

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein will not be registered under the Securities Act, and may not be offered or sold in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the company making the offer and its management and financial statements. The Company does not intend to make any public offering of securities in the United State.

The communication of this announcement and any other document or materials relating to the issue of the Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "FSMA"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the Notes offered hereby are only available to, and any investment or investment activity to which this announcement relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this announcement or any of its contents.

LOGAN

龙光地产

Logan Property Holdings Company Limited

龍光地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3380)

**PROPOSED ISSUE OF SENIOR NOTES
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

The Company proposes to conduct an international offering of guaranteed Singapore Dollar denominated senior fixed rate notes.

Completion of the Proposed Notes Issue is subject to, among others, market conditions and investors' interest. The Notes are proposed to be guaranteed by the Subsidiary Guarantors. As at the date of this announcement, the principal amount, the interest rate, the payment date and certain other terms and conditions of the Proposed Notes Issue are yet to be finalised. Upon finalising the terms of the Notes, it is expected that Credit Suisse, DBS Bank Ltd., OCBC Bank, Standard Chartered Bank, United Overseas Bank Limited, the Subsidiary Guarantors and the Company will enter into the Purchase Agreement. The Company intends to use the net proceeds of the Proposed Notes Issue for refinancing its existing indebtedness and for general corporate purposes. The Company may adjust its plans in response to changing market conditions and, thus, reallocate the use of the net proceeds.

Approval in-principle has been received for the listing and quotation of the Notes on the official list of the SGX-ST. Admission to the official list of the SGX-ST and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors or any other subsidiary or associated company of the Company, the Notes or the Subsidiary Guarantees. SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this announcement.

The Notes have not been, and will not be, registered under the Securities Act. The Notes are being offered outside the United States in offshore transactions to non-U.S. persons in accordance with Regulation S under the Securities Act, and may not be offered or sold within the United States or to, or for the account on benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. None of the Notes will be offered to the public in Hong Kong.

As no binding agreement in relation to the Proposed Notes Issue has been entered into as at the date of this announcement, the Proposed Notes Issue may or may not materialise. Investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company. A further announcement in respect of the Proposed Notes Issue will be made by the Company should the Purchase Agreement be signed.

THE PROPOSED NOTES ISSUE

Introduction

The Company proposes to conduct an international offering of guaranteed Singapore Dollar denominated senior fixed rate notes.

In connection with the Proposed Notes Issue, the Company will provide certain professional investors with recent financial information of the Group as extracted from the audited consolidated financial statements for the year ended 31 December 2017 (the “**Audited Financial Statements**”). To ensure equal dissemination of information to the shareholders of the Company, the Audited Financial Statements is attached hereto.

Completion of the Proposed Notes Issue is subject to, among others, market conditions and investors’ interest. The Notes are proposed to be guaranteed by the Subsidiary Guarantors. As at the date of this announcement, the principal amount, the interest rate, the payment date and certain other terms and conditions of the Proposed Notes Issue are yet to be finalised. Upon finalising the terms of the Notes, it is expected that Credit Suisse, DBS Bank Ltd., OCBC Bank, Standard Chartered Bank, United Overseas Bank Limited, the Subsidiary Guarantors and the Company will enter into the Purchase Agreement.

The Notes have not been, and will not be, registered under the Securities Act. The Notes are being offered outside the United States in offshore transactions to non-U.S. persons in accordance with Regulation S under the Securities Act, and may not be offered or sold within the United States or to, or for the account on benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. None of the Notes will be offered to the public in Hong Kong.

Reasons for the Proposed Notes Issue

The Group is principally engaged in property development, property investment and property construction in the PRC, focusing on the residential property market, and its products are primarily targeted at first-time homebuyers and upgraders. The Company believes demand from such customers is less susceptible to fluctuations in property prices and thus provides stability to the Group's business profile. In 2018, the Group was ranked as the 26th-largest property developer in the PRC by comprehensive strength.

The Company intends to use the net proceeds of the Proposed Notes Issue for refinancing its existing indebtedness and for general corporate purposes. The Company may adjust its plans in response to changing market conditions and, thus, reallocate the use of the net proceeds.

Listing

Approval in-principle has been received for the listing and quotation of the Notes on the official list of the SGX-ST. Admission to the official list of the SGX-ST and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors or any other subsidiary or associated company of the Company, the Notes or the Subsidiary Guarantees. SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this announcement.

GENERAL

As no binding agreement in relation to the Proposed Notes Issue has been entered into as at the date of this announcement, the Proposed Notes Issue may or may not materialise. Investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company. A further announcement in respect of the Proposed Notes Issue will be made by the Company should the Purchase Agreement be signed.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set forth below unless the context requires otherwise:

“Board”	the board of Directors
“Company”	Logan Property Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Credit Suisse”	Credit Suisse (Hong Kong) Limited
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Notes”	the guaranteed Singapore Dollar denominated senior fixed rate notes to be issued by the Company
“OCBC Bank”	Oversea-Chinese Banking Corporation Limited
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement
“Proposed Notes Issue”	the proposed issue of the Notes by the Company
“Purchase Agreement”	the agreement proposed to be entered into by and among Credit Suisse, DBS Bank Ltd., OCBC Bank, Standard Chartered Bank, United Overseas Bank Limited, the Company and the Subsidiary Guarantors in relation to the Proposed Notes Issue
“Securities Act”	the United States Securities Act of 1933, as amended
“Singapore Dollar” or “S\$”	Singapore dollar, the lawful currency of the Republic of Singapore
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary Guarantees”	the guarantees to be provided by the Subsidiary Guarantors in respect of the Notes

“Subsidiary Guarantors” certain existing subsidiaries of the Company which provide guarantees for the Notes

“United States” the United States of America

By Order of the Board
Logan Property Holdings Company Limited
Kei Hoi Pang
Chairman

Hong Kong, 10 April 2018

As at the date of this announcement, the executive Directors are Mr. Kei Hoi Pang, Mr. Ji Jiande, Mr. Xiao Xu and Mr. Lai Zhuobin; the non-executive Director is Ms. Kei Perenna Hoi Ting; and the independent non-executive Directors are Mr. Zhang Huaqiao, Dr. Liu Ka Ying, Rebecca and Mr. Cai Suisheng.

Audited Financial Statements

LOGAN PROPERTY HOLDINGS COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

31 December 2017

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

CONTENTS

	Pages
INDEPENDENT AUDITOR'S REPORT	1 – 6
AUDITED FINANCIAL STATEMENTS	
Consolidated statement of profit or loss	7
Consolidated statement of comprehensive income	8
Consolidated statement of financial position	9 - 10
Consolidated statement of changes in equity	11 - 12
Consolidated statement of cash flows	13 - 15
Notes to financial statements	16 - 114

Independent auditor's report

To the shareholders of Logan Property Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Logan Property Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 7 to 114 which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without modifying our opinion, we draw attention that the predecessor auditor expressed a qualified opinion in their report dated 30 March 2017 on the Group's consolidated financial statements for the year ended 31 December 2016 in respect of certain transactions with Shenzhen Pingan Dahua Huitong Wealth Management Co., Ltd. (深圳平安大華滙通財富管理有限公司) ("Pingan Dahua"), an independent third party of the Group, in 2014, 2015 and 2016. As disclosed in note 32 to the consolidated financial statements, the Group entered into project cooperation agreements with Pingan Dahua, pursuant to which Pingan Dahua has made capital contributions to three subsidiaries of the Group, namely Shenzhen Jinjun Property Co., Ltd. (深圳市金駿房地產有限公司) ("Shenzhen Jinjun"), Shenzhen Logan Junjing Real Estate Development Co., Ltd. (深圳市龍光駿景房地產開發有限公司) ("Shenzhen Logan Junjing") and Huizhou Daya Bay Dongzhen Property Co., Ltd. (惠州大亞灣東圳房地產有限公司) ("Huizhou Dongzhen") in the amounts of RMB2,000 million, RMB4,800 million and RMB3,960 million, respectively. As also disclosed in notes 32 and 34 to the consolidated financial statements, in 2016, Pingan Dahua received RMB2,086 million from the Group on the repurchase of Pingan Dahua's 49% interest in Shenzhen Jinjun which has thereafter become a wholly-owned subsidiary of the Group. These transactions have been accounted for by the Group as equity transactions which have been recorded in other reserves and non-controlling interests in the Group's consolidated statement of changes in equity during the year ended 31 December 2016.

Independent auditor's report (continued)
To the shareholders of Logan Property Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

Emphasis of matter (continued)

Certain of the agreements entered into between the Group and Pingan Dahua contained obligations for the Group to repurchase the non-controlling interests of Shenzhen Jinjun, Shenzhen Logan Junjing and Huizhou Dongzhen in certain circumstances. As disclosed in note 32 to the consolidated financial statements, management of the Group believes that notwithstanding these terms, it is appropriate for the transactions to be accounted for as equity transactions. However, as the agreements contained repurchase obligations for the Group, these capital contributions by Pingan Dahua should have been accounted for as liabilities and accounting for these capital contributions as equity is not in accordance with the requirements of Hong Kong Accounting Standard 32 *Financial Instruments: Presentation*.

Had the aforementioned transactions between the Group and Pingan Dahua been accounted for as liabilities and not as equity transactions, the profit for the year, the profit attributable to owners of the parent and the profit attributable to non-controlling interests in the Group's consolidated statement of profit or loss for the year ended 31 December 2016 would have been reduced by approximately RMB167 million, increased by approximately RMB480 million and reduced by approximately RMB647 million, respectively; and the carrying amounts of the total bank and other loans, the equity attributable to owners of the parent and the non-controlling interests in the Group's consolidated statement of financial position as at 31 December 2016 would have been increased by approximately RMB8,779 million, reduced by approximately RMB2,910 million and reduced by approximately RMB6,012 million, respectively. The financial effect on the significant financial information of the Group in respect of the year ended 31 December 2016 is set out in note 32 to the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent auditor's report (continued)
To the shareholders of Logan Property Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Valuation of investment properties</i>	
<p>As at 31 December 2017, the Group held investment properties with a carrying amount of RMB15,665 million. The carrying amount of the investment properties represented 14% of the total assets of the Group as at 31 December 2017 and is significant to the consolidated financial statements.</p> <p>The Group has engaged external valuers to determine the fair value of the investment properties at the end of the reporting period.</p> <p>We identified this as a key audit matter because the carrying amount of the investment properties is significant to the Group and significant estimations are involved in determining the fair value of the investment properties. The determination of valuation models adopted also involved significant judgements.</p> <p>Related disclosures are included in notes 3, 4 and 16 to the consolidated financial statements.</p>	<p>We evaluated the objectivity, independence and competence of the external valuers engaged by management of the Group. We also involved our internal valuation specialists to assist us with our audit in evaluating the valuation models, assumptions and parameters adopted in the valuation. We also evaluated the inputs for the valuation including the transaction price per square metre, estimated yearly rental value per square metre, the gross floor area and the capitalisation rate used.</p>
<i>Recoverability of receivables from joint ventures and associates</i>	
<p>As at 31 December 2017, the Group had receivables from joint ventures and associates amounting to RMB19,159 million and RMB6,107 million, respectively. The aggregate amount of RMB25,266 million represented 23% of the total assets of the Group as at 31 December 2017 and is significant to the consolidated financial statements.</p> <p>We identified this as a key audit matter because the carrying amount of the receivables from joint ventures and associates is significant to the Group and significant estimation and judgement are required by management to assess the recoverability of the receivables from joint ventures and associates.</p> <p>Related disclosures are included in notes 3, 4, 17 and 18 to the consolidated financial statements.</p>	<p>We discussed with management to gain an understanding of the purpose and background of the underlying investments made by the joint ventures and associates. We also examined the cooperation contracts and agreements for the projects acquired and title documents of the underlying assets acquired by the joint ventures and associates. We also reviewed the valuation reports or investment return analyses of the projects acquired and evaluated the key estimates and assumptions adopted in the valuation reports or investment return analyses. We also examined supporting document for significant payments made by the joint ventures and associates and obtained direct confirmations from joint ventures and associates on the balance of receivables. We then evaluated the impairment assessment of the receivables from joint ventures and associates made by management.</p>

Independent auditor's report (continued)
To the shareholders of Logan Property Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent auditor's report (continued)
To the shareholders of Logan Property Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent auditor's report (continued)
To the shareholders of Logan Property Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chow Chi Chung.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
22 March 2018

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	6	27,689,658	20,538,838
Cost of sales		<u>(18,172,475)</u>	<u>(13,979,010)</u>
Gross profit		9,517,183	6,559,828
Other income and gains	6	696,303	423,523
Other expenses	7	(10,056)	(196,327)
Selling and marketing expenses		(928,729)	(714,249)
Administrative expenses		(748,045)	(556,700)
Net increase in fair value of investment properties	16	2,942,276	2,681,903
Net (decrease)/increase in fair value of derivative financial instruments		(113,214)	81,720
Share of profits of associates		278,497	31,723
Share of losses of joint ventures		<u>(73,097)</u>	<u>(6,137)</u>
PROFIT FROM OPERATIONS		11,561,118	8,305,284
Finance costs	8	<u>(672,154)</u>	<u>(371,850)</u>
PROFIT BEFORE TAX	9	10,888,964	7,933,434
Income tax expense	12	<u>(3,880,514)</u>	<u>(2,733,551)</u>
PROFIT FOR THE YEAR		<u>7,008,450</u>	<u>5,199,883</u>
Attributable to:			
Owners of the parent		6,527,400	4,487,736
Non-controlling interests		<u>481,050</u>	<u>712,147</u>
		<u>7,008,450</u>	<u>5,199,883</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RMB cents)	14		
Basic		<u>117.03</u>	<u>81.06</u>
Diluted		<u>115.39</u>	<u>80.82</u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
PROFIT FOR THE YEAR	7,008,450	5,199,883
OTHER COMPREHENSIVE INCOME FOR THE YEAR (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of group entities	<u>80,000</u>	<u>(75,234)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>7,088,450</u>	<u>5,124,649</u>
Attributable to:		
Owners of the parent	6,607,400	4,412,502
Non-controlling interests	<u>481,050</u>	<u>712,147</u>
	<u>7,088,450</u>	<u>5,124,649</u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Investment properties	16	15,664,830	11,890,879
Other property, plant and equipment	15	147,867	184,317
Deferred tax assets	27	330,206	273,500
Investments in associates	17	2,653,386	3,019,480
Investments in joint ventures	18	9,261,913	12,384,833
Restricted and pledged deposits	22	218,102	227,304
Total non-current assets		<u>28,276,304</u>	<u>27,980,313</u>
CURRENT ASSETS			
Inventories	19	38,457,739	40,197,099
Trade and other receivables and prepayments	20	20,448,286	2,943,357
Tax recoverable		753,256	810,941
Assets under cross-border guarantee arrangements	21	1,745,380	-
Restricted and pledged deposits	22	2,311,691	1,010,172
Cash and cash equivalents	22	19,878,192	13,559,827
Total current assets		<u>83,594,544</u>	<u>58,521,396</u>
CURRENT LIABILITIES			
Trade and other payables	23	37,275,788	23,919,327
Liabilities under cross-border guarantee arrangements	21	1,745,380	-
Bank and other loans	24	5,597,885	3,370,501
Senior notes	25	2,965,541	1,747,637
Other current liabilities	26	7,000,000	-
Tax payable		2,709,162	2,017,405
Total current liabilities		<u>57,293,756</u>	<u>31,054,870</u>
NET CURRENT ASSETS		<u>26,300,788</u>	<u>27,466,526</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>54,577,092</u>	<u>55,446,839</u>

continued/...

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>54,577,092</u>	<u>55,446,839</u>
NON-CURRENT LIABILITIES			
Bank and other loans	24	14,191,435	11,707,510
Senior notes	25	5,924,103	3,960,889
Corporate bonds	26	5,162,449	12,400,000
Deferred tax liabilities	27	<u>2,135,296</u>	<u>1,627,094</u>
Total non-current liabilities		<u>27,413,283</u>	<u>29,695,493</u>
Net assets		<u>27,163,809</u>	<u>25,751,346</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	433,828	434,591
Perpetual capital securities	30	2,363,346	-
Reserves	31	<u>20,509,047</u>	<u>18,992,258</u>
		23,306,221	19,426,849
Non-controlling interests		<u>3,857,588</u>	<u>6,324,497</u>
Total equity		<u>27,163,809</u>	<u>25,751,346</u>

.....
Lai Zhuobin
Director

.....
Xiao Xu
Director

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the parent							Non-controlling interests RMB'000	Total equity RMB'000	
	Share capital RMB'000 (note 28)	Share premium RMB'000	Share-based compensation reserve RMB'000 (note 29)	Exchange reserve RMB'000 (note 31(ii))	PRC statutory reserves RMB'000 (note 31(iii))	Other reserve RMB'000	Retained profits RMB'000			Total RMB'000
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
Profit for the year	-	-	-	-	-	-	4,487,736	4,487,736	712,147	5,199,883
Other comprehensive income - Exchange differences on translation of financial statements of group entities	-	-	-	(75,234)	-	-	-	(75,234)	-	(75,234)
Total comprehensive income for the year	-	-	-	(75,234)	-	-	4,487,736	4,412,502	712,147	5,124,649
Transfer to PRC statutory reserves	-	-	-	-	184,095	-	(184,095)	-	-	-
Repurchase and cancellation of own shares	(5,230)	(168,009)	-	-	-	-	-	(173,239)	-	(173,239)
Dividends declared	-	-	-	-	-	-	(694,998)	(694,998)	-	(694,998)
Equity-settled share-based transactions	-	-	23,731	-	-	-	-	23,731	-	23,731
Effect of forfeited share options	-	-	(3,926)	-	-	-	3,926	-	-	-
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	(45,146)	(45,146)
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 shareholders	-	-	-	-	-	3,403,618	-	3,403,618	2,578,513	5,982,131
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

continued/...

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2017

	Attributable to owners of the parent										Total equity RMB'000
	Share capital RMB'000 (note 28)	Share premium RMB'000	Share-based compensation reserve RMB'000 (note 29)	Exchange reserve RMB'000 (note 31(ii))	PRC statutory reserves RMB'000 (note 31(iii))	Other reserve RMB'000	Retained profits RMB'000	Perpetual capital securities RMB'000 (note 30)	Total RMB'000	Non-controlling interests RMB'000	
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
Profit for the year	-	-	-	-	-	-	6,527,400	-	6,527,400	481,050	7,008,450
Other comprehensive income - Exchange differences on translation of financial statements of group entities	-	-	-	80,000	-	-	-	-	80,000	-	80,000
Total comprehensive income for the year	-	-	-	80,000	-	-	6,527,400	-	6,607,400	481,050	7,088,450
Transfer to PRC statutory reserves	-	-	-	-	89,213	-	(89,213)	-	-	-	-
Repurchase and cancellation of own shares	(1,308)	(92,153)	-	-	-	-	-	-	(93,461)	-	(93,461)
Dividends declared	-	(1,825,290)	-	-	-	-	(333,416)	-	(2,158,706)	-	(2,158,706)
Issuance of shares in connection with the exercise of share options	545	17,999	(5,779)	-	-	-	-	-	12,765	-	12,765
Equity-settled share-based transactions	-	-	14,237	-	-	-	-	-	14,237	-	14,237
Effect of forfeited share options	-	-	(14,372)	-	-	-	14,372	-	-	-	-
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(88,200)	(88,200)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	5,394	5,394
Acquisition of additional interests in subsidiaries	-	-	-	-	-	(3,088,139)	-	-	(3,088,139)	(3,162,204)	(6,250,343)
Capital contribution from non-controlling shareholders	-	-	-	-	-	301,597	-	-	301,597	297,051	598,648
Issuance of perpetual capital securities	-	-	-	-	-	-	-	2,363,346	2,363,346	-	2,363,346
Distribution to holders of perpetual capital securities	-	-	-	-	-	-	(79,667)	-	(79,667)	-	(79,667)
At 31 December 2017	433,828	-*	89,148*	(43,177)*	921,664*	116,307*	19,425,105*	2,363,346	23,306,221	3,857,588	27,163,809

* These reserve accounts comprise the consolidated reserves of RMB20,509,047,000 (2016: RMB18,992,258,000) in the consolidated statement of financial position.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		10,888,964	7,933,434
Interest income	6	(581,797)	(390,668)
Gain on bargain purchase	33	(514)	-
Finance costs	8	672,154	371,850
Depreciation	9	64,421	37,265
Net loss/(gain) on disposal of other property, plant and equipment	9	65	(181)
Gain on disposal of subsidiaries, net	35	(830)	(878)
Share of losses of joint ventures		73,097	6,137
Share of profits of associates		(278,497)	(31,723)
Net increase in fair value of investment properties	16	(2,942,276)	(2,681,903)
Net decrease/(increase) in fair value of derivative financial instruments		113,214	(81,720)
Gain on deemed disposal of subsidiaries upon loss of control, net	35	(35,298)	-
Equity-settled share-based transactions	9	14,237	23,731
		<u>7,986,940</u>	<u>5,185,344</u>
Decrease/(increase) in inventories and land deposits		1,245,716	(11,660,452)
(Increase)/decrease in trade and other receivables and prepayments		(3,539,068)	6,677,717
Increase in trade and other payables		<u>8,501,730</u>	<u>6,500,153</u>
Cash generated from operations		14,195,318	6,702,762
Tax paid		(2,679,500)	(1,874,626)
Net cash flows from operating activities		<u>11,515,818</u>	<u>4,828,136</u>

continued/...

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		581,797	168,569
Addition to investment properties	16	(472,488)	(621,372)
Addition to other property, plant and equipment	15	(36,287)	(67,726)
Disposal of subsidiaries	35	249,113	(233,434)
Deemed disposal of subsidiaries	35	(521,364)	-
Acquisition of subsidiaries	33	(1,376,662)	55,418
Investments in joint ventures		(172,521)	(100,200)
Investments in associates		(3,000)	(7,500)
Advances to joint ventures		(5,968,585)	(14,982,198)
Advances from joint ventures		-	1,343,560
Advances to associates		(2,835,482)	-
Proceeds from disposal of other property, plant and equipment		3,640	566
(Increase)/decrease in restricted and pledged deposits		(1,292,317)	<u>1,604,489</u>
Net cash flows used in investing activities		<u>(11,844,156)</u>	<u>(12,839,828)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(2,557,927)	(1,591,291)
Proceeds from bank and other loans		14,144,113	14,822,616
Repayment of bank and other loans		(7,674,671)	(10,970,655)
Repayment of senior notes		(3,576,859)	-
Proceeds from issuance of senior notes		7,149,799	1,682,260
Proceeds from issuance of corporate bonds	26	-	7,355,070
Repayment of corporate bonds	26	(237,551)	-
Repayment of non-interest bearing payable to a financial institution		-	(1,293,801)
Proceeds from issuance of perpetual capital securities	30	2,363,346	-
Repayment of liabilities under cross-border guarantee arrangements		-	(286,600)
Proceeds from issuance of shares in connection with the exercise of share options		12,765	-
Repurchase of own shares		(93,461)	(173,239)
Decrease/(increase) in amount due from non-controlling shareholders		14	(14)
Advances from joint ventures		3,935,168	-
Capital contribution from non-controlling shareholders subject to repurchase obligations		-	5,960,000
Capital contribution from non-controlling shareholders		598,648	22,131
Payments for acquisition of non-controlling interests subject to repurchase obligations	34	(2,021,956)	(2,000,000)
Payments for acquisition of non-controlling interests	34	(4,199,773)	-
Dividends paid to non-controlling shareholders		(88,200)	(45,146)
Distribution paid to holders of perpetual capital securities		(79,667)	-
Dividends paid to ordinary equity shareholders of the Company		(656,528)	(694,998)
Net cash flows from financing activities		<u>7,017,260</u>	<u>12,786,333</u>

continued/...

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,688,922	4,774,641
Cash and cash equivalents at beginning of year	13,559,827	8,635,258
Effect of foreign exchange rate changes	<u>(370,557)</u>	<u>149,928</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>19,878,192</u>	<u>13,559,827</u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	15,880,566	12,559,516
Non-pledged time deposits with original maturity of less than three months when acquired	<u>3,997,626</u>	<u>1,000,311</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows	<u>19,878,192</u>	<u>13,559,827</u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE AND GROUP INFORMATION

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

The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in property development, property investment and construction in the People's Republic of China (the "PRC") during the year.

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

Information about subsidiaries

The following list contains particulars of the Company's principal subsidiaries. All of them are established in the PRC unless otherwise stated.

<i>Name of subsidiaries</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest</i>			<i>Principal activities</i>
		<i>Group's effective interest</i>	<i>Held by the Company</i>	<i>Held by subsidiary</i>	
Logan Construction Co., Ltd.* (note) (龍光工程建設有限公司)	RMB80,000,000	91%	-	91%	Property construction
Shenzhen Logan Holdings Co., Ltd.*# (note) (深圳市龍光控股有限公司)	RMB443,000,000	100%	-	100%	Investment holding and provision of consultancy services to group companies
Zhongshan Logan Property Co., Ltd.* (note) (中山市龍光房地產有限公司)	RMB30,000,000	100%	-	100%	Property development
Nanning Logan Property Development Co., Ltd.* (note) (南寧市龍光房地產開發有限公司)	RMB100,000,000	100%	-	100%	Property development and investment
Guangzhou Logan Property Co., Ltd.* (note) (廣州市龍光房地產有限公司)	RMB40,000,000	100%	-	100%	Property development and investment

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

<i>Name of subsidiaries</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest</i>			<i>Principal activities</i>
		<i>Group's effective interest</i>	<i>Held by the Company</i>	<i>Held by subsidiary</i>	
Guangzhou Logan Realty Co., Ltd.* (note) (廣州市龍光置業有限公司)	RMB30,000,000	100%	-	100%	Property development
Huizhou Daya Bay Logan Property Co., Ltd.* (note) (惠州大亞灣龍光房地產有限公司)	RMB10,000,000	100%	-	100%	Property development
Shantou Logan Property Co., Ltd.* (note) (汕頭市龍光房地產有限公司)	RMB10,000,000	100%	-	100%	Property development
Zhuhai Logan Property Development Co., Ltd.* (note) (珠海市龍光房地產開發有限公司)	RMB30,000,000	100%	-	100%	Property development and investment
Foshan Shunde Logan Realty Co., Ltd.* (note) (佛山市順德區龍光置業房產有限公司)	RMB35,295,000	100%	-	100%	Property development
Huizhou Logan Property Co., Ltd.* (note) (惠州市龍光房地產有限公司)	RMB30,000,000	100%	-	100%	Property development
Dongguan Logan Property Co., Ltd.* (note) (東莞市龍光房地產有限公司)	RMB50,000,000	100%	-	100%	Property development
Shantou Jinfengyuan Realty Co., Ltd.* (note) (汕頭市金鋒園置業有限公司)	RMB66,000,000	100%	-	100%	Property development
Nanning Logan Jinjun Property Development Co., Ltd.* (note) (南寧市龍光金駿房地產開發有限公司)	RMB50,000,000	100%	-	100%	Property development and investment

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

<i>Name of subsidiaries</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest</i>			<i>Principal activities</i>
		<i>Group's effective interest</i>	<i>Held by the Company</i>	<i>Held by subsidiary</i>	
Hainan Logan Property Development Co., Ltd.* (note) (海南龍光房地產開發有限公司)	RMB20,000,000	100%	-	100%	Property development
Chengdu Logan Property Co., Ltd.* (note) (成都市龍光房地產有限公司)	RMB10,000,000	100%	-	100%	Property development
Shantou Logan Realty Co., Ltd.* (note) (汕頭市龍光置業有限公司)	RMB33,000,000	100%	-	100%	Property development and investment
Shantou Jiarun Property Co., Ltd.* (note) (汕頭市佳潤房地產有限公司)	RMB50,000,000	100%	-	100%	Property development
Hainan Jinjun Realty Co., Ltd.* (note) (海南金駿置業有限公司)	RMB351,800,000	100%	-	100%	Property development
Foshan Shancheng Logan Property Co., Ltd.* (note) (佛山市禪城區龍光房地產有限公司)	RMB10,500,000	100%	-	100%	Property development
Nanning Logan Bojun Property Development Co., Ltd.* # (note) (南寧市龍光鉑駿房地產開發有限公司)	RMB700,000,000	100%	-	100%	Property development
Chengdu Logan Jinjun Realty Co., Ltd.* (note) (成都市龍光金駿置業有限公司)	RMB10,000,000	100%	-	100%	Property development

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

<i>Name of subsidiaries</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest</i>			<i>Principal activities</i>
		<i>Group's effective interest</i>	<i>Held by the Company</i>	<i>Held by subsidiary</i>	
Chengdu Logan Donghua Property Development Co., Ltd.* # (note) (成都市龍光東華房地產開發有限公司)	RMB558,059,600	100%	-	100%	Property development
Shantou Weida Property Co., Ltd.* # (note) (汕頭市偉達房地產有限公司)	RMB54,200,441	100%	-	100%	Property development
Shenzhen Logan Dongzhen Realty Co., Ltd.* (note) (深圳市龍光東圳置業有限公司)	RMB30,000,000	100%	-	100%	Investment holding
Huizhou Daya Bay Dongzhen Property Co., Ltd.* ("Huizhou Dongzhen") (note) (惠州大亞灣東圳房地產有限公司)	RMB55,600,000	100%	-	100%	Property development and investment
Shenzhen Logan Property Co., Ltd.* (note) (深圳市龍光房地產有限公司)	RMB80,000,000	100%	-	100%	Property development and investment
Shenzhen Yongjing Decorating Construction Co., Ltd.* (note) (深圳市潤景裝飾工程有限公司)	RMB200,000,000	91%	-	100%	Provision of decoration services to group companies
Shenzhen Logan Media Planning Co., Ltd.* (note) (深圳市龍光傳媒策劃有限公司)	RMB2,200,000	100%	-	100%	Provision of advertising services to group companies
Shenzhen Chenrong Construction Materials Co., Ltd.* (note) (深圳市宸榮建築材料有限公司)	RMB5,000,000	91%	-	100%	Sale of construction materials to group companies
Shenzhen Logan Century Business Management Co., Ltd.* (note) (深圳市龍光世紀商業管理有限公司)	RMB100,000,000	100%	-	100%	Provision of management services to group companies

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

<i>Name of subsidiaries</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest</i>			<i>Principal activities</i>
		<i>Group's effective interest</i>	<i>Held by the Company</i>	<i>Held by subsidiary</i>	
Nanning Logan Junchi Property Development Co., Ltd.* (note) (南寧市龍光駿馳房地產開發有限公司)	RMB35,000,000	100%	-	100%	Property development
Zhongshan Jinjun Property Co., Ltd.* (note) (中山市金駿房地產有限公司)	RMB10,000,000	100%	-	100%	Property development
Foshan Nanhai Logan Realty Co., Ltd.* (note) (佛山市南海區龍光置業房產有限公司)	RMB58,820,000	100%	-	100%	Property development
Shenzhen Logan Investment Consultancy Co., Ltd.* (note) (深圳市龍光投資顧問有限公司)	RMB10,000,000	100%	-	100%	Investment holding
Dongguan Logan Realty Co., Ltd.* (note) (東莞市龍光置業有限公司)	RMB10,500,000	100%	-	100%	Property development
Shantou Logan Jinjun Property Co., Ltd.* (note) (汕頭市龍光金駿房地產有限公司)	RMB50,000,000	100%	-	100%	Property development
Zhongshan Junchi Property Co., Ltd.* (note) (中山市駿馳房地產有限公司)	RMB10,500,000	100%	-	100%	Property development
Foshan Runjing Property Co., Ltd.* (note) (佛山市順德區龍光潤景房地產有限公司)	RMB50,000,000	100%	-	100%	Property development
Foshan Logan Realty Co., Ltd.* (note) (佛山市龍光置業房產有限公司)	RMB10,500,000	100%	-	100%	Property development
Shantou Logan Junjing Property Co., Ltd.* (note) (汕頭市龍光駿景房地產有限公司)	RMB49,908,125	100%	-	100%	Property development

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

<i>Name of subsidiaries</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest</i>			<i>Principal activities</i>
		<i>Group's effective interest</i>	<i>Held by the Company</i>	<i>Held by subsidiary</i>	
Shenzhen Jinjun Property Co., Ltd.* ("Shenzhen Jinjun") (note) (深圳市金駿房地產有限公司)	RMB198,000,000	100%	-	100%	Property development
Guilin Logan Bojun Property Development Co., Ltd.* (note) (桂林市龍光鉞駿房地產開發有限公司)	RMB50,000,000	100%	-	100%	Property development
Haikou Logan Property Development Co., Ltd.* (note) (海口市龍光房地產開發有限公司)	RMB102,500,000	100%	-	100%	Property development
Shenzhen Logan Junchi Property Development Co., Ltd.* (note) (深圳市龍光駿馳房地產開發有限公司)	RMB5,000,000	51%	-	51%	Property development
Nanning Dezhiji Construction Materials Co., Ltd.* (note) (南寧市德之吉建材有限公司)	RMB5,000,000	91%	-	100%	Sale of construction materials to group companies
Foshan Logan Sunshine Seaward Property Co., Ltd.* (note) (佛山市龍光陽光海岸房地產有限公司)	RMB50,000,000	66%	-	66%	Property development
Guangxi King Kerry Realty Co., Ltd.* (note) (廣西金凱利置業有限公司)	US\$18,000,000	95%	-	95%	Property development
Zhuhai Junjing Property Development Co., Ltd.* (note) (珠海市駿景房地產開發有限公司)	RMB10,000,000	100%	-	100%	Property development

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

<i>Name of subsidiaries</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest</i>			<i>Principal activities</i>
		<i>Group's effective interest</i>	<i>Held by the Company</i>	<i>Held by subsidiary</i>	
Shenzhen Dezhiji Construction Materials Co., Ltd.* (note) (深圳市德之吉建築材料有限公司)	RMB10,000,000	91%	-	100%	Sale of construction materials to group companies
Shenzhen Kaichengda Construction Materials Co., Ltd.* (note) (深圳市凱誠達建築材料有限公司)	RMB10,000,000	91%	-	100%	Sale of construction materials to group companies
Shantou Logan Runjing Property Co., Ltd.* (note) (汕頭市龍光潤璟房地產有限公司)	RMB50,000,000	100%	-	100%	Property development
Nanning Logan Mingjun Property Development Co., Ltd.* (note) (南寧市龍光銘駿房地產開發有限公司)	RMB50,000,000	100%	-	100%	Property development
Shenzhen Logan Junjing Property Development Co., Ltd.* (“Shenzhen Logan Junjing”) (note) (深圳市龍光駿景房地產開發有限公司)	RMB20,400,000	71%	-	71%	Property development
Shenzhen Junteng Realty Co., Ltd.* (note) (深圳市駿騰置業有限公司)	RMB10,500,000	100%	-	100%	Property development
Zhuhai Junchi Property Development Co., Ltd.* (note) (珠海市駿馳房地產開發有限公司)	RMB10,000,000	100%	-	100%	Property development
Shenzhen Logan Junfei Realty Co., Ltd.* (note) (深圳市龍光駿飛置業有限公司)	RMB10,000,000	100%	-	100%	Property development
Shenzhen Logan Junyu Property Development Co., Ltd.* (note) (深圳市龍光駿譽房地產開發有限公司)	RMB10,000,000	100%	-	100%	Property development

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

<i>Name of subsidiaries</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest</i>			<i>Principal activities</i>
		<i>Group's effective interest</i>	<i>Held by the Company</i>	<i>Held by subsidiary</i>	
Huizhou Logan Junjing Property Co., Ltd.* (note) (惠州市龍光駿景房地產有限公司)	RMB10,000,000	100%	-	100%	Property development and investment
Huizhou Logan Jinjun Property Co., Ltd.* (note) (惠州市龍光金駿房地產有限公司)	RMB10,000,000	100%	-	100%	Property development
Beijing Runjing Property Development Co., Ltd.* (note) (北京潤璟房地產開發有限公司)	RMB5,000,000	100%	-	100%	Property development
Nanning Yaohui Property Development Co., Ltd.* (note) (南寧市耀輝房地產開發有限公司)	RMB50,000,000	100%	-	100%	Property development
Shenzhen Logan Bojun Property Co., Ltd.* (note) (深圳市龍光鉞駿房地產有限公司)	RMB10,000,000	100%	-	100%	Property development
Shanghai Logan Property Co., Ltd.* (note) (上海市龍光房地產有限公司)	RMB10,000,000	100%	-	100%	Property development
Nanning Logan Jiarun Property Development Co., Ltd.* (note) (南寧市龍光佳潤房地產開發有限公司)	RMB50,000,000	100%	-	100%	Property development

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

<i>Name of subsidiaries</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest</i>			<i>Principal activities</i>
		<i>Group's effective interest</i>	<i>Held by the Company</i>	<i>Held by subsidiary</i>	
Huizhou Boshen Property Co., Ltd.* (note) (惠州市鉑紳房地產有限公司)	RMB10,000,000	51%	-	51%	Property development

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

Registered as a wholly-foreign-owned enterprise under PRC law.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and derivative financial instruments which have been measured at fair value.

These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

31 December 2017

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

Other than as explained below regarding the impact of HKAS 7, the adoption of the above revised standards has had no significant financial effect on these financial statements.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 36 to the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions¹</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts¹</i>
HKFRS 9	<i>Financial Instruments¹</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation²</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 15	<i>Revenue from Contracts with Customers¹</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers¹</i>
HKFRS 16	<i>Leases²</i>
HKFRS 17	<i>Insurance Contracts⁴</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement²</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures²</i>
Amendments to HKAS 40	<i>Transfers of Investment Property¹</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration¹</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments²</i>
<i>Annual Improvements 2014-2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28¹</i>

31 December 2017

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS
(continued)

Annual Improvements to HKFRSs 2015-2017 Cycle Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ No mandatory effective date is determined but available for adoption

⁴ Effective for annual periods beginning on or after 1 January 2021

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. During 2017, the Group has performed an assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value.

31 December 2017

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS
(continued)

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group does not expect a significant financial impact on the Group's financial statements upon the initial adoption of the standard.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material. However, the expected changes in accounting policies, as further explained below, will have a material impact on the Group's financial statements from 2018 onwards. During 2017, the Group has performed a detailed assessment on the impact of the adoption of HKFRS 15.

31 December 2017

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS
(continued)

The Group's principal activities consist of property development, property investment and construction. The expected impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

(a) Timing of revenue recognition

Currently, revenue from the sale of properties is recognised when the significant risks and rewards of ownership of the properties are transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties, that is when the construction of the relevant properties has been completed and the properties have been delivered to the buyers pursuant to the sale agreements, and the collectability of related receivables is reasonably assured. Upon the adoption of HKFRS 15, revenue from the sale of properties will be recognised when control over the properties is transferred to the buyers. Judgement will be required to assess whether control transfers over time or at a point in time. For properties that have no alternative use to the Group due to contractual restriction and which the Group has an enforceable right to payment from the customers for performance completed to date, the Group will recognise revenue from sale as the performance obligations are satisfied over time by applying an input method for measuring progress.

The Group has assessed that the sale agreements used by the Group are standardised to a large extent and in the case of pre-completion sales using standard agreements for sale and purchase, the Group does not have an enforceable right to payment for performance completed to date in accordance with HKFRS 15, and accordingly, the criteria for recognising revenue over time are not met for the majority of the sales of properties. The Group expects to recognise majority of the revenue from the sale of properties at the point in time at which the Group delivers the properties to the buyers. The Group does not anticipate that the application of HKFRS 15 will have a material impact on the timing of revenue recognition in the respective periods.

(b) Sales commission

The Group pays commission to the sales agents when an agreement for sale and purchase is signed with a property buyer. Following the adoption of HKFRS 15, incremental costs of obtaining a contract, including sales commission, if recoverable, are capitalised as an asset and shall be amortised on a systematic basis that is consistent with the transfer of the related property to the customer. Currently, the Group expenses off the sales commission associated with obtaining the agreement for sale and purchase with the property buyer. Accordingly, the Group expects that the recognition of an asset would result in an increase of opening retained profits as at 1 January 2018.

31 December 2017

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS
(continued)

- (c) Financing component for sale of completed properties
HKFRS 15 requires property developers to account for the financing component in a contract separately from revenue if the financing effects are significant, subject to a practical expedient where the period between the payment and delivery of properties will be less than one year. Currently, (i) the Group offers property buyers a discount if they opt to pay the purchase price in full within 90 days of signing the formal agreement of sale and purchase; and (ii) it is expected that the length of time between the payment and delivery of properties of the Group's projects will exceed one year. Accordingly, the financing component is considered to be significant. The amount of the financing component is estimated at the contract inception and the payment plan is confirmed by the property buyer by using a discount rate that would be reflected in a separate financing transaction between the Group and the customer reflecting the credit characteristics of the Group as well as any collateral or security provided. Interest expense is recognised only to the extent that a contract liability (receipts in advance) is recognised in accounting for the contract with the customer. The Group expects an adjustment to reduce the current year opening retained profits with a corresponding increase in receipts in advance.

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17.

31 December 2017

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS
(continued)

Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 39(b) to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of RMB3,360,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

31 December 2017

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS
(continued)

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The amendments are not expected to have any significant impact on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development for sale, completed properties for sale, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person;
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Other property, plant and equipment and depreciation

Other property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of other property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of other property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of other property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of other property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and other plant and equipment	3 to 10 years

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other property, plant and equipment and depreciation (continued)

Where parts of an item of other property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of other property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Properties held for development for sale

The cost of leasehold land, which is held for development for sale, represents the cost of acquisition. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties for sale.

Sales deposits or instalments received and receivable from purchasers in respect of pre-sales of properties under development for sale prior to completion of the development are included in current liabilities.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of total land and construction costs attributable to the unsold properties. Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing market conditions.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties include both completed investment properties and investment properties under construction.

Completed investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Investment properties under construction or development for future use as investment properties are classified as investment properties under construction. Such properties under construction are measured initially at cost, including transaction costs, and stated at fair value, subsequent to initial recognition, at the end of the reporting period when the fair value can be determined reliably.

Gains or losses arising from changes in the fair values of completed investment properties and investment properties under construction are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of a completed investment property or an investment property under construction are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. For a transfer from inventories to investment properties, any difference between the fair value of the property at the date of change in use and its then carrying amount is recognised in the statement of profit or loss.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in other property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investment as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables and other payables, accruals, bank and other loans, senior notes and corporate bonds.

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, bank and other loans and corporate bonds are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in the statement of profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to the statement of profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Perpetual capital securities

Perpetual capital securities with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of completed properties, when the significant risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectability of related receivables is reasonably assured;
- (b) from construction contracts, using the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;
- (c) from the rendering of services, when the services have been rendered;
- (d) rental income, on a time proportion basis over the lease terms;
- (e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (f) dividend income, when the shareholders' right to receive payment has been established.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("Equity-Settled Transactions").

The cost of Equity-Settled Transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 29 to the financial statements.

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

The cost of Equity-Settled Transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions cannot be used to reduce the contributions payable by the Group.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme (the "Pension Scheme") operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the Pension Scheme. The only obligation of the Group with respect to the Pension Scheme is to pay the ongoing contributions under the Pension Scheme. The contributions are charged to statement of profit or loss as they become payable in accordance with the rules of the Pension Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they have been approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Group's presentation currency. The functional currency of the Company is Hong Kong dollars ("HK\$") while RMB is used as the presentation currency of the financial statements of the Company for the purpose of aligning with the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to statement of profit or loss. Tax charges and credits attributable to exchange differences on these monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain subsidiaries, joint ventures and associates operating outside the PRC are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of non-PRC entities are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of non-PRC entities which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

31 December 2017

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for these portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development for sale included in current assets if the properties are intended for sale after its completion, whereas, the properties are accounted for as investment properties under construction included in investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to completed investment properties. Investment properties, both under construction and completed, are subject to revaluation at the end of each reporting period.

Allocation of construction cost on properties under development for sale

When developing properties, the Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to each phase are allocated to each phase based on the saleable floor area of each phase as a percentage of the total saleable floor area of the entire project. The cost of the unit sold is determined by the floor area in square metres sold during the year multiplied by the average cost per square metre of that particular phase of the project.

31 December 2017

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Whether the presumption that investment properties stated at fair value are recovered through sale is rebutted in determining deferred tax

The Group has investment properties located in the PRC which are measured at fair value. Investment property is property held to earn rentals or for capital appreciation or both. In considering whether the presumption in HKAS 12 *Income Taxes* that an investment property measured at fair value will be recovered through sale is rebutted in determining deferred tax, the Group has developed certain criteria in making that judgement, such as whether an investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time or through sale. The presumption is rebutted only in the circumstance that there is sufficient evidence such as a historical transaction, future development plan and management's intention to demonstrate that the investment property is held with the objective to consume substantially all of the economic benefits over time, rather than through sale. Continuous assessments on the presumption will be made by management at each reporting date.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are, described below.

Valuation of properties under development for sale and completed properties for sale

Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value. The cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost of completion (if any), which are estimated based on the best available information.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development for sale and completed properties for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Investments in joint ventures and associates

The Group has cooperated with certain third parties to engage in certain property development projects through the investments in and advances to joint ventures and associates. Significant estimation and judgement are required to assess the recoverability of the receivables from joint ventures and associates because the profitability of the future development of properties by the joint ventures and associates over a number of years can be difficult to predict and can be influenced by broader political and economic factors.

31 December 2017

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of fair value of investment properties

Investment properties, including completed investment properties and investment properties under construction, were revalued at each reporting date during the year based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date.

PRC corporate income tax ("CIT")

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the tax authorities, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Allowance on trade and other receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and aged analysis of the outstanding receivables and on management's estimation. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

5. OPERATING SEGMENT INFORMATION

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

- (a) the property development segment develops and sells residential properties and retail shops;
- (b) the property leasing segment leases office units and retail shops to generate rental income and to gain from the appreciation in the properties' values in the long term; and
- (c) the construction contracts segment constructs office premises and residential buildings for external customers and for group companies.

The Group's revenue from external customers from each operating segment is set out in note 6 to the financial statements.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that depreciation, other income and gains, other expenses, finance costs, share of profits or losses of joint ventures and associates, fair value gains or losses of investment properties and derivative financial instruments and head office and corporate income and expenses are excluded from such measurement.

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

Information regarding the reportable segments is presented below.

	<i>Property development</i> RMB'000	<i>Property leasing</i> RMB'000	<i>Construction contracts</i> RMB'000	<i>Total</i> RMB'000
<i>For the year ended 31 December 2017</i>				
Gross revenue from external customers	26,951,179	87,843	966,373	28,005,395
Less: Business tax and other sales related taxes	<u>(309,102)</u>	<u>(4,460)</u>	<u>(2,175)</u>	<u>(315,737)</u>
Net revenue from external customers	26,642,077	83,383	964,198	27,689,658
Inter-segment revenue	<u>-</u>	<u>24,241</u>	<u>4,844,974</u>	<u>4,869,215</u>
Reportable segment revenue	<u>26,642,077</u>	<u>107,624</u>	<u>5,809,172</u>	<u>32,558,873</u>
Reportable segment profit	<u>8,083,576</u>	<u>93,283</u>	<u>932,552</u>	<u>9,109,411</u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

5. OPERATING SEGMENT INFORMATION (continued)

Reportable segment information (continued)

	<i>Property development</i> RMB'000	<i>Property leasing</i> RMB'000	<i>Construction contracts</i> RMB'000	<i>Total</i> RMB'000
<i>For the year ended 31 December 2016</i>				
Gross revenue from external customers	21,104,999	83,932	212,105	21,401,036
Less: Business tax and other sales related taxes	<u>(859,737)</u>	<u>(1,962)</u>	<u>(499)</u>	<u>(862,198)</u>
Net revenue from external customers	20,245,262	81,970	211,606	20,538,838
Inter-segment revenue	<u>-</u>	<u>11,023</u>	<u>4,197,558</u>	<u>4,208,581</u>
Reportable segment revenue	<u>20,245,262</u>	<u>92,993</u>	<u>4,409,164</u>	<u>24,747,419</u>
Reportable segment profit	<u>5,533,957</u>	<u>64,064</u>	<u>614,488</u>	<u>6,212,509</u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

5. OPERATING SEGMENT INFORMATION (continued)

Information about a major customer

During the years ended 31 December 2017 and 2016, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Reconciliation of reportable segment revenue and profit or loss

	2017 RMB'000	2016 RMB'000
Revenue		
Reportable segment revenue	32,558,873	24,747,419
Elimination of inter-segment revenue	<u>(4,869,215)</u>	<u>(4,208,581)</u>
Consolidated revenue	<u>27,689,658</u>	<u>20,538,838</u>
Profit		
Reportable segment profit	9,109,411	6,212,509
Elimination of inter-segment profits	<u>(865,450)</u>	<u>(631,645)</u>
Reportable segment profit derived		
from the Group's external customers	8,243,961	5,580,864
Other income and gains	696,303	423,523
Other expenses	(10,056)	(196,327)
Depreciation	(64,421)	(37,265)
Finance costs	(672,154)	(371,850)
Share of profits of associates	278,497	31,723
Share of losses of joint ventures	(73,097)	(6,137)
Net increase in fair value of investment properties	2,942,276	2,681,903
Net (decrease)/increase in fair value		
of derivative financial instruments	(113,214)	81,720
Unallocated head office and corporate expenses	<u>(339,131)</u>	<u>(254,720)</u>
Consolidated profit before tax	<u>10,888,964</u>	<u>7,933,434</u>

Geographic information

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

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

6. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from the sale of properties, rental income and construction income earned during the year, before deduction of business tax and other sales related taxes.

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

	2017 RMB'000	2016 RMB'000
<u>Revenue</u>		
Sale of properties*	26,951,179	21,104,999
Rental income	87,843	83,932
Construction income	<u>966,373</u>	<u>212,105</u>
	28,005,395	21,401,036
Less: Business tax and other sales related taxes	<u>(315,737)</u>	<u>(862,198)</u>
	<u>27,689,658</u>	<u>20,538,838</u>
<u>Other income and gains</u>		
Bank interest income	102,863	133,881
Interest income on amounts due from associates and joint ventures	478,934	256,787
Forfeiture income on deposits received	13,309	18,374
Government subsidies	8,735	5,927
Gain on deemed disposal of subsidiaries upon loss on control, net (note 35)	36,128	-
Foreign exchange differences, net	21,374	-
Others	<u>34,960</u>	<u>8,554</u>
	<u>696,303</u>	<u>423,523</u>

* The invoiced amount billed to buyers of properties was RMB28,503,441,000 (2016: RMB 21,400,469,000) including value-added tax of RMB1,552,262,000 (2016: RMB295,470,000).

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

7. OTHER EXPENSES

	2017 RMB'000	2016 RMB'000
Charitable donations	4,072	125,533
Foreign exchange differences, net	-	70,928
Net loss/(gain) on disposal of items of other property, plant and equipment	65	(181)
Gain on disposal of subsidiaries, net (note 35)	-	(878)
Others	<u>5,919</u>	<u>925</u>
	<u>10,056</u>	<u>196,327</u>

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 RMB'000	2016 RMB'000
Interest on bank and other loans and other borrowing costs	1,246,238	903,430
Interest on senior notes	680,162	532,329
Interest on corporate bonds	<u>615,117</u>	<u>482,294</u>
	2,541,517	1,918,053
Less: Interest capitalised	<u>(1,869,363)</u>	<u>(1,546,203)</u>
	<u>672,154</u>	<u>371,850</u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

9. PROFIT BEFORE TAX

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

	Notes	2017 RMB'000	2016 RMB'000
Cost of properties sold		17,329,719	13,812,693
Cost of services provided		842,756	165,814
Depreciation	15	67,105	50,087
Less: Amount capitalised		(2,684)	(12,822)
		<u>64,421</u>	<u>37,265</u>
Minimum lease payments under operating leases for land and buildings		15,486	10,805
Auditor's remuneration		6,800	4,180
Employee benefit expenses (including directors' remuneration (note 10)):			
Salaries and other staff costs		1,142,211	615,645
Equity-settled share option expense		14,237	23,731
Pension scheme contributions		57,418	38,682
Less: Amount capitalised		(471,897)	(260,183)
		<u>741,969</u>	<u>417,875</u>
Foreign exchange differences, net		(21,374)	70,928
Gain on disposal of subsidiaries, net	35	(36,128)	(878)
Net loss/(gain) on disposal of items of other property, plant and equipment	7	<u>65</u>	<u>(181)</u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 RMB'000	2016 RMB'000
Fees	<u>3,250</u>	<u>2,416</u>
Other emoluments:		
Salaries, allowances and benefits in kind	21,942	12,723
Discretionary performance related bonuses	40,639	34,942
Equity-settled share option expense	3,674	7,253
Retirement scheme contributions	<u>295</u>	<u>131</u>
	<u>66,550</u>	<u>55,049</u>
	<u>69,800</u>	<u>57,465</u>

During the year and in prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current and prior years is included in the above directors' remuneration disclosures.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

10. DIRECTORS' REMUNERATION (continued)

The remuneration of each of the directors is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2017						
Executive Directors:						
Kei Hoipang ("Mr. Kei", also act as the Chairman of the Group)	-	7,754	12,860	1,412	73	22,099
Ji Jiande	-	5,085	13,548	1,065	73	19,771
Xiao Xu	-	2,751	5,075	482	74	8,382
Lai Zhuobin	-	2,751	4,377	453	75	7,656
Chen Guanzhan*	-	3,601	-	34	-	3,635
Non-executive Director:						
Kei Perenna Hoi Ting ("Ms. Kei")	2,248	-	4,779	228	-	7,255
Independent non-executive Directors:						
Zhang Huaqiao	334	-	-	-	-	334
Liu Ka Ying, Rebecca	334	-	-	-	-	334
Cai Suisheng	334	-	-	-	-	334
	<u>3,250</u>	<u>21,942</u>	<u>40,639</u>	<u>3,674</u>	<u>295</u>	<u>69,800</u>
2016						
Executive Directors:						
Mr. Kei	-	6,383	7,434	2,827	30	16,674
Ji Jiande	-	3,113	16,279	2,120	30	21,542
Xiao Xu	-	1,612	4,701	964	28	7,305
Lai Zhuobin	-	1,615	3,951	900	32	6,498
Non-executive Director:						
Ms. Kei	1,342	-	2,577	442	11	4,372
Independent non-executive Directors:						
Zhang Huaqiao	358	-	-	-	-	358
Liu Ka Ying, Rebecca	358	-	-	-	-	358
Cai Suisheng	358	-	-	-	-	358
	<u>2,416</u>	<u>12,723</u>	<u>34,942</u>	<u>7,253</u>	<u>131</u>	<u>57,465</u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

10. DIRECTORS' REMUNERATION (continued)

* Mr. Chen Guanzhan was appointed as an executive director of the Company with effect from 17 July 2017 and resigned as an executive director of the Company with effect from 29 January 2018.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2016: four directors), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining two (2016: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	5,536	1,815
Discretionary bonuses	11,490	4,189
Share-based payments	1,743	1,285
Retirement scheme contributions	<u>73</u>	<u>30</u>
	<u>18,842</u>	<u>7,319</u>

The emoluments of the two (2016: one) individuals with the highest emoluments are within the following bands:

	Number of employees	
	2017	2016
HK\$7,000,001 to HK\$7,500,000	-	1
HK\$10,500,001 to HK\$11,000,000	1	-
HK\$11,500,001 to HK\$12,000,000	<u>1</u>	<u>-</u>
	<u>2</u>	<u>1</u>

No individual waived or agreed to waive any emoluments during the year.

During the year and in prior years, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 29 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current and prior years is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

12. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2016: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate.

	2017 RMB'000	2016 RMB'000
Current charge for the year:		
PRC CIT	1,910,435	1,212,341
PRC LAT	1,454,355	971,606
Underprovision/(overprovision) in prior years, net:		
PRC CIT	64,228	(21,459)
	<u>3,429,018</u>	<u>2,162,488</u>
Deferred (note 27)	<u>451,496</u>	<u>571,063</u>
Total tax charge for the year	<u><u>3,880,514</u></u>	<u><u>2,733,551</u></u>

A reconciliation of the tax expense applicable to profit before tax at the statutory/applicable rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2017 RMB'000	2016 RMB'000
Profit before tax	<u>10,888,964</u>	<u>7,933,434</u>
At the statutory/applicable rates of different jurisdictions	2,737,627	1,988,091
Adjustments in respect of current tax of previous periods	64,228	(21,459)
Income not subject to tax	(57,094)	(12,403)
Expenses not deductible for tax	42,616	50,824
Tax losses utilised from previous periods	-	(506)
Tax losses not recognised	2,371	300
LAT	1,454,355	971,606
Tax effect of LAT deductible for PRC CIT	<u>(363,589)</u>	<u>(242,902)</u>
Tax charge at the Group's effective rate	<u><u>3,880,514</u></u>	<u><u>2,733,551</u></u>

The share of tax charge for the year ended 31 December 2017 attributable to associates amounting to RMB98,323,000 (2016: Nil) is included in "Share of profits of associates" in the consolidated statement of profit or loss.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

13. DIVIDENDS

	2017 RMB'000	2016 RMB'000
Interim and special dividends – HK19 cents and HK3 cents respectively (2016: Nil) per ordinary share	1,010,458	-
Proposed final and special dividends – HK17 cents and HK2 cents respectively (2016: HK22 cents and HK3 cents) per ordinary share	<u>842,076</u>	<u>1,148,248</u>
	<u>1,852,534</u>	<u>1,148,248</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to owners of the parent, adjusted for the distribution related to perpetual capital securities, and the weighted average number of ordinary shares of 5,495,128,000 (2016: 5,536,242,000) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to owners of the parent, adjusted for the distribution related to perpetual capital securities. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all the dilutive potential ordinary shares into ordinary shares.

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

	2017 RMB'000	2016 RMB'000
<u>Earnings</u>		
Profit attributable to owners of the parent	6,527,400	4,487,736
Distribution related to perpetual capital securities	<u>(96,503)</u>	<u>-</u>
Profit used in the basic and diluted earnings per share calculations	<u>6,430,897</u>	<u>4,487,736</u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

	Number of shares	
	2017 '000	2016 '000
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	5,495,128	5,536,242
Effect of dilution – weighted average number of ordinary shares:		
Share options	<u>77,848</u>	<u>16,834</u>
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	<u>5,572,976</u>	<u>5,553,076</u>

15. OTHER PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and other plant and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2017					
At 31 December 2016 and 1 January 2017:					
Cost	42,598	181,061	178,483	-	402,142
Accumulated depreciation	<u>(12,598)</u>	<u>(88,346)</u>	<u>(116,881)</u>	<u>-</u>	<u>(217,825)</u>
Net carrying value	<u>30,000</u>	<u>92,715</u>	<u>61,602</u>	<u>-</u>	<u>184,317</u>
At 1 January 2017, net of accumulated depreciation	30,000	92,715	61,602	-	184,317
Additions	-	9,943	24,699	1,645	36,287
Acquisition of subsidiaries (note 33)	-	1,200	-	-	1,200
Depreciation	(2,174)	(31,615)	(33,316)	-	(67,105)
Disposals	-	(488)	(3,217)	-	(3,705)
Disposal of subsidiaries upon loss of control (note 35)	-	-	(1,400)	-	(1,400)
Exchange realignment	<u>-</u>	<u>(478)</u>	<u>(1,249)</u>	<u>-</u>	<u>(1,727)</u>
At 31 December 2017, net of accumulated depreciation	<u>27,826</u>	<u>71,277</u>	<u>47,119</u>	<u>1,645</u>	<u>147,867</u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

15. OTHER PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and other plant and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2017 (continued)					
At 31 December 2017:					
Cost	42,598	191,184	194,102	1,645	429,529
Accumulated depreciation	<u>(14,772)</u>	<u>(119,907)</u>	<u>(146,983)</u>	<u>-</u>	<u>(281,662)</u>
Net carrying value	<u>27,826</u>	<u>71,277</u>	<u>47,119</u>	<u>1,645</u>	<u>147,867</u>
31 December 2016					
At 1 January 2016:					
Cost	42,598	125,548	168,575	-	336,721
Accumulated depreciation	<u>(10,473)</u>	<u>(55,006)</u>	<u>(105,620)</u>	<u>-</u>	<u>(171,099)</u>
Net carrying value	<u>32,125</u>	<u>70,542</u>	<u>62,955</u>	<u>-</u>	<u>165,622</u>
At 1 January 2016, net of accumulated depreciation					
Additions	-	55,256	12,470	-	67,726
Depreciation	(2,125)	(33,313)	(14,649)	-	(50,087)
Disposals	-	-	(385)	-	(385)
Exchange realignment	<u>-</u>	<u>230</u>	<u>1,211</u>	<u>-</u>	<u>1,441</u>
At 31 December 2016, net of accumulated depreciation	<u>30,000</u>	<u>92,715</u>	<u>61,602</u>	<u>-</u>	<u>184,317</u>
At 31 December 2016:					
Cost	42,598	181,061	178,483	-	402,142
Accumulated depreciation	<u>(12,598)</u>	<u>(88,346)</u>	<u>(116,881)</u>	<u>-</u>	<u>(217,825)</u>
Net carrying value	<u>30,000</u>	<u>92,715</u>	<u>61,602</u>	<u>-</u>	<u>184,317</u>

At 31 December 2017, certain of the Group's land and buildings were pledged to secure certain bank and other loans granted to the Group (note 38).

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

16. INVESTMENT PROPERTIES

	Completed RMB'000	Under construction RMB'000	Total RMB'000
Carrying amount at 1 January 2016	5,146,500	971,000	6,117,500
Additions	522,643	98,729	621,372
Disposals	(16,005)	-	(16,005)
Transfer from properties under development for sale	-	2,305,951	2,305,951
Transfer from completed properties held for sale	180,158	-	180,158
Net gain from a fair value adjustment	<u>531,282</u>	<u>2,150,621</u>	<u>2,681,903</u>
Carrying amount at 31 December 2016 and 1 January 2017	6,364,578	5,526,301	11,890,879
Additions	108,835	363,653	472,488
Acquisition of subsidiaries (note 33)	106,729	-	106,729
Disposals	(20,616)	-	(20,616)
Transfer from properties under development for sale	224,654	-	224,654
Transfer from completed properties for sale	81,236	-	81,236
Transfer	890,941	(890,941)	-
Net gain from a fair value adjustment	1,147,950	1,794,326	2,942,276
Exchange realignment	<u>(32,816)</u>	<u>-</u>	<u>(32,816)</u>
Carrying amount at 31 December 2017	<u>8,871,491</u>	<u>6,793,339</u>	<u>15,664,830</u>

The Group's investment properties were revalued on 31 December 2017 based on valuations performed by APAC Asset Valuation and Consulting Limited and Vocation (Beijing) International Assets Appraisal Co., Ltd., independent professionally qualified valuers, at RMB15,664,830,000 (2016: RMB11,890,879,000).

At 31 December 2017, certain of the Group's investment properties were pledged to secure certain bank and other loans granted to the Group (note 38).

The Group's completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 39(a).

Fair value hierarchy

For the years ended 31 December 2017 and 2016, the fair value measurements of all investment properties of the Group were categorised within Level 3 of the fair value hierarchy and details of their movements are disclosed above.

In the opinion of the directors, for all investment properties that are measured at fair value, the properties have been used in their highest and best use.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

16. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

The following table illustrates the fair value measurement of the Group's investment properties:

	Fair value measurement using significant unobservable inputs (Level 3)	
	2017 RMB'000	2016 RMB'000
Recurring fair value measurement for:		
Leasehold land - Hong Kong	626,932	500,926
Commercial - Mainland China	8,244,559	5,863,652
Investment properties under development	<u>6,793,339</u>	<u>5,526,301</u>
	<u>15,664,830</u>	<u>11,890,879</u>

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: Nil).

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range	
			2017	2016
Investment properties				
- Leasehold land - Hong Kong	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	230,080-249,530	205,860
- Commercial - Mainland China	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	4,830-122,440	7,500-155,700
- Commercial - Mainland China	Income approach	Risk-adjusted discount rate	2.1% to 5.5%	2% to 5.5%
		Expected market rental growth	2% to 10%	1.08% to 10%
		Expected occupancy rate	90% to 100%	92% to 100%
Investment properties under construction	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	12,100-64,790	7,500-125,630

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

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

17. INVESTMENTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Share of net assets	153,386	-
Due from an associate	<u>2,500,000</u>	<u>3,019,480</u>
	<u>2,653,386</u>	<u>3,019,480</u>

Note: The amount due from an associate is unsecured. As at 31 December 2017, it included an amount of RMB2,500,000,000 (2016: RMB2,500,000,000) which bears interest at a fixed interest rate of 5.8%. The remaining amount of RMB519,480,000 as at 31 December 2016 had no fixed terms of repayment but was not expected to be settled within one year.

The particulars of a material associate, which is an unlisted corporate entity, are as follows:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Shenzhen Kaifeng Industrial Co., Ltd. ("Shenzhen Kaifeng") (note) (深圳市凱豐實業有限公司)	Incorporated	People's Republic of China	Registered capital RMB15,000,000	50%	-	50%	Property development

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

The directors consider that the Group can only exercise significant influence over Shenzhen Kaifeng based on its board composition, and accordingly it is classified as an associate of the Group. The associate is accounted for using the equity method in the consolidated financial statements.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

17. INVESTMENTS IN ASSOCIATES (continued)

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

	2017 RMB'000	2016 RMB'000
Gross amounts of the associate		
Current assets	14,609,288	12,823,418
Non-current assets	3,106,283	2,301,833
Current liabilities	(12,155,513)	(3,048,305)
Non-current liabilities	<u>(4,923,428)</u>	<u>(11,998,500)</u>
Equity	<u>636,630</u>	<u>78,446</u>
Revenue	-	-
Profit and total comprehensive income for the year	<u>558,184</u>	<u>63,446</u>
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	636,630	78,446
Group's effective interest	50%	50%
Group's share of net assets of the associate	318,315	39,223
Elimination of interest income	(142,418)	(35,931)
Elimination of other downstream transaction	(24,917)	(3,292)
Amount due from the associate	<u>2,500,000</u>	<u>3,019,480</u>
Carrying amount in the consolidated financial statements	<u>2,650,980</u>	<u>3,019,480</u>

All associates have been accounted for using the equity method in these financial statements and their financial year end date is coterminous with that of the Group.

The following table illustrates the financial information of the Group's another associate that is not individually material:

	2017 RMB'000	2016 RMB'000
Share of the associate's loss and total comprehensive loss for the year	595	-
Aggregate carrying amount of the Group's investments in the associates	<u>2,406</u>	<u>-</u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

18. INVESTMENTS IN JOINT VENTURES

	2017 RMB'000	2016 RMB'000
Share of net assets	1,147,949	64,245
Due from joint ventures	<u>8,113,964</u>	<u>12,320,588</u>
	<u>9,261,913</u>	<u>12,384,833</u>

Note: The amounts due from joint ventures are unsecured. As at 31 December 2017, the amounts included amounts of RMB8,113,964,000 (2016: RMB6,440,170,000) which bear interest at floating or fixed interest rate ranging from 3.4% to 5.8%. The remaining amounts of RMB5,880,418,000 as at 31 December 2016 had no fixed terms of repayment but were not expected to be settled within one year.

To address increasing land premium in public bidding, the Group started in 2016 to secure land by teaming up with resourceful joint venture partners. These joint ventures are engaged in urban development projects in Shenzhen and the nearby cities.

Details of the Group's interests in the principal joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Shenzhen Yingrui Industrial Co., Ltd. ("Shenzhen Yingrui") (note) (深圳市盈睿實業有限公司)	Incorporated	People's Republic of China	Registered capital RMB10,000,000	50%	-	50%	Investment holding
Shenzhen Tengyao Industrial Co., Ltd. (note) (深圳市騰耀實業有限公司)	Incorporated	People's Republic of China	Registered capital RMB20,000,000	50%	-	50%	Investment holding
Shenzhen Huiyi Investment Co., Ltd. ("Shenzhen Huiyi") (note) (深圳市惠益投資有限公司)	Incorporated	People's Republic of China	Registered capital RMB10,000,000	50%	-	50%	Investment holding

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

18. INVESTMENTS IN JOINT VENTURES (continued)

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Shenzhen Yurongshun Industrial Co., Ltd. (note) (深圳市裕榮順實業有限公司)	Incorporated	People's Republic of China	Registered capital RMB10,000,000	50%	-	50%	Investment holding
Unicorn Bay Limited ("Unicorn Bay") (麒麟灣有限公司)	Incorporated	BVI	Registered capital US\$50,000	50%	50%	-	Investment holding

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

The Group shares control in the above entities with other shareholders, accordingly they are classified as joint ventures of the Group. All the joint ventures in which the Group held interest are unlisted corporate entities whose quoted market prices are not available.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

18. INVESTMENTS IN JOINT VENTURES (continued)

Notes: (continued)

Summarised financial information of the material joint ventures, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

	2017 RMB'000	2016 RMB'000
Gross amounts of Shenzhen Huiyi		
Current assets	3,307,000	2,334,813
Non-current assets	20,698	10,000
Current liabilities	(2,856,478)	(2,334,801)
Non-current liabilities	(615,000)	-
Non-controlling interests	(431)	-
Equity	<u>(144,211)</u>	<u>10,012</u>
Revenue	-	-
(Loss)/profit for the year	(154,267)	12
Other comprehensive income	-	-
Total (comprehensive loss)/comprehensive income	<u>(154,267)</u>	<u>12</u>
Reconciled to the Group's interests in Shenzhen Huiyi		
Gross amounts of net (liabilities)/assets of Shenzhen Huiyi	(144,211)	10,012
Group's effective interest	50%	50%
Group's share of net assets/(liabilities) of Shenzhen Huiyi (note)	(5,006)	5,006
Elimination of interest income	5,006	(5,006)
Amount due from the joint venture	<u>1,200,000</u>	<u>-</u>
Carrying amount in the consolidated financial statements	<u>1,200,000</u>	<u>-</u>

Note: The share of net liabilities of Shenzhen Huiyi does not include the share of accumulated losses exceeding the investment made by the Group amounting to RMB67,100,000 (2016: Nil).

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

18. INVESTMENTS IN JOINT VENTURES (continued)

Notes: (continued)

	2017 RMB'000	2016 RMB'000
Gross amounts of Shenzhen Yingrui		
Current assets	2,155,611	1,966,374
Non-current assets	29,516	45,000
Current liabilities	(1,474,674)	(1,211,371)
Non-current liabilities	<u>(800,000)</u>	<u>(800,000)</u>
Equity	<u>(89,547)</u>	<u>3</u>
Revenue	-	-
(Loss)/profit for the year	(1,726)	3
Other comprehensive income	-	-
Total (comprehensive loss)/comprehensive income	<u>(1,726)</u>	<u>3</u>
Reconciled to the Group's interests in Shenzhen Yingrui		
Gross amounts of net liabilities of Shenzhen Yingrui	(89,507)	3
Group's effective interest	50%	50%
Group's share of net assets/(liabilities) of Shenzhen Yingrui (note)	(2)	2
Elimination of interest income	2	(2)
Amount due from the joint venture	<u>1,000,000</u>	<u>-</u>
Carrying amount in the consolidated financial statements	<u>1,000,000</u>	<u>-</u>

Note: The share of net liabilities of Shenzhen Yingrui does not include the share of accumulated losses exceeding the investment made by the Group amounting to RMB43,028,000 (2016: Nil).

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

18. INVESTMENTS IN JOINT VENTURES (continued)

Notes: (continued)

	2017 RMB'000
Gross amounts of Unicorn Bay	
Current assets	14,119,292
Non-current assets	94
Current liabilities	(14,395,159)
Non-current liabilities	<u>-</u>
Equity	<u>(275,773)</u>
Revenue	-
Loss for the year	(275,773)
Other comprehensive income	-
Total comprehensive loss	<u>(275,773)</u>
Reconciled to the Group's interests in Unicorn Bay	
Gross amounts of net liabilities of Unicorn Bay	(275,773)
Group's effective interest	50%
Group's share of net liabilities of Unicorn Bay (note)	-
Amount due from the joint venture	<u>4,057,114</u>
Carrying amount in the consolidated financial statements	<u>4,057,114</u>

Note: The share of net liabilities of Unicorn Bay does not include the share of accumulated losses exceeding the investment made by the Group amounting to RMB137,887,000 (2016: Nil).

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2017 RMB'000	2016 RMB'000
Share of joint ventures' loss for the year, net	(68,091)	(6,137)
Share of the joint ventures' other comprehensive loss	-	-
Share of the joint ventures' total comprehensive loss	(68,091)	(6,137)
Aggregate carrying amount of the Group's investments in the joint ventures	<u>3,004,799</u>	<u>12,384,833</u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

19. INVENTORIES

	2017 RMB'000	2016 RMB'000
Construction:		
Raw materials	43,802	4,611
Property development:		
Properties held for development for sale	5,114,830	1,976,817
Properties under development for sale	25,504,340	29,657,327
Completed properties for sale	<u>7,794,767</u>	<u>8,558,344</u>
	<u>38,413,937</u>	<u>40,192,488</u>
	<u>38,457,739</u>	<u>40,197,099</u>
Properties expected to be recovered within normal operating cycle:		
Within one year	12,204,332	12,769,388
After one year	<u>26,209,605</u>	<u>27,423,100</u>
	<u>38,413,937</u>	<u>40,192,488</u>

All the completed properties held for sale are stated at the lower of cost and net realisable value.

At 31 December 2017, certain of the Group's properties held for development for sale, properties under development for sale and completed properties for sale were pledged to secure certain bank and other loans granted to the Group (note 38).

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Notes	2017 RMB'000	2016 RMB'000
Trade receivables	(i)	486,042	129,292
Prepayments and other receivables	(v)	3,929,825	1,742,443
Land deposits	(ii)	1,230,892	725,620
Amounts due from related companies	(iii)	130,751	140,944
Amount due from a non-controlling shareholder	(iii)	-	14
Amounts due from associates	(iv)	3,606,723	14,320
Amounts due from joint ventures	(iv)	11,045,375	55,563
Derivative financial instruments:			
Senior notes redemption call options (note 25(ix))		<u>18,678</u>	<u>135,161</u>
		<u>20,448,286</u>	<u>2,943,357</u>

Notes:

- (i) The Group's trade receivables arise from the sale of properties, leasing of investment properties and provision of construction services.

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

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

An ageing analysis of the trade receivables as at the end of the reporting period, based on the revenue recognition date and invoice date, is as follows:

	2017 RMB'000	2016 RMB'000
Current to 30 days	317,566	94,272
31 days to 90 days	800	149
91 to 180 days	138,454	5,064
181 to 365 days	27,990	11,272
Over 365 days	<u>1,232</u>	<u>18,535</u>
	<u>486,042</u>	<u>129,292</u>

All receivables were neither past due nor impaired as at the end of the reporting period. They relate to a large number of diversified customers for whom there was no recent history of default.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

Notes: (continued)

(i) (continued)

Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(ii) The amount represented deposits for the acquisition of land.

(iii) The amounts due from related companies and a non-controlling shareholder are unsecured, interest-free and repayable on demand.

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

(v) At 31 December 2017, certain of the Group's other receivables were pledged to secure a bank loan granted to the Group (note 38).

21. 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 the PRC deposited funds in the relevant financial institutions, which in turn advanced the same amount of funds to the Group's subsidiaries in Hong Kong. The net cost of such arrangements is 0.47% per annum of the total funds advanced.

	2017 RMB'000	2016 RMB'000
Assets under cross-border guarantee arrangements	<u>1,745,380</u>	<u>-</u>
Liabilities under cross-border guarantee arrangements	<u>1,745,380</u>	<u>-</u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

22. CASH AND CASH EQUIVALENTS AND RESTRICTED AND PLEDGED DEPOSITS

	2017 RMB'000	2016 RMB'000
Cash and bank balances	22,407,985	14,797,303
Less: Restricted deposits (note (a))	(1,726,734)	(360,288)
Pledged deposits (notes (b), (c))	<u>(803,059)</u>	<u>(877,188)</u>
Cash and cash equivalents	<u>19,878,192</u>	<u>13,559,827</u>

Notes:

- (a) Pursuant to the relevant regulations in the PRC, certain property development companies of the Group are required to place at designated bank accounts certain amounts of pre-sales proceeds of properties as guarantee deposits for the construction of the related properties. The deposits can only be used for purchases of construction materials and payments of construction fees for the relevant property projects. As at 31 December 2017, such guarantee deposits amounted to RMB1,726,734,000 (2016: RMB360,288,000).
- (b) According to the relevant mortgage facility agreements signed by certain subsidiaries of the Group with their banks, the subsidiaries are required to place at designated bank accounts certain amounts as deposits for potential default of mortgage loans advanced to property purchasers. Such guarantee deposits will be released after the property ownership certificates of the relevant properties are passed to the banks. As at 31 December 2017, such deposits amounted to RMB578,438,000 (2016: RMB401,438,000).
- (c) As at 31 December 2017, certain bank deposits of the Group were pledged to secure certain bank and other loans granted to the Group (note 38).

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB17,009,002,000 (2016: RMB11,790,545,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. All the bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

23. TRADE AND OTHER PAYABLES

	Notes	2017 RMB'000	2016 RMB'000
Trade payables	(i)	7,304,745	4,675,389
Other payables and accrued charges	(ii)	2,904,694	1,241,533
Customer deposits received		68,421	12,368
Rental and other deposits received		86,563	99,511
Receipts in advance	(iii)	19,614,745	16,049,478
Proceeds from asset-backed securities	(iv)	1,570,128	-
Amounts due to related companies	(v)	7,401	497,488
Amounts due to joint ventures	(vi)	5,719,091	1,343,560
		<u>37,275,788</u>	<u>23,919,327</u>

Notes:

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

	2017 RMB'000	2016 RMB'000
Current to 30 days	2,385,566	2,866,163
31 to 90 days	757,914	269,849
91 to 180 days	383,827	391,516
181 to 365 days	2,435,913	392,494
Over 365 days	1,341,525	755,367
	<u>7,304,745</u>	<u>4,675,389</u>

The trade payables are non-interest-bearing.

- (ii) Other payables are non-interest-bearing and are expected to be settled within one year.
- (iii) Receipts in advance represent sales proceeds received from buyers in connection with the Group's pre-sales of properties.
- (iv) The balance represented proceeds received from a 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 remaining 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.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

23. TRADE AND OTHER PAYABLES (continued)

Notes: (continued)

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

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

24. BANK AND OTHER LOANS

	2017			2016		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans - secured	4.75-7.95	2018	1,066,000	4.02-7.06	2017	1,159,579
Bank loans - unsecured	2.19-5.80	2018	1,670,285	3.25-5.70	2017	1,978,922
Other loans - secured	6.93-8.68	2018	1,064,400	7.8	2017	100,000
Other loans - unsecured	8.00-8.40	2018	1,797,200	5.6-5.7	2017	132,000
			<u>5,597,885</u>			<u>3,370,501</u>
Non-current						
Bank loans - secured	3.52-7.95	2019-2026	9,142,470	4.75-7.06	2018-2026	4,060,230
Bank loans - unsecured	3.11-5.80	2019-2020	1,988,965	5.23-5.70	2018-2019	2,297,780
Other loans - secured	6.50-8.68	2019-2022	1,430,000	5.2-8.68	2018-2019	3,409,500
Other loans - unsecured	4.99-5.70	2019	1,630,000	4.99-5.70	2019	1,940,000
			<u>14,191,435</u>			<u>11,707,510</u>
			<u>19,789,320</u>			<u>15,078,011</u>
				2017		2016
				RMB'000		RMB'000
Analysed into:						
Bank loans repayable:						
Within one year or on demand				2,736,285		3,138,501
In the second year				6,715,376		2,755,320
In the third to fifth years, inclusive				4,249,329		3,321,240
Beyond five years				<u>166,730</u>		<u>281,450</u>
				<u>13,867,720</u>		<u>9,496,511</u>
Other borrowings repayable:						
Within one year				2,861,600		232,000
In the second year				2,590,000		1,670,000
In the third to fifth years, inclusive				<u>470,000</u>		<u>3,679,500</u>
				<u>5,921,600</u>		<u>5,581,500</u>
				<u>19,789,320</u>		<u>15,078,011</u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

24. BANK AND OTHER LOANS (continued)

Notes:

- (a) Certain of the Group's bank and other loans are secured by the Group's equity interests in certain subsidiaries, bank deposits, land and buildings, investment properties, properties held for development for sale, properties under development for sale and completed properties for sale and other receivables, details of which are disclosed in note 38 to the financial statements.
- (b) Except for certain bank and other loans of RMB2,205,131,000 (2016: RMB649,414,000) and nil (2016: RMB551,508,000) as at 31 December 2017 which were denominated in HK\$ and United States dollars ("US\$"), respectively, all of the Group's bank and other loans were denominated in RMB.

25. SENIOR NOTES

	Effective interest rate (% per annum)	2017 RMB'000	2016 RMB'000
US\$300m Senior Notes (notes (i), (ix))	11.33	-	2,093,304
US\$250m Senior Notes (notes (ii), (ix))	9.83	-	1,747,637
US\$260m Senior Notes (notes (iii), (ix))	7.91	1,749,499	1,867,585
US\$200m Senior Notes (notes (iv), (ix))	5.80	1,294,182	-
US\$450m Senior Notes (notes (v), (ix))	5.42	2,880,422	-
US\$256m Senior Notes (notes (vi))	5.19	1,664,865	-
US\$200m Senior Notes due 2018 (note (vii))	5.45	<u>1,300,676</u>	<u>-</u>
		8,889,644	5,708,526
Portion classified as current liabilities (note (viii))		<u>(2,965,541)</u>	<u>(1,747,637)</u>
Non-current portion (note (viii))		<u>5,924,103</u>	<u>3,960,889</u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

25. SENIOR NOTES (continued)

Notes:

- (i) On 28 May 2014, the Company issued senior notes with a principal amount of US\$300,000,000 due in 2019 (the "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 US\$300m Senior Notes 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.
- (ii) On 2 December 2014, the Company issued senior notes with a principal amount of US\$250,000,000 due in 2017 (the "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. On 8 December 2017, the Company has redeemed the US\$250m Senior Notes in full upon maturity at a redemption price equal to the principal amount thereof, being US\$250,000,000, plus accrued and unpaid interest of US\$12,187,000.
- (iii) On 19 January 2016, the Company issued senior notes with a principal amount of US\$260,000,000 due in 2020 (the "US\$260m Senior Notes"). The senior notes are interest bearing at 7.70% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 19 January 2020. At any time and from time to time on or after 19 January 2019, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (iv) On 3 January 2017, the Company issued senior notes with a principal amount of US\$200,000,000 due in 2022 (the "US\$200m Senior Notes"). The senior notes are interest bearing at 5.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 3 January 2022. At any time and from time to time on or after 3 January 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (v) On 23 May 2017, the Company issued senior notes with a principal amount of US\$450,000,000 due in 2023 (the "US\$450m Senior Notes"). The senior notes are interest bearing at 5.25% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 23 February 2023. At any time and from time to time on or after 23 May 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

25. SENIOR NOTES (continued)

Notes:

- (vi) On 3 November 2017, the Company issued senior notes with a principal amount of US\$256,000,000 due in 2018 (the "US\$256m Senior Notes"). The senior notes are interest bearing at 5.125% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 2 November 2018. At any time and from time to time on or after 3 November 2017, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (vii) On 4 December 2017, the Company issued senior notes with a principal amount of US\$200,000,000 due in 2018 (the "US\$200m Senior Notes due 2018"). The senior notes are interest bearing at 5.375% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 3 December 2018. At any time and from time to time on or after 4 December 2017, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (viii) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.
- (ix) Redemption call options represent the fair value of the Company's options to early redeem the senior notes and are recorded as derivative financial instruments under "Trade and other receivables and prepayments" (note 20). The assumptions applied in determining the fair value of the redemption call options at 31 December 2017 and 2016 are set out in note 43.

26. CORPORATE BONDS

	2017 RMB'000	2016 RMB'000
Corporate bonds due in 2019	3,262,449	3,500,000
Corporate bonds due in 2020	4,500,000	4,500,000
Corporate bonds due in 2021	<u>4,400,000</u>	<u>4,400,000</u>
	12,162,449	12,400,000
Portion classified as current liabilities	<u>(7,000,000)</u>	<u>-</u>
Non-current liabilities	<u><u>5,162,449</u></u>	<u><u>12,400,000</u></u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

26. CORPORATE BONDS (continued)

Notes:

(i) On 19 August 2015 and 27 August 2015 respectively, Shenzhen Logan Holdings Co., Ltd. ("Shenzhen Logan"), a company established in the PRC and a wholly-owned subsidiary of the Company, issued domestic corporate bonds on the Shanghai Stock Exchange. The coupon rates of the first and second tranche with a principal amount of RMB4,000,000,000 and RMB1,000,000,000 were fixed at 5% per annum and 4.77% per annum respectively. The terms of the first and second tranche of corporate bonds were 5 year and 4 years. At the end of third year and second year, Shenzhen Logan shall be entitled to adjust the coupon rate of first and second tranche of corporate bonds respectively and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan. On 28 August 2017, Shenzhen Logan had adjusted the coupon rate of second tranche of corporate bonds from 4.77% per annum to 5.35% per annum and the second tranche of corporate bonds with an aggregate principal amount of RMB237,551,000 was sold back to Shenzhen Logan. The first tranche of the corporate bonds with a principal amount of RMB4,000,000,000 is classified as a current liability as at 31 December 2017.

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

The first tranche with a principal amount of RMB2,500,000,000 is classified as a current liability as at 31 December 2017. Subsequent to the end of the reporting period, in January 2018, the coupon rate of the first tranche is adjusted to 6.88% per annum; the first tranche with a principal amount of RMB10,000,000 were sold back to Shenzhen Logan; and the corporate bonds with a remaining principal amount of RMB2,490,000,000 are due in 2019.

The second tranche of the corporate bonds with a principal amount of RMB500,000,000 is classified as a current liability as at 31 December 2017.

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

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

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

27. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Revaluation of properties RMB'000	Fair value adjustments arising from business combination RMB'000	Total RMB'000
At 1 January 2016	1,131,992	-	1,131,992
Charged to profit or loss during the year	670,476	-	670,476
Acquisition of subsidiaries (note 33)	<u>-</u>	<u>184,010</u>	<u>184,010</u>
At 31 December 2016 and 1 January 2017	1,802,468	184,010	1,986,478
Charged/(credited) to profit or loss during the year	<u>735,569</u>	<u>(13,644)</u>	<u>721,925</u>
At 31 December 2017	<u>2,538,037</u>	<u>170,366</u>	<u>2,708,403</u>

Deferred tax assets

	Unrealised profits arising from intra-group transactions RMB'000	Provision of LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2016	191,075	240,319	102,077	533,471
Credited to profit or loss during the year	<u>57,933</u>	<u>22,965</u>	<u>18,515</u>	<u>99,413</u>
At 31 December 2016 and 1 January 2017	249,008	263,284	120,592	632,884
Credited to profit or loss during the year	<u>16,187</u>	<u>235,746</u>	<u>18,496</u>	<u>270,429</u>
At 31 December 2017	<u>265,195</u>	<u>499,030</u>	<u>139,088</u>	<u>903,313</u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

27. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2017 RMB'000	2016 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	(330,206)	(273,500)
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>2,135,296</u>	<u>1,627,094</u>
	<u>1,805,090</u>	<u>1,353,594</u>

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB17,984,337,000 at 31 December 2017 (2016: RMB15,311,411,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

28. SHARE CAPITAL

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

	2017		2016	
	<i>Number of shares</i> '000	HK\$'000	<i>Number of shares</i> '000	HK\$'000
Ordinary shares, issued and fully paid:				
At 1 January	5,496,322	549,632	5,557,554	555,755
Repurchase of shares	(15,652)	(1,565)	(61,232)	(6,123)
Issuance of shares in connection with the exercise of share options	<u>6,497</u>	<u>650</u>	-	-
At 31 December	<u>5,487,167</u>	<u>548,717</u>	<u>5,496,322</u>	<u>549,632</u>
RMB'000 equivalent at 31 December		<u>433,828</u>		<u>434,591</u>

Notes:

- (a) Pursuant to section 37(3) of the Companies Law of the Cayman Islands, an amount equivalent to the fair value of the shares repurchased and cancelled of HK\$111,809,000 (equivalent to approximately RMB93,461,000) (2016: HK\$195,259,000 (equivalent to approximately RMB173,239,000)) was transferred out from share capital and share premium.
- (b) During the year ended 31 December 2017, the subscription rights attached to 6,497,250 share options were exercised at the subscription price of HK\$2.340 per share, resulting in the issue of an aggregate of 6,497,250 shares for a total cash consideration of HK\$15,204,000 (equivalent to approximately RMB12,765,000) before expenses. An amount of HK\$6,914,000 (equivalent to approximately RMB5,779,000) was transferred from the share option reserve to the share premium account upon the exercise of the share options.

Share options

Details of the Company's share option scheme are included in note 29 to the consolidated financial statements.

31 December 2017

29. SHARE OPTION SCHEME

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

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the total number of shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to directors, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price of the share option is determinable by the directors, but should not be less than the highest of (i) the official closing price of the shares of the Company as stated in the Stock Exchange daily quotation sheet on the date of grant of the share options; (ii) the average official closing price of the shares of the Company as stated in the Stock Exchange for the five business days immediately preceding the date of the offer; and (iii) the nominal value of the shares of the Company.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

29. SHARE OPTION SCHEME (continued)

Share options do not confer rights on the holders to dividends or to vote at shareholder's meetings.

The following share options were outstanding under the Scheme during the year:

	2017		2016	
	Weighted average exercise price HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	Number of options
At beginning of year	2.34	120,264,658	2.34	132,654,099
Granted during the year	7.43	70,762,000	-	-
Forfeited during the year	2.34	(17,368,908)	2.34	(12,389,441)
Exercised during the year	<u>2.34</u>	<u>(6,497,250)</u>	<u>-</u>	<u>-</u>
At 31 December	<u>4.49</u>	<u>167,160,500</u>	<u>2.34</u>	<u>120,264,658</u>

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2017 Number of options	2016 Number of options	Exercise price HK\$	Exercise period
17,690,500	-	7.430	8/25/2020 - 8/25/2027
17,690,500	-	7.430	8/25/2021 - 8/25/2027
17,690,500	-	7.430	8/25/2022 - 8/25/2027
17,690,500	-	7.430	8/25/2023 - 8/25/2027
10,609,000	18,522,982	2.340	5/29/2016 - 5/28/2020
33,122,500	41,544,099	2.340	5/29/2017 - 5/28/2020
34,892,500	41,544,099	2.340	5/29/2018 - 5/28/2020
<u>17,774,500</u>	<u>18,653,478</u>	<u>2.340</u>	<u>5/29/2019 - 5/28/2020</u>
<u>167,160,500</u>	<u>120,264,658</u>		

The fair value of the share options granted during 2017 was HK\$100,867,000 (equivalent to RMB84,316,000) (ranging from HK\$1.35 to HK\$1.9 each), of which the Group recognised a share option expense of HK\$8,465,000 (equivalent to RMB7,076,000) during the year ended 31 December 2017.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

29. SHARE OPTION SCHEME (continued)

The fair value of equity-settled share options granted during the prior year was estimated as at the date of grant using a binomial pricing model, taking into account the terms and conditions upon which the options were granted and the following table lists the major inputs used:

	2017	2014
Dividend yield (%)	5.5%	-
Expected volatility (%)	32%	56%
Risk-free interest rate (%)	1.54%	1.26%
Exit rates of the grantees of the options granted under the Scheme (%)	0%	0%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 167,161,000 (2016: 120,265,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 167,161,000 additional ordinary shares of the Company and additional share capital of HK\$16,716,000 (equivalent to RMB13,973,000) and share premium of HK\$737,361,000 (equivalent to RMB616,367,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 162,106,000 share options outstanding under the Scheme, which represented approximately 2.87% of the Company's shares in issue as at that date.

30. PERPETUAL CAPITAL SECURITIES

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

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

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

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

31. RESERVES

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in paying distributions or dividends to equity shareholders.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities. The reserve is dealt with in accordance with the accounting policy set out in note 3.

(iii) PRC statutory reserves

PRC statutory reserves include the general reserve, statutory surplus reserve and statutory reserve fund.

General reserve

The general reserve is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

Statutory surplus reserve

According to the PRC Company Law, the PRC subsidiaries of the Group (excluding foreign investment enterprises) are required to transfer 10% of their profit after taxation, as determined under the PRC Accounting Regulations, to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserve fund

Statutory reserve fund can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(iv) Share-based compensation reserve

Share-based compensation reserve represents the fair value of services in respect of share options granted under the share option scheme.

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.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

32. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

The following table lists out the information relating to Huizhou Dongzhen, Shenzhen Logan Junjing and Shenzhen Jinjun, the subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Huizhou Dongzhen (Note (i))		Shenzhen Logan Junjing (Note (ii))		Shenzhen Jinjun (Note (iii))	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
NCI percentage	0%	10%	29%	49%	0%	0%
Current assets	-	12,913,515	20,631,536	11,033,637	-	6,911,267
Non-current assets	-	1,635,161	6,022,018	3,996,543	-	358,373
Current liabilities	-	(7,382,401)	(9,440,551)	(1,183,581)	-	(1,867,299)
Non-current liabilities	-	(972,336)	(5,126,741)	(2,822,648)	-	(1,664,246)
Net assets	-	6,193,939	12,086,262	11,023,951	-	3,738,095
Carrying amount of NCI	-	604,780	3,456,673	5,401,741	-	-
Revenue	-	1,616,800	-	-	-	7,554,363
Profit for the year	-	765,071	1,044,210	1,243,427	-	1,684,558
Total comprehensive income	-	765,071	1,044,210	1,243,427	-	1,684,558
(Loss)/profit allocated to NCI	-	55,269	433,331	609,279	-	(9,324)
Cash inflow/(outflow) from operating activities	-	(3,053,339)	2,879,802	(9,831,725)	-	2,538,801
Cash outflow from investing activities	-	(52)	(679,292)	-	-	(1,303)
Cash (outflow)/inflow from financing activities	-	3,567,557	1,900,000	7,984,272	-	(1,175,717)

Notes:

- (i) During the current year, in June 2017, the Group acquired an additional 10% equity interest in Huizhou 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) ("Pingan Dahua"), an independent third party of the Group and the non-controlling shareholder of Huizhou Dongzhen, at a consideration of RMB4,038,593,000 (note 34(i)).
- (ii) During the current year, in September 2017, the Group acquired an additional 20.4% equity interest in Shenzhen Logan Junjing from Pingan Dahua, the non-controlling shareholder of Shenzhen Logan Junjing, at a consideration of RMB2,021,956,000 (note 34(ii)).
- (iii) During the prior year, in December 2016, the Group acquired an additional 49% equity interest in Shenzhen Jinjun from Pingan Dahua, the non-controlling shareholder of Shenzhen Jinjun, at a consideration of RMB2,086,288,000 (note 34(iii)).

31 December 2017

32. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Notes: (continued)

- (iv) Based on the corporate intention of the Group, in 2014, 2015 and 2016, the Group entered into agreements and supplementary agreements in respect of a cooperation framework, capital contribution agreements, equity forward repurchase agreements (collectively the “Project Cooperation Agreements”) with Pingan Dahua, pursuant to which Pingan Dahua has made capital contributions to Shenzhen Jinjun, Shenzhen Logan Junjing and Huizhou Dongzhen in the amounts of RMB2,000 million, RMB4,800 million and RMB3,960 million, respectively. The Group has accounted for the capital contributions made by Pingan Dahua and the Group’s acquisitions of equity interests in Shenzhen Jinjun, Shenzhen Logan Junjing and Huizhou Dongzhen held by Pingan Dahua as equity transactions which have been recorded in other reserves and non-controlling interests in the Group’s consolidated statement of changes in equity during the year ended 31 December 2016.

The Project Cooperation Agreements have specified that the Group has the options to repurchase with preemption the part or all of the equity in Shenzhen Jinjun, Shenzhen Logan Junjing and Huizhou Dongzhen held by Pingan Dahua. If the Group does not exercise the options, Pingan Dahua can transfer the equity to a third party after a certain period as stipulated in the Project Cooperation Agreements. Besides, the Project Cooperation Agreements have also specified that the Group has the obligations to repurchase the equity from Pingan Dahua in a specified period. If the Group exercises the pre-emptive rights, then the obligations of repurchase will not be triggered. Management of the Group believes that the arrangement was an arm’s length commercial decision and that the terms were common market practice. It was probable that the Group would exercise its pre-emptive rights.

As there are unclear terms in the agreements, the Group has reaffirmed the commercial substance with Pingan Dahua. In this regard, the Group has engaged two reputable PRC law firms to express an opinion reaffirming that the arrangement was an equity investment from a legal perspective.

Management of the Group believes that, based on the Project Cooperation Agreements signed between the Group and Pingan Dahua and the rights and obligations of both sides stipulated in the agreements, it is appropriate for the capital contributions made by Pingan Dahua to Shenzhen Jinjun, Shenzhen Logan Junjing and Huizhou Dongzhen to be accounted for as equity transactions from both accounting and legal perspectives, and thus the Group has accounted for the capital contributions made by Pingan Dahua and the Group’s acquisitions of equity interests in Shenzhen Jinjun, Shenzhen Logan Junjing and Huizhou Dongzhen held by Pingan Dahua as equity transactions in other reserves and non-controlling interests in the Group’s statement of changes of equity during the year ended 31 December 2016. The accounting for these transactions as equity transactions is consistent with the Group’s accounting policies.

During the current year, in February 2017, the obligations for the Group to repurchase Pingan Dahua’s equity interest of 10% in Huizhou Dongzhen were annulled pursuant to an annulment agreement entered into between the Group and Pingan Dahua. During the current year, in September 2017, the obligations for the Group to repurchase Pingan Dahua’s remaining equity interest of 28.6% in Shenzhen Logan Junjing were annulled pursuant to a memorandum of understanding entered into between the Group and Pingan Dahua.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

32. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Notes: (continued)

(iv) (continued)

Had the aforementioned transactions between the Group and Pingan Dahua been accounted for as liabilities and not as equity transactions, the profit for the year of the Group, the profit attributable to owners of the parent and the profit attributable to non-controlling interests in the Group's consolidated statement of profit or loss for the year ended 31 December 2016 would have been reduced by approximately RMB167 million, increased by approximately RMB480 million and reduced by approximately RMB647 million, respectively; and the carrying amounts of the total bank and other loans, the equity attributable to owners of the parent and the non-controlling interests in the Group's consolidated statement of financial position as at 31 December 2016 would have been increased by approximately RMB8,779 million, reduced by approximately RMB2,910 million and reduced by approximately RMB6,012 million, respectively. The financial effect on the significant financial information of the Group in respect of the year ended 31 December 2016 is illustrated below:

	As reported by the Group RMB'000 (Note (a))	As adjusted RM'B'000 (Note (b))
<i>Consolidated statement of profit or loss for the year ended 31 December 2016</i>		
Profit before tax	7,933,434	7,754,434
Income tax expense	2,733,551	2,721,551
Profit for the year	5,199,883	5,032,883
Profit attributable to owners of the parent	4,487,736	4,967,736
Profit attributable to non-controlling interests	712,147	65,147
	=====	=====
<i>Consolidated statement of financial position as at 31 December 2016</i>		
Total bank and other loans	15,078,011	23,857,011
Total liabilities	60,750,363	69,541,363
Net assets	25,751,346	16,829,346
Equity attributable to owners of the parent	19,426,849	16,516,849
Non-controlling interests	6,324,497	312,497
	=====	=====

Notes:

- (a) The figures are extracted from the Group's consolidated financial statements in respect of the year ended 31 December 2016 and the predecessor auditor of the Company expressed a qualified opinion in their report dated 30 March 2017 on these consolidated financial statements.
- (b) The figures are adjusted for the effects of the aforementioned transactions between the Group and Pingan Dahua had these transactions been accounted for as liabilities and not as equity transactions.

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

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

33. ACQUISITION OF SUBSIDIARIES

- (a) During the year ended 31 December 2017, the Group acquired certain assets through acquisition of subsidiaries. The following table summarises the financial information in relation to the acquisition of subsidiaries.

	Zhuhai Doumenfushen Property Development Co. Ltd. RMB'000	Huizhou Aoda Property Development Co. Ltd. RMB'000	Others RMB'000	Total RMB'000
Other property, plant and equipment	-	-	1,200	1,200
Investment properties	-	-	106,729	106,729
Inventories	391,331	399,059	340,828	1,131,218
Trade and other receivables and prepayments	3,430	30,945	1,525,938	1,560,313
Tax recoverable	(1)	-	10	9
Cash and cash equivalents	40	2	5,855	5,897
Trade and other payables	(21,944)	(180,006)	(114,949)	(316,899)
Non-controlling interests	-	-	(5,394)	(5,394)
Bank and other loans	-	-	(1,100,000)	(1,100,000)
Net identifiable assets	372,856	250,000	760,217	1,383,073
Gain on bargain purchase	-	-	(514)	(514)
Total consideration	<u>372,856</u>	<u>250,000</u>	<u>759,703</u>	<u>1,382,559</u>
Cash consideration	394,800	430,000	759,703	1,584,503
Shareholder's loans	(21,944)	(180,000)	-	(201,944)
Cash and cash equivalents acquired	(40)	(2)	(5,855)	(5,897)
Net cash outflow arising from acquisition	<u>372,816</u>	<u>249,998</u>	<u>753,848</u>	<u>1,376,662</u>

- (b) On 5 December 2016, Jolly Gain Investments Limited ("Jolly Gain"), a wholly-owned subsidiary of the Company, entered into an agreement with Mr. Yao Yaojia ("Mr. Yao", brother in law of the Chairman of the Company, Mr Kei) and Honk Jee Loong Holdings Company Limited ("HJL", wholly-owned by Mr. Yao). Pursuant to the agreement, Jolly Gain had agreed to acquire the entire issued share capital of Pak San Bay Investments Company Limited ("Pak San Bay"), from HJL at a consideration of RMB494 million. Pak San Bay (through its wholly-owned subsidiary (collectively "Pak San Bay Group")) in turn owned 75% interest in a property project in Guangdong. The transaction constituted a connected transaction to the Company under the Listing Rules and was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 5 December 2016. The transaction was completed on 31 December 2016.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

33. ACQUISITION OF SUBSIDIARIES (continued)

(b) (continued)

This acquisition has been accounted for using the acquisition method. Pak San Bay Group was acquired so as to continue the expansion of the Group's property development operations.

	2016 RMB'000
Other property, plant and equipment	132
Inventories	1,252,790
Trade and other receivables	3,279
Cash and cash equivalents	55,418
Trade and other payables	(468,875)
Deferred tax liabilities	<u>(184,010)</u>
Net identifiable assets and liabilities	658,734
Less: Non-controlling interests	<u>(164,734)</u>
	494,000
Bargain purchase arising on acquisition	<u>-</u>
Total consideration	<u>494,000</u>
Total consideration	494,000
Amount due to a related party	<u>(494,000)</u>
Total consideration paid	-
Cash and cash equivalents acquired	<u>(55,418)</u>
Net cash inflow arising from acquisition	<u>55,418</u>

On acquisition date, the book value of assets and liabilities acquired amounted to RMB79,911,000 and the fair value of assets and liabilities acquired amounted to RMB658,734,000.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

34. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

	2017 RMB'000	2016 RMB'000
Consideration paid	6,221,729	2,000,000
Amounts due from non-controlling interests	-	86,288
Others	28,614	5,145
Carrying amount of non-controlling interests acquired	<u>(3,162,204)</u>	<u>(997,889)</u>
Excess of consideration paid recognised in other reserve	<u>3,088,139</u>	<u>1,093,544</u>

During 2016 and 2017, the Group acquired additional interests in certain subsidiaries from the non-controlling shareholders. Details of the transactions are as follows:

(i) Huizhou Dongzhen

During the current year, in June 2017, the Group acquired a 10% equity interest in Huizhou Dongzhen from a non-controlling shareholder, Pingan Dahua, at a consideration of RMB4,038,593,000. The excess of the consideration paid in respect of the acquisition of additional interest in the subsidiary over the carrying amount of the non-controlling interest of approximately RMB604,356,000 amounting to approximately RMB3,434,237,000 is recognised in other reserve in accordance with the accounting policy set out in note 2.1.

(ii) Shenzhen Logan Junjing

During the current year, in September 2017, the Group acquired a 20.4% equity interest in Shenzhen Logan Junjing from a non-controlling shareholder, Pingan Dahua, at a consideration of RMB2,021,956,000. The excess of the carrying amount of the non-controlling interest of approximately RMB2,384,845,000 over the consideration paid in respect of the acquisition of additional interest in the subsidiary amounting to approximately RMB362,889,000 is recognised in other reserve in accordance with the accounting policy set out in note 2.1.

(iii) Shenzhen Jinjun

On 26 December 2016, the Group acquired a 49% equity interest in Shenzhen Jinjun from a non-controlling shareholder, Pingan Dahua, at a consideration of RMB2,086,288,000. 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 RMB997,889,000 amounting to approximately RMB1,088,399,000 is recognised in other reserve in accordance with the accounting policy set out in note 2.1.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

35. DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries

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

	2017 RMB'000	2016 RMB'000
Net assets disposed of:		
Inventories	399,551	3,407
Trade and other receivables	30,945	708,417
Cash and cash equivalents	887	233,434
Trade and other payables	<u>(182,213)</u>	<u>(816,136)</u>
Net assets attributable to the Group disposed of	249,170	129,122
Gain on disposal of subsidiaries, net	<u>830</u>	<u>878</u>
Total consideration	250,000	13,000
Total consideration received, satisfied in cash	250,000	-
Cash and cash equivalents disposed of	<u>(887)</u>	<u>(233,434)</u>
Net cash inflow/(outflow) arising from disposal	<u>249,113</u>	<u>(233,434)</u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

35. DISPOSAL OF SUBSIDIARIES (continued)

(b) Deemed disposal of subsidiaries upon loss of control

	2017 RMB'000
Net assets disposed of:	
Other property, plant and equipment	1,400
Inventories	2,306,812
Trade and other receivables and prepayments	2,010,588
Cash and cash equivalents	521,364
Trade and other payables	(1,147,308)
Bank and other loans	<u>(2,755,600)</u>
Net assets attributable to the Group disposed of	<u>937,256</u>
Gain on deemed disposal of subsidiaries upon loss of control, net	<u>35,298</u>
Reclassification to investments in joint ventures at fair value at date of deemed disposal	<u><u>972,554</u></u>

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

	2017 RMB'000
Cash and bank balances deconsolidated and outflow of cash and cash equivalents in respect of the deemed disposal of a subsidiary upon loss of control	<u><u>(521,364)</u></u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

36. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank and other loans RMB'000	Senior notes RMB'000	Dividend payable included in other payables RMB'000
At 1 January 2017	15,078,011	5,708,526	-
Changes from financing cash flows	6,469,442	3,572,940	(656,528)
Foreign exchange movement	(102,533)	(66,244)	-
Interest expense	-	114,750	-
Interest paid	-	(440,328)	-
Increase arising from acquisition of subsidiaries	1,100,000	-	-
Decrease arising from deemed disposal of subsidiaries	(2,755,600)	-	-
Dividends declared	<u>-</u>	<u>-</u>	<u>2,158,706</u>
At 31 December 2017	<u>19,789,320</u>	<u>8,889,644</u>	<u>1,502,178</u>

37. FINANCIAL GUARANTEES

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

	2017 RMB'000	2016 RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties (notes)	18,416,334	9,806,196
Guarantees given to banks and other lender in connection with banking facilities granted to joint ventures	<u>9,353,489</u>	<u>-</u>
	<u>27,769,823</u>	<u>9,806,196</u>

31 December 2017

37. FINANCIAL GUARANTEES (continued)

Notes:

- (i) As at 31 December 2017, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any auction banks, net of any auction proceeds as described below.

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

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

- (ii) The fair value of the guarantees is not significant and the directors of the Company consider that in the event of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalties and therefore no provision has been made in the financial statements for the guarantees.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

38. PLEDGE OF ASSETS

At the end of the reporting period, the Group's equity interests in certain subsidiaries and the following assets of the Group were pledged to secure certain bank and other loans granted to the Group:

	Notes	2017 RMB'000	2016 RMB'000
Bank deposits	22	224,621	475,750
Land and buildings	15	-	22,228
Investment properties	16	3,540,242	7,440,084
Properties held for development for sale	19	-	531,695
Properties under development for sale	19	4,567,749	15,208,212
Completed properties for sale	19	58,385	109,260
Other receivables	20	<u>280,000</u>	<u>-</u>
		<u>8,670,997</u>	<u>23,787,229</u>

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16) under operating lease arrangements, with leases negotiated for terms ranging from one to thirteen years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	92,933	90,436
In the second to fifth years, inclusive	207,276	166,182
After five years	<u>34,299</u>	<u>62,074</u>
	<u>334,508</u>	<u>318,692</u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

39. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	1,913	9,556
In the second to fifth years, inclusive	<u>1,467</u>	<u>3,380</u>
	<u>3,380</u>	<u>12,936</u>

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39(b) above, the Group had the following capital commitments at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
Contracted, but not provided for	<u>16,064,280</u>	<u>5,593,891</u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

41. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere to the financial statements, the Group had the following transactions with related parties during the year:

	Notes	2017 RMB'000	2016 RMB'000
Construction contracts income from related companies	(i)	73,419	211,607
Construction contracts income from joint ventures	(i)	1,104,356	-
Management service income fee from joint ventures	(i)	23,885	-
Management service income fee from related companies	(i)	-	1,501
Decoration income from joint ventures	(i)	20,104	-
Design fee from related companies	(i)	10,070	-
Design fee from joint ventures	(i)	75,442	-
Rental income from related companies	(ii)	6,705	2,070
Rental income from joint ventures	(ii)	4,547	-
Interest income from associates	(iii)	144,205	140,635
Interest income from joint ventures	(iii)	406,832	174,673
Deemed disposal of subsidiaries to joint ventures	(iv)	1,006,332	-
Disposal of subsidiaries to joint ventures	(iv)	250,000	109,000
Acquisition of a subsidiary from the relative of the Chairman of the Company	(v)	-	(494,000)
Acquisition of an investment property from a related company	(vi)	-	(22,775)
Remuneration of key management personnel	(b)	<u>(94,501)</u>	<u>(80,500)</u>

Notes:

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

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

41. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

(iv) During the year ended 31 December 2017, the Group disposed of 7 (2016: 11) subsidiaries to joint ventures of the Group.

(v) On 5 December 2016, the Group entered into an acquisition agreement with a relative of the Chairman of the Company.

(vi) The Group purchased an investment property from a related company controlled by Mr. Kei.

(b) Remuneration to key management personnel includes amounts paid to the directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11.

Transactions of items (a)(i), (a)(ii) and (a)(iv) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

42. FINANCIAL INSTRUMENTS BY CATEGORY

Except for the derivative financial instruments, which are measured at fair value, other financial assets and liabilities of the Group as at 31 December 2017 and 2016 were loans and receivables, and financial liabilities stated at amortised cost, respectively.

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

The fair values of the non-current portion of deposits and bank and other loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for bank and other loans as at 31 December 2017 was assessed to be insignificant.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2017

	<u>Fair value measurement using</u>			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Senior notes redemption call options	-	-	18,678	18,678

As at 31 December 2016

	<u>Fair value measurement using</u>			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Senior notes redemption call options	-	-	135,161	135,161

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

	Valuation techniques	Significant unobservable inputs	Range	
			2017	2016
Senior note redemption call options	Residual method	Risk free rate	1.234% to 2.216%	0.257% to 1.497%
		Option adjusted spread	3.140% to 4.201%	3.078% to 4.698%
		Discount rate	4.374% to 6.417%	3.658% to 6.195%

31 December 2017

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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

The Group did not have any financial liabilities measured at fair values as at 31 December 2017 and 2016.

During the year, there were no transfer of fair value measurements between level 1 and level 2 and no transfer into or out of level 3 for both financial assets and financial liabilities (2016: Nil).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank and other loans and senior notes and corporate bonds, amounts due from/to related parties, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group's accounting policies related to derivatives are set out in note 3 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Other than deposits held at banks, the Group does not have significant interest-bearing assets. Restricted deposits were held at banks in the PRC at the same savings rate of unrestricted deposits throughout the year. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank and other loans with floating interest rates.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax. There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2017		
RMB	1%	(117,449)
HK\$	1%	(29,750)
US\$	1%	(9,755)
RMB	(1%)	117,449
HK\$	(1%)	29,750
US\$	(1%)	9,755
2016		
RMB	1%	(102,507)
HK\$	1%	(6,494)
US\$	1%	(5,115)
RMB	(1%)	102,507
HK\$	(1%)	6,494
US\$	(1%)	5,115

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange Bureau by complying with certain procedural requirements. However, approval from appropriate PRC governmental authorities is required where RMB is to be converted into a foreign currency and remitted out of China to pay capital account items, such as the repayment of bank and other loans denominated in foreign currencies.

The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange Bureau, this could affect the Group's subsidiaries' ability to obtain required foreign currency through debt or equity financing, including by means of loans or capital contributions from the shareholders.

All the revenue-generating operations of the Group are transacted in RMB. The majority of the Group's assets and liabilities are denominated in RMB except for the Company and certain investment holding companies within the Group operating in Hong Kong and Singapore, in which bank and other loans, Senior Notes and other receivables were denominated either in HK\$, US\$ or SG\$. The fluctuation of exchange rate of RMB against other foreign currencies will not have a material adverse effect on the operating results of the Group.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate against HK\$, US\$ and SG\$, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax RMB'000
2017		
If RMB weakens against HK\$	(5%)	(73)
If RMB strengthens against HK\$	5%	73
If HK\$ weakens against RMB	(5%)	(199,498)
If HK\$ strengthens against RMB	5%	199,498
If US\$ weakens against RMB	(5%)	453,135
If US\$ strengthens against RMB	5%	(453,135)
If SG\$ weakens against RMB	(5%)	(60,256)
If SG\$ strengthens against RMB	5%	60,256

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax RMB'000
2016		
If RMB weakens against HK\$	(5%)	19,774
If RMB strengthens against HK\$	5%	(19,774)
If HK\$ weakens against RMB	(5%)	(12,777)
If HK\$ strengthens against RMB	5%	12,777
If US\$ weakens against RMB	(5%)	173,031
If US\$ strengthens against RMB	5%	(173,031)
If SG\$ weakens against RMB	(5%)	-
If SG\$ strengthens against RMB	5%	-

Credit risk

It is the Group's policy that all customers are required to pay deposits in advance of the purchase of properties. In addition, the Group does not have any significant credit risk as the credit given to any individual or corporate entity is not significant. The Group performs appropriate and sufficient credit verification procedures for every credit sale transaction to minimise credit risk. There is no significant concentration of credit risk within the Group.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 37(a).

The credit risk of the Group's other financial assets, which mainly comprise cash and short term deposits, other receivables and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other loans. In the opinion of the directors of the Company, the Group will have adequate sources of funding to finance its operation needs and manage its liquidity position.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	Within one year or on demand RMB'000	In the second year RMB'000	In the third to fifth years, inclusive RMB'000	Over five years RMB'000	Total RMB'000
2017					
Bank and other loans	6,547,142	9,940,326	4,395,806	199,378	21,082,652
Senior notes	3,463,289	360,349	3,504,972	2,902,794	10,231,404
Corporate bonds	617,921	3,722,311	9,358,495	-	13,698,727
Trade payables	5,963,220	811,640	529,885	-	7,304,745
Financial liabilities included in other payables and accruals	4,538,272	91,534	-	-	4,629,806
Due to related parties	7,401	-	-	-	7,401
Due to joint ventures	5,719,091	-	-	-	5,719,091
Liabilities under cross-border guarantee arrangements	<u>1,767,242</u>	-	-	-	<u>1,767,242</u>
	<u>28,623,578</u>	<u>14,926,160</u>	<u>17,789,158</u>	<u>3,102,172</u>	<u>64,441,068</u>
Financial guarantees issued:					
Maximum amount guaranteed	<u>27,769,823</u>	-	-	-	<u>27,769,823</u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	Within one year or on demand RMB'000	In the second year RMB'000	In the third to fifth years, inclusive RMB'000	Over five years RMB'000	Total RMB'000
2016					
Bank and other loans	4,184,779	5,008,895	7,332,681	351,731	16,878,086
Senior notes	2,276,342	373,002	4,210,100	-	6,859,444
Corporate bonds	620,800	620,800	13,328,527	-	14,570,127
Trade payables	2,588,846	1,295,063	743,116	48,364	4,675,389
Financial liabilities included in other payables and accruals	1,241,533	-	-	-	1,241,533
Due to related parties	497,488	-	-	-	497,488
Due to joint ventures	<u>1,343,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,343,560</u>
	<u>12,753,348</u>	<u>7,297,760</u>	<u>25,614,424</u>	<u>400,095</u>	<u>46,065,627</u>
Financial guarantees issued:					
Maximum amount guaranteed	<u>9,806,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,806,196</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a net debt to equity ratio, which is net debt divided by the total equity. Net debt includes total bank and other loans, senior notes and corporate bonds (as shown in the consolidated statement of financial position) less cash and cash equivalents and restricted and pledged deposits. Capital comprises all components of equity (i.e., share capital, non-controlling interests, perpetual capital securities and reserves). The Group aims to maintain a healthy and stable net debt to equity ratio.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The net debt to equity ratios as at 31 December 2017 and 2016 were as follows:

	2017 RMB'000	2016 RMB'000
Bank and other loans	19,789,320	15,078,011
Senior notes	8,889,644	5,708,526
Corporate bonds	12,162,449	12,400,000
Less: Cash and cash equivalents	19,878,192	13,559,827
Restricted and pledged deposits	<u>2,529,793</u>	<u>1,237,476</u>
Net debt	<u>18,433,428</u>	<u>18,389,234</u>
Total equity	<u>27,163,809</u>	<u>25,751,346</u>
Net debt to equity ratio	<u>67.9%</u>	<u>71.4%</u>

As at 31 December 2017, Shenzhen Logan Holdings Co., Ltd, a wholly-owned subsidiary of the Company (established in the People's Republic of China) (the "Issuer"), has totally issued an amount of RMB12.2 billion of corporate bonds, of which RMB7.2 billion are publicly issued (2016: RMB7.4 billion). According to the Securities Law of the People's Republic of China, the accumulated bond balance constitutes no more than 40% of the net asset value of the Issuer. Other than the ratio, neither the Company nor any other of its subsidiaries are subject to externally imposed capital requirements.

45. EVENTS AFTER THE REPORTING PERIOD

- (a) On 1 February 2018, Shenzhen Logan issued non-public domestic corporate bonds on Shanghai Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB2,000,000,000 was 6.99% per annum. The terms of the domestic corporate bonds were 4 years. At the end of the second year, Shenzhen Logan shall be entitled to adjust the coupon rate, and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan.
- (b) On 7 March 2018, the Company issued senior notes with a principal amount of US\$250,000,000 due in 2021. The senior notes are interest bearing at 6.375% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 7 March 2021. At any time and from time to time 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.
- (c) On 22 March 2018, Shenzhen Logan issued non-public domestic corporate bonds on Shanghai Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB2,000,000,000 was 7.2% per annum. The terms of the domestic corporate bonds were 4 years. At the end of the second year, Shenzhen Logan shall be entitled to adjust the coupon rate, and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan.

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	10,211	10,211
Other property, plant and equipment	<u>6,060</u>	<u>7,295</u>
Total non-current assets	<u>16,271</u>	<u>17,506</u>
CURRENT ASSETS		
Prepayments and other receivables	16,333,333	4,740,722
Cash and cash equivalents	<u>2,143,777</u>	<u>2,966,168</u>
Total current assets	<u>18,477,110</u>	<u>7,706,890</u>
CURRENT LIABILITIES		
Other payables and accruals	3,881,868	32,296
Bank loans	554,961	1,160,922
Senior notes	<u>2,965,541</u>	<u>1,747,637</u>
Total current liabilities	<u>7,402,370</u>	<u>2,940,855</u>
NET CURRENT ASSETS	<u>11,074,740</u>	<u>4,766,035</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>11,091,011</u>	<u>4,783,541</u>
NON-CURRENT LIABILITIES		
Bank loans	2,068,125	-
Senior notes	<u>5,924,103</u>	<u>3,960,889</u>
Total non-current liabilities	<u>7,992,228</u>	<u>3,960,889</u>
Net assets	<u>3,098,783</u>	<u>822,652</u>
EQUITY		
Share capital	433,828	434,591
Perpetual capital securities	2,363,346	-
Reserves (note)	<u>301,609</u>	<u>388,061</u>
Total equity	<u>3,098,783</u>	<u>822,652</u>

LOGAN PROPERTY HOLDINGS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2017

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2016	2,067,453	22,650	75,257	(1,045,813)	1,119,547
Total comprehensive loss for the year	-	107,083	-	707	107,790
Repurchase of own shares	(168,009)	-	-	-	(168,009)
Dividends declared	-	-	-	(694,998)	(694,998)
Effect of forfeited share options	-	-	(3,926)	3,926	-
Equity-settled share-based transactions	-	-	23,731	-	23,731
At 31 December 2016 and 1 January 2017	1,899,444	129,733	95,062	(1,736,178)	388,061
Total comprehensive income for the year	-	(154,669)	-	2,372,286	2,217,617
Repurchase of own shares	(92,153)	-	-	-	(92,153)
Equity-settled share-based transactions	-	-	14,237	-	14,237
Distribution to holders of perpetual capital securities	-	-	-	(79,667)	(79,667)
Effect of forfeited share options	-	-	(14,372)	14,372	-
Issuance of shares in connection with the exercise of share options	17,999	-	(5,779)	-	12,220
Dividends declared	(1,825,290)	-	-	(333,416)	(2,158,706)
At 31 December 2017	-	(24,936)	89,148	237,397	301,609

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2018.