	9,447,652	9,893,857
Less: Amounts due within twelve months shown under current liabilities	<u>(264,036)</u>	<u>(2,046,811)</u>	<u>(981,714)</u>	<u>(4,935,742)</u>
Amounts shown under non-current liabilities	<u><u>6,496,363</u></u>	<u><u>6,105,357</u></u>	<u><u>8,465,938</u></u>	<u><u>4,958,115</u></u>

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

34. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the Relevant Period:

	Investment property	Tax depreciation allowance	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2011	1,402,319	33,381	52,990	1,488,690
Charged/(credited) to profit or loss (<i>Note 11</i>)	<u>373,378</u>	<u>66,533</u>	<u>(18,878)</u>	<u>421,033</u>
At 31 December 2011 and 1 January 2012	1,775,697	99,914	34,112	1,909,723
Charged/(credited) to profit or loss (<i>Note 11</i>)	<u>290,601</u>	<u>82,399</u>	<u>(7,591)</u>	<u>365,409</u>
At 31 December 2012 and 1 January 2013	2,066,298	182,313	26,521	2,275,132
Charged/(credited) to profit or loss (<i>Note 11</i>)	<u>161,875</u>	<u>83,510</u>	<u>(5,796)</u>	<u>239,589</u>
At 31 December 2013 and 1 January 2014	2,228,173	265,823	20,725	2,514,721
Charged/(credited) to profit or loss (<i>Note 11</i>)	<u>375,504</u>	<u>44,373</u>	<u>(1,041)</u>	<u>418,836</u>
At 30 June 2014	<u>2,603,677</u>	<u>310,196</u>	<u>19,684</u>	<u>2,933,557</u>

No deferred tax asset has been recognised in respect of the following unutilised tax losses arose in Mainland China due to the unpredictability of future profit streams, estimated at the end of each reporting period. The unrecognised tax losses will expire in the following years:

	2011	At 31 December 2012	2013	At 30 June 2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
To be expired on:				
31 December 2013	8,014	8,014	—	—
31 December 2014	15,779	15,779	—	—
31 December 2015	26,252	26,252	—	—
31 December 2016	184,166	184,166	184,166	184,166
31 December 2017	—	463,104	427,024	357,632
31 December 2018	—	—	423,431	423,431
31 December 2019	<u>—</u>	<u>—</u>	<u>—</u>	<u>209,827</u>
Total unused tax losses not recognised as deferred tax assets	<u>234,211</u>	<u>697,315</u>	<u>1,034,621</u>	<u>1,175,056</u>

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and jurisdiction of the foreign investors. The Target 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 2011, 2012 and 2013 and 30 June 2014, deferred tax liabilities on undistributed profits of the PRC subsidiaries have not been recognised because the Target 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.

35. COMBINED CAPITAL

For the purpose of the presentation of the combined statements of financial position, the combined capital as at 31 December 2011, 2012 and 2013 and 30 June 2014 represents the combined issued and fully paid share capital of Fortune Set, Kersen Properties and Mega Health in aggregate of US\$3 (approximately RMB18.5).

36. RESERVES

The reconciliation between the opening and closing balances of each component of the Target Group's total equity is set out in the combined statements of changes in equity.

37. CONTINGENT LIABILITIES**Non-compliances**

During the Relevant Period, the Target 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. Based on the reasons and circumstances of these non-compliances and the PRC legal advice, of which details of the non-compliances are set out in the section "Regulatory Compliance" of "Business of the Target Group" in the Circular, the management of the Target Group considers that the risk of the Target Group will be subject to any fine, penalty or demolition or confiscation order is not probable, and accordingly, no provision has been made in the Financial Information. In addition, COFCO Corporation has undertaken to the Company to indemnify the Company against all penalties, losses and expenses that have been or will be suffered or incurred by the Target Group arising from, or in connection with the above non-compliances.

The Target Group may be subject to a fine of up to 10% of the construction cost, demolition of the relevant property and confiscation of any illegal revenue.

The construction cost of Chaoyang Joy City amounted to RMB3,149 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 revenue of the shopping mall of Chaoyang Joy City during the Relevant Period amounted to RMB1,329 million.

The construction cost of Shenyang Joy City amounted to RMB1,949 million, including an estimated cost for the excess area of RMB84 million. Shenyang Joy City generated revenue since the year 2009. The revenue of Shenyang Joy City during the Relevant Period amounted to RMB984 million.

38. OPERATING LEASE ARRANGEMENTS**The Target Group as lessor**

Property rental income earned during the years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014 was RMB858,752,000, RMB1,116,902,000, RMB1,304,792,000 and RMB757,826,000, respectively. All of the Target Group's investment properties are held for rental purpose. At the end of the reporting period, the Target Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of retail shops and office premises which fall due as follows:

	At 31 December			At 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	959,053	1,021,204	1,113,333	1,108,786
In the second to fifth year inclusive	2,672,640	2,515,035	2,663,674	2,195,329
After five years	<u>770,264</u>	<u>544,824</u>	<u>425,078</u>	<u>417,238</u>
	<u>4,401,957</u>	<u>4,081,063</u>	<u>4,202,085</u>	<u>3,721,353</u>

Leases are negotiated for an average term of 1 to 15 years in which majority are fixed rentals. Certain lease arrangements contain rental escalation clauses which increase the monthly rental on a yearly basis.

The Target Group as lessee

The Target Group leases various office premises under non-cancellable operating lease agreements. The lease terms are between 1 and 4 years. The minimum lease payments paid under operating leases for office premises during the years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014 was RMB3,238,000, RMB3,437,000, RMB3,708,000 and RMB1,650,000, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At 31 December			At 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	2,435	3,335	3,232	2,119
In the second to fifth year inclusive	<u>1,544</u>	<u>4,120</u>	<u>1,230</u>	<u>608</u>
	<u>3,979</u>	<u>7,455</u>	<u>4,462</u>	<u>2,727</u>

39. CAPITAL COMMITMENTS

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

	At 31 December			At 30 June
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital commitments in respect of constructing and developing investment properties:				
Contracted, but not provided for	<u>93,376</u>	<u>294,298</u>	<u>674,676</u>	<u>322,070</u>

40. PLEDGE OF ASSETS

The carrying amount of the non-current and current assets pledged to banks and to secure loan facilities granted to the Target Group is as follows:

	2011 RMB'000	At 31 December		At 30 June
		2012 RMB'000	2013 RMB'000	2014 RMB'000
Investment properties	18,997,217	21,518,499	22,610,200	26,322,100
Property, plant and equipment	454,030	441,352	428,674	422,335
Land use rights	191,559	185,444	179,330	176,273
Properties held for sale	—	653,794	488,897	290,432
Properties under development for sale	522,241	550,903	—	—
Pledged bank deposits	44,517	18,685	6,209	69,947
	<u>20,209,564</u>	<u>23,368,677</u>	<u>23,713,310</u>	<u>27,281,087</u>

41. RETIREMENT BENEFIT SCHEME

The employees of the Target Group in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The Target Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Target Group with respect to the retirement benefit plan is to make the specified contributions. The total expenses recognised in the combined statement of profit or loss and other comprehensive income amounted to approximately RMB11,781,000, RMB19,276,000, RMB24,520,000, RMB11,897,000 (unaudited) and RMB11,812,000 for the three years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2013 and 2014 respectively.

42. CATEGORIES OF FINANCIAL INSTRUMENTS

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

	2011 RMB'000	At 31 December		At 30 June
		2012 RMB'000	2013 RMB'000	2014 RMB'000
Financial assets				
Loans and receivables (including restricted bank deposits and cash and cash equivalents)	2,011,950	1,391,265	1,608,572	2,012,902
Available-for-sale investment	<u>53</u>	<u>53</u>	<u>53</u>	<u>53</u>
Financial liabilities				
Amortised cost	17,953,696	15,616,381	17,728,023	19,353,373
Rental deposits received	<u>261,294</u>	<u>340,963</u>	<u>388,026</u>	<u>414,980</u>

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's major financial instruments include available-for-sale investment, amounts due from/to fellow subsidiaries, an associate, the immediate holding company, the ultimate holding company and non-controlling interests, loans from/to an associate, fellow subsidiaries and the ultimate holding company, accounts and other receivables, accounts and other payables, bank borrowings, restricted bank deposits, and cash and cash equivalents. Details of these financial

instruments are disclosed in respective notes to the Financial Information. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Target Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Currency risk

The Target 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 Target Group has account balances denominated in foreign currencies, hence exposure to exchange rate fluctuations arises. The Target 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 2011, 2012 and 2013 and 30 June 2014, the group entities with RMB as functional currency have bank balances denominated in foreign currencies which mainly consist of HK\$ as set out in Note 30 and amounts due to fellow subsidiaries, the immediate holding company and non-controlling interests which mainly consist of HK\$ as set out in Note 22 which expose the Target Group to foreign currency risk.

Sensitivity analysis

The following table details the Target Group's sensitivity to a 5% increase and decrease in RMB against HK\$ while all other variables are held constant, which represents the assessment of management of the Target Group of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding HK\$ denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive number below indicates an increase in post-tax profit where RMB strengthens 5% against HK\$ and vice versa.

	Year ended 31 December			Six months ended
	2011	2012	2013	30 June
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Increase/(decrease) in post-tax profit for the year/period				
— if RMB weakens against HK\$	(29,376)	(33,143)	(29,400)	(29,651)
— if RMB strengthens against HK\$	<u>29,376</u>	<u>33,143</u>	<u>29,400</u>	<u>29,651</u>

Interest rate risk management

The Target Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and loans from fellow subsidiaries, the ultimate holding company and an associate (see Notes 33, 28 and 19 respectively for details of these borrowings).

The Target Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and deposits with a non-banking financial institution, and variable-rate bank borrowings.

The Target Group's exposure to the cash flow interest rate risk relates primarily to the variable-rate bank borrowings. The interest rates and terms of repayment of the interest-bearing bank borrowings of the Target Group are disclosed in Note 33. It is the Target Group's policy to negotiate the terms of the interest-bearing bank borrowings in order to balance the interest rate exposure.

The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. No sensitivity analysis has been presented for the exposure to interest rates for bank balances and deposits with a non-banking financial institution as the management of the Target Group considers that, taking into account that the fluctuation in interest rates on bank balances and deposits with a non-banking financial institution is minimal, the impact of profit or loss for the respective years/period is insignificant.

The Target Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Target 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 Target Group's RMB denominated bank borrowings.

The analysis is prepared assuming the variable-rate bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease during the Relevant Period is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower during the Relevant Period 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.

	Year ended 31 December			Six months ended
	2011	2012	2013	30 June
	RMB'000	RMB'000	RMB'000	2014 RMB'000
Increase/(decrease) in post-tax profit for the year/period				
— interest rates 50 basis points higher	(16,591)	(18,006)	(9,341)	(4,164)
— interest rates 50 basis points lower	<u>16,591</u>	<u>18,006</u>	<u>9,341</u>	<u>4,164</u>

Credit risk management

The Target Group's maximum exposure to credit risk which will cause a financial loss to the Target 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 combined statements of financial positions.

The Target Group's credit risk is primarily attributable to its amounts due from the ultimate holding company, fellow subsidiaries, an associate and non-controlling interests, loans to fellow subsidiaries, accounts and other receivables, restricted bank deposits and cash equivalents. In order to minimise the credit risk of accounts receivable, management of the Target Group reviews the recoverability of each debt at the end of each reporting period and has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Target Group consider that the Target Group's credit risk is significantly reduced. For the amounts due from fellow subsidiaries, the ultimate holding company, an associate and non-controlling interests and loans to fellow subsidiaries, the management of the Target Group is in the opinion that the failure of these entities to make required payments is unlikely after considering their past settlement records.

Except for the loans to fellow subsidiaries, the Target Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. In order to minimise the concentration of credit risk for the loans to fellow subsidiaries, the management of the Target Group continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or even to recover the overdue debts.

The credit risks of the Target Group on liquid funds are limited because the counterparties are banks with good reputation. The Target Group has no significant concentration of credit risk on liquid funds, with exposure spread over a number of banks.

Liquidity risk management

At 31 December 2011, 2012 and 2013 and 30 June 2014, the Target Group's net current liabilities amounted to RMB6,975,868,000, RMB3,173,209,000, RMB1,431,265,000 and RMB6,172,910,000, respectively.

The Target Group's net current liabilities position as at 30 June 2014 was mainly attributable to bank borrowings of RMB4,935,742,000, the loans from the ultimate holding company of RMB4,018,070,000, loans from fellow subsidiaries of RMB1,556,305,000 and amounts due to the ultimate holding company of RMB344,611,000. Included in the above bank borrowings were balances of approximately RMB1,888 million which are secured by assets of the Target Group. As disclosed in Note 28, subsequent to 30 June 2014, the Target Group, the ultimate holding company and a bank has entered into an entrustment loan agreement pursuant to which the ultimate holding company shall entrust the bank to lend approximately RMB3,768 million to the Target Group for the purpose of repaying part of the above loans from the ultimate holding company. Neither the ultimate holding company nor the bank would request for repayment of the principal and accrued interest save and except the Target Group elects to repay the principal and accrued interest at its sole discretion, or in the event of liquidation. The Perpetual Loan Agreement took effect on 20 October 2014 and the loan had been granted to the Target Group. Furthermore, as disclosed in Note 22, included in the amounts due to the immediate holding company were balances of approximately RMB790.5 million which pursuant to the Acquisition Agreement, the Company has conditionally agreed to acquire pursuant to the Acquisition.

As at 30 June 2014, the Target Group has an aggregate unutilised banking facilities of approximately RMB3,960 million.

After considering the above factors and the available unutilised banking facilities, the management of the Target Group considers that the Target Group has sufficient financial resources to meet its financial obligations and finance its operations in the foreseeable future.

The following tables detail the contractual maturity of the Target Group's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest rate tables

	Weighted average effective interest rate %	On demand or within 1 year RMB'000	1-2 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 2011							
Accounts payable	—	1,674,137	—	—	—	1,674,137	1,674,137
Other payables	—	1,247,475	—	—	—	1,247,475	1,247,475
Bank borrowings							
— fixed-rate	5.94% to 7.22%	153,090	89,736	269,209	1,891,401	2,403,436	1,434,899
Bank borrowings							
— floating-rate	4.86% to 6.98%	550,689	2,349,572	2,155,681	1,508,472	6,564,414	5,325,500
Amounts due to fellow subsidiaries	—	785,085	—	—	—	785,085	785,085
Loans from fellow subsidiaries	4.78% to 6.65%	744,023	12,221	241,627	—	997,871	934,498
Loans from the ultimate holding company	—	6,442,102	—	—	—	6,442,102	6,442,102
Loan from an associate	6.56%	115,753	—	—	—	115,753	110,000
		<u>11,712,354</u>	<u>2,451,529</u>	<u>2,666,517</u>	<u>3,399,873</u>	<u>20,230,273</u>	<u>17,953,696</u>
Rental deposits received	—	<u>70,146</u>	<u>86,492</u>	<u>69,233</u>	<u>35,423</u>	<u>261,294</u>	<u>261,294</u>
At 31 December 2012							
Accounts payable	—	1,223,733	—	—	—	1,223,733	1,223,733
Other payables	—	1,545,163	—	—	—	1,545,163	1,545,163
Bank borrowings							
— fixed-rate	6.15% to 8.46%	188,194	972,570	311,308	1,995,317	3,467,389	2,388,796
Bank borrowings							
— floating-rate	4.86% to 6.98%	2,376,992	538,934	2,415,189	1,354,931	6,686,046	5,763,372
Amounts due to immediate holding company	—	882,399	—	—	—	882,399	882,399
Amounts due to fellow subsidiaries	—	6,847	—	—	—	6,847	6,847
Amount due to an associate	—	30,000	—	—	—	30,000	30,000
Loans from fellow subsidiaries	4.78% to 6.65%	468,764	27,833	485,446	—	982,043	899,075
Loans from the ultimate holding company	—	2,876,996	—	—	—	2,876,996	2,876,996
		<u>9,599,088</u>	<u>1,539,337</u>	<u>3,211,943</u>	<u>3,350,248</u>	<u>17,700,616</u>	<u>15,616,381</u>
Rental deposits received	—	<u>119,269</u>	<u>73,694</u>	<u>98,259</u>	<u>49,741</u>	<u>340,963</u>	<u>340,963</u>

APPENDIX II
ACCOUNTANTS' REPORT OF THE TARGET GROUP

	Weighted average effective interest rate %	On demand or within 1 year RMB'000	1-2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2013							
Accounts payable	—	1,156,474	—	—	—	1,156,474	1,156,474
Other payables	—	1,066,597	—	—	—	1,066,597	1,066,597
Bank borrowings							
— fixed-rate	6.15% to 7.86%	1,301,316	2,375,706	759,379	4,683,760	9,120,161	6,367,149
Bank borrowings							
— floating-rate	4.86% to 6.90%	253,728	1,928,821	1,090,909	324,214	3,597,672	3,080,503
Amounts due to the ultimate holding company	—	228,851	—	—	—	228,851	228,851
Amounts due to the immediate holding company	—	857,771	—	—	—	857,771	857,771
Amounts due to fellow subsidiaries	—	2,705	—	—	—	2,705	2,705
Amounts due to non- controlling interests	—	2,156	—	—	—	2,156	2,156
Loans from fellow subsidiaries	5.36% to 6.65%	1,037,159	478,756	59,289	—	1,575,204	1,495,634
Loans from the ultimate holding company	6%	3,678,394	—	—	—	3,678,394	3,470,183
		<u>9,585,151</u>	<u>4,783,283</u>	<u>1,909,577</u>	<u>5,007,974</u>	<u>21,285,985</u>	<u>17,728,023</u>
Rental deposits received	—	<u>172,334</u>	<u>97,532</u>	<u>68,397</u>	<u>49,763</u>	<u>388,026</u>	<u>388,026</u>
At 30 June 2014							
Accounts payable	—	724,927	—	—	—	724,927	724,927
Other payables	—	1,756,461	—	—	—	1,756,461	1,756,461
Bank borrowings							
— fixed-rate	6.15% to 7.86%	3,501,075	244,918	1,357,985	4,470,505	9,574,483	6,861,329
Bank borrowings							
— floating-rate	5.76% to 6.90%	1,994,952	74,604	1,062,702	315,535	3,447,783	3,032,528
Amounts due to the ultimate holding company	—	344,611	—	—	—	344,611	344,611
Amounts due to the immediate holding company	—	865,981	—	—	—	865,981	865,981
Amounts due to fellow subsidiaries	—	2,984	—	—	—	2,984	2,984
Amounts due to non-controlling interests	—	2,177	—	—	—	2,177	2,177
Loans from fellow subsidiaries	5.36% to 6.65%	1,616,153	193,175	—	—	1,809,328	1,744,305
Loans from the ultimate holding company	6%	4,226,779	—	—	—	4,226,779	4,018,070
		<u>15,036,100</u>	<u>512,697</u>	<u>2,420,687</u>	<u>4,786,040</u>	<u>22,755,524</u>	<u>19,353,373</u>
Rental deposits received	—	<u>173,587</u>	<u>97,597</u>	<u>88,771</u>	<u>55,025</u>	<u>414,980</u>	<u>414,980</u>

Fair value

There is no financial instrument measured at fair value on a recurring basis. The fair values of financial assets and financial liabilities measured at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flows analysis.

The management of the Target Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the combined statements of financial position approximate their respective fair values at the end of each reporting period.

44. CAPITAL MANAGEMENT

COFCO Corporation manages the capital of the Target Group centrally to ensure that entities in the Target 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. The Target Group's overall strategy remains unchanged throughout the Relevant Period.

The capital structure of the Target Group consists of net debt (which includes bank borrowings, loans from/amounts due to the ultimate holding company, the immediate holding company, an associate, fellow subsidiaries and non-controlling interests) and equity attributable to COFCO Corporation (comprising combined capital, reserves and retained profits as disclosed in combined statements of changes in equity).

The management of the Target Group review the capital structure on a regular basis. As part of this review, the management of the Target Group considers the cost of capital and the risks associated with each class of capital, and takes appropriate actions to balance its overall capital structure. Neither Fortune Set, Kersen Properties nor Mega Health nor any of their subsidiaries is subject to externally imposed capital requirements.

45. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances detailed elsewhere in this Financial Information, the Target Group had the following material transactions with related parties during the Relevant Period.

Related party transactions

During the Relevant Period, the Target Group had the following material transactions with related parties.

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Transactions with fellow subsidiaries:					
Interest income	6,290	7,559	994	427	1,107
Interest expenses	32,430	45,487	71,294	31,790	46,528
Consultancy service income	2,350	—	4,600	4,600	250
Management fee expenses	—	750	2,511	—	—
Management fee income	—	—	—	—	1,060
Insurance expenses	—	—	—	—	461
Entrusted management fee expenses	—	500	500	250	250
Purchase of goods	—	—	1,731	—	—
Transactions with an associate					
Interest expenses	1,503	5,813	—	—	—
Transactions with the ultimate holding company:					
Rental expense	8,329	8,362	11,003	5,502	5,438
Interest expenses	—	—	228,851	107,379	113,258

Related party balances

Details of the Target Group's balances with related parties are disclosed in Notes 19, 22 and 28. Most of these balances are non-trade in nature.

In addition, certain deposits included in cash and cash equivalents are placed with COFCO Finance. COFCO Finance, a fellow subsidiary, is a non-banking financial institution regulated by the People's Bank of China (the "PBOC") and the China Banking Regulatory Commission. In the PRC, deposit rates are set by the PBOC which is applicable to all financial institutions. The interest rates offered by COFCO Finance are the same as the rates promulgated by the PBOC. The deposits placed with COFCO Finance by the Target Group at 31 December 2011, 2012 and 2013 and 30 June 2014 amounted to RMB390,125,000, RMB490,685,000, RMB44,667,000 and RMB178,959,000, respectively, and the loans from COFCO Finance to the Target Group at 31 December 2011, 2012 and 2013 and 30 June 2014 amounted to RMB738,000,000, RMB755,000,000, RMB826,500,000 and RMB821,000,000, respectively.

Compensation of key management personnel of the Target Group

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries, allowance and other benefits	8,214	10,396	12,967	6,020	5,862
Retirement benefit scheme contributions	<u>326</u>	<u>397</u>	<u>442</u>	<u>209</u>	<u>264</u>
	<u>8,540</u>	<u>10,793</u>	<u>13,409</u>	<u>6,229</u>	<u>6,126</u>

Further details of directors' emoluments are included in Note 14. The emoluments of directors and the key management of the Target Group are borne by the ultimate holding company or its subsidiaries.

Guarantee provided

Corporate guarantees are executed by the ultimate holding company and certain fellow subsidiaries in relation to certain loans from fellow subsidiaries and bank borrowings of the Target Group. Details of which are disclosed in Notes 28 and 33 above.

Subsequent to 30 June 2014, the Target Group, the ultimate holding company and a bank has entered into an entrustment loan agreement pursuant to which the ultimate holding company shall entrust the bank to lend approximately RMB3,768 million to the Target Group for the purpose of repaying part of the loans from the ultimate holding company. Details of which are disclosed in Note 28(c) above.

Other transactions with related parties

During the year ended 31 December 2012, the ultimate holding company injected RMB4,208,294,000 to the Target Group and is recorded in capital reserve.

Transactions with other government-related entities in the PRC

The Target Group itself is part of a larger group of companies under COFCO Corporation which is controlled by the PRC government. Thus, the management of the Target Group consider that the Target Group is ultimately controlled by the PRC government. In addition, the Target 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, fellow subsidiaries and an associate set out in "Related party transactions" and "Related party balances" above, the Target

Group also conducts businesses with other PRC government-related entities in the ordinary course of business. The Target 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 management of the Target Group are of the opinion that separate disclosures would not be meaningful. In addition, the Target Group entered into various transactions, including purchases of land use rights, construction of properties and other operating expenses with other PRC government-related entities in the ordinary course of business. The pricing and the selection of suppliers and service providers are not dependent on whether the counterparties are PRC government-related entities or not. In the opinion of the management of the Target Group, the above transactions are collectively significant transactions of the Target Group with PRC government-related entities.

46. COMPOSITION OF THE TARGET 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 Target Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ place of business	Proportion of ownership interests held by non-controlling interests	Profit/(loss) allocated to non-controlling interests RMB'000	Accumulated non-controlling interests* RMB'000
Year ended 31 December 2011				
Beijing Hongtaijiye	PRC	10%	<u>46,153</u>	<u>226,469</u>
Year ended 31 December 2012				
Beijing Hongtaijiye	PRC	10%	<u>24,509</u>	<u>243,870</u>
Year ended 31 December 2013				
Beijing Hongtaijiye	PRC	10%	25,059	268,930
Joy Sincere (HK)**	Hong Kong	48%	<u>(64,142)</u>	<u>411,663</u>
			<u>(39,083)</u>	<u>680,593</u>
Six months ended 30 June 2014				
Beijing Hongtaijiye	PRC	10%	13,814	282,744
Joy Sincere (HK)**	Hong Kong	48%	<u>72,317</u>	<u>483,980</u>
			<u>86,131</u>	<u>766,724</u>

* The amounts represent the combined amount of these non-wholly-owned subsidiaries and their respective subsidiaries, as applicable.

** Joy Sincere (HK) is 52% held by Mega Health and Joy Sincere (HK) holds 51% equity interest in Sino Melody. Sino Melody holds 66.67% in Yantai Joy City Co. The remaining 33.33% of Yantai Joy City Co is held by COFCO Investment, a wholly-owned subsidiary of the Target Group. The profit or loss allocated to non-controlling interests and the accumulated non-controlling interests of Joy Sincere (HK) and its subsidiaries was disclosed after consideration of the non-controlling interest in Joy Sincere (HK) and Sino Melody.

Summarised financial information in respect of each of the Target Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Beijing Hongtaijiye

	At 31 December			At 30 June	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000	2014 RMB'000
Current assets	<u>563,656</u>	<u>382,607</u>	<u>209,914</u>		<u>189,091</u>
Non-current assets	<u>4,548,080</u>	<u>4,964,555</u>	<u>5,315,312</u>		<u>5,443,900</u>
Current liabilities	<u>680,018</u>	<u>2,362,629</u>	<u>384,777</u>		<u>316,179</u>
Non-current liabilities	<u>2,238,102</u>	<u>545,828</u>	<u>2,451,151</u>		<u>2,489,371</u>
Total equity	<u>2,193,616</u>	<u>2,438,705</u>	<u>2,689,298</u>		<u>2,827,441</u>
	Year ended 31 December			Six months ended 30 June	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000	2014 RMB'000
				(unaudited)	
Revenue	1,247,695	605,872	427,633	213,453	240,956
Other income	6,362	3,105	2,199	598	984
Fair value gain on investment properties	507,000	373,007	351,927	149,595	121,000
Total expenses and other (losses)/gains	<u>(1,299,526)</u>	<u>(736,895)</u>	<u>(531,166)</u>	<u>(240,340)</u>	<u>(224,798)</u>
Profit and total comprehensive income for the year/period	<u>461,531</u>	<u>245,089</u>	<u>250,593</u>	<u>123,306</u>	<u>138,142</u>
Dividends declared to non-controlling interests	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net cash (outflow)/inflow from:					
Operating activities	(112,444)	52,667	17,667	(25,957)	56,607
Investing activities	(5,071)	(160,707)	62,993	57,269	8,694
Financing activities	<u>2,419</u>	<u>(7,584)</u>	<u>(115,815)</u>	<u>(55,750)</u>	<u>(75,604)</u>
Net cash outflow	<u>(115,096)</u>	<u>(115,624)</u>	<u>(35,155)</u>	<u>(24,438)</u>	<u>(10,303)</u>

Joy Sincere (HK) and its subsidiaries

	At 31 December			At 30 June	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000	2014 RMB'000
Current assets	—	—	51,739		178,916
Non-current assets	—	—	963,739		2,338,791
Current liabilities	—	—	121,013		868,175
Non-current liabilities	—	—	53,634		661,114
Total equity	—	—	840,831		988,418
	Year ended 31 December			Six months ended 30 June	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000	2014 RMB'000
				(unaudited)	
Revenue	—	—	—	—	1,535
Other income	—	—	156	71	115
Fair value (loss)/gain on investment properties	—	—	(115,248)	(114,232)	217,543
Total expenses and other (losses)/gains, net	—	—	(15,826)	8,917	(71,605)
(Loss)/profit and total comprehensive (expense)/income for the year/period	—	—	(130,918)	(105,244)	147,588
Dividends declared to non-controlling interests	—	—	—	—	—
Net cash (outflow)/inflow from:					
Operating activities	—	—	(66,831)	(55,298)	(104,468)
Investing activities	—	—	(316,438)	(44,968)	(319,740)
Financing activities	—	—	306,191	303,253	535,154
Net cash (outflow)/inflow	—	—	(77,078)	202,987	110,946

B. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the directors of the Target Companies by the Target Companies or any of its subsidiaries during the Relevant Period.

C. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2014, the Target Group, the ultimate holding company and a bank has entered into an entrustment loan agreement pursuant to which the ultimate holding company shall entrust the bank to lend approximately RMB3,768 million to the Target Group for the purpose of repaying part of loans from the ultimate holding company. The entrustment loan agreement took effect on 20 October 2014 and the related loan had been granted to the Target Group.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by any of the companies comprising the Target Group in respect of any period subsequent to 30 June 2014 up to the date of this report.

Yours faithfully

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP
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(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Basis of Preparation of the Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group

Pursuant to an acquisition agreement dated 12 September 2014 (the “Acquisition Agreement”) entered into, among others, COFCO Land Limited (“COFCO Land”) and Sheen Jade Limited (“Sheen Jade”) as the sellers and the Company as the purchaser, the Company has conditionally agreed to acquire certain subsidiaries of COFCO Land and Sheen Jade (collectively the “Target Group”) and the shareholders’ loans which were outstanding and owing by the relevant members of the Target Group to COFCO Land as of the date of the Acquisition Agreement (the “Acquisition”).

The financial year end period of both the Group and the Target Group is 31 December and the period prepared for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group follows the financial year end of the Group, i.e. year ended 31 December 2013. The combined statement of financial position of the Target Group set out in Appendix II is 30 June 2014 and the preparation of the unaudited pro forma consolidated statement of financial position of the Enlarged Group is 30 June 2014, which follows the latest interim period end of the Group.

As the Group and the Target Group were under common control of COFCO Corporation and COFCO Corporation will continue to control the Enlarged Group upon completion of the Acquisition, the Acquisition is considered as a combination of businesses under common control and accounted for under the principles of merger accounting.

The unaudited pro forma financial information is prepared to provide information of the Enlarged Group as a result of the completion of the Acquisition on the basis set out in the notes below for illustrating the effect of the Acquisition, as if the Acquisition had taken place on 30 June 2014 for the preparation of the unaudited pro forma consolidated statement of financial position. For the preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows, it is prepared as if the Acquisition had taken place on 1 January 2013. The directors of the Company consider that such basis is appropriate for reflecting the accounting treatment to be adopted upon completion of the Acquisition and providing the relevant information to the shareholders of the Company.

The information is prepared for illustrative purposes only and because of its hypothetical nature, it does not purport to represent what the results and cash flows, or financial position of the Enlarged Group would have been upon completion of the Acquisition, for any future periods or on any future dates.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP
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The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2014 are prepared based on the (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2014 as extracted from the condensed consolidated financial statements of the Group for the six months ended 30 June 2014 and (ii) the audited combined statement of financial position of the Target Group as at 30 June 2014 as extracted from the Accountants' Report on the Target Group set out in Appendix II to this Circular, after making pro forma adjustments that are directly attributable to the Acquisition and factually supportable, as if the Acquisition had taken place on 30 June 2014.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2013 are prepared based on (i) the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 December 2013 as extracted from the consolidated financial statements of the Group for the year ended 31 December 2013 and (ii) the audited combined statement of profit or loss and other comprehensive income and the audited combined statement of cash flows of the Target Group for the year ended 31 December 2013 as extracted from the Accountants' Report on the Target Group set out in Appendix II to this Circular, after making pro forma adjustments that are directly attributable to the Acquisition and factually supportable, as if the Acquisition had completed on 1 January 2013.

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP
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Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

			Pro forma adjustments			
The Group as at 30 June 2014 <i>RMB'000</i> (Unaudited) <i>(Note 1)</i>	The Target Group as at 30 June 2014 <i>RMB'000</i> (Audited) <i>(Note 3)</i>	Consolidation adjustments <i>RMB'000</i> <i>(Note 4)</i>	Consideration for the Acquisition <i>RMB'000</i> <i>(Note 5)</i>	Transaction costs related to the Acquisition <i>RMB'000</i> <i>(Note 6)</i>	Unaudited pro forma for the Enlarged Group as at 30 June 2014 <i>RMB'000</i>	
Non-current assets						
Investment properties	13,293,807	26,322,100	352,000		39,967,907	
Property, plant and equipment	4,332,141	486,307	1,807		4,820,255	
Leasehold land and land use rights	580,588	176,273			756,861	
Intangible assets	3,762	7,182			10,944	
Properties under development	691,807	—			691,807	
Interests in associates	218,976	1,592,807	(1,709,447)		102,336	
Interest in a joint venture	—	117,460	(117,460)		—	
Available-for-sale investments	1,510	53	(53)		1,510	
Deposits, prepayments and other receivables	—	41,879			41,879	
Goodwill	184,297	—			184,297	
Prepayments for construction/purchase of property, plant and equipment	91,801	—			91,801	
Deferred tax assets	94,015	—			94,015	
	<u>19,492,704</u>	<u>28,744,061</u>	<u>(1,473,153)</u>	<u>—</u>	<u>46,763,612</u>	
Current assets						
Inventories	16,742	14,526			31,268	
Properties held for sale	534,125	367,515			901,640	
Properties under development for sale	625,373	6,131,058			6,756,431	
Accounts receivable	46,694	109,033	382		156,109	
Deposits, prepayments and other receivables	461,342	235,552	125		697,019	
Amounts due from the ultimate holding company	—	20,025			20,025	
Amounts due from fellow subsidiaries	16,473	2,333	300		19,106	
Amount due from an associate	—	1,807	(1,807)		—	
Amounts due from non-controlling interests	—	39,861			39,861	
Loans to fellow subsidiaries	—	317,623			317,623	
Tax recoverable	87,901	7,284			95,185	
Restricted bank deposits	—	90,264			90,264	
Cash and cash equivalents	6,929,051	1,243,584	7,979	(9,890,578)	(24,000)	
	<u>8,717,701</u>	<u>8,580,465</u>	<u>6,979</u>	<u>(9,890,578)</u>	<u>(24,000)</u>	
					<u>7,390,567</u>	

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	Pro forma adjustments					Unaudited pro forma for the Enlarged Group as at 30 June 2014 RMB'000
	The Group as at 30 June 2014 RMB'000 (Unaudited) (Note 1)	The Target Group as at 30 June 2014 RMB'000 (Audited) (Note 3)	Consolidation adjustments RMB'000 (Note 4)	Consideration for the Acquisition RMB'000 (Note 5)	Transaction costs related to the Acquisition RMB'000 (Note 6)	
Current liabilities						
Accounts payable	483,398	724,927	2,076			1,210,401
Other payables and accruals	1,146,503	2,087,775	3,881			3,238,159
Deposits received in respect of pre-sale of properties	349,478	121,812				471,290
Amounts due to the ultimate holding company	—	344,611				344,611
Amounts due to the immediate holding company	—	865,981		(790,578)		75,403
Amounts due to fellow subsidiaries	11,722	2,984	(1,423)			13,283
Amounts due to non-controlling interests	413,938	2,177				416,115
Loans from fellow subsidiaries	—	1,556,305				1,556,305
Loans from the ultimate holding company	—	4,018,070	54,133			4,072,203
Bank and other borrowings	2,191,244	4,935,742				7,126,986
Income tax and land appreciation tax payable	717,430	92,991	260			810,681
	<u>5,313,713</u>	<u>14,753,375</u>	58,927	(790,578)	—	<u>19,335,437</u>
Net current assets/(liabilities)	<u>3,403,988</u>	<u>(6,172,910)</u>	(51,948)	(9,100,000)	(24,000)	<u>(11,944,870)</u>
Total assets less current liabilities	<u>22,896,692</u>	<u>22,571,151</u>	(1,525,101)	(9,100,000)	(24,000)	<u>34,818,742</u>
Non-current liabilities						
Bank and other borrowings	2,151,092	4,958,115				7,109,207
Loans from a fellow subsidiary	—	188,000				188,000
Rental deposits received	—	241,393				241,393
Deferred tax liabilities	2,384,011	2,933,557	66,940			5,384,508
Deferred income	784	—				784
	<u>4,535,887</u>	<u>8,321,065</u>	66,940	—	—	<u>12,923,892</u>
Net assets	<u>18,360,805</u>	<u>14,250,086</u>	(1,592,041)	(9,100,000)	(24,000)	<u>21,894,850</u>
Equity						
Share capital/Combined capital	667,941	—				667,941
Reserves	<u>12,767,590</u>	<u>13,483,362</u>	819	(9,100,000)	(24,000)	<u>17,127,771</u>
Equity attributable to owners of the Company	13,435,531	13,483,362	819	(9,100,000)	(24,000)	17,795,712
Non-controlling interests	<u>4,925,274</u>	<u>766,724</u>	(1,592,860)			<u>4,099,138</u>
Total equity	<u>18,360,805</u>	<u>14,250,086</u>	(1,592,041)	(9,100,000)	(24,000)	<u>21,894,850</u>

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP
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**Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other
Comprehensive Income of The Enlarged Group**

	Pro forma adjustments				Unaudited pro forma for the Enlarged Group for the year ended 31 December 2013 <i>RMB'000</i>
	The Group for the year ended 31 December 2013 <i>RMB'000</i> (Audited) <i>(Note 2)</i>	The Target Group for the year ended 31 December 2013 <i>RMB'000</i> (Audited) <i>(Note 3)</i>	Consolidation adjustments <i>RMB'000</i> <i>(Note 4)</i>	Transaction costs related to the Acquisition <i>RMB'000</i> <i>(Note 6)</i>	
Revenue	3,922,552	2,870,561	15,988		6,809,101
Cost of sales and services	(1,584,452)	(1,551,022)	(2,917)		(3,138,391)
Gross profit	2,338,100	1,319,539	13,071	—	3,670,710
Other income	281,806	26,218	233		308,257
Other gains and losses, net	238,448	(20,605)			217,843
Distribution and selling costs	(231,973)	(248,467)	(6)		(480,446)
Administrative expenses	(566,161)	(359,514)	(3,003)	(24,000)	(952,678)
Fair value gain of investment properties	3,076,090	647,499	(42,000)		3,681,589
Finance costs	(169,092)	(705,157)			(874,249)
Share of (loss)/profit of associates	(8,297)	791,530	(779,637)		3,596
Share of loss of a joint venture	—	(11,893)	11,893		—
Profit before tax	4,958,921	1,439,150	(799,449)	(24,000)	5,574,622
Income tax expense	(1,694,830)	(368,536)	7,919		(2,055,447)
Profit for the year	3,264,091	1,070,614	(791,530)	(24,000)	3,519,175

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP
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	Pro forma adjustments			Unaudited pro forma for the Enlarged Group for the year ended
The Group for the year ended 31 December 2013	The Target Group for the year ended 31 December 2013	Consolidation adjustments	Transaction costs related to the Acquisition	31 December 2013
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Audited)	(Audited)	(Note 4)	(Note 6)	
(Note 2)	(Note 3)			
Other comprehensive expense:				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Hedging instrument in cash flow hedge:				
Fair value loss during the year	(169)	—		(169)
Reclassification adjustment for loss included in profit or loss	638	—		638
Exchange differences on translating foreign operations	(50,100)	—		(50,100)
	(49,631)	—	—	(49,631)
Other comprehensive expense for the year	(49,631)	—	—	(49,631)
Total comprehensive income for the year	3,214,460	1,070,614	(791,530)	3,469,544
Profit/(loss) for the year attributable to:				
Owners of the Company	2,007,981	1,109,697		3,093,678
Non-controlling interests	1,256,110	(39,083)	(791,530)	425,497
	3,264,091	1,070,614	(791,530)	3,519,175
Total comprehensive income/ (expenses) for the year attributable to:				
Owners of the Company	1,958,350	1,109,697		3,044,047
Non-controlling interests	1,256,110	(39,083)	(791,530)	425,497
	3,214,460	1,070,614	(791,530)	3,469,544

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP
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Unaudited Pro Forma Consolidated Statement of Cash Flows of The Enlarged Group

			Pro forma adjustments			
The Group for the year ended 31 December 2013 <i>RMB'000</i> (Audited) <i>(Note 2)</i>	The Target Group for the year ended 31 December 2013 <i>RMB'000</i> (Audited) <i>(Note 3)</i>	Consolidation adjustments <i>RMB'000</i> <i>(Note 4)</i>	Consideration for the Acquisition <i>RMB'000</i> <i>(Note 5)</i>	Transaction costs related to the Acquisition <i>RMB'000</i> <i>(Note 6)</i>	Unaudited pro forma for the Enlarged Group for the year ended 31 December 2013 <i>RMB'000</i>	
Cash flows from operating activities						
Profit before tax	4,958,921	1,439,150	(799,449)	(24,000)	5,574,622	
<i>Adjustments for:</i>						
Finance costs	169,092	705,157			874,249	
Interest income	(238,012)	(10,018)	(233)		(248,263)	
Share of loss/(profit) of associates	8,297	(791,530)	779,637		(3,596)	
Share of loss of a joint venture	—	11,893	(11,893)		—	
Gain on disposal of an associate	(231,988)	—			(231,988)	
Amortisation of intangible assets	1,141	2,328			3,469	
Amortisation of leasehold land and land use rights	18,897	6,114			25,011	
Depreciation of property, plant and equipment	223,639	31,807	271		255,717	
Fair value gain of investment properties	(3,076,090)	(647,499)	42,000		(3,681,589)	
Impairment loss on property, plant and equipment	85,374	—			85,374	
Reversal of impairment loss on accounts receivable	(329)	(10,008)			(10,337)	
Impairment loss on other receivables	10,439	16,587			27,026	
Reversal of impairment on inventories	(32)	—			(32)	
Loss/(gain) on disposal of property, plant and equipment	409	(7)			402	
Operating cash flows before movements in working capital	1,929,758	753,974	10,333	—	(24,000)	2,670,065

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP
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	Pro forma adjustments					Unaudited pro forma for the Enlarged Group for the year ended 31 December 2013 <i>RMB'000</i> (Audited) (Note 2)
	The Group for the year ended 31 December 2013 <i>RMB'000</i> (Audited) (Note 2)	The Target Group for the year ended 31 December 2013 <i>RMB'000</i> (Audited) (Note 3)	Consolidation adjustments <i>RMB'000</i> (Note 4)	Consideration for the Acquisition <i>RMB'000</i> (Note 5)	Transaction costs related to the Acquisition <i>RMB'000</i> (Note 6)	
Operating cash flows before movements in working capital	1,929,758	753,974	10,333	—	(24,000)	2,670,065
Decrease in inventories	1,557	626				2,183
Decrease in properties held for sale	815,879	217,754				1,033,633
Increase in properties under development for sale	(163,483)	(1,441,537)				(1,605,020)
Decrease in accounts receivable	46,675	33,283	(91)			79,867
Decrease/(increase) in prepayments, deposits and other receivables	199,677	(47,949)	(5)			151,723
Decrease in accounts payable	(208,507)	(67,259)	60			(275,706)
Increase in other payables and accruals	188,884	183,118	(58)			371,944
Decrease in deposits received in respect of pre-sale of properties	(262,486)	(373,753)				(636,239)
Decrease in rental deposits	(69)	—				(69)
Increase in deferred income	896	—				896
Decrease in pledged deposits	6,595	—				6,595
Increase in other financial liabilities	469	—				469
Increase in amounts due from the ultimate holding company	(727)	—				(727)
Increase in amounts due from fellow subsidiaries	(8,750)	—				(8,750)
Increase in amounts due to the ultimate holding company	5,455	—				5,455
Increase in amounts due to fellow subsidiaries	<u>13,093</u>	<u>—</u>				<u>13,093</u>
Cash generated from/(used in) operations	2,564,916	(741,743)	10,239	—	(24,000)	1,809,412
PRC Enterprise Income Tax and Hong Kong profits tax paid	(331,310)	(53,329)	(1,525)			(386,164)
Land Appreciation Tax paid	<u>(257,778)</u>	<u>(41,560)</u>				<u>(299,338)</u>
Net cash generated from/(used in) operating activities	<u>1,975,828</u>	<u>(836,632)</u>	8,714	—	(24,000)	<u>1,123,910</u>

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP
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	The Group for the year ended 31 December 2013 <i>RMB'000</i> (Audited) <i>(Note 2)</i>	The Target Group for the year ended 31 December 2013 <i>RMB'000</i> (Audited) <i>(Note 3)</i>	Pro forma adjustments			Unaudited pro forma for the Enlarged Group for the year ended 31 December 2013 <i>RMB'000</i>
			Consolidation adjustments <i>RMB'000</i> <i>(Note 4)</i>	Consideration for the Acquisition <i>RMB'000</i> <i>(Note 5)</i>	Transaction costs related to the Acquisition <i>RMB'000</i> <i>(Note 6)</i>	
Cash flows from investing activities						
Interest received	238,012	10,018	233		248,263	
Payments for investment properties	(43,390)	(1,275,669)			(1,319,059)	
Payments for property, plant and equipment	(53,582)	(9,948)	(6)		(63,536)	
Payments for intangible assets	(832)	(2,466)			(3,298)	
Payments for leasehold land and land use rights	(3,778)	—			(3,778)	
Payments for properties under development	(805,789)	—			(805,789)	
Payments for acquisition of subsidiaries	—	(6,800)			(6,800)	
Proceeds from disposal of property, plant and equipment	4,483	1,164			5,647	
Proceeds from disposal of an associate	232,754	—			232,754	
Advance to fellow subsidiaries	—	(138,800)			(138,800)	
Repayment from fellow subsidiaries	161,435	140,015			301,450	
Loans to fellow subsidiaries	(200,000)	(230,792)			(430,792)	
Repayment of loans to fellow subsidiaries	2,000,000	—			2,000,000	
Advance to an associate	—	(1,866)			(1,866)	
Repayment from associates	320,041	3,787			323,828	
Repayment of loan to an associate	600,000	—			600,000	
Repayment from the ultimate holding company	170,545	—			170,545	
Repayment from the immediate holding company	45,657	—			45,657	
Repayment from an intermediate holding company	29	—			29	
Advance to non-controlling interests	(35)	—			(35)	
Decrease in restricted bank deposits	—	228,493			228,493	
	2,665,550	(1,282,864)	227	—	1,382,913	
Net cash generated from/(used in) investing activities	2,665,550	(1,282,864)	227	—	1,382,913	

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP
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	Pro forma adjustments					Unaudited pro forma for the Enlarged Group for the year ended 31 December 2013 <i>RMB'000</i> (Audited) <i>(Note 2)</i>
	The Group for the year ended 31 December 2013 <i>RMB'000</i> (Audited) <i>(Note 2)</i>	The Target Group for the year ended 31 December 2013 <i>RMB'000</i> (Audited) <i>(Note 3)</i>	Consolidation adjustments <i>RMB'000</i> <i>(Note 4)</i>	Consideration for the Acquisition <i>RMB'000</i> <i>(Note 5)</i>	Transaction costs related to the Acquisition <i>RMB'000</i> <i>(Note 6)</i>	
Cash flows from financing activities						
Interest paid	(169,092)	(702,786)				(871,878)
Proceeds from placing of new shares	3,074,432	—				3,074,432
Share issue expenses	(58,078)	—				(58,078)
Proceeds from bank and other borrowings	1,570,110	4,264,714				5,834,824
Repayment of bank and other borrowings	(887,038)	(2,969,230)				(3,856,268)
Loans from fellow subsidiaries	319,000	1,020,634				1,339,634
Repayments of loans from fellow subsidiaries	(385,000)	(424,075)				(809,075)
Loans from the ultimate holding company	—	893,187				893,187
Repayment of loans from the ultimate holding company	(120,000)	(300,000)	(12,000)			(432,000)
Net payment on interest rate swap	(490)	—				(490)
Advance from the ultimate holding company	—	228,851				228,851
Repayment to the ultimate holding company	(1,219,069)	—				(1,219,069)
Repayment to an intermediate holding company	(90)	—				(90)
Repayment to the immediate holding company	(838,095)	(24,628)				(862,723)
Advance from fellow subsidiaries	—	4,090	3			4,093
Repayment to fellow subsidiaries	(688,173)	(8,232)				(696,405)
Advance from non-controlling interests	22,837	2,156				24,993
Repayment to non-controlling interests	—	—	(18)			(18)
Repayment to associates	(122)	(30,000)				(30,122)
Dividend paid to non-controlling interests	(206,000)	—				(206,000)
Disposal of partial interest in a subsidiary	—	386,600				386,600
Acquisition of subsidiaries accounted for under merger accounting	—	—	—	(9,890,578)	—	(9,890,578)
Net cash generated from/(used in) financing activities	415,132	2,341,281	(12,015)	(9,890,578)	—	(7,146,180)

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	Pro forma adjustments					Unaudited pro forma for the Enlarged Group for the year ended 31 December 2013 RMB'000
	The Group for the year ended 31 December 2013 RMB'000 (Audited) (Note 2)	The Target Group for the year ended 31 December 2013 RMB'000 (Audited) (Note 3)	Consolidation adjustments RMB'000 (Note 4)	Consideration for the Acquisition RMB'000 (Note 5)	Transaction costs related to the Acquisition RMB'000 (Note 6)	
Net increase/(decrease) in cash and cash equivalents	5,056,510	221,785	(3,074)	(9,890,578)	(24,000)	(4,639,357)
Cash and cash equivalents at the beginning of year	2,891,403	845,033	7,015			3,743,451
Effects of exchange rate changes on the balance of cash held in foreign currencies	(6,791)	—				(6,791)
Cash and cash equivalents at the end of year, represented by bank balances and cash, and deposits with a non-banking financial institution	<u>7,941,122</u>	<u>1,066,818</u>	3,941	(9,890,578)	(24,000)	<u>(902,697)</u>

Notes:

- The amounts are extracted from the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2014.
- The amounts are extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2013.
- The amounts are extracted from the Accountants' Report on the Target Group set out in Appendix II to this Circular.
- The adjustments represent the consolidation adjustments using the principles of merger accounting for certain entities held by both the Group and the Target Group. These entities include 上海中糧置業發展有限公司 ("Shanghai COFCO Property Development Co., Ltd."), which is owned as to 50% by the Group (accounted for as an associate) and 50% by the Target Group (accounted for as a joint venture), 北京中糧廣場發展有限公司 ("COFCO Plaza Development Co Ltd"), which is owned as to 60% by the Group (accounted for as a subsidiary) and 40% by the Target Group (accounted for as an associate), and 瀋陽凱萊物業管理有限公司 ("Shenyang Gloria Properties Management Co., Ltd."), which is owned as to 90.91% by the Group (accounted for as a subsidiary) and 9.01% by the Target Group (accounted for as an available-for-sale investment).
- Pursuant to the Acquisition Agreement entered into, among others, COFCO Land and Sheen Jade as the sellers and the Company as the purchaser, the Company has conditionally agreed to acquire the Target Group and the shareholders' loans of approximately HK\$995.9 million (approximately RMB790.5 million) which were outstanding and owing by the relevant members of the Target Group to COFCO Land as of the date of the Acquisition Agreement. The aggregate consideration for the Acquisition shall be HK\$12,459,785,372 (approximately RMB9,890.6 million) (the "Consideration"), which shall be satisfied by cash.

As described more fully in the section headed "Letter from the Board" included in the Circular, the Company plans to conduct external fund raising and financing arrangements, including the debt financings, equity financings and/or other financings, for the settlement of the Consideration. Subject to market conditions, the Company currently plans to raise not less than 50% of the amount of the Consideration from debt financings,

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP
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including but not limited to, issuance of bonds or notes by the Company or a subsidiary of the Company to institutional and professional investors and/or obtain bank financings prior to the completion of the Acquisition.

If the Company proceeds to raise funding for the Consideration by way of issuance and placing of new ordinary shares of HK\$0.10 each in the share capital of the Company (the “Shares”) (including placing of Shares to institutional and/or professional investors and the potential allotment and issue of new Shares to be allotted and issued by the Company to Achieve Bloom Limited, the controlling shareholder of the Company and a wholly-owned subsidiary of COFCO Corporation), it is intended that the Company will issue not more than an aggregate of 6,229,892,686 new Shares.

Pursuant to and subject to the terms of the supplemental agreement to the Acquisition Agreement, the Company shall, at its discretion, has a right to elect a defer payment of not more than 50% of the Consideration.

The adjustments represent the payment of cash consideration and elimination of the Shareholders’ Loans, which were eliminated against other reserve as the Acquisition were to be accounted for under the principles of merger accounting.

6. The adjustment represents expenditures incurred directly to the Acquisition including financial advisor fees, legal fees, printing costs, accountants fees, and other related expenses of approximately RMB24 million. The adjustment has no continuing effect to the Enlarged Group but will be reflected in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group in the year these expenses actually incurred.
7. Apart from the above, no adjustments have been made to the unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2014 or 31 December 2013 where applicable, including (i) an entrustment loan of approximately RMB3,768 million granted by COFCO Corporation to the Target Group which took effect on 20 October 2014 and described more fully in the section headed “Continuing Connected Transactions” included in the Circular; and (ii) the completion of the acquisition of non-controlling interests in certain subsidiaries of the Group together with shareholders’ loans from non-controlling shareholders on 19 August 2014. The aggregate consideration of the acquisitions was HK\$2,017,368,000 (approximately RMB1,601,286,000), which was satisfied by the issue and allotment of 1,008,684,000 ordinary shares of the Company of HK\$2 each to the non-controlling shareholders. Further details of the above acquisitions are described in the section headed “Material Acquisitions after the Latest Financial Statements” under Appendix I to this Circular.
8. The translation between HK\$ and RMB had been made at the rate of HK\$1 to RMB0.7938 disclosed in the section headed “Definitions” included in the Circular. No representation is made that HK\$ have been, could have been or could be converted to RMB, or vice versa, at that rate or at any other rates at all.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP
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**(B) REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

The following is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this Circular.

Deloitte.
德勤

德勤·關黃陳方會計師行
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太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

TO THE DIRECTORS OF COFCO LAND HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of COFCO Land Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2014, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2013 and related notes as set out on pages III-3 to III-12 of the circular issued by the Company dated 5 November 2014 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-12 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition from COFCO Land Limited and Sheen Jade Limited the entire issued share capital of each of the Target Companies (as defined in the Circular) and the Shareholders Loans (as defined in the Circular) on the Group's financial position as at 30 June 2014 and its financial performance and cash flows for the year ended 31 December 2013 as if the acquisition had taken place at 30 June 2014 and 1 January 2013 respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months period ended 30 June 2014, on which a review report has been published, and information about the Group's financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2013, on which an audit report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2014 or 1 January 2013 would have been as presented.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP
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A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
5 November 2014

The following is the text of a letter, summary of values and valuation certificate prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent valuer, in connection with their opinion of values of the properties held by the Target Group and to be acquired by the Company as at 31 August 2014.



Savills Valuation and
Professional Services Limited
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The Directors
COFCO Land Holdings Limited
33rd Floor
Top Glory Tower
262 Gloucester Road
Causeway Bay
Hong Kong

5 November 2014

Dear Sirs,

In accordance with your instruction for us to value the properties situated in the People's Republic of China (the "PRC") which are held by Fortune Set Limited ("Fortune Set"), Kersen Properties Limited ("Kersen Properties"), Mega Health Limited ("Mega Health") and their subsidiaries, associates and/or joint venture (hereinafter together referred to as the "Target Group") and are to be acquired by COFCO Land Holdings Limited (the "Company"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 August 2014 (the "valuation date") for circular purpose.

BASIS OF VALUATION

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Our valuation is prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

PROPERTY CATEGORIZATION AND VALUATION METHODOLOGY

In valuing the properties in Groups I and II, which are held by the Target Group for sale or owner occupation in the PRC, we have valued such properties by the direct comparison approach assuming sale with the benefit of vacant possession in their existing states by making reference to comparable sales transactions as available in the relevant markets.

In valuing the properties in Group III, which are held by the Target Group for investment in the PRC, we have made reference to the comparable market transactions as available in the market and where appropriate, valued the properties on the basis of capitalisation of incomes as shown on the schedules handed to us with due allowance for reversionary income potential of the properties.

In valuing the property in Group IV, which is held by the Target Group for operation in the PRC, we have valued such property as on-going hotel operation in its existing state. We have adopted discounted cash flow (“DCF”) approach to value the property. We have valued it assuming all relevant statutory and/or mandatory permissions, permits, approvals and licenses which are necessary for hotel operation in the PRC are properly in place. In the DCF, we have undertaken a discounted cash flow on yearly basis over a 5-year investment horizon and the details of our key assumptions are shown in the valuation certificate.

In valuing the properties in Group V, which are held by the Target Group under development in the PRC, we have valued such properties on the basis that they will be developed and completed in accordance with the latest development proposals provided to us. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. In arriving at our opinion of values, we have adopted the direct comparison approach by making reference to comparable sales transactions as available in the relevant markets and have also taken into account the costs that will be expended to complete the developments to reflect the quality of the completed development.

In valuing Property No. 21 in Group VI, which is held by the Target Group for future development in the PRC, we have valued such property by making reference to comparable market transactions as available in the relevant markets assuming sale with the benefit of vacant possession.

In valuing Property No. 22 in Group VI, which is held by the Target Group for future development in the PRC, we have assigned no commercial value to such property as the property is not freely transferrable in the market.

In valuing the properties in Group VII, which are leased by the Target Group in the PRC, we have assigned no commercial value to such properties due to either the prohibition against assignment and sub-letting or otherwise the lack of substantial profit rents.

TITLE INVESTIGATIONS

We have been provided with copies of title documents relating to the properties. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Company and the legal opinion issued by the Company's legal adviser, Haiwen & Partners, regarding the titles to the properties in the PRC.

VALUATION CONSIDERATION AND ASSUMPTIONS

In valuing the properties in the PRC, unless otherwise stated, we have assumed that transferable land use rights of the properties for respective specific terms at nominal annual land use fees have been granted and that any land grant premium payables have already been fully paid. Unless otherwise stated, we have also assumed that the Target Group has enforceable titles to the properties and has free and uninterrupted rights to occupy, use, transfer, lease or assign the properties for the whole of the respective unexpired terms as granted.

In the course of our valuation, we have relied to a considerable extent on information and advice from the Company on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, development proposals, total and outstanding construction costs, site and floor areas, transaction records, sale prices, sales and purchases agreements and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on the information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to our valuation. We are also advised by the Company that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

SITE INSPECTIONS

We have inspected the exterior and, where possible, the interior of the properties. Site inspections of the properties were carried out in July 2014 by our Mr. James Woo (Director), Mr. Nick Cheung (Senior Manager) and various valuation assistants. Mr. James Woo and Mr. Nick Cheung are both professional members of The Royal Institution of Chartered Surveyors. Mr. Nick Cheung is also a corporate member of The Hong Kong Institute of Surveyors. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report that the properties are free from rot, infestation and any other defects. No tests were carried out on any of the services. We have also not carried out investigations on site to determine the suitability of the ground conditions and the services for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

REMARKS

Unless otherwise stated, all money amounts stated are in Renminbi (“RMB”).

We enclose herewith our summary of values and valuation certificate.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited
Anthony C K Lau
MRICS MHKIS RPG(GP)
Director

Note: Mr. Anthony C K Lau is a qualified valuer and has over 21 years’ post-qualification experience in the valuation of properties in the PRC and Hong Kong.

SUMMARY OF VALUES

No. Property	Market value in existing state as at 31 August 2014 (RMB)	Interests attributable to the Target Group	Market value attributable to the Target Group as at 31 August 2014 (RMB)
Group I — Properties held by the Target Group for sale in the PRC			
1. The unsold portion of Yuefu Jiayuan, Erma Road, Nankai District, Tianjin, PRC	86,200,000	100%	86,200,000
2. The unsold portion of Yuefu Plaza, 2-6 Nanmen Wai Dajie, Nankai District, Tianjin, PRC	351,800,000	100%	351,800,000
3. The unsold portion of Apartment Tower Blocks D1 and D2, Shenyang Joy City, Xiaodong Road, Dadong District, Shenyang, Liaoning Province, PRC	1,000,000	100%	1,000,000
Group I Sub-total:	439,000,000		439,000,000

No. Property	Market value in existing state as at 31 August 2014 (RMB)	Interests attributable to the Target Group	Market value attributable to the Target Group as at 31 August 2014 (RMB)
Group II — Properties held by the Target Group for owner occupation in the PRC			
4. A portion of the mall of Beijing Chaoyang Joy City, 111 Chaoyang North Road, Chaoyang District, Beijing, PRC	64,000,000	90%	57,600,000
5. A portion of the mall of Beijing Xidan Joy City, 131 Xidan North Dajie, Xicheng District, Beijing, PRC	73,000,000	100%	73,000,000
6. A portion of the office portion of Beijing Xidan Joy City, 131A Xidan North Dajie, Xicheng District, Beijing, PRC	74,300,000	100%	74,300,000
Group II Sub-total:	211,300,000		204,900,000

No. Property	Market value in existing state as at 31 August 2014 (RMB)	Interests attributable to the Target Group	Market value attributable to the Target Group as at 31 August 2014 (RMB)
Group III — Properties held by the Target Group for investment in the PRC			
7. The mall of Beijing Chaoyang Joy City, 111 Chaoyang North Road, Chaoyang District, Beijing, PRC	5,230,000,000	90%	4,707,000,000
8. Various retail shops of Joy City Residence, 99 Chaoyang North Road, Chaoyang District, Beijing, PRC	138,000,000	90%	124,200,000
9. The mall of Beijing Xidan Joy City, 131 Xidan North Dajie, Xicheng District, Beijing, PRC	7,166,300,000	100%	7,166,300,000
10. The office portion of Beijing Xidan Joy City, 131A Xidan North Dajie, Xicheng District, Beijing, PRC	654,000,000	100%	654,000,000

No. Property	Market value in existing state as at 31 August 2014 (RMB)	Interests attributable to the Target Group	Market value attributable to the Target Group as at 31 August 2014 (RMB)
11. Yantai Joy City, North of Beima Road, East of Haigang Road, Zhifu District, Yantai, Shandong Province, PRC	1,561,000,000	51%	796,110,000
12. The Southern Tower of Shanghai Joy City, 161 Xizang North Road, Zhabei District, Shanghai, PRC	1,829,500,000	100%	1,829,500,000
13. The mall of Tianjin Joy City, 2-6 Nanmen Wai Dajie, Nankai District, Tianjin, PRC	3,792,000,000	100%	3,792,000,000
14. Retail Outlet No. 6, Yuefu Jiayuan, Erma Road, Nankai District, Tianjin, PRC	93,700,000	100%	93,700,000

No. Property	Market value in existing state as at 31 August 2014 (RMB)	Interests attributable to the Target Group	Market value attributable to the Target Group as at 31 August 2014 (RMB)
15. Shenyang Joy City, Xiaodong Road, Dadong District, Shenyang, Liaoning Province, PRC	2,628,000,000	100%	2,628,000,000
16. Beijing COFCO Plaza, 8 Jianguomen Nei Dajie, Dongcheng District, Beijing, PRC	5,010,000,000	40%	2,004,000,000
17. Shanghai COFCO Tower, 440 Zhongshan South 2nd Road, Xuhui District, Shanghai, PRC	352,000,000	50%	176,000,000
Group III Sub-total:	28,454,500,000		23,970,810,000
Group IV — Property held by the Target Group for operation in the PRC			
18. The hotel portion of Beijing Xidan Joy City, 131B Xidan North Dajie, Xicheng District, Beijing, PRC	703,000,000	100%	703,000,000
Group IV Sub-total:	703,000,000		703,000,000

No. Property	Market value in existing state as at 31 August 2014 (RMB)	Interests attributable to the Target Group	Market value attributable to the Target Group as at 31 August 2014 (RMB)
Group V — Properties held by the Target Group under development in the PRC			
19. The Northern Tower of Shanghai Joy City, Qiu 1, Jiefang 460, Beizhan Street Block, East of Xizang North Road, South of Haining Road, Zhabei District, Shanghai, PRC	2,251,000,000	100%	2,251,000,000
20. The office portion of Tianjin Joy City, 2–6 Nanmen Wai Dajie, Nankai District, Tianjin, PRC	725,000,000	100%	725,000,000
Group V Sub-total:	2,976,000,000		2,976,000,000

No. Property	Market value in existing state as at 31 August 2014 (RMB)	Interests attributable to the Target Group	Market value attributable to the Target Group as at 31 August 2014 (RMB)
Group VI — Properties held by the Target Group for future development in the PRC			
21. Portion of a land parcel located at east of Xizang North Road and south of Haining Road, Zhabei District, Shanghai, PRC	6,823,300,000	100%	6,823,300,000
22. A parcel of land located at 208 Andingmen Wai Dajie, Dongcheng District, Beijing, PRC	No commercial value		No commercial value
Group VI Sub-total:	6,823,300,000		6,823,300,000

Group VII — Properties leased by the Target Group in the PRC

23. Unit 301-CDEHJHI, Level 3, Xinmei Mansion, 585 Tianmu Middle Road, Zhabei District, Shanghai, PRC			No commercial value
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No. Property	Market value in existing state as at 31 August 2014 (RMB)	Interests attributable to the Target Group	Market value attributable to the Target Group as at 31 August 2014 (RMB)
24. Unit 1903, Level 19, Sunshine 100 Office Tower, 25 Haigang Road, Zhifu District, Yantai, Shandong Province, PRC			No commercial value
25. Unit 1904, Level 19, Sunshine 100 Office Tower, 25 Haigang Road, Zhifu District, Yantai, Shandong Province, PRC			No commercial value
26. Unit 1908, Level 19, Block A, Sunshine 100 Office Tower, 25 Haigang Road, Zhifu District, Yantai, Shandong Province, PRC			No commercial value

No. Property	Market value in existing state as at 31 August 2014 (RMB)	Interests attributable to the Target Group	Market value attributable to the Target Group as at 31 August 2014 (RMB)
27. Unit 1917, Level 19, Block A, Sunshine 100 Office Tower, 25 Haigang Road, Zhifu District, Yantai, Shandong Province, PRC			No commercial value
28. Units 1909 – 1916, Level 19, Block A, Sunshine 100 Office Tower, 25 Haigang Road, Zhifu District, Yantai, Shandong Province, PRC			No commercial value
29. Level 12 together with various car parking spaces on Level B4, COFCO Fortune Plaza, 8 Chaoyangmen South Dajie, Chaoyang District, Beijing, PRC			No commercial value

No. Property	Market value in existing state as at 31 August 2014 (RMB)	Interests attributable to the Target Group	Market value attributable to the Target Group as at 31 August 2014 (RMB)
30. Unit Nos. 1 and 2, Building No. 8, Gulou Nancheng Street, Chengxiang Middle Road, Nankai District, Tianjin, PRC			No commercial value
31. Units 701 to 703, Level 7, Block A, Huangcheng International, 138 Andingmen Wai Dajie, Dongcheng District, Beijing PRC			No commercial value
32. Unit 2428, Level 4, 183 Andingmen Wai Dajie, Dongcheng District, Beijing, PRC			No commercial value
Group VII Sub-total:			Nil
Grand total:	<u>39,607,100,000</u>		<u>35,117,010,000</u>

VALUATION CERTIFICATE

Group I — Properties held by the Target Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
1.	The unsold portion of Yuefu Jiayuan, Erma Road, Nankai District, Tianjin, PRC	<p>Tianjin Joy City (the “Development”) is a comprehensive office, commercial apartment, residential and commercial complex, which is being completed in phases. Yuefu Jiayuan is the residential brand of the Development and is erected on a parcel of land with a site area of approximately 60,908.60 sq.m., which was completed in 2012.</p> <p>The Development is located at the south-western corner of the junction of Nanma Road and Nanmen Wai Dajie, Nankai District, Tianjin. It is directly connected to Gulou Station of Tianjin Metro Line No. 2. Developments in the vicinity are dominated by various commercial and residential developments of various ages. It is at about at 10 minutes’ drive to the centre of Nankai District and at about 40 minutes’ drive to Tianjin Binhai International Airport.</p> <p>The property comprises the unsold portion of the residential portion of the Development with a total gross floor area of approximately 2,477.24 sq.m. together with 294 car parking spaces.</p> <p>The land use rights of the property have been granted for two concurrent terms expiring on 4 May 2050 for underground commercial use and 21 December 2050 for residential and commercial uses.</p>	As at the valuation date, the property was vacant.	<p>RMB86,200,000</p> <p>(100% interest attributable to the Target Group: RMB86,200,000)</p> <p>(See Note 4)</p>

Notes:

- Pursuant to the Realty Title Certificate — Fang Di Zheng Jin Zi No. 104051200063 dated 11 June 2012, the land use rights of a parcel of land with a site area of approximately 60,908.60 sq.m. have been granted to Joy City (Tianjin) Co., Ltd. (大悦城(天津)有限公司) (“Joy City Tianjin”), a 100%-owned subsidiary of Fortune Set, for two concurrent terms expiring on 4 May 2050 for underground commercial use and 21 December 2050 for residential and commercial uses.

2. Pursuant to five Tianjin Sale Permits for Commodity Housing — Jin Guo Tu Fang Shou Xu Zi [2011] Nos. 495-001, 496-001 and 719-001, [2012] No. 0524-001 and [2013] No. 0660-001 dated between 4 August 2011 and 18 August 2013, the residential portion of the Development with a total gross floor area of approximately 67,248.33 is permitted for sale.
3. Pursuant to five Completion Certificates — (Jin Zhi) Bei Zi Nos. 2012-930 to 2012-934 all dated 17 December 2012, the construction works of the residential portion of the Development with a total gross floor area of approximately 68,000.00 sq.m. has been examined and such examination has been recorded.
4. As advised by the Company, the property was subject to an outstanding construction cost in the sum of approximately RMB13,800,000 as at the valuation date. We have taken into account the aforesaid amount in our valuation.
5. As advised by the Company, portion of the property with a total gross floor area of approximately 895.72 sq.m. together with 99 car parking spaces has been contracted for sale under various sale and purchase agreements at a total consideration of approximately RMB35,200,000 as at the valuation date. We have taken into account the aforesaid amount in our valuation.
6. As advised by the Company, the property is subject to various mortgages.
7. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Joy City Tianjin is the legal land user of the property and is entitled to occupy, use and receive earnings from such land parcel within the residue of its land use term;
 - ii. Joy City Tianjin has obtained the sale permits of the property and is entitled to sell the unsold portion of the property; and
 - iii. save for the aforementioned mortgages, the property is free from any ownership disputes, court seizures or other judicial compulsory measures.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
2.	The unsold portion of Yuefu Plaza, 2-6 Nanmen Wai Dajie, Nankai District, Tianjin, PRC	Tianjin Joy City (the “Development”) is a comprehensive office, commercial apartment, residential and commercial complex, which is being completed in phases. Yuefu Plaza is the commercial apartment brand of the Development and is erected on a parcel of land with a site area of approximately 16,541.50 sq.m., which was completed in 2013.	As at the valuation date, the property was vacant.	RMB351,800,000 (100% interest attributable to the Target Group: RMB351,800,000) (See Note 4)
		<p>The Development is located at the south-western corner of the junction of Nanma Road and Nanmen Wai Dajie, Nankai District, Tianjin. It is directly connected to Gulou Station of Tianjin Metro Line No. 2. Developments in the vicinity are dominated by various commercial and residential developments of various ages. It is at about 10 minutes’ drive to the centre of Nankai District and at about 40 minutes’ drive to Tianjin Binhai International Airport.</p> <p>The property comprises the unsold portion of the commercial apartment portion of the Development with a total gross floor area of approximately 18,269.60 sq.m..</p> <p>The land use rights of the property have been granted for two concurrent terms expiring on 3 May 2050 for underground commercial use and 21 December 2050 for commercial use.</p>		

Notes:

1. Pursuant to the Realty Title Certificate — Fang Di Zheng Jin Zi No. 104051200062 dated 11 June 2012, the land use rights of a parcel of land with a site area of approximately 16,541.50 sq.m. have been granted to Joy City (Tianjin) Co., Ltd. (大悦城(天津)有限公司) (“Joy City Tianjin”), a 100%-owned subsidiary of Fortune Set, for two concurrent terms expiring on 3 May 2050 for underground commercial use and 21 December 2050 for commercial use.
2. Pursuant to the Tianjin Sale Permit for Commodity Housing — Jin Guo Tu Fang Shou Xu Zi [2012] No. 0188-001 dated 13 April 2012, the commercial apartment portion of the Development with a total gross floor area of approximately 46,085.52 sq.m. is permitted for sale.
3. Pursuant to two Completion Certificates — (Jin Zhi) Bei Zi Nos. 2013-633 and 2013-634 both dated 27 September 2013, the construction works of the commercial apartment portion of the Development with a total gross floor area of approximately 46,330.00 sq.m. has been examined and such examination has been recorded.

4. As advised by the Company, the property was subject to an outstanding construction cost in the sum of approximately RMB5,400,000 as at the valuation date. We have taken into account the aforesaid amount in our valuation.
5. As advised by the Company, portion of the property with a total gross floor area of approximately 2,983.48 sq.m. has been contracted for sale under various sale and purchase agreements at a total consideration of approximately RMB5,160,000 as at the valuation date. We have taken into account the aforesaid amount in our valuation.
6. As advised by the Company, the property is subject to various mortgages.
7. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Joy City Tianjin is the legal land user of the property and is entitled to occupy, use and receive earnings from such land parcel within the residue of its land use term;
 - ii. Joy City Tianjin has obtained the sale permit of the property and is entitled to sell the unsold portion of the property; and
 - iii. save for the aforementioned mortgages, the property is free from any ownership disputes, court seizures or other judicial compulsory measures.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
3.	The unsold portion of Apartment Tower Blocks D1 and D2, Shenyang Joy City, Xiaodong Road, Dadong District, Shenyang, Liaoning Province, PRC	<p>Shenyang Joy City (the “Development”) is a comprehensive office, commercial apartment, residential and commercial complex. Apartment Tower Blocks D1 and D2 is the commercial apartment portion of the Development and is erected on a parcel of land with a site area of approximately 23,928.94 sq.m., which was completed in 2012.</p> <p>The Development is located along Xiaodong Road, eastern extension of Zhongjie Shopping Street in Dadong District, Shenyang. It is directly connected to Dongzhongjie Station of Shenyang Metro Line No. 1. Developments in the vicinity are dominated by various commercial developments of similar ages. It is at about 10 minutes’ drive to the city centre of Shenyang and at about 40 minutes’ drive to Shenyang Xiantao International Airport.</p> <p>The property comprises the unsold portion of the commercial apartment portion of the Development with a total gross floor area of approximately 103.32 sq.m..</p> <p>The land use rights of the property have been granted for a term expiring on 8 July 2043 for public utilities, commercial and residential uses.</p>	As at the valuation date, the property was vacant.	<p>RMB1,000,000</p> <p>(100% interest attributable to the Target Group: RMB1,000,000)</p>

Notes:

- Pursuant to the State-owned Land Use Rights Certificate — Shen Yang Guo Yong (2001) No. 0042 dated 1 March 2001, the land use rights of a parcel of land with a site area of approximately 23,928.94 sq.m. have been granted to Shenyang Joy City Real Estate Development Co., Ltd. (瀋陽大悅城房產開發有限公司) (“Shenyang Development”), a 100%-owned subsidiary of Kersen Properties, for a term expiring on 8 July 2043 for public utilities, commercial and residential uses.
- Pursuant to two Pre-sale Permits for Commodity Housing — Shen Fang Yu Shou Nos. 10459 and 11092 dated 20 October 2010 and 31 March 2011 respectively, Apartment Tower Blocks D1 and D2 with a total gross floor area of approximately 36,602.87 sq.m. is permitted for pre-sale.
- Pursuant to two Completion Certificates — 2010 Nian Nos. 5113 and 5114 both dated 13 December 2012, the construction works of Apartment Tower Blocks D1 and D2 of the Development with a total gross floor area of approximately 38,215.00 sq.m. has been examined and such examination has been recorded.
- As advised by the Company, the property is subject to various mortgages.

5. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Shenyang Development is the legal land user of the property and is entitled to occupy, use and receive earnings from such land parcel within the residue of its land use term;
 - ii. Shenyang Development has obtained the pre-sale permits of the property and is entitled to sell the property; and
 - iii. save for the aforementioned mortgages, the property is free from any ownership disputes, court seizures or other judicial compulsory measures.

Group II — Properties held by the Target Group for owner occupation in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
4.	A portion of the mall of Beijing Chaoyang Joy City, 111 Chaoyang North Road, Chaoyang District, Beijing, PRC	<p>Beijing Chaoyang Joy City (the “Development”) is a comprehensive commercial apartment and commercial complex and is erected on a parcel of land with a site area of approximately 58,958.27 sq.m., which was completed in 2010.</p> <p>The Development is located at the south-eastern corner of the junction of Qingnian Road and Chaoyang North Road, Chaoyang District, Beijing. It is directly connected to Qingnian Lu Station of Beijing Metro Line No. 6. Developments in the vicinity are dominated by large-scale residential developments of similar ages. It is at about 20 minutes’ drive to the city centre of Beijing and at about 30 minutes’ drive to Beijing Capital International Airport.</p> <p>The property comprises a portion of the mall of the Development with a total lettable floor area of approximately 860.00 sq.m. for commercial use.</p> <p>The land use rights of the property have been granted for two concurrent terms expiring on 28 July 2044 for commercial and underground commercial uses and 28 July 2054 for office and underground car park uses.</p>	As at the valuation date, the property was owner-occupied.	RMB64,000,000 (90% interest attributable to the Target Group: RMB57,600,000)

Notes:

- Pursuant to the State-owned Land Use Rights Certificate — Jing Chao Guo Yong (2012 Chu) No. 00171 dated 8 May 2012, the land use rights of a parcel of land with a site area of approximately 58,958.27 sq.m. have been granted to Beijing Hongtaijiye Real Estate Co., Ltd. (北京弘泰基業房地產有限公司) (“Beijing Hongtaijiye”), a 90%-owned subsidiary of Fortune Set, for two concurrent terms expiring on 28 July 2044 for commercial and underground commercial uses and 28 July 2054 for office and underground car park uses.
- Pursuant to two Building Ownership Certificates — X Jing Fang Quan Zheng Chao Zi Nos. 956487 and 956489 both dated 21 January 2011, the building ownership of the property with a total gross floor area of approximately 293,517.84 sq.m. is vested in Beijing Hongtaijiye for commercial, car park and storage uses.
- As advised by the Company, the property is subject to a mortgage.

4. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Beijing Hongtaijiye is the legal owner of the property and is entitled to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property within the residue of its land use term; and
 - ii. save for the aforementioned mortgage, the property is free from any ownership disputes, court seizures or other judicial compulsory measures.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
5.	A portion of the mall of Beijing Xidan Joy City, 131 Xidan North Dajie, Xicheng District, Beijing, PRC	<p>Beijing Xidan Joy City (the “Development”) is a comprehensive office, hotel and commercial complex and is erected on a parcel of land with a site area of approximately 14,540.58 sq.m., which was completed in 2008.</p> <p>The Development is located along Xidan North Dajie, Xicheng District, Beijing. It is at about 10-minute walking distance to Xidan Station of Beijing Metro Line Nos. 1 and 4. Developments in the vicinity are dominated by large-scale commercial developments of various ages. It is at about 10 minutes’ drive to the city centre of Beijing and at about 40 minutes’ drive to Beijing Capital International Airport.</p> <p>The property comprises a portion of the mall of the Development with a total lettable floor area of approximately 598.09 sq.m. for commercial use.</p> <p>The land use rights of the property have been granted for two concurrent terms expiring on 31 May 2044 for composite commercial and underground composite commercial uses and 31 May 2054 for underground car park, underground storage and underground office (property management office) uses.</p>	As at the valuation date, the property was owner-occupied.	RMB73,000,000 (100% interest attributable to the Target Group: RMB73,000,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Jing Yang Xi Guo Yong (2014 Chu) No. 00007 dated 28 August 2014, the land use rights of a parcel of land with a site area of approximately 14,540.58 sq.m. have been granted to Xidan Joy City Co., Ltd. (西單大悅城有限公司) (“Xidan Joy City Co”), a 100%-owned subsidiary of Fortune Set, for two concurrent terms expiring on 31 May 2044 for composite commercial and underground composite commercial uses and 31 May 2054 for underground car park, underground storage and underground office (property management office) uses.
2. Pursuant to the Building Ownership Certificate — X Jing Fang Quan Zheng Xi Zi No. 095076 dated 25 October 2012, the building ownership of the property with a total gross floor area of approximately 137,493.88 sq.m. is vested in Xidan Joy City Co for car park, commercial, food & beverage, entertainment and office uses.
3. As advised by the Company, the property is subject to a mortgage.

4. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Xidan Joy City Co is the legal owner of the property and is entitled to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property within the residue of its land use term; and
 - ii. save for the aforementioned mortgage, the property is free from any ownership disputes, court seizures or other judicial compulsory measures.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
6.	A portion of the office portion of Beijing Xidan Joy City, 131A Xidan North Dajie, Xicheng District, Beijing, PRC	<p>Beijing Xidan Joy City (the “Development”) is a comprehensive office, hotel and commercial complex and is erected on a parcel of land with a site area of approximately 14,540.58 sq.m., which was completed in 2008.</p> <p>The Development is located along Xidan North Dajie, Xicheng District, Beijing. It is at about 10-minute walking distance to Xidan Station of Beijing Metro Line Nos. 1 and 4. Developments in the vicinity are dominated by large-scale commercial developments of various ages. It is at about 10 minutes’ drive to the city centre of Beijing and at about 40 minutes’ drive to Beijing Capital International Airport.</p> <p>The property comprises a portion of the office portion of the Development with a total lettable floor area of approximately 1,498.13 sq.m..</p> <p>The land use rights of the property have been granted for two concurrent terms expiring on 31 May 2044 for composite commercial and underground composite commercial uses and 31 May 2054 for underground car park, underground storage and underground office (property management office) uses.</p>	As at the valuation date, the property was owner-occupied.	RMB74,300,000 (100% interest attributable to the Target Group: RMB74,300,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Jing Yang Xi Guo Yong (2014 Chu) No. 00007 dated 28 August 2014, the land use rights of a parcel of land with a site area of approximately 14,540.58 sq.m. have been granted to Xidan Joy City Co., Ltd. (西單大悅城有限公司) (“Xidan Joy City Co”), a 100%-owned subsidiary of Fortune Set, for two concurrent terms expiring on 31 May 2044 for composite commercial and underground composite commercial uses and 31 May 2054 for underground car park, underground storage and underground office (property management office) uses.
2. Pursuant to the Building Ownership Certificate — X Jing Fang Quan Zheng Xi Zi No. 088205 dated 11 July 2012, the building ownership of the property with a total gross floor area of approximately 15,275.75 sq.m. is vested in Xidan Joy City Co for office use.
3. As advised by the Company, the property is subject to a mortgage.

4. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Xidan Joy City Co is the legal owner of the property and is entitled to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property within the residue of its land use term; and
 - ii. save for the aforementioned mortgage, the property is free from any ownership disputes, court seizures or other judicial compulsory measures.

Group III — Properties held by the Target Group for investment in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
7.	The mall of Beijing Chaoyang Joy City, 111 Chaoyang North Road, Chaoyang District, Beijing, PRC	<p>Beijing Chaoyang Joy City (the “Development”) is a comprehensive commercial apartment and commercial complex and is erected on a parcel of land with a site area of approximately 58,958.27 sq.m., which was completed in 2010.</p> <p>The Development is located at the south-eastern corner of the junction of Qingnian Road and Chaoyang North Road, Chaoyang District, Beijing. It is directly connected to Qingnian Lu Station of Beijing Metro Line No. 6. Developments in the vicinity are dominated by large-scale residential developments of similar ages. It is at about 20 minutes’ drive to the city centre of Beijing and at about 30 minutes’ drive to Beijing Capital International Airport.</p> <p>The property comprises the mall (excluding owner-occupied portion) of the Development, which is an 11-storey shopping mall over a 3-storey basement (commercial/car parking uses) with a total gross floor area of approximately 292,657.84 sq.m. for commercial use and also accommodates 2,105 car parking spaces.</p> <p>As advised by the Company, the total lettable floor area of the property as at the valuation date is approximately 109,149.90 sq.m..</p> <p>The land use rights of the property have been granted for two concurrent terms expiring on 28 July 2044 for commercial and underground commercial uses and 28 July 2054 for office and underground car park uses.</p>	<p>As at the valuation date, portion of the property with a total lettable floor area of approximately 101,747.87 sq.m. was subject to various tenancies with the latest one due to expire on 18 January 2030 at a total monthly rental of approximately RMB32,910,000 (excluding management fees and other outgoings) whilst the remaining portion of the property was vacant.</p>	<p>RMB5,230,000,000</p> <p>(90% interest attributable to the Target Group: RMB4,707,000,000)</p>

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Jing Chao Guo Yong (2012 Chu) No. 00171 dated 8 May 2012, the land use rights of a parcel of land with a site area of approximately 58,958.27 sq.m. have been granted to Beijing Hongtaijiye Real Estate Co., Ltd. (北京弘泰基業房地產有限公司) (“Beijing Hongtaijiye”), a 90%-owned subsidiary of Fortune Set, for two concurrent terms expiring on 28 July 2044 for commercial and underground commercial uses and 28 July 2054 for office and underground car park uses.
2. Pursuant to two Building Ownership Certificates — X Jing Fang Quan Zheng Chao Zi Nos. 956487 and 956489 both dated 21 January 2011, the building ownership of the property with a total gross floor area of approximately 293,517.84 sq.m. is vested in Beijing Hongtaijiye for commercial, car park and storage uses.
3. As advised by the Company, the property is subject to a mortgage.
4. We have been provided with a legal opinion on the title to the property issued by the Company’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Beijing Hongtaijiye is the legal owner of the property and is entitled to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property within the residue of its land use term; and
 - ii. save for the aforementioned mortgage, the property is free from any ownership disputes, court seizures or other judicial compulsory measures.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
8.	Various retail shops of Joy City Residence, 99 Chaoyang North Road, Chaoyang District, Beijing, PRC	<p>Beijing Chaoyang Joy City (the “Development”) is a comprehensive commercial apartment and commercial complex and is erected on a parcel of land with a site area of approximately 58,958.27 sq.m., which was completed in 2010. Joy City Residence is the commercial apartment brand of the Development.</p> <p>The Development is located at the south-eastern corner of the junction of Qingnian Road and Chaoyang North Road, Chaoyang District, Beijing. It is directly connected to Qingnian Lu Station of Beijing Metro Line No. 6. Developments in the vicinity are dominated by large-scale residential developments of similar ages. It is at about 20 minutes’ drive to the city centre of Beijing and at about 30 minutes’ drive to Beijing Capital International Airport.</p> <p>The property comprises seven retail shops of Joy City Residence with a total lettable floor area of approximately 3,429.00 sq.m..</p> <p>The land use rights of the property have been granted for two concurrent terms expiring on 28 July 2044 for commercial and underground commercial uses and 28 July 2054 for office and underground car park uses.</p>	<p>As at the valuation date, portion of the property with a total lettable floor area of approximately 3,400.79 sq.m. was subject to various tenancies with the latest one due to expire on 21 April 2021 at a total monthly rental of approximately RMB990,700 (excluding management fees and other outgoings) whilst the remaining portion of the property was vacant.</p>	<p>RMB138,000,000</p> <p>(90% interest attributable to the Target Group: RMB124,200,000)</p>

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Jing Chao Guo Yong (2012 Chu) No. 00171 dated 8 May 2012, the land use rights of a parcel of land with a site area of approximately 58,958.27 sq.m. have been granted to Beijing Hongtaijiye Real Estate Co., Ltd. (北京弘泰基業房地產有限公司) (“Beijing Hongtaijiye”), a 90%-owned subsidiary of Fortune Set, for two concurrent terms expiring on 28 July 2044 for commercial and underground commercial uses and 28 July 2054 for office and underground car park uses.
2. Pursuant to the Building Ownership Certificate — X Jing Fang Quan Zheng Chao Zi No. 956493 dated 21 January 2011, the building ownership of Joy City Residence with a total gross floor area of approximately 69,235.74 sq.m. is vested in Beijing Hongtaijiye for office use.
3. As advised by the Company, the property is subject to a mortgage.

4. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Beijing Hongtaijiye is the legal owner of the property and is entitled to occupancy, use, transfer, let, mortgage or by other legal means to dispose of the property within the residue of its land use term; and
 - ii. save for the aforementioned mortgage, the property is free from any ownership disputes, court seizures or other judicial compulsory measures.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
9.	The mall of Beijing Xidan Joy City, 131 Xidan North Dajie, Xicheng District, Beijing, PRC	<p>Beijing Xidan Joy City (the “Development”) is a comprehensive office, hotel and commercial complex and is erected on a parcel of land with a site area of approximately 14,540.58 sq.m., which was completed in 2008.</p> <p>The Development is located along Xidan North Dajie, Xicheng District, Beijing. It is at about 10-minute walking distance to Xidan Station of Beijing Metro Line Nos. 1 and 4. Developments in the vicinity are dominated by large-scale commercial developments of various ages. It is at about 10 minutes’ drive to the city centre of Beijing and at about 40 minutes’ drive to Beijing Capital International Airport.</p> <p>The property comprises the mall (excluding owner-occupied portion) of the Development, which is a 9-storey shopping mall over a 4-storey commercial/car parking basement with a total gross floor area of approximately 136,895.79 sq.m. for commercial use and also accommodates 815 car parking spaces.</p> <p>As advised by the Company, the total lettable floor area of the property as at the valuation date is approximately 52,573.34 sq.m..</p> <p>The land use rights of the property have been granted for two concurrent terms expiring on 31 May 2044 for composite commercial and underground composite commercial uses and 31 May 2054 for underground car park, underground storage and underground office (property management office) uses.</p>	<p>As at the valuation date, portion of the property with a total lettable floor area of approximately 47,694.91 sq.m. was subject to various tenancies with the latest one due to expire on 12 August 2024 at a total monthly rental of approximately RMB42,200,000 (excluding management fees and other outgoings) whilst the remaining portion of the property was vacant.</p>	<p>RMB7,166,300,000</p> <p>(100% interest attributable to the Target Group: RMB7,166,300,000)</p> <p>(See Note 3)</p>

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Jing Yang Xi Guo Yong (2014 Chu) No. 00007 dated 28 August 2014, the land use rights of a parcel of land with a site area of approximately 14,540.58 sq.m. have been granted to Xidan Joy City Co., Ltd. (西單大悅城有限公司) (“Xidan Joy City Co”), a 100%-owned subsidiary of Fortune Set, for two concurrent terms expiring on 31 May 2044 for composite commercial and underground composite commercial uses and 31 May 2054 for underground car park, underground storage and underground office (property management office) uses.
2. Pursuant to the Building Ownership Certificate — X Jing Fang Quan Zheng Xi Zi No. 095076 dated 25 October 2012, the building ownership of the property with a total gross floor area of approximately 137,493.88 sq.m. is vested in Xidan Joy City Co for car park, commercial, food & beverage, entertainment and office uses.
3. As advised by the Company, the property was subject to an outstanding construction cost in the sum of approximately RMB26,000,000 as at the valuation date. We have taken into account the aforesaid amount in our valuation.
4. As advised by the Company, the property is subject to a mortgage.
5. We have been provided with a legal opinion on the title to the property issued by the Company’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Xidan Joy City Co is the legal owner of the property and is entitled to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property within the residue of its land use term; and
 - ii. save for the aforementioned mortgage, the property is free from any ownership disputes, court seizures or other judicial compulsory measures.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
10.	The office portion of Beijing Xidan Joy City, 131A Xidan North Dajie, Xicheng District, Beijing, PRC	<p>Beijing Xidan Joy City (the “Development”) is a comprehensive office, hotel and commercial complex and is erected on a parcel of land with a site area of approximately 14,540.58 sq.m., which was completed in 2008.</p> <p>The Development is located along Xidan North Dajie, Xicheng District, Beijing. It is at about 10-minute walking distance to Xidan Station of Beijing Metro Line Nos. 1 and 4. Developments in the vicinity are dominated by large-scale commercial developments of various ages. It is at about 10 minutes’ drive to the city centre of Beijing and at about 40 minutes’ drive to Beijing Capital International Airport.</p> <p>The property comprises the office portion (excluding owner-occupied portion) of the Development, which is a 10-storey office tower erected over a 5-storey commercial podium with a total gross floor area of approximately 13,777.62 sq.m..</p> <p>As advised by the Company, the total lettable floor area of the property as at the valuation date is approximately 13,624.24 sq.m..</p> <p>The land use rights of the property have been granted for two concurrent terms expiring on 31 May 2044 for composite commercial and underground composite commercial uses and 31 May 2054 for underground car park, underground storage and underground office (property management office) uses.</p>	<p>As at the valuation date, portion of the property with a total lettable floor area of approximately 12,878.84 sq.m. was subject to various tenancies with the latest one due to expire on 31 August 2019 at a total monthly rental of approximately RMB3,990,000 (excluding management fees and other outgoings) whilst the remaining portion of the property was vacant.</p>	<p>RMB654,000,000</p> <p>(100% interest attributable to the Target Group: RMB654,000,000)</p>

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Jing Yang Xi Guo Yong (2014 Chu) No. 00007 dated 28 August 2014, the land use rights of a parcel of land with a site area of approximately 14,540.58 sq.m. have been granted to Xidan Joy City Co., Ltd. (西單大悅城有限公司) (“Xidan Joy City Co”), a 100%-owned subsidiary of Fortune Set, for two concurrent terms expiring on 31 May 2044 for composite commercial and underground composite commercial uses and 31 May 2054 for underground car park, underground storage and underground office (property management office) uses.
2. Pursuant to the Building Ownership Certificate — X Jing Fang Quan Zheng Xi Zi No. 088205 dated 11 July 2012, the building ownership of the property with a total gross floor area of approximately 15,275.75 sq.m. is vested in Xidan Joy City Co for office use.
3. As advised by the Company, the property is subject to a mortgage.
4. We have been provided with a legal opinion on the title to the property issued by the Company’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Xidan Joy City Co is the legal owner of the property and is entitled to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property within the residue of its land use term; and
 - ii. save for the aforementioned mortgage, the property is free from any ownership disputes, court seizures or other judicial compulsory measures.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
11.	Yantai Joy City, North of Beima Road, East of Haigang Road, Zhifu District, Yantai, Shandong Province, PRC	<p>Yantai Joy City comprises a 7-storey shopping mall over a 3-storey basement (commercial/car park uses) and is erected on a parcel of land with a site area of approximately 40,762.00 sq.m., which was completed in 2014.</p> <p>The property is located at the north-eastern corner of the junction of Beima Road and Haigang Road, Zhifu District, Yantai. Developments in the vicinity are dominated by various commercial and community services developments of various ages. It is at about 5 minutes' drive to the centre of Yantai and at about 35 minutes' drive to Yantai Laishan International Airport.</p> <p>The property has a total gross floor area of approximately 219,964.00 sq.m. (including the civil defense area of approximately 58,803.65 sq.m.) for commercial use and also accommodates 1,240 car parking spaces.</p> <p>As advised by the Company, the total lettable floor area of the property as at the valuation date is approximately 78,432.19 sq.m..</p> <p>The land use rights of the property have been granted for a term expiring on 15 May 2051 for commercial use.</p>	<p>As at the valuation date, portion of the property with a total lettable floor area of approximately 70,572.19 sq.m. was subject to various tenancies with the latest one due to expire on 29 June 2014 at a total monthly rental of approximately RMB8,710,000 (excluding management fees and other outgoings) whilst the remaining portion of the property was vacant.</p>	<p>RMB1,561,000,000</p> <p>(51% interest attributable to the Target Group: RMB796,110,000)</p> <p>(See Note 7)</p>

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract — Yan Tai — 01-2011-0112 dated 16 May 2011 and its supplementary agreements dated 16 April 2012 and 26 April 2013 respectively, the land use rights of four parcels of land with a total site area of approximately 40,762.00 sq.m. have been granted to Yantai Joy City Co., Ltd. (烟台大悦城有限公司) (“Yantai Joy City Co”), an indirectly-owned subsidiary which has 18% interest attributable to Mega Health and an indirectly-owned associate which has 33% interest attributable to Fortune Set, for a term of 40 years for commercial use at a land grant fee of RMB210,000,000.
- Pursuant to the State-owned Land Use Rights Certificate — Yan Guo Yong (2012) No. 10178 dated 11 May 2012, the land use rights of a parcel of land with a site area of approximately 40,762.00 sq.m. have been granted to Yantai Joy City Co for a term expiring on 15 May 2051 for commercial use.
- Pursuant to the Planning Permit for Construction Land — Di Zi No. 370602201100183 dated 9 September 2011, Yantai Joy City Co is permitted to use a parcel of land with a site area of approximately 40,762.00 sq.m. for development.

4. Pursuant to the Planning Permit for Construction Works — Jian Zi No. 370602201200371 date 28 September 2012, the approved construction scale of the property is approximately 219,964.00 sq.m..
5. Pursuant to the Approval for Commencement of Construction Works — Yan Jian Kai Zi [2013] No. 074 dated 22 November 2013, the construction works of the property with a construction scale of approximately 219,964.00 sq.m. is approved for commencement.
6. Pursuant to the Completion Report dated 3 July 2014, the construction works of the property with a total gross floor area of approximately 219,964.00 sq.m. has been completed.
7. As advised by the Company, the property was subject to an outstanding construction cost in the sum of approximately RMB743,000,000 as at the valuation date. We have taken into account the aforesaid amount in our valuation.
8. As advised by the Company, the property is subject to a mortgage.
9. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Yantai Joy City Co is the legal land user of the property and is entitled to occupy, use, and receive earnings from such land parcel within the residue of its land use term;
 - ii. the completion report of the property has been obtained and there shall exist no substantial legal impediments for the Yantai Joy City Co to obtain the building ownership certificate of the property (excluding the civil defense area) upon obtaining the completion certificate, registration of the building survey report and application of the title proof of the property in accordance with the prescribed procedures under the PRC laws; and
 - iii. save for the aforementioned mortgage, the property is free from any ownership disputes, court seizures or other judicial compulsory measures.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
12.	The Southern Tower of Shanghai Joy City, 161 Xizang North Road, Zhabei District, Shanghai, PRC	<p>Shanghai Joy City (the “Development”) is a comprehensive office, commercial apartment, residential and commercial complex, which is being completed in phases. The property comprises the Southern Tower of the Development and is erected on a parcel of land with a site area of approximately 9,419.00 sq.m., which was completed in 2011.</p> <p>The Development is located at the north-eastern corner of the junction of Qufu Road and Xizang North Road, Zhabei District, Shanghai. It is directly connected to Qufu Lu Station of Shanghai Metro Line Nos. 8 and 12. Developments in the vicinity are dominated by various residential, commercial and community services developments of various ages. It is at about 5 minutes’ drive to the centre of Zhabei District and at about 35 minutes’ drive to Shanghai Hongqiao International Airport.</p> <p>The property comprises an 11-storey shopping mall over a 3-storey basement (commercial/car park uses) with a total gross floor area of approximately 63,921.93 sq.m. for commercial use and also accommodates 134 car parking spaces.</p> <p>As advised by the Company, the total lettable floor area of the property as at the valuation date is approximately 29,027.80 sq.m..</p> <p>The land use rights of the property have been granted for a term expiring on 10 January 2056 for composite (commercial and residential) use.</p>	<p>As at the valuation date, portion of the property with a total lettable floor area of approximately 28,900.25 sq.m. was subject to various tenancies with the latest one due to expire on 19 June 2030 at a total monthly rental of approximately RMB7,390,000 (excluding management fees and other outgoings) whilst the remaining portion of the property was vacant.</p>	<p>RMB1,829,500,000</p> <p>(100% interest attributable to the Target Group: RMB1,829,500,000)</p>

Notes:

1. Pursuant to the Realty Title Certificate — Hu Fang Di Zha Zi (2010) No. 019482 dated 28 December 2010, the building ownership of the property with a total gross floor area of approximately 63,921.93 sq.m. together with the correspondingly land use rights of a parcel of land with a site area of approximately 9,419.00 sq.m. for a term expiring on 10 January 2056 are vested in Shanghai Xinlan Real Estate Development Co., Ltd. (上海新蘭房地產開發有限公司) (“Shanghai Xinlan”), a 100%-owned subsidiary of Fortune Set, for shopping mall and other uses.
2. As advised by the Company, the property is subject to a mortgage.
3. We have been provided with a legal opinion on the title to the property issued by the Company’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Shanghai Xinlan is the legal owner of the property and is entitled to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property within the residue of its land use term; and
 - ii. save for the aforementioned mortgage, the property is free from any ownership disputes, court seizures or other judicial compulsory measures.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
13.	The mall of Tianjin Joy City, 2-6 Nanmen Wai Dajie, Nankai District, Tianjin, PRC	<p>Tianjin Joy City (the “Development”) is a comprehensive office, commercial apartment, residential and commercial complex, which is being completed in phases. The property comprises the mall of the Development and is erected on two parcels of land with a total site area of approximately 77,450.10 sq.m., which was completed during 2012 and 2013.</p> <p>The Development is located at the south-western corner of the junction of Nanma Road and Nanmen Wai Dajie, Nankai District, Tianjin. It is directly connected to Gulou Station of Tianjin Metro Line No. 2. Developments in the vicinity are dominated by various commercial and residential developments of various ages. It is at about 10 minutes’ drive to the centre of Nankai District and at about 40 minutes’ drive to Tianjin Binhai International Airport.</p> <p>The property comprises a 5-storey shopping mall over a 3-storey basement (commercial/car park uses) with a total gross floor area of approximately 297,527.00 sq.m. for commercial use and also accommodates 1,984 car parking spaces.</p> <p>As advised by the Company, the total lettable floor area of the property as at the valuation date is approximately 82,522.07 sq.m..</p> <p>The land use rights of the property have been granted for three concurrent terms expiring on 3 May 2050 and 4 May 2050 for underground commercial use and 21 December 2050 for residential and commercial uses.</p>	<p>As at the valuation date, portion of the property with a total lettable floor area of approximately 76,758.03 sq.m. was subject to various tenancies with the latest one due to expire on 24 December 2032 at a total monthly rental of approximately RMB20,800,000 (excluding management fees and other outgoings) whilst the remaining portion of the property was vacant.</p>	<p>RMB3,792,000,000</p> <p>(100% interest attributable to the Target Group: RMB3,792,000,000)</p> <p>(See Note 3)</p>

Notes:

1. Pursuant to the following Realty Title Certificates, the building ownership of portion of the property and the land use rights of the property are vested in Joy City (Tianjin) Co., Ltd. (大悦城(天津)有限公司) (“Joy City Tianjin”), a 100%-owned subsidiary of Fortune Set. Details of the certificates are as follows:

Certificate No.	Date of Issue	Site Area (sq.m.)	Approximate Gross Floor Area (sq.m.)	Usage and Land Use Term Expiry Date
Fang Di Zheng Jin Zi No. 104051200062	11 June 2012	16,541.50	Not Applicable	Underground commercial: 3 May 2050; Commercial: 21 December 2050
Fang Di Zheng Jin Zi No. 104011416016	31 July 2014	60,908.60	139,129.73	Underground commercial: 4 May 2050; Commercial: 21 December 2050
	Total:	<u>77,450.10</u>	<u>139,129.73</u>	

2. Pursuant to three Completion Certificates — (Jin Zhi) Bei Zi Nos. 2012-206, 2013-631 and 2013-632 dated between 24 May 2012 and 27 September 2013, the construction works of the property with a total gross floor area of approximately 297,527.00 sq.m. has been examined and such examination has been recorded.
3. As advised by the Company, the property was subject to an outstanding construction cost in the sum of approximately RMB331,900,000 as at the valuation date. We have taken into account the aforesaid amount in our valuation.
4. As advised by the Company, the property is subject to various mortgages.
5. We have been provided with a legal opinion on the title to the property issued by the Company’s PRC legal adviser, which contains, *inter alia*, the following information:
- i. Joy City Tianjin is the legal land user of the property and is entitled to occupy, use, and receive earnings from such land parcel within the residue of its land use term;
 - ii. the completion certificate of the property has been obtained and the building survey report of the property has been duly registered. There shall exist no substantial legal impediments for the Joy City Tianjin to obtain the building ownership certificate of the property upon application of the title proof of the property in accordance with the prescribed procedures under the PRC laws; and
 - iii. save for the aforementioned mortgages, the property is free from any ownership disputes, court seizures or other judicial compulsory measures.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
14.	Retail Outlet No. 6, Yuefu Jiayuan, Erma Road, Nankai District, Tianjin, PRC	Tianjin Joy City (the “Development”) is a comprehensive office, commercial apartment, residential and commercial complex, which is being completed in phases. Yuefu Jiayuan is the residential brand of the Development and is erected on a parcel of land with a site area of approximately 60,908.60 sq.m., which was completed in 2012.	As at the valuation date, the property was vacant.	RMB93,700,000 (100% interest attributable to the Target Group: RMB93,700,000) (See Note 2)
		<p>The Development is located at the south-western corner of the junction of Nanma Road and Nanmen Wai Dajie, Nankai District, Tianjin. It is directly connected to Gulou Station of Tianjin Metro Line No. 2. Developments in the vicinity are dominated by various commercial and residential developments of various ages. It is at about 10 minutes’ drive to the centre of Nankai District and at about 40 minutes’ drive to Tianjin Binhai International Airport.</p> <p>The property comprises a 2-storey retail outlet of Yuefu Jiayuan with a total gross floor area of approximately 1,443.35 sq.m. for commercial use.</p> <p>The land use rights of the property have been granted for two concurrent terms expiring on 4 May 2050 for underground commercial use and 21 December 2050 for residential and commercial uses.</p>		

Notes:

1. Pursuant to the Realty Title Certificate — Fang Di Zheng Jin Zi No. 104011324367, the building ownership of the property with a gross floor area of approximately 1,443.35 sq.m. together with the corresponding land use rights is vested in Joy City (Tianjin) Co., Ltd. (大悦城(天津)有限公司) (“Joy City Tianjin”), a 100%-owned subsidiary of Fortune Set, for non-domestic use.
2. As advised by the Company, the property was subject to an outstanding construction cost in the sum of approximately RMB2,300,000 as at the valuation date. We have taken into account the aforesaid amount in our valuation.

3. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Joy City Tianjin is the legal owner of the property and is entitled to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property within the residue of its land use term; and
 - ii. the property is free from any ownership disputes, court seizures or other judicial compulsory measures.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014														
15.	Shenyang Joy City, Xiaodong Road, Dadong District, Shenyang, Liaoning Province, PRC	<p>Shenyang Joy City (the “Development”) is a comprehensive office, commercial apartment, residential and commercial complex. The property comprises retail Blocks A to D and the Wal-Mart Outlet of the Development and is erected on four parcels of land with a total site area of 50,719.28 sq.m., which was completed during 2009 and 2012.</p> <p>The Development is located along Xiaodong Road, eastern extension of Zhongjie Shopping Street in Dadong District, Shenyang. It is directly connected to Dongzhongjie Station of Shenyang Metro Line No. 1. Developments in the vicinity are dominated by various commercial developments of similar ages. It is at about 10 minutes’ drive to the city centre of Shenyang and at about 40 minutes’ drive to Shenyang Xiantao International Airport.</p> <p>The property comprises four 5-storey commercial blocks over a 2-storey basement (commercial/car park uses) and a 2-storey retail outlet with a total gross floor area of approximately 331,265.14 sq.m.. Details of the approximate gross floor areas of the property are as follows:</p> <table border="1"> <thead> <tr> <th>Block No.</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Block A</td> <td>69,766.00</td> </tr> <tr> <td>Block B</td> <td>52,398.96</td> </tr> <tr> <td>Block C</td> <td>116,940.30</td> </tr> <tr> <td>Block D</td> <td>65,810.10</td> </tr> <tr> <td>Wal-mart Outlet</td> <td>26,349.78</td> </tr> <tr> <td>Total:</td> <td><u>331,265.14</u></td> </tr> </tbody> </table> <p>As advised by the Company, Block D of the property also accommodates a civil defense area of approximately 4,003.01 sq.m..</p> <p>As advised by the Company, the total lettable floor area of the property as at the valuation date is approximately 113,454.19 sq.m..</p> <p>The land use rights of the property have been granted for a term expiring on 8 July 2043 for public utilities, commercial and residential uses.</p>	Block No.	Approximate Gross Floor Area (sq.m.)	Block A	69,766.00	Block B	52,398.96	Block C	116,940.30	Block D	65,810.10	Wal-mart Outlet	26,349.78	Total:	<u>331,265.14</u>	<p>As at the valuation date, portion of the property with a total lettable floor area of approximately 96,668.86 sq.m. was subject to various tenancies with the latest one due to expire on 11 March 2031 at a total monthly rental of approximately RMB9,890,000 (excluding management fees and other outgoings) whilst the remaining portion of the property was vacant.</p>	<p>RMB2,628,000,000</p> <p>(100% interest attributable to the Target Group: RMB2,628,000,000)</p>
Block No.	Approximate Gross Floor Area (sq.m.)																	
Block A	69,766.00																	
Block B	52,398.96																	
Block C	116,940.30																	
Block D	65,810.10																	
Wal-mart Outlet	26,349.78																	
Total:	<u>331,265.14</u>																	

Notes:

1. Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of four parcels of land with a total site area of approximately 50,719.28 sq.m. have been granted to Shenyang Joy City Real Estate Development Co., Ltd. (瀋陽大悅城房產開發有限公司) (“Shenyang Development”), a 100%-owned subsidiary of Kersen Properties. Details of the certificates are as follows:

Certificate No.	Date of Issue	Site Area (sq.m.)	Usage and Land Use Term	
			Expiry Date	
Shen Yang Guo Yong (2001) No. 0042	1 March 2011	23,928.94	Public facilities, commercial and residential: 8 July 2043	
Shen Yang Guo Yong (2013) No. 0104	27 December 2013	6,536.02	Commercial: 8 July 2043	
Shen Yang Guo Yong (2013) No. 0105	27 December 2013	12,486.22	Commercial: 8 July 2043	
Shen Yang Guo Yong (2013) No. 0106	27 December 2013	<u>7,768.10</u>	Commercial: 8 July 2043	
		Total:	<u>50,719.28</u>	

2. Pursuant to three Building Ownership Certificates — Shen Fang Quan Zheng Shi Da Dong Zi No. 10607 and Shen Fang Quan Zheng Zhong Xin Zi Nos. 60383498 and 60541529 dated 9 September 2004, 28 December 2010 and 24 December 2013 respectively, the building ownership of Block B, Wal-Mart Outlet and Block C of the property with a total gross floor area of 195,689.04 sq.m. is vested in Shenyang Development for commercial, car park and public facilities uses.
3. Pursuant to the Completion Certificate — 2010 Nian No. 5060 dated 18 October 2010, the construction works of Block A of the Development with a total gross floor area of approximately 69,766.00 sq.m. has been examined and such examination has been recorded.
4. Pursuant to the Completion Report and the Building Survey Report dated 1 July 2011 and 17 December 2012 respectively, the construction works of Block D of the Development with a total gross floor area of approximately 69,813.11 sq.m. (including the civil defence area with a total gross floor area of approximately 4,003.01 sq.m.) has been completed.
5. As advised by the Company, the property is subject to various mortgages.
6. We have been provided with a legal opinion on the title to the property issued by the Company’s PRC legal adviser, which contains, *inter alia*, the following information:
- i. Shenyang Development is the legal owner of Blocks B, C and Wal-Mart Outlet of the property and is entitled to occupy, use, transfer, let, mortgage or by other legal means to dispose of such portions of the property within the residue of their land use terms;
 - ii. Shenyang Development is the legal land user of Blocks A and D of the property and is entitled to occupy, use and receive earnings from such land parcels within the residue of their land use terms;
 - iii. the completion certificate of Block A of the property and the completion report of Block D of the property have been obtained. There shall be no substantial legal impediments for Shenyang Development to obtain the building ownership certificates of such portions of the property (excluding the civil defense area) upon obtaining the completion certificate (as to Block D), registration of the building survey report and application of title proof of such portions of the property in accordance with the prescribed procedures under the PRC laws; and
 - iv. save for the aforementioned mortgages, the property is free from any ownership disputes, court seizures or other judicial compulsory measures.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014																																
16.	Beijing COFCO Plaza, 8 Jianguomen Nei Dajie, Dongcheng District, Beijing, PRC	<p>Beijing COFCO Plaza comprises two 13- to 14-storey office towers and a 5-storey shopping arcade over a 3-storey basement (commercial/car park uses) and is erected on a parcel of land with a site area of approximately 22,555.46 sq.m., which was completed in 1996.</p> <p>The property is located along Jianguomen Nei Dajie, the eastern extension of Chang'an Avenue in Dongcheng District, Beijing. It is at about 15-minute walking distance to Jianguomen Station of Beijing Metro Line Nos. 1 and 2. Developments in the vicinity are dominated by various commercial developments of various ages. It is at about 10 minutes' drive to the city centre of Beijing and at about 25 minutes' drive to Beijing Capital International Airport.</p> <p>The property has a total gross floor area of approximately 118,631.80 sq.m. and also accommodates 457 car parking spaces. Details of the uses and approximate gross floor areas of the property are as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td colspan="2">Tower A</td> </tr> <tr> <td>Commercial</td> <td>793.10</td> </tr> <tr> <td>Office</td> <td>31,015.00</td> </tr> <tr> <td>Basement</td> <td>874.20</td> </tr> <tr> <td>Sub-total:</td> <td>32,679.50</td> </tr> <tr> <td colspan="2">Tower B</td> </tr> <tr> <td>Commercial</td> <td>1,984.30</td> </tr> <tr> <td>Office</td> <td>33,379.51</td> </tr> <tr> <td>Basement</td> <td>22,557.57</td> </tr> <tr> <td>Sub-total:</td> <td>57,921.38</td> </tr> <tr> <td colspan="2">Tower C</td> </tr> <tr> <td>Commercial/Office</td> <td>18,494.11</td> </tr> <tr> <td>Basement</td> <td>9,536.81</td> </tr> <tr> <td>Sub-total:</td> <td>28,030.92</td> </tr> <tr> <td>Total:</td> <td><u>118,631.80</u></td> </tr> </tbody> </table>	Use	Approximate Gross Floor Area (sq.m.)	Tower A		Commercial	793.10	Office	31,015.00	Basement	874.20	Sub-total:	32,679.50	Tower B		Commercial	1,984.30	Office	33,379.51	Basement	22,557.57	Sub-total:	57,921.38	Tower C		Commercial/Office	18,494.11	Basement	9,536.81	Sub-total:	28,030.92	Total:	<u>118,631.80</u>	<p>As at the valuation date, portion of the property with a total lettable floor area of approximately 99,184.16 sq.m. was subject to various tenancies with the latest one due to expire on 31 December 2022 at a total monthly rental of approximately RMB21,950,000 (excluding management fees and other outgoings) whilst the remaining portion of the property was vacant.</p>	<p>RMB5,010,000,000</p> <p>(40% interest attributable to the Target Group: RMB2,004,000,000)</p>
Use	Approximate Gross Floor Area (sq.m.)																																			
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		<p>As advised by the Company, the total lettable floor area of the property as at the valuation date is approximately 108,029.79 sq.m..</p> <p>The land use rights of the property have been granted for a term expiring on 29 February 2044 for composite use.</p>																																		

Notes:

1. Pursuant to three State-owned Land Use Rights Certificates — Jing Shi Dong Gang Ao Tai Guo Yong (2002 Chu) Zi Nos. 10144 to 10148 dated 5 February 2002, the land use rights of a parcel of land with a site area of approximately 22,555.46 sq.m. have been granted to Beijing COFCO Plaza Development Co., Ltd. (北京中糧廣場發展有限公司) (“Beijing COFCO”), a 40%-owned associate of Fortune Set, for a term expiring on 29 February 2044 for composite use.
2. Pursuant to three Building Ownership Certificates — Jing Fang Quan Zheng Shi Dong Gang Au Tai Zi Nos. 10103 to 10105 dated 8 February 2002, the building ownership of the property with a total gross floor area of 118,631.80 sq.m. is vested in Beijing COFCO for office use.
3. We have been provided with a legal opinion on the title to the property issued by the Company’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Beijing COFCO is the legal owner of the property and is entitled to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property within the residue of its land use term; and
 - ii. the property is free from any ownership disputes, court seizures or other judicial compulsory measures.
4. We have also issued a valuation report to the Company dated 26 August 2014 (the “August Report”) for the valuation of various investment properties held by the Company and its subsidiaries in the PRC and Hong Kong as at 30 June 2014 for accounting purpose.

As shown in the August Report, only the property (Beijing COFCO Plaza) and Property No. 17 (Shanghai COFCO Tower) are relevant to this proposed acquisition.

As at 30 June 2014, portion of the property with a total lettable floor area of approximately 94,921.60 sq.m. was subject to various tenancies with the latest one due to expire on 31 December 2022 at a total monthly rental of approximately RMB21,320,000 (excluding management fees and other outgoings) whilst the remaining portion of the property was vacant.

Except for the above, all other property description and particulars including the valuation amount as disclosed in the August Report are the same as those disclosed in this report.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
17.	Shanghai COFCO Tower, 440 Zhongshan South 2nd Road, Xuhui District, Shanghai, PRC	<p>Shanghai COFCO Tower comprises a 23-storey office tower erected on a parcel of land with a site area of approximately 3,285.00 sq.m., which was completed in 2001.</p> <p>The property is located along Zhongshan South 2nd Road, Xuhui District, Shanghai. It is at about 5-minute driving distance to Dong'an Lu Station of Shanghai Metro Line Nos. 4 and 7. Developments in the vicinity are dominated by various residential and commercial developments of various ages. It is at about 10 minutes' drive to the centre of Xuhui District and at about 35 minutes' drive to Shanghai Hongqiao International Airport.</p> <p>The property has a total gross floor area of approximately 20,606.10 sq.m. for office use. As advised by the Company, the total lettable floor area of the property as at the valuation date is approximately 17,848.00 sq.m..</p> <p>The land use rights of the property have been granted for a term expiring on 10 July 2046 for commercial and office uses.</p>	As at the valuation date, portion of the property with a total lettable floor area of approximately 16,998.79 sq.m. was subject to various tenancies with the latest one due to expire on 23 October 2022 at a total monthly rental of approximately RMB1,250,000 (excluding management fees and other outgoings) whilst the remaining portion of the property was vacant.	RMB352,000,000 (50% interest attributable to the Target Group: RMB176,000,000)

Notes:

- Pursuant to the Realty Title Certificate — Hu Fang Di Xu Zi (2003) No. 023752 dated 9 July 2003, the building ownership of the property with a total gross floor area of approximately 20,606.10 sq.m. together with the correspondingly land use rights of a parcel of land with a site area of approximately 3,285.00 sq.m. for a term expiring on 10 July 2046 are vested in Shanghai COFCO Property Development Co., Ltd. (上海中糧置業發展有限公司) (“COFCO Shanghai”), a joint venture owned as to 50% by COFCO Commercial Property Investment Co., Ltd. (中糧置業投資有限公司) (“COFCO Investment”) and 50% by COFCO (BVI) No. 94 Limited (“COFCO (BVI) No. 94”), for office use. COFCO Investment is a 100%-owned subsidiary of Fortune Set and CODCO (BVI) No. 94 is a 100%-owned subsidiary of the Company.

2. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
 - i. COFCO Shanghai is the legal owner of the property and is entitled to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property within the residue of its land use term;
 - ii. the property is free from any ownership disputes, court seizures or other judicial compulsory measures; and
 - iii. in accordance with the stipulations of the current effective joint venture agreement and the articles of association of COFCO Shanghai, the profit sharing between the shareholders of COFCO Shanghai is in proportion to their respective shares in the registered capital.
3. We have also issued a valuation report to the Company dated 26 August 2014 (the "August Report") for the valuation of various investment properties held by the Company and its subsidiaries in the PRC and Hong Kong as at 30 June 2014 for accounting purpose.

As shown in the August Report, only the property (Shanghai COFCO Tower) and Property No.16 (Beijing COFCO Plaza) are relevant to this proposed acquisition.

As at 30 June 2014, portion of the property with a total lettable floor area of approximately 16,493.63 sq.m. was subject to various tenancies with the latest one due to expire on 23 October 2022 at a total monthly rental of approximately RMB1,190,000 (excluding management fees and other outgoings) whilst the remaining portion of the property was vacant.

Except for the above, all other property description and particulars including the valuation amount as disclosed in the August Report are the same as those disclosed in this report.

Group IV — Property held by the Target Group for operation in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
18.	The hotel portion of Beijing Xidan Joy City, 131B Xidan North Dajie, Xicheng District, Beijing, PRC	<p>Beijing Xidan Joy City (the “Development”) is a comprehensive office, hotel and commercial complex and is erected on a parcel of land with a site area of approximately 14,540.58 sq.m., which was completed in 2008.</p> <p>The Development is located along Xidan North Dajie, Xicheng District, Beijing. It is at about 10-minute walking distance to Xidan Station of Beijing Metro Line Nos 1 and 4. Developments in the vicinity are dominated by large-scale commercial developments of various ages. It is at about 10 minutes’ drive to the city centre of Beijing and at about 40 minutes’ drive to Beijing Capital International Airport.</p> <p>The property comprises the hotel portion of the Development, which is an 11-storey hotel tower erected over a 5-storey commercial podium with a total gross floor area of approximately 32,884.82 sq.m.. The property accommodates a total of 300 guest rooms with other facilities such as restaurant, mini bar and business centre.</p> <p>The land use rights of the property have been granted for two concurrent terms expiring on 31 May 2044 for composite commercial and underground composite commercial uses and 31 May 2054 for underground car park, underground storage and underground office (property management office) uses.</p>	As at the valuation date, the property was operated by the Target Group as a hotel.	RMB703,000,000 (100% interest attributable to the Target Group: RMB703,000,000)

Notes:

- Pursuant to the State-owned Land Use Rights Certificate — Jing Yang Xi Guo Yong (2014 Chu) No. 00007 dated 28 August 2014, the land use rights of a parcel of land with a site area of approximately 14,540.58 sq.m. have been granted to Xidan Joy City Co., Ltd. (西單大悅城有限公司) (“Xidan Joy City Co”), a 100%-owned subsidiary of Fortune Set, for two concurrent terms expiring on 31 May 2044 for composite commercial and underground composite commercial uses and 31 May 2054 for underground car park, underground storage and underground office (property management office) uses.
- Pursuant to the Building Ownership Certificate — X Jing Fang Quan Zheng Xi Zi No. 103267 dated 24 January 2013, the building ownership of the property with a total gross floor area of approximately 32,884.82 sq.m. is vested in Xidan Joy City Co for hotel use.

3. As advised by the Company, the property is subject to a mortgage.
4. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Xidan Joy City Co is the legal owner of the property and is entitled to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property within the residue of its land use term; and
 - ii. save for the aforementioned mortgage, the property is free from any ownership disputes, court seizures or other judicial compulsory measures.
5. In undertaking our valuation of the property, our adopted key assumptions are summarized as follows:
 - i. Average daily room rate ("ADR"): RMB690 for Year 1
 - ii. Annual growth in ADR: Stabilised at 3%
 - iii. Occupancy rate on available room basis: About 75% for Year 1
 - iv. Discount rate: 5.5%
 - v. Capitalization rate: 2.5%

Group V — Properties held by the Target Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
19.	The Northern Tower of Shanghai Joy City, Qiu 1, Jiefang 460, Beizhan Street Block, East of Xizang North Road, South of Haining Road, Zhabei District, Shanghai, PRC	<p>Shanghai Joy City (the “Development”) is a comprehensive office, commercial apartment, residential and commercial complex, which is being completed in phases. The property comprises the Northern Tower of the Development and is being erected on a parcel of land with a site area of approximately 12,894.30 sq.m..</p> <p>The Development is located at the north-eastern corner of the junction of Qufu Road and Xizang North Road, Zhabei District, Shanghai. It is directly connected to Qufu Lu Station of Shanghai Metro Line Nos. 8 and 12. Developments in the vicinity are dominated by various residential, commercial and community services developments of various ages. It is at about 5 minutes’ drive to the centre of Zhabei District and at about 35 minutes’ drive to Shanghai Hongqiao International Airport.</p> <p>According to the latest development proposal provided by the Company, the property upon completion comprises an 8-storey shopping mall over a 3-storey basement (commercial/car park uses) with a total gross floor area of approximately 95,217.18 sq.m. for commercial use and also accommodates 230 car parking spaces.</p> <p>As advised by the Company, the property is scheduled for completion in the fourth quarter of 2015.</p> <p>The land use rights of the property have been granted for a term expiring on 31 July 2043 for commercial use.</p>	As at the valuation date, the property was under construction.	RMB2,251,000,000 (100% interest attributable to the Target Group: RMB2,251,000,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract — Hu Fang Di Zha (2003) Chu Rang He Tong No. 086 dated 1 August 2003 and its supplementary agreements dated 4 November 2005 and 20 November 2013 respectively, the land use rights of four parcels of land with a total site area of approximately 78,092.00 sq.m. have been granted to Shanghai Xinlan Real Estate Development Co., Ltd. (上海新蘭房地產開發有限公司) (“Shanghai Xinlan”), a 100%-owned subsidiary of Fortune Set, for four concurrent terms of 40 years for commercial use, 50 years for office and public facilities uses and 70 years for residential use at a total land grant fee of approximately RMB132,990,000 and the land grant fee has further been revised to nil since such land parcels are designated as an urban renewal area pursuant to the Provisional Measures of Resident Re-settlement and Urban Renewal — Hu Cheng Jian (2001) No. 0068 dated 9 February 2001.

As stipulated, the construction works of the proposed development on the afore-mentioned land parcels shall be completed before 31 December 2019.

2. Pursuant to the Framework Agreement on the Transfer, Renewal and Re-settlement of Xinmei Site and its supplementary agreement dated 12 June 2010 and 10 November 2011 respectively, Shanghai Xinlan is contracted to pay the land re-settlement fee of approximately RMB8,800,000,000 for the land parcels as mentioned in Note 1.
3. Pursuant to the Realty Title Certificate — Hu Fang Di Zha Zi (2012) No. 010694 dated 29 August 2012, the land use rights of a parcel of land with a site area of approximately 12,894.00 sq.m. have been granted to Shanghai Xinlan for a term expiring on 31 July 2043 for commercial use.
4. Pursuant to the Planning Permit for Construction Land — Hu Zha Di (2003) No. 0014 dated 16 June 2013, Shanghai Xinlan is permitted to use a parcel of land with a site area of approximately 88,400.00 sq.m. for development.
5. Pursuant to the Planning Permit for Construction Works — Hu Zha Jian (2013) No. FA31010820135166 date 30 August 2013, the approved construction scale of the property is approximately 95,217.18 sq.m..
6. Pursuant to the Approval for Commencement of Construction Works — No. 1202ZB0077D01310108201208292319 dated 3 December 2013, the construction works of the property with a construction scale of approximately 95,217.18 sq.m. is approved for commencement.
7. As advised by the Company, the total construction cost expended as at the valuation date was approximately RMB511,900,000 and the estimated outstanding construction cost for completion of the property was approximately RMB937,200,000. We have taken into account the aforesaid amounts in our valuation.
8. The market value of the property as if completed as at the valuation date is estimated to be RMB4,568,400,000.
9. We have been provided with a legal opinion on the title to the property issued by the Company’s PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Shanghai Xinlan is the legal land user of the property and is entitled to occupy, use and receive earnings from such land parcel within the residue of its land use term;
 - ii. Shanghai Xinlan has obtained the necessary certificates, permits and approvals for the construction of the property, which have not been withdrawn or amended and are still legal and effective; and
 - iii. the property is free from any ownership disputes, court seizures or other judicial compulsory measures.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
20.	The office portion of Tianjin Joy City, 2-6 Nanmen Wai Dajie, Nankai District, Tianjin, PRC	Tianjin Joy City (the “Development”) is a comprehensive office, commercial apartment, residential and commercial complex, which is being completed in phases. The property comprises the office portion of the Development and is being erected on a parcel of land with a site area of approximately 60,908.60 sq.m..	As at the valuation date, the property was under construction.	RMB725,000,000 (100% interest attributable to the Target Group: RMB725,000,000)
		<p>The Development is located at the south-western corner of the junction of Nanma Road and Nanmen Wai Dajie, Nankai District, Tianjin. It is directly connected to Gulou Station of Tianjin Metro Line No. 2. Developments in the vicinity are dominated by various commercial and residential developments of various ages. It is at about 10 minutes’ drive to the centre of Nankai District and at about 40 minutes’ drive to Tianjin Binhai International Airport.</p> <p>According to the latest development proposal provided by the Company, the property upon completion comprises a 35-storey office block with a total gross floor area of approximately 63,935.00 sq.m. plus the underground civil defence area with a total gross floor area of approximately 18,387.00 sq.m..</p> <p>As advised by the Company, the property is scheduled for completion in the third quarter of 2015.</p> <p>The land use rights of the property have been granted for two concurrent terms expiring on 4 May 2050 for underground commercial use and 21 December 2050 for residential and commercial uses.</p>		

Notes:

- Pursuant to the Realty Title Certificate — Fang Di Zheng Jin Zi No. 104051200063 dated 11 June 2012, the land use rights of a parcel of land with a site area of approximately 60,908.60 sq.m. have been granted to Joy City (Tianjin) Co., Ltd. (大悦城(天津)有限公司) (“Joy City Tianjin”), a 100%-owned subsidiary of Fortune Set, two concurrent terms expiring on 4 May 2050 for underground commercial use and 21 December 2050 for residential and commercial uses.

2. Pursuant to the Planning Permit for Construction Land — 2009 Nan Kai Di Zheng 0002 dated 13 May 2011, Joy City Tianjin is permitted to use a parcel of land with a site area of approximately 77,450.10 sq.m. for development.
3. Pursuant to the Planning Permit for Construction Works — 2010 Nan Kai Jian Zheng 0009 date 1 July 2011, the approved construction scale of the property is approximately 63,935.00 sq.m..
4. Pursuant to the Approval for Commencement of Construction Works — No. 12104040201105021 dated 26 July 2011, the construction works of the property with a construction scale of approximately 82,322.00 sq.m. is approved for commencement.
5. As advised by the Company, the total construction cost expended as at the valuation date was approximately RMB447,400,000 and the estimated outstanding construction cost for completion of the property was approximately RMB235,100,000. We have taken into account the aforesaid amounts in our valuation.
6. The market value of the property as if completed as at the valuation date is estimated to be RMB1,246,700,000.
7. As advised by the Company, the property is subject to various mortgages.
8. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Joy City Tianjin is the legal land user of the property and is entitled to occupy, use, and receive earnings from such land parcel within the residue of its land use term;
 - ii. Joy City Tianjin has obtained the necessary certificates, permits and approvals for the construction of the property, which have not been withdrawn or amended and are still legal and effective; and
 - iii. save for the aforementioned mortgages, the property is free from any ownership disputes, court seizures or other judicial compulsory measures.

Group VI — Properties held by the Target Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
21.	Portion of a land parcel located at east of Xizang North Road and south of Haining Road, Zhabei District, Shanghai, PRC	<p>Shanghai Joy City (the “Development”) is a comprehensive office, commercial apartment, residential and commercial complex, which is being completed in phases. The property comprises two parcels of land with a total site area of approximately 55,763.00 sq.m. on which Phase II of the Development is proposed to be erected.</p> <p>The Development is located at the north-eastern corner of the junction of Qufu Road and Xizang North Road, Zhabei District, Shanghai. It is directly connected to Qufu Lu Station of Shanghai Metro Line Nos. 8 and 12. Developments in the vicinity are dominated by various residential, commercial and community services developments of various ages. It is at about 5 minutes’ drive to the centre of Zhabei District and at about 35 minutes’ drive to Shanghai Hongqiao International Airport.</p> <p>As advised by the Company, the maximum permissible gross floor area of the property is approximately 169,955.51 sq.m. together with the underground commercial gross floor area of approximately 42,000.00 sq.m. and the community public facilities with a gross floor area of approximately 7,115.00 sq.m..</p> <p>The land use rights of the property have been granted for three concurrent terms expiring on 29 September 2053 for commercial use, 29 September 2063 for office and public facilities uses and 29 September 2083 for residential use.</p>	As at the valuation date, the property was under demolition and site formation.	<p>RMB6,823,300,000</p> <p>(100% interest attributable to the Target Group: RMB6,823,300,000)</p> <p>(See Note 3)</p>

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract — Hu Fang Di Zha (2003) Chu Rang He Tong No. 086 dated 1 August 2003 and its supplementary agreements dated 4 November 2005 and 20 November 2013 respectively, the land use rights of four parcels of land with a total site area of approximately 78,092.00 sq.m. have been granted to Shanghai Xinlan Real Estate Development Co., Ltd. (上海新蘭房地產開發有限公司) (“Shanghai Xinlan”), a 100%-owned subsidiary of Fortune Set, for four concurrent terms of 40 years for commercial use, 50 years for office and public facilities uses and 70 years for residential use at a total land grant fee of approximately RMB132,990,000 and the land grant fee has further been revised to nil since such land parcels are designated as an urban renewal area pursuant to the Provisional Measures of Resident Resettlement and Urban Renewal — Hu Cheng Jian (2001) No. 0068 dated 9 February 2001.

As stipulated, the construction works of the proposed development on the afore-mentioned land parcels shall be completed before 31 December 2019.

2. Pursuant to the Framework Agreement on the Transfer, Renewal and Re-settlement of Xinmei Site and its supplementary agreement dated 12 June 2010 and 10 November 2011 respectively, Shanghai Xinlan is contracted to pay the land re-settlement fee of approximately RMB8,800,000,000 for the land parcels as mentioned in Note 1.
3. As advised by the Company, the property was subject to an outstanding land re-settlement fee in the sum of approximately RMB1,378,700,000 as at the valuation date. We have taken into account the aforesaid amount in our valuation.
4. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Shanghai Xinlan enjoys the contractual right to claim the land use rights of the property under the afore-mentioned land grant contract in Note 1; and
 - ii. upon fulfilment of the registration requirements of the land use rights of the property under the afore-mentioned land grant contract in Note 1, there shall exist no substantial legal impediments for Shanghai Xinlan to obtain the land use rights certificate of the property in accordance with the prescribed procedures under the PRC laws.

4. In the course of our valuation, we have assigned no commercial value to the property since the property is not freely transferrable in the market. For reference purpose, the market value of the property as at the valuation date would be in the sum of RMB1,218,000,000 (30% interest attributable to the Target Group: RMB365,400,000) if the property could be freely transferrable in the market.
5. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
 - i. Beijing Kunting Asset Management is the legal land user of the property and is entitled to occupy, use, and receive earnings from such land parcel within the residue of its land use term.

Group VII — Properties leased by the Target Group in the PRC

No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 31 August 2014
23.	Unit 301-CDEHJHI, Level 3, Xinmei Mansion, 585 Tianmu Middle Road, Zhabei District, Shanghai, PRC	<p>Xinmei Mansion (the “Building”) comprises a 21-storey office building, which was completed in 2000.</p> <p>The property comprises an office unit on Level 3 of the Building with a total gross floor area of approximately 779.00 sq.m..</p> <p>The property is leased by Shanghai Xinlan Real Estate Development Co., Ltd. (上海新蘭房地產開發有限公司) (“Shanghai Xinlan”), a 100%-owned subsidiary of Fortune Set, from Shanghai Xinmei Industrial Co., Ltd. (the “lessor”), an independent third party, for a term expiring on 30 September 2014 with a lease renewal till 30 September 2016.</p>	As at the valuation date, the property was occupied by the Target Group for office use.	No commercial value

Notes:

1. The property is leased by Shanghai Xinlan from the lessor for a term commencing on 1 October 2013 and expiring on 30 September 2014 at a daily rental of RMB2.20 per sq.m. with a lease renewal expiring on 30 September 2016 at a daily rental of RMB2.50 per sq.m..
2. We have been provided with a legal opinion on the legality of the lease agreement to the property issued by the Company’s PRC legal adviser, which contains, inter-alia, the following information:
 - i. the lease is legally binding;
 - ii. Shanghai Xinlan has the rights to occupy and use the property during the term of the lease; and
 - iii. the lease has not been registered and non-registration of the lease does not affect its validity.

No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 31 August 2014
24.	Unit 1903, Level 19, Sunshine 100 Office Tower, 25 Haigang Road, Zhifu District, Yantai, Shandong Province, PRC	<p>Sunshine 100 Office Tower (the “Building”) comprises a 31-storey office building, which was completed in 2008.</p> <p>The property comprises an office unit on Level 19 of the Building with a total gross floor area of approximately 115.04 sq.m..</p> <p>The property is leased by Yantai Joy City Co., Ltd. (煙台大悅城有限公司) (“Yantai Joy City Co”), an indirectly-owned subsidiary which has 18% interest attributable to Mega Health and an indirectly-owned associate which has 33% interest attributable to Fortune Set, from Yantai Yindu Property Co., Ltd. (the “lessor”), an independent third party, for a term expiring on 14 February 2015.</p>	As at the valuation date, the property was occupied by the Target Group for office use.	No commercial value

Notes:

1. The property is leased by Yantai Joy City Co from the lessor for a term commencing on 15 February 2013 and expiring on 14 February 2015 at a daily rental of RMB1.90 per sq.m..
2. We have been provided with a legal opinion on the legality of the lease agreement to the property issued by the Company’s PRC legal adviser, which contains, inter-alia, the following information:
 - i. the lease is legally binding;
 - ii. Yantai Joy City Co has the rights to occupy and use the property during the term of the lease; and
 - iii. the lease has not been registered and non-registration of the lease does not affect its validity.

No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 31 August 2014
25.	Unit 1904, Level 19, Sunshine 100 Office Tower, 25 Haigang Road, Zhifu District, Yantai, Shandong Province, PRC	<p>Sunshine 100 Office Tower (the “Building”) comprises a 31-storey office building, which was completed in 2008.</p> <p>The property comprises an office unit on Level 19 of the Building with a total gross floor area of approximately 169.36 sq.m..</p> <p>The property is leased by Yantai Joy City Co., Ltd. (煙台大悅城有限公司) (“Yantai Joy City Co”), an indirectly-owned subsidiary which has 18% interest attributable to Mega Health and an indirectly-owned associate which has 33% interest attributable to Fortune Set, from Zou Aili (the “lessor”), an independent third party, for a term expiring on 14 February 2015.</p>	As at the valuation date, the property was occupied by the Target Group for office use.	No commercial value

Notes:

1. The property is leased by Yantai Joy City Co from the lessor for a term commencing on 15 February 2013 and expiring on 14 February 2015 at a daily rental of RMB2.00 per sq.m..
2. We have been provided with a legal opinion on the legality of the lease agreement to the property issued by the Company’s PRC legal adviser, which contains, inter-alia, the following information:
 - i. the lease is legally binding;
 - ii. Yantai Joy City Co has the rights to occupy and use the property during the term of the lease; and
 - iii. the lease has not been registered and non-registration of the lease does not affect its validity.

No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 31 August 2014
26.	Unit 1908, Level 19, Block A, Sunshine 100 Office Tower, 25 Haigang Road, Zhifu District, Yantai, Shandong Province, PRC	<p>Sunshine 100 Office Tower (the “Building”) comprises a 31-storey office building, which was completed in 2008.</p> <p>The property comprises an office unit on Level 19 of the Building with a total gross floor area of approximately 130.37 sq.m..</p> <p>The property is leased by Yantai Joy City Co., Ltd. (煙台大悅城有限公司) (“Yantai Joy City Co”), an indirectly-owned subsidiary which has 18% interest attributable to Mega Health and an indirectly-owned associate which has 33% interest attributable to Fortune Set, from Zou Aili (the “lessor”), an independent third party, for a term expiring on 4 September 2015.</p>	As at the valuation date, the property was occupied by the Target Group for office use.	No commercial value

Notes:

1. The property is leased by Yantai Joy City Co from the lessor for a term commencing on 5 September 2011 and expiring on 4 September 2015 at a daily rental of RMB1.60 per sq.m..
2. We have been provided with a legal opinion on the legality of the lease agreement to the property issued by the Company’s PRC legal adviser, which contains, inter-alia, the following information:
 - i. the lease is legally binding;
 - ii. Yantai Joy City Co has the rights to occupy and use the property during the term of the lease; and
 - iii. the lease has not been registered and non-registration of the lease does not affect its validity.

No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 31 August 2014
27.	Unit 1917, Level 19, Block A, Sunshine 100 Office Tower, 25 Haigang Road, Zhifu District, Yantai, Shandong Province, PRC	<p>Sunshine 100 Office Tower (the “Building”) comprises a 31-storey office building, which was completed in 2008.</p> <p>The property comprises an office unit on Level 19 of the Building with a total gross floor area of approximately 130.37 sq.m..</p> <p>The property is leased by Yantai Joy City Co., Ltd. (煙台大悅城有限公司) (“Yantai Joy City Co”), an indirectly-owned subsidiary which has 18% interest attributable to Mega Health and an indirectly-owned associate which has 33% interest attributable to Fortune Set, from Pan Benxiang (the “lessor”), an independent third party, for a term expiring on 31 July 2015.</p>	As at the valuation date, the property was occupied by the Target Group for office use.	No commercial value

Notes:

1. The property is leased by Yantai Joy City Co from the lessor for a term commencing on 1 August 2011 and expiring on 31 July 2015 at a daily rental of RMB1.60 per sq.m..
2. We have been provided with a legal opinion on the legality of the lease agreement to the property issued by the Company’s PRC legal adviser, which contains, inter-alia, the following information:
 - i. the lease is legally binding;
 - ii. Yantai Joy City Co has the rights to occupy and use the property during the term of the lease; and
 - iii. the lease has not been registered and non-registration of the lease does not affect its validity.

No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 31 August 2014
28.	Units 1909–1916, Level 19, Block A, Sunshine 100 Office Tower, 25 Haigang Road, Zhifu District, Yantai, Shandong Province, PRC	<p>Sunshine 100 Office Tower (the “Building”) comprises a 31-storey office building, which was completed in 2008.</p> <p>The property comprises eight office units on Level 19 of the Building with a total gross floor area of approximately 1,030.07 sq.m..</p> <p>The property is leased by Yantai Joy City Co., Ltd. (煙台大悅城有限公司) (“Yantai Joy City Co”), an indirectly-owned subsidiary which has 18% interest attributable to Mega Health and an indirectly-owned associate which has 33% interest attributable to Fortune Set, from Li Dingwen, Chu Jiexiu and Li Xiaoming (collectively, the “lessor”), an independent third party, for a term expiring on 27 September 2015.</p>	As at the valuation date, the property was occupied by the Target Group for office use.	No commercial value

Notes:

1. The property is leased by Yantai Joy City Co from the lessor for a term commencing on 28 September 2011 and expiring on 27 September 2015 at a daily rental of RMB1.60 per sq.m..
2. We have been provided with a legal opinion on the legality of the lease agreement to the property issued by the Company’s PRC legal adviser, which contains, inter-alia, the following information:
 - i. the lease is legally binding;
 - ii. Yantai Joy City Co has the rights to occupy and use the property during the term of the lease; and
 - iii. the lease has not been registered and non-registration of the lease does not affect its validity.

No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 31 August 2014
29.	Level 12 together with various car parking spaces on Level B4, COFCO Fortune Plaza, 8 Chaoyangmen South Dajie, Chaoyang District, Beijing, PRC	<p>COFCO Fortune Plaza (the “Building”) comprises a 22-storey office building, which was completed in 2008.</p> <p>The property comprises the whole of Level 12 of the Building with a total gross floor area of approximately 2,544.00 sq.m. together with 19 car parking spaces on Level B4 of the Building.</p> <p>The property is leased by COFCO Commercial Property Investment Co., Ltd. (中糧置業投資有限公司) (“COFCO Investment”), a 100%-owned subsidiary of Fortune Set, from COFCO Corporation (中糧集團有限公司) (the “lessor”), a connected person, for a term expiring on 31 December 2014.</p>	As at the valuation date, the property was occupied by the Target Group for office and car park uses.	No commercial value

Notes:

1. The property is leased by COFCO Investment from the lessor for a term commencing on 1 January 2014 and expiring on 31 December 2014 at an annual rental of RMB9,615,168.
2. We have been provided with a legal opinion on the legality of the lease agreement to the property issued by the Company’s PRC legal adviser, which contains, inter-alia, the following information:
 - i. the lease is legally binding;
 - ii. COFCO Investment has the rights to occupy and use the property during the term of the lease; and
 - iii. the lease has not been registered and non-registration of the lease does not affect its validity.

No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 31 August 2014
30.	Unit Nos. 1 and 2, Building No. 8, Gulou Nancheng Street, Chengxiang Middle Road, Nankai District, Tianjin, PRC	<p data-bbox="501 331 903 453">Building No. 8 of Gulou Nancheng Street (the “Building”) comprises a 3-storey office building, which was completed in 2001.</p> <p data-bbox="501 491 903 580">The property comprises Unit Nos. 1 and 2 of the Building with a total gross floor area of approximately 1,655.47 sq.m..</p> <p data-bbox="501 619 903 866">The property is leased by Joy City (Tianjin) Co., Ltd. (大悦城(天津)有限公司) (“Joy City Tianjin”), a 100%-owned subsidiary of Fortune Set, from Tianjin Housing Project for Low-income Households Office (the “lessor”), an independent third party, for a term expiring on 24 September 2015.</p>	As at the valuation date, the property was occupied by the Target Group for office use.	No commercial value

Notes:

1. The property is leased by Joy City Tianjin from the lessor for a term commencing on 25 September 2012 and expiring on 24 September 2015 at a daily rental of RMB3.00 per sq.m..
2. We have been provided with a legal opinion on the legality of the lease agreement to the property issued by the Company’s PRC legal adviser, which contains, inter-alia, the following information:
 - i. the lease is legally binding;
 - ii. Joy City Tianjin has the rights to occupy and use the property during the term of the lease; and
 - iii. the lease has not been registered and non-registration of the lease does not affect its validity.

No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 31 August 2014
31.	Units 701 to 703, Level 7, Block A, Huangcheng International, 138 Andingmen Wai Dajie, Dongcheng District, Beijing, PRC	<p>Block A of Huangcheng International (the “Building”) comprises a 15-storey office building, which was completed in 2007.</p> <p>The property comprises three office units on Level 7 of the Building with a total gross floor area of approximately 771.43 sq.m..</p> <p>The property is leased by Beijing Kunting Asset Management Co., Ltd. (北京昆庭資產管理有限公司) (“Beijing Kunting Asset Management”), a 30%-owned associate of Fortune Set, from Beijing Zhiyuan Junchi Investment Management Co., Ltd. (the “lessor”), an independent third party, for a term expiring on 19 February 2017.</p>	As at the valuation date, the property was occupied by the Target Group for office use.	No commercial value

Notes:

1. The property is leased by Beijing Kunting Asset Management from the lessor for a term commencing on 20 February 2014 and expiring on 19 February 2017 at an annual rental of RMB2,079,775.28 (including management fees).
2. We have been provided with a legal opinion on the legality of the lease agreement to the property issued by the Company’s PRC legal adviser, which contains, inter-alia, the following information:
 - i. the lease is legally binding;
 - ii. Beijing Kunting Asset Management has the rights to occupy and use the property during the term of the lease; and
 - iii. the lease has not been registered and non-registration of the lease does not affect its validity.

No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 31 August 2014
32.	Unit 2428, Level 4, 183 Andingmen Wai Dajie, Dongcheng District, Beijing, PRC	<p>183 Andingmen Wai Dajie (the “Building”) comprises an 18-storey office building, which was completed in 1995.</p> <p>The property comprises an office unit on Level 4 of the Building with a total gross floor area of approximately 162.00 sq.m..</p> <p>The property is leased by Beijing Kunting Asset Management Co., Ltd. (北京昆庭資產管理有限公司) (“Beijing Kunting Asset Management”), a 30%-owned associate of Fortune Set, from Zhang Aiping and Wang Guangwei (collectively, the “lessor”), an independent third party, for a term expiring on 19 February 2017.</p>	As at the valuation date, the property was occupied by the Target Group for office use.	No commercial value

Notes:

1. The property is leased by Beijing Kunting Asset Management from the lessor for a term commencing on 14 May 2014 and expiring on 19 February 2017 at an annual rental of RMB187,200.
2. We have been provided with a legal opinion on the legality of the lease agreement to the property issued by the Company’s PRC legal adviser, which contains, inter-alia, the following information:
 - i. the lease is legally binding;
 - ii. Beijing Kunting Asset Management has the rights to occupy and use the property during the term of the lease; and
 - iii. the lease has not been registered and non-registration of the lease does not affect its validity.

A. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

B. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in the shares, underlying shares and debentures of the Company and its associated corporations

Name of Director/ Chief Executive	Company/Name of associated corporation	Capacity	Number of issued ordinary shares held <i>(Note 1)</i>	Number of underlying shares held	Approximate percentage of the issued share capital <i>(%)</i>
Ma Jianping	China Foods Limited	Beneficial owner	—	600,000 <i>(Note 2)</i>	0.0214% <i>(Note 4)</i>
Han Shi	China Agri-Industries Holdings Limited	Beneficial owner	153,400	—	0.0029% <i>(Note 5)</i>
Ma Wangjun	China Agri-Industries Holdings Limited	Beneficial owner	—	583,000 <i>(Note 3)</i>	0.0111% <i>(Note 5)</i>
Lam Kin Ming, Lawrence	The Company	Beneficial owner	6,000	—	0.00006% <i>(Note 6)</i>

Notes:

1. Long positions in the ordinary shares of the Company or its associated corporations, other than equity derivatives such as share options, warrants or convertible bonds.
2. Long positions in the underlying shares of China Foods Limited under share options granted to Mr. Ma Jianping pursuant to the share option scheme of China Foods Limited.

3. Long positions in the underlying shares of China Agri-Industries Holdings Limited under share options granted to Mr. Ma Wangjun pursuant to the share option scheme of China Agri-Industries Holdings Limited.
4. The percentage (rounded to four decimal places) was calculated based on the total number of shares of China Foods Limited in issue as at the Latest Practicable Date, i.e. 2,797,223,396 shares.
5. The percentages (rounded to four decimal places) were calculated based on the total number of shares of China Agri-Industries Holdings Limited in issue as at the Latest Practicable Date, i.e. 5,249,880,788 shares.
6. The percentage (rounded to five decimal places) was calculated based on the total number of ordinary shares of the Company in issue as at the Latest Practicable Date, i.e. 9,487,416,572 ordinary shares.

Save for those disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any other interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, (1) Achieve Bloom was interested in 6,359,043,360 Shares and 1,095,300,778 CPS (both held by it directly as beneficial owner), representing approximately 67.03% of the total number of Shares in issue and 100% of the total number of CPS in issue as at the Latest Practicable Date, respectively (as disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO); and (2) COFCO Corporation, being the indirect sole shareholder of Achieve Bloom, was deemed to be interested in the Shares and CPS held by Achieve Bloom reported above.

As at the Latest Practicable Date, each of Mr. Ma Jianping, Mr. Ma Wangjun, Mr. Zhou Zheng and Mr. Han Shi was a director of Achieve Bloom, while Ms. Jiang Hua was a director of COFCO Corporation.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any proposed director of the Company was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

C. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the Group within two years preceding the date of this circular and are or may be material:

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

- (b) the entrustment loan agreement dated 1 November 2013 entered into among Shanghai Top Glory Real Estate Development Co., Ltd* (上海鵬利置業發展有限公司), Taiwan Hotel Co., Ltd.* (台灣飯店有限公司), both being subsidiaries of the Company, and China Construction Bank Beijing Branch in connection with the entrustment loan in an amount of RMB663.3 million arranged by Shanghai Top Glory Real Estate Development Co., Ltd for the benefit of Taiwan Hotel Co., Ltd. and an entrustment loan extension agreement in relation thereto dated 31 October 2014;
- (c) the deed of indemnity dated 22 November 2013 provided by COFCO Corporation in favour of the Company in connection with the properties acquired by the Company pursuant to the acquisition agreement referred to in paragraph (a) above;
- (d) the non-competition undertaking dated 29 November 2013 executed by COFCO Corporation in favour of the Company, incidental to the acquisition agreement referred to in paragraph (a) above;
- (e) the placing agreement dated 29 November 2013 entered into among the Company and The Hongkong and Shanghai Banking Corporation Limited, BOCI Asia Limited, J.P. Morgan Securities (Asia Pacific) Limited and Standard Chartered Securities (Hong Kong) Limited in relation to the placing of 1,955,174,000 new Shares issued by the Company to professional and institutional investors;
- (f) the sponsor agreement dated 29 November 2013 entered into among the Company, Achieve Bloom, COFCO Land and HSBC Corporate Finance (Hong Kong) Limited in relation to their rights and obligations in connection with the new listing application of the Company;
- (g) the acquisition agreement dated 1 August 2014 entered into between the Company and Grow Wealth Limited in relation to the acquisition of minority interest in Jetway Developments Limited for a consideration of HK\$1,018,921,728;
- (h) the acquisition agreement dated 1 August 2014 entered into between the Company and Woo + Woo Investments Limited in relation to the acquisition of minority interest in Yalong Development (HK) Company Limited for a consideration of HK\$998,446,456;
- (i) the Acquisition Agreement and the supplemental agreement thereto; and
- (j) the deed of indemnity provided by COFCO Corporation in favor of the Company in connection with the properties to be acquired by the Company pursuant to the Acquisition Agreement and the supplemental agreement thereto referred to in paragraph (i) above.

D. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

E. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors were materially interested, directly or indirectly, in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group.

F. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was materially interested in any business, apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group and which require disclosure under Rule 8.10 of the Listing Rules.

G. EXPERT'S CONSENT AND QUALIFICATIONS

Each of Somerley, Deloitte Touche Tohmatsu, Haiwen & Partners and Savills has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s), report(s), opinion(s) and/or valuation certificate(s) and the references to their names included herein in the form and context in which it is respectively included.

The following are the qualifications of the experts who have given opinions or advices which are contained in this circular:

Name	Qualifications
Somerley	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Haiwen & Partners	PRC legal counsel
Savills	independent property valuer

Each of the experts named above confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which have since 31 December 2013 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

H. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, save as disclosed in the profit warning announcement issued by the Company dated 25 June 2014 which provided that the Group was expected to record a significant decline in profit for the six months ended 30 June 2014 as compared to that for the corresponding period in the previous year mainly due to the expected lesser increase in the fair value of the Group's investment properties at the relevant time, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest audited consolidated financial statements of the Group were made up.

I. LEGAL PROCEEDINGS OF THE ENLARGED GROUP

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigations, arbitrations or claims of material importance, and no litigations or claims of material importance was known to the Directors to be pending or threatened against the Company or any member of the Enlarged Group.

J. GENERAL

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is 33/F., Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.
- (c) The company secretary of the Company is Mr. Tse Kin Wai, who is a solicitor of the High Court of Hong Kong.
- (d) The Company's principal share registrar and transfer office is MUFG Fund Services (Bermuda) Limited at 26 Burnaby Street, Hamilton HM 11, Bermuda. The Company's branch share registrar and transfer office in Hong Kong is Tricor Progressive Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

K. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours, Monday to Friday (other than public holidays) at the principal place of business of the Company at 33/F, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the Memorandum and Bye-laws of the Company;
- (b) the Acquisition Agreement;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 38 to 39 of this circular;
- (d) the letter from Somerley, the text of which is set out on pages 40 to 80 of this circular;
- (e) the annual reports of the Company for each of the two years ended 31 March 2011 and 2012, the nine months ended 31 December 2012 and the year ended 31 December 2013;
- (f) the Accountant's Report on the Target Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this circular;
- (g) the report on the Unaudited Pro Forma Financial Information of the Enlarged Group issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix III to this circular;
- (h) the Property Valuation Report from Savills, the texts of which are set out in Appendix IV to this circular;
- (i) the PRC legal opinions issued by Haiwen & Partners;
- (j) a copy of each of the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;
- (k) the consent letters referred to in the paragraph headed "Expert's consent and qualifications" in this Appendix;
- (l) the circular of the Company dated 22 August 2014 in relation to its acquisition of minority interests in Jetway Developments Limited and Yalong Development (HK) Company Limited which constituted discloseable and connected transactions of the Company; and
- (m) this circular.

L. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text, in the event of inconsistency.

NOTICE OF THE SGM



COFCO LAND HOLDINGS LIMITED

中糧置地控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 207)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of COFCO Land Holdings Limited (the “**Company**”) will be held at Gloucester Room II, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Thursday, 27 November 2014 at 10:00 a.m. (or immediately following the Change of Name SGM convened on the same day) for the purposes of considering and, if thought fit, passing the following resolutions numbered 1 to 3 as ordinary resolutions of the Company, with or without amendments. Capitalised terms contained in the circular dated 5 November 2014 issued by the Company (the “**Circular**”) shall have the same meanings when used herein unless otherwise specified.

ORDINARY RESOLUTIONS

Resolution in relation to the Acquisition

1. **“THAT:**

- (a) the Acquisition Agreement (including the supplemental agreement thereto) and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with paragraph (a) of this resolution.”

Resolution in relation to the grant of the Specific Mandate

2. **“THAT** subject to the passing of ordinary resolution No.1:

- (a) the grant of the Specific Mandate for the allotment and issue of the Placing Shares, the proceeds of which shall be applied for the settlement of the Consideration, subject to the terms and conditions as set out in the Circular, be and is hereby approved; and
- (b) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with paragraph (a) of this resolution.”

NOTICE OF THE SGM

Resolution in relation to the grant of the COFCO Specific Mandate

3. **“THAT** subject to the passing of ordinary resolution No. 1:
- (a) the grant of the COFCO Specific Mandate for the allotment and issue of the COFCO Subscription Shares to Achieve Bloom, the proceeds of which shall be applied for the settlement of the Consideration, subject to the terms and conditions as set out in the Circular, be and hereby approved; and
 - (b) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreement for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with paragraph (a) of this resolution.”

By order of the Board
COFCO Land Holdings Limited
ZHOU Zheng
Chairman

Hong Kong, 5 November 2014

NOTICE OF THE SGM

Notes:

- (1) The register of members of the Company will be closed for registration of transfer of shares from Tuesday, 25 November 2014 to Thursday, 27 November 2014, both days inclusive. In order to qualify for attending and voting at the SGM, all transfer documents should be lodged for registration with Tricor Progressive Limited, the Company's branch share registrar and transfer office in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong on or before 4:30 p.m., Monday, 24 November 2014.
- (2) Any member of the Company entitled to attend and vote at the SGM is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (3) Where there are joint registered holders of any share, any one of such persons may vote at the SGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share, shall alone be entitled to vote in respect thereof.
- (4) To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at Tricor Progressive Limited, the Company's branch share registrar and transfer office in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the SGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (5) The resolution at the SGM will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
- (6) As at the date of this notice, the board of directors of the Company comprises Mr. ZHOU Zheng (Chairman) and Mr. HAN Shi as executive directors; Mr. SHI Zhuowei, Mr. MA Jianping, Mr. MA Wangjun and Ms. JIANG Hua as non-executive directors; and Mr. LAU Hon Chuen, Ambrose, GBS, JP, Mr. LAM Kin Ming, Lawrence and Mr. WU Kwok Cheung, MH as independent non-executive director