

LOGAN

PROPERTY

INTERIM REPORT 2019



LOGAN PROPERTY

Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3380)



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CONTENTS

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	7
Other Information	16
Condensed Consolidated Statement of Profit or Loss	25
Condensed Consolidated Statement of Comprehensive Income	26
Condensed Consolidated Statement of Financial Position	27
Condensed Consolidated Statement of Changes in Equity	29
Condensed Consolidated Statement of Cash Flows	30
Notes to Interim Financial Information	32



CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Director

Ms. Kei Perenna Hoi Ting (紀凱婷)

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Li Yan Wing, Rita

AUDITOR

Ernst & Young

REGISTERED OFFICE

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Shenzhen, China

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Hong Kong

COMPANY'S WEBSITE

<http://www.loganproperty.com>

AUTHORIZED REPRESENTATIVES

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKER

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

LISTING INFORMATION

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of the Company (the "Board"), I hereby present the interim results of the Group for the six months ended 30 June 2019.

MARKET REVIEW

Amid slowing global economic growth during the first half of 2019, coupled with the trade protectionism initiated by the United States, more unstable factors have emerged in the global economic environment. Despite a challenging international environment, the Chinese Central Government adhered to the supply-side structural reform and economic structure optimization to continue the expansion of effective demands, while China's economy continued to grow steadily with a GDP growth of 6.3% in the first half of 2019.

China's property market maintained stable during the first half of 2019. According to the National Bureau of Statistics of China, China's total real estate development and investment increased by 10.9% year on year ("YoY") to RMB6,160.9 billion. The saleable gross floor area of commercial buildings was 757.86 million square meters, down by 1.8% YoY, while the total saleable amounts of commercial buildings were RMB7,069.8 billion, up 5.6% YoY.

The Chinese Central government recently announced "Opinions on Building Shenzhen into a Pilot Demonstration Area of Socialism with Chinese Characteristics", with a goal of building Shenzhen into a hub of innovation, entrepreneurship and creativity with international influence, as well as a global pacesetter with outstanding competitiveness, innovative capacity and influence. As at 30 June 2019, the value of the Group's land bank in Shenzhen amounted to over RMB180 billion, and in terms of the number of completed transactions, the Group ranked first in Shenzhen for two consecutive years in 2017 and 2018, and the number of metro property projects under development in Shenzhen has reached 13 currently, with obvious first-mover advantage. The Group will benefit from the long-term economic growth and favourable policy in the Shenzhen region. In addition, the value of the Group's land bank in the Pan-Shenzhen areas such as Huizhou and Dongguan amounted to over RMB150 billion, which will continue to benefit from the spillover effect of housing demand in Shenzhen.

OVERALL PERFORMANCE

During the six months ended 30 June 2019, the Group achieved contracted sales of approximately RMB45.31 billion, representing an increase of approximately 27.7% as compared with the same period of last year, and achieved 53.3% of the 2019 annual sales target. The gross floor area of contracted sales amounted to approximately 3.4 million square meters. The Group's revenue amounted to approximately RMB27,022 million, representing an increase of approximately 78.3% as compared with the same period of last year. Gross profit amounted to approximately RMB9,392 million, with a gross profit margin of 34.8%. Profit attributable to owners of the parent amounted to approximately RMB5,128 million. Core Profit amounted to approximately RMB4,672 million, representing an increase of approximately 59.0% as compared with the same period of last year. Core Profit margin was 17.3%, leading the market sustainably.

CHAIRMAN'S STATEMENT

During the period under review, the Group continued to be widely acclaimed by the industry and the capital market, given its strategic foresight in the Greater Bay Area, industry-leading profitability and premium brand name value. In terms of brand, honors and awards, the Group was selected as one of "China's Top 100 Real Estate Developers" (中國房地產百強企業) for nine consecutive years and its ranking has jumped to 23rd in 2019 (26th in 2018). This award has been jointly announced by the Enterprise Research Institute of Development Research Center of the State Council (國務院發展研究中心企業研究所), the Institute of Real Estate Studies of Tsinghua University (清華大學地產研究所) and China Index Academy (中國指數研究院). In addition, the Group was also ranked 4th in the "Top 10 Real Estate Developers by Profitability in 2019". Moreover, the Group was awarded with "Top 20 Financially Strong and Credible Property Enterprises in Guangdong" for 17 consecutive years. Furthermore, the Group was ranked 957 in "Global 2000 The World's Largest Public Companies", up 430 spots as compared with its ranking in 2018. In the meantime, the Group was ranked in "the 2019 Global 2000: Growth Champions" by Forbes. The Group also jumped to 202nd in Fortune China 500, up 64 spots as compared with its ranking in 2018.

The Company is also highly recognized by the capital market and has been highly recommended by a number of renowned global investment banks such as Citibank, UBS, HSBC and Huatai Securities. Meanwhile, its healthy financial position and overall strengths were recognized by both domestic and overseas rating agencies. Currently, the Company is a constituent stock of Hang Seng Composite Large Cap & Medium Cap Index, Hang Seng Stock Connect Greater Bay Area Composite Index, MSCI China All Shares Index and FTSE Shariah Global Equity Index. The Group is rated "BB", "Ba3" and "BB" in ratings by international authoritative agencies including Standard & Poor's, Moody's and Fitch respectively. To be more specific, Standard & Poor's and Fitch upgraded the rating of the Company to "BB" with "stable outlook", while Moody's had revised rating outlook from "stable" to "positive". A wholly-owned subsidiary of the Company, Shenzhen Logan Holdings Co., Ltd. is rated "AAA" in credit ratings by such renowned domestic rating agencies namely China Cheng Xin Securities Rating Co., Ltd. and United Credit Rating Co., Ltd.

BUSINESS REVIEW

The Group persisted with its dual-engines strategy of "regional penetration + urban renewal", fully penetrating into "9+2" city clusters in the Guangdong-Hong Kong-Macau Greater Bay Area. Based on its countercyclical land acquisition strategy through multiple channels, the Group has abundant premium and low-cost land bank in first tier and second tier cities in the Greater Bay Area. The Group has established distinct competitive advantages by focusing on the mass-residential development business. Given the consistent economic growth and the extension of railway transportation systems in the Greater Bay Area, the Group will be a major beneficiary and its results may continue to grow steadily. Since 2018, the Group has been actively committed to establishing its business presence in the Shanghai Metropolitan Area. As at the reporting date, it has secured a total of 6 projects. For business presence outside the Greater Bay Area, the Company continues to penetrate into Nanning (Guangxi) and Shantou (Guangdong). Its leading position in the local property development markets has been maintained during the period.

CHAIRMAN'S STATEMENT

During the six months ended 30 June 2019, the urban renewal business contributed a core profit of approximately RMB1.8 billion, becoming the Group's new earnings growth driver. The Group which owns a professional urban renewal team, has been focusing on the Greater Bay Area for 17 years. Being well versed in resources and channels of local business districts in the Greater Bay Area, we have an extensive understanding of local policies, as well as urban planning for industries and populations in the Greater Bay Area. Thus, our professional team enjoys significant competitive advantages in the urban renewal business. The Group's urban renewal business currently covers 10 cities with a total land value of more than RMB320 billion, 90% of which is located in the Greater Bay Area. Given the abundant valuable land resources, the Group enjoys a first mover advantage.

The Group has abundant urban renewal projects with estimated saleable value of approximately RMB260 billion in several cities, including Shenzhen, Huizhou, Dongguan and Zhuhai. Those projects have high quality, short incubation period, and a good track record with clear earnings visibility. In 2018, the Group converted two projects in Foshan and Zhuhai with a total land value of RMB18 billion. In 2019, it is expected that three projects will be launched in Shenzhen Shekou Free Trade Zone, Huizhou Daya Bay and Shenzhen Qiaocheng East, respectively, with a total land value of RMB70 billion. By entering into a tri-party agreement with the Huizhou government and HC Group Inc., the Group will collaborate with the Huizhou government on the planning of the electronics and information industry at a value of RMB1 trillion, while introducing the headquarters of HC Group Inc. to the Daya Bay Project, the region will enjoy a rising valuation as a result.

The Group has always believed that a stable and prudent capital structure will build a solid foundation for its long term sustainable development. During the first half of 2019, the Company successfully issued senior notes with an aggregate principal amount of US\$350 million, and Shenzhen Logan Holdings Co., Ltd., a wholly-owned subsidiary of the Company, issued domestic corporate bonds with principal amount of RMB1,510 million at a coupon rate of 5.5% per annum. As at 30 June 2019, the Group had cash and bank balances (including restricted and pledged deposits) of approximately RMB38,312 million, with a net gearing ratio of approximately 65.4% (As at 31 December 2018: 63.2%). The average weighted borrowing interest rate was 6.1%. In the future, the Group will continue to explore and diversify its financing channels to ensure sustainable and steady development.

PROSPECTS

The Chinese Central Government proposed to persist in "different policies to different cities", promote the balance between supply and demand, and accelerate the establishment of a long-term stable and healthy development mechanism of the property market. The Group believes the Chinese property market will maintain its steady growth and the market share concentration of commercial properties will accelerate in the future. It is anticipated that China's population and industries will continue to be concentrated in the three major metropolitan clusters.

CHAIRMAN'S STATEMENT

The Chinese Central Government expects that the Greater Bay Area will become an international technology innovation hub, with free flow and integration of innovative elements, talents and industries in the region. Compared with three other world-class bay areas, namely New York, San Francisco and Tokyo, the Greater Bay Area has long-term growth potential in per capita GDP and high value-added industries. Currently, the Greater Bay Area is home to 20 Fortune 500 companies. Perched atop of the global industry value chain, the Greater Bay Area owns many globally competitive companies in the financial and technology fields. Given the continuous growth of GDP in the Greater Bay Area, it is expected that more innovation industries and top talents will flow into this region. With the well established infrastructure and facilities, the "One-hour Cosmopolis' Premium Living Circle" will emerge in the Greater Bay Area. As at 30 June 2019, the total value of the Group's land bank amounted to RMB752 billion, of which approximately 81% was located in the Greater Bay Area. This ensures the consistent growth of the Group's sales and profits in the future. Based on its premium land bank and strong execution ability, the Group is committed to focusing on the Greater Bay Area, as well as expanding the market share and profit scale of the major cities in the region.

Given the accelerating market share concentration trend in the property industry, more merger and acquisition opportunities will arise in the property market in China. By utilizing its extensive operation experience in the real estate industry in China, the Group will actively seize opportunities of land acquisitions in the future, seek more mergers and acquisitions targets, and increase the Group's premium land bank through multiple channels, thereby locking in more high-return projects at the lowest cost. The Group will also accelerate sales and strive to enhance the overall product competitiveness of different projects. The Group will continue to uphold the tenet that "quality builds a brand" and incessantly strengthen its market competitiveness and penetration. The Group will further promote the brand image of Logan Property and consolidate its leading position in the Greater Bay Area.

ACKNOWLEDGEMENTS

On behalf of the Board, I express my heartfelt gratitude to all our shareholders, investors, partners, customers, and the community for their support and trust. Thanks to the guidance given from the management of the Company, together with the efforts and contributions from all staff, the Group achieved stable development. In the future, the Company will continue to strive for considerable returns for all of its shareholders.

Kei Hoi Pang

Chairman

Hong Kong

26 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

For the six-month period ended 30 June 2019, the revenue of the Group was approximately RMB27,021.7 million, representing an increase of approximately 78.3% as compared with the corresponding period of 2018. The gross profit was approximately RMB9,392.4 million, representing an increase of approximately 67.4% as compared with the corresponding period of 2018. For the six-month period ended 30 June 2019, profit attributable to the equity shareholders was approximately RMB5,128.4 million, representing an increase of approximately 49.4% as compared with the corresponding period of 2018. For the six-month period ended 30 June 2019, Core Profit (note 1) amounted to approximately RMB4,671.5 million, representing a significant increase of approximately 59.0% as compared with the corresponding period of 2018. Basic earnings per share was RMB91.87 cents (the corresponding period of 2018: RMB60.99 cents). As at 30 June 2019, the net gearing ratio of the Group was 65.4%.

PERFORMANCE HIGHLIGHTS

	For the six-month period ended 30 June		
	2019 RMB'000	2018 RMB'000	Changes %
Revenue¹	27,021,708	15,153,528	78.3%
Among which: sales of properties			
– Revenue from properties delivered ¹	16,226,129	13,074,239	24.1%
– GFA of properties delivered (sq.m.) ²	892,623	739,314	20.7%
– ASP of properties delivered (RMB/sq.m.) ²	19,655	18,646	5.4%
Rental income ¹	70,679	45,842	54.2%
Construction and decoration income ¹	5,824,900	966,193	502.9%
Primary land development income ¹	4,900,000	1,067,254	359.1%
Gross profit	9,392,398	5,611,399	67.4%
Profit for the period			
– Attributable to owners of the parent	5,128,402	3,431,807	49.4%
– Attributable to non-controlling interests	161,959	363,031	–55.4%
Core Profit⁽¹⁾	4,671,501	2,937,853	59.0%
– Attributable to owners of the parent	4,509,829	2,650,486	70.2%
– Attributable to non-controlling interests	161,672	287,367	–43.7%

MANAGEMENT DISCUSSION AND ANALYSIS

	30 June 2019 RMB'000	31 December 2018 RMB'000	Changes %
Total assets	191,509,488	170,094,677	12.6%
Cash and bank balances (including cash and cash equivalents and restricted and pledged deposits)	38,311,731	35,717,151	7.3%
Total bank and other borrowings³	65,274,388	58,941,178	10.7%
Total equity	41,249,250	36,745,786	12.3%
Key financial ratios			
Gross Profit margin ⁽²⁾	34.8%	33.7%	
Core Profit margin ⁽³⁾	17.3%	17.3%	
Net gearing ratio ⁽⁴⁾	65.4%	63.2%	
Gearing ratio ⁽⁵⁾	78.5%	78.4%	

1. Representing the amount of income net of sales related taxes.
2. Excluding the GFA attributable to the car parking spaces.
3. Including bank and other loans, senior notes and corporate bonds.

Notes:

- (1) Core Profit: Net profit, adjusted to changes in fair value of investment properties and derivative financial instruments and the relevant deferred tax and share of changes in fair value of investment properties in an associate
- (2) Gross Profit margin: $\text{Gross Profit} \div \text{revenue} * 100\%$
- (3) Core Profit margin: $\text{Core Profit} \div \text{revenue} * 100\%$
- (4) Net gearing ratio: $(\text{Total bank and other borrowings} - \text{cash and bank balances}) \div \text{total equity} * 100\%$
- (5) Gearing ratio: $\text{Total liabilities} \div \text{total assets} * 100\%$

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT

Contracted sales

In the first half of 2019, the Company has continued to utilize its market advantages in the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area") and achieved a satisfactory sales performance. For the period ended 30 June 2019, the Group attained contracted sales of approximately RMB45,311.3 million, representing an increase of approximately 27.7% as compared with the corresponding period of 2018. For the contracted sales in the first half of 2019, Shenzhen region, other regions of Greater Bay Area, Nanning region, Shantou region, Yangtze River Delta region, Singapore and other regions accounted for approximately 9.0%, 44.4%, 27.8%, 6.8%, 3.2%, 5.9% and 2.9%, respectively. The contracted sales were mainly generated from Greater Bay Area and Nanning region. For Shenzhen region, the sales were mainly generated from Logan • Carat Complex (龍光•玖鑽) above the Hongshan subway station at the Shenzhen's subway line 4, Logan • Acesite Park (龍光•玖龍台) in Shenzhen Guangming New District. The sales from Nanning region were mainly contributed by projects, namely Nanning • Glory Lake (南寧•玖譽湖) and Nanning • Glory City (南寧•玖譽城). In the second half of 2019, Shenzhen Logan • Acesite Park (龍光•玖龍台) and Huizhou Logan City (龍光城) will continue to be launched for sale.

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

Region	Contracted sales in the first half of 2019				
	Amount (RMB million)	Percentage	Total GFA ¹ (sq.m.)	Percentage	ASP ¹ (RMB/sq.m.)
Shenzhen region	4,072	9.0%	70,161	2.1%	58,042
Other regions of Greater Bay Area ²	20,139	44.4%	1,507,405	44.4%	13,176
Nanning region	12,603	27.8%	1,279,061	37.7%	9,770
Shantou region	3,059	6.8%	302,852	8.9%	9,547
Yangtze River region	1,439	3.2%	70,226	2.1%	20,209
Singapore	2,681	5.9%	30,880	0.9%	86,815
Other regions	1,318	2.9%	131,188	3.9%	9,921
Total	45,311	100%	3,391,773	100%	13,186

1. Excluding car parking spaces

2. Excluding Shenzhen region

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE FROM SALES OF PROPERTIES

For the six-month period ended 30 June 2019, the revenue from sales of properties amounted to RMB16,226.1 million, representing an increase of approximately 24.1% as compared with the revenue from sales of properties of RMB13,074.2 million in the corresponding period of 2018. Area delivered (excluding car parking spaces) increased by 20.7% to 892,623 sq.m. for the six-month period ended 30 June 2019 from 739,314 sq.m. in the corresponding period of 2018. Shenzhen region, other regions of Greater Bay Area², Shantou region, Nanning region and other regions contributed to the revenue from sales of properties before deduction of sales related taxes in the first half of 2019, accounting for approximately 54.5%, 24.2%, 6.5%, 14.5% and 0.3%, respectively.

Revenue from sales of properties in the first half of 2019

Region	Amount (RMB million)	Percentage	Total GFA ¹ (sq.m.)	Percentage	ASP
					(excluding car parking spaces) (RMB/sq.m.)
Shenzhen region	8,942	54.5%	198,300	22.2%	48,946
Other regions of Greater Bay Area ²	3,959	24.2%	245,926	27.6%	17,135
Shantou region	1,062	6.5%	109,255	12.2%	10,041
Nanning region	2,371	14.5%	338,460	37.9%	7,371
Other regions	48	0.3%	682	0.1%	47,815
Total	16,382	100%	892,623	100%	19,655
Less: Sales related taxes	(156)				
Revenue from sale of properties	16,226				

1. Excluding car parking spaces

2. Excluding Shenzhen region

Newly commenced projects

As at 30 June 2019, the Group commenced construction of a total of 38 projects (including project phases) with a total planned GFA of approximately 8.7 million sq.m..

Completed projects

As at 30 June 2019, the Group completed 13 projects (including project phases) with a total planned GFA of approximately 1.6 million sq.m..

Developing projects

As at 30 June 2019, the Group had a total of 90 projects (including project phases) under construction with a total planned GFA of approximately 22.3 million sq.m..

MANAGEMENT DISCUSSION AND ANALYSIS

Land Reserves

For the six months ended 30 June 2019, the Group acquired 16 new projects through public tendering, auction and listing with a total GFA of 4,166,278 sq.m.

List of newly acquired projects through public tendering, auction and listing in the first half of 2019

Region	Site Area (sq.m.)	Total GFA (sq.m.)	Total Land Cost (RMB million)	Equity Land Cost (RMB million)	Average Land Cost (RMB/sq.m.)
Shenzhen	32,667	200,042	6,585	6,585	32,918
Foshan	170,797	590,106	3,528	2,783	5,979
Zhuhai	173,103	443,718	3,726	1,863	8,398
Zhongshan	36,834	145,921	405	203	2,775
Guangzhou	50,198	165,160	2,178	2,178	13,188
Subtotal of Guangdong- Hong Kong-Macao Greater Bay Area	463,599	1,544,947	16,422	13,612	10,630
Nanning Region	569,298	2,180,943	8,445	6,336	3,872
Yangtze River Delta Region	74,274	199,914	1,122	1,122	5,613
Other Regions	66,863	240,474	313	313	1,301
Total	1,174,034	4,166,278	26,302	21,383	6,313

As at 30 June 2019, the total GFA of the land reserves of the Group amounted to approximately 35,917,534 sq.m., the average cost of land reserves was RMB4,304 per sq.m., in which Guangdong-Hong Kong-Macao Greater Bay Area accounted for over 70%, when calculated by land value.

Land reserves as at 30 June 2019

	GFA (sq.m.)	Percentage
Shenzhen	1,933,202	5.4%
Huizhou/Dongguan	5,659,690	15.7%
Guangzhou/Foshan/Zhaoqing	6,988,322	19.5%
Zhuhai/Zhongshan	3,720,702	10.4%
Hong Kong	35,303	0.1%
Heyuan/Yangjiang/Qingyuan	3,357,025	9.3%
Subtotal of Guangdong-Hong Kong-Macao Greater Bay Area	21,694,244	60.4%
Shantou Region	4,165,821	11.6%
Nanning Region	8,137,679	22.7%
Yangtze River Delta Region	334,735	0.8%
Singapore	146,467	0.5%
Other Regions	1,438,588	4.0%
Total	35,917,534	100.0%
Land cost (RMB per sq.m.)	4,304	

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY INVESTMENTS

Rental income

The rental income of the Group for the six-month period ended 30 June 2019 amounted to approximately RMB70.7 million, representing an increase of approximately 54.2% as compared with the corresponding period of 2018.

Investment properties

As at 30 June 2019, the Group had 39 investment properties with a total GFA of approximately 775,062 sq.m.. Among those investment property portfolios, 32 investment properties with a total GFA of approximately 444,198 sq.m. have been completed, and the remaining 7 are still under development.

Financial Review

(I) Revenue

Revenue of the Group for the six-month period ended 30 June 2019 amounted to approximately RMB27,021.7 million, representing an increase of approximately RMB11,868.2 million, or approximately 78.3%, as compared with the corresponding period of 2018, primarily due to the increase in revenue from sales of properties, revenue from construction and decoration contracts and revenue from primary land development as compared with the corresponding period of 2018. Revenue from sales of properties for the six-month period ended 30 June 2019 amounted to approximately RMB16,226.1 million, representing an increase of approximately 24.1% as compared with approximately RMB13,074.2 million in the corresponding period of 2018.

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

Project name	For the six-month period ended 30 June			
	2019		2018	
	Area ⁽¹⁾ (sq.m.)	Amount ⁽²⁾ (RMB'000)	Area ⁽¹⁾ (sq.m.)	Amount ⁽²⁾ (RMB'000)
Shenzhen Acesite Park (深圳玖龍台)	178,884	7,838,669	—	—
Huizhou Logan City (惠州龍光城)	149,047	2,446,517	5,126	94,544
Shenzhen Carat Complex (深圳玖鑽)	19,097	1,087,492	—	—
Fangchenggang Sunshine Seaward (防城港陽光海岸)	152,904	876,877	12,968	86,167
Foshan Dragon Castle/Riverine View Castle (佛山龍灣華府/望江府)	71,252	838,090	266,645	3,169,146
Shantou Sunshine Jubilee Garden (汕頭陽光禧園)	92,664	782,557	—	—
Nanning Acesite Park (南寧玖龍府)	90,269	746,758	—	—
Zhuhai Acesite Bay (珠海玖龍灣)	16,467	531,629	23,052	785,175
Guilin Provence (桂林普羅旺斯)	62,183	404,739	7,625	48,262
Nanning Sunshine Royal Lake (南寧御湖陽光)	33,104	288,069	99,610	1,020,179
Shantou Royal & Seaward Heaven Garden (汕頭御海天禧花園)	11,673	204,702	103,969	1,613,255
Zhongshan Royal & Seaward Sunshine Palace Garden (中山御海陽光花園)	6,196	56,539	—	—
Shantou Sea & Sunshine (汕頭碧海陽光)	4,631	54,796	10,837	185,559
Singapore The Florence Residence (新加坡悅湖苑)	366	28,783	—	—
Zhuhai Acesite Park (珠海玖龍府)	1,243	24,035	145	2,512,018
Nanning Grand Riverside Bay (南寧水悅龍灣)	—	23,307	165	5,428

MANAGEMENT DISCUSSION AND ANALYSIS

Project name	For the six-month period ended 30 June			
	2019		2018	
	Area ⁽¹⁾ (sq.m.)	Amount ⁽²⁾ (RMB'000)	Area ⁽¹⁾ (sq.m.)	Amount ⁽²⁾ (RMB'000)
Nanning Provence (南寧普羅旺斯)	—	16,902	—	14,485
Shenzhen Acesite Mansion (深圳玖龍璽)	216	14,830	40,755	2,907,427
Chengdu Joy Residence (成都君悅華庭)	135	11,663	3,188	42,639
Shantou Flying Dragon Landscape (汕頭龍騰嘉園)	—	11,114	—	16,773
Guangzhou Landscape Residence (廣州峰景華庭)	322	10,560	—	2,158
Foshan Grand Riverside Bay (佛山水悅龍灣)	383	10,245	1,024	36,572
Foshan Sky Lake Castle (佛山天湖華府)	230	9,385	789	21,333
Foshan Grand Garden (佛山水悅熙園)	—	9,149	213	29,728
Nanning Joy Residence (南寧君悅華庭)	—	8,857	—	2,514
Foshan Shin Street Building (佛山尚街大廈)	676	6,707	—	123
Dongguan Imperial Summit Sky Villa (東莞君御旗峰)	—	5,748	—	3,827
Shantou Royal & Seaward Jubilee Garden (汕頭御海禧園)	127	5,640	—	13,828
Hainan Sea and City (海南海雲天)	181	4,549	3,750	65,185
Huizhou Grand Riverside Bay (惠州水悅龍灣)	—	4,129	—	41,735
Nanning Royal Castle (南寧君御華府)	—	3,281	117	6,369
Chengdu Sky Palace (成都天悅龍庭)	—	3,017	—	1,371
Foshan Joy Palace (佛山君悅龍庭)	—	2,938	1,620	13,788
Foshan Grand Joy Castle (佛山君悅華府)	—	2,365	512	8,894
Shantou Sunshine Castle (汕頭陽光華府)	160	2,208	—	—
Nanning Logan Century (南寧龍光世紀)	—	1,764	—	—
Zhongshan Ocean Garden (中山海悅熙園)	213	1,495	—	—
Huizhou Sky Palace (惠州天悅龍庭)	—	872	279	—
Shantou Seaward Sunshine (汕頭尚海陽光)	—	654	1,344	24,157
Zhongshan Grand Joy Garden (中山水悅馨園)	—	229	—	14,490
Shenzhen Masterpiece (深圳玖雲著)	—	—	10,115	377,768
Zhongshan Ocean Vista Residence (中山海悅華庭)	—	—	88	2,429
Shunde Grand View (順德水悅雲天)	—	—	434	4,092
Guangzhou Palm Waterfront (廣州棕櫚水岸)	—	—	—	2,123
Shantou Flying Dragon Garden (汕頭龍騰熙園)	—	—	—	149
Total	892,623	16,381,860	739,314	13,173,690
Less: sales related taxes		(155,731)		(99,451)
Revenue from sales of properties		16,226,129		13,074,239

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

2. Including revenue from sales of car parking spaces.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Cost of sales

The cost of sales of the Group increased by approximately RMB8,087.2 million, or approximately 84.8%, as compared with the corresponding period of 2018, primarily due to the expansion of business scale as compared with the corresponding period of 2018. Key components of costs are as follows:

	For the six-month period ended 30 June		
	2019	2018	Changes
	RMB'000	RMB'000	%
Total cost of sales	17,629,310	9,542,129	84.8%
Costs of sales of properties	11,454,606	8,284,916	38.3%
Costs of construction and decoration business, property rental business and primary land development business	6,174,704	1,257,213	391.1%

(III) Selling and marketing expenses and administrative expenses

The selling and marketing expenses of the Group for the six-month period ended 30 June 2019 amounted to approximately RMB684.9 million (the corresponding period of 2018 was approximately RMB270.7 million). The relevant selling and marketing expenses increased by approximately 153.1% as compared with the corresponding period of 2018.

The administrative expenses of the Group for the six-month period ended 30 June 2019 amounted to approximately RMB627.1 million (the corresponding period of 2018 was approximately RMB446.7 million), representing an increase of approximately 40.4% as compared with the corresponding period of 2018. The increase was primarily due to the increase in staff costs.

(IV) Profit from operations

The profit from operations of the Group for the six-month period ended 30 June 2019 increased by RMB3,518.3 million to approximately RMB10,183.7 million (the corresponding period of 2018: approximately RMB6,665.4 million). As the revenue and other income and gains of the Group increased by approximately RMB12,476.7 million as compared with the corresponding period of 2018, the aggregate of cost of sales, selling and marketing expenses and administrative expenses also increased by approximately RMB8,681.9 million as compared with the corresponding period of 2018, while the aggregate amount of net change in fair value of investment properties and changes in the fair value of derivative financial instruments, and share of net losses of associates and joint ventures and other expenses decreased by approximately RMB276.5 million as compared with the corresponding period of 2018. As a result, the profit from operations of the Group increased by approximately RMB3,518.3 million as compared with the corresponding period of 2018.

(V) Finance costs

The net finance costs of the Group for the six-month period ended 30 June 2019 increased to approximately RMB826.3 million (the corresponding period of 2018 was approximately RMB520.9 million), primarily due to the increase in scales of bank and other borrowings.

Approximately RMB48,789.7 million of Group's total borrowings were with fixed rates ranging from 3.9% per annum to 10.1% per annum, the other borrowings were quoted at floating rates. As of June 30, 2019, the proportion of fixed interest rate borrowings was 74.7% (December 31, 2018: 74.1%) of the total borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

(VI) Income tax

Taxes of the Group for the six-month period ended 30 June 2019 included corporate income tax ("CIT") and land appreciation tax ("LAT"). Taking into account the impact of the relevant changes in deferred tax, the net CIT and LAT amounted to approximately RMB2,994.1 million and RMB1,072.9 million, respectively (the corresponding period of 2018: approximately RMB1,638.0 million and RMB711.7 million).

(VII) Core Profit

The Core Profit of the Group for the six-month period ended 30 June 2019 amounted to approximately RMB4,671.5 million, representing an increase of approximately RMB1,733.6 million as compared with the corresponding period of 2018. The Core Profit margin of the Group for the six-month period ended 30 June 2019 was approximately 17.3% (the corresponding period of 2018 was approximately 19.4%).

(VIII) Liquidity and financial resources

As at 30 June 2019, total assets of the Group amounted to approximately RMB191,509.5 million (31 December 2018: approximately RMB170,094.7 million), of which current assets amounted to approximately RMB150,250.8 million (31 December 2018: approximately RMB130,640.5 million). Total liabilities amounted to approximately RMB150,260.2 million (31 December 2018: approximately RMB133,348.9 million), of which non-current liabilities amounted to approximately RMB46,591.6 million (31 December 2018: approximately RMB44,810.4 million). Total equity amounted to approximately RMB41,249.3 million (31 December 2018: approximately RMB36,745.8 million), of which total equity attributable to owners of the parent amounted to RMB31,779.0 million (31 December 2018: approximately RMB29,248.8 million).

As at 30 June 2019, the Group had cash and bank balances (including restricted and pledged deposits) of approximately RMB38,311.7 million (31 December 2018: approximately RMB35,717.2 million) and total bank and other borrowings of approximately RMB65,274.4 million (31 December 2018: approximately RMB58,941.2 million). As at 30 June 2019, certain of the Group's bank and other loans are secured by the Group's equity interests in certain subsidiaries, bank deposits, land and buildings, investment properties, properties held for development for sale, properties under development for sale and completed properties for sale and other receivables.

(IX) Financing activities

For the six-month period ended 30 June 2019, the Group successfully issued two tranches of senior notes. The first tranche of senior notes amounted to US\$50,000,000, with a coupon rate of 5.75% and a maturity date on 3 January 2022. The second tranche of senior notes amounted to US\$300,000,000, with a coupon rate of 7.50% and a maturity date on 25 August 2022.

(X) Foreign Exchange Exposure

The Group's business transactions are principally conducted in Renminbi. Other than the bank deposits, bank loans and the senior notes denominated in US dollar, Singapore dollar and HK dollar, the Group does not have any material exposure directly due to foreign exchange fluctuations. Approximately 58.8% of Group's total borrowings were denominated in RMB, while 41.2% were denominated in foreign currencies. 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.

OTHER INFORMATION

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

As at 30 June 2019, the interests and short positions of the directors (the "Directors") and chief executives of the Company in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(i) Interest in Shares of the Company

Name of Director	Nature of Interest	Number of Shares ⁽¹⁾	Underlying Shares Interested ⁽²⁾	Aggregate interests	Approximate Percentage of Issued Share Capital ⁽⁵⁾
Mr. Kei Hoi Pang	Beneficiary of a family trust ⁽³⁾	3,401,600,000 (L)	—	3,401,600,000	62.05%
	Deemed interest ⁽³⁾	850,768,750 (L)	—	850,768,750	15.52%
	Beneficial owner	4,920,000 (L)	14,560,000	19,480,000	0.36%
Mr. Ji Jiande	Beneficial owner	3,690,000 (L)	11,320,000	15,010,000	0.27%
Ms. Kei Perenna Hoi Ting	Beneficiary of a family trust ⁽⁴⁾	3,401,600,000 (L)	—	3,401,600,000	62.05%
	Interest of a controlled corporation ⁽⁴⁾	850,000,000 (L)	—	850,000,000	15.51%
	Beneficial owner	768,750 (L)	2,825,000	3,593,750	0.07%
Mr. Xiao Xu	Beneficial owner	1,676,250 (L)	5,035,000	6,711,250	0.12%
Mr. Lai Zhuobin	Beneficial owner	1,563,750 (L)	4,885,000	6,448,750	0.12%

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the Company (the "Shares").
- (2) The number of shares represents the Shares in which the directors are deemed to be interested as a result of holding share options.
- (3) Mr. Kei Hoi Pang is a beneficiary of the family trust, and therefore interested in the Shares held through Junxi Investments Limited. He is also considered to be interested in the Shares through Ms. Kei Perenna Hoi Ting as Ms. Kei Perenna Hoi Ting is being a person accustomed to act in accordance with Mr. Kei Hoi Pang's directions.
- (4) Ms. Kei Perenna Hoi Ting is the settlor and a beneficiary of a family trust, and therefore interested in the Shares held through Junxi Investments Limited. She is also indirectly interested in the Company through Dragon Jubilee Investments Limited, Gao Run Holdings Limited and Thrive Ally Limited, which owned collectively 15.51% equity interests in the Company.
- (5) The percentage is calculated based on the total number of 5,482,043,750 Shares in issue as at 30 June 2019.

OTHER INFORMATION

(ii) Interest in Associated Corporations of the Company

Name of Director	Name of Associated Corporations	Percentage of Shareholding Interest
Ms. Kei Perenna Hoi Ting ⁽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.

(iii) Interest in Debentures of the Company

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

Notes:

- (1) On 15 May 2018, Mr. Kei Hoi Pang became the shareholder holding the entire issued share capital of Victorious City Investments Limited, the company which directly holds the debentures, which is freely transferable but not convertible into shares of the listed corporation or a corporation. Prior to 15 May 2018, Victorious City Investments Limited was wholly-owned by Ms. Kei Perenna Hoi Ting.
- (2) The US\$20,000,000 debentures held by Mr. Kei Hoi Pang represents his interest in the US\$450,000,000 5.25% senior notes due 2023 issued by the Company.
- (3) The US\$30,000,000 debentures held by Mr. Kei Hoi Pang represents his interest in the US\$200,000,000 5.75% senior notes due 2022 issued by the Company.
- (4) The US\$300,000 debentures held by Mr. Zhang Huaqiao represents his interest in the US\$400,000,000 6.875% senior notes due 2021 issued by the Company.

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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

As at 30 June 2019, 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⁾	Approximate Percentage of the Company's Issued Share Capital⁽⁵⁾
Mr. Kei Hoi Pang	Beneficiary of a family trust, Deemed interest ⁽²⁾	4,252,368,750 (L)	77.57%
	Beneficial owner	19,480,000 (L)	0.36%
Ms. Kei Perenna Hoi Ting	Beneficiary of a family trust, Interest of controlled corporations ⁽³⁾	4,251,600,000 (L)	77.56%
	Beneficial owner	3,593,750 (L)	0.07%
Brock Nominees Limited ⁽⁴⁾	Nominee	3,401,600,000 (L)	62.05%
Credit Suisse Trust Limited ⁽⁴⁾	Trustee	3,401,600,000 (L)	62.05%
Junxi Investments Limited ⁽⁴⁾	Beneficial owner	3,401,600,000 (L)	62.05%
Kei Family United Limited ⁽⁴⁾	Interest of a controlled corporation	3,401,600,000 (L)	62.05%
Tenby Nominees Limited ⁽⁴⁾	Nominee	3,401,600,000 (L)	62.05%
Dragon Jubilee 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 through Junxi Investments Limited. Mr. Kei Hoi Pang is also considered to be interested in the Shares through Ms. Kei Perenna Hoi Ting as Ms. Kei Perenna Hoi Ting is being a person accustomed to act in accordance with Mr. Kei Hoi Pang's directions.
- (3) Ms. Kei Perenna Hoi Ting is the settlor and a beneficiary of a family trust, and therefore interested in Shares held through Junxi Investments Limited. She is also indirectly interested in the Company through Dragon Jubilee Investments Limited, Gao Run Holdings Limited and Thrive Ally Limited, which owned collectively 15.51% 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 5,482,043,750 Shares in issue as at 30 June 2019.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2019, no person, other than the Directors and chief executives of the Company, whose interests are set out in the section headed “Directors’ and Chief Executives’ Interests and/or Short Positions in Shares, Underlying Shares or Debentures of the Company or any of its Associated Corporations” of this report above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

INTERIM DIVIDEND

The Board declared an interim dividend (the “Interim Dividend”) in cash of HK38 cents per Share for the six months ended 30 June 2019 (six months ended 30 June 2018: an Interim Dividend in cash of HK20 cents per Share and a special dividend in cash of HK8 cents per Share).

The Interim Dividend will be paid on Friday, 29 November 2019 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 20 November 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who qualify for the Interim Dividend, the register of members of the Company will be closed from Monday, 18 November 2019 to Wednesday, 20 November 2019, both days inclusive. In order to qualify for the Interim Dividend, all transfer documents should be lodged for registration with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 15 November 2019.

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

For the six months ended 30 June 2019, the Company repurchased from the market a total of 19,130,000 Shares. As at the date of this report, the repurchased Shares have been cancelled. Details of the repurchases of the Shares are as follows:

Date of Repurchase	Number of Shares Repurchased	Highest Price per Share (HK\$)	Lowest Price per Share (HK\$)	Aggregate Consideration (HK\$)
30 January 2019	15,330,000	10.40	9.50	154,684,240
31 January 2019	3,300,000	10.68	10.46	34,941,560
18 April 2019	500,000	12.98	12.84	6,456,000

On 9 January 2019, the Company issued additional US\$50 million of 5.75% senior notes due in 2022 which were consolidated and formed a single series with the original US\$200 million of 5.75% senior notes. The additional notes are listed on The Stock Exchange of Hong Kong Limited (Stock Code: 5341).

On 25 February 2019, the Company issued US\$300 million of 7.50% senior notes due in 2022. The notes issued as aforesaid had been admitted to the official list of the Singapore Exchange Securities Trading Limited.

On 19 March 2019, Shenzhen Logan Holdings Co., Ltd[#] (深圳市龍光控股有限公司) issued the second tranche of domestic bonds to qualified investors, the principal amount of which was RMB1.51 billion with a coupon rate of 5.5% per annum due 2024. The notes are listed and traded on the Shenzhen 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 six months ended 30 June 2019.

[#] For identification purpose only

OTHER INFORMATION

COMPLIANCE WITH CODE ON 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 of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules.

The Company has applied the principles and complied with all the applicable code provisions as set out in the CG Code throughout the six months ended 30 June 2019.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

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 30 June 2019, US\$105,000,000 of the 2017 Facility remained outstanding.

2018 Facility Agreement

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

OTHER INFORMATION

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

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

As at 30 June 2019, the term loan facility of HK\$900,000,000 remained outstanding.

2019 Facility Agreement

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

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

As at 30 June 2019, the term loan facility of HK\$1,610,000,000 remained outstanding.

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

Save as disclosed above, as at 30 June 2019, the Company did not have other disclosure obligations under Rule 13.18 of the Listing Rules.

OTHER INFORMATION

SHARE OPTION

During the six months ended 30 June 2019, the Company granted 10,500,000 share options to certain employees of the Company and its subsidiaries.

Details of movements for the six months ended 30 June 2019 in the number of share options are set out below:

Name of Director	Date of grant	Exercise Price (HK\$)	Number of share options				Outstanding as at 30 June 2019	Approximate Percentage of share capital ⁽¹⁾	Exercise period	Closing price of the securities immediately before the date on which the options were offered (HK\$)
			Outstanding as at 1 January 2019	Granted from 1 January 2019 to 30 June 2019	Exercised from 1 January 2019 to 30 June 2019	Cancelled/ Lapsed from 1 January 2019 to 30 June 2019				
Mr. Kei Hoi Pang	29 May 2014	2.34	6,560,000	–	–	–	6,560,000	0.120%	29 May 2014 to 28 May 2020 ⁽²⁾	2.34
	25 August 2017	7.43	8,000,000	–	–	–	8,000,000	0.146%	25 August 2017 to 24 August 2027 ⁽³⁾	7.34
Mr. Ji Jiande	29 May 2014	2.34	4,920,000	–	–	–	4,920,000	0.090%	29 May 2014 to 28 May 2020 ⁽²⁾	2.34
	25 August 2017	7.43	6,400,000	–	–	–	6,400,000	0.117%	25 August 2017 to 24 August 2027 ⁽³⁾	7.34
Mr. Xiao Xu	29 May 2014	2.34	2,235,000	–	–	–	2,235,000	0.041%	29 May 2014 to 28 May 2020 ⁽²⁾	2.34
	25 August 2017	7.43	2,800,000	–	–	–	2,800,000	0.051%	25 August 2017 to 24 August 2027 ⁽³⁾	7.34
Mr. Lai Zhuobin	29 May 2014	2.34	2,085,000	–	–	–	2,085,000	0.038%	29 May 2014 to 28 May 2020 ⁽²⁾	2.34
	25 August 2017	7.43	2,800,000	–	–	–	2,800,000	0.051%	25 August 2017 to 24 August 2027 ⁽³⁾	7.34
Ms. Kei Perenna Hoi Ting	29 May 2014	2.34	1,025,000	–	–	–	1,025,000	0.019%	29 May 2014 to 28 May 2020 ⁽²⁾	2.34
	25 August 2017	7.43	1,800,000	–	–	–	1,800,000	0.033%	25 August 2017 to 24 August 2027 ⁽³⁾	7.34
Total number held by Directors	29 May 2014	2.34	16,825,000	–	–	–	16,825,000	0.307%	29 May 2014 to 28 May 2020 ⁽²⁾	2.34
	25 August 2017	7.43	21,800,000	–	–	–	21,800,000	0.398%	25 August 2017 to 24 August 2027 ⁽³⁾	7.34
Total number held by other participants	29 May 2014	2.34	58,326,000	–	(10,977,000)	(1,580,000)	45,769,000	0.835%	29 May 2014 to 28 May 2020 ⁽²⁾	2.34
	25 August 2017	7.43	37,144,000	–	–	(1,572,000)	35,572,000	0.649%	25 August 2017 to 24 August 2027 ⁽³⁾	7.34
	8 June 2018	12.50	46,223,000	–	–	(4,041,000)	42,182,000	0.769%	8 June 2018 to 7 June 2028 ⁽⁴⁾	12.64
	22 October 2018	7.64	36,400,000	–	–	(2,087,500)	34,312,500	0.626%	22 October 2018 to 21 October 2028 ⁽⁵⁾	7.33
	28 June 2019	12.64	–	10,500,000	–	–	10,500,000	0.192%	28 June 2019 to 27 June 2029 ⁽⁶⁾	12.56

OTHER INFORMATION

Notes:

- (1) The percentage is calculated based on the total number of 5,482,043,750 Shares in issue as at 30 June 2019.
- (2) The share options are exercisable within a period of 6 years from 29 May 2014 and subject to the following vesting schedule and performance review:
 - (i) the share options granted to the Directors and certain senior managers or above of the Group will be vested evenly over a period of 4 years starting from 29 May 2015 and ending on 28 May 2019; and
 - (ii) the share options granted to certain mid-level managers of the Group will be vested evenly over a period of 3 years starting from 29 May 2015 and ending on 28 May 2018.
- (3) The share options are exercisable within a period of 10 years from 25 August 2017 and subject to the following vesting schedule and performance review:
 - (i) up to 25% of the share options granted after the expiration of 36 months from 25 August 2017;
 - (ii) up to another 25% of the share options granted after the expiration of 48 months from 25 August 2017;
 - (iii) up to another 25% of the share options granted after the expiration of 60 months from 25 August 2017; and
 - (iv) all the remaining share options granted after the expiration of 72 months from 25 August 2017.
- (4) The share options are exercisable within a period of 10 years from 8 June 2018 and subject to the following vesting schedule and performance review:
 - (i) up to 33.3% of the share option granted to each grantee at any time after the expiration of 36 months from 8 June 2018;
 - (ii) up to 33.3% of the share option granted to each grantee at any time after the expiration of 48 months from 8 June 2018; and
 - (iii) the remaining of the share option granted to each grantee at any time after the expiration of 60 months from 8 June 2018.
- (5) The share options are exercisable within a period of 10 years from 22 October 2018 and subject to the following vesting schedule and performance review:
 - (i) up to 33.3% of the share option granted to each grantee at any time after the expiration of 36 months from 22 October 2018;
 - (ii) up to 33.3% of the share option granted to each grantee at any time after the expiration of 48 months from 22 October 2018; and
 - (iii) the remaining of the share option granted to each grantee at any time after the expiration of 60 months from 22 October 2018.
- (6) The share options are exercisable within a period of 10 years from 28 June 2019 and subject to the following vesting schedule and performance review:
 - (i) for some grantees, up to 33.3% of their share options granted at any time after the expiration of 36 months from 28 June 2019 and up to 66.7% of their share options granted at any time after the expiration of 48 months from 28 June 2019; and
 - (ii) for the remaining grantees, up to 50% of their share options granted at any time after the expiration of 36 months from 28 June 2019 and up to 50% of their share options granted at any time after the expiration of 48 months from 28 June 2019.

OTHER INFORMATION

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry, the Company confirmed that all the Directors have complied with the required standards set out in the Model Code during the six months ended 30 June 2019.

The Company has also adopted the principles and rules of the Model Code as written guidelines for relevant employees in respect of their dealings in the securities of the Company (the “Employees Written Guidelines”). No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the six months ended 30 June 2019.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2018 annual report of the Company are as follows:

Name of Director	Details of Change
Mr. Cai Suisheng	— Appointed as a senior consultant of Shenzhen Real Estate Intermediary Association in January 2019.
Mr. Zhang Huaqiao	— Retired as a non-executive director of Boer Power Holdings Limited (Stock Code: 1685) with effect from 6 May 2019.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed, with no disagreement, with the Company’s management, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
REVENUE	4	27,021,708	15,153,528
Cost of sales		(17,629,310)	(9,542,129)
Gross profit		9,392,398	5,611,399
Other income and gains	4	1,367,105	758,542
Other expenses		(1,846)	(37,439)
Selling and marketing expenses		(684,898)	(270,651)
Administrative expenses		(627,123)	(446,673)
Net increase in fair value of investment properties	11	787,879	1,037,395
Net increase in fair value of derivative financial instruments	26	27,952	23,024
Share of (losses)/profits of associates		(35,321)	51,707
Share of losses of joint ventures		(42,434)	(61,869)
PROFIT FROM OPERATIONS		10,183,712	6,665,435
Finance costs	5	(826,332)	(520,876)
PROFIT BEFORE TAX	6	9,357,380	6,144,559
Income tax expense	7	(4,067,019)	(2,349,721)
PROFIT FOR THE PERIOD		5,290,361	3,794,838
Attributable to:			
Owners of the parent		5,128,402	3,431,807
Non-controlling interests		161,959	363,031
		5,290,361	3,794,838
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RMB cents)	9		
Basic		91.87	60.99
Diluted		90.45	59.96

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	5,290,361	3,794,838
OTHER COMPREHENSIVE INCOME FOR THE PERIOD (after tax and reclassification adjustments)		
Item that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of group entities	21,856	(152,469)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,312,217	3,642,369
Attributable to:		
Owners of the parent	5,150,258	3,279,338
Non-controlling interests	161,959	363,031
	5,312,217	3,642,369

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
NON-CURRENT ASSETS			
Investment properties	10	25,613,512	18,338,011
Other property, plant and equipment	11	164,180	176,014
Trade and other receivables, prepayments and other assets		617,376	—
Deferred tax assets		719,752	649,725
Investments in associates		1,909,145	1,447,180
Investments in joint ventures		11,680,229	18,042,573
Assets under cross-border guarantee arrangements	13	—	526,335
Restricted and pledged deposits		554,477	274,350
Total non-current assets		41,258,671	39,454,188
CURRENT ASSETS			
Inventories		66,584,479	54,780,698
Trade and other receivables, prepayments and other assets	12	42,046,551	37,816,369
Tax recoverable		1,081,317	773,299
Assets under cross-border guarantee arrangements	13	2,781,216	1,827,322
Restricted and pledged deposits		3,296,209	6,990,339
Cash and cash equivalents		34,461,045	28,452,462
Total current assets		150,250,817	130,640,489
CURRENT LIABILITIES			
Trade and other payables	14	52,618,425	47,449,771
Contract liabilities		20,140,010	16,784,879
Liabilities under cross-border guarantee arrangements	13	3,153,949	2,515,233
Bank and other loans		8,727,074	9,577,092
Senior notes	15	2,384,274	—
Other current liabilities	16	10,662,449	7,652,449
Tax payable		5,982,475	4,559,087
Total current liabilities		103,668,656	88,538,511
NET CURRENT ASSETS		46,582,161	42,101,978
TOTAL ASSETS LESS CURRENT LIABILITIES		87,840,832	81,556,166

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		87,840,832	81,556,166
NON-CURRENT LIABILITIES			
Liabilities under cross-border guarantee arrangements	13	—	526,335
Bank and other loans		17,626,986	11,966,970
Senior notes	15	16,883,605	16,764,667
Corporate bonds	16	8,990,000	12,980,000
Deferred tax liabilities		3,090,991	2,572,408
Total non-current liabilities		46,591,582	44,810,380
Net assets		41,249,250	36,745,786
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	433,300	434,041
Perpetual capital securities	19	2,363,346	2,363,346
Reserves		28,982,316	26,451,419
		31,778,962	29,248,806
Non-controlling interests		9,470,288	7,496,980
Total equity		41,249,250	36,745,786

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the parent											
	Share capital	Share premium	Treasury shares	Share-based	Exchange reserve	PRC	Other reserve	Retained profits	Perpetual	Total	Non-controlling interests	Total equity
				compensation reserve		statutory reserves			capital securities			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)				(note 18)					(note 19)			
At 1 January 2018	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
Profit for the period	–	–	–	–	–	–	–	3,431,807	–	3,431,807	363,031	3,794,838
Other comprehensive income –												
Exchange differences on translation of financial statements of group entities	–	–	–	–	(152,469)	–	–	–	–	(152,469)	–	(152,469)
Total comprehensive income for the period	–	–	–	–	(152,469)	–	–	3,431,807	–	3,279,338	363,031	3,642,369
Transfer to PRC statutory reserves	–	–	–	–	–	24,066	–	(24,066)	–	–	–	–
2017 final and special dividends declared	–	–	–	–	–	–	–	(879,898)	–	(879,898)	–	(879,898)
Issuance of shares in connection with the exercise of share option	463	26,835	–	(3,711)	–	–	–	–	–	23,587	–	23,587
Equity-settled share-based transactions	–	–	–	30,000	–	–	–	–	–	30,000	–	30,000
Effect of forfeited share options	–	–	–	(3,662)	–	–	–	3,662	–	–	–	–
Repurchase of own shares	–	–	(3,999)	–	–	–	–	–	–	(3,999)	–	(3,999)
Deemed disposal of subsidiaries	–	–	–	–	–	–	133,096	(18,221)	–	114,875	–	114,875
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	47,383	47,383
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	683,496	–	–	683,496	(3,505,274)	(2,821,778)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	102,000	–	–	102,000	3,598,000	3,700,000
Distribution to holders of perpetual capital securities	–	–	–	–	–	–	–	(80,352)	–	(80,352)	–	(80,352)
At 30 June 2018	434,291	26,835	(3,999)	111,775	(195,646)	945,730	1,034,899	21,858,037	2,363,346	26,575,268	4,360,728	30,935,996
At 1 January 2019	434,041	–*	–*	88,205*	(326,960)*	1,117,742*	538,543*	25,033,889*	2,363,346	29,248,806	7,496,980	36,745,786
Profit for the period	–	–	–	–	–	–	–	5,128,402	–	5,128,402	161,959	5,290,361
Other comprehensive income –												
Exchange differences on translation of financial statements of group entities	–	–	–	–	21,856	–	–	–	–	21,856	–	21,856
Total comprehensive income for the period	–	–	–	–	21,856	–	–	5,128,402	–	5,150,258	161,959	5,312,217
2018 final and special dividends declared	–	–	–	–	–	–	–	(2,315,331)	–	(2,315,331)	–	(2,315,331)
Issuance of shares in connection with the exercise of share option	941	31,143	–	(9,489)	–	–	–	–	–	22,595	–	22,595
Equity-settled share-based transactions	–	–	–	30,000	–	–	–	–	–	30,000	–	30,000
Effect of forfeited share options	–	–	–	(1,645)	–	–	–	1,645	–	–	–	–
Repurchase and cancellation of own shares	(1,682)	(31,143)	–	–	–	–	–	(140,177)	–	(173,002)	–	(173,002)
Deemed disposal of subsidiaries	–	–	–	–	–	–	(114,875)	–	–	(114,875)	–	(114,875)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	14,296	–	–	14,296	1,811,349	1,825,645
Distribution to holders of perpetual capital securities	–	–	–	–	–	–	–	(83,785)	–	(83,785)	–	(83,785)
At 30 June 2019	433,300	–*	–*	107,071*	(305,104)*	1,117,742*	437,964*	27,624,643*	2,363,346	31,778,962	9,470,288	41,249,250

* These reserve accounts comprise the consolidated reserves of RMB28,982,316,000 (31 December 2018: RMB26,451,419,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		9,357,380	6,144,559
Total non-cash adjustments		(1,159,626)	(563,630)
Total working capital adjustments		3,909,328	(872,558)
Cash generated from operations		12,107,082	4,708,371
Tax paid		(3,095,672)	(1,583,824)
Net cash flows from operating activities		9,011,410	3,124,547
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		732,525	485,468
Addition to investment properties	10	(191,894)	(421,452)
Addition to other property, plant and equipment		(15,250)	(18,410)
Deemed disposal of subsidiaries	22	(1,187,578)	(1,036,835)
Acquisition of subsidiaries that are not a business	21(a)	(756,942)	—
Acquisition of subsidiaries	21(b)	1,452,099	245,087
Investments in joint ventures		(730,450)	(181,132)
Investments in associates		(83,316)	(20,000)
Repayment from/(advances to) joint ventures and associates		748,930	(8,459,911)
Proceeds from disposal of other property, plant and equipment		740	5,098
Decrease in restricted and pledged deposits		3,414,003	294,457
Net cash flows from/(used in) investing activities		3,382,867	(9,107,630)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(2,460,317)	(1,073,360)
Proceeds from bank and other loans		5,809,253	10,932,613
Repayment of bank and other loans		(7,868,487)	(8,994,026)
Repayment of corporate bonds		(2,490,000)	(10,000)
Proceeds from issuance of senior notes		2,271,509	4,929,281
Proceeds from issuance of corporate bonds	16	1,510,000	5,000,000
Repayment of liabilities under cross-border guarantee arrangements	13	(315,178)	—
Distribution paid to holders of perpetual capital securities		(83,785)	(80,352)
Proceeds from issuance of shares in connection with the exercise of share options		22,595	23,587
Repurchase of own shares		(173,002)	(3,999)
Decrease in amounts due to non-controlling shareholders		(4,409,144)	—
Capital contributions from non-controlling shareholders		1,825,645	3,700,000
Payments for acquisition of non-controlling interests		—	(2,821,778)
Proceeds from loan from non-controlling shareholders		—	152,000
Dividends paid to ordinary equity shareholders of the Company		(255,023)	(408,630)
Net cash flows from/(used in) financing activities		(6,615,934)	11,345,336
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		28,452,462	19,878,192
Effect of foreign exchange rate changes		230,240	122,077
CASH AND CASH EQUIVALENTS AT END OF PERIOD		34,461,045	25,362,522

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

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 address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information of the Group (the “interim financial information”) for the six months ended 30 June 2019 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2018.

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

The accounting policies adopted in the preparation of the interim financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the following new and revised Hong Kong Financial Reporting Standards (the “HKFRSs”, which include all HKFRSs, HKASs and Interpretations issued by the HKICPA), that have been adopted by the Group for the first time in 2019 for the current period’s interim financial information:

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements</i> <i>2015–2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Other than as explained below regarding the impact of HKFRS 16 *Leases*, Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim financial information. The nature and impact of the new and revised HKFRSs are described below:

- (a) HKFRS 16 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 account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019



2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(a) (Continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for an elective exemption for leases of short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impact on transition

For the leasehold land and building (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS40.

The Group has used the following elective practical expedient when applying HKFRS 16 at 1 January 2019:

- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months from the date of initial application

The adoption of HKFRS 16 did not have any significant impact on the Group's interim financial information.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(a) (Continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "properties held for development for sale", "properties under development for sale" and "completed properties for sale". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed lease payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

- (b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any significant impact on the Group's interim financial information.
- (c) HK(IFRIC)-Int 23 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 amendments did not have any significant impact on the Group's interim financial information.

3. OPERATING SEGMENT INFORMATION

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

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

3. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

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

Information regarding the reportable segments is presented below.

For the six months ended 30 June 2019

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

3. OPERATING SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2018

(Unaudited)	Property development RMB'000	Property leasing RMB'000	Construction and decoration contracts RMB'000	Primary land development RMB'000	Total RMB'000
Gross revenue from external customers	13,173,690	48,309	968,646	1,067,449	15,258,094
Less: Sales related taxes	(99,451)	(2,467)	(2,453)	(195)	(104,566)
Net revenue from external customers	13,074,239	45,842	966,193	1,067,254	15,153,528
Inter-segment revenue	—	12,323	3,875,145	—	3,887,468
Reportable segment revenue	13,074,239	58,165	4,841,338	1,067,254	19,040,996
Reportable segment profit	3,854,523	46,619	907,576	648,771	5,457,489

Information about a major customer

During the six months ended 30 June 2019, revenue of RMB4,900,000,000 (six months ended 30 June 2018: Nil) was derived from an independent third party for primary land development, which amounted to more than 10% of the Group's revenue.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

3. OPERATING SEGMENT INFORMATION (CONTINUED)**Reconciliation of reportable segment revenue and profit or loss**

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	31,007,725	19,040,996
Elimination of inter-segment revenue	(3,986,017)	(3,887,468)
Consolidated revenue	27,021,708	15,153,528
Profit		
Reportable segment profit	9,099,123	5,457,489
Elimination of inter-segment profits	(827,239)	(370,493)
Reportable segment profit derived from the Group's external customers	8,271,884	5,086,996
Other income and gains	1,367,105	758,542
Other expenses	(1,846)	(37,439)
Depreciation	(33,546)	(28,581)
Finance costs	(826,332)	(520,876)
Share of (losses)/profits of associates	(35,321)	51,707
Share of losses of joint ventures	(42,434)	(61,869)
Net increase in fair value of investment properties	787,879	1,037,395
Net increase in fair value of derivative financial instruments	27,952	23,024
Unallocated head office and corporate income and expenses	(157,961)	(164,340)
Consolidated profit before tax	9,357,380	6,144,559

Geographical information

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

4. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<i>Revenue from contracts with customers</i>		
Sales of properties*	16,381,860	13,173,690
Construction and decoration income	5,843,261	968,646
Primary land development income	4,900,000	1,067,449
<i>Revenue from another source</i>		
Gross rental income	70,985	48,309
	27,196,106	15,258,094
Less: Sales related taxes	(174,398)	(104,566)
	27,021,708	15,153,528

* The invoiced amount billed to buyers of properties for the six months ended 30 June 2019 was RMB17,776,078,000 (six months ended 30 June 2018: RMB14,302,890,000) including value-added tax of RMB1,394,218,000 (six months ended 30 June 2018: RMB1,129,200,000).

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 June 2019

	Sales of properties RMB'000	Construction and decoration income RMB'000	Primary land development income RMB'000	Total RMB'000
Timing of revenue recognition:				
Goods transferred at a point in time	16,226,129	—	4,900,000	21,126,129
Services transferred over time	—	5,824,900	—	5,824,900
Total revenue from contracts with customers	16,226,129	5,824,900	4,900,000	26,951,029

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)**Revenue from contracts with customers (Continued)****Disaggregated revenue information (Continued)***For the six months ended 30 June 2018*

	Sales of properties RMB'000	Construction and decoration income RMB'000	Primary land development income RMB'000	Total RMB'000
Timing of revenue recognition:				
Goods transferred at a point in time	13,074,239	—	1,067,254	14,141,493
Services transferred over time	—	966,193	—	966,193
Total revenue from contracts with customers	13,074,239	966,193	1,067,254	15,107,686

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

For the six months ended 30 June 2019

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019



4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

Disaggregated revenue information (Continued)

For the six months ended 30 June 2018

	Property development RMB'000	Construction and decoration contracts RMB'000	Primary land development RMB'000	Total RMB'000
Revenue from contracts with customers				
External customers	13,074,239	966,193	1,067,254	15,107,686
Intersegment sales	—	3,875,145	—	3,875,145
	13,074,239	4,841,338	1,067,254	18,982,831
Intersegment adjustments and eliminations	—	(3,875,145)	—	(3,875,145)
Total revenue from contracts with customers	13,074,239	966,193	1,067,254	15,107,686

	Notes	Six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Other income and gains			
Bank interest income		256,000	141,107
Interest income on amounts due from associates and joint ventures		476,525	344,361
Forfeiture income on deposits received		30,696	11,123
Gain on deemed disposal of subsidiaries upon loss of control, net	22	14,047	198,076
Gains on remeasurement of pre-existing interests in an associate and a joint venture to the date of obtaining control and acquisition	21(b)	239,514	47,384
Gains on bargain purchase	21(b)	324,627	—
Others		25,696	16,491
		1,367,105	758,542

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank and other loans and other borrowing costs	1,045,866	561,113
Interest on senior notes	676,609	326,508
Interest on corporate bonds	610,068	415,699
Total interest expense on financial liabilities not at fair value through profit or loss	2,332,543	1,303,320
Less: Interest capitalised	(1,506,211)	(782,444)
	826,332	520,876

6. PROFIT BEFORE TAX

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

	Notes	Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Cost of properties sold		13,356,781	8,702,496
Cost of services provided		4,272,529	839,633
Depreciation		34,831	29,288
Less: Amount capitalised		(1,285)	(707)
		33,546	28,581
Equity-settled share option expense		30,000	30,000
Interest income:			
– Cash at bank		(256,000)	(141,107)
– Amounts due from an associate and joint ventures		(476,525)	(344,361)
Gain on deemed disposal of subsidiaries upon loss of control, net	22	(14,047)	(198,076)
Gains on remeasurement of pre-existing interests in an associate and a joint venture to the date of obtaining control and acquisition	21(b)	(239,514)	(47,384)
Gains on bargain purchase	21(b)	(324,627)	–
Net gain on disposal of items of other property, plant and equipment		(715)	(964)
Foreign exchange differences, net		1,281	18,534

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2019 and 2018. 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.

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Current charge for the period:		
PRC corporate income tax	2,948,028	1,453,079
PRC land appreciation tax	1,072,917	711,693
	4,020,945	2,164,772
Deferred	46,074	184,949
Total tax charge for the period	4,067,019	2,349,721

8. DIVIDENDS

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Declared interim dividend — HK38 cents per ordinary share (six months ended 30 June 2018: interim and special dividends — HK20 cents and HK8 cents respectively)	1,832,487	1,325,243

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

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

The calculation of the basic earnings per share amount for the six months ended 30 June 2019 is based on the profit for the period attributable to owners of the parent, adjusted for the distribution related to perpetual capital securities, and the weighted average number of ordinary shares of 5,491,145,769 (six months ended 30 June 2018: 5,491,590,802) in issue during the period.

The calculation of the diluted earnings per share amount for the six months ended 30 June 2019 is based on the profit for the period attributable to owners of the parent, adjusted for the distribution related to perpetual capital securities. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all the dilutive potential ordinary shares into ordinary shares.

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the parent	5,128,402	3,431,807
Distribution related to perpetual capital securities	(83,785)	(82,717)
Profit used in the basic and diluted earnings per share calculations	5,044,617	3,349,090
	Number of shares	
	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	5,491,146	5,491,591
Effect of dilution — weighted average number of ordinary shares:		
Share options	86,397	94,291
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	5,577,543	5,585,882

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

**10. INVESTMENT PROPERTIES**

All of the Group's investment properties and investment properties under development were revalued on 30 June 2019 based on valuations performed by APAC Asset Valuation and Consulting Limited and Vocation (Beijing) International Assets Appraisal Co., Ltd., independent professionally qualified valuers.

The valuations of 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.

During the period, the net increase in fair value of investment properties and investment properties under development amounted to RMB787,879,000 (six months ended 30 June 2018: RMB1,037,395,000), additions in investment properties and investment properties under development amounted to RMB191,894,000 (six months ended 30 June 2018: RMB421,452,000), transfer from inventories to investment properties amounted to RMB26,507,000 (six months ended 30 June 2018: RMB61,952,000), and additions in investment properties and investment properties under development through acquisition of subsidiaries amounted to RMB6,265,916,000 (six months ended 30 June 2018: Nil).

11. OTHER PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired and disposed of other property, plant and equipment of RMB15,250,000 (six months ended 30 June 2018: RMB18,410,000) and RMB2,495,000 (six months ended 30 June 2018: RMB4,134,000), respectively. The Group acquired and disposed of other property, plant and equipment of RMB24,174,000 (six months ended 30 June 2018: RMB37,939,000) and RMB39,000 (six months ended 30 June 2018: RMB632,000) through acquisition of subsidiaries and disposal of subsidiaries, respectively.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

12. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

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

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:

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Current to 30 days	505,735	488
31 days to 90 days	131,732	8,190
91 to 180 days	34,525	1,057
181 to 365 days	80,688	8,375
Over 365 days	12,702	104
	765,382	18,214

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

13. ASSETS AND LIABILITIES UNDER CROSS-BORDER GUARANTEE ARRANGEMENTS

During the six months ended 30 June 2019, the Group entered into some cross-border guarantee arrangements with certain financial institutions, whereby certain onshore funding (i.e. in the PRC) and offshore funding (i.e. in Hong Kong) have been used as a pledge against advances to offshore (i.e. in Hong Kong) and onshore (i.e. in the PRC) for the Group's general working capital.

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

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Assets under cross-border guarantee arrangements	2,781,216	2,353,657
Portion classified as current assets	(2,781,216)	(1,827,322)
Non-current portion	—	526,335
Liabilities under cross-border guarantee arrangements	3,153,949	3,041,568
Portion classified as current liabilities	(3,153,949)	(2,515,233)
Non-current portion	—	526,335

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

14. TRADE AND OTHER PAYABLES

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

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Current to 30 days	4,061,861	3,512,217
31 to 90 days	2,940,695	2,719,421
91 to 180 days	5,188,546	1,411,230
181 to 365 days	3,052,986	2,805,100
Over 365 days	2,770,417	2,055,820
	18,014,505	12,503,788

The trade payables are non-interest-bearing.

15. SENIOR NOTES

	Effective interest rate (% per annum)	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
US\$260m Senior Notes (notes (i), (xiv))	7.91	1,848,390	1,839,031
US\$200m Senior Notes (notes (ii), (xiv))	5.80	1,363,582	1,357,860
US\$450m Senior Notes (notes (iii), (xiv))	5.42	3,036,782	3,023,365
US\$250m Senior Notes (notes (iv), (xiv))	6.75	1,730,854	1,720,840
SG\$200m Senior Notes (notes (v), (xiv))	6.60	1,018,556	1,003,312
US\$300m Senior Notes (notes (vi), (xiv))	7.32	2,057,959	2,045,408
US\$100m Senior Notes (notes (vii), (xiv))	7.62	682,430	677,384
US\$300m Senior Notes due 2021 (notes (viii), (xiv))	8.05	2,076,110	2,062,713
US\$80m Senior Notes (notes (ix), (xiv))	9.74	535,883	526,979
US\$370m Senior Notes (notes (x), (xiv))	9.20	2,522,948	2,507,775
US\$50m Senior Notes (notes (xi), (xiv))	9.45	313,263	—
US\$300m Senior Notes due 2022 (notes (xii), (xiv))	7.78	2,081,122	—
		19,267,879	16,764,667
Portion classified as current liabilities (note (xiii))		(2,384,274)	—
Non-current portion (note (xiii))		16,883,605	16,764,667

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

15. SENIOR NOTES (CONTINUED)

Notes:

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

15. SENIOR NOTES (CONTINUED)

Notes: (Continued)

- (x) On 12 December 2018, the Company issued senior notes with a principal amount of US\$370,000,000 due in 2020 ("US\$370m Senior Notes"). The senior notes are interest bearing at 8.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 12 December 2020. At any time and from time to time prior to 12 December 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (xi) On 9 January 2019, the Company issued senior notes with a principal amount of US\$50,000,000 due in 2022 ("US\$50m Senior Notes"). The senior notes are consolidated and form a single series with the US\$200m Senior Notes due in 2022 issued on 3 January 2017. The senior notes are interest bearing at 5.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 3 January 2022. At any time and from time to time on or after 3 January 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (xii) On 25 February 2019, the Company issued senior notes with a principal amount of US\$300,000,000 due in 2022 ("US\$300m Senior Notes due 2022"). The senior notes are interest bearing at 7.50% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 25 August 2022. At any time and from time to time prior to 25 February 2021, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (xiii) 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.
- (xiv) 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 receivable, prepayments and other assets" (note 12). The assumptions applied in determining the fair value of the redemption call options as at 30 June 2019 and 31 December 2018 are set out in note 26.

16. CORPORATE BONDS

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Corporate bonds due in 2019	762,449	3,252,449
Corporate bonds due in 2020	4,490,000	4,490,000
Corporate bonds due in 2021	4,400,000	4,400,000
Corporate bonds due in 2022	8,490,000	8,490,000
Corporate bonds due in 2024	1,510,000	—
	19,652,449	20,632,449
Portion classified as current liabilities	(10,662,449)	(7,652,449)
Non-current liabilities	8,990,000	12,980,000

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

16. CORPORATE BONDS (CONTINUED)

Notes:

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

On 19 August 2018, Shenzhen Logan had adjusted the coupon rate of first tranche of corporate bonds from 5% per annum to 7.3% per annum and the first tranche of corporate bonds with an aggregate principal amount of RMB10,000,000 was sold back to Shenzhen Logan; the first tranche of corporate bonds with a remaining principal amount of RMB3,990,000,000 is due in August 2020 and is classified as a non-current liability as at 30 June 2019.

The second tranche of the corporate bonds with a remaining principal amount of RMB762,449,000, is due in August 2019, is classified as a current liability as at 30 June 2019.

- (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 tranches with principal amounts of RMB2,500,000,000 and RMB500,000,000 were fixed at 5.8% per annum and 5.2% per annum respectively. The terms of the first and second tranches of corporate bonds were 3 years and 4 years. At the end of second year, Shenzhen Logan shall be entitled to adjust the coupon rate of first and second tranches of corporate bonds respectively and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan.

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

On 16 May 2018, Shenzhen Logan had adjusted the coupon rate of second tranche of corporate bonds from 5.2% per annum to 6.99% per annum. The second tranche of corporate bonds amounting to RMB500,000,000 is due in May 2020 and is classified as a current liability as at 30 June 2019.

- (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. The corporate bonds with a principal amount of RMB3,000,000,000 is classified as a current liability as at 30 June 2019.

Subsequent to the end of the reporting period, in July 2019, Shenzhen Logan had adjusted the coupon rate of corporate bonds from 5.15% per annum to 6.00% per annum and the corporate bonds with an aggregate principal amount of RMB1,028,000,000 was sold back to Shenzhen Logan; the corporate bonds with a remaining principal amount of RMB1,972,000,000 is due in July 2021.

- (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. The corporate bonds with a principal amount of RMB1,400,000,000 is classified as a current liability as at 30 June 2019.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

16. CORPORATE BONDS (CONTINUED)

Notes: (Continued)

- (v) On 1 February 2018, 22 March 2018, 21 May 2018 and 7 December 2018 respectively, Shenzhen Logan issued non-public domestic corporate bonds on the Shanghai Stock Exchange. The coupon rates of the first, second, third and fourth tranches with a principal amounts of RMB2,000,000,000, RMB2,000,000,000, RMB1,000,000,000 and RMB1,000,000,000 were fixed at 6.99% per annum, 7.20% per annum, 7.30% per annum and 7% per annum respectively. The terms of all these four domestic corporate bonds were 4 years. At the end of second year, Shenzhen Logan shall be entitled to adjust the coupon rate of all these four domestic corporate bonds and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan. The corporate bonds with principal amounts of RMB2,000,000,000, RMB2,000,000,000 and RMB1,000,000,000 with fixed rate at 6.99% per annum, 7.20% per annum and 7.30% per annum are classified as current liabilities as at 30 June 2019 and the corporate bonds with a principal amount of RMB1,000,000,000 with fixed rate at 7% per annum is classified as a non-current liability as at 30 June 2019.
- (vi) On 20 November 2018, Shenzhen Logan issued domestic corporate bonds on the Shenzhen Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB2,490,000,000 was 5.98% per annum. The terms of the domestic corporate bonds were 4 years. At the end of second year, Shenzhen Logan shall be entitled to adjust the coupon rate of domestic corporate bonds and bond holders shall be entitled to sell back the bonds to Shenzhen Logan. The corporate bonds is classified as a non-current liability as at 30 June 2019.
- (vii) On 19 March 2019, Shenzhen Logan issued domestic corporate bonds on the Shenzhen Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB1,510,000,000 was 5.50% per annum. The terms of the domestic corporate bonds were 5 years. At the end of the third year, Shenzhen Logan shall be entitled to adjust the coupon rate, and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan. The corporate bonds is classified as a non-current liability as at 30 June 2019.

17. SHARE CAPITAL

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

	Six months ended 30 June 2019 (Unaudited)		Year ended 31 December 2018 (Audited)	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Ordinary shares, issued and fully paid:				
At 1 January	5,490,197	549,020	5,487,167	548,717
Repurchase of shares	(19,130)	(1,913)	(15,086)	(1,509)
Issuance of shares in connection with the exercise of share options	10,977	1,098	18,116	1,812
At 30 June/31 December	5,482,044	548,205	5,490,197	549,020
RMB'000 equivalent at end of reporting period		433,300		434,041

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

17. SHARE CAPITAL (CONTINUED)

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\$196,669,000 (equivalent to approximately RMB173,002,000) (2018: HK\$130,949,000 (equivalent to approximately RMB114,755,000)) was transferred out from share capital and share premium.
- (b) During the period, the subscription rights attached to 10,977,000 (2018: 18,115,500) share options were exercised at the subscription price of HK\$2.340 (2018: HK\$2.340) per share, resulting in the issue of an aggregate of 10,977,000 shares for a total cash consideration of HK\$25,686,000 (equivalent to approximately RMB22,595,000) (2018: HK\$42,390,000 (equivalent to approximately RMB36,761,000)) before expenses. An amount of HK\$10,787,000 (equivalent to approximately RMB9,489,000) (2018: HK\$18,519,000 (equivalent to approximately RMB14,824,000)) was transferred from the share option reserve to the share premium account upon the exercise of the share options.

18. SHARE OPTION SCHEME

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

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

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

18. SHARE OPTION SCHEME (CONTINUED)

- (ii) On 25 August 2017, the Company granted share options to the Company's directors and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregate of 24,250,000 shares (of which 8,000,000 shares is granted to Mr. Kei) and 135,750,000 shares (of which only 46,512,000 shares is accepted) of the Company respectively. 25%, 25%, 25% and the remaining share options will be vested on the 36th, 48th, 60th and 72th month, respectively, from the date of grant (i.e. 25 August 2017). The exercise price is HK\$7.43 per share. These share options are exercisable within a period of ten years from the date of grant (i.e. 25 August 2017) subject to the above vesting schedule. Each option gives the holder the right to subscribe for one ordinary share of the Company.
- (iii) On 8 June 2018, the Company granted share options to the Group's employees. The exercise of these share options would entitle the employees of the Group to subscribe for an aggregate of 50,000,000 shares of the Company. 33.3%, 33.3% and the remaining share options will be vested on the 36th, 48th and 60th month, respectively, from the date of grant (i.e. 8 June 2018). The exercise price is HK\$12.50 per share. These share options are exercisable within a period of ten years from the date of grant (i.e. 8 June 2018) subject to the above vesting schedule. Each option gives the holder the right to subscribe for one ordinary share of the Company.
- (iv) On 22 October 2018, the Company granted share options to the Group's employees. The exercise of these share options would entitle the employees of the Group to subscribe for an aggregate of 36,400,000 shares of the Company. 33.3%, 33.3% and the remaining share options will be vested on the 36th, 48th and 60th month, respectively, from the date of grant (i.e. 22 October 2018). The exercise price is HK\$7.64 per share. These share options are exercisable within a period of ten years from the date of grant (i.e. 22 October 2018) subject to the above vesting schedule. Each option gives the holder the right to subscribe for one ordinary share of the Company.
- (v) On 28 June 2019, the Company granted share options to the Group's employees. The exercise of these share options would entitle the employees of the Group to subscribe for an aggregate of 10,500,000 shares of the Company. For some grantees, 33.3% and the remaining share options will be vested on the 36th and 48th month, respectively, from the date of grant (i.e. 28 June 2019). For some grantees, 50% and the remaining share options will be vested on the 36th and 48th month, respectively, from the date of grant (i.e. 28 June 2019). The exercise price is HK\$12.64 per share. These share options are exercisable within a period of ten years from the date of grant (i.e. 28 June 2019) subject to the above vesting schedule. Each option gives the holder the right to subscribe for one ordinary share of the Company.

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

9,280,500 share options and 10,977,000 share options were lapsed and forfeited, and exercised, respectively, during the six months ended 30 June 2019. At the end of the reporting period, the Company had 206,960,500 share options outstanding under the Scheme.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

**19. PERPETUAL CAPITAL SECURITIES**

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

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

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

20. ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY

During the prior period, on 27 April 2018, the Group acquired the remaining 28.6% equity interest in Shenzhen Logan Junjing Real Estate Company Limited ("Shenzhen Logan Junjing") 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), an independent third party of the Group and the non-controlling shareholder of Shenzhen Logan Junjing, at a consideration of RMB2,821,778,000. Upon the completion of the above transaction, Shenzhen Logan Junjing became the Group's indirect wholly-owned subsidiary. The excess of the carrying amount of the non-controlling interest of approximately RMB3,505,274,000 over the consideration paid in respect of the acquisition of the additional interest in the subsidiary amounting to RMB683,496,000 is recognised in other reserve.

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

21. ACQUISITIONS OF SUBSIDIARIES**(a) Acquisitions of subsidiaries that are not a business**

During the period ended 30 June 2019, the Group acquired certain assets through acquisition of Shantou Longhu Weida Packing Co. Ltd. ("Shantou Weida") from an independent third party and acquisition of Runjing Printing (Shenzhen) Co. Ltd. ("Runjing Printing") from a joint venture of the Group. Upon the completion of acquisitions, the acquired companies became wholly-owned subsidiaries of the Group. There was no acquisition of subsidiaries that are not a business for the period ended 30 June 2018. The following table summarises the financial information in relation to the acquisition of subsidiaries.

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

21. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)**(a) Acquisitions of subsidiaries that are not a business (Continued)**

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

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

(b) Acquisitions of subsidiaries that are a business

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

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

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

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

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

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

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

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

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

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

22. DEEMED DISPOSAL OF SUBSIDIARIES

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

	Six months ended 30 June 2019 (Unaudited) RMB'000
Net assets disposed of:	
Other property, plant and equipment	39
Inventories	4,401,174
Trade and other receivables, prepayments and other assets	200,446
Tax recoverable	7,445
Cash and cash equivalents	1,187,578
Trade and other payables	(4,550,346)
Bank and other loans	(1,230,000)
Net assets attributable to the Group disposed of	16,336
Gain on deemed disposal of subsidiaries, net	14,047
Reclassification to investments in joint ventures at fair value at date of deemed disposal	30,383

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

	Six months ended 30 June 2019 (Unaudited) RMB'000
Cash and bank balances deconsolidated and outflow of cash and cash equivalents in respect of the deemed disposal of subsidiaries	(1,187,578)

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

23. FINANCIAL GUARANTEES

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

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties (notes (i) and (ii))	31,203,950	23,975,464
Guarantees given to banks and other lenders in connection with credit facilities granted to joint ventures and associates, net of counter-guarantees from joint venture partners	7,292,304	12,355,419
Add: Counter-guarantees provided by joint venture partners to the Group	1,028,250	6,455,097
Guarantees given to banks and other lenders in connection with credit facilities granted to joint ventures and associates provided by the Group (note (iii))	8,320,554	18,810,516
	39,524,504	42,785,980

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

23. FINANCIAL GUARANTEES (CONTINUED)

Notes:

- (i) As at 30 June 2019, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any auction banks, net of any auction proceeds as described below.

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

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

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

- (iii) As at 30 June 2019, the Group provided guarantees to the extent of RMB8,320,554,000 (31 December 2018: RMB18,810,516,000) in respect of credit facilities granted to the joint ventures and associates. In addition, as at 30 June 2019, the joint venture partners entered into counter-guarantee agreements with the Group, pursuant to which the joint venture partners provided counter-guarantees to the Group in proportion to those joint venture partners' respective interests in the joint ventures in respect of guarantees provided by the Group to the banks and other lenders on behalf of the joint venture partners. In the event of default on payment by the joint ventures, the Group is responsible for repaying the outstanding loan principals together with the accrued interest and penalties owed by the joint ventures, and the Group has the right to recover from the joint venture partners the attributable portion of liabilities paid pursuant to the counter-guarantee agreements.

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

24. COMMITMENTS

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

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Contracted, but not provided for	18,190,422	14,410,259

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

25. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Construction contracts income from related companies	(i)	146,911	26,232
Construction contracts income from joint ventures and associates	(ii)	5,078,851	1,300,407
Project management service income from joint ventures	(ii)	180,674	62,288
Decoration income from joint ventures	(ii)	72,665	57,240
Decoration income from related companies	(i)	9,499	—
Design service income from related companies	(i)	1,325	545
Design service income from joint ventures and associates	(ii)	61,744	78,384
Rental income from related companies	(iii)	953	275
Rental income from joint ventures	(iii)	1,244	1,728
Interest income from joint ventures and associates	(iv)	497,500	344,361
Remuneration of key management personnel	(b)	30,605	32,066

Notes:

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

25. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Fees	1,860	1,707
Salaries, allowances and benefits in kind	24,526	24,331
Retirement scheme contributions	207	193
Equity-settled share option expense	4,012	5,835
	30,605	32,066

26. 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, restricted and pledged deposits, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, current portion of bank and other loans, amounts due from/to related parties and assets and liabilities under cross-border guarantee arrangements approximate to their carrying amounts largely due to the short term maturities of these instruments.

For the Group's assets and liabilities not measured at fair value in the condensed consolidated statement of financial position but for which the fair value is disclosed, the carrying amount of the non-current portion of restricted and pledged deposits, bank and other loans and assets and liabilities under cross-border guarantee arrangements approximated to their fair values and was determined as Level 3, and the fair values of the senior notes and corporate bonds as at 30 June 2019 were RMB19,747,877,000 and RMB19,947,698,000, respectively (31 December 2018: RMB16,388,433,000 and RMB20,712,514,000, respectively), and were determined as Level 1.

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.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

26. 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 restricted and pledged deposits, bank and other loans and assets and liabilities under cross-border guarantee arrangements have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of the senior notes and corporate bonds is calculated with reference to quoted market prices at the reporting date. The Group's own non-performance risk for bank and other loans as at 30 June 2019 and 31 December 2018 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 30 June 2019 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Senior notes redemption call options	—	—	93,759	93,759

As at 31 December 2018 (Audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Senior notes redemption call options	—	—	65,548	65,548

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

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

Assets measured at fair value: (Continued)

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

	Valuation techniques	Significant unobservable inputs	Range	
			30 June 2019	31 December 2018
Senior note redemption call options	Residual method	Risk free rate	1.814% to 2.195%	1.870% to 2.598%
		Option adjusted spread	1.413% to 5.024%	3.930% to 6.894%
		Discount rate	3.554% to 7.197%	6.359% to 9.469%

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

The Group did not have any financial liabilities measured at fair values as at 30 June 2019 and 31 December 2018.

During the period, there were no transfer of fair value measurements between level 1 and level 2 and no transfer into or out of level 3 for both financial assets and financial liabilities (31 December 2018: Nil).

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

**27. EVENTS AFTER THE REPORTING PERIOD**

- (a) On 16 July 2019, the Company issued senior notes with a principal amount of US\$400,000,000 due in 2023. The senior notes are interest-bearing at 6.50% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 16 July 2023. The details of the redemption price are disclosed in the relevant offering memorandum.
- (b) On 5 August 2019, Shenzhen Logan issued two tranches of private domestic corporate bonds. The coupon rates of the first and second tranches with principal amounts of RMB500,000,000 and RMB1,000,000,000 were fixed at 6.5% and 6.2% per annum, respectively. The terms of the first and second tranches of corporate bonds were 5 years and 4 years, respectively. At the end of third year and second year, Shenzhen Logan shall be entitled to adjust the coupon rate of first and second tranches of corporate bonds respectively and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan.
- (c) On 12 August 2019, the Company early redeemed in full the US\$260 million Senior Notes before their maturity at a total redemption price of US\$269,079,000, representing 103.0% of the principal amount plus accrued and unpaid interest.

28. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This interim financial information was approved and authorised for issue by the board of directors on 26 August 2019.