

# LOGAN

龙光集团

## INTERIM REPORT 2020



# LOGAN GROUP

## Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3380)



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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Kei Hoi Pang (紀海鵬) (*Chairman*)  
Mr. Lai Zhuobin (賴卓斌) (*Chief Executive Officer*)  
Mr. Xiao Xu (肖旭)  
Mr. Wu Jian (吳劍)

### Non-executive Director

Ms. Kei Perenna Hoi Ting (紀凱婷)

### Independent Non-executive Directors

Mr. Zhang Huaqiao (張化橋)  
Ms. Liu Ka Ying, Rebecca (廖家瑩)  
Mr. Cai Suisheng (蔡穗聲)

## AUDIT COMMITTEE

Ms. Liu Ka Ying, Rebecca (*Chairman*)  
Mr. Cai Suisheng  
Mr. Zhang Huaqiao

## REMUNERATION COMMITTEE

Mr. Zhang Huaqiao (*Chairman*)  
Mr. Kei Hoi Pang  
Ms. Liu Ka Ying, Rebecca

## NOMINATION COMMITTEE

Mr. Kei Hoi Pang (*Chairman*)  
Mr. Zhang Huaqiao  
Ms. Liu Ka Ying, Rebecca

## COMPANY SECRETARY

Ms. Li Yan Wing, Rita

## AUDITOR

Ernst & Young

## REGISTERED OFFICE

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 2002, Tower B, Logan Century Center  
Xinghua Road South  
Bao'An District  
Shenzhen, China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit Nos. 02-03A, Level 68  
International Commerce Centre  
1 Austin Road West  
Hong Kong

## COMPANY'S WEBSITE

<http://www.logangroup.com>

## AUTHORIZED REPRESENTATIVES

Ms. Li Yan Wing, Rita  
Ms. Kei Perenna Hoi Ting

## PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKER

Industrial and Commercial Bank of China (Asia) Limited

## LISTING INFORMATION

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 3380.HK)

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of the Company (the "Board"), I hereby present the interim results of the Group for the six months ended 30 June 2020.

## BUSINESS REVIEW

During the first half of 2020, global economy underwent a downturn cycle due to the outbreak of the novel coronavirus pandemic and trade protectionism launched by the United States. Amidst complicated international conditions, the Chinese Central Government adheres to the supply side structural reform and economic structural optimization as the main development theme, and continues to foster growth in effective domestic demand. As a result, China's economy remains generally stable.

Despite the volatilities caused by the coronavirus in the first half of 2020, the Group continued to deliver solid results across economic cycles owing to its abundant and premium land bank. For the six months ended 30 June 2020, the Group achieved attributable contracted sales of approximately RMB46.35 billion, representing an industry-leading level increase of approximately 12.1% as compared with the same period of last year, achieving 42% of the 2020 annual sales target. The gross floor area of attributable contracted sales amounted to approximately 3.04 million square meters. According to the interim financial information for the six months ended 30 June 2020, the Group's revenue recognized amounted to approximately RMB31,034 million, representing an increase of approximately 14.9% as compared with the same period of last year. Gross profit amounted to approximately RMB10,934 million, with a gross profit margin of 35.2%. Profit attributable to owners of parent amounted to RMB6,157 million, representing an increase of 20.1% as compared with the corresponding period of last year. Core profit attributable to owners of the parent amounted to approximately RMB5,334 million, representing an increase of approximately 18.3% as compared with the same period of last year. With the core profit margin amounting to 17.6%, the Group continued to maintain its leadership in the industry in terms of profitability. Interim dividend of HK43 cents per share will be distributed, providing shareholders with a stable and attractive dividend return.

Urban redevelopment projects serve as the main source of the Group's high-value premium land bank. The Group's professional urban redevelopment team has an extensive understanding of local policies, as well as urban planning for industries and the population of the Greater Bay Area. Thus, our professional team enjoys significant competitive advantages in the urban redevelopment business. The Group's urban redevelopment business currently covers 11 cities with a total land value of more than RMB450 billion, 94% of which is located in the Greater Bay Area. Given the abundant premium land banks, the Group enjoys the first mover competitive advantage. Besides, the Group's urban redevelopment projects has estimated saleable value of approximately RMB290.3 billion in its areas that can be redeveloped independently. Those high-quality projects enjoy a short incubation period, and a good track record with clear earnings visibility.

The Group has always believed that a stable and prudent capital structure will build a solid foundation for its long-term sustainable development. In the first half of 2020, Logan Group successfully issued senior notes with an aggregate principal amount of US\$480 million, at an average issuance rate of 5.62%. Shenzhen Logan Holdings Co., Ltd., a wholly-owned subsidiary of the Company, issued domestic corporate bonds with an aggregate principal amount of RMB2.5 billion at an average coupon rate of 4.73% per annum. As at 30 June 2020, the Group had cash and bank balances of approximately RMB41.9 billion, with a net debt-to-equity ratio of approximately 68.3% (as at 31 December 2019: 67.4%). The average interest rate for new borrowings was 5.45% per annum and weighted average borrowing interest rate was 5.93% per annum. In the future, the Group will continue to explore and diversify its financing channels to ensure a sustainable and steady development.

## CHAIRMAN'S STATEMENT

The Group continued to gain wide recognition from the industry and capital market based on its forward-looking and long-term strategy and the adoption of share award scheme (long-term partnership mechanism) for co-creating value, and sustainable development. This partnership scheme is a 15 year long-term plan, which will purchase stocks directly from secondary market, with strict appraisal system and attractive motivation scheme. This partnership scheme will attract industry professionals and motivate management team to deliver satisfactory results for both company and investors. According to the latest Environmental, Social and Governance (“ESG”) Rating Report published by a renowned index compiler, Morgan Stanley Capital International (MSCI), on 30 July 2020, the Group was rated “BB”. The Group also obtained the “Outstanding ESG performance of Chinese Real Estate Enterprises in 2020” award (presented by Top 10 Chinese Real Estate Research Team). By developing a comprehensive ESG management system, promoting energy conservation and emission reduction actively and creating healthy residential living cities, the Group aims to be a corporate citizen highly recognized by its customers, employees, partners and the community.

In terms of brand building and corporate awards, the Group ranked No.18 in the “Top 200 Chinese Real Estate Enterprises in 2020 (Comprehensive Strength)” owing to its robust comprehensive strength. The Company also ranked No. 3 in the “Top 100 Chinese Real Estate Enterprises in 2020 – Top 10 in Profitability”. In addition, Logan Group ranked 773 in Forbes’ “Top 2000 Listed Companies in the World”, leaping 184 places from 2019. During the period, Logan Group was once again selected in Fortune China 500 List, leaping to No.184.

Logan Group is also highly recognized by the capital market and has been highly recommended by a number of renowned global investment banks such as Citibank, UBS, CICC, Nomura Securities, Haitong Securities, Huatai Securities, CCBI, and BOCOM International. Meanwhile, Logan Group’s healthy financial position and overall strengths were highly recognized by both domestic and overseas rating agencies. Currently, Logan Group is a constituent stock of the Hang Seng Composite LargeCap Index, Hang Seng Stock Connect Greater Bay Area Composite Index, Hang Seng High Dividend Yield Index, MSCI China All Shares Index and FTSE Shariah Global Equity Index. The Group is rated “BB”, “BB” and “Ba3” in ratings by international authoritative agencies, including Standard & Poor’s, Fitch and Moody’s, respectively. Lianhe Ratings Global Limited and China Chengxin (Asia Pacific) Credit Ratings Company Limited rated the Group as “BBB-” in foreign investment ratings. A wholly-owned subsidiary of the Company, Shenzhen Logan Holdings Co., Ltd. is rated “AAA” in credit ratings by China Cheng Xin International Credit Rating Co., Ltd. and United Credit Rating Co., Ltd..

## ACKNOWLEDGEMENTS

On behalf of the Board, I express my heartfelt gratitude to all our shareholders, investors, partners, customers, and the community for their support and trust. Thanks to the guidance given from the management of the Company, together with the efforts and contributions from all staff, the Group has successfully maintained its stable development. In the future, the Company will ensure transparency, health and impartiality, and continue to strive for sustainable and high-quality growth.

### **Kei Hoi Pang**

*Chairman*

Hong Kong

21 August 2020





# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Overall Review

For the six-month period ended 30 June 2020, the revenue of the Group was RMB31,035.0 million, representing an increase of approximately 14.9% as compared with the corresponding period of 2019. The gross profit was RMB10,934.4 million, representing an increase of approximately 16.4% as compared with the corresponding period of 2019. Net profit attributable to owners of parent was RMB6,157.5 million, representing an increase of approximately 20.1% as compared with the corresponding period of 2019. Core profit amounted to RMB5,462.0 million, having increased by approximately 16.9% as compared with the corresponding period of 2019. Basic earnings per share was RMB110.28 cents (the corresponding period of 2019: RMB91.87 cents). As at 30 June 2020, the net debt-to-equity ratio of the Group was 68.3%.

### Property Development

#### Contracted sales

In the first half of 2020, the Company continued to utilize its market advantages in the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area") and achieved satisfactory sales performance. For the period ended 30 June 2020, the Group attained attributable contracted sales of approximately RMB46,354.4 million, representing an increase of approximately 12.1% as compared with the corresponding period of 2019. For the contracted sales in the first half of 2020, Shenzhen region, other regions of Greater Bay Area, Southwest China city-cluster, Yangtze River Delta Region metropolitan area, Singapore and other regions accounted for approximately 8.4%, 51.7%, 22.3%, 3.7%, 3.5% and 10.4%, respectively. The contracted sales were mainly generated from Greater Bay Area and Southwest China city-cluster. For Shenzhen region, the contracted sales were mainly generated from Logan • Acesite Park (龍光 • 玖龍台) erected on the Phoenix City subway station (鳳凰城站) at the Shenzhen's subway line 6, in Shenzhen Guangming New District and Logan • Acesite Glory Mansion (龍光 • 玖譽府) in Shenzhen Longhua District. The contracted sales from Southwest China city-cluster were mainly contributed by projects including Sirius (南寧天曜)及TianYing (南寧天瀛). In the second half of 2020, the key projects to be launched by the Company include Shenzhen Logan • Acescene Park (龍光 • 玖悅台) and Dongguan Jiangnan Royal City (江南大境), Foshan Acesite Park (佛山玖龍台), Foshan Acesite Mansion (佛山玖龍壘) and Zhuhai Ace Prestige Bay (珠海玖譽灣).



## MANAGEMENT DISCUSSION AND ANALYSIS

It is expected that such projects will bring encouraging sales performance to the Group. Since the land cost of such project lands is relatively low, the selling prices are in line with the Group's expectation, therefore bringing significant revenue and profit to the Group in the future.

Region	Attributable contracted sales in the first half of 2020				
	Amount (RMB million)	Percentage	Total GFA <sup>1</sup> (sq.m.)	Percentage	ASP <sup>1</sup> (RMB/sq.m.)
Greater Bay Area	27,854.08	60.1%	1,512,547	49.7%	18,277
Southwest China city-cluster	10,317.38	22.3%	931,673	30.6%	10,765
Yangtze River Delta Region metropolitan area	1,723.56	3.7%	98,164	3.2%	17,327
Singapore	1,620.98	3.5%	18,644	0.6%	86,943
Other regions	4,838.39	10.4%	482,386	15.9%	9,557
<b>Total</b>	<b>46,354.39</b>	<b>100%</b>	<b>3,043,415</b>	<b>100%</b>	<b>14,985</b>

Note:

1. Excluding car parking spaces

#### Newly commenced projects

As at 30 June 2020, the Group commenced construction of a total of 38 projects or new project phases with a total planned GFA of approximately 5.8 million sq.m..

#### Completed projects

As at 30 June 2020, the Group completed 29 projects or project phases with a total planned GFA of approximately 3.0 million sq.m..

#### Developing projects

As at 30 June 2020, the Group had a total of 118 projects or project phases under construction with a total planned GFA of approximately 24.2 million sq.m..

#### Investment properties

As at 30 June 2020, the Group had 38 investment properties with a total GFA of approximately 774,591 sq.m.. Among those investment property portfolios, 34 investment properties with a total GFA of approximately 543,918 sq.m. have been completed, and the remaining 4 are still under development.



## MANAGEMENT DISCUSSION AND ANALYSIS

**Land Reserves**

For the six months ended 30 June 2020, the Group acquired 17 new projects through public tendering, auction and listing with a total GFA of 2,955,896 sq.m..

**List of newly acquired projects through public tendering, auction and listing in the first half of 2020**

<b>Region</b>	<b>Site area (sq.m.)</b>	<b>Total GFA (sq.m.)</b>
Shenzhen	31,745	260,976
Huizhou	101,054	374,687
Foshan	100,075	401,305
Guangzhou	83,194	144,020
<b>Guangdong-Hong Kong-Macao Greater Bay Area</b>	<b>316,068</b>	<b>1,180,988</b>
<b>Southwest China city-cluster</b>	<b>386,904</b>	<b>1,026,495</b>
<b>Yangtze River Delta Region metropolitan area</b>	<b>64,746</b>	<b>140,277</b>
<b>Other Regions</b>	<b>132,614</b>	<b>608,136</b>
<b>Total</b>	<b>900,332</b>	<b>2,955,896</b>

As at 30 June 2020, the total GFA of the land reserves of the Group amounted to approximately 39,200,198 sq.m., the average cost of land reserves was RMB4,518 per sq.m., in which Guangdong-Hong Kong-Macao Greater Bay Area accounted for about 70%, if calculated by land value.

**Land reserves as at 30 June 2020**

	<b>GFA (sq.m.)</b>	<b>Percentage</b>
Shenzhen	1,201,570	3.1%
Huizhou/Dongguan	7,447,563	19.0%
Guangzhou/Foshan/Zhaoqing	7,511,077	19.2%
Zhuhai/Zhongshan	3,480,789	8.9%
Hong Kong	41,805	0.1%
Heyuan/Yangjiang/Qingyuan/Jiangmen	3,339,810	8.5%
<b>Guangdong-Hong Kong-Macao Greater Bay Area</b>	<b>23,022,614</b>	<b>58.8%</b>
<b>Southwest China city-cluster</b>	<b>10,350,783</b>	<b>26.4%</b>
<b>Yangtze River Delta Region metropolitan area</b>	<b>977,939</b>	<b>2.5%</b>
<b>Singapore</b>	<b>131,423</b>	<b>0.3%</b>
<b>Other Regions</b>	<b>4,717,440</b>	<b>12.0%</b>
<b>Total</b>	<b>39,200,198</b>	<b>100.0%</b>
<b>Land cost (RMB per sq.m.)</b>	<b>4,518</b>	

## MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS

The Group is strategically positioned as “an integrated urban service provider”, focusing on four major business segments of “residential housing development, urban redevelopment, commercial operations and industrial operations”. Owing to its abundant and high-quality land bank, standardized product pipelines and proven cross-regional execution, the Group will continue to deepen efforts to complete its national layout in Greater Bay Area, Yangtze River Delta Region metropolitan area, southwest China and central China city-clusters. Leveraging on the competitive advantages of the urban redevelopment business, the Group will be able to turn commercial operations business and industry operations business into its long-term revenue drivers, and continue to create long-term growing value for the investors.

Also, given the accelerating market share concentration trend in the property industry, more mergers and acquisitions opportunities will arise in the property market in China. By utilizing its extensive operational experience in the real estate industry in China, the Group will actively seize opportunities of land acquisitions in the future, seek for more mergers and acquisitions targets, and increase the Group’s premium land banks through multiple channels, thereby locking in more high-return projects at the lowest costs. The Group will also accelerate sales cycle and strive to enhance the overall product competitiveness of different projects. The Group will continue to uphold the tenet that “quality builds a brand” and incessantly strengthen its market competitiveness and penetration, so as to become an integrated urban service provider.

## FINANCIAL REVIEW

## Performance Highlights

	For the six-month period ended 30 June		
	2020 RMB'000	2019 RMB'000	Changes %
<b>Revenue</b>	<b>31,034,969</b>	27,021,708	14.9
Among which: sales of properties			
– Revenue from properties delivered	<b>20,616,843</b>	16,226,129	27.1
– GFA of properties delivered (sq.m.) <sup>1</sup>	<b>1,265,658</b>	892,623	41.8
– ASP of properties delivered <sup>1</sup> (RMB/sq.m.)	<b>17,137</b>	19,655	–12.8
Property leasing	<b>68,431</b>	70,679	–3.2
Construction and decoration income	<b>4,349,695</b>	5,824,900	–25.3
Urban redevelopment business income	<b>6,000,000</b>	4,900,000	22.4
<b>Gross profit</b>	<b>10,934,351</b>	9,392,398	16.4
<b>Profit for the period</b>			
– Attributable to owners of the parent	<b>6,157,484</b>	5,128,402	20.1
– Attributable to non-controlling interests	<b>127,567</b>	161,959	–21.2
– Total	<b>6,285,051</b>	5,290,361	18.8
<b>Core Profit<sup>(1)</sup></b>			
– Attributable to owners of the parent	<b>5,334,395</b>	4,509,829	18.3
– Attributable to non-controlling interests	<b>127,567</b>	161,672	–21.1
– Total	<b>5,461,962</b>	4,671,501	16.9

## MANAGEMENT DISCUSSION AND ANALYSIS

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000	Changes %
<b>Total assets</b>	<b>240,217,297</b>	206,010,125	16.6
<b>Cash and bank balances</b>	<b>41,904,036</b>	40,705,113	2.9
<b>Total bank and other borrowings<sup>2</sup></b>	<b>77,577,952</b>	69,677,556	11.3
<b>Total equity</b>	<b>52,223,384</b>	42,994,019	21.5
<b>Total equity attributable to owners of the parent</b>	<b>37,569,901</b>	34,194,419	9.9
<b>Key financial ratios</b>			
Gross profit margin <sup>(2)</sup>	<b>35.2%</b>	34.8%	
Core profit margin <sup>(3)</sup>	<b>17.6%</b>	17.3%	
Net debt-to-equity ratio <sup>(4)</sup>	<b>68.3%</b>	67.4%	
Liability to asset ratio <sup>(5)</sup>	<b>78.3%</b>	79.1%	

Notes:

1. Excluding the GFA attributable to the car parking spaces.
2. Including bank and other loans, senior notes and corporate bonds.
- (1) Core profit: Net profit, adjusted to changes in fair value of investment properties and derivative financial instruments and the relevant deferred tax
- (2) Gross profit margin:  $\text{Gross profit} \div \text{revenue} \times 100\%$
- (3) Core profit margin:  $\text{Core profit} \div \text{revenue} \times 100\%$
- (4) Net debt-to-equity ratio:  $(\text{Total bank and other borrowings} - \text{cash and bank balances}) \div \text{total equity} \times 100\%$
- (5) Liability to asset ratio:  $\text{Total liabilities} \div \text{total assets} \times 100\%$

## MANAGEMENT DISCUSSION AND ANALYSIS

**Revenue from Sales of Properties**

For the six-month period ended 30 June 2020, the revenue from sales of properties amounted to approximately RMB20,616.8 million, representing an increase of approximately 27.1% as compared with the revenue from sales of properties of approximately RMB16,226.1 million in the corresponding period of 2019. Area delivered (excluding car parking spaces) increased by 41.8% to 1,265,658 sq.m. for the six-month period ended 30 June 2020 from 892,623 sq.m. in the corresponding period of 2019. Shenzhen region, other regions of Greater Bay Area<sup>2</sup>, Southwest China city-cluster, Yangtze River Delta Region metropolitan area and Singapore contributed to the revenue from sales of properties before deduction of sales related taxes in the first half of 2020, accounting for approximately 22.4%, 47.0%, 20.8%, 8.3% and 1.5%, respectively.

Region	Revenue from sales of properties in the first half of 2020				
	Amount (RMB million)	Percentage	Total GFA <sup>1</sup> (sq.m.)	Percentage	ASP <sup>1</sup> (RMB/sq.m.)
Shenzhen region	4,645	22.4%	90,283	7.1%	55,348
Other regions of Greater Bay Area <sup>2</sup>	9,737	47.0%	647,899	51.2%	15,754
Southwest China city-cluster	4,313	20.8%	422,964	33.4%	10,937
Yangtze River Delta Region metropolitan area	1,725	8.3%	88,602	7.0%	20,573
Singapore	315	1.5%	15,911	1.3%	19,798
<b>Total</b>	<b>20,735</b>	<b>100.0%</b>	<b>1,265,658</b>	<b>100%</b>	<b>15,978</b>
Less: Sales related taxes	118				
<b>Revenue from sale of properties</b>	<b>20,617</b>				

Notes:

1. Excluding the GFA attributable to the car parking spaces
2. Excluding Shenzhen region

**(I) Revenue**

Revenue of the Group for the six-month period ended 30 June 2020 amounted to approximately RMB31,035.0 million, representing an increase of approximately RMB4,013.3 million, or approximately 14.9%, as compared with the corresponding period of 2019, primarily due to the increase in revenue from sales of properties and revenue from urban redevelopment business as compared with the corresponding period of 2019. Revenue from sales of properties for the six-month period ended 30 June 2020 amounted to approximately RMB20,616.8 million, representing an increase of approximately 27.1% as compared with approximately RMB16,226.1 million in the corresponding period of 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

Details of the revenue from sales of properties by project are as follows:

Project name	For the six-month period ended 30 June			
	2020		2019	
	Area <sup>(1)</sup> (sq.m.)	Amount <sup>(2)</sup> (RMB'000)	Area <sup>(1)</sup> (sq.m.)	Amount <sup>(2)</sup> (RMB'000)
Shenzhen Acesite Park (深圳玖龍台)	78,742	3,866,418	178,884	7,838,669
Nanning Acesite Park (南寧玖龍台)	194,322	2,109,594	—	—
Zhuhai Acesite Mansion (珠海玖龍壘)	61,299	2,071,389	—	—
Huizhou Acesite Park (惠州玖龍府)	151,521	1,753,042	—	—
Huizhou Logan City (惠州龍光城)	87,825	1,187,768	149,047	2,446,517
Huizhou Acesite Bay (惠州玖龍灣)	95,034	1,141,550	—	—
Nanning Ace Prestige Castle (南寧玖譽府)	98,612	907,254	—	—
Dongguan Humen Acesite Mansion (東莞虎門玖龍壘)	40,574	902,385	—	—
Huizhou Heaven Garden (惠州天禧)	84,563	728,554	—	—
Chengdu Xinjin Acesite Park (成都新津玖龍府)	66,630	644,655	—	—
Jiashan Jiaxing Ace Prestige Bay (嘉善嘉興玖譽灣)	31,061	632,738	—	—
Jiashan Jiaxing Acesite Park (嘉善嘉興玖龍府)	31,263	561,971	—	—
Suzhou Ace Prestige Bay (蘇州玖譽灣)	26,278	529,973	—	—
Shenzhen Carat Complex (深圳玖鑽)	9,064	476,802	19,097	1,087,492
Chaozhou Sunshine Waterfront (潮州陽光水岸)	36,338	417,473	—	—
Foshan Logan Country Garden Joy Park (佛山龍光碧桂園悅府)	43,717	384,412	—	—
Liuzhou Acesite Park (柳州玖瓏府)	36,415	316,474	—	—
Singapore The Florence Residence (新加坡悅湖苑)	15,911	315,209	366	28,783
Shenzhen Acesite Mansion (深圳玖龍壘)	2,477	301,640	216	14,830
Foshan Dragon Castle/Riverine View Castle (佛山龍灣華府/望江府)	3,282	271,796	71,252	838,090
Zhaoqing Acesite Lake (肇慶玖龍湖)	3,964	192,820	—	—
Shantou Sea & Sunshine (汕頭碧海陽光)	5,293	179,186	4,631	54,796
Zhongshan Acesite Bay (中山玖龍灣)	19,144	174,202	—	—
Huizhou Acesite Mount (惠州玖龍山)	7,789	152,573	—	—
Nanning Logan Century (南寧龍光世紀)	6,759	118,425	—	1,764
Shantou Royal & Seaward Heaven Garden (汕頭御海天禧花園)	2,682	72,824	11,673	204,702
Nanning Masterpiece (南寧玖雲著)	7,402	64,118	—	—
Fangchenggang Sunshine Seaward (防城港陽光海岸)	5,551	51,038	152,904	876,877
Guilin Provence (桂林普羅旺斯)	3,615	33,558	62,183	404,739
Nanning Acesite Lake (南寧玖瓏湖)	2,510	30,088	—	—
Zhuhai Acesite Bay (珠海玖龍灣)	709	25,747	16,467	531,629
Shantou Sunshine Jubilee Garden (汕頭陽光禧園)	2,642	21,680	92,664	782,557
Nanning Acesite Park (南寧玖龍府)	891	15,574	90,269	746,758
Shantou Golden Sunshine Joy Park (汕頭金色陽光悅府)	668	12,088	—	—
Chengdu Joy Residence (成都君悅華庭)	—	11,640	135	11,663
Zhuhai Acesite Park (珠海玖龍府)	352	11,586	1,243	24,035
Shantou Royal & Seaward Jubilee Garden (汕頭御海禧園)	—	9,722	127	5,640
Foshan Grand Garden (佛山水悅熙園)	—	5,537	—	9,149
Shantou Grand Sunshine Castle (汕頭錦繡陽光御府)	383	3,844	—	—

## MANAGEMENT DISCUSSION AND ANALYSIS

Project name	For the six-month period ended 30 June			
	2020		2019	
	Area <sup>(1)</sup> (sq.m.)	Amount <sup>(2)</sup> (RMB'000)	Area <sup>(1)</sup> (sq.m.)	Amount <sup>(2)</sup> (RMB'000)
Dongguan Imperial Summit Sky Villa (東莞君御旗峰)	—	3,596	—	5,748
Nanning Grand Riverside Bay (南寧水悅龍灣)	79	3,249	—	23,307
Chengdu Sky Palace (成都天悅龍庭)	—	3,067	—	3,017
Shantou Flying Dragon Landscape (汕頭龍騰嘉園)	—	2,956	—	11,114
Guangzhou Landscape Residence (廣州峰景華庭)	—	2,428	322	10,560
Nanning Joy Residence (南寧君悅華庭)	178	2,326	—	8,857
Foshan Joy Palace (佛山君悅龍庭)	—	1,846	—	2,938
Nanning Provence (南寧普羅旺斯)	—	1,750	—	16,902
Foshan Grand Joy Castle (佛山君悅華府)	—	1,684	—	2,365
Foshan Sky Lake Castle (佛山天湖華府)	—	1,327	230	9,385
Zhongshan Acesite Park (中山玖龍府)	119	1,180	—	—
Shantou Seaward Sunshine (汕頭尚海陽光)	—	999	—	654
Guangzhou Palm Waterfront (廣州棕櫚水岸)	—	663	—	—
Nanning Royal Castle (南寧君御華府)	—	308	—	3,281
Hainan Sea and City (海南海雲天)	—	228	181	4,549
Foshan Grand Riverside Bay (佛山水悅龍灣)	—	140	383	10,245
Nanning Sunshine Royal Lake (南寧御湖陽光)	—	—	33,104	288,069
Zhongshan Royal & Seaward Sunshine Palace Garden (中山御海陽光花園)	—	—	6,196	56,539
Foshan Shin Street Building (佛山尚街大廈)	—	—	676	6,707
Huizhou Grand Riverside Bay (惠州水悅龍灣)	—	—	—	4,129
Shantou Sunshine Castle (汕頭陽光華府)	—	—	160	2,208
Zhongshan Ocean Garden (中山海悅熙園)	—	—	213	1,495
Huizhou Sky Palace (惠州天悅龍庭)	—	—	—	872
Zhongshan Grand Joy Garden (中山水悅馨園)	—	—	—	229
<b>Total</b>	<b>1,265,658</b>	<b>20,735,094</b>	892,623	16,381,860
Less: sales related taxes		<b>(118,251)</b>		(155,731)
Revenue from sales of properties		<b>20,616,843</b>		16,226,129

## Notes:

1. Excluding the GFA attributable to the car parking spaces.
2. Including revenue from sales of car parking spaces.

## MANAGEMENT DISCUSSION AND ANALYSIS

**(II) Cost of sales**

The cost of sales of the Group increased by approximately RMB2,471.3 million, or approximately 14.0%, as compared with the corresponding period of 2019, primarily due to the expansion of business scale as compared with the corresponding period of 2019. Key components of costs are as follows:

	For the six-month period ended 30 June		
	2020 RMB'000	2019 RMB'000	Changes %
Total cost of sales	<b>20,100,618</b>	17,629,310	14.0
— Sales of properties	<b>14,817,221</b>	11,454,606	29.4
— Construction and decoration	<b>3,482,728</b>	4,266,729	-18.4
— Property leasing	<b>15,240</b>	5,800	162.8
— Urban redevelopment business	<b>1,785,429</b>	1,902,175	-6.1

**(III) Selling and marketing expenses and administrative expenses**

The selling and marketing expenses of the Group for the six-month period ended 30 June 2020 amounted to approximately RMB664.9 million (the corresponding period of 2019 was approximately RMB684.9 million). The relevant selling and marketing expenses decreased by approximately 2.9% as compared with the corresponding period of 2019.

The administrative expenses of the Group for the six-month period ended 30 June 2020 amounted to approximately RMB813.1 million (the corresponding period of 2019 was approximately RMB627.1 million), representing an increase of approximately 29.7% as compared with the corresponding period of 2019. The increase was primarily due to the increase in staff costs.

**(IV) Profit from operations**

The profit from operations of the Group for the six-month period ended 30 June 2020 increased by RMB1,009.3 million to approximately RMB11,193.0 million (the corresponding period of 2019: approximately RMB10,183.7 million). It was mainly due to increase in gross profit of approximately RMB1,542.0 and increase in fair value of investment properties and of derivative financial instruments of approximately RMB271.6 million and partly offset by increase in administrative expenses of approximately RMB186.0 million and increase in share of losses of joint ventures of approximately RMB254.2 million.

**(V) Finance costs**

The net finance costs of the Group for the six-month period ended 30 June 2020 increased to approximately RMB943.8 million (the corresponding period of 2019 was approximately RMB826.3 million), primarily due to the increase in scales of bank and other borrowings. The average interest rate for new borrowings was 5.45% per annum and weighted average borrowing interest rate was 5.93% per annum.

**(VI) Tax**

Taxes of the Group for the six-month period ended 30 June 2020 included corporate income tax ("CIT") and land appreciation tax ("LAT"). Taking into account the impact of the relevant changes in deferred tax, the net CIT and LAT amounted to approximately RMB3,161.6 million and RMB802.6 million, respectively (the corresponding period of 2019: approximately RMB2,994.1 million and RMB1,072.9 million).



## MANAGEMENT DISCUSSION AND ANALYSIS

**(VII) Core profit**

The core profit of the Group for the six-month period ended 30 June 2020 amounted to approximately RMB5,462.0 million, representing an increase of approximately RMB790.5 million or 16.9% as compared with the corresponding period of 2019. The core profit margin of the Group for the six-month period ended 30 June 2020 was approximately 17.6% (the corresponding period of 2019 was approximately 17.3%).

**(VIII) Liquidity and financial resources**

As at 30 June 2020, total assets of the Group amounted to approximately RMB240,217.3 million (31 December 2019: approximately RMB206,010.1 million), of which current assets amounted to approximately RMB193,333.3 million (31 December 2019: approximately RMB159,224.5 million). Total liabilities amounted to approximately RMB187,993.9 million (31 December 2019: approximately RMB163,016.1 million), of which non-current liabilities amounted to approximately RMB50,456.8 million (31 December 2019: approximately RMB43,919.0 million). Total equity amounted to approximately RMB52,223.4 million (31 December 2019: approximately RMB42,994.0 million), of which total equity attributable to owners of the parent amounted to RMB37,569.9 million (31 December 2019: approximately RMB34,194.4 million).

As at 30 June 2020, the Group had cash and bank balances of approximately RMB41,904.0 million (31 December 2019: approximately RMB40,705.1 million) and total bank and other borrowings of approximately RMB77,578.0 million (31 December 2019: approximately RMB69,677.6 million). As at 30 June 2020, certain of the Group's bank and other loans are secured by the Group's equity interests in certain subsidiaries, bank deposits, land and buildings, investment properties, properties held for development for sale, properties under development for sale and completed properties for sale and other receivables.

**(IX) Financing activities**

For the six-month period ended 30 June 2020, the Group successfully issued two tranches of senior notes of US\$480,000,000. The first tranche of senior notes amounted to US\$300,000,000, with a coupon rate of 5.75% and a maturity date on 14 January 2025. The second tranche of senior notes amounted to US\$180,000,000, with the issuance rate of 5.4% and a coupon rate of 6.9%, and a maturity date on 9 June 2024.

Also, for the six-month period ended 30 June 2020, Shenzhen Logan, a subsidiary of the Group in the PRC, had issued domestic corporate bonds with total principal amount of RMB2.5 billion, with the coupon rate from 4.69% to 4.8%.



## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2020, the interests and short positions of the directors (the "Directors") and chief executives of the Company in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

#### (i) Interest in Shares of the Company

Name of Director	Nature of Interest	Number of Shares <sup>(1)</sup>	Underlying Shares Interested <sup>(2)</sup>	Aggregate interests	Approximate Percentage of Issued Share Capital <sup>(5)</sup>
Mr. Kei Hoi Pang	Beneficiary of a family trust <sup>(3)</sup>	3,401,600,000 (L)	—	3,401,600,000	61.63%
	Deemed interest <sup>(3)</sup>	851,281,250 (L)	—	851,281,250	15.42%
	Beneficial owner	8,200,000 (L)	8,000,000	16,200,000	0.29%
Ms. Kei Perenna Hoi Ting	Beneficiary of a family trust <sup>(4)</sup>	3,401,600,000 (L)	—	3,401,600,000	61.63%
	Interest of a controlled corporation <sup>(4)</sup>	850,000,000 (L)	—	850,000,000	15.40%
	Beneficial owner	1,281,250 (L)	1,800,000	3,081,250	0.06%
Mr. Lai Zhuobin	Beneficial owner	2,606,250 (L)	2,800,000	5,406,250	0.10%
Mr. Xiao Xu	Beneficial owner	2,793,750 (L)	2,800,000	5,593,750	0.10%

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the Company (the "Shares").
- (2) The number of shares represents the Shares in which the Directors are deemed to be interested as a result of holding share options.
- (3) Mr. Kei Hoi Pang is a beneficiary of the family trust, and therefore interested in the Shares held through Junxi Investments Limited. He is also considered to be interested in the Shares through Ms. Kei Perenna Hoi Ting as Ms. Kei Perenna Hoi Ting is being a person accustomed to act in accordance with Mr. Kei Hoi Pang's directions.
- (4) Ms. Kei Perenna Hoi Ting is the settlor and a beneficiary of a family trust, and therefore interested in the Shares held through Junxi Investments Limited. She is also indirectly interested in the Company through Dragon Jubilee Investments Limited, Gao Run Holdings Limited and Thrive Ally Limited, which owned collectively approximately 15.40% equity interests in the Company.
- (5) The percentage is calculated based on the total number of 5,519,534,450 Shares in issue as at 30 June 2020.

## OTHER INFORMATION

## (ii) Interest in Associated Corporations of the Company

Name of Director	Name of Associated Corporations	Percentage of Shareholding Interest
Ms. Kei Perenna Hoi Ting <sup>(1)</sup>	Junxi Investments Limited	100%
	Dragon Jubilee Investments Limited	100%
	Gao Run Holdings Limited	100%
	Thrive Ally Limited	100%

Note:

- (1) Mr. Kei Hoi Pang is a beneficiary of the family trust, and therefore interested in the Shares held through Junxi Investments Limited. He is also considered to be interested in the Shares through Ms. Kei Perenna Hoi Ting as Ms. Kei Perenna Hoi Ting is being a person accustomed to act in accordance with Mr. Kei Hoi Pang's directions.

## (iii) Interest in Debentures of the Company

Name of Director	Capacity in which the debentures are held	Amount of debentures (in US\$)
Mr. Kei Hoi Pang	Interest of a controlled corporation <sup>(1)</sup>	20,000,000 <sup>(2)</sup>
	Interest of a controlled corporation <sup>(1)</sup>	30,000,000 <sup>(3)</sup>
Mr. Zhang Huaqiao	Beneficial owner	300,000 <sup>(4)</sup>

Notes:

- (1) The entire issued share capital of Victorious City Investments Limited, the company which directly holds the debentures, is directly owned by Mr. Kei Hoi Pang.
- (2) The US\$20,000,000 debentures held by Mr. Kei Hoi Pang represents his interest in the US\$450,000,000 5.25% senior notes due 2023 issued by the Company.
- (3) The US\$30,000,000 debentures held by Mr. Kei Hoi Pang represents his interest in the US\$200,000,000 5.75% senior notes due 2022 issued by the Company.
- (4) The US\$300,000 debentures held by Mr. Zhang Huaqiao represents his interest in the US\$400,000,000 6.875% senior notes due 2021 issued by the Company.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## OTHER INFORMATION

**SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS  
IN SHARES OR UNDERLYING SHARES OF THE COMPANY**

As at 30 June 2020, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

<b>Name</b>	<b>Nature of Interest</b>	<b>Number of Shares<sup>(1)</sup></b>	<b>Approximate Percentage of the Company's Issued Share Capital<sup>(5)</sup></b>
Mr. Kei Hoi Pang	Beneficiary of a family trust, Deemed interest <sup>(2)</sup>	4,252,881,250 (L)	77.05%
	Beneficial owner	16,200,000 (L)	0.29%
Ms. Kei Perenna Hoi Ting	Beneficiary of a family trust, Interest of controlled corporations <sup>(3)</sup>	4,251,600,000 (L)	77.03%
	Beneficial owner	3,081,250 (L)	0.06%
Brock Nominees Limited <sup>(4)</sup>	Nominee	3,401,600,000 (L)	61.63%
Credit Suisse Trust Limited <sup>(4)</sup>	Trustee	3,401,600,000 (L)	61.63%
Junxi Investments Limited <sup>(4)</sup>	Beneficial owner	3,401,600,000 (L)	61.63%
Kei Family United Limited <sup>(4)</sup>	Interest of a controlled corporation	3,401,600,000 (L)	61.63%
Tenby Nominees Limited <sup>(4)</sup>	Nominee	3,401,600,000 (L)	61.63%
Dragon Jubilee Investments Limited	Beneficial owner	425,000,000 (L)	7.70%

## OTHER INFORMATION

Notes:

- (1) The letter “L” denotes the person’s long position in Shares.
- (2) Mr. Kei Hoi Pang who is a beneficiary of the family trust, and therefore interested in the Shares through Junxi Investments Limited. Mr. Kei Hoi Pang is also considered to be interested in the Shares through Ms. Kei Perenna Hoi Ting as Ms. Kei Perenna Hoi Ting is being a person accustomed to act in accordance with Mr. Kei Hoi Pang’s directions.
- (3) Ms. Kei Perenna Hoi Ting is the settlor and a beneficiary of a family trust, and therefore interested in Shares held through Junxi Investments Limited. She is also indirectly interested in the Company through Dragon Jubilee Investments Limited, Gao Run Holdings Limited and Thrive Ally Limited, which owned collectively approximately 15.40% interests in the Company.
- (4) The family trust is interested in the entire interest of Kei Family United Limited which in turns hold the entire interest in Junxi Investments Limited. Kei Family United Limited is owned as to 50% by each of Brock Nominees Limited and Tenby Nominees Limited, which hold the Shares on behalf of Credit Suisse Trust Limited as trustee.
- (5) The percentage is calculated based on the total number of 5,519,534,450 Shares in issue as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, no person, other than the Directors and chief executives of the Company, whose interests are set out in the section headed “Directors’ and Chief Executives’ Interests and/or Short Positions in Shares, Underlying Shares or Debentures of the Company or any of its Associated Corporations” of this report above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## INTERIM DIVIDEND

The Board declared an interim dividend in cash of HK43 cents per Share for the six months ended 30 June 2020 (the “Interim Dividend”) (six months ended 30 June 2019: HK38 cents per Share).

The Interim Dividend will be paid on Monday, 30 November 2020 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 18 November 2020.

## CLOSURE OF REGISTER OF MEMBERS

To ascertain the shareholders’ entitlement to the Interim Dividend, the register of members of the Company will be closed from Monday, 16 November 2020 to Wednesday, 18 November 2020, both days inclusive. In order to qualify for the Interim Dividend, all transfer documents should be lodged for registration with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 13 November 2020.



## OTHER INFORMATION

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2020, the Company repurchased from the market a total of 3,746,000 Shares. All the Shares repurchased have been cancelled. Details of the repurchases of the Shares are as follows:

<b>Date of Repurchase</b>	<b>Number of Shares Repurchased</b>	<b>Highest Price per Share (HK\$)</b>	<b>Lowest Price per Share (HK\$)</b>	<b>Aggregate Consideration (HK\$)</b>
14 January 2020	500,000	12.74	12.66	6,349,480
15 January 2020	500,000	13.04	12.88	6,478,100
16 January 2020	46,000	13.28	13.22	609,679
20 January 2020	1,200,000	13.60	13.34	16,135,480
21 January 2020	500,000	12.88	12.82	6,426,680
23 January 2020	500,000	13.08	12.94	6,515,760
24 January 2020	500,000	13.20	12.82	6,522,840

Save as disclosed in this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and enhance corporate value. The Company's corporate governance practices are based on the principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules.

The Company has applied the principles and complied with all the applicable code provisions as set out in the CG Code throughout the six months ended 30 June 2020.

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry, the Company confirmed that all the Directors have complied with the required standards set out in the Model Code during the six months ended 30 June 2020.

The Company has also adopted the principles and rules of the Model Code as written guidelines for relevant employees in respect of their dealings in the securities of the Company (the "Employees Written Guidelines"). No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the six months ended 30 June 2020.

## AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed, with no disagreement, with the Company's management, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020.

## OTHER INFORMATION

**CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES****2018 Facility Agreement**

On 10 April 2018, the Company as borrower entered into a facility agreement with certain banks as lenders in relation to a 36-month term loan facility in an amount of HK\$900,000,000 (the “2018 Facility”) (the “2018 Facility Agreement”).

The 2018 Facility Agreement includes a condition imposing specific performance obligation on Mr. Kei Hoi Pang, Ms. Kei Perenna Hoi Ting and their close associates, that it will be an event of default if, among others, (i) Mr. Kei Hoi Pang (“Mr. Kei”) and his spouse, Ms. Kei Perenna Hoi Ting (“Ms. Kei”) and her spouse and any child or step child, natural or adopted, under the age of 18 years of Mr. Kei (or his spouse) or Ms. Kei (or her spouse) and any trust of which Mr. Kei, Ms. Kei and any other person(s) identified in above are the principal beneficiaries (the “Kei Family”) do not or cease to own, direct or indirect, at least 51% of the beneficial shareholding interest in the issued share capital of, and carrying 51% of the voting rights in, the Company; or (ii) the Kei Family collectively do not or cease to have management control of the Company; or (iii) any person other than any one of Mr. Kei, Ms. Kei and Mr. Ji Jiande is or becomes the president or the chairman of the Company.

At any time after the occurrence of aforementioned events so long as the same is continuing, the lenders may, by notice to the Company under the 2018 Facility agreement, cancel the commitments or any part thereof (and reduce them to zero); and/or declare that all or part of the 2018 Facility, together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable, whereupon they shall become immediately due and payable, and/or all or part of the 2018 Facility be payable on demand, whereupon they shall immediately become payable on demand.

As at 30 June 2020, the term loan facility of HK\$900,000,000 remained outstanding.

**2019 Facility Agreement**

On 24 January 2019, the Company as borrower entered into a facility agreement with certain banks as lenders for a term loan facility of HK\$1,610,000,000 (the “2019 Facility Agreement”), which may be increased to not more than HK\$2,500,000,000 in accordance with the terms of the 2019 Facility Agreement at an interest rate of HIBOR plus 3.95% per annum. The facility has to be fully repaid within 42 months after the date of the 2019 Facility Agreement.

On 15 July 2019, term loan facility has been increased by HK\$150,000,000 to HK\$1,760,000,000.





## OTHER INFORMATION

Pursuant to the 2019 Facility Agreement, it shall constitute an event of default if (i) Ms. Kei Perenna Hoi Ting, her spouse and any of her child under the age of 18 years old, collectively do not or cease to beneficially own, direct or indirect, at least 51% of the beneficial shareholding interest in the issued share capital of, and carrying at least 51% of all the voting rights in, the Company, such shareholding interest and voting rights being free from any security; (ii) Mr. Kei Hoi Pang does not or ceases to have management control of the Company or the Group and/or control over the business of the Group; or (iii) any person other than any one of Mr. Kei Hoi Pang and Mr. Ji Jiande is or becomes the chairman of the Company. Upon and at any time after the occurrence of an event of default, the lenders may cancel all or any parts of their commitments and declare that all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding under the finance documents be immediately due and payable.

As at 30 June 2020, the term loan facility of HK\$1,760,000,000 remained outstanding.

**2020 Facility Agreement**

On 8 April 2020, the Company as borrower entered into a facility agreement with certain banks as lenders pursuant to which a dual currency USD and HKD term loan facility of HK\$2,230,000,000 equivalent (with green shoe option of up to HK\$770,000,000) (the “2020 Facility Agreement”). The facility has to be fully repaid within 36 months after the date of the 2020 Facility Agreement.

Pursuant to the 2020 Facility Agreement, if (i) Ms. Kei Perenna Hoi Ting and her family collectively ceases to own, directly or indirectly, more than 50 per cent. of the Company’s total issued share capital, free from any security; and/or (ii) Mr. Kei Hoi Pang and his family ceases to maintain control of the Group’s business, if the majority lenders under the facilities so require, the Company shall prepay the facilities in full within the time specified under the 2020 Facility Agreement.

As at 30 June 2020, the term loan facility of HK\$2,230,000,000 remained outstanding.

The Company will continue to make relevant disclosure in its subsequent interim and annual reports of the Company pursuant to Rule 13.21 of the Listing Rules for as long as circumstances giving rise to the obligation under Rule 13.18 of the Listing Rules continue to exist.

Save as disclosed above, as at 30 June 2020, the Company did not have other disclosure obligations under Rule 13.18 of the Listing Rules.



## OTHER INFORMATION

## SHARE OPTION

During the six months ended 30 June 2020, the Company granted 5,565,000 share options to certain employees of the Company and its subsidiaries.

Details of movements for the six months ended 30 June 2020 in the number of share options are set out below:

Name of Director	Date of grant	Exercise price (HK\$)	Number of share options					Approximate percentage of total issued share capital <sup>(1)</sup>	Exercise period	Closing price of the securities immediately before the date on which the options were offered (HK\$)
			Outstanding as at 1 January 2020	Granted from 1 January 2020 to 30 June 2020	Exercised from 1 January 2020 to 30 June 2020	Cancelled/ Lapsed from 1 January 2020 to 30 June 2020	Outstanding as at 30 June 2020			
Mr. Kei Hoi Pang	29 May 2014	2.34	3,280,000	—	—	3,280,000	0	0%	29 May 2014 to 28 May 2020 <sup>(2)</sup>	2.34
	25 August 2017	7.43	8,000,000	—	—	—	8,000,000	0.14%	25 August 2017 to 24 August 2027 <sup>(3)</sup>	7.34
Mr. Lai Zhuobin	29 May 2014	2.34	1,042,500	—	—	1,042,500	0	0%	29 May 2014 to 28 May 2020 <sup>(2)</sup>	2.34
	25 August 2017	7.43	2,800,000	—	—	—	2,800,000	0.05%	25 August 2017 to 24 August 2027 <sup>(3)</sup>	7.34
Mr. Xiao Xu	29 May 2014	2.34	1,117,500	—	—	1,117,500	0	0%	29 May 2014 to 28 May 2020 <sup>(2)</sup>	2.34
	25 August 2017	7.43	2,800,000	—	—	—	2,800,000	0.05%	25 August 2017 to 24 August 2027 <sup>(3)</sup>	7.34
Ms. Kei Perenna Hoi Ting	29 May 2014	2.34	512,500	—	—	512,500	0	0%	29 May 2014 to 28 May 2020 <sup>(2)</sup>	2.34
	25 August 2017	7.43	1,800,000	—	—	—	1,800,000	0.03%	25 August 2017 to 24 August 2027 <sup>(3)</sup>	7.34
<b>Total number held by Directors</b>	29 May 2014	2.34	<b>5,952,500</b>	<b>—</b>	<b>—</b>	<b>5,952,500</b>	<b>0</b>	0%	29 May 2014 to 28 May 2020 <sup>(2)</sup>	2.34
	25 August 2017	7.43	<b>15,400,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>15,400,000</b>	0.28%	25 August 2017 to 24 August 2027 <sup>(3)</sup>	7.34

## OTHER INFORMATION

	Date of grant	Exercise price (HK\$)	Number of share options					Outstanding as at 30 June 2020	Approximate percentage of total issued share capital <sup>(1)</sup>	Exercise period	Closing price of the securities immediately before the date on which the options were offered (HK\$)
			Outstanding as at 1 January 2020	Granted from 1 January 2020 to 30 June 2020	Exercised from 1 January 2020 to 30 June 2020	Cancelled/ Lapsed from 1 January 2020 to 30 June 2020	Outstanding as at 30 June 2020				
			31,863,000	–	20,421,000	11,442,000	0				
<b>Total number held by other participants</b>	29 May 2014	2.34	31,863,000	–	20,421,000	11,442,000	0	0%	29 May 2014 to 28 May 2020 <sup>(2)</sup>	2.34	
	25 August 2017	7.43	40,760,000	–	–	–	40,760,000	0.74%	25 August 2017 to 24 August 2027 <sup>(3)</sup>	7.34	
	8 June 2018	12.50	39,764,000	–	–	3,297,000	36,467,000	0.66%	8 June 2018 to 7 June 2028 <sup>(4)</sup>	12.44	
	22 October 2018	7.64	31,365,000	–	–	2,483,500	28,881,500	0.52%	22 October 2018 to 21 October 2028 <sup>(5)</sup>	7.33	
	28 June 2019	12.64	9,823,500	–	–	686,000	9,137,500	0.17%	28 June 2019 to 27 June 2029 <sup>(6)</sup>	12.56	
	12 June 2020	13.08	–	5,565,000	–	–	5,565,000	0.10%	12 June 2020 to 11 June 2030 <sup>(7)</sup>	13.02	

## Notes:

- (1) The percentage is calculated based on the total number of 5,519,534,450 Shares in issue as at 30 June 2020.
- (2) The share options are exercisable within a period of 6 years from 29 May 2014 and subject to the following vesting schedule and performance review:
  - (i) the share options granted to the Directors and certain senior managers or above of the Group will be vested evenly over a period of 4 years starting from 29 May 2015 and ending on 28 May 2019; and
  - (ii) the share options granted to certain mid-level managers of the Group will be vested evenly over a period of 3 years starting from 29 May 2015 and ending on 28 May 2018.
- (3) The share options are exercisable within a period of 10 years from 25 August 2017 and subject to the following vesting schedule and performance review:
  - (i) up to 25% of the share options granted after the expiration of 36 months from 25 August 2017;
  - (ii) up to another 25% of the share options granted after the expiration of 48 months from 25 August 2017;
  - (iii) up to another 25% of the share options granted after the expiration of 60 months from 25 August 2017; and
  - (iv) all the remaining share options granted after the expiration of 72 months from 25 August 2017.

## OTHER INFORMATION

- (4) The share options are exercisable within a period of 10 years from 8 June 2018 and subject to the following vesting schedule and performance review:
- (i) up to 33.3% of the share options granted to each grantee at any time after the expiration of 36 months from 8 June 2018;
  - (ii) up to 33.3% of the share options granted to each grantee at any time after the expiration of 48 months from 8 June 2018; and
  - (iii) the remaining of the share options granted to each grantee at any time after the expiration of 60 months from 8 June 2018.
- (5) The share options are exercisable within a period of 10 years from 22 October 2018 and subject to the following vesting schedule and performance review:
- (i) up to 33.3% of the share options granted to each grantee at any time after the expiration of 36 months from 22 October 2018;
  - (ii) up to 33.3% of the share options granted to each grantee at any time after the expiration of 48 months from 22 October 2018; and
  - (iii) the remaining of the share options granted to each grantee at any time after the expiration of 60 months from 22 October 2018.
- (6) The share options are exercisable within a period of 10 years from 28 June 2019 and subject to the following vesting schedule and performance review:
- (i) for some grantees, up to 33.3% of their share options granted at any time after the expiration of 36 months from the date of grant and up to 66.7% of their share options granted at any time after the expiration of 48 months from the date of grant; and
  - (ii) for the remaining grantees, up to 50% of their share options granted at any time after the expiration of 36 months from the date of grant and up to 50% of their share options granted at any time after the expiration of 48 months from the date of grant.
- (7) The share options are exercisable within a period of 10 years from the 12 June 2020 and will be vested after the expiration of 36 months from 12 June 2020.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
REVENUE	4	<b>31,034,969</b>	27,021,708
Cost of sales		<b>(20,100,618)</b>	(17,629,310)
Gross profit		<b>10,934,351</b>	9,392,398
Other income and gains	4	<b>1,065,720</b>	1,367,105
Other expenses		<b>(86,364)</b>	(1,846)
Selling and marketing expenses		<b>(664,869)</b>	(684,898)
Administrative expenses		<b>(813,093)</b>	(627,123)
Net increase in fair value of investment properties	11	<b>1,057,455</b>	787,879
Net increase in fair value of derivative financial instruments		<b>29,998</b>	27,952
Share of losses of associates		<b>(33,498)</b>	(35,321)
Share of losses of joint ventures		<b>(296,660)</b>	(42,434)
PROFIT FROM OPERATIONS		<b>11,193,040</b>	10,183,712
Finance costs	5	<b>(943,824)</b>	(826,332)
PROFIT BEFORE TAX	6	<b>10,249,216</b>	9,357,380
Income tax expense	7	<b>(3,964,165)</b>	(4,067,019)
PROFIT FOR THE PERIOD		<b>6,285,051</b>	5,290,361
Attributable to:			
Owners of the parent		<b>6,157,484</b>	5,128,402
Non-controlling interests		<b>127,567</b>	161,959
		<b>6,285,051</b>	5,290,361
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RMB cents)			
Basic		<b>110.28</b>	91.87
Diluted		<b>109.41</b>	90.45

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>(Unaudited)</b> <b>RMB'000</b>	2019 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	<b>6,285,051</b>	5,290,361
OTHER COMPREHENSIVE INCOME FOR THE PERIOD (after tax and reclassification adjustments)		
Item that may be reclassified to profit or loss in subsequent periods: Exchange differences on translation of financial statements of group entities	<b>183,787</b>	21,856
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>6,468,838</b>	5,312,217
Attributable to:		
Owners of the parent	<b>6,341,271</b>	5,150,258
Non-controlling interests	<b>127,567</b>	161,959
	<b>6,468,838</b>	5,312,217

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Investment properties	10	<b>28,512,010</b>	26,604,198
Other property, plant and equipment	11	<b>518,869</b>	891,954
Deferred tax assets		<b>1,283,816</b>	914,263
Investments in associates		<b>3,375,276</b>	3,460,487
Investments in joint ventures		<b>11,441,540</b>	13,934,196
Cash and bank balances		<b>1,752,827</b>	980,543
<b>Total non-current assets</b>		<b>46,884,338</b>	46,785,641
<b>CURRENT ASSETS</b>			
Inventories		<b>81,918,375</b>	86,351,810
Trade and other receivables, prepayments and other assets	12	<b>62,592,650</b>	31,327,794
Tax recoverable		<b>1,471,892</b>	1,254,170
Assets under cross-border guarantee arrangements	13	<b>7,198,833</b>	566,140
Cash and bank balances		<b>40,151,209</b>	39,724,570
<b>Total current assets</b>		<b>193,332,959</b>	159,224,484
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	<b>58,841,733</b>	56,166,909
Contract liabilities		<b>31,694,987</b>	26,030,052
Liabilities under cross-border guarantee arrangements	13	<b>7,942,921</b>	921,994
Bank and other loans		<b>10,945,625</b>	9,443,571
Senior notes	15	<b>8,303,824</b>	3,128,150
Other current liabilities	16	<b>11,871,177</b>	17,024,670
Tax payable		<b>7,936,815</b>	6,381,743
<b>Total current liabilities</b>		<b>137,537,082</b>	119,097,089
<b>NET CURRENT ASSETS</b>		<b>55,795,877</b>	40,127,395
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>102,680,215</b>	86,913,036



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>102,680,215</b>	86,913,036
NON-CURRENT LIABILITIES			
Bank and other loans		<b>16,836,362</b>	13,503,512
Senior notes	15	<b>16,202,964</b>	18,195,653
Corporate bonds	16	<b>13,418,000</b>	8,382,000
Deferred tax liabilities		<b>3,999,505</b>	3,837,852
Total non-current liabilities		<b>50,456,831</b>	43,919,017
Net assets		<b>52,223,384</b>	42,994,019
EQUITY			
<b>Equity attributable to owners of the parent</b>			
Share capital	17	<b>436,677</b>	435,167
Perpetual capital securities	19	<b>2,363,346</b>	2,363,346
Reserves		<b>34,769,878</b>	31,395,904
		<b>37,569,901</b>	34,194,417
Non-controlling interests		<b>14,653,483</b>	8,799,602
Total equity		<b>52,223,384</b>	42,994,019

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

(Unaudited)	Attributable to owners of the parent											
	Share capital	Share premium	Share-based compensation		Exchange reserve	PRC statutory reserves		Other reserve	Retained profits	Perpetual capital securities	Non-controlling interests	Total equity
			reserve	reserve		reserves	reserve					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
(note 17)		(note 18)					(note 19)					
At 1 January 2019	434,041	—	88,205	(326,960)	1,117,742	538,543	25,033,889	2,363,346	29,248,806	7,496,980	36,745,786	
Profit for the period	—	—	—	—	—	—	5,128,402	—	5,128,402	161,959	5,290,361	
Other comprehensive income —												
Exchange differences on translation of financial statements of group entities	—	—	—	21,856	—	—	—	—	21,856	—	21,856	
Total comprehensive income for the period	—	—	—	21,856	—	—	5,128,402	—	5,150,258	161,959	5,312,217	
2018 final and special dividends declared	—	—	—	—	—	—	(2,315,331)	—	(2,315,331)	—	(2,315,331)	
Issuance of shares in connection with the exercise of share option	941	31,143	(9,489)	—	—	—	—	—	22,595	—	22,595	
Equity-settled share-based transactions	—	—	30,000	—	—	—	—	—	30,000	—	30,000	
Effect of forfeited share options	—	—	(1,645)	—	—	—	1,645	—	—	—	—	
Repurchase and cancellation of own shares	(1,682)	(31,143)	—	—	—	—	(140,177)	—	(173,002)	—	(173,002)	
Deemed disposal of subsidiaries	—	—	—	—	—	(114,875)	—	—	(114,875)	—	(114,875)	
Capital contribution from non-controlling shareholders	—	—	—	—	—	14,296	—	—	14,296	1,811,349	1,825,645	
Distribution to holders of perpetual capital securities	—	—	—	—	—	—	(83,785)	—	(83,785)	—	(83,785)	
At 30 June 2019	433,300	—	107,071	(305,104)	1,117,742	437,964	27,624,643	2,363,346	31,778,962	9,470,288	41,249,250	

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

(Unaudited)	Attributable to owners of the parent												
	Share capital		Shares held under share		Share-based compensation		PRC statutory reserves		Perpetual capital securities		Non-controlling interests		Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(note 17)		(note 18)	(note 18)					(note 19)				
At 1 January 2020	435,167	—*	—	104,900*	(303,509)*	1,279,222*	(1,489,207)*	31,804,498*	2,363,346	34,194,417	8,799,602	42,994,019	
Profit for the period	—	—	—	—	—	—	—	6,157,484	—	6,157,484	127,567	6,285,051	
Other comprehensive income —													
Exchange differences on translation of financial statements of group entities	—	—	—	—	183,787	—	—	—	—	183,787	—	183,787	
Total comprehensive income for the period	—	—	—	—	183,787	—	—	6,157,484	—	6,341,271	127,567	6,468,838	
2019 final and special dividends declared	—	—	—	—	—	—	—	(2,237,570)	—	(2,237,570)	—	(2,237,570)	
Issuance of shares in connection with the exercise of share options	1,852	63,031	—	(19,283)	—	—	—	—	—	45,600	—	45,600	
Equity-settled share-based transactions	—	—	—	54,027	—	—	—	—	—	54,027	—	54,027	
Effect of forfeited or expired share options	—	—	—	(23,510)	—	—	—	23,510	—	—	—	—	
Repurchase and cancellation of own shares	(342)	(44,451)	—	—	—	—	—	—	—	(44,793)	—	(44,793)	
Shares purchased under share award scheme	—	—	(311,787)	—	—	—	—	—	—	(311,787)	—	(311,787)	
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	(387,479)	—	—	(387,479)	(2,672,278)	(3,059,757)	
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	8,398,592	8,398,592	
Distribution to holders of perpetual capital securities	—	—	—	—	—	—	—	(83,785)	—	(83,785)	—	(83,785)	
At 30 June 2020	436,677	18,580*	(311,787)*	116,134*	(119,722)*	1,279,222*	(1,876,686)*	35,664,137*	2,363,346	37,569,901	14,653,483	52,223,384	

\* These reserve accounts comprise the consolidated reserves of RMB34,769,878,000 (31 December 2019: RMB31,395,904,000) in the condensed consolidated statement of financial position.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>10,249,216</b>	9,357,380
Total non-cash adjustments		<b>(571,945)</b>	(1,159,626)
Total working capital adjustments		<b>(2,142,124)</b>	3,909,328
Cash generated from operations		<b>7,535,147</b>	12,107,082
Tax paid		<b>(2,122,814)</b>	(3,095,672)
Net cash flows from operating activities		<b>5,412,333</b>	9,011,410
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		<b>836,496</b>	732,525
Addition to investment properties	10	<b>(151,293)</b>	(191,894)
Addition to other property, plant and equipment		<b>(20,266)</b>	(15,250)
Deemed disposal of subsidiaries	21(b)	<b>(2,493,113)</b>	(1,187,578)
Disposal of subsidiaries	21(a)	<b>(1,151,012)</b>	—
Acquisition of subsidiaries that are not a business	20(a)	<b>3,815,612</b>	(756,942)
Acquisition of subsidiaries	20(b)	—	1,452,099
Investments in joint ventures		<b>(521,788)</b>	(730,450)
Investments in associates		—	(83,316)
(Advances to)/repayment from joint ventures and associates		<b>(11,633,908)</b>	748,930
Advances from joint ventures and associates		<b>738,916</b>	—
Proceeds from disposal of other property, plant and equipment		<b>27,464</b>	740
(Increase)/decrease in restricted and pledged deposits		<b>(6,196,889)</b>	3,414,003
Decrease in non-current unpledged time deposits		<b>711,000</b>	—
Net cash flows (used in)/from investing activities		<b>(16,038,781)</b>	3,382,867

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>(Unaudited)</b> <b>RMB'000</b>	2019 (Unaudited) RMB'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	<b>(2,620,302)</b>	(2,460,317)
Proceeds from bank and other loans	<b>16,277,690</b>	5,809,253
Repayment of bank and other loans	<b>(9,154,665)</b>	(7,868,487)
Repayment of senior notes	<b>(568,525)</b>	—
Repayment of corporate bonds	<b>(2,964,000)</b>	(2,490,000)
Proceeds from issuance of senior notes	<b>3,454,974</b>	2,271,509
Proceeds from issuance of corporate bonds	<b>2,500,000</b>	1,510,000
Proceeds from/(repayment of) cross-border guarantee arrangements	<b>7,008,473</b>	(315,178)
Distribution paid to holders of perpetual capital securities	<b>(83,785)</b>	(83,785)
Proceeds from issuance of shares in connection with the exercise of share options	<b>45,600</b>	22,595
Repurchase of own shares	<b>(44,793)</b>	(173,002)
Shares purchased under share award scheme	<b>(311,787)</b>	—
Repayment to non-controlling shareholders/former non-controlling shareholders	<b>(4,407,949)</b>	(4,409,144)
Capital contributions from non-controlling shareholders	<b>8,398,592</b>	1,825,645
Payments for acquisition of non-controlling interests	<b>(2,402,569)</b>	—
Dividends paid to ordinary equity shareholders of the Company	<b>(2,431,526)</b>	(255,023)
<b>Net cash flows from/(used in) financing activities</b>	<b>12,695,428</b>	(6,615,934)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of period	<b>34,817,721</b>	28,452,462
Effect of foreign exchange rate changes	<b>276,747</b>	230,240
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>37,163,448</b>	34,461,045

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

## 1. CORPORATE AND GROUP INFORMATION

Logan Group Company Limited (formerly known as “Logan Property Holdings Company Limited”) (the “Company”) is incorporated in the Cayman Islands as an exempted company with limited liability. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in property development, property investment, construction and decoration and urban redevelopment business in the People’s Republic of China (the “PRC”) or “Mainland China” during the period.

In the opinion of the directors, the ultimate controlling party of the Company is Ms. Kei Perenna Hoi Ting, who is a non-executive director of the Company.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information of the Group (the “interim financial information”) for the six months ended 30 June 2020 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

This interim financial information has been prepared under the historical cost convention, except for investment properties and derivative financial instruments, which have been measured at fair value. This interim financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies adopted in the preparation of the interim financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the following revised Hong Kong Financial Reporting Standards (the “HKFRSs”, which include all HKFRSs, HKASs and Interpretations issued by the HKICPA), that have been adopted by the Group for the first time in 2020 for the current period’s interim financial information:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively, including the application of the optional fair value concentration test, to transactions or other events that occurred on or after 1 January 2020. During the period, management has considered the Amendments to HKFRS 3 in the determination of a business for the acquisition of subsidiaries as detailed in note 20 to this interim financial information.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any significant impact on the Group's interim financial information.
- (c) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by primary users. The amendments did not have any significant impact on the Group's interim financial information.

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the property development segment develops and sells residential properties and retail shops;
- (b) the property leasing segment leases office units and retail shops to generate rental income and to gain from the appreciation in the properties' values in the long term;
- (c) the construction and decoration contracts segment engages in construction of office premises and residential buildings and provides decoration services for external customers and for group companies, and provides interior decoration services to property buyers; and
- (d) the urban redevelopment business segment engages in the sale of land held for development.

The Group's revenue from external customers from each operating segment is set out in note 4 to the interim financial information.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that depreciation, other income and gains, other expenses, finance costs, share of or losses of joint ventures and associates, fair value gains of investment properties and derivative financial instruments and head office and corporate income and expenses are excluded from such measurement. Segment assets and liabilities are not reported to the Group's chief operating decision maker regularly.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.



## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**3. OPERATING SEGMENT INFORMATION (CONTINUED)**

Information regarding the reportable segments is presented below.

**For the six months ended 30 June 2020**

<b>(Unaudited)</b>	<b>Property development RMB'000</b>	<b>Property leasing RMB'000</b>	<b>Construction and decoration contracts RMB'000</b>	<b>Urban redevelopment business RMB'000</b>	<b>Total RMB'000</b>
Gross revenue from external customers	20,735,094	71,771	4,358,326	6,000,000	31,165,191
Less: Sales related taxes	(118,251)	(3,340)	(8,631)	—	(130,222)
Net revenue from external customers	20,616,843	68,431	4,349,695	6,000,000	31,034,969
Inter-segment revenue	—	30,923	7,061,613	—	7,092,536
Reportable segment revenue	20,616,843	99,354	11,411,308	6,000,000	38,127,505
Reportable segment profit	5,029,410	78,090	3,415,851	3,750,193	12,273,544

**For the six months ended 30 June 2019**

<b>(Unaudited)</b>	<b>Property development RMB'000</b>	<b>Property leasing RMB'000</b>	<b>Construction and decoration contracts RMB'000</b>	<b>Urban redevelopment business RMB'000</b>	<b>Total RMB'000</b>
Gross revenue from external customers	16,381,860	70,985	5,843,261	4,900,000	27,196,106
Less: Sales related taxes	(155,731)	(306)	(18,361)	—	(174,398)
Net revenue from external customers	16,226,129	70,679	5,824,900	4,900,000	27,021,708
Inter-segment revenue	—	24,372	3,961,645	—	3,986,017
Reportable segment revenue	16,226,129	95,051	9,786,545	4,900,000	31,007,725
Reportable segment profit	3,707,676	87,913	2,313,929	2,989,605	9,099,123

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**3. OPERATING SEGMENT INFORMATION (CONTINUED)****Information about a major customer**

During the six months ended 30 June 2020, revenue of RMB6,000,000,000 (six months ended 30 June 2019: RMB4,900,000,000) was derived from an independent third party for urban redevelopment business, which amounted to more than 10% of the Group's revenue.

**Reconciliation of reportable segment revenue and profit or loss**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>Revenue</b>		
Reportable segment revenue	<b>38,127,505</b>	31,007,725
Elimination of inter-segment revenue	<b>(7,092,536)</b>	(3,986,017)
Consolidated revenue	<b>31,034,969</b>	27,021,708
<b>Profit</b>		
Reportable segment profit	<b>12,273,544</b>	9,099,123
Elimination of inter-segment profits	<b>(2,612,972)</b>	(827,239)
Reportable segment profit derived from the Group's external customers	<b>9,660,572</b>	8,271,884
Other income and gains	<b>1,065,720</b>	1,367,105
Other expenses	<b>(86,364)</b>	(1,846)
Depreciation	<b>(31,751)</b>	(33,546)
Finance costs	<b>(943,824)</b>	(826,332)
Share of losses of associates	<b>(33,498)</b>	(35,321)
Share of losses of joint ventures	<b>(296,660)</b>	(42,434)
Net increase in fair value of investment properties	<b>1,057,455</b>	787,879
Net increase in fair value of derivative financial instruments	<b>29,998</b>	27,952
Unallocated head office and corporate income and expenses	<b>(172,432)</b>	(157,961)
Consolidated profit before tax	<b>10,249,216</b>	9,357,380

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**3. OPERATING SEGMENT INFORMATION (CONTINUED)****Geographical information**

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the segment assets of the Group are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of the interim financial information.

**4. REVENUE, OTHER INCOME AND GAINS**

An analysis of the Group's revenue is as follows:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<i>Revenue from contracts with customers</i>		
Sale of properties*	<b>20,735,094</b>	16,381,860
Construction and decoration income	<b>4,358,326</b>	5,843,261
Urban redevelopment income	<b>6,000,000</b>	4,900,000
<i>Revenue from another source</i>		
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	<b>71,771</b>	70,985
	<b>31,165,191</b>	27,196,106
Less: Sales related taxes	<b>(130,222)</b>	(174,398)
	<b>31,034,969</b>	27,021,708

\* The invoiced amount billed to buyers of properties for the six months ended 30 June 2020 was RMB22,532,266,000 (six months ended 30 June 2019: RMB17,776,078,000) including value-added tax of RMB1,797,172,000 (six months ended 30 June 2019: RMB1,394,218,000).

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)****Revenue from contracts with customers****Disaggregated revenue information***For the six months ended 30 June 2020*

	<b>Sale of properties RMB'000</b>	<b>Construction and decoration income RMB'000</b>	<b>Urban redevelopment income RMB'000</b>	<b>Total RMB'000</b>
Timing of revenue recognition:				
Goods transferred at a point in time	<b>20,616,843</b>	—	<b>6,000,000</b>	<b>26,616,843</b>
Services transferred over time	—	<b>4,349,695</b>	—	<b>4,349,695</b>
<b>Total revenue from contracts with customers</b>	<b>20,616,843</b>	<b>4,349,695</b>	<b>6,000,000</b>	<b>30,966,538</b>

*For the six months ended 30 June 2019*

	<b>Sale of properties RMB'000</b>	<b>Construction and decoration income RMB'000</b>	<b>Urban redevelopment income RMB'000</b>	<b>Total RMB'000</b>
Timing of revenue recognition:				
Goods transferred at a point in time	16,226,129	—	4,900,000	21,126,129
Services transferred over time	—	5,824,900	—	5,824,900
<b>Total revenue from contracts with customers</b>	<b>16,226,129</b>	<b>5,824,900</b>	<b>4,900,000</b>	<b>26,951,029</b>

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

## 4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

## Revenue from contracts with customers (Continued)

## Disaggregated revenue information (Continued)

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

For the six months ended 30 June 2020

	Property development RMB'000	Construction and decoration contracts RMB'000	Urban redevelopment business RMB'000	Total RMB'000
Revenue from contracts with customers				
External customers	20,616,843	4,349,695	6,000,000	30,966,538
Intersegment sales	—	7,061,613	—	7,061,613
	20,616,843	11,411,308	6,000,000	38,028,151
Intersegment adjustments and eliminations	—	(7,061,613)	—	(7,061,613)
Total revenue from contracts with customers	20,616,843	4,349,695	6,000,000	30,966,538

For the six months ended 30 June 2019

	Property development RMB'000	Construction and decoration contracts RMB'000	Urban redevelopment business RMB'000	Total RMB'000
Revenue from contracts with customers				
External customers	16,226,129	5,824,900	4,900,000	26,951,029
Intersegment sales	—	3,961,645	—	3,961,645
	16,226,129	9,786,545	4,900,000	30,912,674
Intersegment adjustments and eliminations	—	(3,961,645)	—	(3,961,645)
Total revenue from contracts with customers	16,226,129	5,824,900	4,900,000	26,951,029

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)****Other income and gains**

An analysis of the Group's other income and gains is as follows:

	Notes	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Bank interest income		223,142	256,000
Interest income on amounts due from an associate and joint ventures		613,354	476,525
Forfeiture income on deposits received		28,924	30,696
Gains on disposal of subsidiaries upon loss of control, net	21(a)	4,013	—
Gains on deemed disposal of subsidiaries upon loss of control, net	21(b)	9,317	14,047
Gains on remeasurement of pre-existing interests in an associate and joint ventures to the date of obtaining control and acquisition	20(b)	—	239,514
Gains on bargain purchase	20(b)	—	324,627
Others		186,970	25,696
		<b>1,065,720</b>	<b>1,367,105</b>

**5. FINANCE COSTS**

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Interest on bank and other loans and other borrowing costs	1,065,536	1,045,866
Interest on senior notes	886,702	676,609
Interest on corporate bonds	653,708	610,068
Total interest expense on financial liabilities not at fair value through profit or loss	2,605,946	2,332,543
Less: Interest capitalised	(1,662,122)	(1,506,211)
	<b>943,824</b>	<b>826,332</b>

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**6. PROFIT BEFORE TAX**

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Cost of properties sold		<b>16,602,650</b>	13,356,781
Cost of services provided		<b>3,497,968</b>	4,272,529
Depreciation		<b>40,633</b>	34,831
Less: Amount capitalised		<b>(8,882)</b>	(1,285)
		<b>31,751</b>	33,546
Equity-settled share option expense		<b>54,027</b>	30,000
Interest income:			
– Cash at bank		<b>(223,142)</b>	(256,000)
– Amounts due from an associate and joint ventures		<b>(613,354)</b>	(476,525)
Gains on disposal of subsidiaries upon loss of control, net	21(a)	<b>(4,013)</b>	–
Gains on deemed disposal of subsidiaries upon loss of control, net	21(b)	<b>(9,317)</b>	(14,047)
Gains on remeasurement of pre-existing interests in an associate and a joint venture to the date of obtaining control and acquisition	20(b)	–	(239,514)
Gains on bargain purchase	20(b)	–	(324,627)
Net gain on disposal of items of other property, plant and equipment		<b>(27)</b>	(715)
Foreign exchange differences, net		<b>8,726</b>	1,281

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**7. INCOME TAX**

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2020 and 2019. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate.

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Current charge for the period:		
PRC corporate income tax	<b>3,217,426</b>	2,948,028
PRC land appreciation tax	<b>802,586</b>	1,072,917
Withholding tax	<b>110,000</b>	—
	<b>4,130,012</b>	4,020,945
Deferred	<b>(165,847)</b>	46,074
Total tax charge for the period	<b>3,964,165</b>	4,067,019

**8. DIVIDEND**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Declared interim dividend — HK43 cents per ordinary share (six months ended 30 June 2019: HK38 cents per ordinary share)	<b>2,139,027</b>	1,832,487

The interim dividend has not been recognised as a liability at the end of the reporting period.



## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount for the six months ended 30 June 2020 is based on the profit for the period attributable to owners of the parent, adjusted for the distribution related to perpetual capital securities, and the weighted average number of ordinary shares of 5,511,445,687 (six months ended 30 June 2019: 5,491,145,769) in issue less the weighted average number of shares held under the share award scheme (six months ended 30 June 2019: Nil) during the period.

The calculation of the diluted earnings per share amount for the six months ended 30 June 2020 is based on the profit for the period attributable to owners of the parent, adjusted for the distribution related to perpetual capital securities. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue less the weighted average number of shares held under the share award scheme during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all the dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>Earnings</b>		
Profit attributable to owners of the parent	<b>6,157,484</b>	5,128,402
Distribution related to perpetual capital securities	<b>(83,785)</b>	(83,785)
Profit used in the basic and diluted earnings per share calculations	<b>6,073,699</b>	5,044,617

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

	Number of shares	
	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	'000	'000
<b>Shares</b>		
Weighted average number of ordinary shares in issue less the weighted average number of shares held under the share award scheme during the period, used in the basic earnings per share calculation	<b>5,507,586</b>	5,491,146
Effect of dilution — weighted average number of ordinary shares:		
Share options	<b>43,634</b>	86,397
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	<b>5,551,220</b>	5,577,543

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

## 10. INVESTMENT PROPERTIES

All of the Group's investment properties and investment properties under construction were revalued on 30 June 2020 based on valuations performed by APAC Asset Valuation and Consulting Limited and Vocation (Beijing) International Assets Appraisal Co., Ltd., independent professionally qualified valuers.

The valuations of completed investment properties were based on either the direct comparison method by reference to comparable market transactions, which is positively correlated to the market unit sale rate; or the income approach by capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary rental income potential of the properties, which is positively correlated to the market rental growth rate, and negatively correlated to risk-adjusted discount rate and capitalisation rate.

The valuations of investment properties under construction were based on the residual approach, and have taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development on the basis that the properties will be developed and completed in accordance with the Group latest development plan. The valuations of investment properties under construction are positively correlated to the development profit and negatively correlated to the risk-adjusted discount rate.

During the period, the net increase in fair value of investment properties and investment properties under construction amounted to RMB1,057,455,000 (six months ended 30 June 2019: RMB787,879,000), additions in investment properties and investment properties under construction amounted to RMB151,293,000 (six months ended 30 June 2019: RMB191,894,000), transfer from inventories to investment properties of nil (six months ended 30 June 2019: RMB26,507,000), additions in investment properties and investment properties under construction through acquisition of subsidiaries of nil (six months ended 30 June 2019: RMB6,001,513,000), and transfer from other property, plant and equipment to investment properties amounted to RMB681,857,000 (six months ended 30 June 2019: Nil).

## 11. OTHER PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired and disposed of other property, plant and equipment of RMB20,266,000 (six months ended 30 June 2019: RMB15,250,000) and RMB27,437,000 (six months ended 30 June 2019: RMB2,495,000), respectively. The Group acquired and disposed of other property, plant and equipment of RMB354,117,000 (six months ended 30 June 2019: RMB24,174,000) and RMB275,000 (six months ended 30 June 2019: RMB39,000) through acquisition of subsidiaries and disposal of subsidiaries, respectively. There is a transfer from other property, plant and equipment to investment properties amounting to RMB681,857,000 (six months ended 30 June 2019: Nil)

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

## 12. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

The Group's trade receivables arise from the sale of properties, leasing of investment properties, provision of construction and decoration services and sale of land held for development.

Consideration in respect of the sale of properties and sale of land held for development is payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The Group normally requires its customers to make payment of monthly/quarterly charges in advance in relation to the leasing of investment properties and provision of property management services.

Since the Group's trade receivables are related to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. All trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables (other than those from associates and joint ventures) as at the end of the reporting period, based on the revenue recognition date or invoice date and net of loss allowance, is as follows:

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
Current to 30 days	<b>1,934,790</b>	73,726
31 days to 90 days	<b>46,292</b>	447,875
91 to 180 days	<b>134,431</b>	20,280
181 to 365 days	<b>4,509</b>	740
Over 365 days	<b>243</b>	—
	<b>2,120,265</b>	542,621

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**12. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND OTHER ASSETS (CONTINUED)**

An ageing analysis of the trade receivables from associates as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
0 to 30 days	<b>135</b>	12,889
31 days to 90 days	<b>27,411</b>	19,829
91 to 180 days	<b>114,970</b>	60,842
181 to 365 days	<b>3,483</b>	—
Over 365 days	<b>3,605</b>	36,075
	<b>149,604</b>	129,635

An ageing analysis of the trade receivables from joint ventures as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
0 to 30 days	<b>209,825</b>	620,730
31 days to 90 days	<b>226,126</b>	178,917
91 to 180 days	<b>1,245,309</b>	294,106
181 to 365 days	<b>302,212</b>	413,998
Over 365 days	<b>—</b>	64,753
	<b>1,983,472</b>	1,572,504

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

### 13. ASSETS AND LIABILITIES UNDER CROSS-BORDER GUARANTEE ARRANGEMENTS

During the six months ended 30 June 2020, the Group entered into some cross-border guarantee arrangements with certain financial institutions, whereby certain onshore funding (i.e. in the PRC) and offshore funding (i.e. in Hong Kong) have been used as a pledge against advances to offshore (i.e. in Hong Kong) and onshore (i.e. in the PRC) for the Group's general working capital.

Pursuant to these arrangements which are made in compliance with the relevant rules and regulations promulgated by the State Administration of Foreign Exchange, the Group's subsidiaries in the PRC and Hong Kong deposited funds in the relevant financial institutions, which in turn advanced the funds to the Group's subsidiaries in Hong Kong and the PRC. The net cost of such arrangements is less than 1% per annum of the total funds advanced.

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
Current:		
Assets under cross-border guarantee arrangements	<b>7,198,833</b>	566,140
Current:		
Liabilities under cross-border guarantee arrangements	<b>7,942,921</b>	921,994

### 14. TRADE AND OTHER PAYABLES

Included in the balance as at 30 June 2020 is an aggregate trade payables balance of RMB24,979,057,000 (31 December 2019: RMB24,127,252,000). An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
Current to 30 days	<b>7,033,907</b>	9,532,282
31 to 90 days	<b>4,681,523</b>	5,381,636
91 to 180 days	<b>4,470,408</b>	2,723,328
181 to 365 days	<b>5,453,882</b>	3,084,331
Over 365 days	<b>3,339,337</b>	3,405,675
	<b>24,979,057</b>	24,127,252

The trade payables are non-interest-bearing.

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

## 15. SENIOR NOTES

	Effective interest rate (% per annum)	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
US\$200m Senior Notes (notes (i), (xvii))	5.80	1,421,313	1,389,500
US\$450m Senior Notes (notes (ii), (xvii))	5.42	3,197,953	3,129,141
US\$250m Senior Notes (notes (iii), (xvii))	6.75	1,776,641	1,766,909
SG\$200m Senior Notes (notes (iv), (xvii))	6.60	1,055,130	1,017,416
US\$300m Senior Notes (notes (v), (xvii))	7.32	2,131,969	2,101,581
US\$100m Senior Notes (notes (vi), (xvii))	7.62	710,656	697,852
US\$300m Senior Notes due 2021 (notes (vii), (xvii))	8.05	2,131,969	2,118,895
US\$80m Senior Notes (notes (viii), (xvii))	9.74	—	553,331
US\$370m Senior Notes (notes (ix), (xvii))	9.20	2,629,428	2,574,819
US\$50m Senior Notes (notes (x), (xvii))	9.45	355,328	324,114
US\$300m Senior Notes due 2022 (notes (xi), (xvii))	7.78	2,131,969	2,123,224
US\$400m Senior Notes due 2023 (notes (xii), (xvii))	6.76	2,842,625	2,838,873
US\$100m Senior Notes due 2024 (notes (xiii), (xvii))	7.60	710,656	688,148
US\$300m Senior Notes due 2025 (notes (xiv), (xvii))	5.96	2,131,969	—
US\$180m Senior Notes due 2024 (notes (xv), (xvii))	5.42	1,279,182	—
		<b>24,506,788</b>	21,323,803
Portion classified as current liabilities (note (xvii))		<b>(8,303,824)</b>	(3,128,150)
Non-current portion (note (xvi))		<b>16,202,964</b>	18,195,653

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**15. SENIOR NOTES (CONTINUED)**

Notes:

- (i) On 3 January 2017, the Company issued senior notes with a principal amount of US\$200,000,000 due in 2022 (the "US\$200m Senior Notes"). The senior notes are interest bearing at 5.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 3 January 2022. At any time and from time to time on or after 3 January 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (ii) On 23 May 2017, the Company issued senior notes with a principal amount of US\$450,000,000 due in 2023 (the "US\$450m Senior Notes"). The senior notes are interest bearing at 5.25% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 23 February 2023. At any time and from time to time on or after 23 May 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (iii) On 7 March 2018, the Company issued senior notes with a principal amount of US\$250,000,000 due in 2021 ("US\$250m Senior Notes"). The senior notes are interest bearing at 6.375% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 7 March 2021. At any time and from time to time on or after 7 March 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (iv) On 16 April 2018, the Company issued senior notes with a principal amount of SG\$200,000,000 due in 2021 ("SG\$200m Senior Notes"). The senior notes are interest bearing at 6.125% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 16 April 2021. At any time and from time to time on or after 16 April 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (v) On 24 April 2018, the Company issued senior notes with a principal amount of US\$300,000,000 due in 2021 ("US\$300m Senior Notes"). The senior notes are interest bearing at 6.875% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 24 April 2021. At any time and from time to time on or after 24 April 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (vi) On 30 May 2018, the Company issued senior notes with a principal amount of US\$100,000,000 due in 2021 ("US\$100m Senior Notes"). The senior notes are consolidated and form a single series with the US\$300m Senior Notes due 2021 issued on 24 April 2018. The senior notes are interest bearing at 6.875% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 24 April 2021. At any time and from time to time on or after 24 April 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (vii) On 27 August 2018, the Company issued senior notes with a principal amount of US\$300,000,000 due in 2021 ("US\$300m Senior Notes due 2021"). The senior notes are interest bearing at 7.5% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 27 August 2021. At any time and from time to time prior to 27 August 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (viii) On 6 December 2018, the Company issued senior notes with a principal amount of US\$80,000,000 due in 2020 ("US\$80m Senior Notes"). The senior notes are interest bearing at 6.95% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 5 June 2020. At any time and from time to time prior to 5 June 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum. In June 2020, the Company redeemed the US\$80m Senior Notes in full upon maturity at a redemption price equal to the principal amount thereof, being US\$80,000,000, plus accrued and unpaid interest of US\$2,780,000.
- (ix) On 12 December 2018, the Company issued senior notes with a principal amount of US\$370,000,000 due in 2020 ("US\$370m Senior Notes"). The senior notes are interest bearing at 8.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 12 December 2020. At any time and from time to time prior to 12 December 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.



## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**15. SENIOR NOTES (CONTINUED)**

Notes: (Continued)

- (x) On 9 January 2019, the Company issued senior notes with a principal amount of US\$50,000,000 due in 2022 ("US\$50m Senior Notes"). The senior notes are consolidated and form a single series with the US\$200m Senior Notes due in 2022 issued on 3 January 2017. The senior notes are interest bearing at 5.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 3 January 2022. At any time and from time to time on or after 3 January 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (xi) On 25 February 2019, the Company issued senior notes with a principal amount of US\$300,000,000 due in 2022 ("US\$300m Senior Notes due 2022"). The senior notes are interest bearing at 7.50% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 25 August 2022. At any time and from time to time prior to 25 February 2021, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (xii) On 16 July 2019, the Company issued senior notes with a principal amount of US\$400,000,000 due in 2023 ("US\$400m Senior Notes due 2023"). The senior notes are interest bearing at 6.50% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 16 July 2023. At any time and from time to time on or after 16 July 2021, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (xiii) On 9 September 2019, the Company issued senior notes with a principal amount of US\$100,000,000 due in 2024 ("US\$100m Senior Notes due 2024"). The senior notes are interest bearing at 6.90% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 9 June 2024. At any time and from time to time on or after 9 September 2022, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (xiv) On 14 January 2020, the Company issued senior notes with a principal amount of US\$300,000,000 due in 2025 ("US\$300m Senior Notes due 2025") listed on the Stock Exchange (Stock Code: 40114). The senior notes are interest bearing at 5.75% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 14 January 2025. At any time and from time to time on or after 14 January 2023, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (xv) On 17 January 2020, the Company issued senior notes with a principal amount of US\$180,000,000 due in 2024 ("US\$180m Senior Notes due 2024"). The senior notes are consolidated and form a single series with the US\$100m Senior Notes due 2024 issued on 9 September 2019 listed on the Stock Exchange (Stock Code: 5732). The senior notes are interest bearing at 6.90% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 9 June 2024. At any time and from time to time on or after 9 September 2022, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (xvi) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.
- (xvii) Redemption call options represent the fair value of the Company's options to early redeem the senior notes and are recorded as derivative financial instruments under "Trade and other receivables, prepayments and other assets" (note 12). The assumptions applied in determining the fair value of the redemption call options as at 30 June 2020 and 31 December 2019 are set out in note 26.

## NOTES TO INTERIM FINANCIAL INFORMATION

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## 16. CORPORATE BONDS

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
Corporate bonds due in 2020	<b>3,990,000</b>	4,490,000
Corporate bonds due in 2021	<b>3,372,000</b>	3,372,000
Corporate bonds due in 2022	<b>6,026,000</b>	8,490,000
Corporate bonds due in 2023	<b>1,000,000</b>	1,000,000
Corporate bonds due in 2024	<b>5,510,000</b>	4,010,000
Corporate bonds due in 2025	<b>1,000,000</b>	—
	<b>20,898,000</b>	21,362,000
Portion classified as non-current liabilities	<b>(13,418,000)</b>	(8,382,000)
Current liabilities	<b>7,480,000</b>	12,980,000
Bank and other loans classified as current liabilities based on the accumulated pre-sales/sales amount of the property development projects	<b>4,391,177</b>	4,044,670
Total other current liabilities	<b>11,871,177</b>	17,024,670

Notes:

- (i) On 19 August 2015 and 27 August 2015 respectively, Shenzhen Logan Holdings Co., Ltd. ("Shenzhen Logan"), a company established in the PRC and a wholly-owned subsidiary of the Company, issued domestic corporate bonds on the Shanghai Stock Exchange. The coupon rates of the first and second tranche with principal amounts of RMB4,000,000,000 and RMB1,000,000,000 were fixed at 5% per annum and 4.77% per annum respectively. The terms of the first and second tranches of corporate bonds were 5 year and 4 years. At the end of third year and second year, Shenzhen Logan shall be entitled to adjust the coupon rate of first and second tranches of corporate bonds respectively and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan.

On 19 August 2018, Shenzhen Logan had adjusted the coupon rate of first tranche of corporate bonds from 5% per annum to 7.3% per annum and the first tranche of corporate bonds with an aggregate principal amount of RMB10,000,000 was sold back to Shenzhen Logan; the first tranche of corporate bonds with a remaining principal amount of RMB3,990,000,000 was due in August 2020 and was classified as a current liability as at 30 June 2020.

The second tranche of the corporate bonds with a remaining principal amount of RMB762,449,000, was due and fully paid in August 2019.

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**16. CORPORATE BONDS (CONTINUED)**

Notes: (Continued)

- (ii) On 13 January 2016 and 16 May 2016, Shenzhen Logan issued non-public domestic corporate bonds on the Shanghai Stock Exchange. The coupon rates of the first and second tranches with principal amounts of RMB2,500,000,000 and RMB500,000,000 were fixed at 5.8% per annum and 5.2% per annum, respectively. The terms of the first and second tranches of corporate bonds were 3 years and 4 years. At the end of the second year, Shenzhen Logan shall be entitled to adjust the coupon rate of the first and second tranches of corporate bonds respectively and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan.

On 13 January 2018, Shenzhen Logan had adjusted the coupon rate of the first tranche of corporate bonds from 5.8% per annum to 6.88% per annum and the first tranche of corporate bonds with an aggregate principal amount of RMB10,000,000 was sold back to Shenzhen Logan; the first tranche of corporate bonds with a remaining principal amount of RMB2,490,000,000 was due and fully paid upon maturity in January 2019.

On 16 May 2018, Shenzhen Logan had adjusted the coupon rate of the second tranche of corporate bonds from 5.2% per annum to 6.99% per annum. The second tranche of corporate bonds amounting to RMB500,000,000 was due and fully paid upon maturity in May 2020.

- (iii) On 25 July 2016, Shenzhen Logan issued non-public domestic corporate bonds on Shenzhen Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB3,000,000,000 was 5.15% per annum. The terms of the domestic corporate bonds were 5 years. At the end of third year, Shenzhen Logan shall be entitled to adjust the coupon rate of domestic corporate bonds and bond holders shall be entitled to sell back the bonds to Shenzhen Logan.

On 25 July 2019, Shenzhen Logan had adjusted the coupon rate of corporate bonds from 5.15% per annum to 6.00% per annum and the corporate bonds with an aggregate principal amount of RMB1,028,000,000 were sold back to Shenzhen Logan; the corporate bonds with a remaining principal amount of RMB1,972,000,000 is due in July 2021 and were classified as a non-current liability as at 30 June 2020.

- (iv) On 21 October 2016, Shenzhen Logan issued domestic corporate bonds on the Shenzhen Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB1,400,000,000 was 3.4% per annum. The terms of the domestic corporate bonds were 5 years. At the end of third year, Shenzhen Logan shall be entitled to adjust the coupon rate of domestic corporate bonds and bond holders shall be entitled to sell back the bonds to Shenzhen Logan.

On 20 October 2019, Shenzhen Logan had adjusted the coupon rate of corporate bonds from 3.4% per annum to 5.2% per annum and the corporate bonds with a principal amount of RMB1,400,000,000 is due in October 2021 and were classified as a non-current liability as at 30 June 2020.

- (v) On 1 February 2018, 22 March 2018, 21 May 2018 and 7 December 2018 respectively, Shenzhen Logan issued non-public domestic corporate bonds on the Shanghai Stock Exchange. The coupon rates of the first, second, third and fourth tranches with principal amounts of RMB2,000,000,000, RMB2,000,000,000, RMB1,000,000,000 and RMB1,000,000,000 were fixed at 6.99% per annum, 7.20% per annum, 7.30% per annum and 7% per annum respectively. The terms of all these four domestic corporate bonds were 4 years. At the end of second year, Shenzhen Logan shall be entitled to adjust the coupon rate of all these four domestic corporate bonds and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan.

On 1 February 2020, Shenzhen Logan had adjusted the coupon rate of first tranche of corporate bonds from 6.99% per annum to 5.40% per annum and the corporate bonds with an aggregate principal amount of RMB1,290,000,000 were sold back to Shenzhen Logan; the first tranche of corporate bonds with a remaining principal amount of RMB710,000,000 are due in February 2022 and were classified as a non-current liability as at 30 June 2020. On 22 March 2020, Shenzhen Logan had adjusted the coupon rate of second tranche of corporate bonds from 7.20% per annum to 4.90% per annum and the corporate bonds with an aggregate principal amount of RMB174,000,000 were sold back to Shenzhen Logan; the second tranche of corporate bonds with a remaining principal amount of RMB1,826,000,000 are due in March 2022 and were classified as a non-current liability as at 30 June 2020. On 21 May 2020, the third tranche of corporate bonds with a principal amount of RMB1,000,000,000 were fully paid before maturity. The fourth tranche of corporate bonds with principal amount of RMB1,000,000,000 were classified as a current liability as at 30 June 2020.

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**16. CORPORATE BONDS (CONTINUED)**

Notes: (Continued)

- (vi) On 20 November 2018, Shenzhen Logan issued domestic corporate bonds on the Shenzhen Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB2,490,000,000 was 5.98% per annum. The terms of the domestic corporate bonds were 4 years. At the end of second year, Shenzhen Logan shall be entitled to adjust the coupon rate of domestic corporate bonds and bond holders shall be entitled to sell back the bonds to Shenzhen Logan. The corporate bonds were classified as a current liability as at 30 June 2020.
- (vii) On 19 March 2019, Shenzhen Logan issued domestic corporate bonds on the Shenzhen Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB1,510,000,000 was 5.50% per annum. The terms of the domestic corporate bonds were 5 years. At the end of the third year, Shenzhen Logan shall be entitled to adjust the coupon rate, and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan. The corporate bonds were classified as a non-current liability as at 30 June 2020.
- (viii) On 5 August 2019, Shenzhen Logan issued two tranches of private domestic corporate bonds. The coupon rates of the first and second tranches with principal amounts of RMB500,000,000 and RMB1,000,000,000 were fixed at 6.5% per annum and 6.2% per annum, respectively. The terms of the first and second tranches of corporate bonds were 5 years and 4 years, respectively. At the end of the third year and the second year, Shenzhen Logan shall be entitled to adjust the coupon rates of the first and second tranches of corporate bonds respectively and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan. The corporate bonds were classified as a non-current liability as at 30 June 2020.
- (ix) On 18 November 2019, Shenzhen Logan issued public domestic corporate bonds on the Shanghai Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB2,000,000,000 was 5.09% per annum. The terms of the domestic corporate bonds were 5 years. At the end of the third year, Shenzhen Logan shall be entitled to adjust the coupon rate, and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan. The corporate bonds were classified as a non-current liability as at 30 June 2020.
- (x) On 8 January 2020, Shenzhen Logan issued public domestic corporate bonds on the Shenzhen Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB1,000,000,000 was 4.80% per annum. The terms of the domestic corporate bonds were 5 years. At the end of the third year, Shenzhen Logan shall be entitled to adjust the coupon rate, and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan. The corporate bonds were classified as a non-current liability as at 30 June 2020.
- (xi) On 15 April 2020, Shenzhen Logan issued non-public domestic corporate bonds on the Shanghai Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB1,500,000,000 was 4.69% per annum. The terms of the domestic corporate bonds were 4 years. At the end of the second year, Shenzhen Logan shall be entitled to adjust the coupon rate, and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan. The corporate bonds were classified as a non-current liability as at 30 June 2020.

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

## 17. SHARE CAPITAL

A summary of movements in the Company's issued share capital is as follows:

	Six months ended 30 June 2020 (Unaudited)		Year ended 31 December 2019 (Audited)	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January	5,502,860	550,286	5,490,197	549,020
Repurchase of shares	(3,746)	(375)	(19,130)	(1,913)
Issuance of shares in connection with the exercise of share options	20,421	2,042	31,793	3,179
At 30 June/31 December	5,519,535	551,953	5,502,860	550,286
RMB'000 equivalent at end of reporting period		436,677		435,167

## Notes:

- (a) Pursuant to section 37(3) of the Companies Law of the Cayman Islands, an amount equivalent to the fair value of the shares repurchased and cancelled of HK\$49,038,000 (equivalent to approximately RMB44,793,000) (Year ended 31 December 2019: HK\$196,783,000 (equivalent to approximately RMB173,002,000)) was transferred out from share capital and share premium (Year ended 31 December 2019: share capital, share premium and retained profits) during the period.
- (b) During the period, the subscription rights attached to 20,421,000 (Year ended 31 December 2019: 31,792,700) share options were exercised at the subscription price of HK\$2.340 (Year ended 31 December 2019: HK\$2.340) per share, resulting in the issue of an aggregate of 20,421,000 shares for a total cash consideration of HK\$47,785,000 (equivalent to approximately RMB45,600,000) (Year ended 31 December 2019: HK\$74,395,000 (equivalent to approximately RMB63,007,000)) before expenses. An amount of HK\$21,110,000 (equivalent to approximately RMB19,283,000) (Year ended 31 December 2019: HK\$33,486,000 (equivalent to approximately RMB29,823,000)) was transferred from the share option reserve to the share premium account upon the exercise of the share options.
- (c) During the period, 27,156,000 ordinary shares (Year ended 31 December 2019: Nil) of HK\$0.10 each were purchased by the trustee (the "Trustee") of the Company's share award scheme at an average price of HK\$12.658 per share at a total consideration of approximately HK\$343,745,000 (equivalent to approximately RMB311,787,000). The shares have been classified as treasury shares.

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

## 18. SHARE OPTION SCHEME AND SHARE AWARD SCHEME

### Share option scheme

The Company operates a share option scheme (the “Scheme”) which was adopted by an ordinary resolution of the shareholders of the Company on 18 November 2013. Full-time and part-time employees, executives, officers or directors (including independent non-executive directors) of the Group and any advisors, consultants, agent, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group are included in the eligible participants under the Scheme. The maximum number of shares may be granted is 10% of the shares in issue immediately upon completion of the Global offering. Each participant cannot be entitled to more than 0.1% of the total number of shares in issue in any 12-month period unless approved from the independent non-executive directors of the Company is obtained. The option shall expire, in any event, not later than 10 years from the date of grant of the option subject to the provision for early termination set out in the Scheme.

- (i) On 29 May 2014, the Company granted share options to the Company’s directors and employees (included certain senior managers or above and certain mid-level managers). The exercise of these share options would entitle the Company’s directors and employees of the Group to subscribe for an aggregate of 25,480,000 shares (of which 4,950,000 shares is granted to Mr. Kei Hoi Pang (“Mr. Kei”, the Executive Director and the Chairman) and 164,610,000 shares of the Company respectively. The exercise price is HK\$2.34 per share. Under the Scheme, the share options granted to the directors and certain senior managers or above will be vested evenly over a period of four years starting from 29 May 2015 and ending on 28 May 2019, while the share options granted to certain mid-level managers will be vested evenly over a period of three years starting from 29 May 2015 and ending on 28 May 2018. These share options are exercisable within a period of six years from the date of grant (i.e. 29 May 2014) subject to the above vesting schedule. Each option gives the holder the right to subscribe for one ordinary share of the Company.

On the same date (i.e. 29 May 2014), the board of directors resolved to grant to Mr. Kei another 8,170,000 share options to subscribe for the Company’s shares (the “Additional Options”) at the exercise price of HK\$2.34 per share on the same terms as the share options granted on 29 May 2014 (see above). The Additional Options constituted a connected transaction to the Company under the Listing Rules and was approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 31 July 2014.

- (ii) On 25 August 2017, the Company granted share options to the Company’s directors and employees. The exercise of these share options would entitle the Company’s directors and employees of the Group to subscribe for an aggregate of 24,250,000 shares (of which 8,000,000 shares is granted to Mr. Kei) and 135,750,000 shares (of which only 46,512,000 shares is accepted) of the Company respectively. 25%, 25%, 25% and the remaining share options will be vested on the 36th, 48th, 60th and 72th month, respectively, from the date of grant (i.e. 25 August 2017). The exercise price is HK\$7.43 per share. These share options are exercisable within a period of ten years from the date of grant (i.e. 25 August 2017) subject to the above vesting schedule. Each option gives the holder the right to subscribe for one ordinary share of the Company.

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

## 18. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (CONTINUED)

### Share option scheme (Continued)

- (iii) On 8 June 2018, the Company granted share options to the Group's employees. The exercise of these share options would entitle the employees of the Group to subscribe for an aggregate of 50,000,000 shares of the Company. 33.3%, 33.3% and the remaining share options will be vested on the 36th, 48th and 60th month, respectively, from the date of grant (i.e. 8 June 2018). The exercise price is HK\$12.50 per share. These share options are exercisable within a period of ten years from the date of grant (i.e. 8 June 2018) subject to the above vesting schedule. Each option gives the holder the right to subscribe for one ordinary share of the Company.
- (iv) On 22 October 2018, the Company granted share options to the Group's employees. The exercise of these share options would entitle the employees of the Group to subscribe for an aggregate of 36,400,000 shares of the Company. 33.3%, 33.3% and the remaining share options will be vested on the 36th, 48th and 60th month, respectively, from the date of grant (i.e. 22 October 2018). The exercise price is HK\$7.64 per share. These share options are exercisable within a period of ten years from the date of grant (i.e. 22 October 2018) subject to the above vesting schedule. Each option gives the holder the right to subscribe for one ordinary share of the Company.
- (v) On 28 June 2019, the Company granted share options to the Group's employees. The exercise of these share options would entitle the employees of the Group to subscribe for an aggregate of 10,500,000 shares of the Company. For some grantees, 33.3% and the remaining share options will be vested on the 36th and 48th month, respectively, from the date of grant (i.e. 28 June 2019). For some grantees, 50% and the remaining share options will be vested on the 36th and 48th month, respectively, from the date of grant (i.e. 28 June 2019). The exercise price is HK\$12.64 per share. These share options are exercisable within a period of ten years from the date of grant (i.e. 28 June 2019) subject to the above vesting schedule. Each option gives the holder the right to subscribe for one ordinary share of the Company.
- (vi) On 12 June 2020, the Company granted share options to the Group's employees. The exercise of these share options would entitle the employees of the Group to subscribe for an aggregate of 5,565,000 shares of the Company. All of the share options will be vested on the 36th month from the date of grant (i.e. 12 June 2020). The exercise price is HK\$13.08 per share. These share options are exercisable within a period of ten years from the date of grant (i.e. 12 June 2020) subject to the above vesting schedule. Each option gives the holder the right to subscribe for one ordinary share of the Company.

The share options lapsed due to the resignation of certain employees. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the related share-based compensation reserve is transferred to retained profits.

17,395,000 share options, 6,466,000 share options and 20,421,000 share options were forfeited, expired and exercised, respectively, during the six months ended 30 June 2020. At the end of the reporting period, the Company had 136,211,000 share options outstanding under the Scheme.

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

## 18. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (CONTINUED)

### Share award scheme

The Company operates a share award scheme (the “2020 Share Award Scheme”) which was adopted by the Company on 13 May 2020. Unless otherwise cancelled or amended, the 2020 Share Award Scheme will remain valid and effective for 15 years from the date of adoption. As at 30 June 2020, none of the shares purchased has been awarded under the 2020 Share Award Scheme.

The Trustee holds the shares in trust for the selected participants, until the shares become vested. The shares granted will be vested in the proportions and on the dates as set out in the relevant letters of grant issued by the Company. Vested shares will be transferred to the selected participants at no cost save that transaction fees and expenses will be payable by the selected participants as transferees.

## 19. PERPETUAL CAPITAL SECURITIES

On 31 May 2017, the Company issued perpetual capital securities with a principal amount of US\$350,000,000 (equivalent to approximately RMB2,363,346,000).

The securities confer the holders a right to receive distributions at the applicable distribution rate of 7% per annum from and including 31 May 2017, payable semi-annually on 31 May and 30 November of each year. The Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. Unless and until the Company satisfies in full all outstanding arrears of distribution and any additional distribution amount, the Company shall not declare or pay any dividends, distributions or make payment on, and will procure that no dividend or other payment is made on or redeem, reduce, cancel, buy-back or acquire for any consideration any share capital thereof. The securities may be redeemed at the option of the Company, in whole but not in part.

In the opinion of the directors, the Company is able to control the delivery of cash or other financial assets to the holders of the perpetual capital securities due to redemption other than an unforeseen liquidation of the Company. Accordingly, the perpetual capital securities are classified as equity instruments of the Company.



## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

## 20. ACQUISITIONS OF SUBSIDIARIES

## (a) Acquisitions of subsidiaries that are not a business

## i) Six months ended 30 June 2020

During the period ended 30 June 2020, the Group acquired certain assets through acquisition of Dongguan Logan Junyu Property Development Co., Ltd. (“Dongguan Junyu”) from an independent third party, acquisition of Zhuhai Hengqin Haojing Property Co., Ltd. (“Zhuhai Hengqin Haojing”), Huizhou Aoda Property Co., Ltd. (“Huizhou Aoda”) and Huizhou Logan Junjing Property Co., Ltd. (“Huizhou Junjing”) from a joint venture of the Group. Upon the completion of acquisitions, the acquired companies became wholly-owned subsidiaries of the Group, except for Zhuhai Hengqin Haojing and certain companies included in others below being a non-wholly-owned subsidiary. The following table summarises the financial information in relation to the acquisition of subsidiaries. Among subsidiaries acquired in the current period, certain subsidiaries were acquired from joint ventures at an aggregate consideration of RMB1,880 million.

	Zhuhai Hengqin Haojing (Unaudited) RMB'000	Huizhou Aoda (Unaudited) RMB'000	Dongguan Junyu (Unaudited) RMB'000	Huizhou Junjing (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
Other property, plant and equipment	257	319	539	89	352,913	354,117
Inventories	2,422,265	1,192,754	1,694,567	1,319,266	4,035,641	10,664,493
Trade and other receivables, prepayments and other assets	308,604	47,616	1,753	88,489	871,789	1,318,251
Tax recoverable	326,948	110,203	75,554	156,282	216,963	885,950
Cash and bank balances	1,169,544	776,083	599,949	1,795,985	962,344	5,303,905
Trade and other payables	(195,297)	(169,547)	(87,506)	(857,071)	(1,469,869)	(2,779,290)
Contract liabilities	(2,570,785)	(917,468)	(892,302)	(1,782,630)	(3,046,457)	(9,209,642)
Bank and other loans	(583,334)	(789,960)	(494,000)	(710,000)	(875,902)	(3,453,196)
Total identifiable net assets	878,202	250,000	898,554	10,410	1,047,422	3,084,588
Non-controlling interests	17,302	—	—	—	(29,474)	(12,172)
	895,504	250,000	898,554	10,410	1,017,948	3,072,416
Satisfied by:						
Cash consideration	895,504	250,000	—	10,410	332,379	1,488,293
Consideration payable included in trade and other payables	—	—	455,000	—	655,525	1,110,525
Reclassification from pre-existing interest in joint ventures and an associate to investment in a subsidiary	—	—	443,554	—	30,044	473,598
	895,504	250,000	898,554	10,410	1,017,948	3,072,416

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**20. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)****(a) Acquisitions of subsidiaries that are not a business (Continued)****i) Six months ended 30 June 2020 (Continued)**

An analysis of the cash flows in respect of the above acquisitions is as follows:

	Zhuhai					Total (Unaudited) RMB'000
	Hengqin	Huizhou	Dongguan	Huizhou		
	Haojing	Aoda	Junyu	Junjing	Others	
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	
Cash consideration paid	(895,504)	(250,000)	—	(10,410)	(332,379)	(1,488,293)
Cash and cash equivalents acquired	1,169,544	776,083	599,949	1,795,985	962,344	5,303,905
Net inflow of cash and cash equivalents included in cash flows from investing activities	274,040	526,083	599,949	1,785,575	629,965	3,815,612

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**20. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)****(a) Acquisitions of subsidiaries that are not a business (Continued)****ii) Six months ended ended 30 June 2019**

During the period ended 30 June 2019, the Group acquired certain assets through acquisition of Shantou Longhu Weida Packing Co. Ltd. ("Shantou Weida") from an independent third party and acquisition of Runjing Printing (Shenzhen) Co. Ltd. ("Runjing Printing") from a joint venture of the Group. Upon the completion of acquisitions, the acquired companies became wholly-owned subsidiaries of the Group. The following table summarises the financial information in relation to the acquisition of subsidiaries.

	Shantou Weida (Unaudited) RMB'000	Runjing Printing (Unaudited) RMB'000	Total (Unaudited) RMB'000
Other property, plant and equipment	8,594	12,190	20,784
Inventories	70,804	1,890,185	1,960,989
Other receivables	—	674	674
Tax recoverable	3	106	109
Cash and cash equivalents	557	2,501	3,058
Trade and other payables	(9,958)	(5,656)	(15,614)
<b>Net identifiable assets</b>	<b>70,000</b>	<b>1,900,000</b>	<b>1,970,000</b>
Satisfied by:			
Cash consideration	—	760,000	760,000
Consideration payable included in trade and other payables	70,000	1,140,000	1,210,000
	<b>70,000</b>	<b>1,900,000</b>	<b>1,970,000</b>

An analysis of the cash flows in respect of the above acquisitions is as follows:

	Shantou Weida (Unaudited) RMB'000	Runjing Printing (Unaudited) RMB'000	Total (Unaudited) RMB'000
Cash consideration paid	—	(760,000)	(760,000)
Cash and cash equivalents acquired	557	2,501	3,058
<b>Net inflow/(outflow) of cash and cash equivalents included in cash flows from investing activities</b>	<b>557</b>	<b>(757,499)</b>	<b>(756,942)</b>

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**20. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)****(b) Acquisitions of subsidiaries that are a business**

In March 2019, the Group entered into equity transfer agreements with an associate partner and a joint venture for the acquisitions of 50% equity interest and entire equity interest in two companies, namely Shenzhen Kaifung Realty Co., Ltd. (“Shenzhen Kaifung”), an existing associate of the Group, and Nanning Logan Century Property Co., Ltd. (“Nanning Logan Century”), a wholly-owned subsidiary of a joint venture. Upon completion of the acquisitions in March 2019, the above two acquired companies became wholly-owned subsidiaries of the Group. These acquired companies are principally engaged in the business of property development and property investment in the PRC.

The fair values of the identifiable assets and liabilities of the above transactions as at the date of acquisition were as follows:

	Shenzhen Kaifung (Unaudited) RMB'000	Nanning Logan Century (Unaudited) RMB'000	Total (Unaudited) RMB'000
Investment properties	4,257,550	1,743,963	6,001,513
Other property, plant and equipment	1,317	2,073	3,390
Deferred tax assets	—	4,495	4,495
Inventories	14,924,063	1,010,076	15,934,139
Trade and other receivables, prepayments and other assets	103,425	171,261	274,686
Tax recoverable	698,186	(131,263)	566,923
Cash and cash equivalents	1,382,052	77,547	1,459,599
Trade and other payables	(16,269,583)	(2,047,486)	(18,317,069)
Deferred tax liabilities	(202,857)	(145,616)	(348,473)
Bank and other loans	(4,400,000)	(480,000)	(4,880,000)
<b>Total identifiable net assets at fair value</b>	<b>494,153</b>	<b>205,050</b>	<b>699,203</b>
Gains on bargain purchase	(239,577)	(85,050)	(324,627)
Gain on remeasurement of pre-existing interests in an associate	(239,514)	—	(239,514)
<b>Total consideration</b>	<b>15,062</b>	<b>120,000</b>	<b>135,062</b>
Satisfied by:			
Cash consideration	7,500	—	7,500
Consideration payable included in trade and other payables	—	120,000	120,000
Reclassification from pre-existing interests in an associate to investment in a subsidiary	7,562	—	7,562
	<b>15,062</b>	<b>120,000</b>	<b>135,062</b>

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**20. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)****(b) Acquisitions of subsidiaries that are a business (Continued)**

An analysis of the cash flows in respect of the acquisitions is as follows:

	(Unaudited) RMB'000
Cash consideration paid	(7,500)
Cash and cash equivalents acquired	1,459,599
Net inflow of cash and cash equivalents included in cash flows from investing activities	1,452,099

The fair value of the other receivables as at the date of the acquisition amounted to RMB274,686,000. The gross contractual amount of other receivables was RMB274,686,000, of which nil is expected to be uncollectible.

Since the acquisitions, the subsidiaries acquired during the prior period contributed RMB7,673,816,000 to the Group's revenue and RMB495,048,000 to the consolidated profit for the prior period.

Had the combination taken place at the beginning of the prior period, the revenue and the profit of the Group for the prior period would have been RMB27,021,708,000 and RMB5,290,361,000, respectively.

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**21. DISPOSAL OF SUBSIDIARIES****(a) Disposal of subsidiaries**

The effect of such disposals on the Group's assets and liabilities is set out below:

	<b>Six months ended 30 June 2020 (Unaudited) RMB'000</b>
Net assets disposed of:	
Other property, plant and equipment	35
Inventories	382,067
Trade and other receivables, prepayments and other assets	104,492
Tax recoverable	43,966
Cash and cash equivalents	1,459,628
Trade and other payables	(370,085)
Bank and other loans	(1,315,500)
Net assets attributable to the Group disposed of	304,603
Gain on disposal of subsidiaries, net	4,013
Total consideration	308,616

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	<b>Six months ended 30 June 2020 (Unaudited) RMB'000</b>
Cash consideration received	308,616
Cash and cash equivalents disposed of	(1,459,628)
Net cash outflow arising from disposal	(1,151,012)

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**21. DISPOSAL OF SUBSIDIARIES (CONTINUED)****(b) Deemed disposal of subsidiaries**

The effect of such disposals on the Group's assets and liabilities is set out below:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Net assets disposed of:		
Other property, plant and equipment	<b>275</b>	39
Inventories	<b>16,627,477</b>	4,401,174
Trade and other receivables, prepayments and other assets	<b>458,440</b>	200,446
Tax recoverable	<b>171,608</b>	7,445
Cash and cash equivalents	<b>2,493,113</b>	1,187,578
Trade and other payables	<b>(15,545,874)</b>	(4,550,346)
Bank and other loans	<b>(4,051,000)</b>	(1,230,000)
Net assets attributable to the Group disposed of	<b>154,039</b>	16,336
Gain on deemed disposal of subsidiaries, net	<b>9,317</b>	14,047
Reclassification to investments in joint ventures at fair value at date of deemed disposal	<b>163,356</b>	30,383

An analysis of the net outflow of cash and cash equivalents in respect of the deemed disposal of subsidiaries is as follows:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Cash and bank balances deconsolidated and outflow of cash and cash equivalents in respect of the deemed disposal of subsidiaries	<b>(2,493,113)</b>	(1,187,578)

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**22. FINANCIAL GUARANTEES**

At the end of the reporting period, the Group had the following financial guarantees which are not provided for in the interim financial information:

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties (notes (i) and (ii))	<b>36,505,615</b>	36,322,302
Guarantees given to banks and other lenders in connection with credit facilities granted to joint ventures and an associate, net of counter-guarantees from joint venture partners	<b>6,917,591</b>	7,695,074
Add: Counter-guarantees provided by joint venture partners to the Group	<b>793,870</b>	1,341,370
Guarantees given to banks and other lenders in connection with credit facilities granted to joint ventures and an associate provided by the Group (note (iii))	<b>7,711,461</b>	9,036,444
	<b>44,217,076</b>	45,358,746

The Group does not hold any collateral or other credit enhancements over the guarantees. The financial guarantee contracts are measured at the higher of the expected credit loss ("ECL") allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor. The amount initially recognised represents the fair value at initial recognition of the financial guarantees.



## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**22. FINANCIAL GUARANTEES (CONTINUED)**

Notes:

- (i) As at 30 June 2020, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any auction banks, net of any auction proceeds as described below.

Pursuant to the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, in the event of default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction. The Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

- (ii) The fair value of the guarantees at initial recognition and the ECL allowance are not significant as the directors of the Company consider that in the event of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalties.

- (iii) As at 30 June 2020, the Group provided guarantees to the extent of RMB7,711,461,000 (31 December 2019: RMB9,036,444,000) in respect of credit facilities granted to the joint ventures and an associate. In addition, as at 30 June 2020, the joint venture partners entered into counter-guarantee agreements with the Group, pursuant to which the joint venture partners provided counter-guarantees to the Group in proportion to those joint venture partners' respective interests in the joint ventures in respect of guarantees provided by the Group to the banks and other lenders on behalf of the joint venture partners. In the event of default on payment by the joint ventures, the Group is responsible for repaying the outstanding loan principals together with the accrued interest and penalties owed by the joint ventures, and the Group has the right to recover from the joint venture partners the attributable portion of liabilities paid pursuant to the counter-guarantee agreements.

In the opinion of the directors, the fair value of the guarantees at initial recognition and the ECL allowance are not significant.

**23. COMMITMENTS**

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

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
Contracted, but not provided for	<b>18,172,702</b>	16,462,461

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**24. RELATED PARTY TRANSACTIONS**

- (a) In addition to the transactions and balances detailed elsewhere in the interim financial information, the Group had the following transactions with related parties during the period:

	Notes	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Construction contracts income from related companies	(i)	—	146,911
Construction contracts income from joint ventures	(ii)	<b>3,884,833</b>	4,872,775
Construction contracts income from associates	(ii)	<b>118,729</b>	206,076
Project management service income from joint ventures	(ii)	<b>281,463</b>	180,674
Project management service income from associates	(ii)	<b>58,838</b>	37,860
Decoration income from joint ventures	(ii)	<b>228,409</b>	72,665
Decoration income from related companies	(i)	<b>19,716</b>	9,499
Decoration income from associates	(ii)	<b>16,589</b>	—
Design service income from related companies	(i)	<b>1,734</b>	1,325
Design service income from joint ventures	(ii)	<b>60,379</b>	60,572
Design service income from associates	(ii)	<b>2,014</b>	1,172
Rental income from related companies	(iii)	<b>2,722</b>	953
Rental income from joint ventures	(iii)	<b>276</b>	1,244
Interest income from joint ventures	(iv)	<b>624,012</b>	488,042
Interest income from associates	(iv)	<b>57,681</b>	9,458
Remuneration of key management personnel	(b)	<b>25,254</b>	30,605

Notes:

- (i) The income was derived from the construction, decoration and design services provided to related companies controlled by Mr. Kei Hoipang ("Mr. Kei"), the chairman of the Group, at rates similar to the terms and conditions set out in the contracts entered into with the other major customers of the Group.
- (ii) The income represented the gross income derived from the construction, project management, decoration and design services provided to joint ventures and associates, which are before the elimination of relevant income between the Group and joint ventures or associates, at rates similar to the terms and conditions set out in the contracts entered into with the other major customers of the Group.
- (iii) The income was derived from the leasing of the Group's investment properties to related companies controlled by Mr. Kei and joint ventures at rates similar to the terms and conditions set out in the rental agreements entered into with the other tenants of the Group.
- (iv) This represented the gross interest income from the joint ventures and associates, which is before the elimination of interest between the Group and joint ventures or associates. The Group has been providing funds to joint ventures and associates.

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

**24. RELATED PARTY TRANSACTIONS (CONTINUED)**

- (b) Remuneration to key management personnel includes amounts paid to the directors and certain of the highest paid employees, is as follows:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Fees	<b>1,880</b>	1,860
Salaries, allowances and benefits in kind	<b>19,907</b>	24,526
Retirement scheme contributions	<b>133</b>	207
Equity-settled share option expense	<b>3,334</b>	4,012
	<b>25,254</b>	30,605

**25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

The carrying amounts of the Group's financial instruments, other than derivative financial instruments, and senior notes and corporate bonds, reasonably approximate to their fair values.

Management has assessed that the fair values of cash and bank balances, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, the current portion of bank and other loans, amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

For the Group's assets and liabilities not measured at fair value in the consolidated statement of financial position but for which the fair value is disclosed, (i) the carrying amounts of the amounts due from joint ventures and associates included in investments in joint ventures and associates and non-current portion of cash and bank balances and bank and other loans approximated to their fair values and were determined as Level 3; (ii) the fair values of the senior notes and certain corporate bonds were RMB25,406,542,000 with carrying amount of RMB24,506,788,000 and RMB12,505,569,000 with carrying amount of RMB12,390,000,000, respectively (31 December 2019: fair value of RMB22,214,115,000 with carrying amount of RMB21,323,803,000 and fair value of RMB11,570,684,000 with carrying amount of RMB11,390,000,000, respectively), and were determined as Level 1; and (iii) the fair values of the remaining corporate bonds were RMB8,540,248,000 with carrying amount of RMB8,508,000,000 (31 December 2019: fair value of RMB10,031,752,000 with carrying amount of RMB9,972,000,000), and were determined as Level 2.

## NOTES TO INTERIM FINANCIAL INFORMATION

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## 25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The following methods and assumptions were used to estimate the fair values:

The fair values of carrying amounts of the amounts due from joint ventures and associates included in investments in joint ventures and associates and the non-current portion of cash and bank balances and bank and other loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values of the senior notes and corporate bonds are calculated with reference to quoted market prices at the reporting date. The changes in fair value as a result of the Group's own non-performance risk for bank and other loans as at 30 June 2020 and 31 December 2019 were assessed to be insignificant.

Derivative financial instruments are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of derivative financial instruments are the same as their fair values.

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### Assets measured at fair value:

##### As at 30 June 2020 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Senior notes redemption call options	—	—	132,516	132,516

##### As at 31 December 2019 (Audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Senior notes redemption call options	—	—	100,328	100,328

## NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

## 25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

### Assets measured at fair value: (Continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of senior note redemption call options:

	Valuation techniques	Significant unobservable inputs	Range	
			30 June 2020	31 December 2019
Senior note redemption call options	Residual method	Risk free rate	0.160% to 0.277%	1.450% to 1.700%
		Option adjusted spread	3.500% to 5.810%	2.916% to 4.720%
		Discount rate	3.650% to 6.121%	4.494% to 6.390%

The fair values of derivative financial instruments are determined using the residual method by subtracting the fair value of the straight debt from the quoted market price of the notes at the date of valuation. The fair value measurement is negatively correlated to risk free rate, option adjusted spread and discount rate.

The Group did not have any financial liabilities measured at fair values as at 30 June 2020 and 31 December 2019.

During the period, there were no transfer of fair value measurements between level 1 and level 2 and no transfer into or out of level 3 for both financial assets and financial liabilities (31 December 2019: Nil).

## 26. EVENT AFTER THE REPORTING PERIOD

On 24 July 2020, Shenzhen Logan issued public domestic corporate bonds on the Shanghai Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB2,000,000,000 was 4.69% per annum. The terms of the domestic corporate bonds were 5 years. At the end of the third year, Shenzhen Logan shall be entitled to adjust the coupon rate, and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan.

## 27. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This interim financial information was approved and authorised for issue by the board of directors on 21 August 2020.