



Logan Property Holdings Company Limited

龍光地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3380)

INTERIM REPORT
2016



考筑美好生活

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COMPANY PROFILE

Logan Property Holdings Group Limited (“Logan Property”) is a leading integrated property developer in the Peoples’ Republic of China (the “PRC”) focusing on the residential property development, mainly the economically prosperous market including Shenzhen and the Pearl River Delta region, with products that primarily target first-time homebuyers and upgraders. As at 30 June 2016, the Group had a land bank with an aggregate gross floor area (the “GFA”) of 14.08 million square metres and over 70% saleable resources catering to the Shenzhen market. In 2016, the Group was ranked the 32nd-largest property developer in the PRC in terms of overall business strengths. In addition, Moody’s and Fitch have affirmed their ratings of “Ba3” and “BB-” to Logan Property respectively with a “Stable Outlook”. Logan Property is a constituent stock in the MSCI China Small Cap Index Series and Hang Seng Composite LargeCap/MediumCap Index. Subsequently, Logan Property has been included in the list of eligible stocks for southbound trading of the Shanghai-Hong Kong Stock Connect.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Kei Hoi Pang (紀海鵬) (*Chairman*)
Mr. Ji Jiande (紀建德)
Mr. Xiao Xu (肖旭)
Mr. Lai Zhuobin (賴卓斌)

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

KPMG

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Xinghua Road South
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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1 Austin Road West
Hong Kong

COMPANY'S WEBSITE

<http://www.loganestate.com>

AUTHORIZED REPRESENTATIVES

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

PRINCIPAL SHARE REGISTRAR

Codan 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 22, Hopewell Centre
183 Queen's Road East
Hong Kong

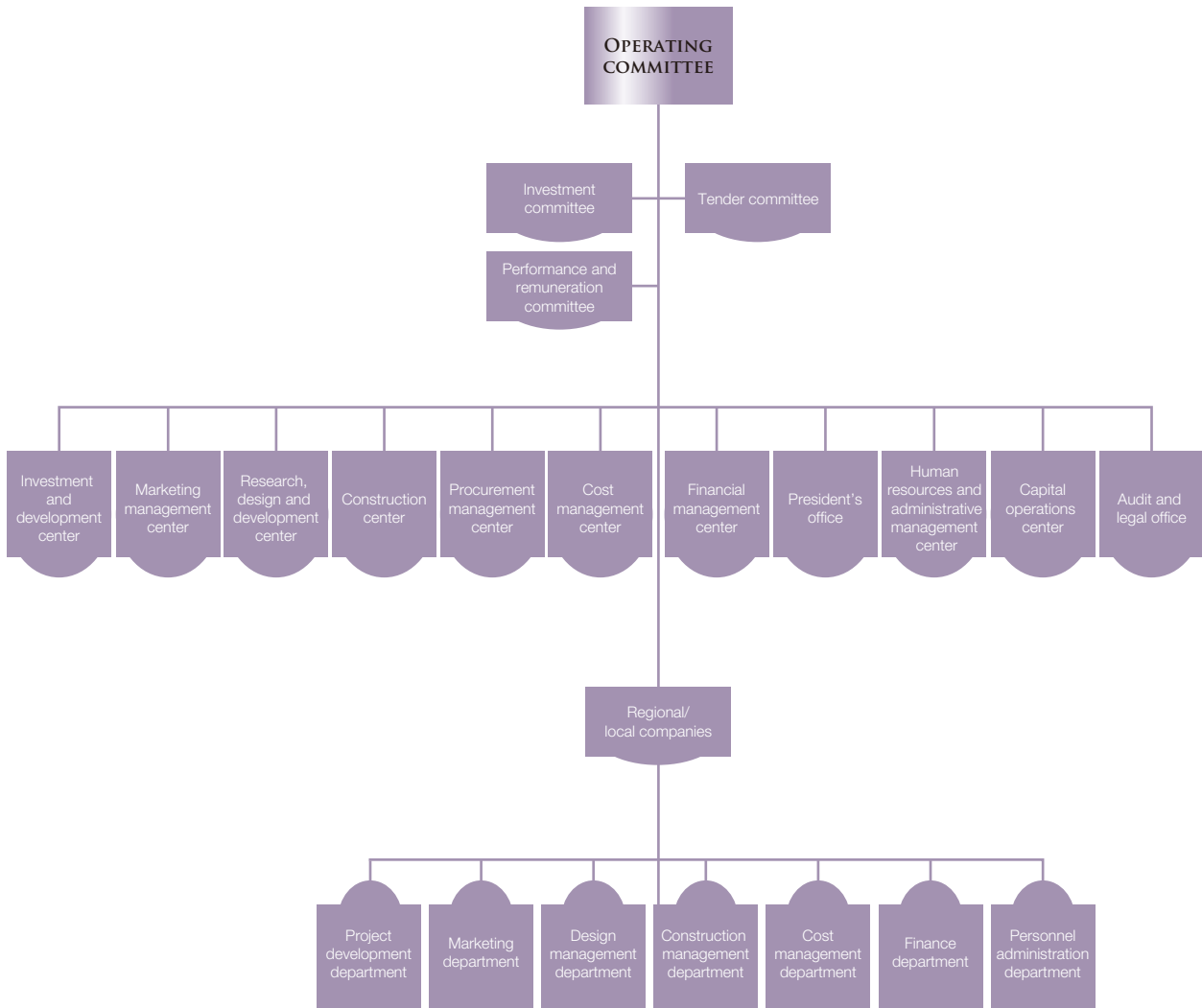
PRINCIPAL BANKER

Industrial and Commercial Bank of China (Asia) Limited
33/F, ICBC Tower
3 Garden Road, Central
Hong Kong

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)

CORPORATE STRUCTURE



CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present the business review and prospects of the Group for the six months ended 30 June 2016.

BUSINESS REVIEW

During the six-month period ended 30 June 2016, the Group recorded contracted sales of approximately RMB14.39 billion, representing a significant increase of approximately 71.0% as compared with the corresponding period of last year. Contracted saleable GFA amounted to approximately 1,141,000 sq.m.. Revenue for the six months ended 30 June 2016 amounted to RMB6,363.2 million, representing an increase of approximately 23.4% as compared with the corresponding period of last year. Profit attributable to equity shareholders for the six-month period ended 30 June 2016 was RMB1,277.6 million, representing an increase of approximately 23.9% as compared with the corresponding period of last year. Core profit for the six-month period ended 30 June 2016 was approximately RMB864.2 million, representing an increase of approximately 24.9% as compared with the corresponding period of last year. Core profit margin was 13.6%.

In recent years, the urban differentiation of China's property industry and corporate differentiation have been prevailing, which led to severe circumstances including a gradual decline in gross profit margin, slowdown of sale-through rate and high gearing ratio. Under the differentiated environment within the industry, the Group developed the first-tier cities, such as Shenzhen, in a early manner by capturing the trends of regional business development and net inflow population. The Group has strived to explore areas with huge growth potential in market value in Pearl River Delta Metropolitan Region and obtained a premium land in Zhuhai during the first half of 2016. The Group precisely formulated the properties along the railway transportation, and the six largest projects of the Group in Shenzhen are currently situated along the railway transportation, representing substantial potential for appreciation.

During the period under review, the Group was well-recognized with leading position by the authoritative organizations in the industry, and the Group has been named as one of the China Top 100 Real Estate Developers, jointly bestowed by the Enterprise Research Institute of Development Research Center of the State Council, the Institute of Real Estate Studies of Tsinghua University and the China Index Academy for the sixth consecutive year with ranking up to 32nd from 38th in 2015. During the period under review, the credit rating of 深圳市龍光控股有限公司 (Shenzhen Logan Holdings Co., Ltd.*), a major domestic operating subsidiary of the Group, was adjusted to AA+ by 聯合信用評級有限公司 (United Credit Rating Co., Ltd.*). Further, Logan Property has been firstly included in the study coverage by Nomura International and CICC in January and June 2016, respectively, and ranked as "buy" for the investment ranking.

CHAIRMAN'S STATEMENT

In January 2016, the Group completed the non-public issue of domestic corporate bonds through Shenzhen Logan Holdings Co., Ltd. ("Shenzhen Logan Holdings"), a wholly-owned subsidiary, that the issue size of the non-public issue was RMB2.5 billion for a term of 3 years, with an annual coupon rate of 5.8%. In May 2016, Shenzhen Logan Holdings issued the second tranche of non-public domestic corporate bonds. The issue size of the non-public issue was RMB500 million for a term of 4 years, with annual coupon rate of 5.2%. In July 2016, Shenzhen Logan Holdings issued the third tranche of non-public domestic corporate bonds. The issue size of the non-public issue was RMB3 billion for a term of 5 years with a coupon rate of 5.15%. The gradual decline in the coupon rate for such non-public domestic corporate bonds signifies the high availability of capital to support the continuous growth of the Group's business at a lower financing cost, which will be in the interests of the Group in the long run.

During the period under review, the Group has successfully obtained 3 projects, of which 1 project in Shenzhen, with the total GFA amounted to 1.24 million sq.m.. The aggregate investment was RMB16.2 billion, while its land cost was better managed by the means of cooperative strategies. The total land bank of the Group was approximately 14.08 million sq.m. for the six months ended 30 June 2016, while the average land cost was approximately RMB3,409 per sq.m., which is expected to be sufficient for the development demand in the coming five to six years. Among the total land bank of the Group, over 70% of saleable resources are located in the Shenzhen region, which helped the Group to capture the future opportunities brought by differentiation of the market, and lay the foundation for continuous business growth.

PROSPECT

The pace of domestic economic growth remained slow while the inventory destocking of real estate industry was also just above the "bottomline" of economic growth. The monetary policy still maintained a moderate-to-loose level while the interest rate as a whole experienced a trend of decline. Implementation of policies according to diversification by cities and facilitating a stable growth in market are still the major measures in relation to the coordination of real estate industry. The overall transaction volume was stable in terms of total sales of the industry while the transaction volume has increased with stability in terms of the sale information of the listed real estate companies for the first half year of 2016.

It is expected that the Group will launch more projects located along Shenzhen Metro in the second half of the year, including the projects, such as Logan • Jiuzuan (龍光•玖鑽項目), which is located on top of Hongshan Metro Station, Pingshan New District Project, Acesite Mansion (玖龍壘) and Eastern Shenzhen Logan City (深圳東龍光城). The Group is confident of maintaining a higher profitability and high compound annual growth rate so as to strive for better return to the shareholders of the Company (the "Shareholders").

CHAIRMAN'S STATEMENT

Going forward, the Group will maintain a prudent financial strategy to gradually reduce its financing costs through broadening its domestic financing channels to ensure stable growth and profitability of the Group. As at 30 June 2016, the Group had cash and bank balances (including restricted and pledged deposits) of approximately RMB12,437.7 million. The Group's net debt-to-equity ratio was at approximately 74.6%. During the period under review, the average borrowing cost of the Group was 6.3%, representing a decrease of 0.5 percentage points as compared with 2015 which was mainly attributable to issuance of non-public corporate bonds at a lower cost. During the first half of this year, the Group issued non-public corporate bonds in the total issue size of RMB3 billion at coupon rates ranging from 5.2% to 5.8%. The Group will persist in broadening its financing channels, lowering its financing costs, optimizing its debt structure and strengthening the overall financial capability for providing liquidity to the Group's continuous business growth.

In respect to project investments, the Group will focus on the three core metropolitan areas, including Pearl River Delta, Yangtze River Delta and Beijing-Tianjing-Hebei Region, to seek for cities or districts with high growth potential in market value, especially the metropolitan area with one-hour journey by Shenzhen Metro, so as to expand land bank in the Great Shenzhen Metropolitan Area. In addition, the Group will also strategically hold above-metro station properties located at the core districts to take advantage of the value appreciation of properties in first-tier cities and prevent from fluctuation of the industry. Meanwhile, the Group will also commence cooperative developments of certain projects with an active manner to put efforts into raising value of the Shareholders.

Logan Property Holdings Company Limited

Kei Hoi Pang

Chairman

* for identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

For the six-month period ended 30 June 2016, the revenue and gross profit of the Group were RMB6,363.2 million and RMB1,931.0 million, representing an increase of approximately 23.4% and 25.8% as compared with the corresponding period of 2015, respectively. Profit for the six months ended 30 June 2016 attributable to the equity Shareholders was RMB1,277.6 million, representing an increase of approximately 23.9% as compared with the corresponding period of 2015. For the six months ended 30 June 2016, the core profit representing profit for the period net of changes in fair value of investment properties and derivative financial instruments and the relevant deferred tax (the "Core Profit") amounted to RMB864.2 million, representing an increase of approximately 24.9% as compared with the corresponding period of 2015. Basic earnings per share was RMB23.01 cents (the corresponding period of 2015: RMB20.63 cents).

As at 30 June 2016, the net debt-to-equity ratio of the Group was 74.6%.

PERFORMANCE HIGHLIGHTS

	For the six months ended 30 June		
	2016	2015	Changes %
Contracted sales (RMB'000)	14,390,320	8,413,603	71.0%
Contracted saleable GFA (sq.m.) ²	1,140,695	1,245,002	-8.4%
Contracted average selling price ("ASP") (RMB/sq.m.) ²	11,901	6,624	79.7%
Revenue¹	6,699,557	5,463,339	22.6%
Among which: sales of properties			
– Revenue from properties delivered (RMB'000) ¹	6,613,485	5,373,914	23.1%
– GFA of properties delivered (sq.m.) ²	827,073	828,739	-0.2%
– ASP of properties delivered (RMB/sq.m.) ²	7,502	6,255	19.9%
Rental income (RMB'000) ¹	40,013	29,426	36.0%
Construction income (RMB'000) ¹	46,059	59,999	-23.2%
Gross profit (RMB'000)	1,930,986	1,535,307	25.8%
Profit for the period			
– Attributable to shareholders (RMB'000)	1,277,552	1,031,277	23.9%
– Attributable to non-controlling interests (RMB'000)	71,197	43,537	63.5%
Profit for the period (excluding changes in fair value of investment properties and derivative financial instruments and the relevant deferred tax)	864,236	691,968	24.9%
– Attributable to shareholders (RMB'000)	884,120	648,431	36.3%
– Attributable to non-controlling interests (RMB'000)	(19,884)	43,537	-145.7%

MANAGEMENT DISCUSSION AND ANALYSIS

	As at 30 June 2016	As at 31 December 2015	Changes %
Total assets (RMB'000)	73,190,553	56,771,666	28.9%
Cash and bank balances (including cash and cash equivalents and restricted and pledged deposits) (RMB'000)	12,437,653	11,190,623	11.1%
Total bank and other borrowings³ (RMB'000)	28,153,457	21,044,444	33.8%
Total equity (RMB'000)	21,067,929	17,460,917	20.7%
Key financial ratios			
Gross profit margin ⁽¹⁾	30.3%	29.8%	
Core profit margin ⁽²⁾	13.6%	13.4%	
Net debt to equity ratio ⁽³⁾	74.6%	58.4%	
Gearing ratio ⁽⁴⁾	71.2%	69.2%	

1. Representing the amount of income before deduction of business tax and other sales related taxes.
2. Excluding the GFA of car parking spaces.
3. Including bank and other loans, senior notes and corporate bonds and non-interest bearing payable.

Notes:

- (1) Gross profit margin: $\text{Gross profit} \div \text{revenue} * 100\%$
- (2) Core profit margin: $\text{Core profit} \div \text{revenue} * 100\%$
- (3) Net debt to equity ratio: $(\text{Total bank and other borrowings} - \text{cash and bank balances}) \div \text{total equity} * 100\%$
- (4) Gearing ratio: $\text{Total liabilities} \div \text{total assets} * 100\%$

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT

Contracted sales

For the six months ended 30 June 2016, the Group recorded contracted sales of approximately RMB14,390 million, representing a significant increase of approximately 71.0% as compared with approximately RMB8,414 million in the corresponding period of 2015. The contracted saleable GFA (excluding car parking spaces) was 1,140,695 sq.m. in the first half of 2016, representing a decrease of approximately 8.4% as compared with 1,245,002 sq.m. in the corresponding period of 2015. The average selling price (the "ASP") for the six-month period ended 30 June 2016 was RMB11,901 per sq.m.¹, representing an increase of approximately 79.7% as compared with RMB6,624 per sq.m. in the corresponding period of 2015. The increase was mainly due to a significant increase of the selling price of the Group's main project, the Logan City in eastern Shenzhen (深圳東龍光城), and the higher price of the Group's selected project, Acesite Mansion (玖龍壘), located in Longhua New District, Shenzhen. For the six-month period ended 30 June 2016, Shenzhen region, other regions of Pearl River Delta², Shantou region, Nanning region and other regions accounted for approximately 52.7%, 13.5%, 20.7%, 9.2% and 3.9% of the contracted sales, respectively.

Region	Contracted sales in the first half of 2016				ASP (excluding car parking spaces) (RMB/sq.m.)
	Amount (RMB million)	Percentage	GFA ¹ (sq.m.)	Percentage	
Shenzhen region	7,588	52.7%	387,684	34.0%	19,574
Other regions of Pearl River Delta ²	1,950	13.5%	177,393	15.6%	9,862
Shantou region	2,972	20.7%	281,264	24.7%	8,792
Nanning region	1,318	9.2%	211,894	18.6%	5,716
Other regions	562	3.9%	82,460	7.1%	6,708
Total	14,390	100.0%	1,140,695	100.0%	11,901

1. Excluding car parking spaces

2. Excluding Shenzhen region

REVENUE FROM SALES OF PROPERTIES

For the six months ended 30 June 2016, the revenue from sales of properties amounted to RMB6,613.5 million, representing an increase of approximately 23.1% as compared with RMB5,373.9 million as compared with the corresponding period of 2015 and accounting for 98.7% of the total revenue. GFA delivered (excluding car parking spaces) decreased by approximately 0.2% to 827,073 sq.m. for the six-month period ended 30 June 2016 from 828,739 sq.m. in the corresponding period of 2015. Shenzhen region, other regions of Pearl River Delta², Shantou region, Nanning region and other regions contributed to the recognized income from sales of properties in the first half of 2016, accounting for approximately 22.7%, 25.1%, 17.2%, 32.7%, 2.3% respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Region	Revenue from sales of properties in the first half of 2016				ASP (excluding car parking spaces) (RMB/sq.m.)
	Amount (RMB million)	Percentage	GFA ¹ (sq.m.)	Percentage	
Shenzhen region	1,502	22.7%	133,234	16.1%	11,169
Other regions of Pearl River Delta ²	1,662	25.1%	215,808	26.1%	6,943
Shantou region	1,140	17.2%	168,018	20.3%	6,149
Nanning region	2,165	32.7%	286,136	34.6%	7,170
Other regions	144	2.3%	23,877	2.9%	5,600
Total	6,613	100%	827,073	100%	7,502

1. Excluding car parking spaces

2. Excluding Shenzhen region

Newly commenced projects

As at 30 June 2016, the Group commenced construction of a total of 10 projects or project phases, with a total planned GFA of approximately 1,517,439 sq.m..

Completed projects

As at 30 June 2016, the Group completed 6 projects or project phases with a total planned GFA of approximately 621,888 sq.m..

Developing projects

As at 30 June 2016, the Group had a total of 36 projects or project phases under construction with a total planned GFA of approximately 5,301,042 sq.m..

MANAGEMENT DISCUSSION AND ANALYSIS

Land bank

For the six-month period ended 30 June 2016, there were a total of three newly acquired projects with a total GFA of 1,240,342 sq.m.. The average cost of land acquired was approximately RMB13,045 per sq.m..

List of Projects Newly Acquired as at 30 June 2016

No.	City	Project name	Date of acquisition	Interest	Site area (sq.m.)	Total GFA (sq.m.)	Land cost (million)	Average land cost (RMB per sq.m.)
1	Zhuhai	Project in West Lake Branch, Jinwan District 金灣區西湖片區項目	2016.01.28	100%	49,468	198,000	997	5,035
2	Foshan	Dafu Village Project – Southern land 大富村項目 – 南地塊	2016.03.25	100%	81,468	322,342	1,123	3,484
3	Shenzhen	Guangming Project 光明項目	2016.06.08	40%	152,442	720,000	14,060	19,527
Total					283,378	1,240,342	16,180	13,045

As at 30 June 2016, the total GFA of the land bank of the Group amounted to approximately 14.08 million sq.m., the average cost of land bank was RMB3,409 per sq.m., and approximately 53% of the Group's land bank located in Pearl River Delta, the most prosperous area in the PRC. Shenzhen region, other regions of Pearl River Delta¹, Shantou region, Nanning region and other regions accounted for approximately 39%, 14%, 14%, 24% and 9%, respectively.

Land Bank Distribution as at 30 June 2016

No	Region	GFA (sq.m.)	Percentage
1	Shenzhen region	5,492,448	39%
2	Other regions of Pearl River Delta ¹	1,900,340	14%
3	Shantou region	1,954,976	14%
4	Nanning region	3,429,560	24%
5	Other regions	1,299,715	9%
Total		14,077,039	100%

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY INVESTMENTS

Rental income

The rental income of the Group for the six-month period ended 30 June 2016 amounted to RMB40.0 million, representing an increase of approximately 36.0% as compared with the corresponding period of 2015.

Investment properties

As at 30 June 2016, the Group had 17 investment properties with a total GFA of approximately 342,438 sq.m.. Under the investment property portfolio of the Group, 13 investment properties with a total GFA of approximately 122,278 sq.m. have been completed and the remaining 4 were under development.

Financial Review

(I) Revenue

Revenue of the Group for the six-month period ended 30 June 2016 amounted to RMB6,363.2 million, representing an increase of approximately RMB1,207.1 million, or approximately 23.4%, as compared with the corresponding period of 2015, primarily due to the increase in revenue from sales of properties as compared with the corresponding period of 2015. Revenue from sales of properties for the six-month period ended 30 June 2016 amounted to approximately RMB6,613.5 million, representing an increase of approximately 23.1% as compared with approximately RMB5,373.9 million of the corresponding period of 2015.

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

Project name	For the six months ended 30 June			
	2016		2015	
	Area ⁽¹⁾ (sq.m.)	Amount ⁽²⁾ (RMB'000)	Area ⁽¹⁾ (sq.m.)	Amount ⁽²⁾ (RMB'000)
Shantou Seaward Sunshine (汕頭 尚海陽光)	16,661	200,596	11,884	198,600
Shantou Sunshine Castle (汕頭 陽光華府)	–	–	–	2,026
Shantou Flying Dragon Garden (汕頭 龍騰熙園)	–	4,326	–	2,824
Shenzhen Logan City (深圳 龍光城)	122,944	1,388,177	231,180	1,263,557
Huizhou Sky Palace (惠州 天悅龍庭)	5,470	38,157	57,969	223,124
Huizhou Grand Riverside Bay (惠州 水悅龍灣)	11,928	87,902	45,609	278,770
Shantou Logan Flying Dragon Landscape (汕頭 龍騰嘉園)	150,836	935,393	–	–
Guilin Provence (桂林 普羅旺斯)	23,051	119,235	–	–

MANAGEMENT DISCUSSION AND ANALYSIS

Project name	For the six months ended 30 June			
	2016		2015	
	Area ⁽¹⁾ (sq.m.)	Amount ⁽²⁾ (RMB'000)	Area ⁽¹⁾ (sq.m.)	Amount ⁽²⁾ (RMB'000)
Guangzhou Landscape Residence (廣州 峰景華庭)	-	12,346	-	7,378
Guangzhou Palm Waterfront (廣州 棕櫚水岸)	5,529	83,018	4,420	61,136
Shunde Grand View (順德 水悅雲天)	-	1	1,467	10,908
Foshan Grand Riverside Bay (佛山 水悅龍灣)	22,569	174,096	33,514	212,774
Foshan Joy Palace (佛山 君悅龍庭)	14,243	170,929	48,227	323,184
Foshan Grand Joy Castle (佛山 君悅華府)	1,028	32,524	-	-
Foshan Shin Street Building (佛山 尚街大廈)	9,843	122,808	-	-
Zhuhai Easy Life (珠海 海悅雲天)	-	1,286	-	6,933
Zhongshan Joy Garden (中山 水悅馨園)	138,722	834,786	-	-
Zhongshan Grasse Vieille Ville (中山 海悅城邦)	-	-	-	1,623
Zhongshan Ocean Grange (中山 海悅熙園)	436	5,507	388	11,628
Zhongshan Grand Garden (中山 水悅熙園)	3,328	37,140	11,538	67,316
Zhongshan Ocean Vista Residence (中山 海悅華庭)	3,234	58,384	61,673	470,312
Dongguan Imperial Summit Sky Villa (東莞 君御旗峰)	10,002	111,642	29,958	259,148
Dongguan Royal Castle (東莞 君御華府)	288	5,477	54,024	367,850
Shenzhen Sky Palace (深圳 天悅龍庭)	-	-	-	505
Shenzhen Grand Joy Palace (深圳 君悅龍庭)	-	-	-	69

MANAGEMENT DISCUSSION AND ANALYSIS

Project name	For the six months ended 30 June			
	2016		2015	
	Area ⁽¹⁾ (sq.m.)	Amount ⁽²⁾ (RMB'000)	Area ⁽¹⁾ (sq.m.)	Amount ⁽²⁾ (RMB'000)
Nanning Provence (南寧 普羅旺斯)	83,345	591,194	18,010	222,377
Nanning Grand Riverside Bay (南寧 水悅龍灣)	835	54,945	39,946	274,884
Nanning Royal Castle (南寧 君御華府)	52,416	562,289	–	–
Nanning Grand Joy Residence (南寧 君悅華庭)	127,314	813,137	–	–
Chengdu Sky Palace (成都 天悅龍庭)	825	25,025	16,233	148,624
Guangxi Sunshine Seaward (廣西 陽光海岸)	22,226	143,138	162,699	655,116
Total	827,073	6,613,458	828,739	5,070,666

1. Excluding the GFA attributable to the car parking spaces.

2. Including revenue from sales of car parking spaces.

(II) Direct costs

The direct costs of the Group increased by approximately RMB811.4 million, or approximately 22.4%, as compared with the corresponding period of 2015, primarily due to the expansion of business scale as compared with the corresponding period of 2015. Key components of costs are as follows:

	For the six months ended 30 June		
	2016 RMB'000	2015 RMB'000	Changes %
Costs	4,432,223	3,620,814	22.4%
Property development costs	4,394,352	3,566,398	23.2%
Costs of construction business and rental business	37,871	54,416	-30.4%

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Selling and marketing expenses and administrative expenses

The selling and marketing expenses of the Group for the six-month period ended 30 June 2016 amounted to approximately RMB244.7 million (the corresponding period of 2015: approximately RMB207.0 million). As the Group further increased its property marketing efforts, the relevant selling and marketing expenses also increased by approximately 18.2% as compared with the corresponding period of 2015.

The administrative expenses of the Group for the six-month period ended 30 June 2016 amounted to approximately RMB197.5 million (the corresponding period of 2015: approximately RMB222.7 million), representing a decrease of approximately 11.3% as compared with the corresponding period of 2015. The decrease was primarily due to the decrease in staff costs.

The percentage of selling and marketing expenses and administrative expenses to contracted sales of the Group decreased from 2.5% and 2.6% for the six-month period ended 30 June 2015 to 1.7% and 1.4% for the six months ended 30 June 2016, respectively. The decreases were primarily due to the rapid growth of the contracted sales during the six months ended 30 June 2016. For the six-month period ended 30 June 2016, the contracted sales of the Group increased by approximately 71.0% as compared with the corresponding period of 2015.

(IV) Profit from operations

The profit from operations of the Group for the six-month period ended 30 June 2016 increased by 386.6 million to approximately RMB2,043.7 million (the corresponding period of 2015: approximately RMB1,657.1 million). As the revenue of the Group increased by approximately RMB1,207.1 million as compared with the corresponding period of 2015, the relevant direct costs, selling and marketing expenses and administrative expenses increased by approximately RMB823.9 million as compared with the corresponding period of 2015. As a result, the profit from operations of the Group increased by approximately RMB386.6 million as compared with the corresponding period of 2015.

(V) Finance costs

The net finance costs of the Group for the six-month period ended 30 June 2016 increased to approximately RMB42.3 million (the corresponding period of 2015: approximately RMB23.0 million). The Group average borrowing cost decreased from 6.8% for the year ended 31 December 2015 to 6.3% for the period ended 30 June 2016.

(VI) Income tax

Taxes of the Group for the six-month period ended 30 June 2016 included CIT and LAT. Taking into account the impact of the relevant changes in deferred tax, the net CIT and LAT amounted to approximately RMB412.5 million and RMB240.1 million respectively (the corresponding period of 2015: approximately RMB387.4 million and RMB171.9 million respectively).

(VII) Core Profit

The Core Profit of the Group for the six-month period ended 30 June 2016 amounted to approximately RMB864.2 million, representing an increase of approximately RMB172.3 million as compared with the corresponding period of 2015. The Core Profit margin of the Group for the six-month period ended 30 June 2016 was approximately 13.6% (the corresponding period of 2015: approximately 13.4%), representing an increase of approximately 0.2 percentage points as compared with the corresponding period of 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

(VIII) Liquidity and financial resources

As at 30 June 2016, total assets of the Group amounted to approximately RMB73,190.6 million (31 December 2015: approximately RMB56,771.7 million), of which current assets amounted to approximately RMB54,208.5 million (31 December 2015: approximately RMB49,760.3 million). Total liabilities amounted to approximately RMB52,122.6 million (31 December 2015: approximately RMB39,310.7 million), of which non-current liabilities amounted to approximately RMB22,570.3 million (31 December 2015: approximately RMB16,689.5 million). Total equity amounted to approximately RMB21,067.9 million (31 December 2015: approximately RMB17,460.9 million). Total equity attributable to equity shareholders amounted to RMB16,655.9 million (31 December 2015: approximately RMB13,548.8 million).

As at 30 June 2016, the Group had cash and bank balances (including restricted cash) of approximately RMB12,437.7 million (31 December 2015: approximately RMB11,190.6 million) and total interest-bearing liabilities of approximately RMB26,859.6 million (31 December 2015: approximately RMB19,750.6 million).

(IX) Financing activities

For the period ended 30 June 2016, the Group successfully issued two tranches of non-public corporate bonds of RMB3.0 billion. The first tranche of corporate bond issuance amounted to RMB2.5 billion with a coupon rate of 5.8% and a term of 3 years. The second tranche of corporate bond issuance amounted to RMB0.5 billion, with a coupon rate of 5.2% and a term of 4 years. In July 2016, the Group issued third tranche of non-public corporate bond of RMB3.0 billion with a coupon rate of 5.15% and term of 5 years.

(X) Commitments

As at 30 June 2016, the Group had made capital commitments of approximately RMB26,022.5 million related to the expenditure in respect of future establishment and property development (31 December 2015: approximately RMB33,080.7 million).

(XI) Contingent liabilities

As at 30 June 2016, the Group provided guarantees of approximately RMB10,488.6 million (31 December 2015: approximately RMB8,156.9 million) to certain banks in respect of the mortgage loans granted to purchasers of the properties of the Group. Pursuant to the terms of the guarantees, where a purchaser is in default on any mortgage payments to the banks prior to the issue of the building ownership certificate, the relevant banks are entitled to withdraw such amount equivalent to the payments in default from the deposit of the Group and may require the Group to settle any outstanding amount not covered by the deposit.

Management of the Group considered that the risk of loss borne by the Group for the guarantees is insignificant as the market value of the mortgaged properties will not fall below the payments to be settled by the Group due to default.

(XII) Significant acquisition, disposal or investment

The Group did not have any material acquisition, disposal and investment during the six-month period ended 30 June 2016.

(XIII) Pledge of assets

As at 30 June 2016, the Group had the pledged investment properties, other properties, inventories and pledged deposits of approximately RMB16,315.8 million to secure its borrowings (31 December 2015: RMB17,587.4 million).

(XIV) Foreign Exchange Risk

Most of the Group's businesses are denominated in Renminbi. Foreign exchange risk mainly arises from the outstanding foreign currency borrowings (mainly denominated in US dollars). In the first half of 2016, the Group has not invested in any derivatives for hedging purpose.

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 2016, 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 as set forth in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") (the "Model Code"), were as follows:

(i) Interest in Shares of the Company

Name of Director	Nature of Interest	Number of Shares ⁽¹⁾	Underlying Shares Interested ⁽²⁾	Percentage of Company's Issued Share Capital ⁽⁵⁾
Mr. Kei Hoi Pang	Beneficiary of a family trust, Interest of a controlled corporation ⁽³⁾	4,250,000,000 (L)		76.58%
	Beneficial owner		13,120,000 (L) ⁽⁴⁾	0.24%
Mr. Ji Jiande	Beneficial owner	–	9,840,000 (L)	0.18%
Ms. Kei Perenna Hoi Ting	Beneficiary of a family trust, interest of controlled corporations ⁽³⁾	4,250,000,000 (L)		76.58%
	Beneficial owner		2,050,000 (L)	0.04%
Mr. Lai Zhuobin	Beneficial owner	–	4,170,000 (L)	0.08%
Mr. Xiao Xu	Beneficial owner	–	4,470,000 (L)	0.08%

Notes:

- (1) The letter "L" denotes the person's long position in 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) Ms. Kei Perenna Hoi Ting is the settlor and a beneficiary of a family trust. She is also indirectly interested in the Company through Dragon Jubilee Investments Limited, Gao Run Holdings Limited and Thrive Ally Limited, which own collectively 15.32% equity interests in the Company. Mr. Kei Hoi Pang, who is also a beneficiary of the family trust, is also considered to be interested in the shares of the Company through Junxi Investments Limited and Ms. Kei Perenna Hoi Ting as (i) Junxi Investments Limited is a company which is entirely owned by a family trust to which Ms. Kei Perenna Hoi Ting and Mr. Kei Hoi Pang are beneficiaries and (ii) Ms. Kei Perenna Hoi Ting being a person accustomed to act in accordance with Mr. Kei Hoi Pang's directions.
- (4) Including the grant of 8,170,000 share options which has been approved by independent Shareholders of the Company on 31 July 2014.
- (5) The percentage is calculated based on the total number of issued shares as at 30 June 2016.

OTHER INFORMATION

(ii) Interest in Associated Corporation of the Company

Name of Director	Name of Associated Corporation	Percentage of Shareholding Interest
Ms. Kei Perenna Hoi Ting	Junxi Investments Limited	100%
	Dragon Jubilee Investments Limited	100%
	Gao Run Holdings Limited	100%
	Thrive Ally Limited	100%

Save as disclosed above, as at 30 June 2016, 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.

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

As at 30 June 2016, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Nature of Interest	Number of Shares ⁽¹⁾	Percentage of the Company's Issued Share Capital ⁽⁵⁾
Mr. Kei Hoi Pang	Beneficiary of a family trust, Interest of a controlled corporation	4,250,000,000 (L)	76.58%
	Beneficial owner	13,120,000 (L) ⁽⁴⁾	0.24%
Ms. Kei Perenna Hoi Ting	Beneficiary of a family trust, Interest of controlled corporations ⁽²⁾	4,250,000,000 (L)	76.58%
	Beneficial owner	2,050,000 (L)	0.04%
Brock Nominees Limited ⁽³⁾	Nominee	3,400,000,000 (L)	61.26%
Credit Suisse Trust Limited ⁽³⁾	Trustee	3,400,000,000 (L)	61.26%
Junxi Investments Limited ⁽³⁾	Beneficial owner	3,400,000,000 (L)	61.26%

OTHER INFORMATION

Name	Nature of Interest	Percentage of the Company's	
		Number of Shares ⁽¹⁾	Issued Share Capital ⁽⁵⁾
Kei Family United Limited ⁽³⁾	Interest of a controlled corporation	3,400,000,000 (L)	61.26%
Tenby Nominees Limited ⁽³⁾	Nominee	3,400,000,000 (L)	61.26%
Dragon Jubilee Investments Limited	Beneficial owner	425,000,000 (L)	7.66%
RRJ Capital Master Fund III, L.P.	Interest of a controlled corporation	278,777,000 (L)	5.02%

Notes:

- (1) The letter "L" denotes the person's long position in shares.
- (2) Ms. Kei Perenna Hoi Ting is indirectly interested in the Company through Dragon Jubilee Investments Limited, Gao Run Holdings Limited and Thrive Ally Limited, which own collectively 15.32% interests in the Company.
- (3) Ms. Kei Perenna Hoi Ting is the settlor and a beneficiary of a family trust, which is a trust set up to hold the interest of Ms. Kei Perenna Hoi Ting and her family in the Company. The family trust is interested in the entire interest of Kei Family United Limited which in turn holds the entire interest in Junxi Investments Limited. Further, Mr. Kei Hoi Pang who is also a beneficiary of the family trust is also considered to be interested in the shares of the Company through Junxi Investments Limited and Ms. Kei Perenna Hoi Ting as (i) Junxi Investments Limited is a company which is entirely owned by a family trust to which Ms. Kei Perenna Hoi Ting and Mr. Kei Hoi Pang are beneficiaries and (ii) Ms. Kei Perenna Hoi Ting being a person accustomed to act in accordance with Mr. Kei Hoi Pang's directions.
- (4) Including the grant of 8,170,000 share options which has been approved by independent Shareholders on 31 July 2014.
- (5) The percentage is calculated based on the total number of issued shares as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, 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 does not recommend to declare any interim dividend for the six-month period ended 30 June 2016 (six months ended 30 June 2015: RMB Nil).

OTHER INFORMATION

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

During the six-month period ended 30 June 2016, the Company had repurchased from the market a total of 7,846,000 shares. All the repurchased shares have been cancelled. The Directors believe that the repurchases of shares would lead to an enhancement of the net value of the Group and its assets and/or its earnings per share.

Details of the repurchases of the shares of the Company are as follows:

Month of repurchase	Number of shares repurchased	Highest price per share (HK\$)	Lowest price per share (HK\$)	Aggregate purchase price (HK\$)
January 2016	3,072,000	2.25	2.15	6,763,060
February 2016	584,000	2.25	2.21	1,304,400
March 2016	1,056,000	2.50	2.44	2,613,820
April 2016	3,134,000	2.93	2.85	9,072,720

During the first half of 2016, the Group issued non-public corporate bonds with an aggregate principal amount of RMB3 billion with coupon rates ranging from 5.2% to 5.8% and term ranging from 3 years to 4 years.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six-month period ended 30 June 2016.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

For the six-month period ended 30 June 2016, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules, save and except for deviation from code provision A.2.1 which states that roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The chairman and chief executive officer of the Company are held by Mr. Kei Hoi Pang who is the founder of the Company and has extensive experience in the industry. The Board believes that Mr. Kei Hoi Pang can provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Board also considers that the current structure of vesting the roles of chairman and chief executive officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board shall review this structure from time to time to ensure appropriate and timely action to meet changing circumstances.

SPECIFIC PERFORMANCE OF CONTROLLING SHAREHOLDERS UNDER RULE 13.18 OF THE LISTING RULES

On 9 October 2014, the Company as borrower entered into a facility agreement with, among others, Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Credit Suisse AG, Singapore Branch, Goldman Sachs Lending Partners LLC and Deutsche Bank AG, Singapore Branch in relation to a transferable 36-month term loan facility in the amount of US\$105,000,000 commencing from the date of the Facility Agreement at an annual interest rate of 4.50% plus LIBOR (the "Facility Agreement").

OTHER INFORMATION

The Facility Agreement includes a condition imposing specific performance obligations on Ms. Kei Perenna Hoi Ting and her close associates that, in the event of default if, among others, (i) Ms. Kei Perenna Hoi Ting and her close associates collectively do not or cease to own at least 65% of the direct or indirect beneficial shareholding interest in the issued share capital of, and carrying 65% of the voting rights in, the Company; or (ii) Mr. Kei Hoi Pang does not or cease to have management control of the Company; or (iii) Mr. Kei Hoi Pang is not or ceases to be the chairman of the Company.

In case of an occurrence of an event of default which is continuing, the Facility Agent may (a)(i) cancel the total commitments (and reduce them to zero) under the Facility Agreement; or (ii) cancel any part of the any commitment (and reduce such commitment accordingly); (b) declare that all or part of the Facility, together with accrued interest, and all other amounts accrued or outstanding under the Facility Agreement and other related finance documents be immediately due and payable; (c) declare that all or part of the Facility be payable on demand; and/or (d) exercise or direct Hang Seng Bank Limited to exercise any and all of its rights, powers or discretions as security trustee under any of the related finance documents.

As at 30 June 2016, the loan facility of US\$945,000,000 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 2016, the Company did not have other disclosure obligations under Rule 13.18 of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code for dealing in securities of the Company by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all the Directors have complied with the required standards set out in the Model Code for the six-month period ended 30 June 2016.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Group. 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 2016.

OTHER INFORMATION

SHARE OPTION

For the six months ended 30 June 2016, no share options were granted. Details of movements for the six months ended 30 June 2016 in the number of share options are set out below:

Name of Director	Date of grant	Exercise Price (HK\$)	Number of share options				Outstanding as at 30 June 2016	Percentage of total share capital ⁽¹⁾	Exercise period	Closing price of the securities immediately before the date on which the options were offered (HK\$)
			Outstanding as at 1 January 2016	Granted from 1 January 2016 to 30 June 2016	Exercised from 1 January 2016 to 30 June 2016	Cancelled/ Lapsed from 1 January 2016 to 30 June 2016				
Mr. Kei Hoi Pang	29 May 2014	2.340	13,120,000	-	-	-	13,120,000	0.236%	29 May 2014 to 28 May 2020	2.340
Mr. Ji Jiande	29 May 2014	2.340	9,840,000	-	-	-	9,840,000	0.177%	29 May 2014 to 28 May 2020	2.340
Mr. Xiao Xu	29 May 2014	2.340	4,470,000	-	-	-	4,470,000	0.080%	29 May 2014 to 28 May 2020	2.340
Mr. Lai Zhuobin	29 May 2014	2.340	4,170,000	-	-	-	4,170,000	0.075%	29 May 2014 to 28 May 2020	2.340
Ms. Kei Perenna Hoi Ting	29 May 2014	2.340	2,050,000	-	-	-	2,050,000	0.037%	29 May 2014 to 28 May 2020	2.340
Total number held by Directors	29 May 2014	2.340	33,650,000	-	-	-	33,650,000	0.606%	29 May 2014 to 28 May 2020	2.340
Total number held by other employees	29 May 2014	2.340	164,610,000	-	-	-	164,610,000	2.966%	29 May 2014 to 28 May 2020	2.340

Note:

(1) The percentage is calculated based on the total number of issued shares as at the date of interim report.

OTHER INFORMATION

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of Directors since the date of the 2015 annual report of the Company are set out below:

Name of Director	Details of Change
Mr. Kei Hoi Pang	Resigned as director and chief executive officer of Logan Property Limited Liability Company (龍光地產有限責任公司) (formerly known as “Logan Real Estate Holdings Co., Ltd. 龍光地產股份有限公司”) on 31 May 2016.
Mr. Ji Jiande	Resigned as director of Logan Property Limited Liability Company (龍光地產有限責任公司) (formerly known as “Logan Real Estate Holdings Co., Ltd. 龍光地產股份有限公司”) on 31 May 2016.
Mr. Xiao Xu	Resigned as director of Foshan Nanhai Logan Realty Co., Ltd. (佛山市南海區龍光置業房產有限公司) on 1 January 2016.
Mr. Cai Suisheng	Appointed as vice president of Guangdong Economics Association (廣東經濟學會) in December 2007.

AUDIT COMMITTEE AND REVIEW OF AUDITOR

The audit committee of the Company (the “Audit Committee”) comprises three independent non-executive Directors. The Audit Committee has reviewed with the Company’s management, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of this interim report including the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016.

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016 have been reviewed by KPMG, the independent auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the HKICPA.

REVIEW REPORT



Review report to the board of directors of Logan Property Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 26 to 48 which comprises the consolidated statement of financial position of Logan Property Holdings Company Limited as at 30 June 2016 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim financial reporting.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

8 August 2016

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Revenue	3	6,363,209	5,156,121
Direct costs		(4,432,223)	(3,620,814)
Gross profit		1,930,986	1,535,307
Other revenue		77,479	50,071
Other net loss		(146,204)	(9,057)
Selling and marketing expenses		(244,714)	(207,032)
Administrative expenses		(197,512)	(222,692)
Net increase in fair value of investment properties	7	556,449	515,386
Net (decrease)/increase in fair value of derivative financial instruments		67,176	(4,925)
Profit from operations		2,043,660	1,657,058
Finance costs	4(a)	(42,275)	(23,006)
Profit before taxation	4	2,001,385	1,634,052
Income tax	5	(652,636)	(559,238)
Profit for the period		1,348,749	1,074,814
Attributable to:			
Equity shareholders of the Company		1,277,552	1,031,277
Non-controlling interests		71,197	43,537
Profit for the period		1,348,749	1,074,814
Earnings per share (RMB cents)	6		
Basic		23.01	20.63
Diluted		23.00	20.58

The notes on pages 31 to 48 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 13(a).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Profit for the period	1,348,749	1,074,814
Other comprehensive income for the period (after tax and reclassification adjustments)		
Item that is or may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of overseas entities	(48,673)	10,749
Total comprehensive income for the period	1,300,076	1,085,563
Attributable to:		
Equity shareholders of the Company	1,228,879	1,042,026
Non-controlling interests	71,197	43,537
Total comprehensive income for the period	1,300,076	1,085,563

There is no tax effect relating to the above component of other comprehensive income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

(Expressed in Renminbi)

	Note	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Non-current assets			
Investment properties	7	6,824,000	6,117,500
Other property, plant and equipment	8	175,252	165,622
		6,999,252	6,283,122
Deferred tax assets		599,945	385,210
Interest in joint ventures and an associate		11,098,211	–
Restricted and pledged deposits		284,684	343,065
		18,982,092	7,011,397
Current assets			
Inventories		31,528,187	28,198,344
Trade and other receivables	9	9,483,019	10,025,722
Tax recoverable		757,686	402,045
Assets under cross-border guarantee arrangements	11	286,600	286,600
Restricted and pledged deposits		2,011,413	2,212,300
Cash and cash equivalents		10,141,556	8,635,258
		54,208,461	49,760,269
Current liabilities			
Trade and other payables	10	22,518,950	16,969,129
Liabilities under cross-border guarantee arrangements	11	286,600	286,600
Bank and other loans		5,558,556	4,044,885
Tax payable		1,188,187	1,320,647
		29,552,293	22,621,261
Net current assets		24,656,168	27,139,008
Total assets less current liabilities		43,638,260	34,150,405
Non-current liabilities			
Bank and other loans		7,854,870	7,117,037
Corporate bonds		8,000,000	5,000,000
Senior notes	12	5,446,230	3,588,720
Deferred tax liabilities		1,269,231	983,731
		22,570,331	16,689,488
NET ASSETS		21,067,929	17,460,917
CAPITAL AND RESERVES			
Share capital		439,204	439,821
Reserves		16,216,724	13,108,958
Total equity attributable to equity shareholders of the Company		16,655,928	13,548,779
Non-controlling interests		4,412,001	3,912,138
TOTAL EQUITY		21,067,929	17,460,917

The notes on pages 31 to 48 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Note	Share	Share	Share-	Exchange	PRC	Other	Retained	Total	Non-	Total
		capital	premium	based	reserve	statutory	reserve	profits		controlling	
	RMB'000	RMB'000	reserve	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	interests	RMB'000
Balance at 1 January 2015		393,115	825,019	46,890	46,325	582,959	1,714,139	7,601,439	11,209,886	2,107,132	13,317,018
Changes in equity for the six months ended 30 June 2015:											
Profit for the period		-	-	-	-	-	-	1,031,277	1,031,277	43,537	1,074,814
Other comprehensive income		-	-	-	10,749	-	-	-	10,749	-	10,749
Total comprehensive income		-	-	-	10,749	-	-	1,031,277	1,042,026	43,537	1,085,563
Final dividend declared	13(a)(ii)	-	-	-	-	-	-	(433,735)	(433,735)	-	(433,735)
Equity settled share-based payment		-	-	13,386	-	-	-	-	13,386	-	13,386
Balance at 30 June 2015 and 1 July 2015		393,115	825,019	60,276	57,074	582,959	1,714,139	8,198,981	11,831,563	2,150,669	13,982,232
Changes in equity for the six months ended 31 December 2015:											
Profit for the period		-	-	-	-	-	-	1,618,001	1,618,001	(4,998)	1,613,003
Other comprehensive income		-	-	-	(105,017)	-	-	-	(105,017)	-	(105,017)
Total comprehensive income		-	-	-	(105,017)	-	-	1,618,001	1,512,984	(4,998)	1,507,986
Transfer to PRC statutory reserves		-	-	-	-	65,397	-	(65,397)	-	-	-
Equity settled share-based transactions	13(c)	-	-	36,456	-	-	-	-	36,456	-	36,456
Acquisition of subsidiaries		-	-	-	-	-	(1,121,364)	-	(1,121,364)	(961,533)	(2,082,897)
Capital contribution		-	-	-	-	-	-	-	-	2,800,000	2,800,000
Effect of forfeited and cancelled share options	13(c)	-	-	(21,475)	-	-	-	21,475	-	-	-
Issuance of shares		46,706	1,242,434	-	-	-	-	-	1,289,140	-	1,289,140
Dividend declared to non-controlling interests		-	-	-	-	-	-	-	-	(72,000)	(72,000)
Balance at 31 December 2015 and 1 January 2016		439,821	2,067,453	75,257	(47,943)	648,356	592,775	9,773,060	13,548,779	3,912,138	17,460,917
Changes in equity for the six months ended 30 June 2016:											
Profit for the period		-	-	-	-	-	-	1,277,552	1,277,552	71,197	1,348,749
Other comprehensive income		-	-	-	(48,673)	-	-	-	(48,673)	-	(48,673)
Total comprehensive income		-	-	-	(48,673)	-	-	1,277,552	1,228,879	71,197	1,300,076
Repurchase of Treasury shares	13b	(617)	(16,212)	-	-	-	-	-	(16,829)	-	(16,829)
Final dividend declared	13(a)(iii)	-	-	-	-	-	-	(664,043)	(664,043)	-	(664,043)
Equity settled share-based payment	13(c)	-	-	19,524	-	-	-	-	19,524	-	19,524
Effect of forfeited and cancelled share options	13(c)	-	-	(3,246)	-	-	-	3,246	-	-	-
Transaction with non-controlling interests	18	-	-	-	-	-	2,539,618	-	2,539,618	460,382	3,000,000
Dividend declared to non-controlling interests		-	-	-	-	-	-	-	-	(31,716)	(31,716)
Balance at 30 June 2016		439,204	2,051,241	91,535	(96,616)	648,356	3,132,393	10,389,815	16,655,928	4,412,001	21,067,929

The notes on pages 31 to 48 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Operating activities		
Cash generated from operation	4,780,706	2,042,927
Income tax paid	(1,069,971)	(680,641)
Net cash generated from operating activities	3,710,735	1,362,286
Investing activities		
Payment for purchase of other property, plant and equipment	(33,598)	(7,612)
Proceeds from disposal of other property, plant and equipment	28	7
Payment for purchase of investment properties	(642)	–
Capital contribution to joint ventures and an associate	(46,500)	–
Advances to joint ventures and an associate	(11,052,973)	–
Interest received	83,093	30,041
Decrease in restricted and pledged deposits	259,268	102,822
Net cash (used in)/generated from investing activities	(10,791,324)	125,258
Financing activities		
Proceeds from bank and other loans	6,837,700	2,877,740
Repayment of bank and other loans	(4,600,478)	(4,312,999)
Proceeds from corporate bonds	2,978,650	–
Proceeds from senior notes	1,693,148	–
Interest and other borrowing costs paid	(679,395)	(790,455)
Increase in amounts due from non-controlling interests	–	(263,677)
Contributions from non-controlling interests	3,000,000	–
Repurchase of Treasury shares	(16,829)	–
Dividend paid to shareholders of the Company	(664,043)	(157,857)
Net cash generated/(used in) from financing activities	8,548,753	(2,647,248)
Net increase/(decrease) in cash and cash equivalents	1,468,164	(1,262,526)
Cash and cash equivalents at 1 January	8,635,258	5,576,357
Effect of changes in foreign exchange rate	38,134	10,595
Cash and cash equivalents at 30 June	10,141,556	4,324,426

Cash and cash equivalents represent cash at bank and in hand.

The notes on pages 31 to 48 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 8 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Logan Property Holdings Company Limited (the “Company”) and its subsidiaries (the “Group”) since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 25. In addition, this interim financial report has been reviewed by the Company’s Audit Committee.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company.

- *Annual Improvements to HKFRSs 2012-2014 Cycle*
- *Amendments to HKAS1, Presentation of financial statements; Disclosure initiative*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

Revenue represents income from sale of properties, rental income and construction income earned during the period, before deduction of business tax and discounts allowed, and is analysed as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Sale of properties	6,613,485	5,373,914
Rental income	40,013	29,426
Construction income	46,059	59,999
	6,699,557	5,463,339
Less: Business tax and other sales related taxes	(336,348)	(307,218)
	6,363,209	5,156,121

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (product and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Property development: this segment develops and sells residential properties and retail shops.
- Property leasing: this 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. Currently the Group's investment property portfolio is located entirely in the People's Republic of China (the "PRC").
- Construction contracts: this segment constructs office premises and residential buildings for external customers and for group companies. Currently the Group's activities in this regard are carried out in the PRC.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results

The Group's senior executive management regularly reviews the operating results attributable to each reportable segment.

For the six months ended 30 June 2016

	Property development RMB'000	Property leasing RMB'000	Construction contracts RMB'000	Total RMB'000
Gross revenue from external customers	6,613,485	40,013	46,059	6,699,557
Less: Business tax and other sales related taxes	(334,046)	(1,968)	(334)	(336,348)
Net revenue from external customers	6,279,439	38,045	45,725	6,363,209
Inter-segment revenue	–	–	1,706,067	1,706,067
Total segment revenue	6,279,439	38,045	1,751,792	8,069,276
Reportable segment profit	1,498,395	37,795	219,010	1,755,200
Bank interest income	17,716	–	15,761	33,477
Finance costs	(20,412)	–	(2,985)	(23,397)
Depreciation	(4,840)	–	(2)	(4,842)
Increase in fair value of investment properties	–	556,449	–	556,449

For the six months ended 30 June 2015

	Property development RMB'000	Property leasing RMB'000	Construction contracts RMB'000	Total RMB'000
Gross revenue from external customers	5,373,914	29,426	59,999	5,463,339
Less: Business tax and other sales related taxes	(303,248)	(1,800)	(2,170)	(307,218)
Net revenue from external customers	5,070,666	27,626	57,829	5,156,121
Inter-segment revenue	–	–	1,550,606	1,550,606
Reportable segment revenue	5,070,666	27,626	1,608,435	6,706,727
Reportable segment profit	1,164,026	24,897	117,477	1,306,400
Bank interest income	8,803	–	9,931	18,734
Finance costs	(8,456)	–	(6,648)	(15,104)
Depreciation	(5,095)	–	(7)	(5,102)
Increase in fair value of investment properties	–	515,386	–	515,386

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Reconciliation of reportable segment revenue and profit or loss

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Revenue		
Reportable segment revenue	8,069,276	6,706,727
Elimination of inter-segment revenue	(1,706,067)	(1,550,606)
Consolidated revenue	6,363,209	5,156,121
Profit		
Reportable segment profit	1,755,200	1,306,400
Elimination of inter-segment profits	(236,652)	(111,335)
Reportable segment profit derived from the Group's external customers	1,518,548	1,195,065
Other revenue	77,479	50,071
Other expenses	(146,204)	(9,057)
Depreciation	(22,176)	(13,571)
Finance costs	(42,275)	(23,006)
Net increase in fair value of investment properties	556,449	515,386
Net increase in fair value of derivative financial instruments	67,176	(4,925)
Unallocated head office and corporate expenses	(7,612)	(75,911)
Consolidated profit before taxation	2,001,385	1,634,052

(iii) Geographic information

No geographic information has been presented as the Group's operating activities are largely carried out in the PRC.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
(a) Finance costs		
Interest on bank and other loans and other borrowing costs	372,442	590,767
Interest on senior notes	287,813	179,756
Interest on corporate bonds	202,615	–
	862,870	770,523
Less: Amount capitalised	(820,595)	(747,517)
	42,275	23,006
(b) Other items		
Depreciation	23,355	15,972
Less: Amount capitalised	(1,179)	(2,401)
	22,176	13,571
Cost of properties sold	4,379,980	3,566,399
Net loss on disposal of investment properties/property, plant and equipment	–	6
Other expenses (Note)	(146,204)	(9,057)
Bank interest income	(65,306)	(33,727)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

5 INCOME TAX

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Current tax		
Provision for PRC Corporate Income Tax ("CIT") for the period	341,757	261,720
Provision for PRC Land Appreciation Tax ("LAT") for the period	240,114	171,861
	581,871	433,581
Deferred tax		
Origination and reversal of temporary differences	70,765	125,657
	652,636	559,238

- (i) Pursuant to the rules and regulations of the British Virgin Islands ("BVI") and Cayman Islands, the Group is not subject to any income tax in the BVI and Cayman Islands.
- (ii) No provision for Hong Kong Profits Tax was made as the Group has no assessable profits arising in or derived from Hong Kong for the period.
- (iii) Effective from 1 January 2008, under the PRC CIT Law, the PRC's statutory income tax rate is 25%. The Group's subsidiaries included in the PRC are subject to CIT at 25% unless otherwise specified.
- (iv) LAT is levied on properties developed by the Group in the PRC for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use right, borrowing costs and all qualified property development expenditures.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2016 is based on the profit attributable to equity shareholders of the Company of RMB1,277,552,000 (six months ended 30 June 2015: RMB1,031,277,000) and 5,552,484,000 shares (six months ended 30 June 2015: 5,000,000,000 shares) in issue during the six months ended 30 June 2016.

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Weighted average number of shares at 30 June	5,557,554	5,000,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	(5,070)	–
Weighted average number of shares at 30 June	5,552,484	5,000,000

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company (diluted) of RMB1,277,552,000 (six months ended 30 June 2015: RMB1,031,277,000) and the weighted average number of shares (diluted) of 5,555,405,000 shares (six months ended 30 June 2015: 5,011,821,000 shares).

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Weighted average number of shares at 30 June	5,552,484	5,000,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	2,921	11,821
Weighted average number of shares at 30 June (diluted)	5,555,405	5,011,821

7 INVESTMENT PROPERTIES

All the Group's investment properties and investment properties under development were revalued as at 30 June 2016. The valuations were carried out by Roma Appraisals Limited, an independent professional valuer who has among their staff member of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The valuers have valued the investment properties by reference to sales evidences as available on the market. The investment properties under development had been valued on the basis that the properties will be developed and completed in accordance with the relevant development plans. They were determined using the direct comparison approach by making references to comparable sale evidence as available in the relevant market, with adjustments for development costs to be expended to complete the properties. The fair value measurement is positively connected to the market unit sales rate.

During the period, the net increase in fair value of investment properties and investment properties under development is RMB556,449,000 (six months ended 30 June 2015: RMB515,386,000) and the additions in investment properties and investment properties under development amounted to RMB158,639,000 (six months ended 30 June 2015: RMBRMB127,532,000). During the period, no inventories were transferred to investment properties and investment properties under development (six months ended 30 June 2015: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

8 OTHER PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group's additions in other property, plant and equipment amounted to RMB33,598,000 (six months ended 30 June 2015: RMB7,612,000), disposal in other property, plant and equipment amounted to RMB28,000 (six months ended 30 June 2015: RMB13,000).

9 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade receivables (note (i))	119,227	96,181
Prepayment and other receivables	2,598,413	1,291,029
Land deposits	6,444,010	8,348,721
Amounts due from related companies (note (v))	65,055	166,811
Amounts due from non-controlling shareholders (note (v))	139,963	86,288
Senior notes redemption call options (note 14(a)(i))	116,351	36,692
	9,483,019	10,025,722

Notes:

- (i) At the end of reporting period, the ageing analysis of trade receivables, based on the invoice date and the net of allowance for doubtful debts, is as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Current or less than 1 month overdue	73,697	61,207
More than 1 month overdue and up to 3 months overdue	35,746	3
More than 3 months overdue and up to 6 months overdue	-	-
More than 6 months overdue and up to 1 year overdue	-	25,187
More than 1 year overdue	9,784	9,784
	119,227	96,181

- (ii) Receivables which were neither overdue nor impaired relate to a wide range of customers for whom there was no recent history of default. Receivables which were overdue but not impaired relate to independent customers, for which have a good track record of trading with the Group or sufficient rental deposits are held to cover potential exposure to credit risk. Based on past experience, management considers that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.
- (iii) Regular review and follow-up actions are carried out on overdue amounts of installments receivable from sale of properties and receivable from construction contracts, which enable management to assess their recoverability and to minimise exposure to credit risk. In respect of rental income from leasing properties, sufficient rental deposits are held to cover potential exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. Adequate impairment losses have been made for estimated irrecoverable amounts.
- (iv) All of the trade and other receivables are expected to be recovered within one year.
- (v) The amounts due from related companies and non-controlling shareholders are interest-free, unsecured and recovered on demand.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

10 TRADE AND OTHER PAYABLES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade payables (notes (i) and (ii))	3,609,525	4,046,221
Other payables and accrued charges (note (ii))	667,602	498,071
Customer deposits received	16,650	112,677
Rental and other deposits received	10,762	9,851
Receipts in advance	16,919,965	11,008,496
Amounts due to related companies (note (iii))	645	12
Non-interest bearing payable to a financial institution (note (iv))	1,293,801	1,293,801
	22,518,950	16,969,129

Notes:

- (i) As of the end of reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 month or on demand	1,831,489	2,274,297
More than 1 month but within 3 months	372,342	351,249
More than 3 months but within 6 months	445,191	464,546
More than 6 months but within 1 year	486,913	628,771
More than 1 year	473,590	327,358
	3,609,525	4,046,221

- (ii) Except for the retention deposits payable to constructors of RMB121,781,000 (31 December 2015: RMB108,117,000) which are expected to be settled after one year, all of the trade and other payables are expected to be settled within one year or are repayable on demand.
- (iii) The amounts due to related companies are interest-free, unsecured and repayable on demand.
- (iv) The non-interest bearing payable to a financial institution is interest-free, secured by a pledged deposit of RMB1,300,000,000 and repayable within one year.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

11 ASSETS AND LIABILITIES UNDER CROSS-BORDER GUARANTEE ARRANGEMENTS

In 2014, the Group entered into some cross-border guarantee arrangements with certain financial institutions, whereby certain offshore funding (i.e. in Hong Kong) primarily obtained from the issuance of senior notes has been used as a pledge against advances to onshore (i.e. in the PRC) for the Group's operating use in respect of its property development projects.

Pursuant to these arrangements, which are made in compliance with relevant rules and regulations promulgated by the State Administration of Foreign Exchange, the Group's subsidiaries in Hong Kong deposit funds in the relevant financial institutions, which in turn either through its related companies or business partners in the PRC advanced the same amount of funds to the Group's subsidiaries in the PRC. The net cost of such arrangements is 2% (2015: 1.7%–2.5%) per annum of the total funds advanced. The pledge of the Hong Kong funds deposited with such financial institutions will be released upon the settlement of the advances, detailed as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Assets under cross-border guarantee arrangements		
– included as current assets	286,600	286,600
Liabilities under cross-border guarantee arrangements		
– included as current liabilities	(286,600)	(286,600)
	–	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

12 SENIOR NOTES

Liability component of the senior notes:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
US\$300m Senior Notes (note (i))	1,997,080	1,955,804
US\$250m Senior Notes (note (ii))	1,667,413	1,632,916
US\$260m Senior Notes (note (iii))	1,781,737	–
	5,446,230	3,588,720

Notes:

- (i) On 28 May 2014, the Company issued senior notes with principal amount of US\$300,000,000 due in 2019 ("US\$300m Senior Notes"). The senior notes are interest bearing at 11.25% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 4 June 2019. At any time and from time to time before the maturity date, 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 2 December 2014, the Company issued another senior notes with principal amount of US\$250,000,000 due in 2017 ("US\$250m Senior Notes"). The senior notes are interest bearing at 9.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 8 December 2017. At any time and from time to time before the maturity date, 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 19 January 2016, the Company issued another senior notes with principal amount of US\$260,000,000 due in 2020 ("US\$260m Senior Notes"). The senior notes are interest bearing at 7.70% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 19 January 2020. At any time and from time to time on or after 19 January 2019, 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.

13 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

- (i) No interim dividend proposed for the six months ended 30 June 2016 (six months ended 30 June 2015: RMBNil).
- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Final dividend in respect of the previous financial year, approved during the period, of HK14 cents (equivalent to RMB12 cents) (six months ended 30 June 2015: HK11 cents (equivalent to RMB9 cents)) per ordinary share	664,043	433,735

Dividends of HK\$776,959,000 (equivalent to RMB664,043,000) (six months ended 30 June 2015: HK\$200,000,000 (equivalent to RMB157,857,000)) was paid by 30 June 2016.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

13 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Purchase of own shares

During the interim period, the company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share RMB	Lowest price paid per share RMB	Aggregate price paid RMB'000
January 2016	3,072,000	2.25	2.15	6,763
February 2016	528,000	2.25	2.21	1,179
February 2016	56,000	2.25	2.24	126
March 2016	1,056,000	2.50	2.44	2,614
April 2016	3,134,000	2.93	2.85	9,072
				19,754

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, an amount equivalent to the fair value of the shares repurchased of HK\$19,754,000 (equivalent to approximately RMB16,829,000) was transferred out from share capital and share premium.

(c) Equity settled share-based transactions

On 29 May 2014, the Group 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 Haipeng ("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 share option 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 (the "EGM") held on 31 July 2014.

The share options lapsed due to the resignation of the certain mid-level managers. 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.

No options were exercised during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

Fair value measurements as at 30 June 2016 categorised into

	Fair value at 30 June 2016 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
	Recurring fair value measurements			
<i>Assets:</i>				
Senior notes redemption call options (note 9)	116,351	–	–	116,351

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (continued)

(i) Fair value hierarchy (continued)

Fair value measurements as at 31 December 2015 categorised into				
Fair value at 31 December 2015 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Recurring fair value measurements				
<i>Assets:</i>				
Senior notes redemption call options (note 9)	36,692	–	–	36,692

During the six months ended 30 June 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's derivative financial instruments were revalued as at 30 June 2016 and 31 December 2015. The valuations were carried out by an independent firm of surveyors, Roma Appraisals Limited.

The Group's management have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (continued)

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Group			
At 30 June 2016			
Senior note redemption call options	Residual method	Risk free rate	0.428% – 0.859% (31 December 2015: 0.409% – 1.406%)
		Option adjusted spread	4.279% – 6.733% (31 December 2015: 5.953% – 6.107%)
		Discount rate	4.706% – 7.592% (31 December 2015: 6.362% – 7.513%)

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.

As at 30 June 2016 and 31 December 2015, it is estimated that with all other variables held constant, a decrease/increase in risk fee rate, option adjusted spread and discount rate by 1% would not have material impact on the Group's profit for the period/year.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (continued)

(ii) Information about Level 3 fair value measurements (continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	At 30 June 2016 RMB'000	At 30 June 2015 RMB'000
At 1 January	36,692	27,814
Fair value of inception	10,889	–
Change in fair value during the period	67,176	(4,925)
Exchange difference	1,594	(96)
At 30 June	116,351	22,793

The changes in fair values of derivative financial instruments are presented in “net increase in fair value of derivative financial instruments” in the consolidated income statement.

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group’s financial instruments carried at cost or amortised cost are not materially different from their values as at 30 June 2016 and 31 December 2015.

15 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

Capital commitments outstanding not provided for in the interim financial report are as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Contracted for	11,579,992	11,983,863
Authorised but not contracted for	14,442,550	21,096,818
	26,022,542	33,080,681

Commitments mainly related to development expenditure for the Group’s properties under development and expenditure in respect of future investment and property development.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

16 CONTINGENT LIABILITIES

Guarantees given to financial institutions for mortgages facilities granted to buyers of the Group's properties:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Guarantees given to financial institutions for mortgage facilities granted to buyers of the Group's properties	10,488,559	8,156,977

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. Pursuant to the mortgage agreements signed between the Group and the banks, the guarantee will be released upon the issuance of the individual property ownership certificate. Should the mortgagors fail to pay the mortgage monthly installment before the issuance of the individual property ownership certificate; the banks can draw down the security deposits up to the amount of outstanding mortgage installments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

The amount of guarantee deposits required varies among different banks, but usually within a range of 3% to 5% of the mortgage loans granted to buyers, with prescribed capped amount.

The management does not consider that the Group will sustain a loss under these guarantees during the year under guarantee, as the Group has not applied for individual property ownership certificates for these buyers and can take over the ownership of the related properties and sell the properties to recover any amounts paid by the Group to banks. The management also considers that the market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event that the buyers default payments to banks.

17 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this interim financial report, material related party transactions entered by the Group during the six months ended 30 June 2016 are as follows:

	Note	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Construction contracts income from related companies	(a)	45,725	57,829
Design fee income from a related company	(b)	-	321
Remuneration of key management personnel	(c)	(15,699)	(15,869)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

17 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

- (a) The Group being engaged for certain construction projects of related companies on normal commercial terms and in the ordinary course of business.
- (b) The Group provides construction design service to a related company on normal commercial terms and in the ordinary course of business.
- (c) Remuneration of key management personnel, including amounts paid/payable to the directors and senior management, is as follows:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Directors' fees	2,742	1,006
Salary and other emoluments	8,584	10,594
Contribution to retirement benefit schemes	58	74
Share-based payment	4,315	4,195
	15,699	15,869

18 TRANSACTION WITH NON-CONTROLLING INTERESTS

On 20 May 2016, a third party agreed to make capital contribution to Huizhou Daya Bay Dongzhen Property Co., Ltd. ("Huizhou Daya Bay Dongzhen"). As at 30 June 2016, out of total consideration of RMB4.5 billion, RMB3 billion capital had been contributed to Huizhou Daya Bay Dongzhen by the non-controlling interest shareholders. The Group's equity interest in Huizhou Daya Bay Dongzhen decreased from 100% to 90%. The increase in carrying amount of non-controlling interests at the date of transaction is RMB460,382,000, and the excess of consideration of RMB3 billion over the carrying amount of non-controlling interests amounted to RMB2,539,618,000 is recognised in other reserves.

19 NON-ADJUSTING EVENT AFTER THE SIX MONTHS ENDED 30 JUNE 2016

On 28 July 2016, the Board announced that Shenzhen Logan Holdings Company Limited, a wholly-owned subsidiary of the Company (established in the People's Republic of China) (the "Issuer") has issued the Corporate Bonds of an amount of RMB3 billion for a term of five years, with an annual coupon rate of 5.15%. The Issuer shall be entitled to adjust the coupon rate and the investors shall have an option to sell back the Corporate Bonds at the end of the third year.