LOGAN
PROPERTY

ANNUAL REPORT 2017

LOGAN PROPERTY
Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3380)

CONTENTS

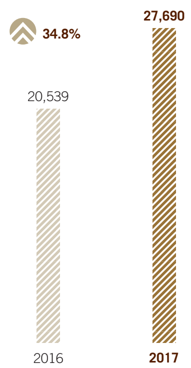
COMPANY PROFILE

Logan Property Holdings Company Limited (Stock code: 3380.HK) ("Logan Property", the "Group") is a leading integrated property developer focusing on residential property development in the PRC, mainly the Guangdong-Hong Kong-Macao Greater Bay Area. In 2017, the Group was ranked 29th in the China Top 100 Real Estate Developers and 4th in the Top 10 Most Profitable Companies, with its brand and overall strength being highly recognized by the market. On the back of an excellent performance and outstanding comprehensive strength, the shares of Logan Property are constituent stocks of Hang Seng Composite Large Cap & Medium Cap Index, MSCI China All Shares Index and FTSE Shariah Global Equity Index and are included in the list of eligible stocks for Southbound trading under Shenzhen-Hong Kong Stock Connect and Shanghai-Hong Kong Stock Connect.

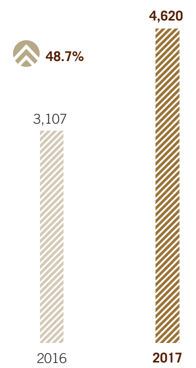
Financial Highlights

Summary of Consolidated Statement of Profit or Loss	As of 31 December		
(RMB mn)	**2017**	2016	Change
Revenue	**27,690**	20,539	34.8%
Gross Profit	**9,517**	6,560	45.1%
Gross Profit Margin (%)	**34.4%**	31.9%	2.5 pt.
Core Profit	**4,620**	3,107	48.7%
Core Profit Margin (%)	**16.7%**	15.1%	1.6 pt.
Net Profit	**7,008**	5,200	34.8%
Profit Attributable to Equity Shareholders of the Company	**6,527**	4,488	45.4%
Earnings Per Share			
— Basic (RMB cents)	**117.03**	81.06	44.4%
— Diluted (RMB cents)	**115.39**	80.82	42.8%
Total Dividend per Share (HK cents)	**41**	25	64.0%
— Interim Dividend per Share (HK cents)	**19**	—	N/A
— Final Dividend per Share (HK cents)	**17**	22	(22.7%)
— Special Dividend per Share (HK cents)	**5**	3	66.7%

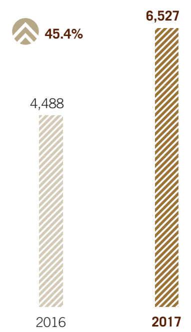
REVENUE
(RMB million)



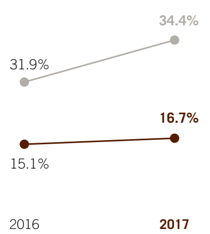
CORE PROFIT
(RMB million)



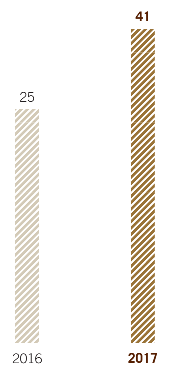
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY
(RMB million)



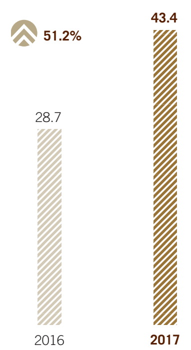
PROFITABILITY
- Gross profit margin
- Core profit margin



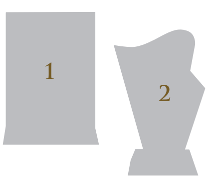
TOTAL DIVIDEND
(HK cent per share)



CONTRACT SALES
(RMB billion)



AWARDS

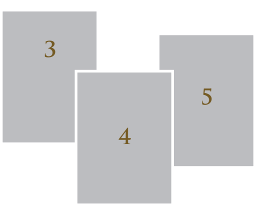


1. THE ASSET CORPORATE GOLD AWARD

Presented by the following Organizations:
The Asset

2. CHINA PROPERTY AWARD OF SUPREME EXCELLENCE 2017

Presented by the following Organizations:
Organizing Committee of China Property Award of Supreme Excellence



3. TOP 30 LISTED ENTERPRISES OF THE YEAR 2017

Presented by the following Organizations:
Guandian

4. 2017 CHINA'S 100 BEST REAL ESTATE ENTERPRISES

Presented by the following Organizations:
Guandian

5. 2017 TOP REAL ESTATE ENTERPRISE BY INVESTMENT VALUE

Presented by the following Organizations:
Guandian Boao Forum

AWARDS

6. 2017 TOP 10 CHINESE REAL ESTATE COMPANY LISTED IN HONG KONG BY INVESTMENT VALUE (RANKED 3RD)

Presented by the following Organizations:

Enterprise Research Institute of Development Research Center of the State Council, The Institute of Real Estate Studies of Tsinghua University, China Index Academy

7. 2017 CHINA TOP 100 REAL ESTATE DEVELOPERS (RANKED 29TH) (FOR 7 CONSECUTIVE YEARS FROM 2011 TO 2017)

Presented by the following Organizations:

Enterprise Research Institute of Development Research Center of the State Council, The Institute of Real Estate Studies of Tsinghua University, China Index Academy

8. 2017 CHINA TOP 100 REAL ESTATE DEVELOPERS – TOP 10 BY PROFITABILITY (RANKED 4TH) (FOR 6 CONSECUTIVE YEARS FROM 2012 TO 2017)

Presented by the following Organizations:

Enterprise Research Institute of Development Research Center of the State Council, The Institute of Real Estate Studies of Tsinghua University, China Index Academy

9. 2017 BEST 100 CHINA REAL ESTATE LISTED COMPANIES WITH STRONGEST COMPREHENSIVE STRENGTHS (RANKED 29TH)

Presented by the following Organizations:

China Real Estate Association, China Real Estate Appraisal

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10. 2017 BEST 30 CHINA REAL ESTATE DEVELOPERS BY BRAND VALUE

Presented by the following Organizations:
China Real Estate Association, China Real Estate Appraisal

11. 2017 BEST 30 OF CHINA REAL ESTATE DEVELOPERS

Presented by the following Organizations:
China Real Estate Association, China Real Estate Appraisal

12. 2017 MODEL RESIDENTIAL PROJECTS OF CHINA REAL ESTATE DEVELOPERS

Presented by the following Organizations:
China Real Estate Association, China Real Estate Appraisal

Corporate Information

DIRECTORS

Executive Directors

Mr. Kei Hoi Pang（紀海鵬）*(Chairman)**
Mr. Ji Jiande（紀建德）*(Chief Executive Office)**
Mr. Xiao Xu（肖旭）
Mr. Lai Zhuobin（賴卓斌）
Mr. Chen Guanzhan（陳觀展）*(appointed on 17 July 2017 and resigned on 29 January 2018)*

Non-executive Director

Ms. Kei Perenna Hoi Ting（紀凱婷）

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Li Yan Wing, Rita

AUTHORIZED REPRESENTATIVES

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

AUDITOR

KPMG *(resigned on 15 November 2017)*
Ernst & Young *(appointed on 17 November 2017)*

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

http://www.loganproperty.com

PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

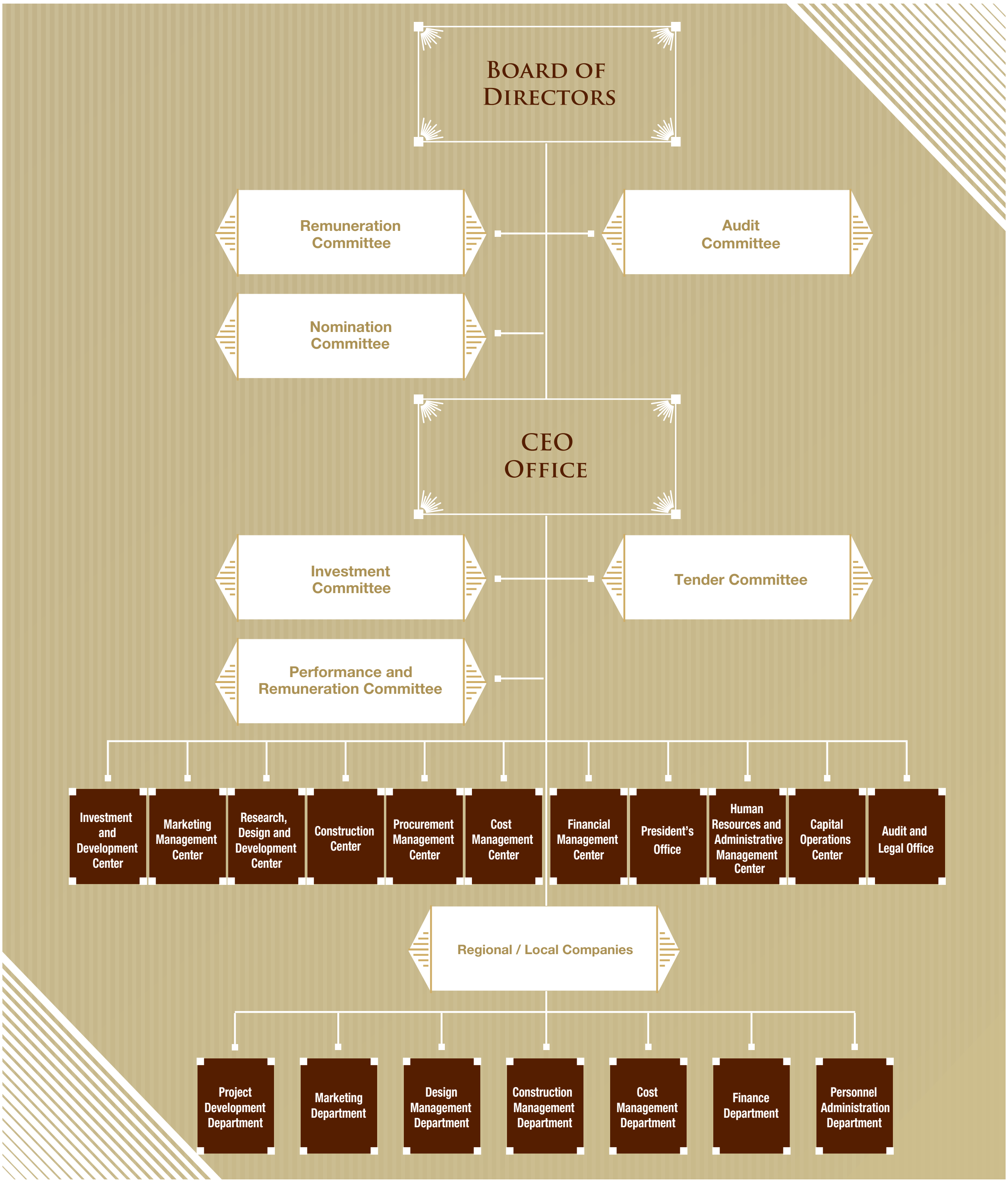
Industrial and Commercial Bank of China (Asia) Limited

LISTING INFORMATION

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

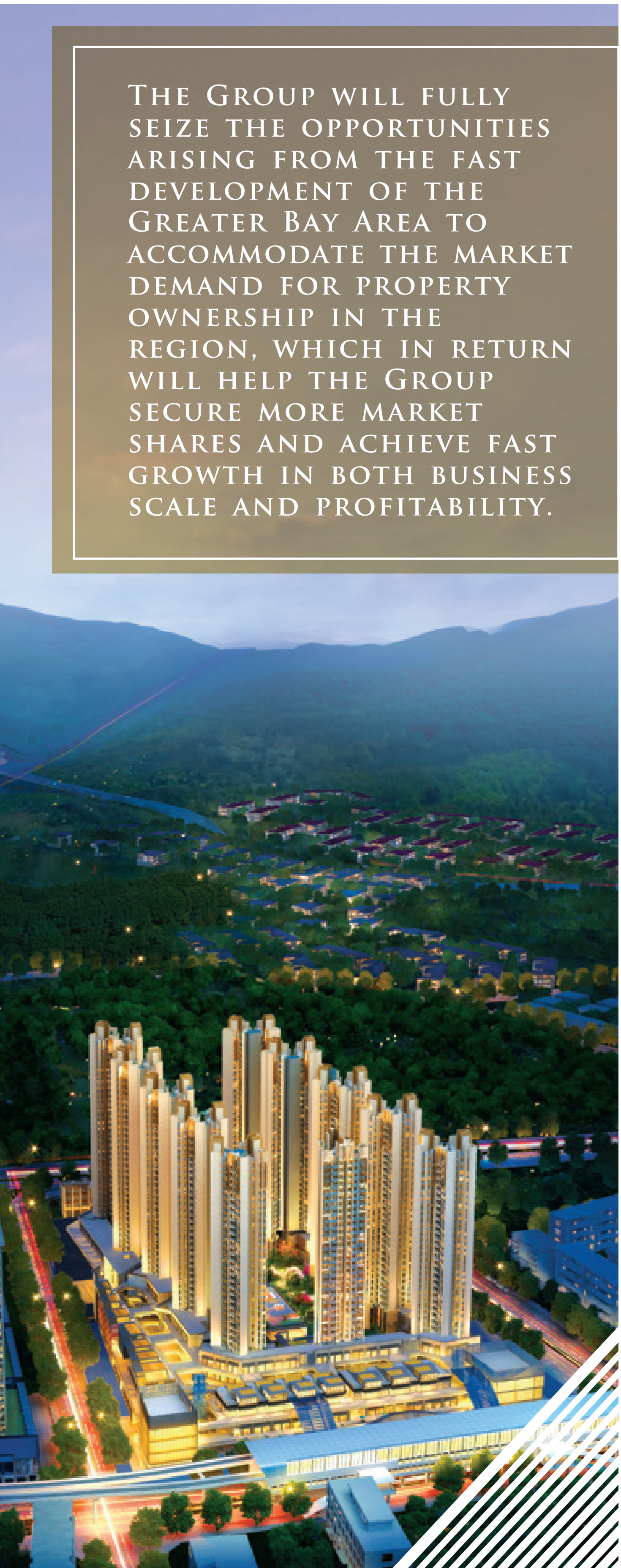
* Mr. Kei Hoi Pang has resigned as the Chief Executive Officer (the "CEO") and Mr. Ji Jiande was appointed as the CEO with effect from 29 January 2018.

CORPORATE STRUCTURE



CHAIRMAN'S STATEMENT

THE GROUP WILL FULLY SEIZE THE OPPORTUNITIES ARISING FROM THE FAST DEVELOPMENT OF THE GREATER BAY AREA TO ACCOMMODATE THE MARKET DEMAND FOR PROPERTY OWNERSHIP IN THE REGION, WHICH IN RETURN WILL HELP THE GROUP SECURE MORE MARKET SHARES AND ACHIEVE FAST GROWTH IN BOTH BUSINESS SCALE AND PROFITABILITY.



Dear Shareholders,

On behalf of the Board of the Company (the "Board"), I hereby present the annual results of the Group for the financial year ended 31 December 2017.

INTRODUCTION

Over the past year, the Group still maintained a high quality of development momentum under the situation that the Central Government has taken differentiated measures on the real estate policy. For the year ended 31 December 2017, the Group achieved a contract sales of approximately RMB43.42 billion, representing an increase of approximately 51.2% as compared with last year, which exceeded the increased sales target of the Group for the year. The GFA of contracted sales of 2,426,000 sq.m. with an average contracted selling price of RMB17,096. During the year, the Group's revenue amounted to RMB27,689.7 million, representing an increase of approximately 34.8% as compared with last year, while gross profit amounted to RMB9,517.2 million, representing an increase of 45.1%. In addition, the gross profit margin was 34.4%, representing an increase of 2.5 percentage points as compared with that of last year. Profit attributable to equity shareholders amounted to RMB6,527.4 million, representing a significant increase of approximately 45.4% as compared with last year. Core profit amounted to approximately RMB4,620.0 million, representing a significant increase of approximately 48.7% as compared with last year. Core profit margin was 16.7%, representing a further year-on-year increase of 1.6 percentage points. In terms of profitability, the Group continued to beat the industry level.

During the year under review, Logan Property continued to be highly recognized by industry players and the capital market due to its prospective layout in the Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area"), rapid and healthy performance growth, better-than-peer profitability and outstanding

brand value. During the year under review, in terms of honors and awards, the Group was selected as the China Top 100 Real Estate Developers (中國房地產百強企業) jointly announced by Enterprise Research Institute of Development Research Center of the State Council (國務院發展研究中心企業研究所), The Institute of Real Estate Studies of Tsinghua University (清華大學地產研究所) and China Index Academy (中國指數研究院) for the seventh consecutive year, with its ranking moving up from 32nd in 2016 to 29th in 2017. The Group also ranked the 4th in the "Top 10 Real Estate Enterprises by Profitability in 2017". In addition, Logan Property was also awarded the "2017 China Property Award of Supreme Excellence" (「優質中國房地產企業大獎 2017」) issued by the organizing committee of China Property Award of Supreme Excellence (優質中國房地產企業大獎籌委會) and the two prizes of the "Most Valuable Domestic Real Estate Stock Company" (最具價值內房股公司) and the "Management Listing Company with the Best Market Capitalization" (最佳市值管理上市公司) in the "2016 Golden Hong Kong Shares Section" (2016金港股評選) jointly organized by Zhitongcaijing (智通財經) and Hithink Flush (同花順), and obtained the golden prize of the "2017 Treasury Enterprise Awards" organized by The Asset (one of the most influential financial magazines in Asia) for the first time. For the capital market, by virtue of its attractive investment value, Logan Property was successively included in the research by a number of renowned banks and securities dealers such as Citibank, Deutsche Bank AG, Morgan Stanley, HSBC, CMB International, Essence International, Goldman Sachs Gao Hua, DBS Vickers, BOCOM International, Haitong International and unanimously ranked as "buy" for investment ranking by the above institutions. Meanwhile, Logan Property was included in the FTSE Shariah Global Equity Index Series in September 2017. The healthy financial indicators of the Group was recognized by rating agencies, as Shenzhen Logan Holdings Co., Ltd. (深圳市龍光控股有限公司), the principal domestic operating subsidiary of the Group, was upgraded to the highest "AAA" credit rating by United Credit Rating Co., Ltd and China Cheng Xin Securities Credit Rating Co., Ltd., renowned domestic rating agencies.

MARKET REVIEW

In 2017, China's economy has grown steadily with GDP growth reaching 6.9%. The Central Government adhered to the principle of steady progress, adopted new development concepts, and pushed forward the supply-side structural reform. As for the property market in 2017, according to the data published by the National Bureau of Statistics, the accumulative saleable GFA of commodity houses and the accumulative saleable amounts amounted to 1,694.08 million sq.m. and RMB13,370.1 billion, respectively, representing a year-on-year increase of approximately 7.7% and approximately 13.7%, respectively. Therefore, our sales volume reached a new high. Large property developers with sales of over RMB10 billion increased significantly in number, according to the monitoring statistics by the China Index Academy, a total of 144 property developers reached sales of RMB10 billion in 2017, representing an increase of 13 enterprises compared with that of 2016 and accounting for a market share of more than 60%. As a result, industrial concentration increased at an accelerated pace. The housing policies followed the guideline of "Housing Should Be for Living In, Not for Speculation" with the features of the "different policies for different cities" and the categorized regulation. While encouraging home purchases for self-occupation, the government paid more attention to curbing the demands in investment and speculation, and efforts were intensified to strengthen financial regulation, so as to prevent the bubble risks and the excessive fluctuation in the popular cities. Under the effective housing regulation, the overall market remained stable, while the transaction price tended to stabilize, creating a good condition for the long-term development of the industry.

As for the development of the Greater Bay Area, the Central Government mentioned the concept of "the Guangdong-Hong Kong-Macao Greater Bay Area" for the first time in the Report on the Work of the Central Government at the beginning of the year. As a result, the development of the Greater Bay Area integrated into the national strategic planning. In 2017, the aggregate economic value of the Greater Bay Area exceeded RMB 10 trillion, accounting for approximately 12% of the gross domestic product. Its aggregate economic value outpaced that of San Francisco Bay Area, and approaches the level of the Tokyo Bay Area and the New York Bay Area, with its import and export volumes three time as much as that of the Tokyo Bay Area. In terms of regional container throughput, the Greater Bay Area is 4.5 times as many as the sum of the top three bay areas in the world. The future development trend of the Greater Bay Area was determined at the macrocosmic level with a specific framework. It is expected that a pipeline of projects will be implemented in line with the introduction and implementation of the planning documents in the future.

BUSINESS REVIEW

During the year under review, the Group continued to benefit from the policies rolled out for the Greater Bay Area. As a highly recognized pioneering brand that always focuses on its development in the Greater Bay Area, Logan Property accumulated extensive sales experience in Shenzhen with an accurate understanding of the local market. Last year, the Group launched various projects, such as Logan • Carat Complex, Masterpiece and Logan • Acesite Park, along the metro line, were well received by the market, which was evidenced by our outstanding sales performance. According to the statistics available on www.szhome.com, by the number of completed transactions, the Group ranked first in Shenzhen with 4,416 completed transactions. In addition, Logan Property strategically established its business footprint in other key cities in the Greater Bay Area, particularly cities that have enormous development potential and strong sales, including Zhuhai, Foshan, Huizhou, and Zhongshan. As the railway transportation system is expected to extend in the future, the market demand will expand beyond the core areas, in which case, the Group will definitely become the leading property developer in Greater Bay Area.

Logan Property accurately gauged different cycles of the property market at home and abroad, and increased our premier land bank through diverse channels. As of 31 December 2017, the Group's land bank had a total gross floor area over 27.43 million sq.m. Furthermore, we continue to have various merger projects and city upgrade projects in the pipeline. It is expected that these projects in the next few years will transform into our land bank. During the year, Logan Property prudently looked to overseas property markets. Following our collaboration with KWG Property on investing in Ap Lei Chau in February 2017, the Group also strategically secured two projects along the metro lines in Queenstown and Hougang, Singapore, respectively.

The Group believes that prudent financial strategies will not only build confidence of the shareholders and investors, but also will lay a stronger foundation for the long-term development of the Group. To this end, the Group will constantly commit itself to improving its debt structure and lowering financing costs. During the first half of 2017, Logan Property issued two tranches of senior notes with an aggregate principle amount of US$650 million bearing comparatively low coupon rates of 5.75% and 5.25%, respectively. In June and December, the 2019 due senior notes with a principal amount of US$ 300 million bearing a coupon interest rate of 11.25%, as well as the 2017 due senior notes with a principal amount of US$ 250 million bearing a coupon interest rate of 9.75%, was redeemed. As of 31 December 2017, the Group had cash and bank balances (including restricted and pledged deposits) of approximately RMB 22.41 billion, and the net debt-to-equity ratio of approximately 67.9% decreased by 3.5 percentage points as compared to 2016. The average weighted borrowing interest rate of the Group was 5.8% (2016: 6.1%). In the future, the Group will continue to explore and diversify financing channels at lower costs so that various financial indicators will head towards a healthier and more reasonable level.

PROSPECTS

In 2018, stabilized growth of economy is still the main keynote of future development with the direction of positive financial policies remaining unchanged. Meanwhile, China's economy has shifted from fast growth to quality growth, and the supply-side structural reform will remain as the keynote in the future. Furthermore, opening-up reforms will be accelerated, while the development of real economy will be advanced. On the other hand, the housing policies continue to focus on the theme of "Housing Should Be for Living In, Not for Speculation", and therefore the government will expedite an effective mechanism to regulate the property market in a long run, which ensures supply from multiple sources, provides housing support through multiple channels, and encourages both home purchases and rentals. This mechanism will aim to stabilize the property market and prevent risks from the property bubble. Therefore, it is anticipated that the entire property market will continue its stable growth.

As Premier Li Keqiang pointed out in his Report on the Work of the Central Government delivered at the NPC, the development plan for the Greater Bay Area will be introduced and implemented in the near future for the purposes of advancing full-scale collaboration between Mainland China, Hong Kong and Macau for mutual benefits. The Greater Bay Area was included in the Report on the Work of the Central Government for a second time, and therefore it is expected that the development of the Greater Bay Area will commence the stages of concrete planning, implementation, and construction, and further development details will be laid out along with the relevant timetable and roadmap for the Greater Bay Area. Six major working policies, including faster infrastructure development, greater efforts to enhance market integration, and wider-range participation in the "Belt and Road" initiative, will be carried out and enable the Greater Bay Area to join the first-rate bay areas and city clusters across the globe. The Group believes that the development of the Greater Bay Area will further strengthen the industrial cluster effects, build a greater talent pool, attract more capital, and amass ample resources, as a result of which, the asset appreciation within the area will continue in the long run.

By constantly consolidating its business network in the Greater Bay Area, as well as utilizing its visionary strategies and extensive experience in the Greater Bay Area, the Group will enjoy a high penetration rate in major cities in the Greater Bay Area and thus benefit from the property policies. By targeting attributable contract sales of RMB 66 billion in 2018, the Group will fully strive to achieve quality growth at a faster pace by maintaining an annual growth of over 50% for two consecutive years. With ample sellable resources on hand, the Group anticipates that its valuation of sellable resources will exceed RMB 130 billion, 65% of which will take place in the Greater Bay Area, as it is anticipated that more than 30 new projects located in Zhuhai, Huizhou, Foshan, Shantou, and other cities will be launched to the market. Therefore, the Group is confident in achieving the annual sales target. The Group will fully seize the opportunities arising from the fast development of the Greater Bay Area to accommodate the market demand for property ownership in the region, which in return will help the Group secure more market shares and achieve fast growth in both business scale and profitability.

As the industrial integration will accelerate in the next three years with a fast increase in the market concentration, massive corporate merger and acquisition activities will take place in the real estate industry, during which more opportunities of public tendering, auction and listing will emerge in the land market. By utilizing our years of operation experience in the real estate industry, the Group will continue to gauge land acquisition opportunities in the Greater Bay Area, East Guangdong region and West Guangdong region in the future, and acquire more premier land bank through various channels. Furthermore, the Group will secure more land with a higher return rate at the lowest cost, and expedite its sales.

In the future, the Group will continue to enhance product competitiveness in our projects. By upholding the tenet that quality builds a brand, the Group will incessantly strengthen the Group's market competitiveness and penetration. The Group will also adjust its sales and development strategies in a timely manner in response to the supply and demand of the market, so as to improve the brand image of Logan Property and consolidate its leading position in the industry.

ACKNOWLEDGMENTS

On behalf of the Board, I hereby express my heartfelt gratitude to all shareholders, investors, partners, customers, and community for their support and trust. In the past year, thanks to the guidance given from the management of the Company, together with the efforts and contributions from all staff, the Group succeeded stable development. In the future, the Company will continue to seek improvement and strive to create a higher return for all of its shareholders.

Kei Hoi Pang
Chairman

Hong Kong

22 March 2018

Management Discussion and Analysis

PERFORMANCE HIGHLIGHTS

	2017 RMB'000	2016 RMB'000	Changes per year %
Revenue	**27,689,658**	20,538,838	34.8%
Among which: Sales of properties			
— Income from properties delivered	**26,642,077**	20,245,262	31.6%
— GFA[1] of properties delivered (sq.m.)	**2,293,611**	1,859,412	23.4%
— ASP[1] of properties delivered (RMB)	**11,093**	10,810	2.6%
Rental income	**83,383**	81,970	1.7%
Construction income	**964,198**	211,606	355.7%
Gross profit	**9,517,183**	6,559,828	45.1%
Profit for the year			
— Attributable to equity shareholders	**6,527,400**	4,487,736	45.4%
— Attributable to non-controlling shareholders	**481,050**	712,147	-32.5%
Core profit[(1)]			
— Attributable to equity shareholders	**4,628,372**	3,056,915	51.4%
— Attributable to non-controlling shareholders	**(8,384)**	49,821	—
Total assets	**111,870,848**	86,501,709	29.3%

MANAGEMENT DISCUSSION AND ANALYSIS

	2017 RMB'000	2016 RMB'000	Changes per year %
Cash and bank balances (including cash and cash equivalents and restricted and pledged deposits)	**22,407,985**	14,797,303	51.4%
Total bank and other borrowings²	**40,841,413**	33,186,537	23.1%
Total equity	**27,163,809**	25,751,346	5.5%
Total equity attributable to equity shareholders	**23,306,221**	19,426,849	20.0%
Key financial ratios			
Gross profit margin(2)	**34.4%**	31.9%	
Core profit margin(3)	**16.7%**	15.1%	
Net debt-to-equity ratio(4)	**67.9%**	71.4%	
Liability to asset ratio(5)	**75.7%**	70.2%	

Notes: 1. Excluding parking lot
2. Including bank and other loans, senior notes and corporate bonds

(1) Core profit: excluding changes in fair value of investment properties and derivatives and deferred tax and share of changes in fair value of investment properties at an associate.
(2) Gross profit margin: Gross profit ÷ Revenue × 100%
(3) Core profit margin: Core profit ÷ Revenue × 100%
(4) Net debt-to-equity ratio: (Total bank and other borrowings — cash and cash equivalents — restricted and pledged deposits) ÷ total equity × 100%
(5) Liability to asset ratio: Total liabilities ÷ Total assets × 100%

Property Development

Contract Sales

In 2017, the Company continued to focus on the Guangdong-Hong Kong-Macao Greater Bay Area (the "**Greater Bay Area**") as its core development strategy. Projects in Shenzhen Region contributed RMB17.43 billion for the year, while the other regions in the Greater Bay Area contributed RMB9.19 billion. For the year 2018, the Company will launch more projects with high gross profit margins in the Shenzhen Region, including Logan • Carat Complex and Logan City, while other projects to be launched will concentrate on other regions of the Greater Bay Area.

During the year ended 31 December 2017, the Group recorded contracted sales of approximately RMB43,420.6 million, representing an increase of approximately 51.2% as compared with RMB28,716.0 million in 2016. Shenzhen Region, other regions of the Greater Bay Area, Shantou Region, Nanning Region and other regions accounted for approximately 40.1%, 21.2%, 20.7%, 16.5% and 1.5% of the Group's contracted sales in 2017, respectively.

	Summary of contracted sales in 2017				
	Amount (RMB million)	**Percentage**	**GFA[1]** (sq.m.)	**Percentage**	**ASP[1]** (RMB per sq.m.)
Shenzhen region	17,433	40.1%	389,705	16.1%	44,733
Other regions of the Greater Bay Area	9,185	21.2%	548,267	22.6%	15,554
Shantou region	8,980	20.7%	626,318	25.8%	12,867
Nanning region	7,179	16.5%	801,506	33.0%	8,547
Other regions	644	1.5%	60,190	2.5%	10,066
Total	43,421	100%	2,425,986	100.0%	17,096

1. Excluding parking lot

Revenue from sales of properties

During the year ended 31 December 2017, revenue from sales of properties amounted to approximately RMB26,642.1 million, representing an increase of approximately 31.6% as compared with RMB20,245.3 million in 2016, and accounted for approximately 96.2% of the Group's total revenue. GFA delivered (excluding car parking spaces) increased by approximately 23.4% to 2,293,611 sq.m. during the year 2017 from 1,859,412 sq.m. for the year 2016.

Shenzhen Region, other regions of the Greater Bay Area, Shantou Region, Nanning Region and other regions contributed to the Group's revenue from sales of properties of 2017, accounting for approximately 39.3%, 11.0%, 32.7%, 10.6% and 6.4%, respectively.

	2017				
	Amount (RMB million)	**Percentage**	**GFA[1]** (sq.m.)	**Percentage**	**ASP[1]** (RMB per sq.m.)
Shenzhen region	10,595	39.3%	590,938	25.8%	17,841
Other regions of the Greater Bay Area	2,961	11.0%	285,937	12.4%	9,077
Shantou region	8,819	32.7%	757,269	33.0%	10,454
Nanning region	2,848	10.6%	446,631	19.5%	6,043
Other regions	1,728	6.4%	212,836	9.3%	7,932
Total	26,951	100%	2,293,611	100%	11,093
Less: Business tax and sales related taxes	309				
Revenue from sales of properties	26,642				

1. Excluding parking lot

Newly developed projects

As at 31 December 2017, the Group commenced construction of a total of 27 projects or new project phases, with a total planned GFA of approximately 5,698,230 sq.m.

Developing projects

As at 31 December 2017, the Group had a total of 34 projects or project phases under construction, with a total GFA of approximately 7,943,401 sq.m.

Land reserves

In 2017, the Group acquired 21 new projects through public tendering, auction and listing with a total GFA of 5,698,290 sq.m.

As at 31 December 2017, the total GFA of the land reserve of the Group amounted to approximately 27,430,477 sq.m. of which land reserve of 17,310,329 sq.m. was acquired through public tendering, auction and listing. The average cost of land reserve was RMB4,086 per sq.m. Excluding projects in Hongkong and Singapore, an average cost of land reserve was RMB3,231 per sq.m.

Property Investments

Rental income

As at 31 December 2017, the rental income of the Group amounted to RMB83.4 million, representing an increase of approximately 1.7%, and accounted for approximately 0.3% of the Group's total revenue.

Investment properties

As at 31 December 2017, the Group had 28 investment properties with a total GFA of approximately 484,157 sq.m. As for this investment property portfolio, 23 investment properties with a total GFA of approximately 238,184 sq.m. were completed, while the remaining five projects are still under development.

Financial Review

(I) Revenue

Revenue of the Group for the year ended 31 December 2017 increased to RMB27,689.7 million by approximately RMB7,150.8 million, or approximately 34.8%, as compared with 2016, primarily due to an increase of RMB6,396.8 million in revenue from sales of properties as compared with 2016. Revenue from sales of properties, income from the leasing business and income from the construction business for the year ended 31 December 2017 amounted to approximately RMB26,642.1 million, RMB83.4 million and RMB964.2 million (2016: approximately RMB20,245.3 million, RMB82.0 million and RMB211.6 million, respectively), respectively.

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

Project name	2017 Area[1] (sq.m.)	2017 Amount[2] (RMB'000)	2016 Area[1] (sq.m.)	2016 Amount[2] (RMB'000)
Logan City (龍光城)	**481,660**	**6,778,817**	143,479	1,635,772
Huizhou Sky Palace (惠州天悦龍庭)	**948**	**11,971**	6,018	42,892
Huizhou Grand Riverside Bay (惠州水悦龍灣)	**1,590**	**49,191**	16,981	140,408
Shantou Seaward Sunshine (汕頭尚海陽光)	**36,993**	**548,553**	29,959	367,643
Shantou Sunshine Castle (汕頭陽光華府)	**–**	**–**	–	408
Shantou Flying Dragon Garden (汕頭龍騰熙園)	**–**	**400**	–	5,674
Shantou Logan Flying Dragon Landscape (汕頭龍騰嘉園)	**76,145**	**619,284**	295,500	1,838,713
Shantou Royal Sea Sunshine (汕頭御海陽光)	**233,127**	**3,037,060**	252,468	2,513,094
Shantou Royal & Seaward Jubilee Garden (汕頭御海禧園)	**223,359**	**1,958,204**	–	–
Shantou Royal & Seaward Heaven Garden (汕頭御海天禧花園)	**131,478**	**2,065,052**	–	–
Shantou Sea & Sunshine (汕頭碧海陽光)	**56,167**	**590,196**	–	–
Foshan Grand Riverside Bay (佛山水悦龍灣)	**59,017**	**508,466**	109,837	757,659
Foshan Joy Palace (佛山君悦龍庭)	**12,377**	**104,043**	24,373	259,404
Foshan Sky Lake Castle (佛山天湖華府)	**67,254**	**1,031,439**	–	–
Foshan Grand Joy Castle (佛山君悦華府)	**1,442**	**19,848**	1,417	61,343
Foshan Shin Street Building (佛山尚街大廈)	**2,749**	**37,715**	19,495	226,950
Foshan Grand Garden (佛山水悦熙園)	**140,994**	**1,151,559**	48,631	333,531
Zhongshan Ocean Grange (中山海悦熙園)	**–**	**–**	907	12,499
Zhongshan Grand Garden (中山水悦熙園)	**–**	**8,471**	4,153	47,608
Zhongshan Grasse Vieille Ville (中山海悦城邦)	**81**	**828**	–	–

Project name	2017 Area[1] (sq.m.)	2017 Amount[2] (RMB'000)	2016 Area[1] (sq.m.)	2016 Amount[2] (RMB'000)
Zhongshan Ocean Vista Residence (中山海悦華庭)	**239**	**8,939**	3,588	80,262
Zhuhai Easy Life (珠海海悦雲天)	**—**	**2,993**	—	1,818
Zhongshan Grand Joy Garden (中山水悦馨園)	**148**	**33,821**	145,610	927,587
Dongguan Imperial Summit Sky Villa (東莞君御旗峰)	**—**	**14,399**	11,182	136,114
Dongguan Royal Castle (東莞君御華府)	**—**	**10,969**	288	5,477
Guangzhou Palm Waterfront (廣州棕櫚水岸)	**1,637**	**39,502**	7,733	160,546
Guangzhou Landscape Residence (廣州峰景華庭)	**—**	**13,162**	2,201	25,966
Shenzhen Masterpiece (深圳玖雲著)	**94,194**	**2,672,341**	—	—
Acesite Mansion (深圳玖龍璽)	**12,546**	**1,057,523**	116,392	7,554,276
Nanning Provence (南寧普羅旺斯)	**56,439**	**483,809**	95,504	751,377
Nanning Grand Riverside Bay (南寧水悦龍灣)	**614**	**21,536**	7,189	82,621
Nanning Royal Castle (南寧君御華府)	**2,531**	**53,687**	55,146	606,789
Nanning Joy Residence (南寧君悦華庭)	**—**	**8,122**	135,133	871,253
Nanning Sunshine Royal Lake (南寧御湖陽光)	**130,514**	**1,065,587**	—	—
Fangchenggang Sunshine Seaward (防城港陽光海岸)	**189,713**	**848,787**	145,185	623,803
Chengdu Sky Palace (成都天悦龍庭)	**72**	**18,994**	880	35,545
Chengdu Joy Residence (成都君悦華庭)	**126,594**	**868,493**	76,714	403,264
Guilin Provence (桂林普羅旺斯)	**66,819**	**366,139**	80,168	398,840
Haikou Sea and City (海南海雲天)	**86,170**	**841,279**	23,281	195,863
Total	**2,293,611**	**26,951,179**	1,859,412	21,104,999
Less: Business tax and sales related taxes		**309,102**		859,737
Revenue from sales of properties		**26,642,077**		20,245,262

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

2. Including revenue from sales of car parking spaces, but before deduction of business tax and other sales related taxes.

(II) Cost of sales

The cost of sales of the Group for the year ended 31 December 2017 increased to RMB18,172.5 million by approximately RMB4,193.5 million, or approximately 30.0%, as compared with 2016, primarily due to the increase in cost of sales from sales of properties resulting from an increase in the area of delivered properties and the expansion of business scale. Key components of costs are as follows:

	2017 RMB'000	2016 RMB'000	Changes per year %
Costs	**18,172,475**	13,979,010	30.0%
— Costs of sales of properties	**17,329,719**	13,812,693	25.5%
— Costs of construction business and rental business	**842,756**	166,317	406.7%

(III) Selling and marketing expenses and administrative expenses

The selling and marketing expenses of the Group for the year ended 31 December 2017 amounted to approximately RMB928.7 million (2016: RMB714.2 million). As the Group further increased its property marketing efforts in response to the challenging market environment in 2017, the selling and marketing expenses had increased by approximately 30.0% as compared with 2016.

The administrative expenses of the Group for 2017 amounted to approximately RMB748.0 million (2016: RMB556.7 million), representing an increase of approximately 34.4% as compared with 2016, which was mainly attributable to an increase in the labor costs.

(IV) Profit from operations

The profit from operations of the Group for 2017 amounted to approximately RMB11,561.1 million (2016: RMB8,305.3 million), representing an increase of approximately 39.2% over the corresponding period. As the revenue and other income and gains of the Group increased by approximately RMB7,423.6 million as compared with 2016, the relevant cost of sales, selling and marketing expenses and administrative expenses increased by approximately RMB4,599.3 million as compared with 2016, whereas other expenses, net gain in the fair value of investment properties and changes in the fair value of derivative financial instruments, and share of profits of associates and joint ventures increased by approximately RMB431.5 million as compared with 2016. As a result, the profit from operations of the Group increased by approximately RMB3,255.8 million as compared with 2016.

(V) Net finance costs

The net finance costs of the Group for 2017 increased to approximately RMB672.2 million (2016: RMB371.9 million), primarily due to the increase in loans and senior notes.

(VI) Tax

Taxes of the Group for the year ended 31 December 2017 included CIT and LAT. Taking into account the impact of the relevant changes in deferred tax, the net CIT and LAT amounted to approximately RMB2,426.1 million and RMB1,454.4 million, respectively (2016: approximately RMB1,762.0 million and RMB971.6 million).

(VII) Core Profit

The Core Profit of the Group for the year ended 31 December 2017 amounted to approximately RMB4,620.0 million, representing an increase of approximately RMB1,513.3 million as compared with 2016. The Core Profit margin of the Group for the year ended 31 December 2017 was approximately 16.7% (2016: approximately 15.1%), representing an increase of approximately 1.6 percentage points as compared with 2016.

(VIII) Liquidity and financial resources

As at 31 December 2017, total assets of the Group amounted to approximately RMB111,870.8 million (31 December 2016: RMB86,501.7 million), of which current assets amounted to approximately RMB83,594.5 million (31 December 2016: RMB58,521.4 million). Total liabilities amounted to approximately RMB84,707.0 million (31 December 2016: RMB60,750.4 million), of which non-current liabilities amounted to approximately RMB27,413.3 million (31 December 2016: RMB29,695.5 million). Total equity amounted to approximately RMB27,163.8 million (31 December 2016: RMB25,751.3 million).

As at 31 December 2017, the Group had cash and bank balances (including restricted and pledged deposits) of approximately RMB22,408.0 million (31 December 2016: RMB14,797.3 million) and total borrowings of approximately RMB40,841.4 million (31 December 2016: RMB33,186.5 million). As at 31 December 2017, total net borrowings of the Group amounted to approximately RMB18,433.4 million (31 December 2016: RMB18,389.2 million), the net debt-to-equity ratio of the Group was 67.9% (31 December 2016: 71.4%).

(IX) Financing activities

In 2017, the Group successfully issued four senior notes with aggregate principal of US$1,106,000,000. The first tranche of senior notes amounted to US$200,000,000, with a coupon rate of 5.75% and a maturity date on 3 January 2022. The second tranche of senior notes amounted to US$450,000,000, with a coupon rate of 5.25% and a maturity date on 23 February 2023. The third tranche of senior notes amounted to US$256,000,000, with a coupon rate of 5.125% and a maturity date on 2 November 2018. The fourth tranche of senior notes amounted to US$200,000,000, with a coupon rate of 5.375% and a maturity date on 3 December 2018.

(X) Foreign Exchange Exposure

The Group's businesses are principally conducted in Renminbi. Other than the bank deposits denominated in foreign currencies, bank borrowings and the senior notes denominated in US dollar and HK dollar, the Group does not have any material exposure directly due to foreign exchange fluctuations. The Group has not entered into any material forward exchange contract to hedge its exposure to foreign exchange risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

(XI) *Employees and Remuneration Policy*

As at 31 December 2017, the Group had approximately 2,618 employees (2016: 2,350). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. The remuneration policy of the Group is to provide remuneration packages, including basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when occasion requires.

The Company has also adopted 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. Further details in relation to the Share Option Scheme are set out in the section headed "Share Option Scheme" of the "Directors' Report" on pages 45 to 49 of this annual report.

POSSIBLE RISKS AND UNCERTAINTIES FACING BY THE COMPANY

The Group's financial conditions, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not known to the Group or which may not be material now but could turn out to be material in the future.

Business Risk

The business of the Group is highly dependent on the performance of the PRC property market. Any property market downturn in China generally or in the cities and regions in which the Group's property projects are located, or lack of suitable land banks/reserves for project development could adversely affect the Group's business, results of operations and financial position.

Further, property development is capital intensive in nature. Whilst the Group finances its property projects primarily through a combination of pre-sale and sale proceeds, borrowings from financial institutions and internal funds. If no adequate financing can be secured or any failure to renew the Group's existing credit facilities prior to their expiration may adversely impact the Group's operation.

Foreign Currency Risk

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pay to shareholders outside of the PRC. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Financial Risk

The financial risk management of the Group are set out in note 44 to the consolidated financial statements.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Kei Hoi Pang, aged 51, was appointed as an executive director of the Company on 18 November 2013. Mr. Kei Hoi Pang is also the founder and Chairman of the Company. Mr. Kei was also the chief executive officer of the Company from April 2011 to 29 January 2018. He is primarily responsible for the overall strategic planning of the Group's business. He is the elder brother of Mr. Ji Jiande, an executive director and the chief executive officer of the Company and father of Ms. Kei Perenna Hoi Ting, a non-executive director of the Company. In March 1996, Mr. Kei Hoi Pang held the position as an executive director and the chief executive officer of Guangdong Logan (Group) Co., Ltd., one of the Group's predecessors. Since October 2009, Mr. Kei Hoi Pang has also served as a director and chief executive officer of Shenzhen Logan Holdings Company Limited. Mr. Kei Hoi Pang is presently a member of the 13th National Committee of Chinese People's Political Consultative Conference. Mr. Kei has over 20 years of experience in the property development industry and possesses experience in corporate strategic planning and management as well as project management.

Mr. Ji Jiande, aged 43, was appointed as an executive director of the Company on 18 November 2013 and the chief executive officer of the Company on 29 January 2018. He is primarily responsible for managing the business of Shantou region. He is also in charge of the construction and material procurement of the Group. He is the younger brother of Mr. Kei Hoi Pang, the chairman and an executive director of the Company and the uncle of Ms. Kei Perenna Hoi Ting, a non-executive director of the Company. Mr. Ji Jiande served as the general manager of various companies of the Group. In December 2009, Mr. Ji Jiande was appointed as a director of Shenzhen Logan Holdings Company Limited and primarily responsible for the operational management of the Group.

Mr. Xiao Xu, aged 46, was appointed as an executive director of the Company on 18 November 2013 and the vice president of the Company in July 2015. He is also the assistant to the president of the Group. Mr. Xiao is mainly responsible for implementing strategic development, investment analysis and external affairs of the Group. Mr. Xiao was employed by Logan Property Limited Liability Company (formerly known as "Logan Real Estate Holdings Co., Ltd.") in 2007 and held various senior management positions during the period from August 2007 to April 2011 prior to his appointment as the assistant to the president of Shenzhen Logan Holdings Company Limited in April 2011. Mr. Xiao was also appointed as the director of Shenzhen Logan Junchi Property Development Co., Ltd. (深圳市龍光駿馳房地產開發有限公司) and Zhuhai Bojun Property Development Co., Ltd. (珠海市鉑駿房地產開發有限公司) in August 2014. He has substantial experience in investment analysis, corporate management, secretarial work and external liaison. Mr. Xiao obtained a bachelor's degree in business management from Jinan University (暨南大學) in June 1993 and obtained a postgraduate diploma in economics from the Party School of Chinese Communist Party of Guangdong Province (中共廣東省委黨校) in July 1998.

Mr. Lai Zhuobin, aged 46, was appointed as an executive director of the Company on 18 November 2013 and the chief financial officer of the Company in July 2015. He is also the financial director of the Group. Mr. Lai is mainly responsible for the financial management and capital markets functions of the Group. Mr. Lai was employed by Logan Property Limited Liability Company (formerly known as "Logan Real Estate Holdings Co., Ltd.") in 2007 and held various senior positions within the financial management division during the period from November 2007 to May 2011. In May 2011, Mr. Lai was served as the financial controller of Shenzhen Logan Holdings Company Limited. He is a member of the Chinese Institute of Certificate Public Accountants. Mr. Lai obtained a bachelor's degree in science from Sun Yat-sen University (中山大學) in July 1993 and obtained a master's degree in engineering from Beijing Institute of Technology in July 2003. Mr. Lai also obtained an executive master's degree in business management from Peking University in 2013.

NON-EXECUTIVE DIRECTOR

Ms. Kei Perenna Hoi Ting, aged 28, was appointed as a director of the Company on 14 May 2010 and was redesignated as a non-executive director of the Company on 18 November 2013. She is the daughter of Mr. Kei Hoi Pang, chairman and an executive director of the Company, and the niece of Mr. Ji Jiande, the chief executive officer and an executive director of the Company. In August 2011, Ms. Kei obtained a bachelor's degree in Economics and Finance from the University of London.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Huaqiao, aged 54, was appointed as an independent non-executive Director on 18 November 2013. Mr. Zhang is a director of various companies the shares of which are listed on the Hong Kong Stock Exchange, including as a non-executive director of Boer Power Holdings Limited (Stock Code: 1685), an independent non-executive director of Fosun International Limited (Stock Code: 656), Zhong An Real Estate Limited (Stock Code: 672), China Huirong Financial Holdings Limited (Stock Code: 1290), Luye Pharma Group Ltd. (Stock Code: 2186) and Wanda Hotel Development Company Limited (Stock Code: 169). Mr. Zhang is the chairman of the board of China Smartpay Group Holdings Limited (formerly known as "Oriental City Group Holdings Limited") (Stock code: 8325). Mr. Zhang has resigned as a director of Nanjing Central Emporium Group Stocks Co., Ltd. in June 2015 (SS Stock Code: 600280), a company the shares of which are listed on Shanghai Stock Exchange. Mr. Zhang has resigned as an independent non-executive director of Yancoal Australia Ltd on 30 January 2018 (Stock Code: YAL), a company listed on the Australia Securities Exchange and Sinopec Oilfield Service Corporation (formerly known as "Sinopec Yizheng Chemical Fibre Company Limited") (Stock Code: 1033) on 28 March 2018 respectively. Since April 2017, Mr. Zhang has also been an independent non-executive director of China Rapid Financial Limited (Stock Code: XRF), a company listed on the New York Stock Exchange. From June 1999 to April 2006, Mr. Zhang had worked with UBS AG, Hong Kong Branch and held positions as a director, executive director, managing director and the co-head of its China Research team. Mr. Zhang obtained a master's degree in economics from the Graduate School of the People's Bank of China in July 1986 and obtained a master's degree in economics of development from the Australian National University in April 1991.

Dr. Liu Ka Ying, Rebecca, aged 48, was appointed as an independent non-executive director of the Company on 18 November 2013. From June 1996 to March 2002, Dr. Liu served as the general manager for the Asia and China region of The PRG-Schultz International, Inc., a company listed on NASDAQ. In January 2007, Dr. Liu was appointed as the chief executive officer of AllPanther Asset Management Limited (竣富(資產)管理有限公司) and served at such position since then. She possesses experience in management, investment in real estate development and private investment funds, as well as accounting and financial management.

Dr. Liu is a member of the American Institute of Certified Public Accountants (AICPA), Illinois CPA Society (ICPAS) of the United States and Hong Kong Institute of Certified Public Accountants (HKICPA). Dr. Liu obtained a double bachelor's degree in Business Administrative Studies from York University, Canada with major in management and in accounting (with honours) in 1992 and 1994, respectively. She also obtained a doctoral's degree in business administration from Victoria University of Switzerland in November 2011. She is also a member of the Hong Kong Institute of Bankers, Association of Women Accountants (Hong Kong) Limited, Hong Kong Professionals and Senior Executives Association and Hong Kong China Chamber of Commerce. She was also a member of the Tenth and the Eleventh Jilin Provincial Committee of the Chinese People's Political Consultative Conference.

Mr. Cai Suisheng, aged 67, was appointed as an independent non-executive director of the Company on 18 November 2013. Mr. Cai is currently the honorary president of Guangdong Provincial Real Estate Association (廣東省房地產行業協會). Also, in 2004, Mr. Cai was a visiting scholar at the Institute of Housing and Urban Research of Uppsala University in Sweden (瑞典烏普薩拉大學住房與城市發展研究所). From 2006 to 2010, Mr. Cai served as a standing director of the China Real Estate Association (中國房地產業協會). From 2007 to 2016, Mr. Cai was appointed as the president of Guangdong Provincial Real Estate Association and the vice president of Guangdong Economics Association (廣東經濟學會) respectively. In June 2014, Mr. Cai was re-designated from independent nonexecutive director to the external director of Guangzhou Pearl River Industrial Development Co., Ltd. (廣州珠江實業開發股份有限公司), a company listed on the Shanghai Stock Exchange. In October 2013, Mr. Cai was appointed as honorary professor of the department of urban planning and design of the University of Hong Kong and visiting professor of College of Real Estate of Beijing Normal University Zhuhai. Mr. Cai has in-depth knowledge and extensive experience in real estate policies, market and urban management and has published numerous articles and reviews regarding the real estate market, housing policy as well as urban development and management in various newspapers and publications.

SENIOR MANAGEMENT

Name	Position
Mr. Kei Hoi Pang	Chairman
Mr. Ji Jiande	Chief Executive Officer
Mr. Xiao Xu	Vice President and Assistant to President
Mr. Lai Zhuobin	Vice President and Chief Financial Officer
Ms. Huang Xiangling	Vice President

Please refer to the section headed "Executive Directors" above for the biographies of Mr. Kei Hoi Pang, Mr. Ji Jiande, Mr. Lai Zhuobin and Mr. Xiao Xu.

Ms. Huang Xiangling, aged 41, is a vice president of the Group. She is mainly responsible for the management of the president's office and public affairs of the Group. Ms. Huang joined Logan Real Estate Holdings Co., Ltd. in 2005. Ms. Huang has extensive experience in project management, internal management and external liaison. Ms. Huang obtained a diploma in public affairs management from Zhejiang University in June 2007.

Corporate Governance Report

The board of directors of the Company (the "Board") is pleased to present this Corporate Governance Report for the period from 1 January 2017 to 31 December 2017.

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with all applicable code provisions as set out in the CG Code throughout the year ended 31 December 2017, except for code provision A.2.1 of the CG Code (the details of which are set forth below).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made to all the directors of the Company (the "Directors") and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2017. In addition, the Board has also adopted the principles and rules of the Model Code as written guidelines for relevant employees in respect of their dealings in the securities of the Company.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company. The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises four executive Directors, one non-executive Director and three independent non-executive Directors. Independent non-executive Directors constitute not less than one-third of the Board.

The list of the Directors are set out in section headed "Corporate Information" on page 8 and their biography (including the relationships between the members of the Board) are set out in the section headed "Biographies of Directors and Senior Management" on pages 25 to 27 of this annual report. Save as otherwise disclosed, there is no relationship (including financial, business, family or other material relationship) between any members of the Board.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

During the year ended 31 December 2017, the chairman and chief executive officer of the Company were held by Mr. Kei Hoi Pang who is the founder of the Company. The Board believes that Mr. Kei Hoi Pang provides the Company with strong and consistent leadership which allows effective and efficient planning and implementation of business decisions and strategies.

In order to enhance the Company's corporate governance standard and enable the Company to better comply with the code provision in the CG Code, Mr. Kei Hoi Pang has resigned as the chief executive officer and he continues to hold office as the chairman of the Board with effect from 29 January 2018. Upon resignation of Mr. Kei Hoi Pang as the chief executive officer, Mr. Ji Jiande, an executive Director, was appointed as the chief executive officer of the Company.

Independent Non-executive Directors

During the year 2017, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing not less than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Each of the Directors is appointed for a specific term of three years. In accordance with the articles of association of the Company, each of the Directors is subject to retirement by rotation at least once every three years. In case of any Director appointed by the Board to fill a casual vacancy shall hold the office until the first general meeting after his appointment and be subject to re-election by retirement at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold the office only until the next following annual general meeting and shall then be eligible for re-election by retirement.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have timely access to appropriate information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves its decision on all major matters which relate to policies, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management. The delegated functions are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by senior management.

The Board believes that independent non-executive Directors have brought their independent judgment on issues in connection with the Group's strategies, performance, conflict of interests and management process so that the interests of all shareholders are considered and safeguard.

Continuous Professional Development of Directors

Every newly appointed Director (if any) shall receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors' training is an on-going process, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company also updates Directors on any latest development regarding the Listing Rules and other applicable regulatory requirements from time to time to ensure compliance and enhance their awareness of good corporate governance practices.

A summary of the training records reported by the Directors for year 2017 is set out as follows:

Name of Directors	Attending Internally-facilitated Briefings or Training, Attending Seminars and Reading Materials
Executive Directors	
Mr. Kei Hoi Pang	√
Mr. Ji Jiande	√
Mr. Xiao Xu	√
Mr. Lai Zhuobin	√
Mr. Chen Guanzhan[(1)]	√
Non-executive Director	
Ms. Kei Perenna Hoi Ting	√
Independent Non-executive Directors	
Mr. Zhang Huaqiao	√
Dr. Liu Ka Ying, Rebecca	√
Mr. Cai Suisheng	√

Note:

(1) Mr. Chen Guanzhan was an executive Director from 17 July 2017 to 29 January 2018.

BOARD MEETINGS

The Board meets regularly to review the financial and operating performance of the Company and to discuss future strategy.

The attendance record of each Director at the Board meetings and the general meeting of the Company held in 2017 is set out in the table below:

Name of Director	Attendance/Number of Board Meetings	General Meetings
Executive Directors		
Mr. Kei Hoipang	5/7	2/2
Mr. Ji Jiande	5/7	2/2
Mr. Xiao Xu	7/7	2/2
Mr. Lai Zhuobin	7/7	2/2
Mr. Chen Guanzhan[1]	2/4	1/1
Non-executive Director		
Ms. Kei Perenna Hoi Ting	5/7	2/2
Independent Non-executive Directors		
Mr. Zhang Huaqiao	4/7	2/2
Dr. Liu Ka Ying, Rebecca	5/7	2/2
Mr. Cai Suisheng	5/7	2/2

Note:

(1) Mr. Chen Guanzhan was an executive Director from 17 July 2017 to 29 January 2018.

BOARD COMMITTEES

The Board has established Audit Committee, Remuneration Committee and Nomination Committee in assisting the Board to discharge its functions. The terms of reference of such committees are posted on the Company's website and the Stock Exchange's website.

The list of the chairman and members of each Board committee is set out under the section headed "Corporate Information" on page 8 of this annual report.

Audit Committee

According to the terms of reference of Audit Committee, its main duties include (but not limited to) making recommendations on the appointment of external auditor and monitoring the effectiveness of external audit, supervision of internal audit and oversight of the integrity of financial information and the financial reporting system, overseeing internal audit, risk management and internal control systems of the Company and ensuring such functions are adequately resourced as well as to perform the corporate governance function.

During the year 2017, the Audit Committee had reviewed 2016 annual financial statements and 2017 half-year financial statements and recommended the same to the Board for approval. The Audit Committee oversaw matters concerning the Company's external auditors including reviewing the scope and quality of audit, the external auditors' independence and objectivity as well as their fees and making recommendations to the Board regarding the resignation and appointment of the external auditors, the nature and scope of their audit and their fees. The Audit Committee also reviewed the effectiveness of the internal audit function of the Company and the effectiveness of the risk management and internal control system of the Group which cover all material controls including financial, operational and compliance controls.

The attendance record of each member at the Audit Committee meetings of the Company held in 2017 is set out in the table below:

Name of Directors	**Attendance/ Number of Meetings**
Dr. Liu Ka Ying, Rebecca *(Chairman)*	5/5
Mr. Zhang Huaqiao	5/5
Mr. Cai Suisheng	5/5

Remuneration Committee

According to the terms of reference of Remuneration Committee and the model adopted whereby the Remuneration Committee is responsible for making recommendation to the Board on the remuneration packages of individual executive Director and senior management. The Remuneration Committee is also responsible for making recommendation to the Board on the remuneration matters of non-executive Directors, the setting up of adequate and transparent procedures for setting such remuneration.

No Director or any of the senior management is allowed to determine their own remuneration. In making recommendation to the Board on the remuneration of Directors and senior management, the Remuneration Committee shall consider factors such as time commitment and responsibilities of Directors, employment conditions of other positions within the Group and whether their remuneration are performance-related.

During the year 2017, the Remuneration Committee had reviewed the Director fees of non-executive Directors and the remuneration of executive Directors and other incentive rewards such as grant of share options to Directors and senior management. The Remuneration Committee also made recommendation to the Board for the remuneration in respect of the appointment of Mr. Chen Guanzhan as an executive Director.

The attendance record of each member at the Remuneration Committee meeting of the Company held in 2017 is set out in the table below:

Name of Director	Attendance/ Number of Meetings
Mr. Zhang Huaqiao *(Chairman)*	1/1
Mr. Kei Hoi Pang	1/1
Dr. Liu Ka Ying, Rebecca	1/1

The remuneration of the senior management by band for the year ended 31 December 2017 is set out below:

Annual Income	Number of Persons
Below RMB5,000,000	4
RMB5,000,000 to 10,000,000	4
Over RMB10,000,000	2

Nomination Committee

According to the terms of reference of Nomination Committee, its duties mainly include (but not limited to) reviewing the structure, size and composition of the Board and reviewing the policy on board diversity, assessing the independence of the independent non-executive Directors as well as making recommendations to the Board on the selection of individuals nominated for directorships.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning board diversity as set out in the Company's board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

During the year 2017, the Nomination Committee had reviewed the diversity of the Board and recommended to the Board on the appointment of Mr. Chen Guanzhan as an executive Director.

The attendance record of each member at the Nomination Committee meeting of the Company held in 2017 is set out in the table below:

Name of Director	**Attendance/ Number of Meetings**
Mr. Kei Hoi Pang *(Chairman)*	1/1
Mr. Zhang Huaqiao	1/1
Dr. Liu Ka Ying, Rebecca	1/1

Corporate Governance Functions

The Audit Committee is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year 2017, the Audit Committee had reviewed the Company's corporate governance policies and practices and training and continuous professional development of Directors and senior management.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions.

In response to the use of RMB6 billion to a wealth management plan by a joint venture in connection with obtaining an entrusted loan of approximately RMB12 billion for an associate, the Company has established the "Notice in respect of Further Regulations on Joint Ventures Management" which formalised the management of the joint ventures and related affairs.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2017.

The Group's audit and legal office is responsible for internal audit function of the Company in performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The audit and legal office examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, through the Audit Committee, had reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2017, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed respective disclosure policy which provides a general guide to the Company's Directors, senior management, officers and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2017.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 75 to 80.

AUDITORS' REMUNERATION

The remuneration of external auditors of the Company, KPMG (resigned on 15 November 2017) and Ernst & Young (appointed on 17 November 2017), in respect of audit services and non-audit services for the year ended 31 December 2017 is set out below:

Service Category	Fees
Audit Services (KPMG)	—
Non-audit Services (KPMG)	RMB2.5 million
Audit Services (Ernst & Young)	RMB6.8 million
Non-audit Services (Ernst & Young)	—
	RMB9.3 million

COMPANY SECRETARY

The Company has engaged Tricor Services Limited, external service provider, and Ms. Li Yan Wing, Rita has been appointed as the company secretary of the Company. Its primary contact person of the Company is Mr. Xiao Xu, an executive Director.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening General Meeting by Shareholders

Pursuant to Articles 58 of the Company's Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

There is no provision allowing shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles of Association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Unit Nos. 02–03A, Level 68, International Commerce Centre, 1 Austin Road West, Hong Kong (For the attention of the Board of Directors)
Fax:	(852) 2175 5098
Email:	i.r@logan.com.cn

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

The detailed procedures for Shareholders to propose a person for election as a Director can be found on the website of the Company headed "Corporate Governance" section.

Shareholders may call the Company at (852) 2823 9200 or (86) 755 8528 8221 for any enquiry.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/ INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

During the year 2017, the Company has not made any changes to its Articles of Association. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

DIRECTORS' REPORT

The directors of the Company (the "Directors") have pleasure in presenting the annual report of the Company together with the audited consolidated financial statements for the year ended 31 December 2017.

PRINCIPAL PLACE OF BUSINESS

Logan Property Holdings Company Limited (the "Company") is a company incorporated and has its registered office in the Cayman Islands. The Company's principal place of business in Hong Kong is situated at Unit Nos. 02–03A, Level 68, International Commerce Centre, 1 Austin Road West, Hong Kong.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries (the "Group") are principally engaged in property development, property investment and property construction. The activities and particulars of the Company's subsidiaries are shown under note 1 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and notes 5 and 6 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion of the Group's future business development are set out in "Chairman's Statement" on pages 10 to 14 of this annual report. Description of possible risks and uncertainties facing by the Company is set out in "Management Discussion and Analysis" on pages 15 to 24 of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is set out in the Group's "Five-year Financial Summary" on page 185 of this annual report.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to supporting the environmental sustainability. Being a property developer and city complex operator in the PRC, the Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollution and discharge of waste and water. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. During the year under review, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RELATIONSHIP WITH STAKEHOLDERS

The Group believes that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners. The Company provides a fair and safe workplace, promotes diversity to our staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

The Group understands that it is important to maintain good relationship with customers and provide the products in a way that satisfy needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner.

The Group is also dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stability of the Group's business. We reinforce business partnerships with suppliers and contractors by ongoing communication in a proactive and effective manner so as to ensure quality and timely delivery.

CONSOLIDATED FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2017 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 81 to 184.

RESULTS AND APPROPRIATIONS

Profits attributable to shareholders for the year ended 31 December 2017, before dividends, of RMB6,527,400,000 (2016: RMB4,487,736,000) have been transferred to reserves. Other movements in reserves are set out on pages 85 to 86 of "Consolidated Statement of Changes in Equity".

PROPOSED PAYMENT OF FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board recommends the payment of a final dividend of HK17 cents per share and a special dividend of HK2 cents per share for the year ended 31 December 2017 (the "Dividend") (2016: a final dividend of HK22 cents per share and a special dividend of HK3 cents per share), subject to the approval by shareholders at the forthcoming annual general meeting of the Company to be held on Wednesday, 20 June 2018 (the "AGM"). The Dividend, if approved by the Company's shareholders at the AGM, will be paid in cash on Thursday, 19 July 2018 to the shareholders whose names appear on the register of members of the Company on Friday, 29 June 2018. Together with the interim dividend of HK19 cents per share and special dividend of HK3 cents per share, which were paid on 30 November 2017, the total dividend for the year ended 31 December 2017 will amount to HK41 cents per share (2016: HK25 cents per share).

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

CLOSURE OF THE REGISTER OF MEMBERS

(a) To ascertain the entitlement to attend and vote at the AGM

To ascertain the shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 14 June 2018 to Wednesday, 20 June 2018, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 13 June 2018.

(b) To ascertain the entitlement to the Dividend

To ascertain the shareholders' entitlement to the Dividend, the register of members of the Company will be closed from Wednesday, 27 June 2018 to Friday, 29 June 2018, both days inclusive. In order to qualify for the Dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 26 June 2018.

INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the investment properties and other property, plant and equipment are set out in notes 16 and 15 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of the movements in the share capital of the Company for the year ended 31 December 2017 and as at that date is set out in note 28 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company for the year ended 31 December 2017 are set out in "Consolidated statements of changes in equity" and note 31 to the consolidated financial statements, respectively.

BORROWINGS

Details of the borrowings are set out in the section headed "Management Discussion and Analysis" in the annual report and notes 24, 25 and 26 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 185 of the annual report.

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

During the year ended 31 December 2017, the Company had repurchased from the market a total of 15,652,000 shares and all the repurchased shares have been cancelled. The Directors believe that the repurchases of shares would lead to an enhancement of the net value of the Group and its assets and/or its earnings per share.

Details of the repurchases of the shares of the Company during the year ended 31 December 2017 are as follows:

Month of repurchase	**Number of shares repurchased**	**Highest price per share** (HK$)	**Lowest price per share** (HK$)	**Aggregate purchase price** (HK$)
October	4,090,000	8.02	7.20	32,036,800
November	10,526,000	7.30	6.64	72,417,820
December	1,036,000	7.15	6.98	7,354,120

Details of the redemption of the debt securities of the Company and its subsidiary during the year ended 31 December 2017 are as follows:

On 19 June 2017, the Company has redeemed the 11.25% senior notes due 2019 with an aggregate principal amount of US$300,000,000, the redemption price equal to 105.625% of the principal amount thereof, being US$316,875,000, plus accrued and unpaid interest of US$1,406,250. The total redemption price paid by the Company amounted to US$318,281,250. The senior notes are listed on the Stock Exchange of Hong Kong Limited ("Stock Exchange").

On 28 August 2017, 5.35% corporate bonds due 27 August 2019 were partially sold back to Shenzhen Logan Holdings Company Limited (深圳市龍光控股有限公司), an indirect wholly-owned subsidiary of the Company, representing an aggregate principal amount of RMB237,551,000. The notes are listed and traded on the Shanghai Stock Exchange.

On 8 December 2017, the Company has redeemed the 9.75% senior notes due 2017 in full in accordance with the terms and conditions of the notes. The total redemption price was US$262,187,500, representing 100% of the aggregate principal amount of US$250,000,000 of all of the outstanding notes, plus accrued and unpaid interest of US$12,187,500. The senior notes are listed on the Stock Exchange.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the law of Cayman Islands being the jurisdiction in which the Company is incorporated under which would oblige the Company to offer new shares on a pro-rata basis to existing shareholder.

DIRECTORS

The list of Directors is set out on page 8 of this annual report. Mr. Chen Guanzhan was appointed as an executive Director on 17 July 2017 and resigned on 29 January 2018. Mr. Chen has confirmed that he has no disagreement with the Board and there is no other matter relating to his resignation that needs to be brought to the attention of the Shareholders of the Company.

In accordance with the Company's articles of association, Mr. Lai Zhoubin, Mr. Zhang Huaqiao and Mr. Cai Suisheng shall retire from office by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

Directors' Service Contracts

Each of the executive Directors has entered into a service agreement with the Company and each of the independent non-executive Directors has signed an appointment letter with the Company. The appointment of each Director is for a period of three years and shall continue thereafter until being terminated by either party giving not less than three months' written notice.

None of the Directors who are proposed for election or re-election at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts of Significance

Other than those transactions disclosed in note 41 to the consolidated financial statements and in the section "Connected Transactions" and "Continuing Connected Transactions" below, no contract of significance in relation to the Group's business to which the Company, any of its subsidiaries or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

Indemnity and Insurance Provisions

The Articles of Association of the Company provides that every Director shall be entitled to be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses as a result of any act or failure to act in carrying out his/her functions. Such provisions were in force during the course of the financial year ended 31 December 2017 and remained in force as of the date of this annual report. The Company has also arranged appropriate directors and officers liability insurance in respect of legal action against them.

DEED OF NON-COMPETITION

The Company shall receive, from each of the controlling shareholders of the Company, an annual declaration on his/her/its compliance with the undertakings contained in the deed of non-competition (the "Deed of Non-Competition") entered into by each of them in favour of the Company pursuant to which each of the controlling shareholders of the Company has undertaken to the Company that he/she/it will not or will procure that his/her/its associates (other than members of the Group) not to, engage in the development of residential properties or mixed-use properties, which mainly represent residential properties with ancillary developments ancillary to the Group's residential projects, such as retail units, supermarkets and car parks, etc.

Details of the Deed of Non-Competition were disclosed in the prospectus of the Company dated 10 December 2013 under the section headed "Relationship with Our Controlling Shareholders".

For the year ended 31 December 2017, the Company had received an annual written confirmation from each of the Company's controlling shareholders in respect of their and their associates' compliance with the Deed of Non-Competition. The independent non-executive Directors had reviewed and were satisfied that each of the controlling shareholders of the Company has complied with the Deed of Non-Competition for the year ended 31 December 2017.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

2014 Facility Agreement

On 9 October 2014, the Company as borrower entered into a facility agreement with, among others, Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Credit Suisse AG, Singapore Branch, Goldman Sachs Lending Partners LLC and Deutsche Bank AG, Singapore Branch in relation to a transferable 36-month term loan facility in the amount of US$105,000,000 commencing from the date of the Facility Agreement (the "2014 Facility") (the "2014 Facility Agreement"). The 2014 Facility Agreement includes a condition imposing specific performance obligations on Ms. Kei Perenna Hoi Ting and her close associates that it will be an event of default if, among others, (i) Ms. Kei Perenna Hoi Ting and her close associates collectively do not or cease to own at least 65% of the direct or indirect beneficial shareholding interest in the issued share capital of, and carrying 65% of the voting rights in, the Company; or (ii) Mr. Kei Hoi Pang, previously known as Mr. Ji Haipeng, does not or cease to have management control of the Company; or (iii) Mr. Kei Hoi Pang is not or ceases to be the chairman of the Company.

In case of an occurrence of an event of default which is continuing, the Facility Agent may (a)(i) cancel the total commitments (and reduce them to zero) under the 2014 Facility Agreement; or (ii) cancel any part of the any commitment (and reduce such commitment accordingly); (b) declare that all or part of the 2014 Facility, together with accrued interest, and all other amounts accrued or outstanding under the 2014 Facility Agreement and other related finance documents be immediately due and payable; (c) declare that all or part of the 2014 Facility be payable on demand; and/or (d) exercise or direct Hang Seng Bank Limited to exercise any and all of its rights, powers or discretions as security trustee under any of the related finance documents.

2017 Facility Agreement

On 21 March 2017, the Company as borrower entered into a loan agreement with, among others, Credit Suisse AG, Singapore Branch, Nanyang Commercial Bank, Limited and Industrial Bank Co., Ltd, Hong Kong Branch in relation to a 36-month term loan facility in an amount of US$150,000,000 (the "2017 Facility") (the "2017 Facility Agreement"). The 2017 Facility Agreement includes a condition imposing specific performance obligation on Mr. Kei Hoi Pang, Ms. Kei Perenna Hoi Ting and their close associates, that it will be an event of default if, among others, (i) Mr. Kei Hoi Pang ("Mr. Kei"), the spouse of Mr. Kei, Ms. Kei Perenna Hoi Ting and any child or step child, natural or adopted, under the age of 18 years of Mr. Kei and their affiliates (individually or together) cease to be the beneficial owners directly or indirectly through wholly-owned subsidiaries of at least 51% of the issued share capital of the Company; or (ii) Mr. Kei does not or cease to have control of the Company; or (iii) Mr. Kei, Ms. Kei Perenna Hoi Ting and Mr. Ji Jiande, individually or together, cease to be the president or chairman of the Company.

In case of an occurrence of an event of default which is outstanding, the Facility Agent may, and must if so directed by the majority lenders, by notice to the Company: (a) cancel all or any part of the total commitments under the 2017 Facility Agreement; (b) declare that all or part of the 2017 Facility, together with accrued interest, and all other amounts accrued or outstanding under the finance documents be immediately due and payable; and/or (c) declare that all or part of the loan, together with accrued interest, and all other amounts accrued or outstanding under the finance documents be payable on demand by the Facility Agent acting on the instructions of the majority lenders.

As at 31 December 2017, all advances made under the 2014 Facility Agreement had been fully repaid.

Save as disclosed above, as at 31 December 2017, the Company did not have other disclosure obligations under Rule 13.18 of the Listing Rules.

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was conditionally adopted by the written resolutions of the shareholders of the Company passed on 18 November 2013 and the summary of the principal terms of the Share Option Scheme was as follows:

1. **Purpose of the Share Option Scheme:**

   The Share Option Scheme is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph 2 below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

   (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

   (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. **Participants of the Share Option Scheme:**

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of new Shares as the Board may determine:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and

(iii) any advisors, consultants, suppliers, customers, agents, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Company or any of its subsidiaries.

3. **Maximum number of Shares available for issue:**

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following the completion of the Global Offering ("the Hong Kong Public Offering and International Offering") (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), being 500,000,000 shares (representing approximately 9.10% of the number of issued shares of the Company as at the date of this annual report), excluding for this purpose Shares which would have been issued on the exercise in full of options in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company, but not cancelled, lapsed or exercised). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may: (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by the Shareholders in general meeting; and/or (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No further options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditor of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company whether by way of consolidation, capitalization issue, rights issue, sub-division or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

4. **Maximum entitlement of each participant under the Share Option Scheme:**
The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

(ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her associates (as defined in the Listing Rules) abstaining from voting.

5. **The period within which the Share options must be exercised under the Share Option Scheme:**
An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the Share Option Scheme.

6. **The minimum period for which an option must be held before it can be exercised:**
There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Directors.

7. **The basis of determining the exercise price:**
Determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary Shares as stated in the Stock Exchange daily quotation sheets on the date of grant of options, which must be a trading day; (ii) the average of the closing price of the ordinary Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of options; and (iii) the nominal value of an ordinary Share.

8. **The remaining life of the Share Option Scheme:**
The Share Option Scheme will remain in force for a period of 10 years commencing from 18 November 2013.

During the year ended 31 December 2017, details of the share options granted under the Share Option Scheme during the year ended 31 December 2017 were as follows:

	Number of share options									
	At 1 January 2017	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Other changes in the year	At 31 December 2017	Grant date	Exercise period	Exercise price (HK$)
Directors										
Mr. Kei Hoi Pang	13,120,000	–	(1,640,000)	(1,640,000)	–	–	9,840,000	29 May 2014	29 May 2014 to 28 May 2020*	2.34
	–	8,000,000	–	–	–	–	8,000,000	25 August 2017	25 August 2017 to 24 August 2027**	7.43
Mr. Ji Jiande	9,840,000	–	(1,230,000)	(1,230,000)	–	–	7,380,000	29 May 2014	29 May 2014 to 28 May 2020*	2.34
	–	6,400,000	–	–	–	–	6,400,000	25 August 2017	25 August 2017 to 24 August 2027**	7.43
Mr. Xiao Xu	4,470,000	–	(558,750)	(558,750)	–	–	3,352,500	29 May 2014	29 May 2014 to 28 May 2020*	2.34
	–	2,800,000	–	–	–	–	2,800,000	25 August 2017	25 August 2017 to 24 August 2027**	7.43
Mr. Lai Zhuobin	4,170,000	–	(521,250)	(521,250)	–	–	3,127,500	29 May 2014	29 May 2014 to 28 May 2020*	2.34
	–	2,800,000	–	–	–	–	2,800,000	25 August 2017	25 August 2017 to 24 August 2027**	7.43
Mr. Chen Guanzhan	–	2,450,000	–	–	–	–	2,450,000	25 August 2017	25 August 2017 to 24 August 2027**	7.43
Ms. Kei Perenna Hoi Ting	2,050,000	–	(256,250)	(256,250)	–	–	1,537,500	29 May 2014	29 May 2014 to 28 May 2020*	2.34
	–	1,800,000	–	–	–	–	1,800,000	25 August 2017	25 August 2017 to 24 August 2027**	7.43
	33,650,000	**24,250,000**	**(4,206,250)**	**(4,206,250)**			**49,487,500**			
Other employees										
Total	164,610,000	–	(2,291,000)	–	–	–	162,319,000	29 May 2014	29 May 2014 to 28 May 2020*	2.34
	–	135,750,000	–	–	–	–	135,750,000	25 August 2017	25 August 2017 to 24 August 2027**	7.43
	164,610,000	**135,750,000**	**(2,291,000)**	**–**	**–**	**–**	**298,069,000**			
	198,260,000	**160,000,000**	**(6,497,250)**	**(4,206,250)**	**–**	**–**	**347,556,500**			

Notes: The closing price of the shares immediately before the date on which such options were offered, i.e. on 24 August 2017, was HK$7.34 per share.

* The share options are exercisable within a period of 6 years from the 29 May 2014 and subject to the following vesting schedule and performance review:

(i) the share options granted to the Directors and certain senior managers or above of the Group will be vested evenly over a period of 4 years starting from 29 May 2015 and ending on 28 May 2019; and

(ii) the share options granted to certain mid-level managers of the Group will be vested evenly over a period of 3 years starting from 29 May 2015 and ending on 28 May 2018.

** The share options are exercisable within a period of 10 years from 25 August 2017 and subject to the following vesting schedule and performance review:

(i) up to 25% of the share options granted after the expiration of 36 months from 25 August 2017;

(ii) up to another 25% of the share options granted after the expiration of 48 months from 25 August 2017;

(iii) up to another 25% of the share options granted after the expiration of 60 months from 25 August 2017; and

(iv) all the remaining share options granted after the expiration of 72 months from 25 August 2017.

EQUITY-LINKED AGREEMENTS

Save as the Share Option Scheme, no equity-linked agreements were entered into by the Company during the year under review.

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

As at 31 December 2017, the interests and short positions of the Directors and chief executives of the Company in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interest in Shares of the Company

Name of Director	Nature of Interest	Number of Shares[(1)]	Underlying Shares Interested[(2)]	Aggregate interests	Percentage of Issued Share Capital[(5)]
Mr. Kei Hoi Pang	Beneficiary of a family trust[(3)]	3,400,000,000 (L)	—	3,400,000,000	61.96%
	Deemed interest[(3)]	850,256,250 (L)	—	850,256,250	15.50%
	Beneficial owner	1,640,000 (L)	17,840,000	19,480,000	0.36%
Mr. Ji Jiande	Beneficial owner	1,230,000 (L)	13,780,000	15,010,000	0.27%
Ms. Kei Perenna Hoi Ting	Beneficiary of a family trust[(4)]	3,400,000,000 (L)	—	3,400,000,000	61.96%
	Interest of a controlled corporation[(4)]	850,000,000 (L)	—	850,000,000	15.49%
	Beneficial owner	256,250 (L)	3,337,500	3,593,750	0.07%
Mr. Xiao Xu	Beneficial owner	558,750 (L)	6,152,500	6,711,250	0.12%
Mr. Lai Zhuobin	Beneficial owner	521,250 (L)	5,927,500	6,448,750	0.12%
Mr. Chen Guanzhan	Beneficial owner	—	2,450,000	2,450,000	0.04%

Notes:

(1) The letter "L" denotes the person's long position in the shares.

(2) The number of shares represents the shares in which the directors are deemed to be interested as a result of holding share options.

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

(4) Ms. Kei Perenna Hoi Ting is the settlor and a beneficiary of a family trust, and therefore interested in the Shares held through Junxi Investments Limited. She is also indirectly interested in the Company through Dragon Jubilee Investments Limited, Gao Run Holdings Limited and Thrive Ally Limited, which owned collectively 15.49% equity interests in the Company.

(5) The percentage is calculated based on the total number of 5,487,167,250 Shares in issue as at 31 December 2017.

(ii) Interest in Associated Corporations of the Company

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

Note:

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

Save as disclosed above, as at 31 December 2017, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2017, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Nature of Interest	Number of Shares(1)	Percentage of the Company's Issued Share Capital(5)
Mr. Kei Hoi Pang	Beneficiary of a family trust, Deemed interest(2)	4,250,256,250 (L)	77.46%
	Beneficial owner	19,480,000 (L)	0.36%
Ms. Kei Perenna Hoi Ting	Beneficiary of a family trust, Interest of controlled corporations(3)	4,250,000,000 (L)	77.45%
	Beneficial owner	3,593,750 (L)	0.07%
Brock Nominees Limited(4)	Nominee	3,400,000,000 (L)	61.96%
Credit Suisse Trust Limited(4)	Trustee	3,400,000,000 (L)	61.96%
Junxi Investments Limited(4)	Beneficial owner	3,400,000,000 (L)	61.96%
Kei Family United Limited(4)	Interest of a controlled corporation	3,400,000,000 (L)	61.96%
Tenby Nominees Limited(4)	Nominee	3,400,000,000 (L)	61.96%
Dragon Julibee Investments Limited	Beneficial owner	425,000,000 (L)	7.75%

Notes:

(1) The letter "L" denotes the person's long position in shares.

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

(3) Ms. Kei Perenna Hoi Ting is the settlor and a beneficiary of a family trust, and therefore interested in Shares held through Junxi Investments Limited. She is also indirectly interested in the Company through Dragon Julibee Investments Limited, Gao Run Holdings Limited and Thrive Ally Limited, which owned collectively 15.49% interests in the Company.

(4) The family trust is interested in the entire interest of Kei Family United Limited which in turns hold the entire interest in Junxi Investments Limited. Kei Family United Limited is owned as to 50% by each of Brock Nominees Limited and Tenby Nominees Limited, which hold the Shares on behalf of Credit Suisse Trust Limited as trustee.

(5) The percentage is calculated based on the total number of 5,487,167,250 Shares in issue as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, no person, other than the Directors and chief executives of the Company, whose interests are set out in the section headed "Directors' and Chief Executives' Interests and/or Short Positions in Shares, Underlying Shares or Debentures of the Company or any of its Associated Corporations" of this annual report above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2017, no sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for 30% or more of the total sales for the year and of the total purchases for the year, respectively.

None of the Directors, their close associates or any shareholders (according to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in the major suppliers of customers noted above.

CONNECTED TRANSACTIONS

During the year ended 31 December 2017, the Group entered into the following connected transactions with its connected persons:

(a) Acquisition of 10% equity interest in Huizhou Daya Bay Dongzhen Property Co., Ltd.*

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

At the time of the entering of the Equity Transfer Agreement, Pingan Dahua owned a 49% interest in a subsidiary of the Company, and is a substantial shareholder of a subsidiary of the Company and a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. As a result, the entering into the Equity Transfer Agreement constitutes a connected transaction of the Company. As the Directors (including all the independent non-executive Directors) have confirmed that the Equity Transfer Agreement is on normal commercial terms and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, such transaction is only subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Details of the Equity Transfer Agreement are set out in the announcement of the Company dated 28 June 2017.

(b) Acquisition of 20.4% equity interest in Shenzhen Logan Junjing Real Estate Company Limited*

深圳市龍光駿景房地產開發有限公司 (Shenzhen Logan Junjing Real Estate Company Limited*) ("Shenzhen Logan Junjing") was a wholly owned subsidiary of the Company established on 16 July 2015. In early September 2015, the Company and Pingan Dahua agreed to convert Shenzhen Logan Junjin into a joint venture to bid for the land parcel, namely Shenzhen 2015 no. A811-0319, in the public auction. On 23 September 2015, Shenzhen Logan Junjing secured the land parcel in the public auction. On 5 September 2017, Shenzhen Logan Property exercised its first right to acquire the 20.4% equity interest in Shenzhen Logan Junjing for a total consideration of RMB2,022.0 million (the "Acquisition"). Upon completion of the Acquisition, Shenzhen Logan Junjing was since held as to 71.4% by Shenzhen Logan Property and as to 28.6% by Pingan Dahua, and remain as a non-wholly owned subsidiary of the Company.

Prior to completion of the Acquisition, Pingan Dahua is a substantial shareholder of Shenzhen Logan Junjing, which was a non-wholly owned subsidiary of the Company, and hence a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. The Acquisition constitutes a connected transaction of the Company.

One of the applicable percentage ratios in respect of the Acquisition exceeded 5% but was less than 25%. As (i) Pingan Dahua is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Acquisition; and (iii) the independent non-executive Directors have confirmed that the Acquisition is on normal commercial terms and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Details of the Acquisition are set out in the announcement of the Company dated 5 September 2017.

CONTINUING CONNECTED TRANSACTIONS

Details of the continuing connected transactions of the Company during the year ended 31 December 2017 are as follows:

(a) Construction Service Agreement

On 27 January 2015, Logan Construction Co., Ltd. (龍光工程建設有限公司) ("Logan Construction"), a non-wholly owned subsidiary of the Company, entered into a construction service agreement (the "Construction Service Agreement") with Shantou Weida Property Co., Ltd. (汕頭市偉達房地產有限公司) ("Shantou Weida"), pursuant to which Logan Construction agreed to provide construction services (including, but not limited to, foundation engineering, fitting, electricity installation, construction of structural facilities, cleaning work upon completion of construction, coordination service during the delivery process, onsite management and construction raw material procurement) and other related services (the "Construction Services") to Shantou Weida for a term from the date of the Construction Service Agreement and ending on 31 December 2017 (both days inclusive), and subject to an annual cap of RMB273,000,000 and RMB312,000,000 for the year ended 31 December 2015 and 31 December 2016, respectively, and RMB195,000,000 for the year ended 31 December 2017.

The above annual cap amounts for the Construction Services were determined by reference to: (a) the total expected transaction amount and expected demand for the Construction Services required taking into account of the construction schedules of the projects undertaken by Shantou Weida for the three years ended 31 December 2017; and (b) the anticipated market price of the labour price, construction materials and other raw materials expected to be required for the Construction Services taking into account of the reference price obtained through regular price research conducted by the Company.

At the time of the entering of the Construction Service Agreement, as Shantou Weida was indirectly controlled by Mr. Yao Yaojia, being a brother-in-law of Mr. Kei Hoi Pang, an executive Director and the chairman of the Company, and an uncle of Ms. Kei Perenna Hoi Ting, a non-executive Director, and a brother-in-law of Mr. Ji Jiande, an executive Director, each of Mr. Yao Yaojia and Shantou Weida was a connected person of the Company pursuant to the Listing Rules. Accordingly, transactions under the Construction Service Agreement constituted continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the Construction Service Agreement are set out in the announcement of the Company dated 27 January 2015. Following the completion of acquisition of the entire issued share capital of Pak San Bay Investments Company Limited ("PSB Inv") on 31 December 2016 (the "Acquisition"), Shantou Weida becomes an indirect non-wholly owned subsidiary of the Company due to PSB Inv owns entire issued share capital of Pak San Bay (Hong Kong) Investment Company Limited ("PSB HK") which in turn holds 75% interests in Shantou Weida, and accordingly, the transactions contemplated under the Construction Service Agreement no longer constitute continuing connected transaction of the Company since 31 December 2016. Details of the Acquisition are set out in the announcement of the Company dated 5 December 2016.

(b) Design Service Agreement

On 27 January 2015, Guangdong Modern Construction Design and Consultant Company Co., Ltd. (廣東現代建築設計與顧問有限公司) ("Guangdong Modern Construction"), a wholly-owned subsidiary of the Company, entered into a design service agreement (the "Design Service Agreement") with Shantou Weida, pursuant to which Guangdong Modern Construction agreed to provide design services, including building and structure design, planning design, architecture design, external façade design and overall planning design for the project (the "Design Services") to Shantou Weida for a term from the date of the Design Service Agreement and ending on 31 December 2017 (both days inclusive), and subject to an annual cap of RMB8,100,000 and RMB3,375,000 for the year ended 31 December 2015 and 31 December 2016, respectively, and RMB2,025,000 for the year ended 31 December 2017.

The above annual caps amounts for the Design Service were determined by reference to (a) the unit price per square metre; and (b) the expected total design area for each year of which such Design Service is required for the projects undertaken by Shantou Weida for the three years ended 31 December 2017.

At the time of the entering of the Design Service Agreement, as Shantou Weida was indirectly controlled by Mr. Yao Yaojia, being a brother-in-law of Mr. Kei Hoi Pang, an executive Director and the chairman of the Company, and an uncle of Ms Kei Perenna Hoi Ting, a non-executive Director, and a brother-in-law of Mr. Ji Jiande, an executive Director, each of Mr. Yao Yaojia and Shantou Weida was a connected person of the Company pursuant to the Listing Rules. Accordingly, transactions under the Design Service Agreement constituted continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the Design Service Agreement are set out in the announcement of the Company dated 27 January 2015. Following the completion of the Acquisition (as defined under the paragraph "Construction Service Agreement" above), Shantou Weida becomes an indirect non-wholly owned subsidiary of the Company due to PSB Inv owns entire issued share capital of PSB HK which in turn holds 75% interests in Shantou Weida, and accordingly, the transactions contemplated under the Design Service Agreement no longer constitute continuing connected transaction of the Company since 31 December 2016. Details of the Acquisition are set out in the announcement of the Company dated 5 December 2016.

(c) Management Service Agreement

On 27 January 2015, Shantou Logan Property Co., Ltd. (汕頭市龍光房地產有限公司) ("Shantou Logan Property"), a wholly-owned subsidiary of the Company, entered into a management service agreement (the "Management Service Agreement") with Shantou Weida pursuant to which Shantou Logan Property agreed to provide management services (including, but not limited to, managing the day-to-day operations, to be responsible for, among others, the project development, sales and management of the projects, and to assign personnel of the operation) and other related services (the "Management Services") to Shantou Weida for a term from the date of the Management Service Agreement and ending on 31 December 2017 (both days inclusive), and subject to an annual cap of RMB2,625,000 and RMB3,000,000 for the year ended 31 December 2015 and 31 December 2016, respectively, and RMB1,875,000 for the year ended 31 December 2017.

The above annual caps for the Management Services were determined by reference to: (a) the expected costs for provision of the related management services by Shantou Logan Property (including the salaries and benefits, costs incurred for the use of facilities and disbursements to third parties, etc.) taking into account of the construction schedules of the projects undertaken by Shantou Weida; and (b) the unit price per square metre as agreed from time to time and the expected area to be completed by Shantou Weida for the three years ended 31 December 2017.

At the time of entering of the Management Service Agreement, as Shantou Weida was indirectly controlled by Mr. Yao Yaojia, being a brother-in-law of Mr. Kei Hoi Pang, an executive Director and the chairman of the Company, and an uncle of Ms Kei Perenna Hoi Ting, a non-executive Director, and a brother-in-law of Mr. Ji Jiande, an executive Director, each of Mr. Yao Yaojia and Shantou Weida was a connected person of the Company pursuant to the Listing Rules. Accordingly, transactions under the Management Service Agreement constituted continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the Management Service Agreement are set out in the announcement of the Company dated 27 January 2015. Following the completion of the Acquisition (as defined under the paragraph "Construction Service Agreement" above), Shantou Weida becomes an indirect non-wholly owned subsidiary of the Company due to PSB Inv owns entire issued share capital of PSB HK which in turn holds 75% interests in Shantou Weida, and accordingly, the transactions contemplated under the Management Service Agreement no longer constitute continuing connected transaction of the Company. Details of the Acquisition are set out in the announcement of the Company dated 5 December 2016.

(d) Master Pre-delivery Property Service Agreement

On 13 June 2017, Shenzhen Logan Holdings Co., Ltd. (深圳市龍光控股有限公司) ("Shenzhen Logan"), a wholly-owned subsidiary of the Company, entered into the master pre-delivery property service agreement (the "Master Pre-delivery Property Service Agreement") with Logan Foundation Group Co., Ltd.* (龍光基業集團有限公司) ("Logan Foundation") pursuant to which Shenzhen Logan has agreed to provide, and procure its subsidiaries to provide, pre-delivery property service, including, but not limited to, construction services, design services and management services (the "Pre-delivery Property Service"), to Logan Foundation and its subsidiaries at the pre-delivery stages for a term commencing from the date of the Master Pre-delivery Property Service Agreement and ending on 31 December 2019 (both days inclusive), and subject to an annual cap of RMB500,000,000 for each of the three years ending on 31 December 2019.

The above annual caps for the Pre-delivery Property Service were determined by reference to: (i) the historical transaction amounts payable by Logan Foundation to the Group for the three financial years ended 31 December 2016 and the four-month period from 1 January 2017 and ended 30 April 2017; and (ii) the expected amount of service fees payable to Shenzhen Logan for the provision of Pre-delivery Property Service with reference to (a) the anticipated increases in demand of Pre-delivery Property Service required by Logan Foundation during the term of the Master Pre-delivery Property Service Agreement taking into account of the number of property development projects of Logan Foundation in the PRC and the expected area to be completed for each year during the term of the Master Pre-delivery Property Service Agreement; and (b) the unit price per square meter as agreed from time to time.

As Logan Foundation is effectively held as to 47% by Mr. Kei Hoi Pang and 16.5% by Mr. Ji Jiande. Mr. Kei Hoi Pang is an executive Director and the chairman of the Company and the elder brother of Mr. Ji Jiande, and Mr. Ji Jiande is an executive Director and the younger brother of Mr. Kei Hoi Pang. Logan Foundation is hence a connected person of the Company pursuant to the Listing Rules. Accordingly, the transactions contemplated under the Master Pre-delivery Property Service Agreement constitutes continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Details of the Master Pre-delivery Property Service Agreement are set out in the announcement of the Company dated 13 June 2017.

The Company has complied with the disclosure requirements as prescribed in Chapter 14A of the Listing Rules with respect to the above continuing connected transactions of the Group.

All independent non-executive Directors have reviewed the above continuing connected transactions, and confirmed that those transactions were entered into:

1. in the ordinary and usual course of business of the Group;

2. under normal commercial terms, or on terms better than terms available to or from independent third parties; and

3. in accordance with the agreements governing the above continuing connected transactions, the terms of which are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

Based on the work performed, the auditor of the Company confirmed to the Board that the aforesaid continuing connected transactions:

1. have been approved by the Board;

2. are in accordance with the pricing policy of the Group;

3. have been entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

4. have not exceeded the relevant cap allowed by the Stock Exchange.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor has issued an unqualified letter containing their conclusions in respect of the continuing connected transactions of the Group. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Save as otherwise disclosed, there are no related party transactions disclosed in note 41 to the financial statements which constitutes a connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules during the year ended 31 December 2017.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires there to be an open market in the securities to be maintained. This normally means that at least 25% of an issuer's total issued share capital must at all times be held by the public. However, Rule 8.08(1)(d) of the Listing Rules provides that the Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25%, if the issuer meets the following requirements under Rule 8.08(1)(d) of the Listing Rules:

(a) the issuer will have an expected market capitalization at the time of listing of over HK$10.0 billion;

(b) the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage;

(c) the issuer will make appropriate disclosure of the lower prescribed percentage of public float in the initial listing documents;

(d) the issuer will confirm the sufficiency of the public float in successive annual reports after listing; and

(e) a sufficient portion (to be agreed in advance with the Stock Exchange) of any securities intended to be marketed contemporaneously within and outside Hong Kong must normally be offered in Hong Kong.

The Stock Exchange had granted a waiver under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of 15% (or a higher percentage upon exercise of the over-allotment option as defined in the Company's prospectus dated 10 December 2013) of the Company's issued share capital (the "Company's Minimum Public Float") subject to:

(i) the Company's Minimum Public Float upon the listing date was 15%;

(ii) the sponsor and the Company were able to demonstrate satisfactory compliance with Rules 8.08(2) and 8.08(3) of the Listing Rules at the time of the listing;

(iii) the Company has implemented appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float; and

(iv) the Company has made appropriate disclosure of the lower prescribed percentage of public float in the Company's prospectus dated 10 December 2013 and confirms sufficiency of public float as at the date of this annual report.

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2017 and as at the date of this annual report, the Company has maintained sufficient public float as required under the Listing Rules.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained on pages 28 to 38 of this annual report.

AUDITOR

On 15 November 2017, KPMG, Certified Public Accountants, resigned as the auditor of the Company. With effect from 17 November 2017, Ernst & Young, Certified Public Accountants, was appointed as the new auditor of the Company.

The consolidated financial statements for the year ended 31 December 2017 have been audited by Ernst & Young, who will retire and, being eligible, offer themselves for re-appointment as the auditor of the Company at the forthcoming annual general meeting of the Company.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

This report is approved and signed for and on behalf of the Board by

Kei Hoi Pang
Chairman

22 March 2018

Environmental, Social and Governance Report

In compliance with the Environmental, Social and Governance Reporting Guide (the "ESG Guide") under Appendix 27 as set forth by the Hong Kong Exchanges and Clearing Limited, Logan Property Holdings Company Limited and its subsidiaries ("Logan Property", the "Group", "we" or "us") prepared the Environmental, Social and Governance ("ESG") Report (the "ESG Report").

The ESG Report covers the period from 1 January 2017 to 31 December 2017 (hereinafter referred to as the "Reporting Period", or the "2017 Financial Year"), the scope of which involves the real estate development projects managed by the Group, as well the related administrative work.

Logan Property is an integrated property developer focusing on residential property development. Believing in the vision of "building a better life", Logan Property has been committed to the social corporate responsibility amid its generation of economic benefits. In addition, it continues its commitment to being a corporate citizen that creates values for all stakeholders, including the customers, shareholders, employees, and social communities, as well as seeking stable and sustainable business development.

The preparation of the ESG Report involved the participation of the Group's key stakeholders, including the management and relevant staff who jointly assessed the importance of the relevant ESG matters for the purposes of understanding the expectations and propositions from various stakeholders of the Group and provided all relevant ESG information. The Group laid out the following reporting scopes after completing an assessment over the materiality of our businesses affecting the ESG issues:

Essentials of the ESG Guide	Significant ESG Matters of the Group
A. Environmental	
A1. Emissions	• Emission of exhaust and sewage • Emission of greenhouse gases • Construction wastes • Office wastes
A2. Use of Resources[1]	• Energy use • Management of water use
A3. The Environment and Natural Resources	• Construction noise • Environmental impact assessment • Green building
B. Social	
B1. Employment	• Employee treatment • Equal opportunity policy
B2. Health and Safety	• Occupational health and safety
B3. Development and Training	• Employee training and development
B4. Labour Standards	• Prevention of child labour or forced labour
B5. Supply Chain Management	• Supply chain quality and environmental management
B6. Product Responsibility	• Product quality • Sales management • Aftersales service and information privacy
B7. Anti-corruption	• Anti-bribery and anti-corruption
B8. Community Investment	• Social benefit

[1] The Group does not consume packaging materials in property development business, thus data disclosure for packaging materials does not apply.

A) ENVIRONMENTAL

A1. Emissions

Aspect A1 General Disclosure	As a major property developer and city complex operator in the PRC, the Group is committed to supporting environmental sustainability. By taking promotion of environmental work and awareness as its mission, the Group vigorously applies the latest environmental technologies, while constantly improving its models of production to minimize the impacts brought by its business operations. During the year, the Group's resources invested in environmental protection and emission reduction also enabled the Group to reduce our environmental footprint.

The Group is committed to becoming a leading green property developer in China. In addition to providing its customers with a highly premier and comfortable living environment, the Group will strive for environmental protection. Construction works during the development of property projects would unavoidably emit exhaust, sewage and wastes. As such, the Group wishes to process such wastes with good work plans and continuous monitoring, to reduce its damage to the environment. Before a project commences its construction, experts from the Group's engineering department would assess and predict the amount of emissions to be generated, and formulate an emission source reduction plan that can effectively manage emissions from production processes of our projects. To minimize emissions from production, the Group also closely monitors and controls the amount of emissions, while utilizing specification-compliant production equipment and matured emission treatment processes, including exhaust, sewage and construction wastes.

In compliance with the laws and regulations on environmental protection (including the management of pollutants and emissions) formulated by national, provincial and municipal governments of the PRC, the Group ensures that it strikes a balance between its development and environmental issues for attaining the goal of sustainability. During the Reporting Period, the Group was not aware of any material violations of laws and regulations relating to environmental protection, including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), and the Law of People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》).

KPI	Emission of exhaust and sewage
A.1.1 A.1.5	Exhaust and sewage discharge from the production activities of the Group mainly come from the property development projects, while other business operations involve no significant discharge. The construction engineering segment of the Group is partially outsourced to third-party engineering contractors. During the Reporting Period, the amount of major exhaust and sewage generated from the Group and the contractors appointed for our projects is listed as below:

Emission type	Unit	Amount
Nitrogen oxide (NO_x)[2]	kg	964.60
Sulfur dioxide (SO_2)[2]	kg	597.30
Particulate matters(PM)[2]	kg	5,201.50
Hydrocarbon (HC)[2]	kg	2,001.90
Volatile organic compounds (VOC)[2]	kg	478.90
Carbon monoxide (CO)[2]	kg	1,554.60
Sewage	tonne	341,625.50

To mitigate the abovementioned environmental impact from emissions, the Group implements a series of emissions reduction measures that aim to reduce emissions and prevent them from spreading to and affecting the surroundings in an all-round manner, covering the source of emissions, the construction process and the post-construction stage. During the planning of project engineering, we set up our objectives on pollutants emission and air quality. The Group continuously monitors the actual emission and conducts regular comparative analysis against the objectives, so as to identify and follow up areas for improvement accordingly. The engineering department establishes environmental monitoring points at the project sites, to provide live monitoring of environmental quality and ensure timely improvement for all the situations concerned. The Group also has measures in place to monitor the discharges from contractors, under which, contractors are required to be in strict compliance with the discharge standard prescribed by the Group, including the emission types and amounts. Where any discharge exceeds the standard amount, a timely report shall be submitted. Furthermore, the Group will regularly assign personnel to the construction sites for inspection to ensure no non-compliance matter is occurred.

In respect of dust pollution, the Group hardens the ground of construction sites in all its development projects, and applies brick slags to temporary roads. All construction sites are equipped with sprinkler pipes for regular sprinkling; dust sources, such as earthworks, are placed in a concentrated manner and covered. All these measures effectively reduced the spread of dusts. Furthermore, in order to prevent their dust from affecting the environment nearby, every construction site is also furnished with an area where vehicles and machines within the site can be washed before departure. In respect of exhaust emission, all the construction machinery and transportation vehicles are powered by clean fuels such as ultra-low-sulphur diesel, while exhaust pipes are installed with catalytic converters and particulate filters to reduce the generation and emission of air pollutants.

2 Calculation of data regarding emissions is based on the technical specifications and operating data of construction machinery and transportation vehicles.

In respect of sewage treatment, all construction sites are equipped with return pipes to collect sewage, through which used water would flow into sedimentation tanks for filtration, so as to ensure the discharge of sewage is in line with regulations. For the measures of sewage reduction, please refer to the section headed "Management of water use".

KPI — Emission of greenhouse gases

A1.2 — The emission of greenhouse gases by the Group is mainly caused by the use of fuel and electricity. During the Reporting Period, the Group's direct and indirect emission of greenhouse gas amounted to 20,205.23 tonnes[3] with a density level of 3.07 metric tonnes of CO_2 equivalents per square meter by gross floor area. Please refer to the section headed "Energy use" for details in relation to measures to reduce greenhouse gas emissions.

KPI — Construction wastes

A1.3
A1.4
A1.6 — The Group's property development engineering projects generate certain construction wastes. Set out below were the types and amounts of major building waste generated from the engineering work in connection to all project developments of the Group during the Reporting Period.

A1.4	Types of construction wastes	Unit	Amount
	Building debris	tonne	26,170.10
	Rubble	tonne	3.68
	Earth	tonne	815,415.40
	Concrete	tonne	149,462.10
	Asphalt	tonne	240.20
	Metal scrap	tonne	792.20
	Wood	tonne	2,009.20
	Asbestos	tonne	0.96
	Fluorescent light tubes	tonne	0.95

3 Data only comprises energy utilized by the Group over the course of its business operation, excluding energy consumption beyond direct control by the Group. Calculation of carbon dioxide emission is based on the Greenhouse Gas Protocol jointly published by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI), the Regional Grid Baseline Emission Factors and the Guide for Greenhouse Gas Emission Accounting Methods and Reporting for Public Building Operators (Trial) published by the National Development and Reform Commission of the PRC, and the Reporting Guidance on Environmental KPIs by the Stock Exchange of Hong Kong Limited.

The Group controls and handles construction wastes arising during the development process through a comprehensive plan, recycling and continuous monitoring. During the development phase in the real estate project, the engineering staff of the Group spend efforts in reviewing the engineering drawings to reduce the construction wastes caused by construction demolition at later stages as a result of drawing problem. Construction wastes are sorted out and stacked separately, and delivery records are kept for easy track of the wastes and to ensure proper handling of wastes. The spoil in each project is generally recycled in the way of backfilling. Recycling system is set up in certain projects, so that construction wastes (including waste bricks, concrete block, fly ashes) are reprocessed as building blocks for the construction of the building wall to reduce the wastes and save the raw materials. These measures have significantly reduced the construction wastes, and in turn, significantly reduced the landfill load and related greenhouse gas emissions.

Case: Prefabricated building

In response to the new development in the green building requirements by the government, the Group tried and promoted the prefabricated building technology during the Reporting Period, and achieved certain success. Prefabricated building technology refers to the unified planning and design for structural components. First, building structural components are molded within the factory for production and assembly, and transported to construction sites for set up upon completion. The building blocks under the tessellation standard can significantly improve the engineering efficiency, save a massive amount of circulating materials and building materials, and further enable better utilization of sources of materials and reduction of construction waste. Over the course of construction, in comparison to traditional cast-in-place building, prefabricated building applies dry construction, significantly reducing the amounts of the sand, mud, and lime on site. Reduced construction processes also avoid noise, dust, and water pollution, thereby delivering a green production process. In addition, the unified structural components designed for prefabricated building ensure that installation of such components are more precise than traditional building models, and effectively reduce the potential of water seepage and cracks. As a result, building quality can be ensured and the interests of users are protected.

In April and September 2017, the Group launched Phase I and Phase II of Acesite Park Project in West Shenzhen, respectively. Upon review by the relevant experts, both phases received from Shenzhen Housing and Construction Bureau the Shenzhen Technical Confirmation Statement for Prefabricated Building Designs (深圳市裝配式建築項目設計階段技術認定意見書), respectively, whereby confirming that our project is in compliance with the relevant requirements pertaining to prefabricated building in Shenzhen. In addition, our new project also had a widely positive response in the market. In the future, the Group will continue to introduce more prefabricated buildings, and further apply the green technologies to our production process to minimize the impacts brought by the sources on the environment.

Office wastes

The daily administrative office work of the Group also generate a small amount of waste. Set out below are the types and amounts of major office waste generated from the office work of the Group during the Reporting Period:

Waste type[4]	Unit	Amount
Paper	tonne	48.83
Paper cups	tonne	5.55
Ink cartridge	tonne	2.17
Toner cartridge	tonne	2.75
Plastic bottles	tonne	4.40

The Group has implemented a number of waste reduction measures in administrative offices by reducing waste from two aspects, namely, the sources and the recycling process. Each office of the Group has set up a recycling bin to collect waste paper which is collected and sent to qualified recyclers for recycling. A recycling box for single-sided paper is also set next to the printer to collect the single-sided paper used for secondary printing of non-important documents. Double-sided printing is advocated in the office, and all computer files are defaulted for double-sided printing to save paper. All departments are also required to report the amount of office supplies for the current month in one-month advance so as to set a goal for the reasonable use of office supplies.

A2. Use of Resources

Aspect A2 General Disclosure	All production and operation activities of the Group are carried out in accordance with the purpose of energy conservation and emission reduction. The Group formulates the relevant policies to manage resource consumption, and adopts a series of energy-conserving measures to avoid the direct or indirect overuse of natural resources.

In the real estate project development, the Group uses more environmental friendly and highly efficient construction equipment as well as green construction methods to minimize the use of resources and engineering pollution. The design of the project as well as common facilities are also taken into the consideration in environmental protection to reduce the resource consumption in the long run. During the Reporting Period, the Group tried and promoted the prefabricated building technology by using prefabricated components and aluminum alloy panels, the industrialized construction of which helps to reduce on-site installation work, the waste of raw materials, and resource consumption.

4 Calculation of office waste data is based on the annual purchase amount.

In the administrative office, the Group reviews the use of resources on a regular basis and formulates resource improvement plans and measures, including the use of environmentally friendly and highly efficient office and operating equipment to improve the Group's environmental performance on one hand and save the costs for the Group on the other hand, which serves a double purpose.

KPI	Energy use
A2.1 A2.3	Major energy used by the Group is categorized into four types, namely, power, gasoline, diesel, and natural gas. Set out below is the consumption level of the Group during the Reporting Period.

		Property Development		**Administrative Office**	
By type	**Unit**	**Amount**	**Density (per square meter by gross floor area)**	**Amount**	**Density (per square meter by office area)**
Power	kWh	25,987,714.00	3.9689	4,856,328.00	136.5392
Gasoline	liter	49,137.90	0.0075	193,400.00	5.4376
Diesel	liter	71,159.00	0.0109	0	0
Natural gas	cubic meter	9,099.60	0.0014	4,602.10	0.1294

As power is the major type among four types of energy consumption, the Group has developed a number of electricity saving measures: use of LED lights or other highly efficient energy-saving fluorescent tubes in most of the Group's lighting system; use of non-tungsten flood light for outdoor lighting to reduce the power consumption; use of sound and light control switch or timer switch for some of the non-essential long time lighting lamps to reduce the lighting time; use of latest low power consumption equipment and elimination of the old high-consumption equipment, so as to reduce the power consumption.

In addition, the Group has also applied solar technology, which includes the use of solar street lighting for the roads of project sites, as well as solar water heaters to provide hot water. The indoor air conditioning temperature in all offices of the Group is set between 23 and 25 degrees Celsius to avoid unnecessary cooling power consumption. Monitoring meters are installed in the proper positions, which will be regularly checked, in order to monitor power consumption for improvement.

As for other fuel consumption, the Group's engineering department also has the corresponding control measures. Power supplied by the power company is used as much as possible to replace the diesel generators, which can take advantage of the power company's more efficient power generation equipment to reduce carbon emissions. In addition, the Group uses energy-saving construction machinery and equipment, and ensure that idle machines are off timely to reduce unnecessary fuel consumption.

KPI	Management of water use
A2.2 A2.4	Main water consumption by the Group focuses on building projects and daily office work. Set out below is the consumed water amount of the Group during the Reporting Period:

		Property Development		Administrative Office	
By type	**Unit**	**Amount**	**Density (per square meter by gross floor area)**	**Amount**	**Density (per square meter by gross floor area)**
Water	cubic meter	2,165,583.80	0.3307	122,119.00	3.4335

To protect valuable water resources, the Group has actively implemented a number of water conservation projects. As the Group's main water consumption is generated by construction projects, the Group has devoted to the management of water consumption in construction sites. All the construction sites of our projects are equipped with sewage clarifiers, construction wastewater, rainwater and other domestic sewage are drawn into the clarifiers for filtration. The filtered water is then recycled for vehicle cleaning and dust removal. As for vehicle cleaning which consumes plenty of water, the engineering department requires the use of water-saving pistols to reduce water consumption, and the water used for cleaning should be collected back to the sewage clarifiers for recycling. The engineering department of the Group will propose a plan for inspection and maintenance of water pipes and regularly inspects for leakage in the water pipes used in the projects for timely maintenance.

For other daily water consumption during administration, the Group also encourages employees to reuse domestic sewage as much as possible (for example, for irrigation), to enhance the awareness of water conservation. As for equipment, the Group uses water-saving faucets and toilets are installed with regularly flushing system, which shut down after 10 o'clock every night to reduce the waste of water. The Group installs water meters at proper places and makes appropriate calibrations to assist measurement and eliminate the waste.

Aspect A3 General Disclosure	A3. Environment and Natural Resources The Group attaches great importance to the impact of business operations on the surrounding environment and natural resources, and the Group is in strict compliance with national environmental protection laws and regulations. Under the development principle of green production, the Group will include environmental protection to every process of the production chain, and strike a balance between the interests of all parties from management to implementation. During the Reporting Period, the Group tried and promoted the prefabricated building technology, industrialized construction of which helped to conserve energy, save water, save materials, and reduce emissions. Ultimately, the Group achieved a harmonious relationship between its business and environmental protection.

The Group organizes intra-group publicity campaigns that are related to environment protection and energy conservation on a regular basis. It also leads the entities in charge of construction to participate in various environmental publicity activities held by the government departments so as to enhance the environmental protection concept of the employees and raise the awareness of energy conservation and emission reduction in their daily work.

During the construction of each project, the Group regularly monitors and measures the construction and conducts environmental quality assessment. For the identified environmental risks, the engineering staff will respond in a timely manner according to the actual situation, so as to control the problem as soon as possible, reducing the impact on environment.

KPI	Significant impacts of activities on the environment and natural resources
A3.1	Construction noise In addition to the various emissions and resource consumption mentioned above, the negative impact on the environment that comes from the Group's business is mainly the noise created from the construction work of project development. During the construction process, the operation of construction machinery generates considerable noise, so the engineering staffs have made appropriate arrangements to reduce the construction noise, including use of low-noise construction machinery in compliance with the required standards, as well as regular measure of the noise level to prevent violation of the standards. In addition, all construction of the projects is only carried out during the day to avoid disturbing residents in the surrounding areas. The construction site is also equipped with appropriate sound insulation equipment to effectively reduce the noise spreading to the nearby community. On the other hand, workers are also required to receive training to increase their awareness of operating procedures to mitigate noise pollution.

Environmental impact assessment

As the Group's construction projects cause certain environmental impacts, the Group, subject to the national regulations and requirements, is required to appoint industrial experts to perform an environmental impact assessment to the surrounding area prior to commencement of our construction projects. Such assessment shall include the natural habitats of animals, water contamination, soil pollution, and disturbance against residents in the neighborhood. In connection with findings derived from the environmental impact assessment, the Group will take measures to minimize the negative impacts due to emission and pollution caused by our projects. In addition, the Group will formulate an environmental protection scheme to mitigate the impacts brought by the construction projects on the neighboring conditions during the construction planning stage in accordance with the affected areas as identified in the assessment report.

Green building

The Group is committed to the vision of environmental friendly building. During the Reporting Period, the Group received various certifications with respect to our buildings, including the Leadership in Energy and Environmental Design (LEED) certificate, Building Environmental Assessment Method (BEAM Plus) certificate, and Green Building Design Label (GBDL) certificate, which in return validated the recognition of our environmental undertaking by the industry and the market.

The green design of our buildings includes:

- An intelligent building management system is installed to buildings, which automatically adjusts the air-conditioning level and window curtains based on weather data;

- The external shading system and light guide plates are adopted to control indoor light with a maximum use of natural light. Common areas are afforested, while fresh air is injected to the indoor rooms of the building for better ventilation;

- Renewable energy is maximized efficiently, including installation of solar panels; and

- Harmless and recyclable building materials are used.

B) SOCIAL

B1. Employment

Aspect	Employee treatment
B1 General Disclosure	The Group believes that high calibre talent plays the role of cornerstone for our business development, so we provide attractive remuneration packages for our employees to attract and retain top staff. The remuneration of the employees of the Group is determined with reference to the market and industry practices. Employee compensation comprises of basic salary, indefinite salary, short-term bonus, long-term reward (such as Options) and other employee benefits. The Group will also review such treatment every year or as necessary.

The number of working hours and holidays of the employees of the Group are implemented strictly in accordance with the Labor Law of the People's Republic of China and local labor laws and regulations, ensuring that every employee has reasonable working hours with holidays not less than as prescribed by the law which allow them to have a good work-life balance.

As for employee benefit schemes, the Group provides mandatory and voluntary provident fund and provides medical insurance, pension scheme, unemployment insurance and work injury insurance to employees in accordance with the provisions of the Labor Law of the PRC to ensure that employees' treatment and rights are guaranteed.

The Group is committed to maintaining a close relationship with its employees, providing quality services to our clients and enhancing our cooperation with our business partners. We provide a fair and secured working environment for our employees, promote the diversified development of our employees, and offer opportunities of diverse payment packages, benefits and career development based on employees' contributions and performance.

Equal opportunity policy

As an employer promoting equal opportunities, the Group strongly opposes to all discriminatory behaviours and is committed to providing a fair and equitable working environment to all employees. We have entered into stringent selection criteria as guidance for the recruitment, training and treatment of our employees. The selection process only takes into account the candidate's experience, expertise and skills. Any other factors that are unrelated to workability or performance, such as gender, pregnancy, marital status, disability, family status or race, are not considered.

The Group's human resources policies, including recruitment, dismissal and the above categories, complies with applicable laws and regulations. During the Reporting Period, the Group did not identify any material violation of human resources-related laws and regulations.

B2. Health and Safety

Aspect	Occupational health and safety
B2 General Disclosure	Human resources are essential to the operation and development of the Group. As a result, the Group is committed to taking all appropriate measures to provide employees with a fair and safe working environment to protect employees and avoid occupational injuries.

The Group has developed and distributed employees' manuals and safety guidelines to provide guidance on the health and safety issues that the employees would encounter during their work, in a bid to reduce the chances of all kinds of occupational injuries. In addition, we carry out regular exercises, such as fire drills. Through different kinds of exercises, the emergency response capability and safety awareness of the employees are improved. In order to provide physical protection to employees, those who work on construction sites are required to wear safety equipment. The Group conducts regular training on safety awareness for employees and allows the employees to give opinions to the management on the environmental safety of the site.

As a part of the strategy for sustainable development, the Group also conducts annual centralized audits on all domestic offices and construction sites to assess the implementation of occupational health and safety measures to ensure that the measures formulated are properly implemented across the Group and proper records are kept.

During the Reporting Period, the Group did not identify any material violation of laws and regulations relating to the health and safety issues at the workplaces.

B3. Development and Training

Aspect	Employee training and development
B3 General Disclosure	The Group provides the employees with adequate training and development resources on an on-going basis so that the employees keep abreast with the information about market and industry development, while improving their performance and achieving self-development in their posts.

We have a comprehensive training mechanism and training system to support the employees' in-service education and training, in a view to enhance the job knowledge and skills of the employees. The training programs include induction training, on-the-job training and third-party professional training to raise the employees' awareness and compliance of personnel rules and regulations, cultivate professional quality, understand the Group's management system, and enhance self-professional ability and comprehensive ability. Meanwhile, the third-party professional training ensures that the employees are able to obtain the latest market knowledge and information to enhance their competitiveness. All of the above training fees are sponsored by the Group.

At the same time, we offer different career development plans and programs for different business characteristics and employees' orientations, competencies and development needs. In addition to having access to different business modules and expanding their horizons, the employees develop diversified skills by rotating positions or participating in different projects.

B4. Labour Standards

Aspect	Prevention of child labour or forced labour
B4 General Disclosure	The Group strictly abides by the requirements of National Labour Law (國家勞動法), prohibiting the recruitment of child labour and forced labour. We have adopted a series of measures to ensure that all applicants meet the requirements and demands of labour law, including the rigorous inspection and election process implemented in the process of recruitment.

All staffs are required to reach the legal age and enter into labour contract before duly hiring. The human resources department also examines the identification documents of the applicants to make sure the staff are legal labour, with an aim to avoid child labour or forced labour. Moreover, the Group also checks each subsidiary on a regular basis to ensure no breach of relevant laws and regulations is identified.

During the Reporting Period, the Group did not identify any material violation of laws and regulations relating to prevention of child labour or forced labour.

B5. Supply Chain Management

Aspect	Supply chain quality and environmental management
B5 General Disclosure	The Group has strict requirements on management of suppliers and outsourcing contractors. It sets up process to regulate purchasing and bidding process, so as to achieve the purpose of governing quality from the sources, includes the fair and just principles into the supply chain management systems, and implements them properly to make sure various raw materials and constructing projects compliance with our quality and environmental requirements.

Our purchasing management centre is responsible for the purchasing matters of the Group. The Group sets stringent inventory standard for all units, which covers environmental certification of materials and construction units, in addition to its strict compliance with the market entry conditions set by the Chinese government. Apart from overall assessment, reviewing on performance of all suppliers and outsourcing contractors over the previous year and renewing and updating the suppliers' lists regularly for each year, the responsible person for the purchasing management centre and other staff member also randomly visit the suppliers' plants for examining and organizing business meetings, as well as examining field performance and communicate with the frontline staffs and senior management of suppliers and outsourcing contractors to make sure the production delivery period, projects process and quality and so on. If the performance of suppliers and outsourcing contractors fail to meet the requirements, we will discontinue cooperation with them to avoid the negative effects on the quality of the product and safety of the Group. In addition, purchasing management centre holds internal and external trainings regularly for purchasing staffs to improve their professional level.

In addition to the supplying quality of suppliers and the engineering quality of outsourcing contractors, we pay attention to their environmental performance. In selecting suppliers or outsourcing contractors, we consider their certifications of environmental management system and environmental level of products and projects and conduct environmental examination on materials to promote low-carbon production and environmental operation among suppliers and outsourcing contractors. Furthermore, the Group actively complies with the government's requirements for material conservation, efficient use of land, energy-conserving technologies, and prioritizes establishment of a business relationship with enterprises that use advanced environmental technologies or concepts. During the annual review of suppliers, we conduct ratings on suppliers and include the safety and environmental performance into the rating standards. For those suppliers failing to meet the requirements, the project management department of the Group would help them improve their performance. Furthermore, purchasing management centre participates in the R&D process of project department and actively proceeds and applies green, energy-saving products into the specific projects of the Group.

B6. Product Responsibility

Aspect B6 General Disclosure	Product quality The Group commits to providing high-quality real estate projects to improve the living quality of customers. The construction of all projects of the Group strictly abide by the requirements listed in Quality Management Ordinance of Construction Projects (建設工程質量管理條例) issued by State Council (國務院). The Group also arranges relevant government institution and experts for checking in accordance with the Temporary Completion Examining Requirement of Housing Construction Projects and Municipal Infrastructure Projects (房屋建築工程和市政基礎設施工程竣工驗收暫行規定) issued by Housing Rural and Urban Construction Department (住房城鄉建設部) after completion, which makes sure all projects of the Group are in compliance with the national health and safe requirements on real estate projects. Therefore, the Group further bolsters the confidence of our customers in our product quality.

Sales management

Over the course of business operations, the Group always prioritises the interest of customers from product design to sales management. The sales of all projects of the Group mark the price of commodity housing, relevant fee and other factors affecting the price of commodity housing publicly in accordance with the Price Tagging Rules of Commodity Housing Sales (商品房銷售明碼標價規定) issued by National Development and Reform Commission (國家發展和改革委員會). The Group ensures that housing purchasers are not misled by any false or irregular tender price, and that no price deception is committed by using false or misleading tender price.

Aftersales service and information privacy

The Group has established a comprehensive channel for customer complaint and feedback. The aftersales department collects all views relating to services and product quality, etc., and constantly follows up and improves them to ensure that customers' opinions are timely handled.

In addition, the Group values the protection of customers' or consumers' privacy. Besides entering into confidentiality agreements with customers, we will not transfer or disclose customers' information without the consent of relevant parties, so as to protect customers' privacy and interests.

During the Reporting Period, the Group did not identify any material violation of laws and regulations relating to product and service quality.

B7. Anti-corruption

Aspect	Anti-bribery and anti-corruption
B7 General Disclosure	We are determined to combat all offences involving bribery, extortion, fraud and money laundering. The Group has established monitoring divisions which independently and directly report to the Board, such as audit and legal office, taking proactive monitoring and carrying out anti-corruption measures through internal audit. In addition, we have set up appropriate reporting mechanism, encouraging the employees to report any dishonest and improper action.

All employees are required to read the Code of Conduct for Employees' Occupational Integrity (《員工 職業操守行為準則》), which set out the conducts including strict prohibition of bribery and fraud, and emphasis on honesty and integrity, compliance with laws and regulations and incorruptibility in work, and to sign and confirm that they have understood the Group's requirements in this aspect. New employee induction training contains incorruptibility and self-discipline course, and the employees are required to pass the exam to ensure that they understand the Group's requirements on incorruptibility and self- discipline. Our audit and legal office regularly conducts incorruptibility training for our employees from all business divisions. In July 2017, our general manager at the Department of Audit and Legal Affairs organized the incorruptibility training for the employees at the marketing division, the training contents of which were clear and easy to follow through and constantly reminded our frontline employees to maintain the principle of incorruptibility. The Group has also established the Regulations on Employees' Incorruptibility in Work (《員工廉潔從業規定》), aiming to enhance the Group's clean construction, operating by laws and employees' incorruptibility in work, and against the conducts including breaches of laws and regulation within employees' duties. The Group's senior management shall enter into the Management Responsibility Book (《管理責任書》), in order to ensure that they are responsible for the corrupt practices and breach of incorruptibility of the management themselves and their subordinates.

In addition, we will hold the meeting of suppliers, through the in-depth communication of high-level members of both parties, advocating Logan culture and spirit of incorruptibility and cooperation, promoting the steps of strategic cooperation and understanding the condition of employees' incorruptibility and self- discipline. In March 2017, the Group organized a supplier meeting, during which, our general manager at the Department of Audit and Legal Affairs delivered a speech to promote cooperation based on incorruptibility. In addition, the Group enters into Incorruptibility and Cooperation Agreement (《廉潔合作協議》), which requires the suppliers to publish the whistleblowing channel provided by us in their Group. During the Reporting Period, the Office of Audit and Legal Affairs of the Group included the Honest Performance Undertaking (《誠信履約承諾函》) and the Incorruptibility Statement (《廉潔告知書》) to our rules and regulations, and our suppliers shall be required to enter into the relevant documents. As a result, our suppliers' incorruptibility is further enhanced. Suppliers shall be included in the supplier blacklist and its engagement shall be terminated in case of any issues on incorruptibility which have been audited and confirmed.

During the Reporting Period, the Group did not identify any material violation of laws and regulations relating to corruption and bribery.

B8. Community Investment

Aspect	Social benefit
B8 General Disclosure	Since its establishment in 1996, the Group has always been actively performing its social corporate responsibility. It is dedicated to promoting the development of social benefit and charity, fulfilled the social responsibilities of corporate citizen. The Group's investments in communities cover the community and environmental areas, particularly relating to supporting underprivileged families, promotion of education to younger generation, and environmental construction. Over the years, the Group has accumulated a donation of more than RMB 500 million. For many consecutive years, the Group has been awarded honours, including gold cup of "Guangdong Poverty Alleviation Kapok Cup (廣東扶貧濟困紅棉杯)" granted by Guangdong provincial party committee and government. During the Reporting Period, we launched a number of donation activities, so as to support regional poverty alleviation, student support, education and construction. The annual donation amount exceeded RMB 16 million. In 2017, according to the Shenzhen Charity Donation Rank, among business entities, the Group ranked 2nd, closely following Tencent. Our social investments include:

- In February 2017, we in conjunction with the Planning Bureau of Nanning Economic Development Zone guided six households from the poverty-stricken village named Xisheng Village to develop their plantation and cultivation business under the PPP model, lifting the poverty status under the targeted approach;

- In April 2017, the Group worked with the Shenzhen Office of Young Pioneer Working Committee and the Stars Youth Development Center to co-sponsor the "Booksharing" Project. By using the Tencent Public Welfare Platform, the Group encouraged its employees and business partners to donate 2272.3082 million steps for the "Walking Distance for Charity", while correspondingly donated RMB 200,000 to purchase good quality children's books for countryside in Guizhou and Guangdong;

- In September 2017, we launched the "Logan Book Court" program, under which, standard financing solutions was provided, while community-based properties provided physical rooms and operation services at the preliminary stage. The first group of pilot cities are Shantou and Huizhou before the same model expands nationwide; and

- In December 2017, the Group's employees as volunteers participated in a public welfare campaign "Environmental Protectors on Green Monster Hunt" in Shenzhen Mangrove Nature Reserve in Futian District. Meanwhile, our monetary donations to Shenzhen Mangrove Wetlands Conservation Foundation will be used for the Mangrove Wetland Conservation Program.

We deeply believe that, under continuous investment, not only all sectors of society can benefit from social benefit and charity, but also we can perform our social responsibilities at the same time, carrying out the Group's idea of "developing and giving back to society simultaneously" and promoting the harmonious development.

INDEPENDENT AUDITOR'S REPORT

EY 安永

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 81 to 184 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.

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.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
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. The Group has engaged external valuers to determine the fair value of the investment properties at the end of the reporting period. 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. Related disclosures are included in notes 3, 4 and 16 to the consolidated financial statements.	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.
Recoverability of receivables from joint ventures and associates	
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. 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. Related disclosures are included in notes 3, 4, 17 and 18 to the consolidated financial statements.	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.

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 HKSAs 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.

As part of an audit in accordance with HKSAs, 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

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

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		**(18,172,475)**	(13,979,010)
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		**(73,097)**	(6,137)
PROFIT FROM OPERATIONS		**11,561,118**	8,305,284
Finance costs	8	**(672,154)**	(371,850)
PROFIT BEFORE TAX	9	**10,888,964**	7,933,434
Income tax expense	12	**(3,880,514)**	(2,733,551)
PROFIT FOR THE YEAR		**7,008,450**	5,199,883
Attributable to:			
Owners of the parent		**6,527,400**	4,487,736
Non-controlling interests		**481,050**	712,147
		7,008,450	5,199,883
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RMB cents)	14		
Basic		**117.03**	81.06
Diluted		**115.39**	80.82

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	**80,000**	(75,234)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**7,088,450**	5,124,649
Attributable to:		
Owners of the parent	**6,607,400**	4,412,502
Non-controlling interests	**481,050**	712,147
	7,088,450	5,124,649

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		**28,276,304**	27,980,313
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		**83,594,544**	58,521,396
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		**57,293,756**	31,054,870
NET CURRENT ASSETS		**26,300,788**	27,466,526
TOTAL ASSETS LESS CURRENT LIABILITIES		**54,577,092**	55,446,839

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**54,577,092**	55,446,839
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	**2,135,296**	1,627,094
Total non-current liabilities		**27,413,283**	29,695,493
Net assets		**27,163,809**	25,751,346
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	**433,828**	434,591
Perpetual capital securities	30	**2,363,346**	—
Reserves	31	**20,509,047**	18,992,258
		23,306,221	19,426,849
Non-controlling interests		**3,857,588**	6,324,497
Total equity		**27,163,809**	25,751,346

Lai Zhuobin
Director

Xiao Xu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the parent									
	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	Non-controlling interests RMB'000	Total equity 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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the parent										
	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	Total equity 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.

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
		7,986,940	5,185,344
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		**8,501,730**	6,500,153
Cash generated from operations		**14,195,318**	6,702,762
Tax paid		**(2,679,500)**	(1,874,626)
Net cash flows from operating activities		**11,515,818**	4,828,136
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)**	1,604,489
Net cash flows used in investing activities		**(11,844,156)**	(12,839,828)

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
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		**7,017,260**	12,786,333
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		**(370,557)**	149,928
CASH AND CASH EQUIVALENTS AT END OF YEAR		**19,878,192**	13,559,827
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		**3,997,626**	1,000,311
Cash and cash equivalents as stated in the consolidated statement of cash flows		**19,878,192**	13,559,827

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.

		Proportion of ownership interest			
Name of subsidiaries	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by subsidiary**	**Principal activities**
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
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

NOTES TO FINANCIAL STATEMENTS
31 December 2017

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
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
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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
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
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

NOTES TO FINANCIAL STATEMENTS
31 December 2017

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
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
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

NOTES TO FINANCIAL STATEMENTS
31 December 2017

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
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
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) (桂林市龍光鉑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
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

NOTES TO FINANCIAL STATEMENTS
31 December 2017

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
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
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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Shenzhen Logan Bojun Property Co., Ltd.* (note) (深圳市龍光鉑駿房地產有限公司)	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
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).

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.

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

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	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[4]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[2]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

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

[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.

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.

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.

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.

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.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

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.

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.

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.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

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.

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 of 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.

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Information regarding the reportable segments is presented below.

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

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

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	(4,869,215)	(4,208,581)
Consolidated revenue	27,689,658	20,538,838
Profit		
Reportable segment profit	9,109,411	6,212,509
Elimination of inter-segment profits	(865,450)	(631,645)
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	(339,131)	(254,720)
Consolidated profit before tax	10,888,964	7,933,434

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.

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
Revenue		
Sale of properties*	**26,951,179**	21,104,999
Rental income	**87,843**	83,932
Construction income	**966,373**	212,105
	28,005,395	21,401,036
Less: Business tax and other sales related taxes	**(315,737)**	(862,198)
	27,689,658	20,538,838
Other income and gains		
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	**34,960**	8,554
	696,303	423,523

* The invoiced amount billed to buyers of properties was RMB28,503,441,000 (2016: RMB21,400,469,000) including value-added tax of RMB1,552,262,000 (2016: RMB295,470,000).

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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	**5,919**	925
	10,056	196,327

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	**615,117**	482,294
	2,541,517	1,918,053
Less: Interest capitalised	**(1,869,363)**	(1,546,203)
	672,154	371,850

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)
		64,421	37,265
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)
		741,969	417,875
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	**65**	(181)

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	**3,250**	2,416
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	**295**	131
	66,550	55,049
	69,800	57,465

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.

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
	3,250	21,942	40,639	3,674	295	69,800
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
	2,416	12,723	34,942	7,253	131	57,465

* 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	**73**	30
	18,842	7,319

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	**1**	—
	2	1

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.

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)
	3,429,018	2,162,488
Deferred (note 27)	**451,496**	571,063
Total tax charge for the year	**3,880,514**	2,733,551

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	**10,888,964**	7,933,434
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	**(363,589)**	(242,902)
Tax charge at the Group's effective rate	**3,880,514**	2,733,551

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.

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	**842,076**	1,148,248
	1,852,534	1,148,248

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
Earnings		
Profit attributable to owners of the parent	**6,527,400**	4,487,736
Distribution related to perpetual capital securities	**(96,503)**	—
Profit used in the basic and diluted earnings per share calculations	**6,430,897**	4,487,736

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

	Number of shares	
	2017	2016
	’000	’000
Shares		
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	**77,848**	16,834
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**5,572,976**	5,553,076

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	(12,598)	(88,346)	(116,881)	–	(217,825)
Net carrying value	30,000	92,715	61,602	–	184,317
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	–	(478)	(1,249)	–	(1,727)
At 31 December 2017, net of accumulated depreciation	27,826	71,277	47,119	1,645	147,867
At 31 December 2017:					
Cost	42,598	191,184	194,102	1,645	429,529
Accumulated depreciation	(14,772)	(119,907)	(146,983)	–	(281,662)
Net carrying value	27,826	71,277	47,119	1,645	147,867

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 2016					
At 1 January 2016:					
Cost	42,598	125,548	168,575	—	336,721
Accumulated depreciation	(10,473)	(55,006)	(105,620)	—	(171,099)
Net carrying value	32,125	70,542	62,955	—	165,622
At 1 January 2016, net of accumulated depreciation	32,125	70,542	62,955	—	165,622
Additions	—	55,256	12,470	—	67,726
Depreciation	(2,125)	(33,313)	(14,649)	—	(50,087)
Disposals	—	—	(385)	—	(385)
Exchange realignment	—	230	1,211	—	1,441
At 31 December 2016, net of accumulated depreciation	30,000	92,715	61,602	—	184,317
At 31 December 2016:					
Cost	42,598	181,061	178,483	—	402,142
Accumulated depreciation	(12,598)	(88,346)	(116,881)	—	(217,825)
Net carrying value	30,000	92,715	61,602	—	184,317

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).

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	531,282	2,150,621	2,681,903
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	**(32,816)**	**—**	**(32,816)**
Carrying amount at 31 December 2017	**8,871,491**	**6,793,339**	**15,664,830**

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).

16. INVESTMENT PROPERTIES (CONTINUED)

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.

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

	Fair value measurement using significant unobservable inputs (Level 3)	
	2017	2016
	RMB'000	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	**6,793,339**	5,526,301
	15,664,830	11,890,879

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).

16. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy

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.

17. INVESTMENTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Share of net assets	**153,386**	—
Due from an associate	**2,500,000**	3,019,480
	2,653,386	3,019,480

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:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
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.

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	(4,923,428)	(11,998,500)
Equity	636,630	78,446
Revenue	—	—
Profit and total comprehensive income for the year	558,184	63,446
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	2,500,000	3,019,480
Carrying amount in the consolidated financial statements	2,650,980	3,019,480

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	2,406	—

18. INVESTMENTS IN JOINT VENTURES

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

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:

				Proportion of ownership interest			
Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
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
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.

18. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Note: (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	(144,211)	10,012
Revenue	—	—
(Loss)/profit for the year	(154,267)	12
Other comprehensive income	—	—
Total (comprehensive loss)/comprehensive income	(154,267)	12
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	1,200,000	—
Carrying amount in the consolidated financial statements	1,200,000	—

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).

18. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Note: (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	**(800,000)**	(800,000)
Equity	**(89,547)**	3
Revenue	**—**	—
(Loss)/profit for the year	**(1,726)**	3
Other comprehensive income	**—**	—
Total (comprehensive loss)/comprehensive income	**(1,726)**	3
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	**1,000,000**	—
Carrying amount in the consolidated financial statements	**1,000,000**	—

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).

18. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Note: (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	—
Equity	(275,773)
Revenue	—
Loss for the year	(275,773)
Other comprehensive income	—
Total comprehensive loss	(275,773)
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	4,057,114
Carrying amount in the consolidated financial statements	4,057,114

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	3,004,799	12,384,833

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	**7,794,767**	8,558,344
	38,413,937	40,192,488
	38,457,739	40,197,099
Properties expected to be recovered within normal operating cycle:		
Within one year	**12,204,332**	12,769,388
After one year	**26,209,605**	27,423,100
	38,413,937	40,192,488

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).

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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))		**18,678**	135,161
		20,448,286	2,943,357

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	**1,232**	18,535
	486,042	129,292

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.

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.

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

Notes: (Continued)

(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	**1,745,380**	—
Liabilities under cross-border guarantee arrangements	**1,745,380**	—

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))	(803,059)	(877,188)
Cash and cash equivalents	19,878,192	13,559,827

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.

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
		37,275,788	23,919,327

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
	7,304,745	4,675,389

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.

(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.

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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
			5,597,885			3,370,501
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
			14,191,435			11,707,510
			19,789,320			15,078,011

24. BANK AND OTHER LOANS (CONTINUED)

	2017 RMB'000	2016 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	**166,730**	281,450
	13,867,720	9,496,511
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	**470,000**	3,679,500
	5,921,600	5,581,500
	19,789,320	15,078,011

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	**1,300,676**	—
		8,889,644	5,708,526
Portion classified as current liabilities (note (viii))		**(2,965,541)**	(1,747,637)
Non-current portion (note (viii))		**5,924,103**	3,960,889

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.

25. SENIOR NOTES (CONTINUED)

Notes: (Continued)

(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	**4,400,000**	4,400,000
	12,162,449	12,400,000
Portion classified as current liabilities	**(7,000,000)**	—
Non-current liabilities	**5,162,449**	12,400,000

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.

26. CORPORATE BONDS

Notes: (Continued)

(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.

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)	—	184,010	184,010
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	**735,569**	**(13,644)**	**721,925**
At 31 December 2017	**2,538,037**	**170,366**	**2,708,403**

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	57,933	22,965	18,515	99,413
At 31 December 2016 and 1 January 2017	**249,008**	**263,284**	**120,592**	**632,884**
Credited to profit or loss during the year	**16,187**	**235,746**	**18,496**	**270,429**
At 31 December 2017	**265,195**	**499,030**	**139,088**	**903,313**

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	2,135,296	1,627,094
	1,805,090	1,353,594

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.

28. SHARE CAPITAL

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

	2017		2016	
	Number of shares '000	HK$'000	Number of shares '000	HK$'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	**6,497**	**650**	—	—
At 31 December	**5,487,167**	**548,717**	5,496,322	549,632
RMB'000 equivalent at 31 December		**433,828**		434,591

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.

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.

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	**2.34**	**(6,497,250)**	—	—
At 31 December	**4.49**	**167,160,500**	2.34	120,264,658

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
17,774,500	18,653,478	2.340	5/29/2019–5/28/2020
167,160,500	120,264,658		

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.

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.

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.

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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)).

32. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

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.

32. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

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 RMB'000 (Note (b))
Consolidated statement of profit or loss for the year ended 31 December 2016		
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
Consolidated statement of financial position as at 31 December 2016		
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.

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	372,856	250,000	759,703	1,382,559
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	372,816	249,998	753,848	1,376,662

(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.

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	(184,010)
Net identifiable assets and liabilities	658,734
Less: Non-controlling interests	(164,734)
	494,000
Bargain purchase arising on acquisition	—
Total consideration	494,000
Total consideration	494,000
Amount due to a related party	(494,000)
Total consideration paid	—
Cash and cash equivalents acquired	(55,418)
Net cash inflow arising from acquisition	55,418

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.

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	**(3,162,204)**	(997,889)
Excess of consideration paid recognised in other reserve	**3,088,139**	1,093,544

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.

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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	**(182,213)**	(816,136)
Net assets attributable to the Group disposed of	**249,170**	129,122
Gain on disposal of subsidiaries, net	**830**	878
Total consideration	**250,000**	13,000
Total consideration received, satisfied in cash	**250,000**	—
Cash and cash equivalents disposed of	**(887)**	(233,434)
Net cash inflow/(outflow) arising from disposal	**249,113**	(233,434)

(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	**(2,755,600)**
Net assets attributable to the Group disposed of	**937,256**
Gain on deemed disposal of subsidiaries upon loss of control, net	**35,298**
Reclassification to investments in joint ventures at fair value at date of deemed disposal	**972,554**

35. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) Deemed disposal of subsidiaries upon loss of control (Continued)

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	**(521,364)**

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	**—**	**—**	**2,158,706**
At 31 December 2017	**19,789,320**	**8,889,644**	**1,502,178**

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 lenders in connection with banking facilities granted to joint ventures	**9,353,489**	—
	27,769,823	9,806,196

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.

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	**280,000**	—
		8,670,997	23,787,229

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	**34,299**	62,074
	334,508	318,692

(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	**1,467**	3,380
	3,380	12,936

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	**16,064,280**	5,593,891

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)	**(94,501)**	(80,500)

41. RELATED PARTY TRANSACTIONS

(a) (Continued)

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.

(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.

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

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

The fair values of 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.

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

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

As at 31 December 2016

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

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

Assets measured at fair value: (Continued)

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

	Valuation techniques	Significant unobservable inputs	Range 2017	Range 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%

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.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (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

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.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

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 basis points	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**
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%	—

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.

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	1,767,242	–	–	–	1,767,242
	28,623,578	14,926,160	17,789,158	3,102,172	64,441,068
Financial guarantees issued: Maximum amount guaranteed	27,769,823	–	–	–	27,769,823

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	1,343,560	—	—	—	1,343,560
	12,753,348	7,297,760	25,614,424	400,095	46,065,627
Financial guarantees issued: Maximum amount guaranteed	9,806,196	—	—	—	9,806,196

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.

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	**2,529,793**	1,237,476
Net debt	**18,433,428**	18,389,234
Total equity	**27,163,809**	25,751,346
Net debt to equity ratio	**67.9%**	71.4%

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.

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

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.

FIVE YEARS' FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 31 December				
	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Revenue	27,689,658	20,538,838	14,574,010	12,497,937	11,119,424
Profit attributable to shareholders of the Company	6,527,400	4,487,736	2,649,279	2,347,630	2,024,156

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	At 31 December				
	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Non-current assets	28,276,304	27,980,313	7,011,397	5,609,629	4,187,407
Current assets	83,594,544	58,521,396	49,760,269	39,226,124	23,624,432
Total assets	111,870,848	86,501,709	56,771,666	44,835,753	27,811,839
Current liabilities	57,293,756	31,054,870	22,621,261	17,827,322	13,634,741
Non-current liabilities	27,413,283	29,695,493	16,689,488	13,691,413	6,827,422
Total liabilities	84,707,039	60,750,363	39,310,749	31,518,735	20,462,163
Net assets	27,163,809	25,751,346	17,460,917	13,317,018	7,349,676
Total equity attributable to shareholders of the Company	23,306,221	19,426,849	13,548,779	11,209,886	7,335,688
Non-controlling interests	3,857,588	6,324,497	3,912,138	2,107,132	13,988
Total equity	27,163,809	25,751,346	17,460,917	13,317,018	7,349,676

Schedule of Major Properties

GROUP I — PROPERTY INTEREST HELD BY THE COMPANY UNDER DEVELOPMENT/FOR FUTURE DEVELOPMENT FOR SALE

Property	Address	Type	Interest attributable to the Company	Land area (sq.m.)	GFA (sq.m.)	Stage of development (note)	Completion deadline
Logan Century Center 龍光世紀中心	Zone of Chengdu University of Technology, Shengdeng Street, Chenghua District, Chengdu, PRC	Commercial	100%	31,803	308,963	3	2020
Sunshine Coast 陽光海岸	No.168 Beibuwan Avenue, Gangkou District, Fangchenggang, PRC	Residential	100%	784,173	1,937,132	3	2021
Leliu Fuan Project 勒流富安項目	South of Chonghe Section, Nanguo West Road, Leliu Street, Shunde District, Foshan, PRC	Residential	100%	52,352	234,165	1	2020
Sky Lake Park 天湖名苑	"Machang" Section of Danzao Fairy Lake Resort, Nanhai District, Foshan, PRC	Residential	51%	77,093	248,459	2	2019
Sanshui Acesite Glory Mansion 三水玖譽府	No. 14, C Section, Xincheng District, Leping Town, Sanshui District, Foshan, PRC	Residential	100%	65,828	227,124	2	2019
Gaoming Acesite Park 高明玖龍府	East of Yangxi Avenue, Yanghe Town, Gaoming District, Foshan, PRC	Residential	100%	43,354	165,698	2	2019
Dragon Castle 龍馨華府	No. 9, Center Area, Leping Town, Sanshui District, Foshan, PRC	Residential	50%	56,425	183,259	1	2019
Riverside Bay Castle 龍灣華府	West of Jihua North Road, Chancheng District, Foshan, PRC	Residential	50%	81,468	322,342	3	2018
Provence 普羅旺斯	No.7 Kaifeng Road, Xiangshan District, Guilin, PRC	Residential	100%	225,552	588,156	3	2019
Logan City 龍光城	No. 88 Southwest Avenue, West of Daya Bay District, Huizhou, PRC	Residential	100%	1,707,115	5,031,477	3	2021
Acesite Bay 玖龍灣	Northwest of Dadun New Village, Li'an Town, Lingshui County, Hainan Province, PRC	Residential	100%	259,333	426,142	1	No Plans
Acesite Park 玖瓏府	North of Nahong Avenue, Economic Development Zone, Nanning, PRC	Residential	100%	56,999	382,020	3	2019
Acesite Lake 玖瓏湖	South of Fenghuang Road, Wuxiang New District, Nanning, PRC	Residential	100%	142,312	610,624	3	2019
Celestial Palace 御海天宸	E-147 acres land, Xinjin Block, New East Coastal Area, Shantou, PRC	Residential	100%	97,915	344,051	3	2019
Royal Sea Heaven Palace 御海天韻雅園	Xinjin Block, New East Coastal Area, Shantou, PRC	Residential	100%	56,603	176,737	1	2019
Royal & Seaward Heaven Garden 御海天禧	By the side of Binjiang Avenue, New East Coastal Area, Shantou, PRC	Residential	100%	131,244	420,855	5	2018
Sea & Sunshine 碧海陽光	By the side of Yingbin Garden, Beishan Bay, Shantou, PRC	Residential	100%	310,273	394,487	3	2020
Splendid Sunshine Palace 錦繡陽光御府	Xiashan Street, Chaonan District, Shantou, PRC	Residential	100%	39,024	188,517	2	2019
Joy Sunshine Garden 悦景陽光禧園	Chengnan Street, Chaoyang District, Shantou, PRC	Residential	100%	28,977	170,696	2	2019

GROUP I — PROPERTY INTEREST HELD BY THE COMPANY UNDER DEVELOPMENT/FOR FUTURE DEVELOPMENT FOR SALE (CONTINUED)

Property	Address	Type	Interest attributable to the Company	Land area (sq.m.)	GFA (sq.m.)	Stage of development (note)	Completion deadline
Ap Lei Chau Project 鴨脷洲項目	Lee Nam Road, Ap Lei Chau, Hong Kong Island, Hong Kong	Residential	50%	11,752	70,606	1	2022
Queenstown Project 女皇鎮項目	Stirling Road, Queenstown, Singapore	Residential	51%	21,098	88,657	1	2022
Golden Sunshine Terrace 金色陽光悦府	South of Dengfeng Road, Chenghai District, Shantou, PRC	Residential	100%	16,750	98,083	2	2019
Acesite Mansion 玖龍璽	Intersection of Mintang Road and Jinshi Road, Longhua New District, Shenzhen, PRC	Residential	100%	46,647	252,144	5	2016
Logan Carat Complex 玖鑽	West of Hongshan Metro Station, Longhua New District, Shenzhen, PRC	Commercial	71%	87,045	783,113	3	2019
Acesite Park 玖龍台	East Area of High-tech Park, Guangming New District, Shenzhen, PRC	Commercial and Residential	50%	152,442	787,277	3	2019
The Masterpiece 玖雲著	Northwest corner of the intersection of Zhongshan Avenue and Rongchang Road, Pingshan New District, Shenzhen, PRC	Commercial	100%	20,173	135,440	5	2017
Hougang Avenue 2 Project 後港二道項目	Hougang Avenue 2, District 19, Singapore	Residential	100%	36,161	101,251	1	No Plans
Jiulong Bay Garden 九龍灣名園	North of Changsheng Road, Zhuhai, PRC	Residential	100%	25,877	80,607	3	2018
Acesite Park 玖龍府	South of Jinhu Avenue, West Lake Block, Jinwan District, Zhuhai, PRC	Residential	100%	49,468	191,505	3	2018

note: 1. Site formation or upfront set up works

2. Foundation works

3. Superstructure construction

4. Interior decoration

5. Completed for sale

GROUP II — PROPERTY INTEREST HELD BY THE COMPANY FOR INVESTMENT

Property	Address	Use	Interest attributable to the Company	GFA (sq.m.)	Completion date
Office of Logan Century Center 龍光世紀大廈辦公樓	South of Xinhua Road, Baoan Center District, Shenzhen, PRC	Office	100%	42,090	2000
Concentration Commerce Center of Acesite Mansion 玖龍璽集中商業	Minzhi Street, Longhua New District, Shenzhen, PRC	Commercial	100%	4,963	2016
Hotel of Jiuzhuan in Shenzhen 深圳玖鉆酒店	North of Tenglong Road, Longhua New District, Shenzhen, PRC	Hotel	71%	58,000	2019
Concentration Commerce Center of Jiuzhuan in Shenzhen 深圳玖鉆集中商業	North of Tenglong Road, Longhua New District, Shenzhen, PRC	Commercial	71%	60,008	2019
Office of Jiuzhuan in Shenzhen 深圳玖鉆辦公樓	North of Tenglong Road, Longhua New District, Shenzhen, PRC	Office	71%	11,180	2019
Hotel of Dragon City in Huizhou 惠州龍光城酒店	Southwestern Avenue, West Dayawan District, Huizhou, PRC	Commercial	100%	19,810	2015
Various retail units of Group 2, Phase 1, Dragon City in Huizhou 惠州龍光城一期2組的若干零售單位	Southwestern Avenue, West Dayawan District, Huizhou, PRC	Commercial	100%	4,055	2012
Concentration Commerce Center in North of Dragon City in Huizhou 惠州龍光城北集中商業	Southwestern Avenue, West Dayawan District, Huizhou, PRC	Commercial	100%	88,387	2017
Yangguang Qianhui in Nanning 南寧陽光千匯	Shibu Road, New and Hi-tech Industrial Development Zone, Nanning, PRC	Commercial	100%	50,000	2020
Chenghua Project 成華項目	Ligong University Zone, Shengdeng Area, Chenghua District, Chengdu, PRC	Commercial/Office	100%	66,785	2020

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