



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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3380)

INTERIM REPORT 2014

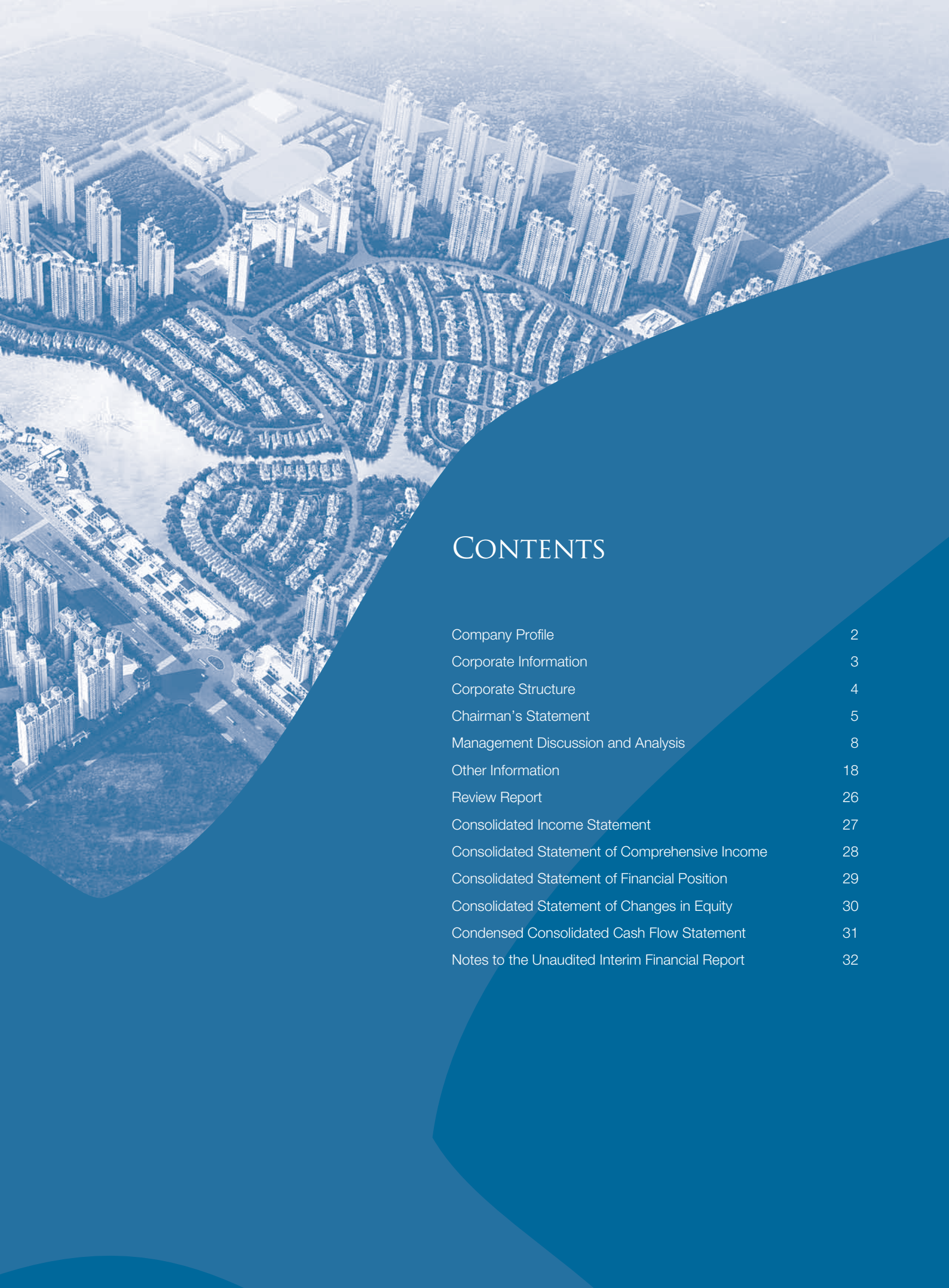
专筑美好生活



BUILDING A BETTER LIFE

Project Logan City in eastern Shenzhen





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COMPANY PROFILE

Logan Property Holdings Company Limited is a leading integrated property developer in Guangdong and Guangxi Provinces in China. We focus on the property development in the residential property market and our products are primarily targeted at first-time homebuyers and upgraders. We have more than 20 subsidiaries in Shenzhen, Guangzhou, Shantou, Foshan, Zhongshan, Zhuhai, Dongguan, Huizhou, Nanning, Guilin, Chengdu and Hainan. As at 30 June 2014, we had completed 63 projects¹ in total with a total Gross Floor Area (“GFA”) of over 9,030,000 sq.m.. Over the past 18 years, we have established ourselves as one of the leading developers focusing on residential properties in Guangdong and Guangxi Provinces. In the first half of 2014, leveraging on the remarkable results performance and outstanding comprehensive strengths, Logan was ranked 394th in the list of Top 500 Enterprises in China (中國500強企業排行榜) organized by Fortune China. Furthermore, Logan was also named as the Most Valuable Real Estate Enterprise for the Year (年度價值地產企業) and the Most Valuable Listed Real Estate Enterprise for the Year (年度最具價值地產上市企業) in the 4th Annual Meeting of the Most Valuable Real Estate Enterprises of China and the Billboard of the Most Valuable Real Estate Enterprises of China for 2014 organized by National Business Daily.

We have adequate land reserve for development in the next 5 to 6 years. As at 30 June 2014, we had 79 projects at various stages of development in 13 cities and a land bank with an aggregate GFA of approximately 12.8 million sq.m.. The average land cost was RMB1,136 per sq.m., and about 60% of our land bank were located in Pearl River Delta, the most prosperous area in the PRC.

Adhering to our philosophy of efficient operation and development, the Company has established an integrated property development system covering the whole process from land exploration, planning and design, construction to marketing, and developed a model of “quick turnover”. Furthermore, the Group has established a subsidiary, Logan Construction, to take charge of most of the Group’s projects in order to maintain effective control on construction cost through synergies under the centralized procurement management of the Group, which further enhanced our profitability. We adopted an operating model featured by balanced quick turnover and lucrative profit under enhanced management to ensure the growth in both revenue and profit through enhanced portfolio and management of the entire product development cycle. Our prudent investment philosophy also laid a solid ground for the sound and steady development of the Company.

Notes:

1. Includes the Group and our predecessors prior to the reorganization
2. Source: Enterprise Institute of the Development, Research Center of the State Council, Real Estate Institute of Tsinghua University and China Index Academy

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Ji Haipeng (紀海鵬) (*Chairman*)

Mr. Ji Jiande (紀建德)

Mr. Xiao Xu (肖旭)

Mr. Lai Zhuobin (賴卓斌)

Non-executive Director

Ms. Kei Perenna Hoi Ting (紀凱婷)

Independent Non-executive Directors

Mr. Zhang Huaqiao (張化橋)

Ms. Liu Ka Ying, Rebecca (廖家瑩)

Mr. Cai Suisheng (蔡穗聲)

AUDIT COMMITTEE

Ms. Liu Ka Ying, Rebecca (*Chairman*)

Mr. Cai Suisheng

Mr. Zhang Huaqiao

REMUNERATION COMMITTEE

Mr. Zhang Huaqiao (*Chairman*)

Mr. Ji Haipeng

Ms. Liu Ka Ying, Rebecca

NOMINATION COMMITTEE

Mr. Ji Haipeng (*Chairman*)

Mr. Zhang Huaqiao

Ms. Liu Ka Ying, Rebecca

COMPANY SECRETARY

Ms. Li Yan Wing, Rita

AUDITOR

KPMG

REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681, Grand Cayman

KY1-1111, Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Xinghua Road South

Bao'An District

Shenzhen, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 4106-08

Two International Finance Centre

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Central, Hong Kong

COMPANY'S WEBSITE

<http://www.loganestate.com>

AUTHORIZED REPRESENTATIVES

Ms. Li Yan Wing, Rita

Ms. Kei Perenna Hoi Ting

COMPLIANCE ADVISOR

Somerley Capital Limited

PRINCIPAL SHARE REGISTRAR

Codan Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL BANKER

Industrial and Commercial Bank of China (Asia) Limited

33/F, ICBC Tower

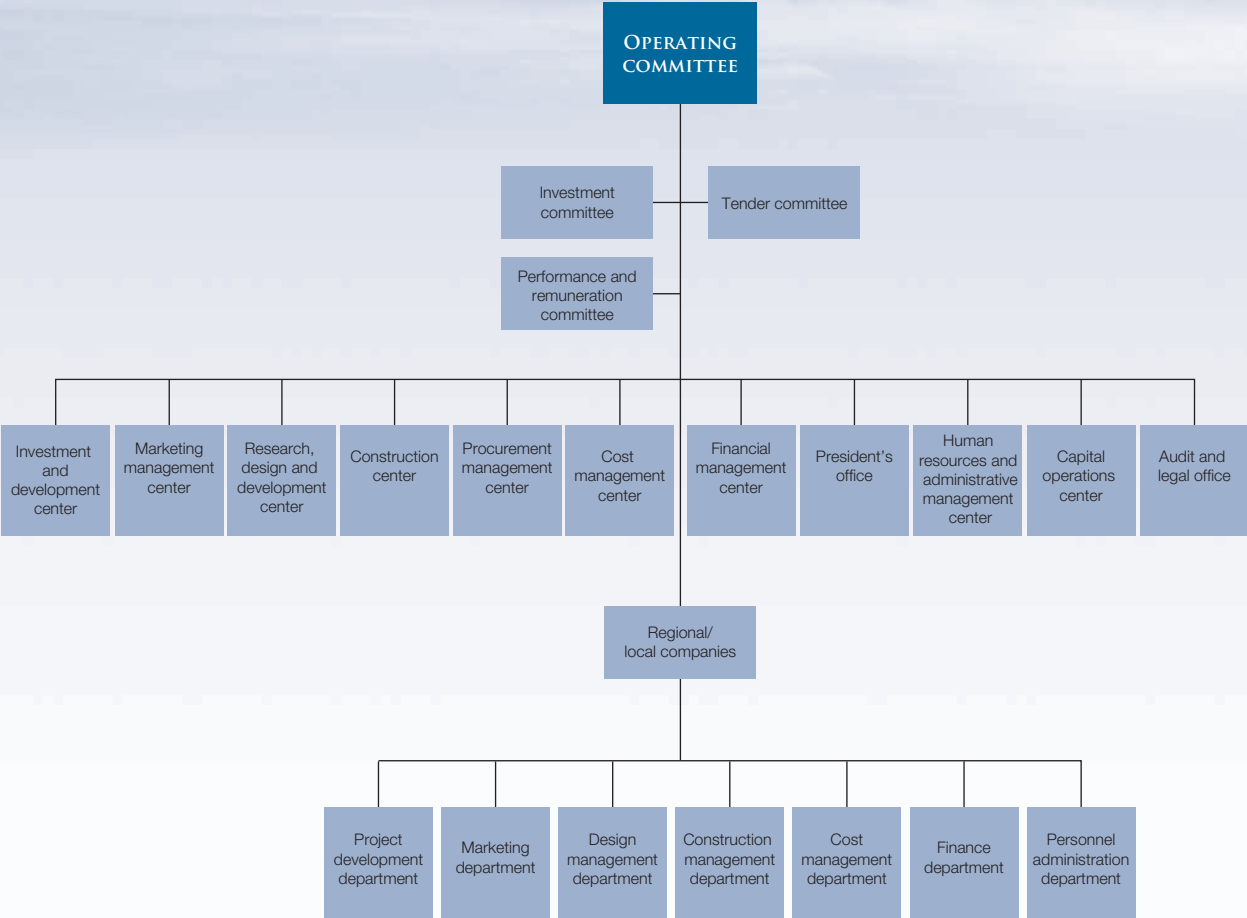
3 Garden Road, Central

Hong Kong

LISTING INFORMATION

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

CORPORATE STRUCTURE



CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT OF THE INTERIM REPORT OF LOGAN PROPERTY HOLDINGS COMPANY LIMITED

DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present the business review and prospects of Logan Property Holdings Company Limited ("Logan" or the "Company") and its subsidiaries (collectively the "Group" or "we") for the six months ended 30 June 2014 (the "Reporting Period").

RESULTS AND RATINGS

As at 30 June 2014, the Group recorded contracted sales of RMB5,540.9 million, representing a slight decrease of 4.3% as compared to the corresponding period of previous year. The contracted saleable GFA amounted to 758,710 sq.m., which remained stable as compared to the corresponding period of previous year. Turnover for the six months ended 30 June 2014 amounted to RMB4,779.8 million, representing a significant increase of approximately 43.4% as compared with the corresponding period of previous year. Profit attributable to equity shareholders of the Company for the Reporting Period was RMB1,286.3 million, representing an increase of approximately 195.4% as compared with the six months ended 30 June 2013. Core Profit for the Reporting Period was approximately RMB679.6 million, representing an increase of 66.3% as compared with the corresponding period of previous year.

In the first half of 2014, Logan was rated by Moody's and Fitch, the international authorized rating agencies, for the first time with a rating of Ba3 and BB-, respectively, and the outlook for both of the ratings were stable. In the first half of 2014, leveraging on the remarkable results performance and outstanding comprehensive strengths, Logan was ranked 394th in the list of Top 500 Enterprises in China (中國500強企業排行榜) organized by Fortune China. Furthermore, Logan was also named as the Most Valuable Real Estate Enterprise for the Year (年度價值地產企業) and the Most Valuable Listed Real Estate Enterprise for the Year (年度最具價值地產上市企業) in the 4th Annual Meeting of the Most Valuable Real Estate Enterprises of China and the Billboard of the Most Valuable Real Estate Enterprises of China for 2014 organized by National Business Daily.

MARKET REVIEW AND SALES PERFORMANCE

In the first half of 2014, economic growth of China remained stable and the restructuring progress was smooth. Attributable to a series of moderate stimulating policy including targeted Reserve Requirement Ratio (RRR) cuts, tax reform and support to foreign trade, the economy picked up its growth momentum and the growth of GDP for the second quarter as compared to the corresponding period of previous year recovered to 7.5%. Moreover, both the proportion to the GDP attributable to the service industry and the value added growth of service industry exceeded that of the manufacturing industry, showing the transformation of China from a manufacturing-based economy to a service-based economy. We believe that the stable economic growth and improved economic structure underpin the healthy and sustainable development of the real estate sector as a cornerstone industry in China. In the first half of 2014, the development and sales data of the real estate market declined from the culmination in 2013. As a result, PRC local government began to adjust the relevant policies to cope with the different situation. Over 30 cities have loosen restrictions on housing sales, which is expected to be followed by other regions according to the market trend in the second half of the year. In terms of capital, the central government implemented various moderate stimulating measures including the "National Five Rules" of the company and "Targeted RRR Cuts" to stabilize the rigid credit demand from home buyers. Among the contracted sales units in the first half of 2014, approximately more than 80% of which were with GFA less than 120 sq.m. and more than 90% of which were with selling price less than RMB1 million. While 68% of contracted sales units were by mortgage down payment, 4% were by installment payment and 28% were by one-off payment. In view of the above, the Group developed products targeting at first-time home buyers and upgraders in response to the market condition, and further refined the professional management level of all business departments. The results of operations of the Group maintained steady growth during the period of industrial adjustment.

CHAIRMAN'S STATEMENT

During the period, the contracted sales of Group were principally generated from 18 projects located in 9 different cities, including Shantou, Dongguan and Zhongshan, 3 of which were new pre-sale projects. The sales of major projects of the Group in Huizhou remained as the local bestsellers, and the sales of projects in Nanning also ranked top. Most of the projects of the Group are planned to be sold in the second half of 2014. In the third and fourth quarters of 2014, pre-sale projects including Nanning Joy Residence (南寧君悅華庭) and Foshan Shine Street Building (佛山尚街大廈) will be launched. New phases of projects including Huizhou Logan City (惠州龍光城), Huizhou Grand Riverside Bay (惠州水悅龍灣), Dongguan Royal Castle (東莞君禦華府), Shantou Flying Dragon Palace (汕頭龍騰嘉園), Nanning Royal Castle (南寧君禦華府), Foshan Grand Riverside Bay (佛山水悅龍灣), Foshan Grand Joy Palace (佛山君悅華府), Foshan Joy Palace (佛山君悅龍庭), Fangchenggang Sunshine Seaward (防城港陽光海岸), Zhongshan Grand Joy Garden (中山水悅馨園) and Zhongshan Ocean Vista Residence (中山海悅華庭) will also be available for sale. In addition, the whole industry is expected to benefit from the policy adjustment in the second half of the year. We believe the sales performance in the Pearl River Delta, where approximately 60% of our land reserve are located and being one of the most prosperous areas in the PRC, will continue to improve in the upcoming future.

LAND ACQUISITION

In the first half of 2014, the Group adopted a prudent investment and low-cost acquisition strategy with focus on the regions and cities with established business. During the period under review, we acquired six new projects in Shantou, Foshan, Chengdu and other cities through public tendering with total planned GFA of 2,367,948 sq.m.. The total contracted value was approximately RMB4,483 million and the average land cost was approximately RMB1,893 per sq.m.. Such acquisitions have replenished the Group's product pipeline and optimized our regional business network strategically.

As of the Reporting Period, the total area of the land reserve of the Group was approximately 12.83 million sq.m. and the average land cost was approximately RMB1,136 per sq.m.. These land parcels are characterized by their low land cost and high quality, which effectively drive the healthy and steady growth of the Group.

FINANCIAL MANAGEMENT

In the first half of 2014, the Group was committed to further strengthening its financial structure and expanding its financing platform to streamline its capital structure, in order to support the long-term solid financial position of the Company. In May 2014, we completed the issue of a 5-year US\$300,000,000 senior notes (the "Notes").

The average financing cost of the Group's interest-bearing liabilities was 8.4%, which remained stable as compared to 2013, laying solid foundation for the Group's sound development.

In the first half of 2014, the Group adopted a prudent financial strategy to ensure the balance of its income and expenditures.

SOCIAL RESPONSIBILITY

The Group devoted itself to undertake its social responsibility as a corporate citizen while developing its business. In the first half of 2014, the Group employed 55 senior management members. Through internal talents training scheme and allocating talents to different departments, the Group established professional teams for its development and encouraged its employees to demonstrate their talents.

In March 2014, the Group held the first business partner conference since its listing of the share on The Stock Exchange of Hong Kong Limited on 20 December 2013 (the "Listing Date") to freely exchange ideas and communicate with representatives of nearly 170 business partners from various cities. The conference was targeted to cement the corporation with these partners under the principles of respect, fair, reciprocity and mutual development. During the Reporting Period, the Group set up a comprehensive management system and professional team for customer relations, and held an activity themed "Dynamic Community & Passionate Summer" (活力社區·激情盛夏), which received high recognition from our customers.

PROSPECTS

In the second half of 2014, with the primary goal to maintain a steady economic growth, it is expected that monetary policy of China will continue to be prudent and flexible and the market demand for housing will continue to increase. Leveraging on such favourable conditions, the Company will adopt flexible marketing strategies in response to the market changes to accelerate the clearance of stocks while maintaining reasonable profit margin. Furthermore, the Company will pay close attention to the market condition to grasp suitable investment opportunities as a result of such potential market changes. The Company will also acquire suitable quality land resources in developed regions in China such as Guangdong and Guangxi, focus on inelastic demand from home upgrade buyers and maintain high turnover.

We believe that there is still large room for substantial growth for the real estate industry. While increasing our investment in projects with inelastic demand in developed regions, we will also pay close attention to residential and high-end office projects in tier-one cities and core regions of high-growth cities, and grasp the opportunities to commence the investment and development of property projects for new urbanization, tourism, health care, retirement, in order to strive for a better and long-lasting growth of the Company in the future.

In addition, in order to refine the division of responsibilities, motivate the employees of the Group, enhance its management and better serve its customers, the Company will further strengthen its management level by streamlining its structure and duties, standardizing and refining its systems, formulating staff training program, increasing the value of projects and developing outstanding corporate governance culture. The Company will also refine the marketing strategies, expand the customer base, promote the sales of stocks, speed up cash recovery and increase investment to support the sound and healthy development of its business.

ACKNOWLEDGMENT

The development of the Group is largely attributable to the valuable support of all stakeholders and the unremitting efforts of its staff. On behalf of the Board, I hereby express my gratitude to all shareholders, staff, partners, customers and the community for their care and support. We will strive to create better value for shareholders and contribute to the society with outstanding results by leveraging on the Group's advantages.

Ji Haipeng
Chairman

Hong Kong
28 August 2014

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

For the six months ended 30 June 2014, the turnover and gross profit of the Group were RMB4,779.8 million and RMB1,447.2 million, representing increases of 43.4% and 41.2% as compared with the corresponding period of 2013, respectively. Profit for the six months ended 30 June 2014 attributable to the equity shareholders was RMB1,286.3 million, representing a significant increase of 195.4% as compared with the corresponding period of 2013. For the six months ended 30 June 2014, the core profit which represents profit for the year net of changes in fair value of investment properties and the relevant deferred tax ("Core Profit") increased to RMB679.6 million, representing a substantial increase of 66.3% as compared with the corresponding period of 2013. The Core Profit margin was 14.2%, representing an increase of 1.9 percentage points as compared with the corresponding period of 2013. Basic earnings per share was RMB0.26 (the corresponding period of 2013: RMB0.10).

As at 30 June 2014, the net debt-to-equity ratio of the Group was 77.6%.

PERFORMANCE HIGHLIGHTS

| | For the six months ended 30 June | | |
|---|----------------------------------|-----------|--------------|
| | 2014 | 2013 | Changes % |
| Contracted sales | | | |
| Contracted sales (RMB'000) | 5,540,900 | 5,787,555 | -4.3% |
| Contracted saleable GFA (sq.m.) ¹ | 758,710 | 758,703 | 0.0% |
| Contracted average selling price ("ASP") (RMB/sq.m.) ¹ | 7,045 | 7,537 | -6.5% |
| Turnover | 4,779,750 | 3,332,205 | 43.4% |
| Among which: sales of properties | | | |
| – Turnover from properties delivered (RMB'000) | 4,574,570 | 2,967,480 | 54.2% |
| – GFA of properties delivered (sq.m.) ¹ | 544,082 | 412,738 | 31.8% |
| – ASP of properties delivered (RMB/sq.m.) ¹ | 7,108 | 6,872 | 3.4% |
| Rental income (RMB'000) | 31,242 | 28,619 | 9.2% |
| Construction income (RMB'000) | 173,938 | 336,106 | -48.2% |
| Gross profit (RMB'000) | 1,447,162 | 1,025,201 | 41.2% |
| Profit for the period | | | |
| – Attributable to shareholders (RMB'000) | 1,286,303 | 435,386 | >100% |
| – Attributable to non-controlling interests (RMB'000) | 30,926 | 6,873 | >100% |
| Profit for the period (excluding changes in fair value of investment properties and the relevant deferred tax) | 679,637 | 408,572 | 66.3% |
| – Attributable to shareholders (RMB'000) | 648,711 | 401,699 | 61.5% |
| – Attributable to non-controlling interests (RMB'000) | 30,926 | 6,873 | >100% |

MANAGEMENT DISCUSSION AND ANALYSIS

| | As at 30 June 2014 | As at 31 December 2013 | Changes % |
|---|-----------------------------------|------------------------------|--------------|
| Total assets (RMB'000) | 34,460,683 | 27,811,839 | 23.9% |
| Cash and bank balances (including cash and cash equivalents and restricted and pledged deposits) (RMB'000) | 6,535,339 | 4,505,660 | 45.0% |
| Total bank and other borrowings (RMB'000) | 13,559,989 | 8,982,551 | 51.0% |
| Total equity (RMB'000) | 9,052,877 | 7,349,676 | 23.2% |
| Key financial ratios | | | |
| Gross profit margin ⁽¹⁾ | 30.3% | 30.8% | |
| Core profit margin ⁽²⁾ | 14.2% | 12.3% | |
| Net debt to equity ratio ⁽³⁾ | 77.6% | 60.9% | |
| Gearing ratio ⁽⁴⁾ | 73.7% | 73.6% | |
| Average borrowing cost ⁽⁵⁾ | 8.4% | 8.4% | |

1. Excluding the GFA of car parking spaces.

Notes:

(1) Gross profit margin: $\text{Gross profit} \div \text{turnover} * 100\%$

(2) Core profit margin: $\text{Core profit} \div \text{turnover} * 100\%$

(3) Net debt to equity ratio: $(\text{Total bank and other borrowings} + \text{senior notes} - \text{cash and cash equivalents} - \text{restricted and pledged deposits}) \div \text{total equity} * 100\%$

(4) Gearing ratio: $\text{Total liabilities} \div \text{total assets} * 100\%$

(5) Average borrowing cost: $\text{Average annual borrowing cost} \div \text{average loan balance} * 100\%$

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT

Contracted sales

In the first half of 2014, the Group recorded contracted sales of approximately RMB5,540.9 million, representing a slight decrease of 4.3% as compared with RMB5,787.6 million in the first half of 2013. The contracted saleable GFA (excluding car parking spaces) was 758,710 sq.m. in the first half of 2014, which remained stable as compared to the corresponding period of previous year. The ASP for the six months ended 30 June 2014 was RMB7,045 per sq.m., representing a decrease of 6.5% as compared with the corresponding period of the previous year. The decrease was mainly due to changes in product portfolio for sale with greater proportion of inelastic demand products and product positioning in line with the government policy and market conditions.

In the first half of 2014, Guangdong Pearl River Delta, Guangdong Shantou, Guangxi and other regions accounted for 45.3%, 19.6%, 31.5% and 3.6% of the contracted sales, respectively.

| | Contracted sales in the first half of 2014 | | | | ASP (excluding car parking spaces) (RMB/sq.m.) |
|-----------------------------|--|------------|----------------|------------|--|
| | Amount (RMB million) | Percentage | GFA (sq.m.) | Percentage | |
| Guangdong Pearl River Delta | 2,510.9 | 45.3% | 341,565 | 45.0% | 7,294 |
| Guangdong Shantou | 1,082.6 | 19.6% | 160,105 | 21.1% | 6,509 |
| Guangxi | 1,746.4 | 31.5% | 238,496 | 31.4% | 6,861 |
| Others | 201.0 | 3.6% | 18,544 | 2.5% | 9,126 |
| Total | 5,540.9 | 100% | 758,710 | 100% | 7,045 |

TURNOVER FROM SALES OF PROPERTIES

In the first half of 2014, the turnover from sales of properties amounted to RMB4,574.6 million, representing a significant increase of 54.2% as compared with RMB2,967.5 million in the first half of 2013 and accounting for 95.7% of the total turnover. GFA with recognized income (excluding car parking spaces) increased by 31.8% to 544,082 sq.m. in the first half of 2014 from 412,738 sq.m. in the first half of 2013. Guangdong Pearl River Delta, Guangdong Shantou, Guangxi and other regions contributed to the recognized income from sales of properties in the first half of 2014, accounting for 49.9%, 18.6%, 13.6% and 17.9%, respectively.

| | Turnover from sales of properties in the first half of 2014 | | | | |
|-----------------------------|---|------------|----------------|------------|--|
| | Amount (RMB million) | Percentage | GFA (sq.m.) | Percentage | ASP (excluding car parking spaces) (RMB/sq.m.) |
| Guangdong Pearl River Delta | 2,281.8 | 49.9% | 338,242 | 62.2% | 6,667 |
| Guangdong Shantou | 851.8 | 18.6% | 17,332 | 3.2% | 13,011 |
| Guangxi | 621.1 | 13.6% | 86,273 | 15.9% | 6,569 |
| Others | 819.9 | 17.9% | 102,235 | 18.8% | 8,020 |
| Total | 4,574.6 | 100% | 544,082 | 100% | 7,108 |

Newly launched projects

As at 30 June 2014, the Group commenced construction of a total of six projects or project phases, with a total planned GFA of approximately 935,823 sq.m..

Completed projects

As at 30 June 2014, the Group completed seven projects or project phases with a total GFA of approximately 838,768 sq.m., including unsold and undelivered GFA of approximately 226,430 sq.m..

Developing projects

As at 30 June 2014, the Group had a total of 28 projects or project phases under construction, with a total GFA and a total saleable GFA of 4,799,678 sq.m. and 3,548,582 sq.m., respectively.

Land reserves

As at 30 June 2014, there were six newly acquired projects in total, with a total GFA of 2,367,948 sq.m.. The average cost of land acquired was approximately RMB1,893 per sq.m..

LIST OF PROJECTS NEWLY ACQUIRED DURING THE FIRST HALF OF 2014

| No. | City | Project name | Date of acquisition | Equity | Site area (sq.m.) | Total GFA (sq.m.) | Land cost (RMB million) | Average land cost (RMB per sq.m.) |
|-------|---------|--|---------------------|--------|----------------------|----------------------|----------------------------|--------------------------------------|
| 1 | Shantou | Royal & Seaward Sunshine Palace (御海陽光) | 2014.01.28 | 51% | 146,269 | 698,058 | 1,968 | 2,819 |
| 2 | Chengdu | Joy Residence (君悅華庭) | 2014.02.26 | 100% | 84,930 | 359,393 | 561 | 1,560 |
| 3 | Foshan | Grand Garden (水悅熙園) | 2014.03.11 | 100% | 53,918 | 264,199 | 507 | 1,918 |
| 4 | Chengdu | Chenghua Project (成華項目) | 2014.04.10 | 100% | 31,803 | 308,964 | 501 | 1,621 |
| 5 | Guilin | Kaifeng Road West Project (凱風路西側項目) | 2014.05.23 | 100% | 225,552 | 588,156 | 645 | 1,097 |
| 6 | Haikou | Changliu South Region Project (長流南片區) | 2014.06.12 | 100% | 56,501 | 149,178 | 302 | 2,023 |
| Total | | | | | 598,973 | 2,367,948 | 4,483 | 1,893 |

As at 30 June 2014, the total GFA of the land reserve of the Group amounted to approximately 12,827,015 sq.m., including completed projects with a total GFA of approximately 1,667,747 sq.m., projects under development with a total GFA of approximately 4,799,678 sq.m., projects pending development with a total GFA of approximately 4,311,355 sq.m. and contracted acquisition with a total GFA of approximately 2,048,235 sq.m..

PROPERTY INVESTMENTS

Rental income

The rental income of the Group for the six months ended 30 June 2014 amounted to RMB31.2 million, representing an increase of 9.2% as compared with the corresponding period of previous year, which was mainly due to the annual rental increase as agreed with major tenants in the contracts.

Investment properties

As at 30 June 2014, the Group had 11 investment properties with a total GFA of approximately 116,571 sq.m.. Under the investment property portfolio of the Group, nine investment properties with a total GFA of approximately 79,264 sq.m. were completed and the rest were under development.

Financial Review

(I) Turnover

Turnover of the Group for the six months ended 30 June 2014 increased by approximately RMB1,447.5 million, or 43.4%, as compared with the corresponding period of 2013, primarily due to the substantial increase in turnover from sales of properties as compared with the corresponding period of 2013. Turnover from sales of properties for the six months ended 30 June 2014 amounted to approximately RMB4,574.6 million, representing a significant increase of 54.2% as compared with approximately RMB2,967.5 million for the corresponding period of 2013.

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

| Project name | For the six months ended 30 June | | | |
|---|----------------------------------|----------------------------------|------------------------------|----------------------------------|
| | 2014 | | 2013 | |
| | Area ¹ (sq.m.) | Amount ² (RMB'000) | Area ¹ (sq.m.) | Amount ² (RMB'000) |
| Shantou Seaward Sunshine (汕頭 尚海陽光) | 17,162 | 849,851 | – | – |
| Shantou Sunshine Castle (汕頭 陽光華府) | 170 | 1,490 | 17,519 | 171,946 |
| Shantou Flying Dragon Garden (汕頭 龍騰熙園) | – | 413 | 1,269 | 89,846 |
| Huizhou Logan City (惠州 龍光城) | 207,308 | 1,049,796 | 87,158 | 493,015 |
| Huizhou Sky Palace (惠州 天悅龍庭) | 307 | 3,360 | 42,822 | 153,798 |
| Guangzhou Palm Waterfront (廣州 棕櫚水岸) | 5,701 | 78,578 | 100,501 | 894,796 |
| Guangzhou Fragrant Valley (廣州 香悅山) | – | – | 4,983 | 70,596 |

MANAGEMENT DISCUSSION AND ANALYSIS

| Project name | For the six months ended 30 June | | | |
|---|----------------------------------|----------------------------------|------------------------------|----------------------------------|
| | 2014 | | 2013 | |
| | Area ¹ (sq.m.) | Amount ² (RMB'000) | Area ¹ (sq.m.) | Amount ² (RMB'000) |
| Shunde Grand View (順德 水悦雲天) | 3,894 | 35,795 | 21,145 | 167,626 |
| Foshan Grand Riverside Bay (佛山 水悦龍灣) | 21,522 | 398,210 | – | – |
| Zhuhai Easy Life (珠海 海悦雲天) | – | 7,378 | 2,898 | 61,107 |
| Zhongsan Grasse Vieille Ville (中山 海悦城邦) | 83,250 | 546,159 | 1,313 | 13,004 |
| Dongguan Imperial Summit Sky Villa (東莞 君御旗峰) | 16,260 | 159,005 | – | – |
| Shenzhen Sky Palace (深圳 天悦龍庭) | – | 1,037 | – | – |
| Shenzhen Grand Joy Palace (深圳 君悦龍庭) | – | 2,543 | 232 | 6,636 |
| Nanning Provence (南寧 普羅旺斯) | 23,416 | 200,052 | 8,436 | 113,481 |
| Nanning Grand Riverside Bay (南寧 水悦龍灣) | 62,857 | 420,999 | 124,462 | 731,629 |
| Chengdu Sky Palace (成都 天悦龍庭) | 102,235 | 819,904 | – | – |
| Total | 544,082 | 4,574,570 | 412,738 | 2,967,480 |

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

2. Including turnover from sales of car parking spaces.

(II) Direct costs

The direct costs of the Group for the six months ended 30 June 2014 increased by approximately RMB1,025.6 million, or 44.5%, as compared with the corresponding period of 2013, primarily due to the increase in direct costs from sales of properties resulting from the increase in areas of properties delivered and the expansion of business scale as compared with the corresponding period of 2013. Key components of costs are as follows:

| | For the six months ended 30 June | | |
|--|----------------------------------|-----------------|--------------|
| | 2014 RMB'000 | 2013 RMB'000 | Changes % |
| Costs | 3,332,588 | 2,307,004 | 44.5% |
| Property development costs | 3,162,380 | 2,022,098 | 56.4% |
| Costs of construction business and rental business | 170,208 | 284,906 | -40.3% |

(III) Selling and marketing expenses and administrative expenses

The selling and marketing expenses of the Group for the six months ended 30 June 2014 amounted to approximately RMB141.9 million (the corresponding period of 2013: approximately RMB125.9 million). As the Group further increased its property marketing efforts, the relevant selling and marketing expenses also increased by approximately 12.7% as compared with the corresponding period of 2013.

The administrative expenses of the Group for the six months ended 30 June 2014 amounted to approximately RMB199.0 million (the corresponding period of 2013: approximately RMB184.6 million), representing an increase of approximately 7.8% as compared with the corresponding period of 2013. The increase was primarily due to the increase in expenses such as staff costs and office expenditures resulting from the expansion of business of the Group.

The percentage of selling and marketing expenses and administrative expenses in contract sales of the Group slightly increased from 2.2% and 3.2% for the six months ended 30 June 2013 to 2.6% and 3.6% for the Reporting Period, respectively.

(IV) Profit from operations

The profit from operations of the Group for the six months ended 30 June 2014 amounted to approximately RMB1,986.8 million (the corresponding period of 2013: approximately RMB761.7 million). As the turnover of the Group increased significantly by approximately RMB1,447.5 million as compared with the corresponding period of 2013, the relevant direct costs, selling and marketing expenses and administrative expenses increased by approximately RMB1,056.1 million as compared with the corresponding period of 2013 whereas the net fair value gain of investment properties of the Group for the Reporting Period increased by approximately RMB809.6 million as compared with the corresponding period of 2013. As a result, the profit from operations of the Group increased by approximately RMB1,225.2 million as compared with the corresponding period of 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

(V) Finance costs

The net finance costs of the Group for the six months ended 30 June 2014 decreased to approximately RMB46.6 million (the corresponding period of 2013: approximately RMB63.5 million), primarily because more finance costs on interests of loans of the Group were capitalised as relevant properties development costs during the year. The percentage of finance cost to the contracted sales has dropped from 1.1% for the six months ended 30 June 2013 to 0.8% in the Reporting Period.

(VI) Income tax

Taxes of the Group for the six months ended 30 June 2014 included CIT and LAT. Taking into account the impact of the relevant changes in deferred tax, the net CIT and LAT amounted to approximately RMB471.4 million and RMB151.6 million respectively (the corresponding period of 2013: approximately RMB153.7 million and RMB102.2 million respectively).

(VII) Core Profit

The Core Profit of the Group for the six months ended 30 June 2014 amounted to approximately RMB679.6 million, representing an increase of approximately RMB271.1 million as compared with the corresponding period of 2013. The Core Profit margin of the Group for the six months ended 30 June 2014 was approximately 14.2% (the corresponding period of 2013: approximately 12.3%), representing an increase of approximately 1.9 percentage points as compared with the corresponding period of 2013.

(VIII) Liquidity and financial resources

As at 30 June 2014, total assets of the Group amounted to approximately RMB34,460.7 million (31 December 2013: approximately RMB27,811.8 million), of which current assets amounted to approximately RMB29,388.0 million (31 December 2013: approximately RMB23,624.4 million). Total liabilities amounted to approximately RMB25,407.8 million (31 December 2013: approximately RMB20,462.2 million), of which non-current liabilities amounted to approximately RMB9,799.5 million (31 December 2013: approximately RMB6,827.4 million). Total equity amounted to approximately RMB9,052.9 million (31 December 2013: approximately RMB7,349.7 million). Total equity attributable to equity shareholders amounted to RMB8,200.3 million (31 December 2013: approximately RMB7,335.7 million).

As at 30 June 2014, the Group had cash and bank balances (including restricted cash) of approximately RMB6,535.3 million (31 December 2013: approximately RMB4,505.7 million) and total interest-bearing loan of approximately RMB13,560.0 million (31 December 2013: approximately RMB8,982.6 million). As at 30 June 2014, total net interest-bearing liabilities of the Group amounted to approximately RMB7,024.7 million (31 December 2013: approximately RMB4,476.9 million). The net debt to equity ratio of the Group was 77.6% as at 30 June 2014.

(IX) Financing activities

In 2014, the Group issued 5-year senior notes in Hong Kong market and obtained net proceeds (net of listing expenses) of approximately US\$295.4 million (equivalent to approximately RMB1,847.6 million). In addition, adhering to the strategy for 2013, the Group optimized its debt structure by obtaining long-term borrowings and the percentage of long-term borrowings to total interest-bearing liabilities remained above 65%. As at 30 June 2014, the cash ratio (the ratio of cash and bank balances to short-term borrowings) of the Group remained at a high level of approximately 142.8%.

The Group has not invested in any derivatives for hedging purpose.

(X) Pledge of assets

As at 30 June 2014, the Group had pledged investment properties, other properties, inventories and pledged deposits of approximately RMB9,120.0 million to secure its borrowings.

(XI) Commitments

As at 30 June 2014, the Group had made capital commitments of approximately RMB19,286.0 million related to the expenditure in respect of future establishment and property development (31 December 2013: approximately RMB22,383.1 million).

(XII) Contingent liabilities

As at 30 June 2014, the Group provided guarantees of approximately RMB3,158.6 million (31 December 2013: approximately RMB3,372.7 million) to banks in respect of the mortgage loans granted to purchasers of the properties of the Group. Pursuant to the terms of the guarantees, where a purchaser is in default on any mortgage payments to the banks prior to the issue of the building ownership certificate, the relevant banks are entitled to withdraw such amount equivalent to the payments in default from the deposit of the Group and may require the Group to settle any outstanding amount not covered by the deposit.

If the above risk materializes, the Group is entitled to withdraw the ownership of the properties concerned. The management of the Group considered that the risk of loss borne by the Group for the guarantees is insignificant as the market value of the mortgaged properties will not fall below the payments to be settled by the Group due to default.

(XIII) Significant acquisition, disposal or investment

On 19 May 2014, Jolly Gain Investments Limited, a wholly-owned subsidiary of the Company as purchaser, entered into a sale and purchase agreement with Honk Jee Loong Holdings Company Limited as vendor and Mr. Yao Yaojia as the vendor's guarantor, pursuant to which Jolly Gain Investments Limited acquired the entire issued share capital of King Kerry Investments Company Limited ("King Kerry"), at a consideration of RMB384 million (equivalent to approximately HK\$480 million). Upon completion of the such acquisition, King Kerry became a wholly-owned subsidiary of the Company and its accounts will be consolidated with the accounts of the Company from thereon. The acquisition was approved by the independent shareholders and completed on 31 July 2014.

Save as disclosed above, the Group did not have any material acquisition, disposal and investment during the period under review.

(XIV) Employees and Emolument Policies

As at 30 June 2014, the Group employed a total of approximately 1,600 employees. The total staff costs incurred were approximately RMB109.2 million during the six months ended 30 June 2014. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment of commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for PRC employees), employees may be offered with discretionary bonus awards based on individual performance.

During the six months ended 30 June 2014, the Company granted 190,090,000 share options to certain employees of the Group at an exercise price of HK\$2.340 per share on 29 May 2014.

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 2014, the interests and short positions of the directors and chief executives of the Company in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set forth in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

(i) Interest in Shares of the Company

| Name of Director | Nature of Interest | Number of Shares ⁽¹⁾ | Underlying Shares Interested ⁽²⁾ | Percentage of Company's Issued Share Capital |
|--------------------------|---|---------------------------------|---|--|
| Mr. Ji Haipeng | Interest of controlled corporation ⁽³⁾ | 4,250,000,000 (L) | | 85% |
| | Beneficial owner | | 13,120,000 (L) ⁽⁴⁾ | 0.26% |
| Mr. Ji Jiande | Beneficial owner | – | 9,840,000 (L) | 0.2% |
| Ms. Kei Perenna Hoi Ting | Beneficiary of a family trust, interest of controlled corporations ⁽³⁾ | 4,250,000,000 (L) | | 85% |
| | Beneficial owner | | 2,050,000 (L) | 0.04% |
| Mr. Lai Zhuobin | Beneficial owner | – | 4,170,000 (L) | 0.08% |
| Mr. Xiao Xu | Beneficial owner | – | 4,470,000 (L) | 0.09% |

Notes:

- (1) The letter "L" denotes the person's long position in the shares.
- (2) The number of shares represents the shares in which the directors are deemed to be interested as a result of holding share options.
- (3) Kei Perenna Hoi Ting is the settler and a beneficiary of a family trust. She is also indirectly interested in the Company through Dragon Jubilee Investments Limited, Gao Run Holdings Limited and Thrive Ally Limited, which owned collectively 17% equity interests in the Company. Mr. Ji Haipeng is considered to be interested in the shares of the Company through Junxi Investments Limited and Ms. Kei Perenna Hoi Ting as (i) Junxi Investments Limited is a company which is entirely owned by a family trust to which Ms. Kei Perenna Hoi Ting is the settler and a beneficiary and (ii) Ms. Kei Perenna Hoi Ting being a person accustomed to act in accordance with Mr. Ji Haipeng's directions.
- (4) Including the grant of 8,170,000 share options which has been approved by independent shareholders on 31 July 2014.

(ii) Interest in Associated Corporation of the Company

| Name of Director | Name of Associated Corporation | Percentage of Shareholding Interest |
|--------------------------|---------------------------------------|--|
| Ms. Kei Perenna Hoi Ting | Junxi Investments Limited | 100% |

Save as disclosed above, as at 30 June 2014, none of the directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2014, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

| Name | Nature of Interest | Number of Shares⁽¹⁾ | Percentage of the Company's Issued Share Capital |
|--|--|---------------------------------------|---|
| Mr. Ji Haipeng | Interest of controlled corporation | 4,250,000,000 (L) | 85% |
| | Beneficial owner | 13,120,000 (L) ⁽⁴⁾ | 0.26% |
| Ms. Kei Perenna Hoi Ting | Beneficiary of a family trust Interest of controlled corporations ⁽²⁾ | 4,250,000,000 (L) | 85% |
| | Beneficial owner | 2,050,000 (L) | 0.04% |
| Brock Nominees Limited ⁽³⁾ | Nominee | 3,400,000,000 (L) | 68% |
| Credit Suisse Trust Limited ⁽³⁾ | Trustee | 3,400,000,000 (L) | 68% |
| Junxi Investments Limited ⁽³⁾ | Beneficial owner | 3,400,000,000 (L) | 68% |
| Kei Family United Limited ⁽³⁾ | Interest of a controlled corporation | 3,400,000,000 (L) | 68% |
| Tenby Nominees Limited ⁽³⁾ | Nominee | 3,400,000,000 (L) | 68% |
| Dragon Julibee Investments Limited | Beneficial owner | 425,000,000 (L) | 8.5% |

OTHER INFORMATION

Notes:

- (1) The letter "L" denotes the person's long position in shares.
- (2) Ms. Kei Perenna Hoi Ting is indirectly interested in the Company through Dragon Julibee Investments Limited, Gao Run Holdings Limited and Thrive Ally Limited, which owned collectively 17% interests in the Company.
- (3) Ms. Kei Perenna Hoi Ting is the settler and a beneficiary of a family trust, which is a trust set up to hold the interest of Ms. Kei Perenna Hoi Ting and her family (excluding Mr. Ji Haipeng) in the Company. The family trust is interested in the entire interest of Kei Family United Limited which in turn holds the entire interest in Junxi Investments Limited. Further, Mr. Ji Haipeng is considered to be interested in the shares of the Company through Junxi Investments Limited and Ms. Kei Perenna Hoi Ting as (i) Junxi Investments Limited is a company which is entirely owned by a family trust to which Ms. Kei Perenna Hoi Ting is the settler and a beneficiary and (ii) Ms. Kei Perenna Hoi Ting being a person accustomed to act in accordance with Mr. Ji Haipeng's directions.
- (4) Including the grant of 8,170,000 share options which has been approved by independent shareholders on 31 July 2014.

Save as disclosed above, as at 30 June 2014, no person, other than the directors and chief executives of the Company, whose interests are set out in the section headed "Directors' and Chief Executives' Interests and/or Short Positions in Shares, Underlying Shares or Debentures of the Company or any of its Associated Corporations" of this report above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

INTERIM DIVIDEND

The Board does not recommend to declare any interim dividend for the six months ended 30 June 2014.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

As at the six months ended 30 June 2014, the Company has complied with the code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules, save and except for deviations from code provision A.2.1 which states that roles of chairman and chief executive officer should be separate and should not be performed by the same individual and code provision E.1.2 which states that the chairman of the board should attend the annual general meeting and he should also invite the chairmen of the audit committee, remuneration committee, nomination committee and any other committees (as appropriate) to attend.

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The chairman and chief executive officer of the Company are held by Mr. Ji Haipeng who is the founder of the Company and has extensive experience in the industry. The Board believes that Mr. Ji Haipeng can provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Board also considers that the current structure of vesting the roles of chairman and chief executive officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board shall review this structure from time to time to ensure appropriate and timely action to meet changing circumstances.

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting; he should also invite the chairmen of the audit committee, remuneration committee, nomination committee and any other committees (as appropriate) to attend; in their absence, he should invite another member of the committees or failing this his duly appointed delegate to attend; and these persons should be available to answer questions at the annual general meeting. The chairman of the Board and the chairmen of the audit committee, remuneration committee and nomination committee were unable to attend the annual general meeting of the Company held on 15 May 2014. They will however use their best endeavours to attend all future shareholders' meeting of the Company.

DEED OF NON-COMPETITION

The Company has received, from each of the controlling shareholders of the Company, a declaration on his/her/its compliance during the period from the Listing Date up till the six months ended 30 June 2014 with the undertakings contained in the deed of non-competition dated 3 December 2013 (the "Deed of Non-Competition") entered into by each of them in favour of the Company pursuant to which each of the controlling shareholders of the Company has undertaken to the Company that he/she/it will not, and will procure his/her/its associates (other than members of the Group), controlled persons and controlled companies not to directly or indirectly, either on their own account, in conjunction with, on behalf of or through any person, body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, participate, acquire or hold any right or interest, provide any support to, financial or otherwise, or otherwise be interested, involved or engaged in or concerned with any business that directly or indirectly competes with the principal businesses of the Group, or acquire or hold shares or interest in any companies or business that compete directly or indirectly with the principal businesses of the Group. Details of the Deed of Non-Competition were disclosed in the prospectus of the Company dated 10 December 2014 under the section headed "Relationship with Our Controlling Shareholders".

The independent non-executive Directors have reviewed the compliance of the Deed of Non-Competition by the controlling shareholders of the Company and were satisfied that each of the controlling shareholders of the Company has complied with the Deed of Non-Competition for the period from the Listing Date up till the six months ended 30 June 2014.

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

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 2014.

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 2014.

SHARE OPTION

During the period ended 30 June 2014, 198,260,000 share options were granted. Details of the share options granted during the period under review under the Share Option Scheme are as follows:

OTHER INFORMATION

| Director | Date of Offer | Exercise Price | Outstanding at 1.1.2014 | Granted during the Period | Exercised During the Period | Lapsed/Cancelled during the Period | Outstanding at 30.6.2014 | Exercise Period | Closing Price of the Securities Immediately before the Date on Which the Options were Granted |
|----------------|---------------|----------------|-------------------------|---------------------------|-----------------------------|------------------------------------|--------------------------|-----------------------|---|
| | | | | | | | | | |
| Mr. Ji Haipeng | 29.05.2014 | 2.34 | - | 3,280,000 | - | - | 3,280,000 | 29.05.2015-28.05.2020 | 2.34 |
| | 29.05.2014 | 2.34 | - | 3,280,000 | - | - | 3,280,000 | 29.05.2016-28.05.2020 | 2.34 |
| | 29.05.2014 | 2.34 | - | 3,280,000 | - | - | 3,280,000 | 29.05.2017-28.05.2020 | 2.34 |
| | 29.05.2014 | 2.34 | - | 3,280,000 | - | - | 3,280,000 | 29.05.2018-28.05.2020 | 2.34 |
| Mr. Ji Jiande | 29.05.2014 | 2.34 | - | 2,460,000 | - | - | 2,460,000 | 29.05.2015-28.05.2020 | 2.34 |
| | 29.05.2014 | 2.34 | - | 2,460,000 | - | - | 2,460,000 | 29.05.2016-28.05.2020 | 2.34 |
| | 29.05.2014 | 2.34 | - | 2,460,000 | - | - | 2,460,000 | 29.05.2017-28.05.2020 | 2.34 |
| | 29.05.2014 | 2.34 | - | 2,460,000 | - | - | 2,460,000 | 29.05.2018-28.05.2020 | 2.34 |
| Mr. Xiao Xu | 29.05.2014 | 2.34 | - | 1,117,500 | - | - | 1,117,500 | 29.05.2015-28.05.2020 | 2.34 |
| | 29.05.2014 | 2.34 | - | 1,117,500 | - | - | 1,117,500 | 29.05.2016-28.05.2020 | 2.34 |
| | 29.05.2014 | 2.34 | - | 1,117,500 | - | - | 1,117,500 | 29.05.2017-28.05.2020 | 2.34 |
| | 29.05.2014 | 2.34 | - | 1,117,500 | - | - | 1,117,500 | 29.05.2018-28.05.2020 | 2.34 |

| Director | Date of Offer | Exercise Price | Outstanding at 1.1.2014 | Granted during the Period | Exercised During the Period | Lapsed/ Cancelled during the Period | Outstanding at 30.6.2014 | Exercise Period | Closing Price of the Securities Immediately before the Date on Which the Options were Granted |
|--------------------------|---------------|----------------|-------------------------|---------------------------|-----------------------------|--|--------------------------|---|---|
| | | | | | | | | | 2.34 |
| Mr. Lai Zhuobin | 29.05.2014 | 2.34 | - | 1,042,500 | - | - | 1,042,500 | 29.05.2015-28.05.2020 | 2.34 |
| | 29.05.2014 | 2.34 | - | 1,042,500 | - | - | 1,042,500 | 29.05.2016-28.05.2020 | 2.34 |
| | 29.05.2014 | 2.34 | - | 1,042,500 | - | - | 1,042,500 | 29.05.2017-28.05.2020 | 2.34 |
| | 29.05.2014 | 2.34 | - | 1,042,500 | - | - | 1,042,500 | 29.05.2018-28.05.2020 | 2.34 |
| Ms. Kei Perenna Hoi Ting | 29.05.2014 | 2.34 | - | 512,500 | - | - | 512,500 | 29.05.2015-28.05.2020 | 2.34 |
| | 29.05.2014 | 2.34 | - | 512,500 | - | - | 512,500 | 29.05.2016-28.05.2020 | 2.34 |
| | 29.05.2014 | 2.34 | - | 512,500 | - | - | 512,500 | 29.05.2017-28.05.2020 | 2.34 |
| | 29.05.2014 | 2.34 | - | 512,500 | - | - | 512,500 | 29.05.2018-28.05.2020 | 2.34 |
| Employees in aggregate | 29.05.2014 | 2.34 | - | 164,610,000 | - | - | 164,610,000 | Within a period of six years from the date of grant subject to the vesting schedule | 2.34 |

OTHER INFORMATION

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of directors since the date of the 2013 annual report of the Company are set out below:

| Name of Director | Details of Change |
|-------------------------|---|
| Mr. Ji Jiande | Appointed as director of Nanning Logan Bojun Property Development Co., Ltd. (南寧市龍光鉑駿房地產開發有限公司) on 24 January 2014. |
| | Appointed as director of Chengdu Logan Donghua Property Development Co., Ltd. (成都市龍光東華房地產開發有限公司) on 30 April 2014. |
| | Appointed as director of Guilin Logan Bojun Property Development Co., Ltd. (桂林市龍光鉑駿房地產開發有限公司) on 12 May 2014. |
| Mr. Zhang Huaqiao | Appointed as independent non-executive director of Yancoal Australia Ltd, a company listed on the Australia Securities Exchange, on 17 April 2014. |
| | Appointed as independent non-executive director of Luye Pharma Group Ltd., a company listed on the Stock Exchange, on 19 June 2014. |
| | Appointed as independent non-executive director of Ernest Borel Holdings Limited, a company listed on the Stock Exchange, on 24 June 2014. |
| | Appointed as chairman of the board of China Smartpay Group Holdings Limited (formerly known as “Oriental City Group Holdings Limited”), a company listed on the Stock Exchange, on 11 March 2014. |
| Mr. Cai Suisheng | Re-designated from independent non-executive director to external director of Guangzhou Pearl River Industrial Development Co., Ltd. (廣州珠江實業開發股份有限公司), a company listed on the Shanghai Stock Exchange, in June 2014. |
| | Appointed as emeritus professor of the department of urban planning and design of the University of Hong Kong in October 2013. |
| | Appointed as visiting professor of College of Real Estate of Beijing Normal University (Zhu) in October 2013. |

AUDIT COMMITTEE AND REVIEW OF AUDITOR

The audit committee of the Company (the “Audit Committee”) comprises three independent non-executive Directors. The Audit Committee has reviewed with the Company’s management, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of this interim report including the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2014.

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2014 have been reviewed by KPMG, the independent auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the HKICPA.

REVIEW REPORT



Review report to the Board of Directors of Logan Property Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 27 to 48 which comprises the consolidated statement of financial position of Logan Property Holdings Company Limited as at 30 June 2014 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2014 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

28 August 2014

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014

(Expressed in Renminbi)

| | Note | Six months ended 30 June | |
|---|------|--------------------------------|------------------------------|
| | | 2014 RMB'000 (unaudited) | 2013 RMB'000 (audited) |
| Turnover | 2 | 4,779,750 | 3,332,205 |
| Direct costs | | (3,332,588) | (2,307,004) |
| Gross profit | | 1,447,162 | 1,025,201 |
| Other revenue | | 35,549 | 11,336 |
| Other net loss | | (5,012) | (4,872) |
| Selling and marketing expenses | | (141,948) | (125,916) |
| Administrative expenses | | (199,026) | (184,558) |
| Net increase in fair value of investment properties | 6(a) | 850,124 | 40,506 |
| Profit from operations | | 1,986,849 | 761,697 |
| Finance costs | 3(a) | (46,577) | (63,501) |
| Profit before taxation | 3 | 1,940,272 | 698,196 |
| Income tax | 4 | (623,043) | (255,937) |
| Profit for the period | | 1,317,229 | 442,259 |
| Attributable to: | | | |
| Equity shareholders of the Company | | 1,286,303 | 435,386 |
| Non-controlling interests | | 30,926 | 6,873 |
| Profit for the period | | 1,317,229 | 442,259 |
| Earnings per share (RMB cents) | | | |
| – Basic and diluted | 5 | 25.73 | 10.24 |

The notes on pages 32 to 48 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 10(a).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

(Expressed in Renminbi)

| | Six months ended 30 June | |
|---|--------------------------------|------------------------------|
| | 2014 RMB'000 (unaudited) | 2013 RMB'000 (audited) |
| Profit for the period | 1,317,229 | 442,259 |
| Other comprehensive income for the period (after tax and reclassification adjustments) | | |
| Item that is or may be reclassified subsequently to profit or loss: | | |
| – Exchange differences on translation of financial statements of overseas entities | 7,403 | 9,678 |
| Total comprehensive income for the period | 1,324,632 | 451,937 |
| Attributable to: | | |
| Equity shareholders of the Company | 1,293,706 | 445,064 |
| Non-controlling interests | 30,926 | 6,873 |
| Total comprehensive income for the period | 1,324,632 | 451,937 |

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

The notes on pages 32 to 48 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014
(Expressed in Renminbi)

| | Note | At 30 June 2014 RMB'000 (unaudited) | At 31 December 2013 RMB'000 (audited) |
|--|------|---|---|
| Non-current assets | | | |
| Fixed assets | 6 | | |
| – Investment properties | | 4,611,000 | 3,793,000 |
| – Other property, plant and equipment | | 117,900 | 97,233 |
| | | 4,728,900 | 3,890,233 |
| Deferred tax assets | | 343,742 | 297,174 |
| | | 5,072,642 | 4,187,407 |
| Current assets | | | |
| Inventories | | 20,914,661 | 17,685,826 |
| Trade and other receivables | 7 | 1,783,613 | 1,315,974 |
| Tax recoverable | | 154,428 | 116,972 |
| Restricted and pledged deposits | | 843,349 | 678,226 |
| Cash and cash equivalents | | 5,691,990 | 3,827,434 |
| | | 29,388,041 | 23,624,432 |
| Current liabilities | | | |
| Trade and other payables | 8 | 10,168,841 | 9,728,560 |
| Bank and other loans | | 4,576,919 | 2,754,109 |
| Tax payable | | 862,541 | 1,152,072 |
| | | 15,608,301 | 13,634,741 |
| Net current assets | | 13,779,740 | 9,989,691 |
| Total assets less current liabilities | | 18,852,382 | 14,177,098 |
| Non-current liabilities | | | |
| Bank and other loans | | 7,135,452 | 6,228,442 |
| Senior notes | 9 | 1,847,618 | – |
| Deferred tax liabilities | | 816,435 | 598,980 |
| | | 9,799,505 | 6,827,422 |
| NET ASSETS | | 9,052,877 | 7,349,676 |
| CAPITAL AND RESERVES | | | |
| Share capital | 10 | 393,115 | 393,115 |
| Reserves | | 7,807,148 | 6,942,573 |
| Total equity attributable to equity shareholders of the Company | | 8,200,263 | 7,335,688 |
| Non-controlling interests | | 852,614 | 13,988 |
| TOTAL EQUITY | | 9,052,877 | 7,349,676 |

The notes on pages 32 to 48 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

(Expressed in Renminbi)

| | Attributable to equity shareholders of the Company | | | | | | | | | | |
|--|--|------------------|------------------|---------------------|---|-----------------------|------------------|---------------------|-----------|----------------------------------|-----------------|
| | Note | Share-based | | Exchange reserve | PRC | | Other reserve | Retained profits | Total | Non- controlling interests | Total equity |
| | | Share capital | Share premium | | compensation reserve (note 10(c)) | statutory reserves | | | | | |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| (audited) | | | | | | | | | | | |
| Balance at 1 January 2013 | | - | - | - | 24,163 | 222,495 | (180,558) | 4,026,680 | 4,092,780 | 57,981 | 4,150,761 |
| Changes in equity for the six months ended 30 June 2013: | | | | | | | | | | | |
| Profit for the period | | - | - | - | - | - | - | 435,386 | 435,386 | 6,873 | 442,259 |
| Other comprehensive income | | - | - | - | 9,678 | - | - | - | 9,678 | - | 9,678 |
| Total comprehensive income | | - | - | - | 9,678 | - | - | 435,386 | 445,064 | 6,873 | 451,937 |
| Arising on reorganisation | | - | - | - | - | - | (15,079) | - | (15,079) | - | (15,079) |
| Balance at 30 June 2013 and 1 July 2013 | | - | - | - | 33,841 | 222,495 | (195,637) | 4,462,066 | 4,522,765 | 64,854 | 4,587,619 |
| Changes in equity for the six months ended 31 December 2013: | | | | | | | | | | | |
| Profit for the period | | - | - | - | - | - | - | 1,588,770 | 1,588,770 | 25,274 | 1,614,044 |
| Other comprehensive income | | - | - | - | 6,019 | - | - | - | 6,019 | - | 6,019 |
| Total comprehensive income | | - | - | - | 6,019 | - | - | 1,588,770 | 1,594,789 | 25,274 | 1,620,063 |
| Transfer to PRC statutory reserves | | - | - | - | - | 290,057 | - | (290,057) | - | - | - |
| Dividend declared to non-controlling interests | | - | - | - | - | - | - | - | - | (76,140) | (76,140) |
| Issuance of shares under the global initial public offering ("IPO"), net of listing expenses | 10(b) | 58,965 | 1,159,169 | - | - | - | - | - | 1,218,134 | - | 1,218,134 |
| Capitalisation issue | 10(b) | 334,150 | (334,150) | - | - | - | - | - | - | - | - |
| (unaudited) | | | | | | | | | | | |
| Balance at 31 December 2013 and at 1 January 2014 | | 393,115 | 825,019 | - | 39,860 | 512,552 | (195,637) | 5,760,779 | 7,335,688 | 13,988 | 7,349,676 |
| Changes in equity for the six months ended 30 June 2014: | | | | | | | | | | | |
| Profit for the period | | - | - | - | - | - | - | 1,286,303 | 1,286,303 | 30,926 | 1,317,229 |
| Other comprehensive income | | - | - | - | 7,403 | - | - | - | 7,403 | - | 7,403 |
| Total comprehensive income | | - | - | - | 7,403 | - | - | 1,286,303 | 1,293,706 | 30,926 | 1,324,632 |
| Dividend declared | 10(a)(ii) | - | - | - | - | - | - | (436,563) | (436,563) | - | (436,563) |
| Equity settled share-based payment | | - | - | 7,432 | - | - | - | - | 7,432 | - | 7,432 |
| Capital contribution from non-controlling interests | | - | - | - | - | - | - | - | - | 807,700 | 807,700 |
| Balance at 30 June 2014 | | 393,115 | 825,019 | 7,432 | 47,263 | 512,552 | (195,637) | 6,610,519 | 8,200,263 | 852,614 | 9,052,877 |

The notes on pages 32 to 48 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2014

(Expressed in Renminbi)

| | Six months ended 30 June | |
|---|--------------------------------|------------------------------|
| | 2014 RMB'000 (unaudited) | 2013 RMB'000 (audited) |
| Operating activities | | |
| Cash used in operation | (1,908,117) | (392,169) |
| Income tax paid | (747,872) | (518,371) |
| Net cash used in operating activities | (2,655,989) | (910,540) |
| Investing activities | | |
| Payment for purchase of other property, plant and equipment | (33,584) | (9,484) |
| Proceeds from disposal of other property, plant and equipment | 122 | 77 |
| Payment for purchase of investment properties | (9,229) | (17,976) |
| Proceeds from disposal of investment properties | 69,543 | 13,391 |
| Other investing activities | 26,208 | 8,641 |
| Net cash generated from/(used in) investing activities | 53,060 | (5,351) |
| Financing activities | | |
| Proceeds from bank and other loans | 5,702,500 | 3,719,715 |
| Repayment of bank and other loans | (2,981,707) | (2,271,342) |
| Proceeds from senior notes | 1,824,469 | – |
| Net cash used in other financing activities | (88,561) | (754,595) |
| Net cash generated from financing activities | 4,456,701 | 693,778 |
| Net increase/(decrease) in cash and cash equivalents | 1,853,772 | (222,113) |
| Cash and cash equivalents at 1 January | 3,827,434 | 2,536,868 |
| Effect of changes in foreign exchange rate | 10,784 | (27) |
| Cash and cash equivalents at 30 June | 5,691,990 | 2,314,728 |

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

The notes on pages 32 to 48 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 28 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements.

The HKICPA has issued a few amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and one new Interpretation that are first effective for the current accounting period of Logan Property Holdings Company Limited (the “Company”) and its subsidiaries (the “Group”). None of these developments are relevant to the Group’s consolidated financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

During the period, the Company issued senior notes with principal amount of US\$300,000,000 due in 2019 (see note 9). The senior notes are accounted for according to the following accounting policy:

Senior notes

Senior notes of the Company are issued with early redemption clause at the option of the Company.

At initial recognition the redemption option is measured at fair value and presented as derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the senior notes are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The fair value of the derivative component is subsequently remeasured at the end of each reporting period. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

Share options

The Company also granted share options to certain directors and employees during the period (see note 10(c)). The share options are accounted for according to the following accounting policy:

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION (CONTINUED)

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 26. In addition, the interim financial report has been reviewed by the Company's Audit Committee.

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 February 2014.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

2 TURNOVER AND SEGMENT REPORTING

(a) Turnover

Turnover represents income from sale of properties, rental income and construction income earned during the period, net of business tax and other sales related taxes and discounts allowed, and is analysed as follows:

| | Six months ended 30 June | |
|---------------------|--------------------------|-----------------|
| | 2014 RMB'000 | 2013 RMB'000 |
| Sale of properties | 4,574,570 | 2,967,480 |
| Rental income | 31,242 | 28,619 |
| Construction income | 173,938 | 336,106 |
| | 4,779,750 | 3,332,205 |

(b) Segment reporting

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

2 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results

For the six months ended 30 June 2014

| | Property development RMB'000 | Property leasing RMB'000 | Construction contracts RMB'000 | Total RMB'000 |
|--|------------------------------------|--------------------------------|--------------------------------------|------------------|
| Revenue from external customers | 4,574,570 | 31,242 | 173,938 | 4,779,750 |
| Inter-segment revenue | – | – | 1,626,909 | 1,626,909 |
| Reportable segment revenue | 4,574,570 | 31,242 | 1,800,847 | 6,406,659 |
| Reportable segment profit | 1,113,866 | 31,242 | 3,081 | 1,148,189 |
| Bank interest income | 5,171 | – | 7,211 | 12,382 |
| Finance costs | (33,688) | – | (8,769) | (42,457) |
| Depreciation | (6,462) | – | (7) | (6,469) |
| Net increase in fair value of investment properties | – | 850,124 | – | 850,124 |

For the six months ended 30 June 2013

| | Property development RMB'000 | Property leasing RMB'000 | Construction contracts RMB'000 | Total RMB'000 |
|--|------------------------------------|--------------------------------|--------------------------------------|------------------|
| Revenue from external customers | 2,967,480 | 28,619 | 336,106 | 3,332,205 |
| Inter-segment revenue | – | – | 1,082,597 | 1,082,597 |
| Reportable segment revenue | 2,967,480 | 28,619 | 1,418,703 | 4,414,802 |
| Reportable segment profit | 753,120 | 28,068 | 27,100 | 808,288 |
| Bank interest income | 3,275 | – | 1,724 | 4,999 |
| Finance costs | (33,144) | – | (24,561) | (57,705) |
| Depreciation | (3,843) | – | (169) | (4,012) |
| Net increase in fair value of investment properties | – | 40,506 | – | 40,506 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

2 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2014 RMB'000 | 2013 RMB'000 |
| Revenue | | |
| Reportable segment revenue | 6,406,659 | 4,414,802 |
| Elimination of inter-segment revenue | (1,626,909) | (1,082,597) |
| Consolidated turnover | 4,779,750 | 3,332,205 |
| Profit | | |
| Reportable segment profit derived from the Group's external customers | 1,148,189 | 808,288 |
| Other revenue and other net loss | 30,537 | 6,464 |
| Depreciation | (10,951) | (8,497) |
| Finance costs | (46,577) | (63,501) |
| Net increase in fair value of investment properties | 850,124 | 40,506 |
| Unallocated head office and corporate expenses | (31,050) | (85,064) |
| Consolidated profit before taxation | 1,940,272 | 698,196 |

(iii) Geographic information

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

3 PROFIT BEFORE TAXATION

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

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2014 RMB'000 | 2013 RMB'000 |
| (a) Finance costs | | |
| Interest on bank and other loans and other borrowing costs | 435,787 | 259,812 |
| Interest on senior notes | 14,800 | – |
| | 450,587 | 259,812 |
| Less: Amount capitalised | (404,010) | (196,311) |
| | 46,577 | 63,501 |
| (b) Other items | | |
| Depreciation | 13,434 | 10,721 |
| Less: Amount capitalised | (2,483) | (2,224) |
| | 10,951 | 8,497 |
| Cost of properties sold | 3,162,380 | 2,022,098 |
| Net (profit)/loss on disposal of fixed assets | (16,741) | 4,107 |
| Bank interest income | (26,208) | (5,252) |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

4 INCOME TAX

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2014 RMB'000 | 2013 RMB'000 |
| Current tax | | |
| Provision for PRC Corporate Income Tax ("CIT") for the period | 300,560 | 170,127 |
| Provision for PRC Land Appreciation Tax ("LAT") for the period | 151,596 | 102,255 |
| | 452,156 | 272,382 |
| Deferred tax | | |
| Origination and reversal of temporary differences | 170,887 | (16,445) |
| | 623,043 | 255,937 |

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

5 EARNINGS PER SHARE

(a) Basis earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the division of the profit attributable to equity shareholders of the Company of RMB1,286,303,000 (six months ended 30 June 2013: RMB435,386,000) by the weighted average number of 5,000,000,000 shares (six months ended 30 June 2013: 4,250,000,000 shares) in issue during the six months ended 30 June 2014.

The weighted average number of shares in issue during the six months ended 30 June 2013 was based on the assumption that 4,250,000,000 shares of the Company in issue, comprising 1,000 shares in issue and 4,249,999,000 shares issued pursuant to the capitalisation issue (note 10(a)), as if these shares were issued on 1 January 2013.

| | Six months ended 30 June | |
|---|--------------------------|--------------|
| | 2014 '000 | 2013 '000 |
| Issued ordinary shares at 1 January | 5,000,000 | 1 |
| Effect of capitalisation issue | – | 4,249,999 |
| Weighted average number of ordinary shares at 30 June | 5,000,000 | 4,250,000 |

(b) Diluted earnings per share

There were no diluted potential shares in existence during the six months ended 30 June 2014 and 2013. The Company's share options as at 30 June 2014 do not give rise to any dilution effect to the earnings per share.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

6 FIXED ASSETS

(a) Investment properties

All the Group's investment properties were revalued as at 30 June 2014. The valuations were carried out by Roma Appraisals Limited, an independent professional valuer who has among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The valuers have valued the investment properties by reference to sales evidences as available on the market.

During the period, the net increase in fair value of investment properties is RMB850,124,000 (six months ended 30 June 2013: RMB40,506,000) and the additions in investment properties are RMB9,229,000 (six months ended 30 June 2013: RMB17,976,000). During the period, inventories amounted to RMB11,446,000 (six months ended 30 June 2013: RMBNil) were transferred to investment properties.

(b) Other property, plant and equipment

During the six months ended 30 June 2014, the Group's additions in other property, plant and equipment amounted to RMB34,226,000 (six months ended 30 June 2013: RMB9,484,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

7 TRADE AND OTHER RECEIVABLES

| | At 30 June 2014 RMB'000 | At 31 December 2013 RMB'000 |
|--|----------------------------------|--------------------------------------|
| Trade receivables (note (i)) | 176,917 | 377,959 |
| Prepayment and other receivables | 690,937 | 588,895 |
| Land deposits | 761,762 | 260,000 |
| Amounts due from related companies | 108,569 | 73,293 |
| Amount due from a non-controlling shareholder | 37,079 | 15,827 |
| Senior notes redemption call option (notes 9 and 11(a)(i)) | 8,349 | – |
| | 1,783,613 | 1,315,974 |

Notes:

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

| | At 30 June 2014 RMB'000 | At 31 December 2013 RMB'000 |
|--|----------------------------------|--------------------------------------|
| Current or less than 1 month overdue | 142,050 | 135,356 |
| More than 1 month overdue and up to 3 months overdue | 423 | 116,588 |
| More than 6 months overdue and up to 1 year overdue | 24,660 | 105,485 |
| More than 1 year overdue | 9,784 | 20,530 |
| | 176,917 | 377,959 |

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

8 TRADE AND OTHER PAYABLES

| | At 30 June 2014 RMB'000 | At 31 December 2013 RMB'000 |
|------------------------------------|----------------------------------|--------------------------------------|
| Trade payables (note (i)) | 2,609,444 | 2,703,878 |
| Other payables and accrued charges | 621,414 | 241,106 |
| Customer deposits received | 107,340 | 267,195 |
| Rental and other deposits received | 10,540 | 8,367 |
| Receipts in advance | 6,252,690 | 6,346,951 |
| Amounts due to related companies | 567,413 | 161,063 |
| | 10,168,841 | 9,728,560 |

Note:

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

| | At 30 June 2014 RMB'000 | At 31 December 2013 RMB'000 |
|--|----------------------------------|--------------------------------------|
| Due within 1 month or on demand | 1,324,880 | 1,432,175 |
| Due after 1 month but within 3 months | 334,898 | 308,793 |
| Due after 3 months but within 6 months | 290,738 | 303,610 |
| Due after 6 months but within 1 year | 343,408 | 361,870 |
| Due after 1 year | 315,520 | 297,430 |
| | 2,609,444 | 2,703,878 |

9 SENIOR NOTES

On 28 May 2014, the Company issued senior notes with principal amount of US\$300,000,000 due in 2019 ("US\$300 m Senior Notes"). The senior notes are interest bearing at 11.25% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 4 June 2019. At any time and from time to time before the maturity date, the Company may at its option redeem the senior notes, at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

10 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

- (i) No interim dividend proposed for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).
- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period:

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2014 RMB'000 | 2013 RMB'000 |
| Final dividend in respect of the previous financial year, approved during the period, of HK11 cents (equivalent to RMB8.7 cents) (six months ended 30 June 2013: Nil) per ordinary share | 436,563 | – |

Dividends of HK\$82,500,000 (equivalent to RMB65,484,000) (six months ended 30 June 2013: no dividend paid) was paid by 30 June 2014. The remaining amounts were fully accrued as dividends payable.

(b) Share capital

Capitalisation issue

Pursuant to written resolutions of the Company's shareholders passed on 18 November 2013, conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the global offering set out in the Company's prospectus dated 10 December 2013, the directors had authorised to allot and issue a total of 4,249,999,000 shares, by way of capitalisation of the sum of HK\$424,999,900 (equivalent to RMB334,150,000) standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders as appearing on the register of members of the Company.

Issuance of shares under IPO

On 20 December 2013, the Company was successfully listed on the Stock Exchange following the completion of its IPO of 750,000,000 shares of HK\$0.1 each issued at a price of HK\$2.1 per share. Proceeds of HK\$75,000,000 (equivalent to RMB58,965,000), representing the par value of shares issued, were credited to the Company's share capital. The remaining proceeds (net of listing expenses) of HK\$1,474,393,000 (equivalent to RMB1,159,169,000) were credited to the share premium account.

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(Expressed in Renminbi unless otherwise indicated)

10 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Equity settled share-based transactions

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. Ji Haipeng ("Mr. Ji", the Executive Director and the Chairman) and 164,610,000 shares of the Company respectively. The exercise price is HK\$2.34 per share. Under the share option scheme, the share options granted to the directors and certain senior managers or above will be vested evenly over a period of four years starting from 29 May 2015 and ending on 28 May 2019, while the share options granted to certain mid-level managers will be vested evenly over a period of three years starting from 29 May 2015 and ending on 28 May 2018. These share options are exercisable within a period of six years from the date of grant (i.e. 29 May 2014) subject to the above vesting schedule. Each option gives the holder the right to subscribe for one ordinary share of the Company.

No options were exercised during the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

The weighted average value per share option granted during the period estimated at the date of grant using binomial model was HK\$1.08. The weighted average assumptions used are as follows:

| | |
|--------------------------------|----------|
| Fair value at measurement date | HK\$1.08 |
| Share price | HK\$2.34 |
| Exercise price | HK\$2.34 |
| Expected volatility | 57.56% |
| Option life | 6 years |
| Dividend yield | 0% |
| Risk-free interest rate | 1.26% |

The expected volatility was based on statistical analysis of daily share average prices of group of listed companies in the similar industry over the one year immediately preceding the grant date, adjusted for any expected changes to future volatility based on publicly available information. Dividend yield was estimated based on the dividend policy of the Group. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition had not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

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(Expressed in Renminbi unless otherwise indicated)

11 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

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

**Fair value measurements as at 30 June 2014
categorised into**

| | Fair value at 30 June 2014 RMB'000 | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 |
|---|--|--------------------|--------------------|--------------------|
| Recurring fair value measurements | | | | |
| Assets: | | | | |
| Derivative financial instruments: | | | | |
| – Redemption call option of US\$300 m Senior Notes | 8,349 | – | 8,349 | – |

During the six months ended 30 June 2014 and 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of redemption call options of US\$300 m Senior Notes in Level 2 is valued based on the Hull White short-rate model for American swaption at each measurement date.

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(Expressed in Renminbi unless otherwise indicated)

11 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their values as at 30 June 2014 and 31 December 2013.

The carrying values of trade and other receivables, cash and cash equivalents, trade and other payables, current portion bank and other loans are estimated to approximate their fair values based on the nature or short-term maturity of these financial instruments.

12 COMMITMENTS

Commitments outstanding at 30 June 2014 not provided for in the interim financial report are as follows:

| | At 30 June 2014 RMB'000 | At 31 December 2013 RMB'000 |
|-----------------------------------|----------------------------------|--------------------------------------|
| Contracted for | 10,369,412 | 3,883,596 |
| Authorised but not contracted for | 8,916,615 | 18,499,548 |
| | 19,286,027 | 22,383,144 |

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

13 CONTINGENT LIABILITIES

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

| | At 30 June 2014 RMB'000 | At 31 December 2013 RMB'000 |
|---|----------------------------------|--------------------------------------|
| Guarantees given to banks for mortgage facilities granted to buyers of the Group's properties | 3,158,629 | 3,372,691 |

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(Expressed in Renminbi unless otherwise indicated)

13 CONTINGENT LIABILITIES (CONTINUED)

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

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

The amount of guarantee deposits required varies among different banks, but usually within a range of 3% to 5% of the mortgage loans granted to buyers, with prescribed capped amount. Such guarantees usually last for 3 months, according to the relevant record of the Group.

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

14 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this interim financial report, major related party transactions entered by the Group during the six months ended 30 June 2014 are as follows:

| | Note | Six months ended 30 June | |
|---|------|--------------------------|-----------------|
| | | 2014 RMB'000 | 2013 RMB'000 |
| Construction contracts income from related companies | (a) | 173,938 | 336,106 |
| Design fee income from a related company | (b) | 905 | 820 |
| Sales of construction raw materials to related companies | (c) | – | 286 |
| Construction management service income from a related company | (d) | 500 | 1,237 |
| Remuneration of key management personnel | (e) | (10,588) | (4,367) |

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(Expressed in Renminbi unless otherwise indicated)

14 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

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

| | Six months ended 30 June | |
|--|--------------------------|---------|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| Directors' fees | 1,080 | – |
| Salary and other emoluments | 5,825 | 4,310 |
| Contribution to retirement benefit schemes | 97 | 57 |
| Share-based payment | 3,586 | – |
| | 10,588 | 4,367 |

15 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 19 May 2014, Jolly Gain Investments Limited (“Jolly Gain”), a wholly-owned subsidiary of the Company, entered into an agreement with Mr. Yao Yaojia (“Mr. Yao”, brother in law of Mr. Ji) and Honk Jee Loong Holdings Company Limited (“HJL”, wholly-owned by Mr. Yao). Pursuant to the agreement, Jolly Gain has agreed to acquire the entire issued share capital of King Kerry Investments Company Limited (“King Kerry”), from HJL at a consideration of RMB384 million. King Kerry in turn owned 95% interest in a property project in Guangxi. The transaction constituted a connected transaction to the Company under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and was approved by the independent shareholders of the Company at an extraordinary general meeting of the Company (the “EGM”) held on 31 July 2014. The transaction was completed on 31 July 2014.

On 29 May 2014, the board of directors resolved to grant to Mr. Ji another 8,170,000 share options to subscribe for the Company's shares (the “Additional Options”) at the exercise price of HK\$2.340 per share on the same terms as the share options granted on 29 May 2014. 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 the EGM held on 31 July 2014.