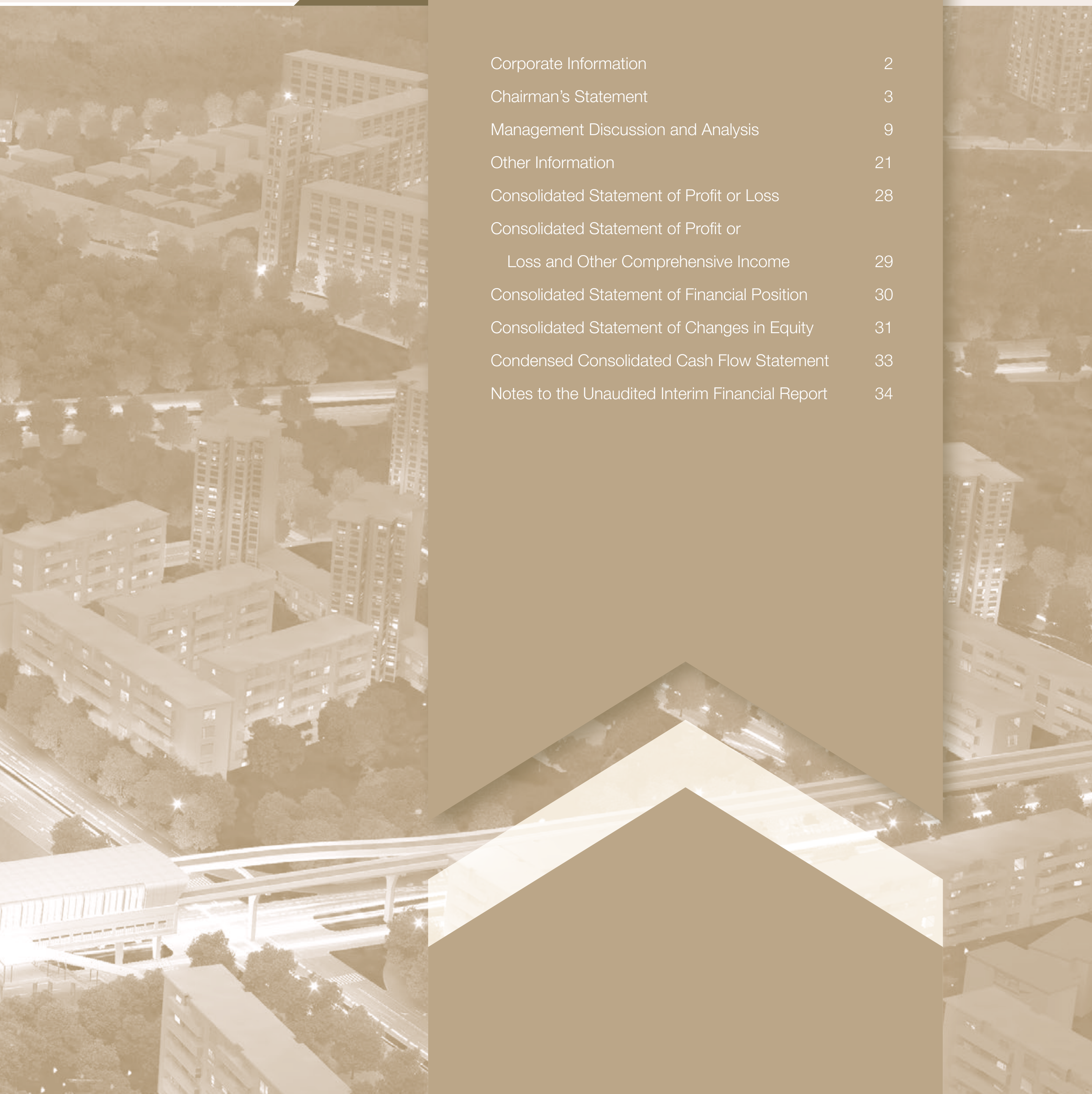
Logan Property Holdings Company Limited
龍光地產控股有限公司


# 2017 | INTERIM REPORT

Logan Property Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 3380

# Contents





# 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）
Mr. Chen Guanzhan（陳觀展）

### 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

## Headquarter and Principal Place of Business in the PRC

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

## Principal Place of Business in Hong Kong

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

## Company's Website

http://www.loganestate.com

## Authorized Representatives

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

## Principal Share Registrar

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

## Hong Kong Share Registrar

Tricor Investor Services Limited
Level 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)

# Chairman's Statement

## Dear shareholders,

On behalf of the Board of Directors (the "Board"), I hereby present the business review and prospects of Logan Property Holdings Company Limited ("Logan Property", the "Company") and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017 (the "Period under Review").

## Introduction

During the first half of 2017, the central government formally upgraded the Greater Bay Area (the "Greater Bay Area") to the world-class level under the national development strategy. To that end, the National Development and Reform Commission (the "NDRC") subsequently raised six work emphases to require the 11 cities in the Greater Bay Area to (1) facilitate connection of infrastructure; (2) enhance market integration; (3) build an internationally competitive modernized industry cluster; (4) establish an internationally competitive modern industrial system; (5) shape a life cycle best for living, working and travelling; and (6) support establishment of collaboration platform. With such emphases in mind, the NDRC aims for the Greater Bay Area to become a major hub of the "21st-Century Maritime Silk Road", play a strategic role during the construction under the Chinese "One Belt, One Road" initiative, and help deliver all-round and multilevel cooperation. In the future, the Greater Bay Area will boast superior development conditions and plentiful land banks, which can also be reflected in the Group's continuously surging results.

For the six months ended 30 June 2017, the Group achieved a contract sales of approximately RMB19.31 billion, representing an increase of approximately 34.2% as compared with the corresponding period of last year, and a Gross Floor Area of contract sales of 1,191,000 sq.m., which represented the completion of 56% of RMB34.5 billion sales target for the whole year. In the first half of this year, the Group achieved encouraging results growth and sustained relatively high profitability, under the central government's drive to stable the economy, control risks and implement policies according to local situations. Revenue for the six months ended 30 June 2017 amounted to RMB12,382.2 million, representing an increase of approximately 94.6% as compared with the corresponding period of last year; during the period, profit attributable to equity shareholders amounted to RMB3,399.0 million, representing a significant increase of approximately 166.1% as compared with the corresponding period of last year. Core profit for the six months ended 30 June 2017 amounted to approximately RMB2,552.6 million, representing a significant increase of approximately 195.4% as compared with the corresponding period of last year. Core profit margin increased to 20.6% from 13.6% for the corresponding period of last year.

# Chairman's Statement

During the Period under Review, Logan Property actively seized market opportunities and again received wide acclaim across the property sector and capital markets, owing to its outstanding brand value, solid expertise of the property market in the Greater Bay Area, prospective strategic deployment in the Area and great growth in results. During the Period under Review, Logan Property was successively included in the research by Citibank, Goldman Sachs Gao Hua, Deutsche Bank AG, CMB International and Essence International, and unanimously ranked as "buy" for investment ranking by the above institutions; Large investment banks, such as Nomura International, CICC, CCB International and ABC International, have also raised the target price of Logan Property, which provides enough evidence for the highly recognized value of the Group. In March 2017, the Group was selected as a Top-100 Chinese Real Estate Developer (中國房地產百強企業) for the seventh consecutive year, a title jointly conferred by the Enterprise Research Institute of Development Research Center of the State Council (國務院發展研究中心企業研究所), the Institute of Real Estate Studies of Tsinghua University (清華大學地產研究所) and China Index Academy (中國指數研究院); moreover, the Group leapfrogged from 32nd in 2016 to 29th this year. In addition, the Group ranked 4th among the "Top 10 by Profitability in 2017". As to the capital market, during the Period under Review, Logan Property was granted "BB–" in long-term corporate credit rating by Standard & Poor's with a stable outlook. Moody's and Fitch, both being authoritative international rating agencies, also reaffirmed their ratings on the Group ("Ba3" and "BB–", respectively), with a stable outlook. Shenzhen Logan Holdings Co., Ltd., the principal domestic operating subsidiary of the Group, maintained its "AA+" long-term corporate credit rating by United Credit Rating Co., Ltd. As to corporate honors, Logan Property was conferred "2017 China Property Award of Supreme Excellence" (優質中國房地產企業大獎2017) by the organizing committee of China Property Award of Supreme Excellence. The Group also won the "Most Valuable Domestic Real Estate Stock Company" (最具價值內房股公司) and the "Best Listed Company for Market Value Management" (最佳市值管理上市公司) in the "2016 Golden Hong Kong Shares Selection" (2016金港股評選), an event jointly organized by Zhitongcaijing (智通財經) and Hithink RoyalFlush (同花順). Both awards sufficiently project Logan Property as a real estate model, with its brand image and reputation well recognized by the international capital market and the real estate sector.

## BUSINESS REVIEW

During the first half of 2017, the GDP of China grew by 6.9% on a year-on-year basis, with 6.9% and 6.9% growths recorded for the first and second quarters of 2017 respectively. Such data performance is better than the expected 6.5% growth target for the whole year, suggesting overall economic recovery and boosting market confidence. The Period under Review saw a continuously heated domestic market of public land tendering, auction and recognition, with land value hitting record highs. Against the backdrop, the central government quickened its pace to establish and improve a long-term mechanism for the stable and healthy development of the real estate market. Efforts were also made to strengthen the categorized regulation of the real estate market. On one hand, the central authorities curbed the investment demand in the first and second-tier cities and rolled out price restriction policies, which resulted in a real estate market of smaller volume and stable price. On the other hand, the authorities supported the demand of residents who purchase houses for self-occupation and new urban dwellers, which led to effective destocking in third and fourth-tier cities.

By following the development trend of market diversification, the Group has properly adjusted the sales strategies and timing of launching its projects, tapped into effective market demands, and delivered outstanding performance. Logan visionary strategic footprint in the Greater Bay Area. During the Period under Review, the Group was well received by the market for its project sales in the Greater Bay Area. In Shenzhen, for instance, Logan Property attained one excellent sales performance after another in its "Logan • Carat Complex" (龍光•玖鑽) project located in Longhua District and the "Masterpiece" (玖雲著) project in Pingshan District. For months, "Logan • Carat Complex" (龍光•玖鑽), a project erected on the metro station, retained the highest transacted area of real estate projects or the sales of commercial apartments in Shenzhen. The Masterpiece (玖雲著) also ranked top in the number of transacted units for a single month in the city. In Shantou, Logan Property has also its brand advantage and held certain market share. In particular, Shantou was another source of contract sales contribution in the first half of the year. Featuring rarity and a high gross profit margin, its new Chinese-style courtyard residence "Chinese Courtyard" (御海天禧) and "Royal Sea Sunshine" (御海陽光) became two brightest pearls adored in the local real estate market, with the contract sales of Shantou Region exceeding RMB5 billion. This greatly boosted the Group's overall sales growth in the first half and further contributed abundant cash flow.

# Chairman's Statement

As the central government determines to build the Greater Bay Area into a world-class greater bay and megalopolis, the Group is visionary to have its strategic layout established in the Greater Bay Area and enjoy an early-bird advantage. Currently, Logan Property has well established itself in 9 out of the 11 key cities in the Area. Across the 9 cities, the Group has 7 key projects in Shenzhen, all of them located along rail transit routes or erected on transit stations, which give these projects a huge potential for appreciation. The Group's value derived from the Greater Bay Area amounts to RMB314.5 billion. Faced with high land value in the primary market, the Group actively expanded its land reserve through diversified channels, replenished its land reserve at a lower cost by participating in urban renewal projects in the Greater Bay Area, and avoided pricey land obtainment from the public market during the industrial rising cycle. As at 30 June 2017, the total GFA of the Group's land reserve which was acquired through public market, was 14.75 million sq.m., which is expected to meet the Group's development demands in the next five years or more. High in quality and reasonably priced, the land reserve in the Greater Bay Area accounted for over 50% of the Group's land reserve calculated in total GFA. Benefiting from the area's strong economic growth and increasing population and wealth, it is expected that such land reserve will bring endless momentum for the Group's future sales.

During the Period under Review, the Group has successfully entered overseas markets, and obtained premium residential land parcels in Ap Lei Chau, Hong Kong, and Queenstown, Singapore, respectively. Both land parcels are precious urban land resources which occupy prime locations, establishing a solid foundation for future developments of the Group.

A capital structure under continuous optimization is one of the reasons why the Group has recorded a rapid growth and surging profits. In January 2017, the Group successfully issued five-year overseas senior notes in the amount of US$200 million, at a coupon rate of 5.75% per annum. In mid-May 2017, the Group issued another batch of oversea senior notes in the amount of US$450 million, for a term of five years and nine months and at a coupon rate further reduced to 5.25% per annum. Such issuance helps the Group to further reduce its borrowing costs and optimize its debt structure, indicating that the capital market recognizes the Company's good fundamentals and is confident of its stellar future results. In addition, the Group's early redemption of the 2019 senior notes in June, with a principal amount of US$300 million and a coupon rate of 11.25% per annum, will save a large sum of interest expense for the Group each year. As at 30 June 2017, the Group held cash and bank balances (including restricted and pledged deposits) of approximately RMB23,452.6 million (As at 31 December 2016: RMB14,797.3 million), with a net debt-to-equity ratio of approximately 67.0% (As at 31 December 2016: 71.4%). During the Period under Review, the average borrowing cost of the Group was 5.9% (the year of 2016: 6.1%). The Group will continue to explore different types of financing channels to lower its financing costs and ensure a continuous and robust development.

## PROSPECTS

The first half of 2017 witnessed the recovery of market confidence, businesses' improving capability to adapt to the market, and a continuously improving economic structure. Given such momentum and based on general economic stability in China, there will be a clearer trend of robust economic development. As more intensified efforts are made to deliver localized policies to individual cities under the general principles of risk control and destocking, popular cities will experience downward adjustment of real estate volume and price, and third and fourth-tier cities are expected to sustain its steady trend. All these developments are expected to continuously help the real estate market in its steady and healthy development.

Supported by national policies, the Greater Bay Area will accelerate its development in transport interconnectivity, economic and trade cooperation and cultural exchanges in the near future. Such broad prospects of building the Greater Bay Area are expected to herald tremendous opportunities for development. Driven by such leading cities as Hong Kong and Shenzhen, the area will deliver significant development potential.

Logan Property's prospective strategic deployment in the Area fully testifies to the Group's industrial vision and advantageous planning. By leveraging its solid experience of developing the area, international brand effect and the wealth of reasonably priced and quality land reserves, the Group will copy its successful metropolitan business model to the prime land in Zhuhai, Zhongshan and Foshan, where the Group has long established its presence, to seize the opportunities brought by the high-speed development of the Area, further increase its market share and bring its scale to the next level.

Under the tightening control policies in the first and second-tier cities, the Group will adjust its sales and development strategies to market supply and demand in due course, and retain the room for profitability and appreciation during the second half of the year. The Group will also prudently promote the sales of its projects located along Shenzhen Metro routes, including the "Logan • Carat Complex" (龍光•玖鑽) project erected on Hongshan Metro Station in the center of north Shenzhen, the "Masterpiece" (玖雲著) at Pingshan High Speed Rail Station and "Logan • Acesite Park" (龍光•玖龍臺) at Guangming High Speed Rail Station. As for other cities, the Group will capitalize on the high housing demand in first-tier cities and fully tap into such regions as Shantou and Nanning where the Group enjoys brand advantages, to continue to deliver exceptional sales performance.

# Chairman's Statement

In the first half of the year 2017, the Group started a new pattern of synchronizing domestic and overseas development. In early 2017, the Group succeeded in its cooperation with KWG to bid for a rare and high-quality land parcel in Lee Nam Road, Ap Lei Chau for large-scale residential development in Hong Kong. Subsequently, in May, in cooperation with Nanshan Group, Logan Property made another successful bid for a large downtown land parcel in Stirling Road, Queenstown, Singapore, which is quite a rarity for large-scale residential development. The project occupies a prime location with a good profitable outlook, serving as another important initiative for the Group to effectively hedge foreign currency exposure and diversify its land reserve portfolio through overseas assets allocation.

Considering the development cycle of the mainland real estate market, the Group will continue to identify premium assets in overseas markets over the second half of the year, participate in profitable urban renewal projects and explore diversified land reserves, so as to further enhance the Group's market competitiveness and brand influence.

## ACKNOWLEDGEMENTS

I would like to take this opportunity to thank all the members of the Board and all the staff, for their unremitting efforts, professionalism and collective contribution. Besides, the Group cannot achieve its robust development without the trust and support of investors, partners and customers and all walks of life. In the future, the Company will pursue continuous progress, and endeavor to bring maximum value and ideal return for its shareholders.

**Kei Hoi Pang**
*Chairman*
Hong Kong

10 August 2017

# Management Discussion and Analysis

## Overall Performance

For the six-month period ended 30 June 2017, the revenue of the Group was RMB12,382.2 million, representing an increase of approximately 94.6% as compared with the corresponding period of 2016. The gross profit was RMB4,889.0 million, representing an increase of approximately 153.2% as compared with the corresponding period of 2016. For the six-month period ended 30 June 2017, profit attributable to the equity shareholders was RMB3,399.0 million, representing an increase of approximately 166.1% as compared with the corresponding period of 2016. For the six-month period ended 30 June 2017, the 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 RMB2,552.6 million, having increased significantly approximately 195.4% as compared with the corresponding period of 2016. Basic earnings per share was RMB61.84 cents (the corresponding period of 2016: RMB23.01 cents). As at 30 June 2017, the net debt-to-equity ratio of the Group was 67.0%.

## Performance Highlights

| | For the six-month period ended 30 June | | |
|---|---|---|---|
| | **2017** | 2016 | Changes % |
| Contract sales (RMB'000) | **19,313,461** | 14,390,320 | 34.2% |
| Contract saleable GFA (sq.m.)[2] | **1,191,094** | 1,140,695 | 4.4% |
| Contract average selling price ("ASP") (RMB/sq.m.)[2] | **15,452** | 11,901 | 29.8% |
| **Revenue[1]** | **12,566,656** | 6,699,557 | 87.6% |
| Among which: sales of properties | | | |
| – Revenue from properties delivered (RMB'000)[1] | **12,259,627** | 6,613,485 | 85.4% |
| – GFA of properties delivered (sq.m.)[2] | **1,091,487** | 827,073 | 32.0% |
| – ASP of properties delivered (RMB/sq.m.)[2] | **10,556** | 7,502 | 40.7% |
| Rental income (RMB'000)[1] | **46,191** | 40,013 | 15.4% |
| Construction income (RMB'000)[1] | **260,838** | 46,059 | 466.3% |
| **Gross profit (RMB'000)** | **4,889,024** | 1,930,986 | 153.2% |
| **Profit for the period** | | | |
| – Attributable to equity shareholders (RMB'000) | **3,399,006** | 1,277,552 | 166.1% |
| – Attributable to non-controlling interests (RMB'000) | **356,436** | 71,197 | 400.6% |
| **Profit for the period (excluding changes in fair value of investment properties and changes in fair value of derivative financial instruments and the relevant deferred taxes)** | **2,552,583** | 864,236 | 195.4% |
| – Attributable to equity shareholders (RMB'000) | **2,547,568** | 884,120 | 188.1% |
| – Attributable to non-controlling interests (RMB'000) | **5,015** | (19,884) | – |

# Management Discussion and Analysis

| | 30 June 2017 | 31 December 2016 | Changes % |
|---|---|---|---|
| **Total assets (RMB'000)** | **102,820,382** | 86,501,709 | 18.9% |
| **Cash and bank balances (including cash and cash equivalents and restricted and pledged deposits) (RMB'000)** | **23,452,630** | 14,797,303 | 58.5% |
| **Total bank and other loans[3] (RMB'000)** | **41,362,012** | 33,186,537 | 24.6% |
| **Total equity (RMB'000)** | **26,719,667** | 25,751,346 | 3.8% |
| **Key financial ratios** | | | |
| Gross profit margin[(1)] | **39.5%** | 30.3% | |
| Core profit margin[(2)] | **20.6%** | 13.6% | |
| Net debt-to-equity ratio[(3)] | **67.0%** | 71.4% | |
| Gearing ratio[(4)] | **74.0%** | 70.2% | |

1. Representing the amount of income before deduction of sales related taxes.

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

3. Including bank and other loans, senior notes and corporate bonds.

Notes:

(1) Gross profit margin: Gross profit ÷ revenue * 100%

(2) Core profit margin: Core Profit ÷ revenue * 100%

(3) Net debt-to-equity ratio: (Total bank and other loans – cash and bank balances) ÷ total equity * 100%

(4) Gearing ratio: Total liabilities ÷ total assets * 100%

# Property Development

## Contract sales

In the first half of 2017, the Company continued to utilize its market advantages in the Greater Bay Area and achieved a satisfactory sales performance. For the period ended 30 June 2017, the Group attained contract sales of approximately RMB19,313.5 million, representing an increase of approximately 34.2% as compared with RMB14,390.0 million as at 30 June 2016. For the contract sales in the first half of 2017, Shenzhen region, other regions of Pearl River Delta, Shantou region, Nanning region and other regions accounted for approximately 29.6%, 22.8%, 33.5%, 12.9% and 1.2%, respectively. The contract sales were mainly generated from the Greater Bay Area and Shantou region. For Shenzhen region, the sales were mainly generated from Logan • Carat Complex (玖鑽) project erected on the Hongshan subway station at the Shenzhen's subway line 4 and Masterpiece (玖雲著) project in Pingshan New District. The sales from Shantou region were mainly contributed by the featuring projects, namely Chinese Courtyard (御海天禧) and Royal Sea Sunshine (御海陽光). In the second half of 2017, the Company will launch its brand new Acesite Park (玖龍臺) in Shenzhen Guangming New District for sale, while Logan • Carat Complex (玖鑽), project erected on the subway stations in the north commercial sub-district of Shenzhen, and Masterpiece (玖雲著) in the Pingshan New District will continue to be launched for sale. The newly developed project Celestial Palace (御海天宸) in Shautou Dong Hai'an Xincheng (汕頭東海岸新城) will be launched for sale. It is expected that such projects will bring an encouraging sales performance to the Group. Since the land cost of such project lands is relatively low, the selling prices are in line with our expectation, therefore bringing significant revenue and profit to the Company in the future.

| Region | Contract sales in the first half of 2017 | | | | |
|---|---|---|---|---|---|
| | Amount (RMB million) | Percentage | Total GFA[1] (sq.m.) | Percentage | ASP[1] (RMB/sq.m.) |
| Shenzhen region | 5,714 | 29.6% | 138,299 | 11.6% | 41,301 |
| Other regions of Pearl River Delta[2] | 4,404 | 22.8% | 274,654 | 23.1% | 15,408 |
| Shantou region | 6,465 | 33.5% | 422,209 | 35.4% | 13,799 |
| Nanning region | 2,493 | 12.9% | 328,733 | 27.6% | 7,320 |
| Other regions | 237 | 1.2% | 27,199 | 2.3% | 8,381 |
| Total | 19,313 | 100% | 1,191,094 | 100% | 15,452 |

1. Excluding car parking spaces

2. Excluding Shenzhen region

# Revenue from Sales of Properties

For the six-month period ended 30 June 2017, the revenue from sales of properties amounted to RMB12,259.6 million, representing an increase of approximately 85.4% as compared with the revenue from sales of properties of RMB6,613.5 million in the corresponding period of 2016 and accounting for 97.6% of the total revenue. Area delivered for sales of properties (excluding car parking spaces) increased by 32.0% to 1,091,487 sq.m. for the six-month period ended 30 June 2017 from 827,073 sq.m. in the corresponding period of 2016. Shenzhen region, other regions of Pearl River Delta[2], Shantou region, Nanning region and other regions contributed to the revenue from sales of properties in the first half of 2017, accounting for approximately 41.6%, 9.7%, 36.5%, 8.0% and 4.2%, respectively.

# Management Discussion and Analysis

| Region | Revenue from sales of properties in the first half of 2017 | | | | |
|---|---|---|---|---|---|
| | Amount (RMB million) | Percentage | Total GFA[1] (sq.m.) | Percentage | ASP (excluding car parking spaces) (RMB/sq.m.) |
| Shenzhen region | 5,094 | 41.6% | 334,488 | 30.7% | 15,181 |
| Other regions of Pearl River Delta[2] | 1,189 | 9.7% | 87,748 | 8.0% | 12,085 |
| Shantou region | 4,475 | 36.5% | 415,988 | 38.1% | 9,564 |
| Nanning region | 987 | 8.0% | 177,346 | 16.2% | 5,102 |
| Other regions | 515 | 4.2% | 75,917 | 7.0% | 6,585 |
| Total | 12,260 | 100% | 1,091,487 | 100% | 10,556 |

## Newly commenced projects

As at 30 June 2017, the Group commenced construction of a total of 10 projects or new project phases with a total planned GFA of approximately 1,998,712 sq.m..

## Completed projects

As at 30 June 2017, the Group completed 9 projects or project phases with a total planned GFA of approximately 1,672,629 sq.m..

## Developing projects

As at 30 June 2017, the Group had a total of 21 projects or project phases under construction with a total planned GFA of approximately 5,135,334 sq.m..

1. Excluding car parking spaces

2. Excluding Shenzhen region

## Land Reserves

For the period ended 30 June 2017, the Group acquired six new projects through public tendering, auction and listing with a total GFA of 1,829,624 sq.m..

**List of newly acquired projects through public tendering, auction and listing in the first half of 2017**

| No. | City | Project name | Date of acquisition | Equity | Site area (sq.m.) | Total GFA (sq.m.) | Saleable GFA (sq.m.) | Total land cost (RMB million) | Equity land cost (RMB million) | Average land cost (RMB/ sq.m.) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Liuzhou | Liudong New District CBD Land (柳東新區商務中心區地塊) | 2017.02.14 | 100% | 187,443 | 620,565 | 412,374 | 1,103 | 1,103 | 2,674 |
| 2 | Hong Kong | Ap Lei Chau project (鴨脷洲項目) | 2017.02.24 | 50% | 11,752 | 70,606 | 70,606 | 14,832 | 7,416 | 210,072 |
| 3 | Huizhou | Tonghu project (潼湖項目) | 2017.02.27 | 50% | 150,487 | 605,100 | 603,974 | 832 | 416 | 1,378 |
| 4 | Singapore | Queenstown project (女皇鎮項目) | 2017.05.18 | 51% | 21,098 | 88,657 | 88,657 | 4,981 | 2,540 | 56,183 |
| 5 | Shantou | Project in Xinhua East Road, Chaoyang District (潮陽區新華東路項目) | 2017.06.20 | 100% | 28,977 | 170,696 | 128,094 | 421 | 421 | 3,287 |
| 6 | Zhaoqing | Central Service Region in Dawang High-tech Zone (大旺高新區中心服務區) | 2017.06.30 | 100% | 63,700 | 274,000 | 203,800 | 536 | 536 | 2,630 |
| | Total | | | | 463,457 | 1,829,624 | 1,507,505 | 22,705 | 12,432 | 15,061 |

As at 30 June 2017, the total GFA of the land reserves acquired through public market of the Group amounted to approximately 14,751,110 sq.m., the average cost of land reserves was RMB4,680 per sq.m., in which Greater Bay Area accounted for over 70%, if calculated by value.

# Management Discussion and Analysis

**Distribution of land reserves acquired through public market as at 30 June 2017**

| | GFA (sq.m.) | Percentage |
|---|---|---|
| **Shenzhen** | 2,027,334 | 13.7% |
| **Huizhou/Dongguan** | 3,863,617 | 26.2% |
| **Guangzhou/Foshan/Zhaoqing** | 1,243,282 | 8.4% |
| **Zhuhai/Zhongshan/Jiangmen** | 321,158 | 2.2% |
| **Hong Kong and Macau** | 70,606 | 0.5% |
| **Subtotal of the Greater Bay Area** | 7,525,997 | 51.0% |
| **Shantou region** | 1,949,982 | 13.2% |
| **Nanning region** | 4,073,355 | 27.6% |
| **Other regions** | 1,113,119 | 7.6% |
| **Singapore** | 88,657 | 0.6% |
| **Total** | 14,751,110 | 100.0% |
| **Land cost (per sq.m.)** | RMB4,680 | – |
| **Land cost (excluding Hong Kong and Singapore, per sq.m.)** | RMB3,373 | – |

## Property Investments

### Rental income

The rental income of the Group for the six-month period ended 30 June 2017 amounted to RMB46.2 million, representing an increase of approximately 15.4% as compared with the corresponding period of 2016.

### Investment properties

As at 30 June 2017, the Group had 25 investment properties with a total GFA of approximately 489,008 sq.m.. Among those investment property portfolios, 19 investment properties with a total GFA of approximately 149,092 sq.m. have been completed, and the remaining 6 are still under development.

## Financial Review

### (I) Revenue

Revenue of the Group for the six-month period ended 30 June 2017 amounted to RMB12,382.2 million, representing an increase of approximately RMB6,019.0 million, or approximately 94.6%, as compared with the corresponding period of 2016, primarily due to the increase in revenue from sales of properties as compared with the corresponding period of 2016. Revenue from sales of properties for the six-month period ended 30 June 2017 amounted to approximately RMB12,259.6 million, representing an increase of approximately 85.4% as compared with approximately RMB6,613.5 million in the corresponding period of 2016.

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

| | For the six-month period ended 30 June | | | |
|---|---|---|---|---|
| | **2017** | | 2016 | |
| **Project name** | **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) | **29,220** | **420,237** | 16,661 | 200,596 |
| Shantou Flying Dragon Garden (汕頭 龍騰熙園) | **–** | **136** | – | 4,326 |
| Shantou Flying Dragon Landscape (汕頭 龍騰嘉園) | **56,941** | **445,588** | 150,836 | 935,393 |
| Shantou Royal Sea Sunshine (汕頭 御海陽光) | **205,600** | **2,552,614** | – | – |
| Shantou Royal & Seaward Jubilee Garden (汕頭 御海禧園) | **88,851** | **649,068** | – | – |
| Shantou Sea & Sunshine (汕頭 碧海陽光) | **35,377** | **407,594** | – | – |
| Huizhou Sky Palace (惠州 天悅龍庭) | **126** | **2,280** | 5,470 | 38,157 |
| Huizhou Grand Riverside Bay (惠州 水悅龍灣) | **1,608** | **20,762** | 11,928 | 87,902 |
| Guilin Provence (桂林 普羅旺斯) | **7,547** | **39,383** | 23,051 | 119,235 |
| Guangzhou Landscape Residence (廣州 峰景華庭) | **–** | **9,075** | – | 12,346 |
| Guangzhou Palm Waterfront (廣州 棕櫚水岸) | **364** | **14,586** | 5,529 | 83,018 |

# Management Discussion and Analysis

| Project name | For the six-month period ended 30 June | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Area[(1)] (sq.m.) | Amount[(2)] (RMB'000) | Area[(1)] (sq.m.) | Amount[(2)] (RMB'000) |
| Shunde Grand View (順德　水悦雲天) | – | – | – | 1 |
| Foshan Grand Riverside Bay (佛山　水悦龍灣) | 14,999 | 138,681 | 22,569 | 174,096 |
| Foshan Joy Palace (佛山　君悦龍庭) | 6,452 | 64,455 | 14,243 | 170,929 |
| Foshan Grand Joy Castle (佛山　君悦華府) | 863 | 13,996 | 1,028 | 32,524 |
| Foshan Shin Street Building (佛山　尚街大廈) | 2,408 | 31,223 | 9,843 | 122,808 |
| Foshan Grand Garden (佛山　水悦熙園) | 1,213 | 16,806 | – | – |
| Foshan Sky Lake Castle (佛山　天湖華府) | 61,067 | 871,478 | – | – |
| Zhuhai Easy Life (珠海　海悦雲天) | – | 446 | – | 1,286 |
| Zhongshan Grand Joy Garden (中山　水悦馨園) | 148 | 16,294 | 138,722 | 834,786 |
| Zhongshan Ocean Grange (中山　海悦熙園) | – | 351 | 436 | 5,507 |
| Zhongshan Grand Garden (中山　水悦熙園) | – | 2,900 | 3,328 | 37,140 |
| Zhongshan Ocean Vista Residence (中山　海悦華庭) | 233 | 8,491 | 3,234 | 58,384 |
| Dongguan Imperial Summit Sky Villa (東莞　君御旗峰) | – | 5,557 | 10,002 | 111,642 |
| Dongguan Royal Castle (東莞　君御華府) | – | 10,969 | 288 | 5,477 |
| Shenzhen Acesite Mansion (深圳　玖龍璽) | 6,570 | 603,120 | – | – |
| Shenzhen Logan City (深圳　龍光城) | 326,184 | 4,451,551 | 122,944 | 1,388,177 |

## Management Discussion and Analysis

| Project name | For the six-month period ended 30 June | | | |
|---|---|---|---|---|
| | **2017** | | 2016 | |
| | **Area[1] (sq.m.)** | **Amount[2] (RMB'000)** | Area[1] (sq.m.) | Amount[2] (RMB'000) |
| Nanning Provence (南寧　普羅旺斯) | **55,840** | **451,002** | 83,345 | 591,194 |
| Nanning Grand Riverside Bay (南寧　水悦龍灣) | **614** | **12,876** | 835 | 54,945 |
| Nanning Royal Castle (南寧　君御華府) | **624** | **13,325** | 52,416 | 562,289 |
| Nanning Joy Residence (南寧　君悦華庭) | **–** | **4,967** | 127,314 | 813,137 |
| Chengdu Sky Palace (成都　天悦龍庭) | **–** | **12,384** | 825 | 25,025 |
| Chengdu Joy Residence (成都　君悦華庭) | **42,898** | **208,912** | – | – |
| Hainan Sea and City (海南　海雲天) | **33,019** | **293,335** | – | – |
| Guangxi Sunshine Seaward (廣西　陽光海岸) | **112,721** | **465,185** | 22,226 | 143,138 |
| Total | **1,091,487** | **12,259,627** | 827,073 | 6,613,458 |

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 RMB3,061.0 million, or approximately 69.1%, as compared with the corresponding period of 2016, primarily due to the expansion of business scale as compared with the corresponding period of 2016. Key components of costs are as follows:

| | For the six-month period ended 30 June | | |
|---|---|---|---|
| | **2017 RMB'000** | 2016 RMB'000 | Changes % |
| Costs | **7,493,210** | 4,432,223 | 69.1% |
| Property development costs | **7,263,482** | 4,394,352 | 65.3% |
| Costs of construction business and rental business | **229,728** | 37,871 | 506.6% |

# 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 2017 amounted to approximately RMB295.7 million (the corresponding period of 2016 was approximately RMB244.7 million). As the Group further increased its property marketing efforts during the year, the relevant selling and marketing expenses also increased by approximately 20.8% as compared with the corresponding period of 2016.

The administrative expenses of the Group for the six-month period ended 30 June 2017 amounted to approximately RMB288.3 million (the corresponding period of 2016 was approximately RMB197.5 million), representing an increase of approximately 46.0% as compared with the corresponding period of 2016. The increase was primarily due to the increase in staff costs.

The percentage of selling and marketing expenses and administrative expenses to contract sales of the Group decreased from 3.1% for the six months ended 30 June 2016 to 3.0% for the six months ended 30 June 2017.

**(IV) Profit from operations**

The profit from operations of the Group for the six-month period ended 30 June 2017 increased by RMB4,311.7 million to approximately RMB6,355.4 million (the corresponding period of 2016 was approximately RMB2,043.7 million). As the revenue of the Group increased by approximately RMB6,019.0 million as compared with the corresponding period of 2016, the relevant direct costs, selling and marketing expenses and administrative expenses also increased by approximately RMB3,202.7 million as compared with the corresponding period of 2016, and net increase in fair value of investment properties and other revenue increased by approximately RMB1,447.0 million as compared with the corresponding period of 2016. As a result, the profit from operations of the Group increased by approximately RMB4,311.7 million as compared with the corresponding period of 2016.

**(V) Finance costs**

The net finance costs of the Group for the six-month period ended 30 June 2017 increased to approximately RMB318.2 million (the corresponding period of 2016 was approximately RMB42.3 million), primarily due to the increase in scales of loan and senior notes.

**(VI) Income tax**

Taxes of the Group for the six-month period ended 30 June 2017 included CIT and LAT. Taking into account the impact of the relevant changes in deferred tax, the net CIT and LAT amounted to approximately RMB1,257.1 million and RMB1,024.7 million, respectively (the corresponding period of 2016 were approximately RMB412.5 million and RMB240.1 million).

**(VII) Core Profit**

The Core Profit of the Group for the six-month period ended 30 June 2017 amounted to approximately RMB2,552.6 million, representing an increase of approximately RMB1,688.3 million as compared with the corresponding period of 2016. The Core Profit margin of the Group for the six-month period ended 30 June 2017 was approximately 20.6% (the corresponding period of 2016 was approximately 13.6%), representing an increase of approximately seven percentage points as compared with the corresponding period of 2016.

**(VIII) Liquidity and financial resources**

As at 30 June 2017, total assets of the Group amounted to approximately RMB102,820.4 million (31 December 2016: approximately RMB86,501.7 million), of which current assets amounted to approximately RMB69,870.6 million (31 December 2016: approximately RMB58,521.4 million). Total liabilities amounted to approximately RMB76,100.7 million (31 December 2016: approximately RMB60,750.4 million), of which non-current liabilities amounted to approximately RMB38,170.1 million (31 December 2016: approximately RMB29,695.5 million). Total equity amounted to approximately RMB26,719.7 million (31 December 2016: approximately RMB25,751.3 million), of which total equity interests attributable to equity shareholders amounted to RMB20,620.0 million (31 December 2016: approximately RMB19,426.8 million).

As at 30 June 2017, the Group had cash and bank balances (including restricted cash) of approximately RMB23,452.6 million (31 December 2016: approximately RMB14,797.3 million) and total bank and other loans of approximately RMB41,362.0 million (31 December 2016: approximately RMB33,186.5 million).

**(IX) Financing activities**

For the six-month period ended 30 June 2017, the Group successfully issued two tranches of senior notes of US$650,000,000. The first tranche of senior notes amounted to US$200,000,000, with a coupon rate of 5.75% and a maturity date on 3 January 2022. The second tranche of senior notes amounted to US$450,000,000, with a coupon rate of 5.25% and a maturity date on 23 February 2023.

**(X) Commitments**

As at 30 June 2017, the Group had made capital commitments of approximately RMB19,471.6 million related to the expenditure in respect of future establishment and property development (31 December 2016: approximately RMB24,266.2 million).

**(XI) Contingent liabilities**

As at 30 June 2017, the Group provided guarantees of approximately RMB13,384.3 million (31 December 2016: approximately RMB9,806.2 million) in respect of the mortgage loans granted to purchasers of the properties of the Group by certain banks. 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 these guarantees is insignificant as the market value of the relevant mortgaged properties is no less than the payments in default to be settled by the Group.

# Management Discussion and Analysis

**(XII) Significant acquisition, disposal or investment**

On 28 June 2017, 深圳市龍光東圳置業有限公司 (Shenzhen Logan Dongzhen Realty Co., Ltd.*) ("Shenzhen Dongzhen"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with 深圳平安大華匯通財富管理有限公司 (Shenzhen Pingan Dahua Huitong Wealth Management Company Limited*) ("Pingan Dahua"), pursuant to which Shenzhen Dongzhen agreed to acquire, and Pingan Dahua agreed to dispose in 10% equity interest of 惠州大亞灣東圳房地產有限公司 (Huizhou Daya Bay Dongzhen Property Co., Ltd.*) ("Huizhou Dongzhen"), a subsidiary of Shenzhen Dongzhen, at a total consideration of RMB4,038.6 million. Upon completion of the acquisition, Huizhou Dongzhen will become an indirect wholly-owned subsidiary of the Company.

Save as mentioned above, the Group did not have any other material acquisition, disposal and investment during the six-month period ended 30 June 2017.

* The English translation of the names is for reference only. The official names of the entities are in Chinese.

**(XIII) Pledge of assets**

As at 30 June 2017, the Group had pledged investment properties, other properties, inventories and pledged deposits of approximately RMB7,058.3 million to secure its borrowings (31 December 2016: RMB23,787.0 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 2017, the Group did not hold any derivative for hedging purpose.

**(XV)** There was no significant events affecting the Group which have occurred since the end of the period ended 30 June 2017.

# 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 2017, 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 (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 the 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) | | 77.32% |
| | Beneficial owner | | 11,480,000 (L)[4] | 0.21% |
| Mr. Ji Jiande | Beneficial owner | – | 8,610,000 (L) | 0.16% |
| Ms. Kei Perenna Hoi Ting | Beneficiary of a family trust, interest of controlled corporations[3] | 4,250,000,000 (L) | | 77.32% |
| | Beneficial owner | | 1,793,750 (L) | 0.03% |
| Mr. Lai Zhuobin | Beneficial owner | – | 3,648,750 (L) | 0.07% |
| Mr. Xiao Xu | Beneficial owner | – | 3,911,250 (L) | 0.07% |

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 15.46% 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 2017.

# 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% |

## (iii) Interest in Debentures of the Company

| Name of Director | Nature of Interest | Name of Controlled Corporation | Amount of Debentures |
|---|---|---|---|
| Ms. Kei Perenna Hoi Ting | Interest of a controlled corporation | Victorious City Investments Limited | USD30,000,000 |

Save as disclosed above, as at 30 June 2017, 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 2017, 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) | 77.32% |
| | Beneficial owner | 11,480,000 (L)[4] | 0.21% |
| Ms. Kei Perenna Hoi Ting | Beneficiary of a family trust, Interest of controlled corporations[2] | 4,250,000,000 (L) | 77.32% |
| | Beneficial owner | 1,793,750 (L) | 0.03% |
| Brock Nominees Limited[3] | Nominee | 3,400,000,000 (L) | 61.86% |
| Credit Suisse Trust Limited[3] | Trustee | 3,400,000,000 (L) | 61.86% |
| Junxi Investments Limited[3] | Beneficial owner | 3,400,000,000 (L) | 61.86% |
| Kei Family United Limited[3] | Interest of a controlled corporation | 3,400,000,000 (L) | 61.86% |
| Tenby Nominees Limited[3] | Nominee | 3,400,000,000 (L) | 61.86% |
| Dragon Jubilee Investments Limited | Beneficial owner | 425,000,000 (L) | 7.73% |

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 15.46% 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 2017.

# Other Information

Save as disclosed above, as at 30 June 2017, 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 AND SPECIAL DIVIDEND

The Board declared an interim dividend (the "Interim Dividend") in cash of HK19 cents per share for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil) and an one-off special dividend (the "Special Dividend") in cash of HK3 cents per share, amounting to a total dividend of HK22 cents per share.

The Interim Dividend and Special Dividend will be paid on or about Thursday, 30 November 2017 to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 6 November 2017.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who qualify for the Interim Dividend and Special Dividend, the register of members of the Company will be closed from Thursday, 2 November 2017 to Monday, 6 November 2017, both days inclusive. In order to qualify for the Interim Dividend and Special Dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 1 November 2017.

## Purchase, Sale or Redemption of the Company's Listed Securities

On 3 January 2017, the Company issued 5.75% senior notes due in 2022 (the "2022 Notes") in the principal amount of US$200 million. The 2022 Notes are listed on the Stock Exchange. On 23 May 2017, the Company issued 5.25% senior notes due in 2023 (the "2023 Notes") in the principal amount of US$450,000,000. The 2023 Notes have been listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). On 31 May 2017, the Company issued perpetual capital securities (the "Perpetual Capital Securities") in the principal amount of US$350,000,000. The Perpetual Capital Securities have been listed on the SGX-ST. On 19 June 2017, the Company redeemed an aggregate principal amount of US$300,000,000 of all of the outstanding 11.25% senior notes due 2019 at the redemption price equal to 105.625% of the principal amount thereof, being US$316,875,000, plus accrued and unpaid interest of US$1,406,250. The total redemption price paid by the Company was US$318,281,250.

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 2017.

## Compliance with Code on Corporate Governance Practices

For the six-month period ended 30 June 2017, the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, except for the deviation from code provision A.2.1 which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of 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 21 March 2017, the Company as borrower entered into a loan agreement (the "Loan Agreement") with, among others, Credit Suisse AG, Singapore Branch, Nanyang Commercial Bank, Limited and Industrial Bank Co., Ltd, Hong Kong Branch as original lenders (the "Original Lenders") and arrangers, and Credit Suisse AG, Singapore Branch as facility agent (the "Facility Agent"), pursuant to which the Original Lenders have agreed to make available a term loan facility in an amount of US$150,000,000 (the "Facility") to the Company for a term of 36 months commencing from the first date of utilization of the Facility. The Facility will be used for (i) firstly, for the payment of any fees and expenses payable by the Company under the Finance Documents (as defined under the Loan Agreement); and (ii) secondly, for the repayment of the existing financial indebtedness of the Company.

Pursuant to the Loan Agreement, it would be an event of default if, among others, (i) Mr. Kei Hoi Pang ("Mr. Kei"), the spouse of Mr. Kei, Ms. Kei Perenna Hoi Ting and any child or step child, natural or adopted, under the age of 18 years of Mr. Kei and their affiliates (individually or together) cease to be the beneficial owners directly or indirectly through wholly-owned subsidiaries of at least 51% of the issued share capital of the Company; or (ii) Mr. Kei does not or cease to have control of the Company; or (iii) Mr. Kei, Ms. Kei Perenna Hoi Ting and Mr. Ji Jiande, individually or together, cease to be the president or chairman of the Company.

In case of an occurrence of an event of default which is outstanding, the Facility Agent may, and must if so directed by the majority lenders (as defined under the Loan Agreement), by notice to the Company: (a) cancel all or any part of the total commitments under the Loan Agreement; (b) declare that all or part of the Facility, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents (as defined under the Loan Agreement) be immediately due and payable; and/or (c) declare that all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents (as defined under the Loan Agreement) be payable on demand by the Facility Agent acting on the instructions of the majority lenders.

As at 30 June 2017, the loan facility of US$150,000,000 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 2017, the Company did not have other disclosure obligations under Rule 13.18 of the Listing Rules.

# Other Information

## Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry, the Company confirmed that all the Directors have complied with the required standards set out in the Model Code for the six-month period ended 30 June 2017.

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 2017.

## Share Option

For the six months ended 30 June 2017, no share options were granted. Details of movements for the six months ended 30 June 2017 in the number of share options are set out below:

| | | | Number of share options | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name of Director | Date of grant | Exercise Price (HK$) | Outstanding as at 1 January 2017 | Granted from 1 January 2017 to 30 June 2017 | Exercised from 1 January 2017 to 30 June 2017 | Cancelled/ Lapsed from 1 January 2017 to 30 June 2017 | Outstanding as at 30 June 2017 | Percentage of total issued share capital[1] | Exercise period | Closing price of the securities immediately before the date on which the options were offered (HK$) |
| Mr. Kei Hoi Pang | 29 May 2014 | 2.340 | 13,120,000 | – | – | 1,640,000 | 11,480,000 | 0.209% | 29 May 2014 to 28 May 2020 | 2.340 |
| Mr. Ji Jiande | 29 May 2014 | 2.340 | 9,840,000 | – | – | 1,230,000 | 8,610,000 | 0.157% | 29 May 2014 to 28 May 2020 | 2.340 |
| Mr. Xiao Xu | 29 May 2014 | 2.340 | 4,470,000 | – | – | 558,750 | 3,911,250 | 0.071% | 29 May 2014 to 28 May 2020 | 2.340 |
| Mr. Lai Zhuobin | 29 May 2014 | 2.340 | 4,170,000 | – | – | 521,250 | 3,648,750 | 0.066% | 29 May 2014 to 28 May 2020 | 2.340 |
| Ms. Kei Perenna Hoi Ting | 29 May 2014 | 2.340 | 2,050,000 | – | – | 256,250 | 1,793,750 | 0.033% | 29 May 2014 to 28 May 2020 | 2.340 |
| **Total number held by Directors** | 29 May 2014 | 2.340 | **33,650,000** | **–** | **–** | **4,206,250** | **29,443,750** | **0.536%** | 29 May 2014 to 28 May 2020 | 2.340 |
| **Total number held by other employees** | 29 May 2014 | 2.340 | **86,614,658** | **–** | **–** | **13,092,658** | **73,522,000** | **1.338%** | 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 30 June 2017.

## 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 2016 annual report of the Company are set out below:

| Name of Director | Details of Change |
|---|---|
| Mr. Ji Jiande | Resigned as vice president and chief operating officer of the Company in January 2017.<br><br>Appointed as executive president of the Company in January 2017. |
| Mr. Zhang Huaqiao | Appointed as independent non-executive director of China Rapid Finance Limited (上海信而富企業管理有限公司) in January 2016, a company listed in the New York Stock Exchange in April 2017. |

## AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed, with no disagreement, with the Company's management, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim condensed consolidated financial statements of the Group for the six-month period ended 30 June 2017.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi)

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2017** | 2016 |
| | Note | **RMB'000** | RMB'000 |
| **Revenue** | 3 | **12,382,234** | 6,363,209 |
| Direct costs | | **(7,493,210)** | (4,432,223) |
| **Gross profit** | | **4,889,024** | 1,930,986 |
| Other revenue | | **309,579** | 77,479 |
| Other expenses | | **(4,076)** | (146,204) |
| Selling and marketing expenses | | **(295,696)** | (244,714) |
| Administrative expenses | | **(288,274)** | (197,512) |
| Net increase in fair value of investment properties | 7 | **1,771,333** | 556,449 |
| Net (decrease)/increase in fair value of derivative financial instruments | 15 | **(125,641)** | 67,176 |
| Share of profit of associates | | **101,228** | – |
| Share of losses of joint ventures | | **(2,072)** | – |
| **Profit from operations** | | **6,355,405** | 2,043,660 |
| Finance costs | 4(a) | **(318,173)** | (42,275) |
| **Profit before taxation** | 4 | **6,037,232** | 2,001,385 |
| Income tax | 5 | **(2,281,790)** | (652,636) |
| **Profit for the period** | | **3,755,442** | 1,348,749 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **3,399,006** | 1,277,552 |
| Non-controlling interests | | **356,436** | 71,197 |
| **Profit for the period** | | **3,755,442** | 1,348,749 |
| **Earnings per share (RMB cents)** | 6 | | |
| Basic | | **61.84** | 23.01 |
| Diluted | | **61.42** | 23.00 |

The notes on pages 34 to 58 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 profit or loss and other comprehensive income

For the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi)

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| **Profit for the period** | **3,755,442** | 1,348,749 |
| **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 | **52,691** | (48,673) |
| **Total comprehensive income for the period** | **3,808,133** | 1,300,076 |
| **Attributable to:** | | |
| Equity shareholders of the Company | **3,451,697** | 1,228,879 |
| Non-controlling interests | **356,436** | 71,197 |
| **Total comprehensive income for the period** | **3,808,133** | 1,300,076 |

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

The notes on pages 34 to 58 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017 – unaudited

(Expressed in Renminbi)

| | Note | At 30 June 2017 RMB'000 | At 31 December 2016 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 7 | 13,872,475 | 11,890,879 |
| Other property, plant and equipment | 8 | 169,403 | 184,317 |
| | | 14,041,878 | 12,075,196 |
| Deferred tax assets | | 470,497 | 273,500 |
| Interest in associates | | 2,724,682 | 3,019,480 |
| Interests in joint ventures | | 15,396,477 | 12,384,833 |
| Restricted and pledged deposits | | 316,215 | 227,304 |
| | | 32,949,749 | 27,980,313 |
| **Current assets** | | | |
| Inventories | | 41,358,231 | 40,197,099 |
| Trade and other receivables and prepayments | 9 | 4,175,702 | 2,943,357 |
| Tax recoverable | | 689,948 | 810,941 |
| Assets under cross-border guarantee arrangements | 11 | 510,337 | – |
| Restricted and pledged deposits | | 2,226,001 | 1,010,172 |
| Cash and cash equivalents | | 20,910,414 | 13,559,827 |
| | | 69,870,633 | 58,521,396 |
| **Current liabilities** | | | |
| Trade and other payables | 10 | 29,653,676 | 23,919,327 |
| Liabilities under cross-border guarantee arrangements | 11 | 510,337 | – |
| Bank and other loans | | 3,554,484 | 3,370,501 |
| Senior notes | 12 | 1,696,860 | 1,747,637 |
| Tax payable | | 2,515,284 | 2,017,405 |
| | | 37,930,641 | 31,054,870 |
| **Net current assets** | | 31,939,992 | 27,466,526 |
| **Total assets less current liabilities** | | 64,889,741 | 55,446,839 |
| **Non-current liabilities** | | | |
| Bank and other loans | | 17,525,791 | 11,707,510 |
| Corporate bonds | | 12,400,000 | 12,400,000 |
| Senior notes | 12 | 6,184,877 | 3,960,889 |
| Deferred tax liabilities | | 2,059,406 | 1,627,094 |
| | | 38,170,074 | 29,695,493 |
| **NET ASSETS** | | 26,719,667 | 25,751,346 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | 434,591 | 434,591 |
| Perpetual capital securities | 14 | 2,363,346 | – |
| Reserves | | 17,822,110 | 18,992,258 |
| **Total equity attributable to equity shareholders of the Company** | | 20,620,047 | 19,426,849 |
| **Non-controlling interests** | | 6,099,620 | 6,324,497 |
| **TOTAL EQUITY** | | 26,719,667 | 25,751,346 |

The notes on pages 34 to 58 form part of this interim financial report.

# Consolidated statement of changes in equity

For the six months ended 30 June 2017 – unaudited

(Expressed in Renminbi)

| | | Attributable to equity shareholders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital RMB'000 | Share premium RMB'000 | Share-based compensation reserve RMB'000 | Exchange reserve RMB'000 | PRC statutory reserves RMB'000 | Other reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 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 and cancellation of own shares | | (617) | (16,212) | – | – | – | – | – | (16,829) | – | (16,829) |
| Final dividend declared | 13(a)(ii) | – | – | – | – | – | – | (664,043) | (664,043) | – | (664,043) |
| Equity settled share-based payment | 13(b) | – | – | 19,524 | – | – | – | – | 19,524 | – | 19,524 |
| Effect of forfeited and cancelled share options | 13(b) | – | – | (3,246) | – | – | – | 3,246 | – | – | – |
| Capital contribution from non-controlling interests | | – | – | – | – | – | 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 and 1 July 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 |
| **Changes in equity for the six months ended 31 December 2016:** | | | | | | | | | | | |
| Profit for the period | | – | – | – | – | – | – | 3,210,184 | 3,210,184 | 640,950 | 3,851,134 |
| Other comprehensive income | | – | – | – | (26,561) | – | – | – | (26,561) | – | (26,561) |
| **Total comprehensive income** | | – | – | – | (26,561) | – | – | 3,210,184 | 3,183,623 | 640,950 | 3,824,573 |
| Transfer to PRC statutory reserves | | – | – | – | – | 184,095 | – | (184,095) | – | – | – |
| Repurchase and cancellation of own shares | | (4,613) | (151,797) | – | – | – | – | – | (156,410) | – | (156,410) |
| Final dividend declared | | – | – | – | – | – | – | (30,955) | (30,955) | – | (30,955) |
| Equity settled share-based payment | 13(b) | – | – | 4,207 | – | – | – | – | 4,207 | – | 4,207 |
| Effect of forfeited and cancelled share options | 13(b) | – | – | (680) | – | – | – | 680 | – | – | – |
| Dividend declared to non-controlling interests | | – | – | – | – | – | – | – | – | (13,430) | (13,430) |
| Acquisition of subsidiaries | | – | – | – | – | – | – | – | – | 164,734 | 164,734 |
| Acquisition of additional interests in subsidiaries | | – | – | – | – | – | (1,093,544) | – | (1,093,544) | (997,889) | (2,091,433) |
| Capital contribution from non-controlling interests | | – | – | – | – | – | 864,000 | – | 864,000 | 2,118,131 | 2,982,131 |
| **Balance at 31 December 2016** | | 434,591 | 1,899,444 | 95,062 | (123,177) | 832,451 | 2,902,849 | 13,385,629 | 19,426,849 | 6,324,497 | 25,751,346 |

# Consolidated statement of changes in equity

For the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi)

| | | Attributable to equity shareholders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital RMB'000 | Share premium RMB'000 | Perpetual capital securities RMB'000 | Share-based compensation reserve RMB'000 | Exchange reserve RMB'000 | PRC statutory reserves RMB'000 | Other reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 1 January 2017** | | 434,591 | 1,899,444 | - | 95,062 | (123,177) | 832,451 | 2,902,849 | 13,385,629 | 19,426,849 | 6,324,497 | 25,751,346 |
| **Changes in equity for the six months ended 30 June 2017:** | | | | | | | | | | | | |
| Profit for the period | | - | - | - | - | - | - | - | 3,399,006 | 3,399,006 | 356,436 | 3,755,442 |
| Other comprehensive income | | - | - | - | - | 52,691 | - | - | - | 52,691 | - | 52,691 |
| **Total comprehensive income** | | - | - | - | - | 52,691 | - | - | 3,399,006 | 3,451,697 | 356,436 | 3,808,133 |
| Final dividend declared | 13(a)(ii) | - | - | - | - | - | - | - | (1,192,592) | (1,192,592) | - | (1,192,592) |
| Equity settled share-based payment | 13(b) | - | - | - | 4,983 | - | - | - | - | 4,983 | - | 4,983 |
| Effect of forfeited and cancelled share options | 13(b) | - | - | - | (14,372) | - | - | - | 14,372 | - | - | - |
| Transaction with non-controlling interests | 19 | - | - | - | - | - | - | (3,434,236) | - | (3,434,236) | (604,357) | (4,038,593) |
| Capital contribution from non-controlling interests | | - | - | - | - | - | - | - | - | - | 17,650 | 17,650 |
| Acquisition of subsidiaries | | - | - | - | - | - | - | - | - | - | 5,394 | 5,394 |
| Issuance of perpetual capital securities | 14 | - | - | 2,363,346 | - | - | - | - | - | 2,363,346 | - | 2,363,346 |
| **Balance at 30 June 2017** | | 434,591 | 1,899,444 | 2,363,346 | 85,673 | (70,486) | 832,451 | (531,387) | 15,075,028 | 20,620,047 | 6,099,620 | 26,719,667 |

The notes on pages 34 to 58 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi)

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| **Operating activities** | | |
| Cash generated from operations | **5,582,185** | 4,780,706 |
| Income tax paid | | |
| – PRC tax paid | **(1,427,602)** | (1,069,971) |
| **Net cash generated from operating activities** | **4,154,583** | 3,710,735 |
| **Investing activities** | | |
| Payment for purchase of other property, plant and equipment | **(26,456)** | (33,598) |
| Proceeds from disposal of other property, plant and equipment | **410** | 28 |
| Payment for investment properties | **(141,836)** | (642) |
| Capital contribution to joint ventures and an associate | **(15,521)** | (46,500) |
| Advances to joint ventures and associates | **(2,412,272)** | (11,052,973) |
| Interest received | **51,549** | 83,093 |
| Acquisition of subsidiaries | **(517,281)** | – |
| (Increase)/decrease in restricted and pledged deposits | **(1,113,363)** | 259,268 |
| **Net cash used in investing activities** | **(4,174,770)** | (10,791,324) |
| **Financing activities** | | |
| Proceeds from bank and other loans | **13,240,538** | 6,837,700 |
| Repayment of bank and other loans | **(6,706,855)** | (4,600,478) |
| Proceeds from corporate bonds | **–** | 2,978,650 |
| Proceeds from senior notes | **4,410,756** | 1,693,148 |
| Proceeds from assets backed securities | **1,521,000** | – |
| Proceeds from perpetual capital securities | **2,363,346** | – |
| Redemption of senior note | **(2,172,448)** | – |
| Acquisition of non-controlling interests in subsidiaries | **(4,038,593)** | – |
| Interest and other borrowing costs paid | **(1,186,648)** | (679,395) |
| Capital contribution from non-controlling interests | **17,650** | 3,000,000 |
| Repurchase of own shares | **–** | (16,829) |
| Dividend paid to shareholders of the Company | **–** | (664,043) |
| **Net cash generated from financing activities** | **7,448,746** | 8,548,753 |
| **Net increase in cash and cash equivalents** | **7,428,559** | 1,468,164 |
| **Cash and cash equivalents at 1 January** | **13,559,827** | 8,635,258 |
| **Effect of changes in foreign exchange rate** | **(77,972)** | 38,134 |
| **Cash and cash equivalents at 30 June** | **20,910,414** | 10,141,556 |

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

The notes on pages 34 to 58 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 10 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 judgments, 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.

This 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 2016 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").

## 2 Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

## 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 sales related taxes and discounts allowed, and is analysed as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| Sale of properties | **12,259,627** | 6,613,485 |
| Rental income | **46,191** | 40,013 |
| Construction income | **260,838** | 46,059 |
| | **12,566,656** | 6,699,557 |
| Less: Sales related taxes | **(184,422)** | (336,348) |
| | **12,382,234** | 6,363,209 |

### (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 mainly 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.

## 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 2017**

| | Property development RMB'000 | Property leasing RMB'000 | Construction contracts RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Gross revenue from external customers | 12,259,627 | 46,191 | 260,838 | 12,566,656 |
| Less: Sales related taxes | (182,825) | (1,428) | (169) | (184,422) |
| Net revenue from external customers | 12,076,802 | 44,763 | 260,669 | 12,382,234 |
| Inter-segment revenue | – | 10,061 | 2,155,433 | 2,165,494 |
| **Reportable segment revenue** | 12,076,802 | 54,824 | 2,416,102 | 14,547,728 |
| **Reportable segment profit** | 4,375,112 | 45,723 | 374,113 | 4,794,948 |
| Bank interest income | 19,447 | 206 | 1,064 | 20,717 |
| Finance costs | (69,496) | – | (25,589) | (95,085) |
| Depreciation | (2,679) | (1,384) | – | (4,063) |
| Increase in fair value of investment properties | – | 1,771,333 | – | 1,771,333 |

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: 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 |
| **Reportable 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 |

# 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 | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| **Revenue** | | |
| Reportable segment revenue | **14,547,728** | 8,069,276 |
| Elimination of inter-segment revenue | **(2,165,494)** | (1,706,067) |
| Consolidated revenue | **12,382,234** | 6,363,209 |
| **Profit** | | |
| Reportable segment profit | **4,794,948** | 1,755,200 |
| Elimination of inter-segment profits | **(357,647)** | (236,652) |
| Reportable segment profit derived from Group's external customers | **4,437,301** | 1,518,548 |
| Other revenue | **309,579** | 77,479 |
| Other expenses | **(4,076)** | (146,204) |
| Depreciation | **(22,161)** | (22,176) |
| Finance costs | **(318,173)** | (42,275) |
| Share of profit of associates | **101,228** | – |
| Share of losses of joint ventures | **(2,072)** | – |
| Net increase in fair value of investment properties | **1,771,333** | 556,449 |
| Net (decrease)/increase in fair value of derivative financial instruments | **(125,641)** | 67,176 |
| Unallocated head office and corporate expenses | **(110,086)** | (7,612) |
| Consolidated profit before taxation | **6,037,232** | 2,001,385 |

### (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 | |
|---|---|---|---|
| | | **2017** | 2016 |
| | | **RMB'000** | RMB'000 |
| **(a)** | **Finance costs** | | |
| | Interests on bank and other loans and other borrowing costs | **660,849** | 372,442 |
| | Interests on senior notes | **432,938** | 287,813 |
| | Interests on corporate bonds | **307,197** | 202,615 |
| | | **1,400,984** | 862,870 |
| | Less: Amount capitalised | **(1,082,811)** | (820,595) |
| | | **318,173** | 42,275 |
| **(b)** | **Other items** | | |
| | Depreciation | **39,319** | 23,355 |
| | Less: Amount capitalised | **(17,158)** | (1,179) |
| | | **22,161** | 22,176 |
| | Cost of properties sold | **7,263,482** | 4,379,980 |
| | Net loss on disposal of other property, plant and equipment | **2,691** | – |
| | Interest income | | |
| | – Cash at bank | **(51,284)** | (65,306) |
| | – Amounts due from an associate and joint ventures | **(242,876)** | – |

## 5 INCOME TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| **Current tax** | | |
| Provision for PRC Corporate Income Tax ("CIT") for the period | **1,021,781** | 341,757 |
| Provision for PRC Land Appreciation Tax ("LAT") for the period | **1,024,693** | 240,114 |
| | **2,046,474** | 581,871 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **235,316** | 70,765 |
| | **2,281,790** | 652,636 |

(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 2017 is based on the profit attributable to equity shareholders of the Company of RMB3,399,006,000 (six months ended 30 June 2016: RMB1,277,552,000) and 5,496,322,000 shares (six months ended 30 June 2016: 5,552,484,000 shares) in issue during the six months ended 30 June 2017, calculated as follows.

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **'000** | '000 |
| Weighted average number of shares at 30 June | **5,496,322** | 5,557,554 |
| Effect of repurchase and cancellation | **–** | (5,070) |
| Weighted average number of shares at 30 June | **5,496,322** | 5,552,484 |

### (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 RMB3,399,006,000 (six months ended 30 June 2016: RMB1,277,552,000) and the weighted average number of shares (diluted) of 5,534,482,000 shares (six months ended 30 June 2016: 5,555,405,000 shares).

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **'000** | '000 |
| Weighted average number of shares at 30 June | **5,496,322** | 5,552,484 |
| Effect of deemed issue of shares under the Company's share option scheme for nil consideration | **38,160** | 2,921 |
| Weighted average number of shares (diluted) at 30 June | **5,534,482** | 5,555,405 |

## 7 Investment properties

All of the Group's investment properties and investment properties under development were revalued as at 30 June 2017. The valuations were carried out by the independent firms of surveyors, APAC Asset Valuation and Consulting Limited, who has among their staff Fellows of the Hong Kong Institute of Surveyors and Vocation (Beijing) International Assets Appraisal Co., Ltd Shenzhen Branch, with recent experience in the locations and categories of properties being valued.

At 30 June 2017, the fair values of investment properties is determined using the direct comparison approach and income capitalisation approach. Direct comparison approach is valued by making reference to comparable sale evidence as available in the relevant market of which is positively correlated to the market unit sale rate. Income capitalisation is valued by capitalising the rental income derived from the existing tenancies with due provisions for the reversionary income potential of the properties which is positively correlated to the market monthly rental rate, and negatively correlated to capitalisation rate.

The investment properties under development have been valued on the basis that the properties will be developed and completed in accordance with the relevant development plans. They are 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 correlated to the market unit sale rate.

During the period, the net increase in fair value of investment properties and investment properties under development amounted to RMB1,771,333,000 (six months ended 30 June 2016: RMB556,449,000) and additions in investment properties and investment properties under development amounted to RMB224,334,000 (six months ended 30 June 2016: RMB158,639,000).

## 8 Other property, plant and equipment

During the six months ended 30 June 2017, the Group's additions and disposal in other property, plant and equipment amounted to RMB28,194,000 (six months ended 30 June 2016: RMB33,598,000) and RMB3,102,000 (six months ended 30 June 2016: RMB28,000) respectively.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

## 9 Trade and other receivables and prepayments

| | At 30 June 2017 RMB'000 | At 31 December 2016 RMB'000 |
|---|---|---|
| Trade receivables (note (i)) | 27,866 | 129,292 |
| Gross amount due from related companies for contract work | 93,568 | 110,763 |
| Prepayments and other receivables | 3,346,460 | 1,742,443 |
| Land deposits | 474,630 | 725,620 |
| Amounts due from related companies (note (iv)) | 31,072 | 30,181 |
| Amount due from a non-controlling interest (note (iv)) | 14 | 14 |
| Amount due from an associate (note (v)) | 82,489 | 14,320 |
| Amounts due from joint ventures (note (v)) | 106,409 | 55,563 |
| Derivative financial instruments: | | |
| – Senior notes redemption call options (note 12) | 13,194 | 135,161 |
| | 4,175,702 | 2,943,357 |

Notes:

(i) As of the end of the 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 2017 RMB'000 | At 31 December 2016 RMB'000 |
|---|---|---|
| Current or less than 1 month overdue | 4,327 | 94,273 |
| More than 1 month overdue and up to 3 months overdue | 14,059 | 149 |
| More than 3 months overdue and up to 6 months overdue | 6,258 | 5,064 |
| More than 6 months overdue and up to 1 year overdue | 309 | 11,272 |
| More than 1 year overdue | 2,913 | 18,534 |
| | 27,866 | 129,292 |

(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) All of the trade and other receivables are expected to be recovered within one year.

(iv) The amounts due from related companies and a non-controlling interests are interest-free, unsecured and recoverable on demand.

(v) The amounts due from an associate and joint ventures are unsecured, interest free and expected to be recovered within one year.

## 10 TRADE AND OTHER PAYABLES

| | At 30 June 2017 RMB'000 | At 31 December 2016 RMB'000 |
|---|---|---|
| Trade payables (note (i)) | **5,299,083** | 4,675,389 |
| Other payables and accrued charges | **3,870,857** | 1,241,533 |
| Dividends payable | **1,192,592** | – |
| Customer deposits received | **11,826** | 12,368 |
| Rental and other deposits received | **72,974** | 99,511 |
| Receipts in advance | | |
| – directly from customers (note (ii)) | **15,794,709** | 16,049,478 |
| – others (note (iii)) | **1,567,000** | – |
| Amounts due to related companies (note (iv)) | **504,395** | 497,488 |
| Amount due to associates (note (v)) | **7,718** | – |
| Amounts due to joint ventures (note (v)) | **1,332,522** | 1,343,560 |
| | **29,653,676** | 23,919,327 |

Notes:

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

| | At 30 June 2017 RMB'000 | At 31 December 2016 RMB'000 |
|---|---|---|
| Within 1 month or on demand | **2,023,863** | 2,866,163 |
| More than 1 month but within 3 months | **566,865** | 269,849 |
| More than 3 months but within 6 months | **816,761** | 391,516 |
| More than 6 months but within 1 year | **743,801** | 392,494 |
| More than 1 year | **1,147,793** | 755,367 |
| | **5,299,083** | 4,675,389 |

(ii) These mainly represent amounts received from customers for sale of properties, where the risks and rewards of the properties sold had not yet been transferred as at period-end.

(iii) This represented cash received from specific purpose entity ("SPE") set up by a financial institution in the PRC for issuance of asset backed securities, to which the Group has transferred the right of receipt of the sale proceeds of certain properties to be delivered by the Group. Under an assignment arrangement between the Group and the SPE, as and when the Group receives the sale proceeds from customers, the Group would remit any cash flows it collects on behalf of the SPE.

(iv) The amounts due to related companies are interest-free, unsecured and repayable on demand.

(v) The amounts due to associates and joint ventures are unsecured, interest-free and repayable on demand.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

## 11 Assets and liabilities under cross-border guarantee arrangements

In 2017, the Group entered into some cross-border guarantee arrangements with certain financial institutions, whereby certain onshore funding (i.e. in the PRC) has been used as a pledge against advances to offshore (i.e. in Hong Kong) for the Group's general working capital.

Pursuant to these arrangements which are made in compliance with the relevant rules and regulations promulgated by the State Administration of Foreign Exchange, the Group's subsidiaries in PRC deposited funds in the relevant financial institutions, which in turn either through its related companies or business partners in the Hong Kong advanced the same amount of funds to the Group's subsidiaries in the Hong Kong. The net cost of such arrangements is 0.47% per annum of the total funds advanced.

Detailed as follows:

| | **At 30 June 2017 RMB'000** | At 31 December 2016 RMB'000 |
|---|---|---|
| Assets under cross-border guarantee arrangements | | |
| – included as current assets | **510,337** | – |
| Liabilities under cross-border guarantee arrangements | | |
| – included as current liabilities | **(510,337)** | – |
| | **–** | – |

## 12 SENIOR NOTES

Liability component of the senior notes:

| | **At 30 June 2017 RMB'000** | At 31 December 2016 RMB'000 |
|---|---|---|
| US$300m Senior Notes (note (i)) | **–** | 2,093,304 |
| US$250m Senior Notes (note (ii)) | **1,696,860** | 1,747,637 |
| US$260m Senior Notes (note (iii)) | **1,813,784** | 1,867,585 |
| US$200m Senior Notes (note (iv)) | **1,381,058** | – |
| US$450m Senior Notes (note (v)) | **2,990,035** | – |
| | **7,881,737** | 5,708,526 |

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.

On 19 June 2017 (the "Redemption Date"), the outstanding balance were early redeemed at a redemption price equal to 105.625% of the principal amount thereof, being US$316,875,000, plus accrued and unpaid interest of US$1,406,250 to the Redemption Date. The total redemption price paid by the Company on the Redemption Date was US$318,281,250.

(ii) On 2 December 2014, the Company issued 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 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 January 19, 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.

(iv) On 3 January 2017, the Company issued senior notes with principal amount of US$200,000,000 due in 2022 ("US$200m Senior Notes"). The senior notes are interest bearing at 5.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 3 January 2022. At any time and from time to time on or after 3 January 2020, the Company may at its option redeem the senior notes, at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

(v) On 23 May 2017, the Company issued senior notes with principal amount of US$450,000,000 due in 2023 ("US$450m Senior Notes"). The senior notes are interest bearing at 5.25% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 23 February 2023. At any time and from time to time on or after 23 May 2020, the Company may at its option redeem the senior notes, at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

## 13 CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period:

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| Proposed interim dividend and special dividend of HK19 cents and HK3 cents (equivalent to approximately RMB16 cents and RMB3 cents) respectively per ordinary share (six months ended 30 June 2016: Nil) | **1,021,033** | – |

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

(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 | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| Final dividend and special dividend in respect of the previous financial year, approved during the period, of HK22 cents and HK3 cents (equivalent to RMB20 cents and RMB3 cents) respectively per ordinary share (six months ended 30 June 2016: HK14 cents and nil (equivalent to RMB12 cents and nil) respectively per ordinary share) | **1,192,592** | 664,043 |

## 13 Capital, reserves and dividends (continued)

### (b) 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 Hoi Pang ("Mr. Kei", the Executive Director and the Chairman) and 164,610,000 shares of the Company respectively. The exercise price is HK$2.34 per share. Under the 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 2017 (six months ended 30 June 2016: Nil).

## 14 PERPETUAL CAPITAL SECURITIES

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

The securities confer a right to receive distributions at the applicable distribution rate of 7% per annum from and including 31 May 2017, payable semi-annually on 31 May and 30 November of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

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

## 15 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

## 15 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 30 June 2017 categorised into | | | |
|---|---|---|---|---|
| | **Fair value at 30 June 2017 RMB'000** | **Level 1 RMB'000** | **Level 2 RMB'000** | **Level 3 RMB'000** |
| **Recurring fair value measurements** | | | | |
| *Assets:* | | | | |
| Senior notes redemption call options (note 9) | **13,194** | **–** | **–** | **13,194** |

| | Fair value measurements as at 31 December 2016 categorised into | | | |
|---|---|---|---|---|
| | Fair value at 31 December 2016 RMB'000 | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 |
| **Recurring fair value measurements** | | | | |
| *Assets:* | | | | |
| Senior notes redemption call options (note 9) | 135,161 | – | – | 135,161 |

During the six months ended 30 June 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: 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 2017 and 31 December 2016. The valuations were carried out by an independent firm of surveyors, APAC Asset Valuation and Consulting 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)

## 15 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 2017** | | | |
| Senior note redemption call options | Residual method | Risk free rate | 0.088% – 1.928% (31 December 2016: 0.257%-1.497%) |
| | | Option adjusted spread | 3.681% – 4.637% (31 December 2016: 3.078%-4.698%) |
| | | Discount rate | 4.308% – 6.565% (31 December 2016: 3.658%-6.195%) |

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 2017 and 31 December 2016, 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.

## 15 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 2017 RMB'000** | At 30 June 2016 RMB'000 |
|---|---|---|
| At 1 January | **135,161** | 36,692 |
| Fair value at inception | **5,982** | 10,889 |
| Change in fair value during the period | **1,974** | 67,176 |
| Early redemption | **(127,615)** | – |
| Exchange difference | **(2,308)** | 1,594 |
| At 30 June | **13,194** | 116,351 |

The changes in fair values of derivative financial instruments and early redemption are presented in "net (decrease)/increase in fair value of derivative financial instruments" in the consolidated profit or loss.

### (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 2017 and 31 December 2016.

## 16 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

| | **At 30 June 2017 RMB'000** | At 31 December 2016 RMB'000 |
|---|---|---|
| Contracted for | **6,438,918** | 5,593,891 |
| Authorised but not contracted for | **13,032,699** | 18,672,299 |
| | **19,471,617** | 24,266,190 |

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)

## 17 Contingent liabilities

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

| | At 30 June 2017 RMB'000 | At 31 December 2016 RMB'000 |
|---|---|---|
| Guarantees given to financial institutions for mortgage facilities granted to purchasers of the Group's properties | **13,384,250** | 9,806,196 |

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.

## 18 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 2017 are as follows:

| | | **Six months ended 30 June** | |
|---|---|---|---|
| | Note | **2017 RMB'000** | 2016 RMB'000 |
| Construction contracts income from related companies | (a) | **260,669** | 45,725 |
| Rental income from related companies | (b) | **2,120** | – |
| Interest income from an associate and joint ventures | (c) | **242,876** | – |
| Remuneration of key management personnel | (d) | **29,320** | 15,699 |

## 18 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 received rentals deriving from its investment properties from related companies.

(c) This represented the gross interest income from an associate and joint ventures. The Group has been providing funds to an associate and joint ventures. The advances are interest bearing, unsecured and have no fixed term of repayment.

(d) Remuneration of key management personnel, including amounts paid/payable to the directors and senior management, is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| Directors' fees | **2,308** | 2,742 |
| Salary and other emoluments | **23,814** | 8,584 |
| Contribution to retirement benefit schemes | **88** | 58 |
| Share-based payment | **3,110** | 4,315 |
| | **29,320** | 15,699 |

## 19 TRANSACTION WITH NON – CONTROLLING INTERESTS

On 28 June 2017, the Group acquired 10% non-controlling interest in Huizhou Daya Bay Dongzhen Property Co., Ltd. ("Huizhou Daya Bay Dongzhen") from Shenzhen Pingan Dahua Huitong Wealth Management Co., Ltd.* (深圳平安大華滙通財富管理有限公司). Upon the completion of the above transaction, Huizhou Daya Bay Dongzhen became the Group's indirect wholly-owned subsidiary. The excess of the consideration paid in respect of the acquisition of additional interests in the subsidiary over the carrying amount of the non-controlling interest of approximately RMB604,357,000 amounted to approximately RMB3,434,236,000 is deducted from other reserve.

* The English translation of the name is for reference only. The official name of the entity is in Chinese.

## 20 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2017

A number of amendments and new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

### HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018. Expected impacts of the new requirements on the Group's financial statements are as follows:

**(a) Classification and measurement**

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

## 20 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONTINUED)

### HKFRS 9, Financial instruments (continued)

**(a) Classification and measurement (continued)**

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale equity investments is to recognise fair value changes in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss. This change in policy will have no impact on the Group's net assets and total comprehensive income but will impact on reported performance amounts such as profit and earnings per share.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

**(b) Impairment**

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

**(c) Hedge accounting**

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group preliminarily assesses that its current hedge relationships will qualify as continuing hedges upon the adoption of HKFRS 9 and therefore it expects that the accounting for its hedging relationships will not be significantly impacted.

## 20 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONTINUED)

### HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

**(a) Timing of revenue recognition**

Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts HKFRS 15 some of the Group's contract manufacturing and residential property development activities that are currently recognised at a point in time may meet the HKFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

## 20 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONTINUED)

### HKFRS 15, Revenue from contracts with customers (continued)

**(b) Significant financing component**

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

Advance payments are not common in the Group's arrangements with its customers, with the exception of when residential properties are marketed by the Group while the property is still under construction. In this situation, the Group may offer buyers a discount compared to the sales price payable, provided the buyer agrees to pay the balance of the purchase price early.

Currently, the revenue from property sales is recognised when the property is complete, measured at the amount received from the customer, irrespective of whether the customer pays early or on completion. However, under HKFRS 15 such advance payment schemes are likely to be regarded as including a financing component.

The Group is in the process of assessing whether this component in the Group's advance payment schemes would be significant to the contract and therefore whether, once HKFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognising revenue. Any adjustment to the transaction price under HKFRS 15, if considered necessary, would result in interest expense being recognised while the construction work is still in progress to reflect the effect of the financing benefit obtained from the customers, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customer.

**(c) Sales with a right of return**

Currently when the customers are allowed to return the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The group expects that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

## 20 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONTINUED)

### HKFRS 16, Leases

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. At 30 June 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB8,555,000 for properties, the majority of which is payable within 1 year after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The Group is considering whether to adopt HKFRS 16 before its effective date of 1 January 2019. However, early adoption of HKFRS 16 is only permitted if this is no earlier than the adoption of HKFRS 15. It is therefore unlikely that HKFRS 16 will be adopted before the effective date of HKFRS 15, being 1 January 2018.