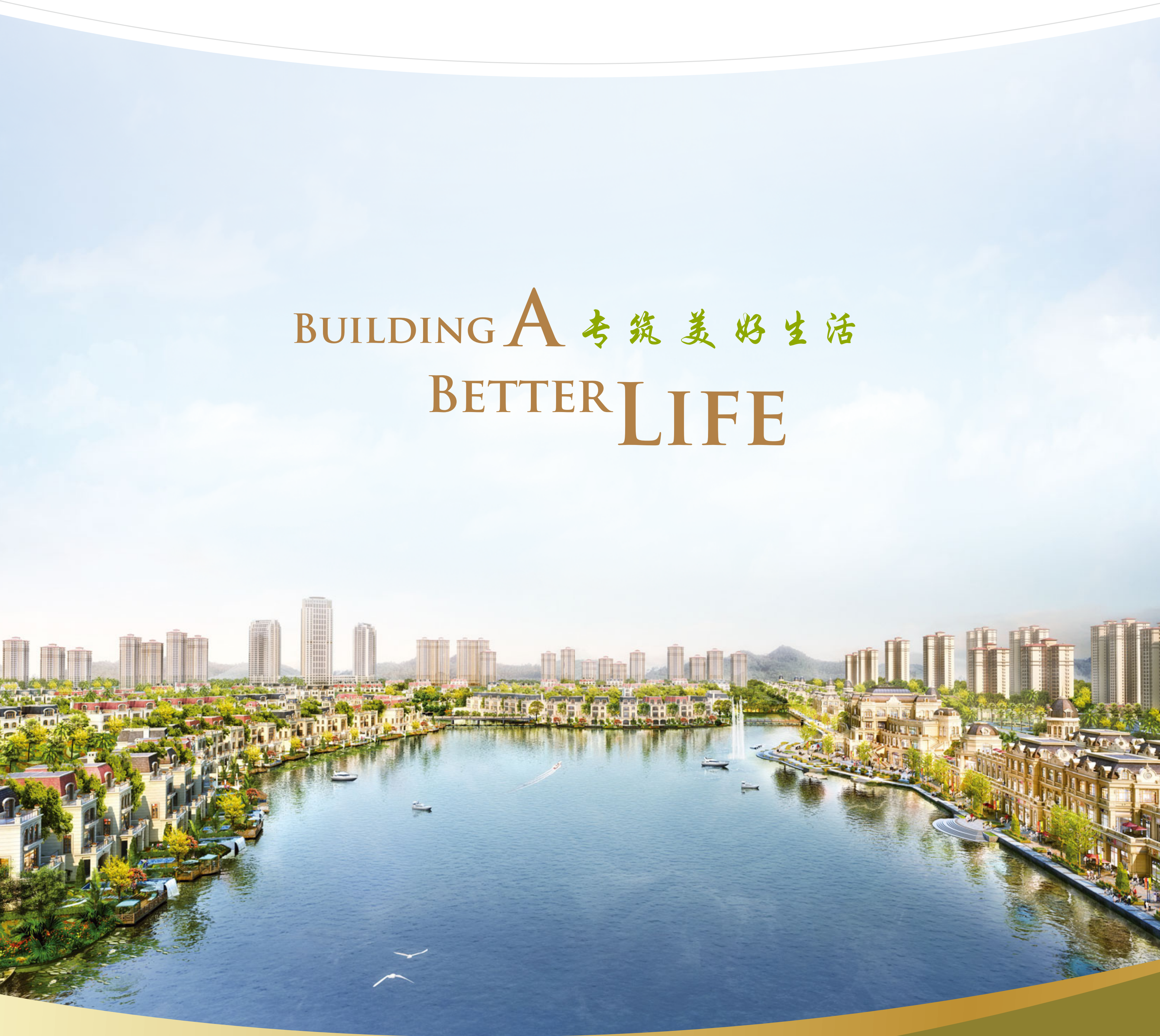
Logan Property Holdings Company Limited

龍光地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)



BUILDING A BETTER LIFE

专筑美好生活

ANNUAL REPORT 2014

(Stock Code: 3380)

Contents

Company Profile

Logan Property Holdings Company Limited ("Logan Property" or the "Company", and together with its subsidiaries, the "Group") is a leading integrated property developer in Guangdong and Guangxi Provinces in China. The Group focuses on the property development in the residential property market and its products are primarily targeted at first-time homebuyers and upgraders. The Group has more than 20 subsidiaries in Shenzhen, Guangzhou, Shantou, Foshan, Zhongshan, Zhuhai, Dongguan, Huizhou, Nanning, Guilin, Chengdu and Hainan. As at 31 December 2014, the Group had completed 72 projects[1] in total with a total gross floor area ("GFA") of over 10,000,000 sq. m.. Over the past 19 years, the Group has established itself as one of the leading developers focusing on residential properties in Guangdong and Guangxi Provinces. Leveraging its remarkable results performance, outstanding comprehensive strengths and healthy management and operation, Logan Property has gained recognition from different sectors including the investment community and the capital market since its listing in 2013. In May 2014, the Group was selected as a constituent stock of Morgan Stanley Capital International ("MSCI") China Small Cap Index Series. In September 2014, Logan Property was selected as a constituent stock of the Hang Seng Composite LargeCap Index/MediumCap Index. Subsequently, the Group has become an eligible stock for Southbound Trading of Shanghai-Hong Kong Stock Connect. In the same year, Logan Property was initially rated by Moody's and Fitch, the international authorized rating agencies, with ratings of Ba3 and BB–, respectively.

Logan Property also won a number of honours from various independent institutions in 2014, including Top 5 in the financial security ranking jointly issued by Beijing Beta Consulting Centre (北京貝塔諮詢中心) and Capital Week, "Hong Kong Outstanding Enterprises" by Economic Digest, and "2014 China Top 100 Real Estate Developers – Top 10 by Profitability" jointly bestowed by the Enterprise Research Institute of Development Research Center of the State Council, the Institute of Real Estate Studies of Tsinghua University and China Index Academy, as well as "The Highest Development Potential Real Estate Enterprises" by Hexun.com. In 2015, apart from earning the title of "2015 China Top 100 Real Estate Developers – Top 10 by Profitability" again, the Group also ranked 38th among China Top 100 Real Estate Developers, representing a record high for the Group.

The Group has adequate land reserve for development in the next 5 to 6 years. As at 31 December 2014, the Group had 87 projects at various stages of development in 13 cities and a land bank with an aggregate GFA of approximately 13.68 million sq. m.. The average land cost was RMB1,368 per sq. m., and about 53% of the Group's land bank were located in the Pearl River Delta, the most prosperous area in the PRC.

Adhering to its 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, Logan Construction Co., Ltd. ("Logan Construction") is responsible 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 the Group's profitability. The Group 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. The prudent investment philosophy also laid a solid ground for the sound and steady development of the Company.

Note:

1. Including the Group and its predecessors prior to the reorganisation.

Corporate Information

Directors

Executive Directors

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

Non-executive Director

Ms. Kei Perenna Hoi Ting (紀凱婷)

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Ms. Li Yan Wing, Rita

Auditor

KPMG

Registered Office

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

Headquarters and principal place of business in the PRC

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

Principal Place of Business in Hong Kong

Suites 4106–08
Two International Finance Centre
8 Finance Street
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

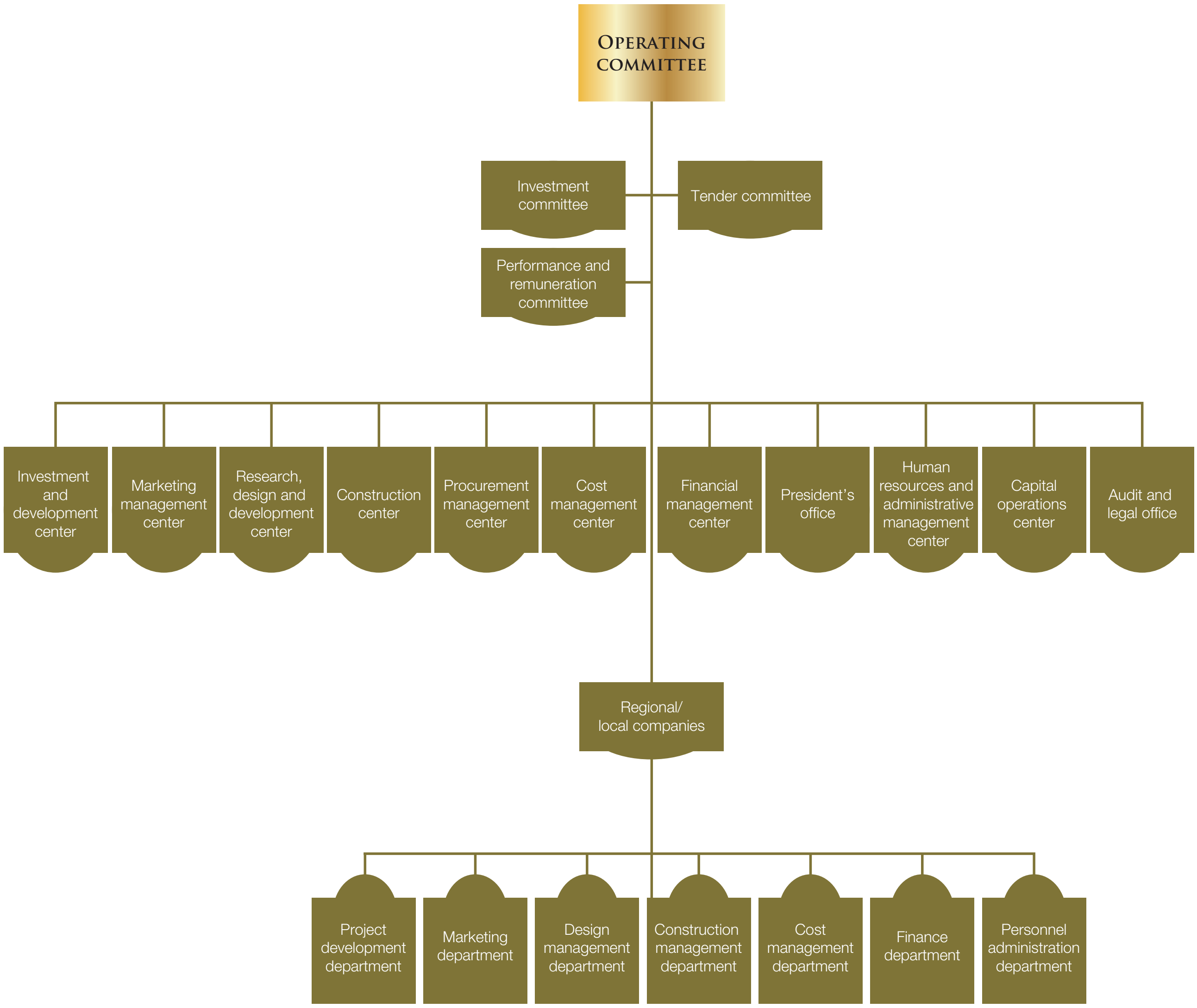
Principal Banker

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



2014 Top 50 Chinese Property Developers

Presented by the following Organizations:
China Real Estate Research Association,
China Real Estate Association,
China Real Estate Assessment Center

Medal and certificate for 2015 China Top 100 Real Estate Developers (one of China Top 100 Real Estate Developers for five consecutive years from 2011 to 2015)

Presented by the following Organizations:
Enterprise Research Institute of Development Research Center of the State Council,
The Institute of Real Estate Studies of Tsinghua University,
China Index Academy

Certificates of 2014 and 2015 China Top 100 Real Estate Developers – Top 10 by Profitability

Presented by the following Organizations:
Enterprise Research Institute of Development Research Center of the State Council,
The Institute of Real Estate Studies of Tsinghua University,
China Index Academy

Medal and certificate of 2014 Top 20 Financially Strong and Credible Property Enterprises in Guangdong

Presented by the following Organizations:
Guangdong branches of four major state-owned banks,
People's Daily Online

AWARDS

Most Valuable Real Estate Enterprise for 2014

Presented by the following Organization:
National Business Daily

Most Valuable Listed Real Estate Enterprise for 2014

Presented by the following Organization:
National Business Daily

Medal and certificate of the Most Valuable Listed Real Estate Enterprise of China for 2014

Presented by the following Organization:
@guardian

Medal and certificate of 2014 Best 50 of China Real Estate Developers Brand Value

Presented by the following Organizations:
China Real Estate Research Association,
China Real Estate Association,
China Real Estate Assessment Center

Hong Kong Outstanding Enterprise 2014

Presented by following Organization:
Economic Digest

The Highest Development Potential Real Estate Enterprises

Presented by the following Organization:
hexun.com

Chairman's Statement

Dear shareholders,

I am pleased to present to shareholders the annual results of Logan Property Holdings Company Limited ("Logan Property" or the "Company", together with its subsidiaries, the "Group") for the financial year ended 31 December 2014.

Results and Ratings

In 2014, the Group recorded contracted sales of RMB13.35 billion and contracted saleable GFA of 1.817 million sq. m.[1], representing increases of approximately 1.1% and 10.7% as compared with the previous year, respectively. Turnover for 2014 amounted to approximately RMB12.50 billion, representing an increase of approximately 12.4% as compared with 2013. Profit for the year 2014 was approximately RMB2.42 billion, representing an increase of approximately 17.7% as compared with 2013. Core Profit[2] for 2014 was approximately RMB1.76 billion and core profit margin was 14.1%.

Since its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2013, the Group has been recognized by investors and capital markets for its outstanding results performance and comprehensive strengths as well as prudent management and operation. In May 2014, the Group was selected as a constituent stock of the Morgan Stanley Capital International China Small Cap Index Series, and in September 2014, the Group was selected as a constituent stock of the Hang Seng Composite LargeCap/MediumCap Index. Subsequently, the Group has become an eligible stock for Southbound Trading of the Shanghai-Hong Kong Stock Connect. During the year under review, the

(1) Excluding areas of car parking spaces

(2) Profit excluding changes in fair value of investment properties and derivatives and the relevant deferred tax.

Group was rated by Moody's and Fitch, each being an international authorized rating agency, with a rating of Ba3 and BB–, respectively.

In 2014, the Group was awarded a number of honours from various independent institutions, including Top 5 in the financial security ranking jointly issued by Beijing Beta Consulting Centre (北京貝塔諮詢中心) and CapitalWeek, "Hong Kong Outstanding Enterprises" by Economic Digest, "China Top 100 Real Estate Developers – 38th" and "2015 China Top 100 Real Estate Developers – Top 10 by Profitability" jointly bestowed by the Enterprise Research Institute of Development Research Centre of the State Council, the Institute of Real Estate Studies of Tsinghua University and China Index Academy, as well as "The Highest Development Potential Real Estate Enterprise" by Hexun.com.

Market Review and Sales Performance

In 2014, the Chinese economy entered into an era of new normality with economic growth slowing moderately. With the Chinese central government pursuing a strategy of sustaining economic growth through restructuring, GDP growth in 2014 was maintained at a target level of 7.4%. Under such circumstances, the real estate market, a pillar industry of China's economy, entered into a period of consolidation during the year, with the market remaining weak in general with construction and sales recording declines. However, since the last quarter of 2014, various policies were introduced by the central and local governments to regulate the property market in China. The People's Bank of China and the China Banking Regulatory Commission changed their lending policies by relaxing the "first" home mortgage requirements and reiterating the minimum interest rate allowed. In the meantime, the Ministry of Housing and Urban-Rural Development, Ministry of Finance and central bank introduced policies to loosen the restrictions on the borrowing of welfare funds for buying properties. Rate cuts by the central bank also provided financial support for home buying. In addition to the relaxation or cancellation of restrictions on property purchasing in most cities of the PRC, various industrial and regional development policies were also promulgated to support the real estate industry. As a result of these favorable policies, the operating environment showed improvement and the real estate market picked up growth momentum. The decline in property prices narrowed and sales began to rally. In response to the market-oriented and differentiated industrial adjustment cycle, the Group will continue to improve its products and services, further enhance cost control, make accurate investment decisions and build a more effective incentive mechanism, so as to ensure the sustainable development of the Group in the new era of new normality in the real estate market.

Moreover, the demand from first-time home buyers is enormous given that the advance of new urbanization and the needs of city residents for improved housing conditions are increasingly substantial. As such, the Group expects the government to support the stable and healthy development of the real estate market. The Group developed products targeting first-time home buyers and upgraders and catering the inelastic demand in response to market conditions. Among the contracted sales units in 2014, 80% of which were with GFA less than 120 sq. m., 91% had selling prices of less than RMB1 million, and in terms of payment method, 70% were settled by mortgage down payment. During the year under review, contracted sales of the Group were principally generated from 32 projects located in 11 different cities across China. Projects in Huizhou, Shantou and Nanning remained the top sellers in the market. During the year, the Group launched pre-sales of eight projects for the first time, mainly located in cities including Nanning, Shantou and Zhongshan. During the period of industrial adjustment, the Group timely adjusted its sales strategies and set practical sales targets in response to market trends, and in order to maintain stable profitability and a sound sales revenue, the Group further refined its professional management. As a result, the Group achieved stable growth of income and profit during the year under review and realized the Group's operating principle featured by balanced quick turnover and lucrative profit.

Land Acquisition

A good land acquisition strategy is critical for property companies in coping with the ever-changing market environment. Focusing on regions with established business and inelastic demand, the Group continued to capture opportunities to replenish its land bank in a timely manner through public tendering, auction and listing process while ensuring effective control of financial risk. In 2014, the Group acquired seven new projects through public tendering, auction and listing process in regions such as Shenzhen and Shantou with a total GFA of 2,554,448 sq. m.. During the year under review, the Group also acquired one new project through equity acquisition with a total GFA of 1,941,523 sq. m..

In particular, the Group successfully acquired a land parcel in the Longhua New District of Shenzhen with a site area of 46,647 sq. m. and a GFA of 186,500 sq. m. in October 2014. The acquisition expanded the Group's land bank with high-value and low-risk saleable resources, and also extended its strategic layout in first-tier cities in the regions where the Group has existing operation. The Group will conduct project planning, design and construction in order to achieve quick turnover with the aim of satisfying the inelastic demand of white-collar workers working in the Central Business District of Shenzhen. As at 31 December 2014, the total land bank of the Group amounted to approximately 13.68 million sq. m., including one project acquired through equity acquisition and the remaining acquired through public tendering, auction and listing. It is expected that land bank will be sufficient for the Group's development in the next five to six years. Out of the Group's total land bank, 53% of the land bank is located in the Pearl River Delta, the most economically prosperous region in China, which will allow the Group to capture opportunities arising from market consolidation in the future and will ensure its stable and sound development.

Offshore Financing

In 2014, the Group successfully grasped market opportunities and issued two tranches of US-dollar senior notes and one syndicated loan, which further strengthened its financial position. In May 2014, the Group issued a US$300 million 5-year senior notes at a coupon rate of 11.25% per annum. The issuance was four times oversubscribed with an order book of approximately US$1.25 billion, drawing interest from 150 investors in Hong Kong, Singapore and Europe, representing one of the most outstanding performance among first-time issuance by newly-listed Chinese property developer in recent years. In October 2014, the Group issued a 3-year syndicated loan of US$105 million with an interest rate of 4.5% per annum plus LIBOR. In December 2014, the Group further issued a US$250 million senior notes due in 2017 with a coupon rate of 9.75% per annum and received over-subscription of over four times. In line with the success of these three rounds of debt financing, the Group's business model, profitability, capital structure and creditability have been well recognized by the capital market, and the Group also opened up various offshore financing channels so as to optimize its debt structure, reduce financing costs and provide sufficient capital support for the sound development of the Group, thus creating better results and returns for its shareholders.

Financial Management

As at 31 December 2014, the Group had cash and bank balances (including restricted and pledged deposits) of approximately RMB7,514.5 million. The Group's net debt-to-equity ratio remained at 65.7%. The average borrowing cost was 8.8%.

Customer Satisfaction

The Group has been attaching great importance to customer satisfaction and loyalty and engages authoritative third party survey organizations to carry out surveys on customer satisfaction with the Company. According to reports by the relevant third party organizations, in term of products of the Company, the standard of project design remained stable, while the quality of the landscape and greening of the properties improved significantly as compared to last year. In particular, the ratio of landscape and greening was 11 percentage points above the average industry standards. In term of services of the Group, the performance of service in property delivery grew by 11 percentage points. With the aim of building the Logan brand and pursuing long-term development, the Group will continue to focus on serving its customers to realize customer value and satisfy customers' demands.

Organization and Human Resources Development

As at 31 December 2014, the Group had a total of 1,233 employees, approximately 65% of which were at the ages of 26 to 35. Employees are considered the major driving force and the most valuable assets for the development of the Group. A talent training scheme was formulated in accordance with the development strategies, business requirement and performance evaluation results of different groups of employees of the Group. In 2014, the Group held three series of training programmes with over 50 training courses, namely the "Elite Seminar" for senior management, "Senior Manager Seminar" for middle-level officers and "Logan Management Trainees Programme" for junior staff. The Group's remuneration policy aims to offer competitive remuneration packages to recruit, retain and motivate competent employees. The Group believes the remuneration packages are reasonable and competitive and in line with market trend. The Group has put in a bonus scheme for its executives and employees in a bid to provide competitive remuneration package for the Group's long term growth and development. In order to encourage the enthusiasm and commitment of the staff and attract better talents, the Group further improved its incentive mechanism in 2014 by setting up special awards based on the evaluation results of employee performance, and granting stock options to approximately 180 core staff of the Group.

The Group has also adopted a share option scheme for the purpose of providing incentives to Directors and eligible employees. Further details in relation to the scheme are set out in the "Directors' Report" section of this report.

Investor Relations

The Group strives to establish a strict corporate governance system as well as a fair, open and effective communication platform. It endeavors to build efficient channels with the equity and bond investors of the Group in order to ensure accurate and timely two-way communication. In addition to the Group's financial reports, announcements and press releases available on its website (www.loganestate.com), announcements and press releases are also proactively shared with investors via e-mail. In addition, adequate contact information are available for public access at the investor relations section of the Company's website. The management proactively participated in various investor meetings, roadshows for results presentation and project site visits organized by investment banks. In 2014, the Group reached out to investors and analysts for more than 300 times through different channels, arranged or hosted over 60 project site visits, and four non-deal roadshows in Hong Kong and Singapore. As at the end of 2014, the Group established contacts with approximately 200 institutional and individual investors via meetings, conference calls or e-mail and received a total of seven updated analyst research reports.

In the coming year, the Group will further strengthen the transparency of the Group and provide more fair and useful information for all investors in a timely manner. The Company's communications platform will be further optimized to help shareholders and investors better understand the operations and development prospects of the Group and to exchange views on the outlook of the industry and financial market. At the same time, feedback from the capital market is also constructive for the Group as it refines its future business strategies.

Prospects

During the 19 years since its establishment in 1996, the Group has experienced a significant boost with the privatization of housing provision, along with various policy adjustments such as the "Eight Measures of the State Council" introduced in 2005 and the "Five New Measures of the State Council" introduced in the beginning of 2014. Benefiting from China's rapid economic growth and demographic dividend, both our selling price and volume increased significantly in the past two decades. However, the Group is also aware of the upcoming economic cycle which will bring steady growth and a changing population structure. Despite the ups and downs over the years, the Group has always believed that China's economy is gearing up towards a more healthy and high-quality level. Recently, the contribution of consumption to economic growth in China has exceeded the contribution of investment for the first time. Therefore, the Group believes that government intervention in the real estate industry will lessen, and that the industry will be more market-oriented, in line with the changing economic structure. As a Chinese property developer listed in Hong Kong, the Group will highly value the needs of its customers and the quality of its products, and continue to enhance its operation and management adhering to its corporate value of practical and innovative operation with positive attitude, so as to achieve steady development through prudent investments in the future.

The Group will further strengthen the market position in principal business regions with advantages including Pearl River Delta Region, Guangdong and Guangxi provinces, continue to focus on projects catering to inelastic demand and targeting first-time homebuyers and upgraders in order to enhance resilience to risk, strive to establish its core competitiveness by adopting a "light-asset" and "quick turnover" business model. In particular, the Group will accelerate the turnaround time of projects without holding an excessive number of commercial properties or acquiring investment properties, so as to further improve the turnover of the products for liquidity and shorten the capital occupation period. Moreover, the Group will optimize its product mix in a timely manner so as to achieve rapid cash returns while ensuring a reasonable profit margin.

To replenish its land bank in the future, the Group will explore the high value added and quality land resources in first-tier and second-tier cities with economic and population growth potential and the Group will focus its research efforts mainly on serviced residential projects in coordination with infrastructure or with direct access to urban rail and intercity rail station systems.

Acknowledgments

The steady development of the Group during the year under review was largely attributable to the valuable support of the community and the unremitting efforts of its staff. On behalf of the board of directors of the Company (the "Board"), I hereby express my gratitude to all shareholders, investors, partners, customers and stakeholders for their care and support. The Group will target at building a better life by striving to create a better living environment for its customers and generate better value for its shareholders and investors as a whole.

Kei Hoi Pang
Chairman

Performance Highlights

	2014	2013	Changes %
Revenue[1]	**13,246,247**	11,792,411	12.3%
Among which: Sales of properties			
– Income from properties delivered (RMB'000)	**12,953,104**	11,033,179	17.4%
– GFA[2] of properties delivered (sq.m.)	**1,739,538**	1,239,837	40.3%
– ASP of properties delivered[2] (RMB)	**7,131**	8,671	-17.8%
Rental income	**56,453**	63,702	-11.4%
Construction income	**236,690**	695,530	-66.0%
Gross profit	**3,804,365**	4,115,695	-7.6%
Profit for the year			
– Attributable to the shareholders (RMB'000)	**2,347,630**	2,024,156	16.0%
– Attributable to non-controlling shareholders (RMB'000)	**72,876**	32,147	>100%
Profit for the year (excluding changes in fair value of investment properties and derivatives and deferred tax)	**1,760,121**	2,044,914	-13.9%
– Attributable to shareholders (RMB'000)	**1,687,245**	2,012,767	-16.2%
– Attributable to non-controlling shareholders (RMB'000)	**72,876**	32,147	>100%
Total assets (RMB'000)	**44,835,753**	27,811,839	61.2%
Cash and bank balances (including cash and cash equivalents and restricted and pledged deposits) (RMB'000)	**7,514,463**	4,505,660	66.8%
Total bank and other borrowings (RMB'000)	**16,265,362**	8,982,551	81.1%
Total equity (RMB'000)	**13,317,018**	7,349,676	81.2%
Total equity attributable to shareholders (RMB'000)	**11,209,886**	7,335,688	52.8%

Notes:
1. Representing the amount of income before deduction of business tax and other sales related taxes
2. Excluding the car parking portion

	2014	2013
Key financial ratios		
Gross profit margin[1]	**30.4%**	37.0%
Core profit margin[2]	**14.1%**	18.4%
Net debt-to-equity ratio[3]	**65.7%**	60.9%
Liability to asset ratio[4]	**70.3%**	73.6%
Average borrowing cost[5]	**8.8%**	8.4%

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

(2) Core profit margin: Core profit ÷ turnover * 100%

(3) Net debt-to-equity ratio: (Total bank and other borrowings – cash and cash equivalents – restricted and pledged deposits) ÷ total equity * 100%

(4) Liability to asset ratio: Total liabilities ÷ total assets * 100%

(5) Average borrowing cost: Annual borrowing cost ÷ average annual loan balance * 100%

Property Development

Contracted sales

During the year ended 31 December 2014, the Group recorded contracted sales of approximately RMB13,349.7 million, representing an increase of approximately 1.1% as compared with RMB13,208.1 million in 2013. The contracted saleable GFA[1] increased by approximately 10.7% to 1,817,182 sq. m. in 2014 from 1,642,183 sq. m. in 2013. Pearl River Delta, Guangxi, Shantou in Guangdong and other regions accounted for 49.3%, 29.3%, 16.4% and 5.0% of the Group's contracted sales in 2014, respectively.

	Summary of contracted sales in 2014				
	Amount (RMB million)	Percentage	GFA[1] (sq.m.)	Percentage	ASP[1] (RMB per sq. m.)
Pearl River Delta	6,578	49.3%	932,080	51.3%	6,856
Guangxi	3,918	29.3%	534,958	29.4%	6,905
Shantou, Guangdong	2,183	16.4%	274,730	15.1%	7,627
Other regions	671	5.0%	75,414	4.2%	8,250
Total	13,350	100%	1,817,182	100%	7,045

[1] Excluding the car parking portion

Revenue from sales of properties

During the year ended 31 December 2014, revenue from sales of properties amounted to RMB12,953.1 million, representing an increase of approximately 17.4% as compared with RMB11,033.2 million in 2013, and accounted for 97.8% of the Group's total turnover. GFA delivered (excluding car parking spaces) increased by approximately 40.3% to 1,739,538 sq.m. of 2014 from 1,239,837 sq.m. of 2013. Pearl River Delta, Guangxi, Shantou in Guangdong and other regions contributed to the Group's revenue from sales of properties of 2014, accounting for 45.7%, 35.7%, 8.3% and 10.3%, respectively.

	Revenue from sale of properties in 2014				
	Amount (RMB million)	Percentage	GFA[1] (sq.m.)	Percentage	ASP[1] (RMB per sq.m.)
Pearl River Delta	5,926	45.7%	880,780	50.6%	6,557
Guangxi	4,621	35.7%	684,983	39.4%	6,548
Shantou, Guangdong	1,075	8.3%	26,069	1.5%	19,842
Other regions	1,331	10.3%	147,706	8.5%	8,707
Total	12,953	100%	1,739,538	100%	7,131

Newly launched projects

As at 31 December 2014, the Group commenced construction of a total of 11 projects or project phases, with a total planned GFA of approximately 2,612,378 sq. m..

Developing projects

As at 31 December 2014, the Group had a total of 27 projects or project phases under construction, with a total GFA of approximately 5,193,133 sq. m..

Land reserves

In 2014, the Group acquired seven new projects through public tendering, auction and listing with a total GFA of 2,554,448 sq. m.. One new project was acquired through equity acquisition with a total GFA of 1,941,523 sq. m..

1 Excluding the car parking portion

List of Newly Acquired Projects Through Public Tendering, Auction and Listing in 2014

No.	City	Project name	Equity	Date of acquisition	Site area *(sq.m.)*	Total GFA *(sq.m.)*	Land cost *(RMB million)*	Average land cost *(RMB per sq.m.)*	Attributable GFA *(sq. m.)*	Attributable land cost *(RMB million)*	Attributable average land cost *(RMB per sq. m.)*
1	Shantou	Royal & Seaward Sunshine Palace (御海陽光)	51%	2014.01.28	146,269	698,058	1,968	2,819	356,010	1,004	2,819
2	Chengdu	Joy Residence (君悅華庭)	100%	2014.02.26	84,930	359,393	561	1,560	359,393	561	1,560
3	Foshan	Grand Garden (水悅熙園)	100%	2014.03.11	53,918	264,199	507	1,918	264,199	507	1,918
4	Chengdu	Chenghua Project (成華項目)	100%	2014.04.10	31,803	308,963	501	1,621	308,963	501	1,621
5	Guilin	Provence (普羅旺斯)	100%	2014.05.23	225,552	588,156	645	1,097	588,156	645	1,097
6	Haikou	Haiyuntian (海雲天)	100%	2014.06.12	56,501	149,178	302	2,023	149,178	302	2,023
7	Shenzhen	Jiulongxi (玖龍璽)	51%	2014.10.22	46,647	186,500	4,680	25,094	95,115	2,387	25,094
			Total			2,554,448	9,163	3,587	2,121,014	5,905	2,784

As at 31 December 2014, the total GFA of the land reserve of the Group amounted to approximately 13,675,261 sq.m., the average cost of land reserve was RMB1,368 per sq.m., and 53% of our land reserve located in Pearl River Delta, Guangdong, the most prosperous area in the PRC.

Property Investments

Rental income

The rental income of the Group for the year 2014 amounted to RMB56.5 million, representing an decrease of approximately 11.4% as compared with the corresponding period of the previous year.

Investment properties

As at 31 December 2014, the Group had 11 investment properties with a total GFA of approximately 119,171 sq. m.. As at 31 December 2014, the 11 investment properties were completed.

Financial Review

(I) Revenue[1]

Revenue of the Group for the year ended 31 December 2014 increased by approximately RMB1,453.8 million, or approximately 12.3%, as compared with 2013, primarily due to the increase of approximately 17.4% in revenue from sales of properties as compared with 2013. Revenue from sales of properties, income from the leasing business and income from the construction business for the year ended 31 December 2014 amounted to approximately RMB12,953.1 million, RMB56.5 million and RMB236.7 million (2013: approximately RMB11,033.1 million, RMB63.7 million and RMB695.5 million), respectively.

1. Representing the amount of income before deduction of business tax and other sales related taxes

Details of the revenue[1] from sales of properties by project are as follows:

Project name	2014 Area[2] (sq.m.)	2014 Amount[3] (RMB'000)	2013 Area[2] (sq.m.)	2013 Amount[3] (RMB'000)
Huizhou Logan City (惠州　龍光城)	447,982	2,654,271	118,275	683,832
Huizhou Sky Palace (惠州　天悅龍庭)	107,085	436,718	68,998	265,316
Shantou Seaward Sunshine (汕頭　尚海陽光)	25,770	1,051,479	410,454	4,654,773
Shantou Sunshine Castle (汕頭　陽光華府)	170	20,437	19,824	207,237
Shantou Flying Dragon Garden (汕頭　龍騰熙園)	129	3,166	2,001	102,272
Foshan Grand Riverside Bay (佛山　水悅龍灣)	83,623	847,566	–	–
Foshan Joy Palace (佛山　君悅龍庭)	23,695	170,252	–	–
Foshan Grand View (佛山　水悅雲天)	5,864	55,090	52,130	442,042
Zhongshan Ocean Grange (中山　海悅熙園)	88,227	612,299	–	–
Zhongshan Grand Garden (中山　水悅熙園)	69,041	389,871	–	–
Zhongshan Grasse Vieille Ville (中山　海悅城邦)	49	12,461	1,411	19,714
Dongguan Imperial Summit Sky Villa (東莞　君禦旗峰)	45,601	504,408	47,637	699,676
Guangzhou Palm Waterfront (廣州　棕櫚水岸)	9,070	126,362	107,842	1,144,647
Guangzhou Fragrant Valley (廣州　香悅山)	–	–	5,317	78,480
Guangzhou Landscape Residence (廣州　峰景華庭)	–	70,769	–	–
Zhuhai Easy Life (珠海　海悅雲天)	543	36,771	3,824	91,064
Shenzhen Sky Palace (深圳　天悅龍庭)	–	4,395	276	8,511
Shenzhen Grand Joy Palace (深圳　君悅龍庭)	–	4,721	232	8,614
Nanning Provence (南寧　普羅旺斯)	262,896	2,137,695	227,967	1,479,587
Nanning Grand Riverside Bay (南寧　水悅龍灣)	195,325	1,414,378	173,651	1,147,414
Fangchenggang Sunshine Seaward (防城港　陽光海岸)	226,762	1,068,595	–	–
Chengdu Sky Palace (成都　天悅龍庭)	147,706	1,331,400	–	–
Total	1,739,538	12,953,104	1,239,839	11,033,179

Notes:
1. Representing the amount of income before deduction of business tax and other sales related taxes.
2. Excluding the GFA attributable to the car parking spaces.
3. Including revenue from sales of car parking spaces, but before deduction of business tax and other sales related taxes.

(II) Direct costs

The direct costs of the Group for the year ended 31 December 2014 increased by approximately RMB1,689.8 million, or approximately 24.1%, as compared with 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 2013. Key components of costs are as follows:

	2014 RMB'000	2013 RMB'000	Changes %
Costs	**8,693,572**	7,003,729	24.1%
– Costs of sales of properties	**8,466,674**	6,422,976	31.8%
– Costs of construction business and rental business	**226,898**	580,753	–60.9%

(III) Selling and marketing expenses and administrative expenses

The selling and marketing expenses of the Group for the year ended 31 December 2014 amounted to approximately RMB413.2 million (2013: RMB304.1 million). As the Group further increased its property marketing efforts in response to the challenging market environment in 2014, the selling and marketing expenses had increased by approximately 35.9% as compared with 2013.

The administrative expenses of the Group for 2014 amounted to approximately RMB527.1 million (2013: RMB424.7 million), representing an increase of approximately 24.1% as compared with 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.

(IV) Profit from operations

The profit from operations of the Group for 2014 amounted to approximately RMB3,811.3 million (2013: RMB3,411.8 million). As the turnover of the Group and other revenue for 2014 increased by approximately RMB1,436.4 million as compared with 2013, the relevant direct costs, selling and marketing expenses and administrative expenses increased by approximately RMB1,901.3 million as compared with 2013 whereas the fair value gain of investment properties and derivative financial instruments of the Group for the year increased by approximately RMB860.7 million as compared with 2013. As a result, the profit from operations of the Group increased by approximately RMB399.5 million as compared with 2013.

(V) Net finance costs

The net finance costs of the Group for 2014 decreased to approximately RMB93.6 million (2013: RMB103.1 million), primarily due to increase in the amount of borrowing costs of the Group were capitalised as properties development costs in 2014. The percentage of net finance cost to the turnover has dropped from 0.9% in 2013 to 0.7% in 2014.

(VI) Tax

Taxes of the Group for the year ended 31 December 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 RMB856.8 million and RMB440.3 million, respectively (2013: RMB692.3 million and RMB560.0 million, respectively).

(VII) Core profit

The core profit of the Group for the year ended 31 December 2014 amounted to approximately RMB1,760.1 million, representing a decrease of approximately RMB284.8 million as compared with 2013. The core profit margin of the Group for 2014 was approximately 14.1% (2013: 18.4%), representing a decrease of approximately 4.3 percentage points, primarily due to the decrease in core profit for 2014 as compared with 2013.

(VIII) Liquidity and financial resources

As at 31 December 2014, total assets of the Group amounted to approximately RMB44,835.8 million (31 December 2013: RMB27,811.8 million), of which current assets amounted to approximately RMB39,226.1 million (31 December 2013: RMB23,624.4 million). Total liabilities amounted to approximately RMB31,518.7 million (31 December 2013: RMB20,462.2 million), of which non-current liabilities amounted to approximately RMB13,691.4 million (31 December 2013: RMB6,827.4 million). Total equity amounted to approximately RMB13,317.0 million (31 December 2013: RMB7,349.7 million). Total equity attributable to equity shareholders of the Company amounted to RMB11,209.9 million (31 December 2013: RMB7,335.7 million).

As at 31 December 2014, the Group had total cash and bank balances (including restricted cash) of approximately RMB7,514.5 million (31 December 2013: RMB4,505.7 million) and total borrowings of approximately RMB16,265.4 million (31 December 2013: RMB8,982.6 million). As at 31 December 2014, total net borrowings of the Group amounted to approximately RMB8,750.9 million (31 December 2013: RMB4,476.9 million), the net debt-to-equity ratio of the Group was 65.7%.

(IX) Financing activities

In 2014, the Group successfully issued two tranches of senior notes and raised net proceeds (net of listing expenses) of approximately RMB3,383.8 million. In addition, the Group optimized its debt structure by obtaining long-term borrowings to bring down the percentage of short-term borrowings to approximately 23.5% in 2014 from approximately 30.7% in 2013. The cash ratio (the ratio of cash and bank balances to short-term borrowings) increased from approximately 1.6 times in 2013 to approximately 2.0 times in 2014.

(X) Pledge of assets

As at 31 December 2014, the Group had pledged investment properties, other properties, inventories and pledged deposits of approximately RMB15,216.7 million to secure its borrowings (31 December 2013: RMB11,051.2 million).

(XI) Contingent liabilities

As at 31 December 2014, the Group provided guarantees of approximately RMB4,371.0 million (31 December 2013: 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.

DIRECTORS

The table below shows certain information in respect of members of the Board:

Name	Age	Position
Mr. Kei Hoi Pang (formerly known as Mr. Ji Haipeng)	48	Chairman, Chief Executive Officer and Executive Director
Mr. Ji Jiande	40	Vice President and Executive Director
Mr. Xiao Xu	43	Executive Director
Mr. Lai Zhuobin	43	Executive Director
Ms. Kei Perenna Hoi Ting	25	Non-executive Director
Mr. Zhang Huaqiao	51	Independent Non-executive Director
Ms. Liu Ka Ying, Rebecca	45	Independent Non-executive Director
Mr. Cai Suisheng	64	Independent Non-executive Director

Executive Directors

Mr. Kei Hoi Pang, aged 48, was appointed as an executive director of the Company on 18 November 2013. Mr. Kei Hoi Pang is also the founder, chairman and chief executive officer of the Company. Mr. Kei Hoi Pang was appointed as chief executive officer in April 2011. He is primarily responsible for the overall strategic planning of the Group's business. He is the elder brother of Mr. Ji Jiande, an executive director of the Company and father of Ms. Kei Perenna Hoi Ting, a non-executive director of the Company. In March 1996, Mr. Kei Hoi Pang was appointed as an executive director and chief executive officer of Guangdong Logan (Group) Co., Ltd., one of our predecessors. Since May 2003 and October 2009, Mr. Kei Hoi Pang has also served as a director and chief executive officer of Logan Real Estate Holdings Co., Ltd. and Shenzhen Youkaisi Investment Co., Ltd., respectively. Mr. Kei Hoi Pang has 19 years of experience in the property development industry and possesses experience in corporate strategic planning and management as well as project management.

Mr. Ji Jiande, aged 40, was appointed as an executive director of the Company on 18 November 2013. Mr. Ji Jiande is also the Group's vice president, primarily responsible for managing the business of Shantou region. He is also in charge of the construction and material procurement of the Group. He has been serving as legal representative and director of Shantou Logan Junjing Property Co., Ltd. (汕頭市龍光駿景房地產有限公司) since 10 January 2014. He is the younger brother of Mr. Kei Hoi Pang, the chairman and an executive director of the Company. Mr. Ji Jiande joined Logan Real Estate Holdings Co., Ltd. in 2006 and served as the general manager of various companies of the Group. Since October 2008 and December 2008, Mr. Ji Jiande also served as a director of Logan Construction Co., Ltd. and Logan Real Estate Holdings Co., Ltd., respectively. In December 2009, Mr. Ji Jiande was appointed as a director of Shenzhen Youkaisi Investment Co., Ltd., primarily responsible for the operational management, construction and material management of the Group. In 2014, Mr. Ji Jiande was appointed as director and legal representative of Haikou Logan Property Development Co., Ltd. (海口市龍光房地產開發有限公司), Shenzhen Runjing Logistics Co., Ltd (深圳市潤景物流有限公司), Chengdu Logan Donghua Property Development Co., Ltd. (成都市龍光東華房地產開發有限公司), Zhuhai Bojun Property Development Co., Ltd. (珠海市鉑駿房地產開發有限公司), Shenzhen Logan Junchi Property Co., Ltd. (深圳市龍光駿馳房地產開發有限公司), Shenzhen Logan Jinjun Property Development Co., Ltd. (深圳市金駿房地產有限公司), Nanning Dezhiji Building Materials Co., Ltd (南寧市德之吉建材有限公司), Guiling Logan Bojun Property Development Co., Ltd. (桂林市龍光鉑駿房地產開發有限公司), Nanning Logan Bojun Property Development Co., Ltd (南寧市龍光鉑駿房地產開發有限公司), Chengdu Logan Jinjun Realty Co., Ltd. (成都市龍光金駿置業有限公司) and Shantou Logan Junjing Property Co., Ltd. (汕頭市龍光駿景房地產有限公司).

Mr. Xiao Xu, aged 43, was appointed as an executive director of the Company on 18 November 2013. He is also the assistant to the president of the Group. Mr. Xiao is mainly responsible for implementing strategic development, investment analysis and external affairs of the Group. Mr. Xiao was employed by Logan Real Estate Holdings Co., Ltd. in 2007 and held various senior management positions in Logan Real Estate Holdings Co., Ltd. during the period from August 2007 to April 2011, prior to his appointment as the assistant to the president of Shenzhen Youkaisi Investment Co., Ltd. in April 2011. He has substantial experience in investment analysis, corporate management, secretarial work and external liaison. Mr. Xiao obtained a bachelor's degree in business management from Jinan University (暨南大學) in June 1993 and obtained a postgraduate diploma in economics from the Party School of Chinese Communist Party of Guangdong Province (中共廣東省委黨校) in July 1998.

Mr. Lai Zhuobin, aged 43, was appointed as an executive director of the Company on 18 November 2013. He is also the financial director of the Group. Mr. Lai is mainly responsible for the financial management and capital markets functions of the Group. Mr. Lai was employed by Logan Real Estate Holdings Co., Ltd. in 2007 and held various senior positions within the financial management division during the period from November 2007 to May 2011. In May 2011, Mr. Lai was appointed and has since served as the financial controller of Shenzhen Youkaisi Investment Co., Ltd.. He is a member of the Chinese Institute of Certificate Public Accountants. Mr. Lai obtained a bachelor's degree in science from Sun Yat-sen University (中山大學) in July 1993 and obtained a master's degree in engineering from Beijing Institute of Technology in July 2003.

Non-executive Director

Ms. Kei Perenna Hoi Ting, aged 25, was appointed as a director of the Company on 14 May 2010 and was re-designated as a non-executive director of the Company on 18 November 2013. She is the daughter of Mr. Kei Hoi Pang, chairman and an executive director of the Company. In August 2011, Ms. Kei obtained a bachelor's degree in Economics and Finance from the University of London.

Independent Non-executive Directors

Mr. Zhang Huaqiao, aged 51, was appointed as an independent non-executive director of the Company on 18 November 2013. Mr. Zhang is a director of various companies the shares of which are listed on the Hong Kong Stock Exchange, including as a non-executive director of Boer Power Holdings Limited (Stock Code: 1685), a non-executive director and chairman of the board of China Smartpay Group Holdings Limited (formerly known as "Oriental City Group Holdings Limited") (Stock Code: 8325), an independent non-executive director of Fosun International Limited (Stock Code: 656), Zhong An Real Estate Limited (Stock Code: 672), China Huirong Financial Holdings Limited (Stock Code: 1290), and Luye Pharma Group Ltd. (Stock Code: 2186). Mr. Zhang has resigned as an independent non-executive director of Fuguiniao Company Limited (Stock Code: 1819) and Ernest Borel Holdings Limited (Stock Code: 1856) with effective from 30 June 2014 and 10 November 2014 respectively. Mr. Zhang has been an independent non-executive director of Wanda Hotel Development Company Limited (Stock Code: 169) and Sinopec Yizheng Chemical Fibre Company Limited (Stock Code: 1033) with effective from September 2014 and February 2015 respectively. Since February 2013, Mr. Zhang has also been a director of Nanjing Central Emporium Group Stocks Co., Ltd. (600280.SS), a company the shares of which are listed on the Shanghai Stock Exchange. Since April 2014, Mr. Zhang has also been an independent non-executive director of Yancoal Australia Ltd (Stock Code: YAL), a company listed on the Australia Securities Exchange. From June 1999 to April 2006, Mr. Zhang had worked with UBS AG, Hong Kong Branch and held positions as a director, executive director, managing director and the co-head of its China research team. From September 2011 to April 2012, Mr. Zhang also served as an executive director and chief executive officer of Man Sang International Limited (Stock Code: 938), a company whose shares are listed on the Stock Exchange. Mr. Zhang obtained a master's degree in economics from the Graduate School of the People's Bank of China in July 1986 and obtained a master's degree in economics of development from the Australian National University in April 1991.

Ms. Liu Ka Ying, Rebecca, aged 45, was appointed as an independent non-executive director of the Company on 18 November 2013. From June 1996 to March 2002, Ms. Liu served as the general manager for the Asia and China region of The PRG-Schultz International, Inc., a company listed on NASDAQ. In January 2007, Ms. Liu was appointed as the chief executive officer of AllPanther Asset Management Limited (竣富(資產)管理有限公司) and served at such position since then. She possesses experience in management, investment in real estate development and private investment funds, as well as accounting and financial management.

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

Mr. Cai Suisheng, aged 64, was appointed as an independent non-executive director of the Company on 18 November 2013. Mr. Cai is currently the president of Guangdong Provincial Real Estate Association (廣東省房地產行業協會) and a member of the Housing Policy Expert Committee of the Ministry of Housing and Urban-Rural Development (住房和城鄉建設部住房政策專家委員會). Also, in 2004, Mr. Cai was a visiting scholar at the Institute of Housing and Urban Research of Uppsala University in Sweden (瑞典烏普薩拉大學住房與城市發展研究所). From 2006 to 2010, Mr. Cai served as a standing director of the China Real Estate Association (中國房地產業協會). In June 2014, Mr. Cai was re-designated from independent non-executive director to the external director of Guangzhou Pearl River Industrial Development Co., Ltd. (廣州珠江實業開發股份有限公司), a company listed on the Shanghai Stock Exchange. In October 2013, Mr. Cai was appointed as emeritus professor of the department of urban planning and design of the University of Hong Kong and visiting professor of College of Real Estate of Beijing Normal University Zhuhai, respectively. Mr. Cai has in-depth knowledge and extensive experience in real estate policies, market and urban management and has published numerous articles and reviews regarding the real estate market, housing policy as well as urban development and management in various newspapers and publications.

Senior Management

The table below sets forth certain information in respect of the senior management members of the Group:

Name	Age	Position
Mr. Kei Hoi Pang	48	Chairman and Chief Executive Officer
Mr. Ji Jiande	40	Vice President of the Group
Mr. Xiao Xu	43	Assistant to President of the Group
Mr. Lai Zhuobin	43	Financial Director of the Group
Ms. Huang Xiangling	38	Vice President of the Group

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

Ms. Huang Xiangling, aged 38, is a vice president of the Group. She is mainly responsible for the management of the president's office and public affairs of the Group. Ms. Huang joined Logan Real Estate Holdings Co., Ltd. in 2005. Ms. Huang has extensive experience in project management, internal management and external liaison. Ms. Huang obtained a diploma in public affairs management from Zhejiang University in June 2007.

The Board of the Company is pleased to present this Corporate Governance Report for the period from 1 January 2014 to 31 December 2014 (the "Reporting Period") in the Company's annual report for the year ended 31 December 2014.

Corporate Governance Practices

The Board has committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Board is of the view that throughout the Reporting Period, the Company has complied with all the code provisions as set out in the CG Code, save and except for the deviations to code provisions A.2.1 and E.1.2.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive 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. Kei Hoi Pang who is the founder of the Company and has extensive experience in the industry. The Board believes that Mr. Kei Hoi Pang can provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Board also considers that the current structure of vesting the roles of chairman and chief executive 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 of the CG Code stipulates that the chairman of board should attend the annual general meeting and he should also invite the chairmen of the audit, remuneration, nomination and any other committee (as appropriate) to attend. Due to other engagement, the chairmen of the audit, remuneration and nomination committee did not attend the annual general meeting of the Company held on 15 May 2014.

Model Code for Securities Transactions

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

Specific enquiry has been made of all the directors of the Company and the directors have confirmed that they have complied with the Model Code throughout the Reporting Period.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Group. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the Reporting Period.

Board of Directors

The Board of the Company comprises the following eight directors:

Executive Directors:

Mr. Kei Hoi Pang *(Chairman)* (previously known as Mr. Ji Haipeng)
Mr. Ji Jiande
Mr. Xiao Xu
Mr. Lai Zhuobin

Non-executive Director:

Ms. Kei Perenna Hoi Ting

Independent Non-executive Directors:

Mr. Zhang Huaqiao
Ms. Liu Ka Ying, Rebecca
Mr. Cai Suisheng

The biographical information of the directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 23 to 26 of the annual report for the year ended 31 December 2014.

Apart from regular Board meetings, the chairman also held meetings with the non-executive directors (including independent non-executive directors) without the presence of executive directors up to the date of this annual report.

The relationships between the members of the Board are disclosed under "Biographies of Directors and Senior Management" on pages 23 to 26 of this annual report. Save as otherwise disclosed, there is no relationship (including financial, business, family or other material relationship) between any members of the Board.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of chairman and chief executive 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. Kei Hoi Pang who is the founder of the Company and has extensive experience in the industry. The Board believes that Mr. Kei Hoi Pang can provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Board also considers that the current structure of vesting the roles of chairman and chief executive 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.

Independent Non-executive Directors

During the Reporting Period, the Board had at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the directors of the Company is appointed for a specific term of three years and is subject to retirement by rotation once every three years in accordance with the articles of association of the Company.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

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

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for directors will be arranged and reading material on relevant topics will be issued to directors where appropriate. All directors are encouraged to attend relevant training courses at the Company's expenses.

According to the records maintained by the Company, the directors of the Company received the following training with an emphasis on the roles, functions and duties of a director of a listed company on continuous professional development during the year ended 31 December 2014.

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

Board Committees

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 3 of this annual report.

Audit Committee

The Audit Committee is responsible for reviewing and monitoring the financial reporting and internal control principles of the Company, and assist the Board to fulfill its responsibility over the audit. The Audit Committee's duties and powers include:

1. relationship with the Company's external auditors;

2. review of the Company's financial information;

3. oversight of the Company's financial reporting system and internal control procedures; and

4. performing the Company's corporate governance function.

The Audit Committee held two meetings to review interim and annual financial results and reports in respect of the six months ended 30 June 2014 and the year ended 31 December 2014 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties.

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

Name of Directors	**Attendance/ Number of Meetings**
Ms. Liu Ka Ying, Rebecca *(Chairman)*	2/2
Mr. Zhang Huaqiao	2/2
Mr. Cai Suisheng	2/2

During the Reporting Period, the Audit Committee also met the external auditors once without the presence of the executive directors.

Remuneration Committee

The Remuneration Committee has the following duties and powers:

1. to make recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

3. to make recommendations to the Board on the remuneration packages of individual executive directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. to make recommendations to the Board on the remuneration of non-executive directors;

5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;

6. to review and approve the compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

7. to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

8. to ensure that no director or any of his associates is involved in deciding his own remuneration; and

9. to consider and approve the grant of share options to eligible participants pursuant to the share option scheme.

During the Reporting Period, the Remuneration Committee met once to consider and approve the grant of share options to eligible participants pursuant to the share option scheme and other related matters.

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

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

The remuneration of the directors and the senior management by band for the year ended 31 December 2014 is set out below:

Annual Income	**Number of Persons**
Below RMB1,000,000	3
RMB1,000,000 to 4,999,999	5
Over RMB5,000,000	1

Nomination Committee

The Nomination Committee has the following duties and powers:

1. to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive directors;

4. to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive;

5. to review the policy on Board diversity (the "Board Diversity Policy") and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and to make disclosure of its review results in the annual report of the Company annually; and

6. where the Board proposes a resolution to elect an individual as an independent non–executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he should be elected and the reasons why they consider the individual to be independent.

The Nomination Committee has primary responsibility for identifying suitably qualified candidates to become members of the Board and shall give adequate consideration to this policy in selection of board candidates. In assessing the Board composition, the Nomination Committee would take into account a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

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

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

Corporate Governance Functions

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

During the Reporting Period, the Audit Committee met once to review the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Record of Directors and Committee Members

The attendance record of each director at the Board meetings and the general meeting of the Company held during the Reporting Period is set out in the table below:

	Attendance/ Number of Meetings	
Name of Directors	**Board Meetings**	**Annual General Meeting**
Executive Directors		
Mr. Kei Hoi Pang*	4/4	0/1
Mr. Ji Jiande*	4/4	0/1
Mr. Xiao Xu	4/4	1/1
Mr. Lai Zhuobin*	4/4	0/1
Non-executive Director		
Ms. Kei Perenna Hoi Ting*	4/4	0/1
Independent Non-executive Directors		
Mr. Zhang Huaqiao*	4/4	0/1
Ms. Liu Ka Ying, Rebecca*	4/4	0/1
Mr. Cai Suisheng*	4/4	0/1

* Due to other engagements, these directors did not attend the annual general meeting of the Company held on 15 May 2014.

Apart from regular Board meetings, the Chairman also held meeting with the non-executive directors (including independent non-executive directors) without the presence of executive directors during the year.

Directors' Responsibility in Respect of the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 54 to 55.

Auditor's Remuneration

An analysis of the remuneration paid to the external auditor of the Company, KPMG, in respect of audit services and non-audit services for the year ended 31 December 2014 is set out below:

Service Category	Fees Paid/Payable RMB
Audit Services	1,800,000
Non-audit Services[1]	1,080,000
	2,880,000

1 The non-audit services include service fee of RMB300,000 for the issuance of US$300,000,000 senior notes, service fee of RMB500,000 for the acquisitions of King Kerry Investment Company Limited (金凱利投資有限公司), and service fee of RMB280,000 for the issuance of US$250,000,000 senior notes.

Internal Controls

During the year under review, the Board conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

Company Secretary

Ms. Li Yan Wing, Rita of Tricor Services Limited, external service provider, has been engaged by the Company as its company secretary. Her primary contact person at the Company is Mr. Xiao Xu, an executive director of the Company. The Company Secretary has fulfilled 15 hours professional training requirement as accordance with the Rule 29 of Chapter 3.

Shareholders' Rights

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

Convening a General Meeting by Shareholders

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

Putting Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

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

Contact Details

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

Address:	Suites 4106-08, Two International Finance Centre, 8 Finance Street, Central, Hong Kong (For the attention of the Board of Directors)
Fax:	(852) 2175 5098
Email:	i.r@logan.com.cn

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

Shareholders may call the Company at (852) 2823 9200 or (86) 755 8528 8903 for any assistance.

Communication with Shareholders and Investors/Investor Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. They will use their best endeavours to attend all future shareholders' meetings of the Company.

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

The directors of the Company (the "Directors") have pleasure in presenting the annual report of the Company together with the audited consolidated financial statements for the year ended 31 December 2014.

Principal Place of Business

Logan Property Holdings Company Limited (the "Company") is a company incorporated and has its registered office in the Cayman Islands. The Company's principal place of business in Hong Kong is situated at Suites 4106–08, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

Principal Activities

The Company is an investment holding company, and its subsidiaries (the "Group") are principally engaged in property development, property investment and property construction. The activities and particulars of the Company's subsidiaries are shown under note 14 to the consolidated financial statements. An analysis of the Group's turnover and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and note 5 and 7 to the consolidated financial statements.

Consolidated Financial Statements

The profit of the Group for the year ended 31 December 2014 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 56 to 139.

Results and Appropriations

Profits attributable to shareholders for the year ended 31 December 2014, before dividends, of RMB2,347,630,000 (2013: RMB2,024,156,000) have been transferred to reserves. Other movements in reserves are set out on page 61 of "Consolidated Statement of Changes in Equity".

Payment of Final Dividend

The Directors recommend payment of a final dividend of HK11 cents per share (the "Proposed Final Dividend") (equivalent to approximately RMB9 cents) in respect of the year ended 31 December 2014. Subject to the approval of the Proposed Final Dividend by the shareholders at the annual general meeting ("AGM") to be held on Thursday, 28 May 2015, it is expected that the Proposed Final Dividend will be paid on Friday, 3 July 2015 to the shareholders whose name appears in the register of members of the Company on Wednesday, 10 June 2015.

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

Closure of the Register of Members

(a) For determining the entitlement to attend and vote at the AGM

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 26 May 2015 to Thursday, 28 May 2015, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 22 May 2015.

(b) For determining the entitlement to the Proposed Final Dividend

For determining the entitlement to the Proposed Final Dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from Monday, 8 June 2015 to Wednesday, 10 June 2015, both days inclusive, during which period no transfer of share will be registered. In order to qualify for the Proposed Final Dividend, all transfer of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 5 June 2015.

Fixed Assets

Details of the movements in the fixed assets are set out in note 13 to the consolidated financial statements.

Share Capital

Details of the movements in the share capital of the Company for the year ended 31 December 2014 and as at that date is set out in note 23(c) to the consolidated financial statements.

Reserves

Details of the movements in the reserves of the Group and the Company for the year ended 31 December 2014 are set out in "Consolidated statements of changes in equity" and note 23(d) to the consolidated financial statements, respectively.

Borrowings

Details of the borrowings are set out in the section headed "Management Discussion and Analysis" in the annual report and notes 21 and 22 to the consolidated financial statements.

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 140 of the annual report.

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 year ended 31 December 2014.

Pre-Emptive Rights

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

Directors

The Directors during the year and up to the date of this report are:

Executive Directors

Mr. Kei Hoi Pang (Chairman)
Mr. Ji Jiande
Mr. Xiao Xu
Mr. Lai Zhuobin

Non-executive Director

Ms. Kei Perenna Hoi Ting

Independent Non-executive Directors

Mr. Zhang Huaqiao
Ms. Liu Ka Ying, Rebecca
Mr. Cai Suisheng

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

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

Directors' Service Contracts

Each of the Executive Directors has entered into a service agreement with the Company and each of the Independent Non-Executive Directors has signed an appointment letter with the Company. The appointment of all the Director is for a period of three years and shall continue thereafter until being terminated by either party giving not less than six months' (in case of Executive Directors) or three months' (in case of Independent Non-Executive Directors) prior written notice.

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

Directors' Interests in Contracts of Significance

Other than those transactions disclosed in note 28 of the notes to financial statements and in the section "Connected Transactions" below, no contract of significance in relation to the Group's business to which the Company, any of its subsidiaries or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Deed of Non-Competition

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

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

For the year ended 31 December 2014, the Company has received an annual written confirmation from each of the Company's controlling shareholders in respect of their and their associates' compliance with the Deed of Non-Competition. The independent non-executive Directors have reviewed and were satisfied that each of the controlling shareholders of the Company has complied with the Deed of Non-Competition for the year ended 31 December 2014.

Biographical Details of Directors and Senior Management

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

Specific Performance of Controlling Shareholders Under Rule 13.18 of the Listing Rules

On 9 October 2014, the Company as borrower entered into a facility agreement with, among others, Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Credit Suisse AG, Singapore Branch, Goldman Sachs Lending Partners LLC and Deutsche Bank AG, Singapore Branch in relation to a transferable 36-month term loan facility in the amount of US$105,000,000 commencing from the date of the Facility Agreement at an annual interest rate of 4.50% plus LIBOR (the "Facility Agreement"). The Facility Agreement includes a condition imposing specific performance obligations on Ms. Kei Perenna Hoi Ting and her close associates that, in the event of default if, among others, (i) Ms. Kei Perenna Hoi Ting and her close associates collectively do not or cease to own at least 65% of the direct or indirect beneficial shareholding interest in the issued share capital of, and carrying 65% of the voting rights in, the Company; or (ii) Mr. Kei Hoi Pang, previously known as Mr. Ji Haipeng, does not or cease to have management control of the Company; or (iii) Mr. Kei Hoi Pang is not or ceases to be the chairman of the Company.

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

As at 31 December 2014, the loan facility of US$105,000,000 remain outstanding.

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

Save as disclosed above, as at 31 December 2014, the Company did not have other disclosure obligations under Rule 13.18 of the Listing Rules.

Share Option Scheme

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

1. Purpose of the Share Option Scheme:

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

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

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

2. Participants of the Share Option Scheme:

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

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

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

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

3. Maximum number of Shares available for issue:

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

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

4. Maximum entitlement of each participant under the Share Option Scheme:

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

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

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

5. The period within which the Share options must be exercised under the Share Option Scheme:

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

6. The minimum period for which an option must be held before it can be exercised:

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

7. The basis of determining the exercise price:

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

8. The remaining life of the Share Option Scheme:

It will remain in force for a period of 10 years. Since the adoption of the Share Option Scheme, no options had been granted under the Share Option Scheme.

During the year ended 31 December 2014, 198,260,000 share options were granted. Details of the share options granted during the year ended 31 December 2014 were as follows:

		Number of share options					
Name of Director	Exercise Price (HK$)	Outstanding as at 1 January 2014	Granted during 1 January 2014 to 31 December 2014	Lapsed from 1 January 2014 to 31 December 2014	Outstanding as at 31 December 2014	Percentage of total issued share capital	Exercisable period
Mr. Kei Hoi Pang	2.340	–	13,120,000	–	13,120,000	0.26%	29 May 2014 to 28 May 2020
Mr. Ji Jiande	2.340	–	9,840,000	–	9,840,000	0.20%	29 May 2014 to 28 May 2020
Mr. Xiao Xu	2.340	–	4,470,000	–	4,470,000	0.090%	29 May 2014 to 28 May 2020
Mr. Lai Zhuobin	2.340	–	4,170,000	–	4,170,000	0.083%	29 May 2014 to 28 May 2020
Ms. Kei Perenna Hoi Ting	2.340	–	2,050,000	–	2,050,000	0.041%	29 May 2014 to 28 May 2020
Directors in aggregate			**33,650,000**		**33,650,000**	**0.673%**	29 May 2014 to 28 May 2020
Other employees in aggregate		**–**	**164,610,000**	**–**	**164,610,000**	**3.292%**	29 May 2014 to 28 May 2020

During the year ended 31 December 2014, the Company offered to grant 190,090,000 share options (the "Share Options", each a "Share Option") to the above Directors and to certain employees of the Group of the level of mid-level managers or above to subscribe for the ordinary shares of HK$0.10 each (the "Shares", each a "Share") in the share capital of the Company, comprising (i) 25,480,000 share options to certain directors of the Company; and (ii) 164,610,000 share options to certain employees of the Group of the level of mid-level managers or above, subject to the acceptance of such grantees of the share options, under the Share Option Scheme adopted by the shareholders. Details of the grant of such share options are set out in the announcement of the Company dated 30 May 2014.

On 29 May 2014, the Board also resolved to grant to Mr. Kei Hoi Pang, an executive director and a controlling shareholder of the Company, 8,170,000 share options to subscribe for Shares (the "Additional Options") at the exercise price of HK$2.340 per Share on the same terms as the 190,090,000 share options granted and set out above and the grant of such Additional Options were approved on the extraordinary general meeting held on 31 July 2014. Details of the grant of such Additional Options are disclosed in the announcement of the Company dated 30 May 2014 and the circular of the Company dated 16 July 2014.

Directors' and Chief Executives' Interests and/or Short Positions in Shares, Underlying Shares or Debentures of the Company or Any of Its Associated Corporations

As at 31 December 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, 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. Kei Hoi Pang	Beneficiary of a family trust. Interest of a 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. Kei Hoi Pang who is also a beneficiary of the family trust is also considered to be interested in the shares of the Company through Junxi Investments Limited and Ms. Kei Perenna Hoi Ting as (i) Junxi Investments Limited is a company which is entirely owned by a family trust to which Ms. Kei Perenna Hoi Ting and Mr. Kei Hoi Pang are beneficiaries and (ii) Ms. Kei Perenna Hoi Ting being a person accustomed to act in accordance with Mr. Kei Hoi Pang's directions.

(4) Including the grant of 8,170,000 share options which has been approved by independent shareholders on 31 July 2014.

(ii) Interest in Associated Corporations of the Company

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

Save as disclosed above, as at 31 December 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 31 December 2014, the following interests and short positions of every person in the Shares and underlying Shares of the Company as 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. Kei Hoi Pang	Beneficiary of a family trust, Interest of a 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%

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 in the Company. The family trust is interested in the entire interest of Kei Family United Limited which in turns hold the entire interest in Junxi Investments Limited. Further, Mr. Kei Hoi Pang who is also a beneficiary of the family trust is also considered to be interested in the shares of the Company through Junxi Investments Limited and Ms. Kei Perenna Hoi Ting as (i) Junxi Investments Limited is a company which is entirely owned by a family trust to which Ms. Kei Perenna Hoi Ting and Mr. Kei Hoi Pang are beneficiaries and (ii) Ms. Kei Perenna Hoi Ting being a person accustomed to act in accordance with Mr. Kei Hoi Pang's directions.

(4) Including the grant of 8,170,000 share options which has been approved by independent shareholders on 31 July 2014.

Save as disclosed above, as at 31 December 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.

Major Suppliers and Customers

For the year ended 31 December 2014, the aggregate sales and purchases attributable to the Group's five largest customers and suppliers were less than 2.1% of the Group's total turnover and the 15.2% of the Group's total purchase respectively during the year.

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

Connected Transactions

Details of the connected transactions of the Company for the year ended 31 December 2014 are as follows:

Connected Transaction Subject to the Independent Shareholders' Approval, Reporting and Announcement Requirements

1. **Acquisition of the entire equity interest in King Kerry Investments Company Limited**

   On 19 May 2014, Jolly Gain Investments Limited ("Jolly Gain") as purchaser, a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement (the "Sale and Purchase Agreement") with the Honk Jee Loong Holdings Company Limited as vendor (the "Vendor") and Mr. Yao Yaojia as the guarantor of the Vendor (the "Vendor's Guarantor") pursuant to which Jolly Gain has agreed to acquire the entire issued share capital of King Kerry Investments Company Limited ("King Kerry") from the Vendor at a consideration of RMB384 million (equivalent to approximately HK$480 million) (the "Acquisition"). Upon completion of the Acquisition, King Kerry will become a wholly-owned subsidiary of the Company and its accounts will be consolidated with the accounts of the Company.

King Kerry was wholly owned by the Vendor, which was in turn indirectly wholly owned by Mr. Yao. As Mr. Yao is a brother-in-law of Mr. Kei, an executive Director, an uncle of Ms. Kei, a non executive Director, and a brother-in-law of Mr. Ji Jiande, an executive Director, each of Mr. Yao and the Vendor is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the Acquisition and the entering of the Sale and Purchase Agreement constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Acquisition and the entering of the Sale and Purchase Agreement was approved by independent shareholders at the extraordinary general meeting of the Company held on 31 July 2014.

For further details, please refer to the announcements of the Company dated 20 May 2014 and 21 May 2014, and the circular of the Company dated 27 June 2014.

Connected Transactions Exempt from the Independent Shareholders' Approval Requirement but are Subject to the Reporting and Announcement Requirements

2. Entrusted Loan Agreement with Pingan Dahua Huitong Wealth Management Company Limited

On 23 December 2014, Shenzhen Jinjun Real Estate Company Limited ("Shenzhen Jinjun"), a non wholly-owned subsidiary of the Company, entered into the entrusted loan agreement (the "Entrusted Loan Agreement") with Pingan Dahua Huitong Wealth Management Company Limited ("Pingan Dahua") and Baoshang Bank, Shenzhen Branch as the lending bank (the "Lending Bank"), pursuant to which Pingan Dahua, as lender, agreed to grant an entrusted loan with the principal amount of RMB800 million (equivalent to approximately HK$1,013 million) to Shenzhen Jinjun as borrower through the Lending Bank as the lending agent.

Shenzhen Jinjun is owned as to 51% and 49% by Shenzhen Logan Property and Pingan Dahua, respectively, and a non wholly-owned subsidiary of the Company, and Pingan Dahua will become a substantial shareholder holding 49% interests in Shenzhen Jinjun upon completion of capital contribution by Pingan Dahua pursuant to the capital contribution agreement dated 17 December 2014. Accordingly, Pingan Dahua is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the entering into the Entrusted Loan Agreement among Shenzhen Jinjun, Pingan Dahua and the Lending Bank constitutes a connected transaction of the Company.

For further details, please refer to the announcement of the Company dated 23 December 2014.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions entered into by the Group during the year ended 31 December 2014.

Continuing Connected Transactions Exempt from the Independent Shareholders' Approval Requirement but are Subject to the Reporting and Announcement Requirements

1. Master Fangchenggang Construction Services Agreement

On 22 November 2013, Logan Construction Co., Ltd. ("Logan Construction"), a wholly owned subsidiary of the Company, entered into a construction services framework agreement (the "Master Fangchenggang Construction Services Agreement") with Guangxi King Kerry Realty Co., Ltd. ("Guangxi King Kerry"), a company principally engaged in residential property development in the PRC, pursuant to which Logan Construction agreed to provide construction services (including but not limited to foundation engineering, fitting, electricity installation, construction of structural facilities, cleaning work upon completion of construction, coordination service during the delivery process, onsite management and construction raw material procurement) and other related services (the "Construction Services") to Guangxi King Kerry in respect of Guangxi King Kerry's property project in Fangchenggang, Guangxi ("Fangchenggang Projects"), for a term commencing from 20 December 2013 and expiring on December 31, 2015, subject to an annual caps of RMB348,000,000, RMB534,000,000 and RMB558,000,000 for the years ending 31 December 2013, 2014 and 2015.

The annual caps above were determined by the total expected transaction amount which comprises of transaction amount under existing construction contracts and other expected transaction amount as estimated by the management of the Company and the percentage of completion anticipated taking into account of the actual work required during the different phases of the Fangchenggang Projects.

The transaction amount for the year ended 31 December 2014 was approximately RMB135.4 million, which did not exceed the annual cap for the year ended 31 December 2014.

Guangxi King Kerry was controlled by the brother-in-law of Mr. Kei, one of the executive Directors. As such, Guangxi King Kerry is considered a connected person of the Company for the purpose of the Listing Rules. The Master Fangchenggang Construction Service Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Upon completion of the Sale and Purchase Agreement dated 19 May 2014, Guangxi King Kerry is indirectly wholly owned by Jolly Gain, and the Master Fangchenggang Construction Service Agreement and the transactions contemplated thereunder no longer constitutes as connected transactions for the Company upon completion of the Sale and Purchase Agreement on 31 July 2014.

Details of the Master Fangchenggang Construction Services Agreement are set out in the prospectus of the Company dated 10 December 2013.

2. **Master Construction Services Agreement**

On 22 November 2013, Shenzhen Youkaisi Investment Co., Ltd. ("Shenzhen Youkaisi"), a wholly owned subsidiary of the Company, entered into a construction services framework agreement (the "Master Construction Services Agreement") with Guangdong Logan (Group) Co., Ltd. ("Guangdong Logan (Group)"), a company principally engaged in investment in expressway build-operate-transfer and infrastructure build-transfer projects as well as commercial and hotel projects, pursuant to which Shenzhen Youkaisi agreed to provide, or procure its subsidiaries to provide construction service (including but not limited to foundation engineering, fitting, electricity installation, construction of structural facilities, cleaning work upon completion of construction, coordination service during the delivery process, onsite management and construction raw material procurement) and other related services (the "Master Construction Services") to Guangdong Logan (Group) or its subsidiaries in respect of the property projects of Guangdong Logan (Group) and its subsidiaries from time to time, for a term commencing from 20 December 2013 and ending on December 31, 2015, subject to an annual caps of RMB455,000,000, RMB250,000,000 and RMB250,000,000 for the years ending 31 December 2013, 2014 and 2015 respectively.

The annual caps above were determined by reference to (i) the total transaction amount as stipulated under the existing construction contracts which Logan Construction has entered into with Guangdong Logan (Group) and (ii) the expected transaction amount of the Master Construction Services to be provided by Shenzhen Youkaisi and its subsidiaries (including Logan Construction) to Guangdong Logan (Group) and its subsidiaries for the three years ending 31 December 2015 according to the current construction and development plan taking into account of construction contract is expected to be entered into with Guangdong Logan (Group).

The transaction amount for the year ended 31 December 2014 was approximately RMB93.0 million, which did not exceed the annual cap for the year ended 31 December 2014.

Guangdong Logan (Group) is substantially owned by Mr. Kei, the chairman, an executive Director and a controlling shareholder of the Company. As such, Guangdong Logan (Group) is considered a connected person of our Company for the purpose of the Listing Rules. The Master Construction Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Details of the Master Construction Services Agreement are set out in the prospectus of the Company dated 10 December 2013.

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

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

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

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

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

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

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

1. have been approved by the Board;

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

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

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

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

Save as otherwise disclosed, there are no related parties transactions disclosed in note 28 to the financial statements constitutes a connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules during the year ended 31 December 2014.

Sufficiency of Public Float

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

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

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

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

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

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

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

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

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

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

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

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

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained on pages 27 to 37 of this annual report.

Use of Net Proceeds from Initial Public Offering

The net proceeds from the Listing (after deducting underwriting fees and related expenses) amounted to approximately RMB1,218.1 million. As at 31 December 2014, such net proceeds from the Listing had been fully utilized in the manner consistent with that in the Company's prospectus dated 10 December 2013.

Auditor

The consolidated financial statements for the year ended 31 December 2014 have been audited by KPMG, Certified Public Accountants, who shall retire at the forthcoming AGM. A resolution will be proposed at the forthcoming AGM to re-appoint KPMG, Certified Public Accountants, as auditor of the Company.

Professional Tax Advice Recommended

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

Logan Property Holdings Company Limited

Kei Hoi Pang
Chairman

KPMG

Independent auditor's report to the shareholders of Logan Property Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Logan Property Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 56 to 139, which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
30 March, 2015

Consolidated Income Statement

for the year ended 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Turnover	5	**12,497,937**	11,119,424
Direct costs		**(8,693,572)**	(7,003,729)
Gross profit		**3,804,365**	4,115,695
Other revenue	6(a)	**85,497**	27,665
Other net loss	6(b)	**(14,148)**	(17,954)
Selling and marketing expenses		**(413,167)**	(304,131)
Administrative expenses		**(527,120)**	(424,655)
Net increase in fair value of investment properties	13	**861,854**	15,185
Net increase in fair value of derivative financial instruments	22	**13,995**	–
Profit from operations		**3,811,276**	3,411,805
Finance costs	7(a)	**(93,601)**	(103,140)
Profit before taxation	7	**3,717,675**	3,308,665
Income tax	8(a)	**(1,297,169)**	(1,252,362)
Profit for the year		**2,420,506**	2,056,303
Attributable to:			
Equity shareholders of the Company		**2,347,630**	2,024,156
Non-controlling interests		**72,876**	32,147
Profit for the year		**2,420,506**	2,056,303
Earnings per share (RMB cents)			
– Basic and diluted	12	**46.95**	47.35

The notes on pages 64 to 139 form part of these consolidated financial statements.

Consolidated Statement of Other Comprehensive Income

for the year ended 31 December 2014
(Expressed in Renminbi)

	2014 RMB'000	2013 RMB'000
Profit for the year	**2,420,506**	2,056,303
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas entities	**6,465**	15,697
Total comprehensive income for the year	**2,426,971**	2,072,000
Attributable to:		
Equity shareholders of the Company	**2,354,095**	2,039,853
Non-controlling interests	**72,876**	32,147
Total comprehensive income for the year	**2,426,971**	2,072,000

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

The notes on pages 64 to 139 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

at 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Fixed assets	13		
– Investment properties		**4,684,500**	3,793,000
– Other property, plant and equipment		**122,041**	97,233
		4,806,541	3,890,233
Deferred tax assets	8(c)(ii)	**366,488**	297,174
Assets under cross-border guarantee arrangements	19	**436,600**	–
		5,609,629	4,187,407
Current assets			
Inventories	15	**27,875,440**	17,685,826
Trade and other receivables	16	**2,502,385**	1,315,974
Tax recoverable	8(c)(i)	**166,836**	116,972
Restricted and pledged deposits	17	**1,938,106**	678,226
Cash and cash equivalents	18	**5,576,357**	3,827,434
Assets under cross-border guarantee arrangements	19	**1,167,000**	–
		39,226,124	23,624,432
Current liabilities			
Liabilities under cross-border guarantee arrangements	19	**1,167,000**	–
Trade and other payables	20	**11,842,586**	9,728,560
Bank and other loans	21	**3,824,474**	2,754,109
Tax payable	8(c)(i)	**993,262**	1,152,072
		17,827,322	13,634,741
Net current assets		**21,398,802**	9,989,691
Total assets less current liabilities		**27,008,431**	14,177,098

	Note	2014 RMB'000	2013 RMB'000
Non-current liabilities			
Liabilities under cross-border guarantee arrangements	19	**436,600**	–
Bank and other loans	21	**9,057,042**	6,228,442
Senior notes	22	**3,383,846**	–
Deferred tax liabilities	8(c)(ii)	**813,925**	598,980
		13,691,413	6,827,422
NET ASSETS		**13,317,018**	7,349,676
CAPITAL AND RESERVES			
Share capital	24(c)	**393,115**	393,115
Reserves		**10,816,771**	6,942,573
Total equity attributable to equity shareholders of the Company		**11,209,886**	7,335,688
Non-controlling interests		**2,107,132**	13,988
TOTAL EQUITY		**13,317,018**	7,349,676

Approved and authorised for issue by the board of directors on 30 March, 2015

Kei Hoi Pang
Chairman

Lai Zhuobin
Executive Director

The notes on pages 64 to 139 form part of these consolidated financial statements.

Statement of Financial Position

at 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Fixed assets	13(b)	**1,309**	1,930
Investments in subsidiaries	14	**10,211**	10,211
		11,520	12,141
Current assets			
Prepayments and other receivables	16	**4,835,857**	3,808
Cash and cash equivalents	18	**272,537**	1,207,654
		5,108,394	1,211,462
Current liability			
Other payables	20	**404,643**	65,126
Net current assets		**4,703,751**	1,146,336
Total assets less current liability		**4,715,271**	1,158,477
Non-current liabilities			
Bank loan	21	**644,453**	–
Senior notes	22	**3,383,846**	–
		4,028,299	–
NET ASSETS		**686,972**	1,158,477
CAPITAL AND RESERVES	24		
Share capital		**393,115**	393,115
Reserves		**293,857**	765,362
TOTAL EQUITY		**686,972**	1,158,477

Approved and authorised for issue by the board of directors on 30 March, 2015

Kei Hoi Pang	**Lai Zhuobin**
Chairman	*Executive Director*

The notes on pages 64 to 139 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital (note 24(c)) RMB'000	Share premium (note 24(c)) RMB'000	Share-based compensation reserve (note 24(d)(v)) RMB'000	Exchange reserve (note 24(d)(ii)) RMB'000	PRC statutory reserves (note 24(d)(iii)) RMB'000	Other reserve (note 24(d)(iv)) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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 2013:										
Profit for the year	–	–	–	–	–	–	2,024,156	2,024,156	32,147	2,056,303
Other comprehensive income	–	–	–	15,697	–	–	–	15,697	–	15,697
Total comprehensive income for the year	–	–	–	15,697	–	–	2,024,156	2,039,853	32,147	2,072,000
Transfer to PRC statutory reserves	–	–	–	–	290,057	–	(290,057)	–	–	–
Arising on Reorganisation	–	–	–	–	–	(15,079)	–	(15,079)	–	(15,079)
Dividend declared to non-controlling interests	–	–	46,890	–	–	–	–	–	(76,140)	(76,140)
Issuance of shares under the global initial public offering ("IPO"), net of listing expenses	58,965	1,159,169	–	–	–	–	–	1,218,134	–	1,218,134
Capitalisation issue (note 24(c))	334,150	(334,150)	–	–	–	–	–	–	–	–
At 31 December 2013	393,115	825,019	46,890	39,860	512,552	(195,637)	5,760,779	7,335,688	13,988	7,349,676

	Attributable to equity shareholders of the Company									
	Share capital (note 24(c)) RMB'000	Share premium (note 24(c)) RMB'000	Share-based compensation reserve (note 24(d)(v)) RMB'000	Exchange reserve (note 24(d)(ii)) RMB'000	PRC statutory reserves (note 24(d)(iii)) RMB'000	Other reserve (note 24(d)(iv)) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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 2014:										
Profit for the year	-	-	-	-	-	-	2,347,630	2,347,630	72,876	2,420,506
Other comprehensive income	-	-	-	6,465	-	-	-	6,465	-	6,465
Total comprehensive income for the year	-	-	-	6,465	-	-	2,347,630	2,354,095	72,876	2,426,971
Transfer to PRC statutory reserves	-	-	-	-	70,407	-	(70,407)	-	-	-
Dividend declared (note 24(b)(ii))	-	-	-	-	-	-	(436,563)	(436,563)	-	(436,563)
Equity-settled share-based transactions (note 7(b))	-	-	46,890	-	-	-	-	46,890	-	46,890
Acquisition of subsidiaries (note 29)	-	-	-	-	-	-	-	-	26,751	26,751
Arising on capital contribution	-	-	-	-	-	1,909,776	-	1,909,776	1,993,517	3,903,293
At 31 December 2014	393,115	825,019	46,890	46,325	582,959	1,714,139	7,601,439	11,209,886	2,107,132	13,317,018

The notes on pages 64 to 139 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Profit before taxation		**3,717,675**	3,308,665
Adjustments for:			
Bank interest income		**(57,258)**	(11,608)
Gain from acquisition		**(5,058)**	–
Finance costs		**93,601**	103,140
Depreciation		**19,425**	16,039
Net (gain)/loss on disposal of other property, plant and equipment		**(304)**	140
Net loss on disposal of investment properties		**–**	16,421
Net increase in fair value of investment properties		**(861,854)**	(15,185)
Net increase in fair value of derivative financial instruments		**(13,995)**	–
Equity-settled share-based payment expenses		**46,890**	–
Operating profit before changes in working capital		**2,939,122**	3,417,612
Increase in inventories		**(8,177,677)**	(3,046,869)
Decrease/(Increase) in trade and other receivables		**186,990**	(262,582)
Decrease in trade and other payables		**(997,575)**	(309,746)
Cash generated used in operations		**(6,049,140)**	(201,585)
Tax paid			
PRC tax paid		**(1,413,585)**	(928,279)
Net cash used in operating activities		**(7,462,725)**	(1,129,864)
Investing activities			
Addition to investment properties		**(51,804)**	(62,698)
Addition to investment properties under development		**–**	(46,473)
Addition to other property, plant and equipment		**(46,350)**	(27,511)
Acquisition of subsidiaries	29	**181,543**	–
Proceeds from disposal of other property, plant and equipment		**1,338**	979
Proceeds from disposal of investment properties		**–**	50,935
Interest received		**57,258**	11,608
Increase in restricted and pledged deposits		**(2,863,480)**	(464,105)
Net cash used in investing activities		**(2,721,495)**	(537,265)

	Note	2014 RMB'000	2013 RMB'000
Financing activities			
Proceeds from bank and other loans		**13,936,552**	6,185,783
Repayment of bank and other loans		**(9,586,112)**	(3,793,415)
Proceeds from non-interest bearing payable to a financial institution		**1,293,801**	–
Proceeds from senior notes		**3,351,558**	–
Interest and other borrowing costs paid		**(896,847)**	(636,715)
Capital contribution		**3,903,293**	–
Dividend paid		**(67,752)**	–
Cash distributed to the founder on Reorganisation		**–**	(15,079)
Issuance of new shares under IPO, net of issuing expenses		**–**	1,218,134
Net cash generated from financing activities		**11,934,493**	2,958,708
Net increase in cash and cash equivalents		**1,750,273**	1,291,579
Cash and cash equivalents at 1 January		**3,827,434**	2,536,868
Effect of foreign exchange rate changes		**(1,350)**	(1,013)
Cash and cash equivalents at 31 December	18	**5,576,357**	3,827,434

The notes on pages 64 to 139 form part of these consolidated financial statements.

1 General Information and Basis of Presentation

Logan Property Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 14 May 2010 as an exempted company with limited liability under the Companies Law (2011 Revision) (as combined and revised) of the Cayman Islands (the "Cayman Companies Law").

Pursuant to a reorganisation (the "Reorganisation") of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") which was completed on 1 April 2013 to rationalise the group structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the Company's prospectus dated 10 December 2013 (the "Prospectus"). The Company's shares were listed on the Stock Exchange on 20 December 2013.

The principle activity of the Company is investment holding and its subsidiaries are principally engaged in property development, property investment and construction in the People's Republic of China (the "PRC").

The Group is regarded as a continuing entity resulting from the Reorganisation under common control and has been accounted for on the basis of merger accounting. The consolidated financial statements of the Group have been prepared as if the current group structure had been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation.

2 Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group are set out below.

2 Significant Accounting Policies (Continued)

(a) Statement of compliance (continued)

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective or available for early adoption for the current accounting period of the Group and the Company. Of these, the following development is relevant to the Group's financial statements:

– Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit (CGU) whose recoverable amount is based on fair value less costs of disposal.

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

(b) Basis of preparation

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries.

The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand. It is prepared on the historical cost basis except for derivative financial instruments and investment properties are stated at their fair values (see notes 2(d) and 2(e)).

The preparation of the financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 Significant Accounting Policies (Continued)

(b) Basis of preparation (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

The income and expenses of a subsidiary are included in the financial statements from the date that control commences until the date that control ceases. Merger accounting is adopted for common control combinations in which all of the consolidating entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and control is not transitory.

An investment in a subsidiary is consolidated into the financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in accordance with notes 2(m) or (n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retain in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(t)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(h).

(f) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation (see note 2(g)) and impairment losses (see note 2(i)):

– other land and buildings; and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of borrowing costs (see note 2(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Depreciation of fixed assets

(i) Investment properties and investment properties under development

No depreciation is provided on investment properties and investment properties under development.

(ii) Properties under development for own use

No depreciation is provided until such time as the relevant assets are complete and put into use.

(iii) Other land and buildings

Depreciation is provided on the cost of the leasehold land of properties over the unexpired terms of the leases. Costs of buildings thereon are depreciated on a straight-line basis over the unexpired terms of the respective leases.

(iv) Furniture, fixtures and other fixed assets

Depreciation is calculated to write-off the cost of furniture, fixtures and other fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives of 3 to 10 years.

Where parts of an item of furniture, fixtures and other fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if it were held under a finance lease (see note 2(e)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leased assets (continued)

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(e)) or is held for development for sale (see note 2(j)).

(i) Impairment of assets

(i) Impairment of other receivables

Other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (continued)

(i) Impairment of other receivables (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 Significant Accounting Policies (continued)

(i) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets (other than properties carried at revalued amounts);

- pre-paid interests in leasehold land classified as being held under an operating lease; and

- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- *Calculation of recoverable amount*

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- *Recognition of impairment losses*

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- *Reversals of impairment losses*

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 Significant Accounting Policies (continued)

(i) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(i)(i) and (ii)).

(j) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

(i) Properties held for development for sale

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

(ii) Properties under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2(v)). Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

(iii) Completed properties available for delivery

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties available for delivery comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(t)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the consolidated statement of financial position as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and other receivables". Amounts received before the related work is performed are presented as "Receipts in advance" under "Trade and other payables".

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) 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 (see note 2(d)). 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 in accordance with note 2(d). 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.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(s)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The employees of the Group participate in retirement plans (defined contribution retirement plans) managed by respective local governments of the municipalities in which the Group operates in the PRC. The contribution to the retirement plan is calculated based on fixed rates of the employees' salaries cost and charged to profit or loss as and when incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense. The Group has no other obligation for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

(ii) Share-based payments

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 lattice 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 included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2 Significant Accounting Policies (Continued)

(r) Income tax (continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(e), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when liability to pay the related dividend is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    – the same taxable entity; or

    – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue from the sale of properties is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers. Revenue from the sale of properties excludes business tax and other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position as receipts in advance.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Construction income

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition (continued)

(v) Government subsidies

Government subsidies are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Subsidies that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(vi) Design fee and construction management service income

Design fee and construction management service income are recognised at the time when the services are provided.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

2 Significant Accounting Policies (continued)

(v) Borrowing costs (continued)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING ESTIMATES AND JUDGMENTS

The key sources of estimation uncertainty and critical accounting judgments in applying the Group's accounting policies are described below.

(a) Valuation of investment properties

As described in note 13, investment properties are stated at fair value based on the valuation performed by an independent firm of professional surveyors after taking into consideration the comparable market transactions and the net rental income allowing for reversionary income potential.

In determining the fair value, the valuers have based on a method of valuation which involves, inter-alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market condition.

(b) Impairment of non-current assets

If circumstances indicate that the carrying amounts of fixed assets (other than investment properties) may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs to sell and value in use. In determining the recoverable amount which requires significant judgments, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

3 ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Write-down of inventories for property development

Management performs a regular review on the carrying amounts of inventories for property development. Based on management's review, write-down of inventories for property development will be made when the estimated net realisable value has declined below the carrying amount.

In determining the net realisable value of completed properties available for delivery, management refers to prevailing market data such as recent sales transactions, market survey reports available from independent property valuers and internally available information, as bases for evaluation.

In respect of properties under development for sale, the estimate of net realisable value requires the application of a risk-adjusted discount rate to estimate future discounted cash flows to be derived from these properties. These estimates require judgment as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

(d) Construction contracts

As explained in policy notes 2(k) and 2(t)(iii) revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(e) Land Appreciation Tax ("LAT")

As explained in note 8(a)(iv), the Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. Significant judgment is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at the end of each reporting period. Any increase or decrease in actual outcomes/estimates would affect income statement in the period in which such determination is made.

3 Accounting Estimates and Judgments (Continued)

(f) Recognition of deferred tax assets

The realisability of deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which deferred tax assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such reversal takes place.

(g) Estimation of fair value of derivative financial instruments

Redemption call options embedded in senior notes of the Group are classified as derivative financial instruments and stated at fair value at the end of each reporting period. The fair value of these options is measured based on the assumptions set out in note 4(e). Any change in assumptions of the valuation would affect the value of these options significantly, and profit or loss in future years.

4 Financial Risk Management and Fair Values of Financial Instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, and trade and other receivables. The Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has limit exposure to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Regular review and follow-up actions are carried out on overdue amounts of instalments 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.

4 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover the expected cash demands, subject to approval by the Company's board of directors. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

Group

	2014					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade payables	2,952,581	163,490	126,389	–	3,242,460	3,242,460
Other payables and accrued charges	278,743	–	–	–	278,743	278,743
Dividends payable	368,811	–	–	–	368,811	368,811
Bank loans	2,735,274	4,871,179	2,389,321	1,247,533	11,243,307	9,372,616
Other loans	2,336,380	1,462,637	–	–	3,799,017	3,508,900
Liabilities under cross-border guarantee arrangements	1,230,630	451,213	–	–	1,681,843	1,603,600
Non-interest bearing payable to a financial institution	1,293,801	–	–	–	1,293,801	1,293,801
Senior notes	362,828	364,552	4,039,566	–	4,766,946	3,383,846
Amounts due to related companies	223,860	–	–	–	223,860	223,860
	11,782,908	7,317,071	6,555,276	1,247,533	26,898,788	23,276,637
Financial guarantees issued: – Maximum amount guaranteed (note 27)	4,371,045	–	–	–	4,371,045	

4 Financial Risk Management and Fair Values of Financial Instruments (continued)

(b) Liquidity risk (continued)

Group (continued)

	2013					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade payables	2,406,448	276,960	20,470	–	2,703,878	2,703,878
Other payables and accrued charges	241,106	–	–	–	241,106	241,106
Bank loans	2,717,819	667,253	4,726,718	922,421	9,034,211	7,499,351
Other loans	702,452	949,665	–	–	1,652,117	1,483,200
Amounts due to related companies	161,063	–	–	–	161,063	161,063
	6,228,888	1,893,878	4,747,188	922,421	13,792,375	12,088,598
Financial guarantees issued:						
– Maximum amount guaranteed (note 27)	3,372,691	–	–	–	3,372,691	

4 Financial Risk Management and Fair Values of Financial Instruments (continued)

(b) Liquidity risk (continued)

Company

	2014					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Other payables	8,252	–	–	–	8,252	8,252
Dividend payable	368,811	–	–	–	368,811	368,811
Bank loan	32,895	226,231	469,665	–	728,791	644,453
Senior notes	362,828	364,552	4,039,566	–	4,766,946	3,383,846
Amount due to subsidiaries	27,580	–	–	–	27,580	27,580
	800,366	590,783	4,509,231	–	5,900,380	4,432,942
Financial guarantees issued:						
– Maximum amount guaranteed (note 27)	47,334	–	–	–	47,334	

	2013					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Other payables	12,937	–	–	–	12,937	12,937
Amount due to subsidiaries	52,189	–	–	–	52,189	52,189
	65,126	–	–	–	65,126	65,126
Financial guarantees issued:						
– Maximum amount guaranteed (note 27)	424,201	–	–	–	424,201	

4 Financial Risk Management and Fair Values of Financial Instruments (continued)

(c) Interest rate risk

The Group's interest rates risk arises primarily from cash and cash equivalents, restricted and pledged deposits and bank borrowings issued at variable rates.

The Group does not anticipate significant impact to cash and cash equivalents and restricted and pledged deposits because the interest rates of bank deposits are not expected to change significantly.

The interest rates and terms of repayment of bank loans of the Group is disclosed in note 20 to the financial statements. The Group does not carry out any hedging activities to manage its interest rate exposure.

Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and total equity attributable to equity shareholders of the Company by approximately RMB77,955,000 (2013: RMB57,745,000) in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next end of the reporting period. The analysis is performed on the same basis for 2013.

(d) Currency risk

Almost all the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. The Group is exposed to foreign currency risk arising from the exposure of RMB against Hong Kong dollars as a result of its investment in the PRC and certain of the general and administrative expenses settled in Hong Kong dollars. In addition, RMB is not freely convertible into foreign currencies and the conversion of RMB into foreign currencies is subject to rules and regulations of the foreign exchange control promulgated by the PRC government.

The Group's and the Company's exposure at 31 December 2014 to currency risk also arising from the senior notes which are denominated at United States dollars. As Hong Kong dollars are pegged to United States dollars, the movement of exchange rate of Hong Kong dollars against United States dollars is considered insignificant.

4 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's derivative 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 at each end of the reporting period	Fair value measurements as at the end of each reporting period categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Group and Company				
Recurring fair value measurement				
At 31 December 2014				
Assets:				
– Senior notes redemption call options	27,814	–	–	27,814

During the year ended 31 December 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.

All of the Group's derivative financial instruments were revalued as at 31 December 2014 (2013: Nil). The valuations were carried out by an independent firm of surveyors, Roma Appraisals Limited. The Group's management have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

4 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Group			
At 31 December 2014			
– Senior note redemption call options	Residual method	Risk free rate	0.096% – 1.493%
		Option adjusted spread	9.433% – 9.971%
		Discount rate	9.532% – 11.464%

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

As at 31 December 2014, it is estimated that with all other variables held constant, a decrease/increase in risk fee rate, option adjusted spread and discount rate by 1% would not have material impact on the Group's profit and the Company's loss.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	Group and Company 2014 RMB'000
At 1 January	–
Fair value of inception	13,819
Change in fair value during the period from inception to year end	13,995
At 31 December	27,814

The changes in fair values of derivative financial instruments are presented in "net increase in fair value of derivative financial instruments" in the consolidated income statement.

4 Financial Risk Management and Fair Values of Financial Instruments (continued)

(e) Fair value measurement (continued)

(iii) Financial assets and liabilities 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 31 December 2013 and 2014.

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

5 Turnover and Segment Reporting

(a) Turnover

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

	2014 RMB'000	2013 RMB'000
Sale of properties	**12,953,104**	11,033,179
Rental income	**56,453**	63,702
Construction income	**236,690**	695,530
	13,246,247	11,792,411
Less: Business tax and other sales related taxes	**(748,310)**	(672,987)
	12,497,937	11,119,424

(b) Segment reporting

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

– Property development: this segment develops and sells residential properties and retail shops.

– Property leasing: this segment leases office units and retail shops to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently the Group's investment property portfolio is located entirely in 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.

5 Turnover and Segment Reporting (Continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

The measure used for reporting segment profit is adjusted the profit before finance costs, income tax, depreciation and amortisation, and are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition, management is provided with segment information concerning revenue (including inter segment sales), interest income and expense from cash balances, borrowings and derivative from senior notes managed directly by the segments and depreciation to non-current segment assets used by the segments in their operations. Segment assets and liabilities are not reported to the Group's senior executive management regularly.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2014 and 2013 is set out below.

For the year ended 31 December 2014

	Property development RMB'000	Property leasing RMB'000	Construction contracts RMB'000	Total RMB'000
Gross revenue from external customers	12,953,104	56,453	236,690	13,246,247
Less: Business tax and other sales related taxes	(738,140)	(1,920)	(8,250)	(748,310)
Net revenue from external customers	12,214,964	54,533	228,440	12,497,937
Inter-segment revenue	–	–	3,692,195	3,692,195
Reportable segment revenue	12,214,964	54,533	3,920,635	16,190,132
Reportable segment profit	3,205,416	54,533	1,556	3,261,505
Bank interest income	11,236	–	19,829	31,065
Finance costs	(39,896)	–	(30,054)	(69,950)
Depreciation	(9,233)	–	(14)	(9,247)
Net increase in fair value of investment properties	–	861,854	–	861,854

5 Turnover and Segment Reporting (Continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

For the year ended 31 December 2013

	Property development RMB'000	Property leasing RMB'000	Construction contracts RMB'000	Total RMB'000
Gross revenue from external customers	11,033,179	63,702	695,530	11,792,411
Less: Business tax and other sales related taxes	(648,380)	(3,543)	(21,064)	(672,987)
Net revenue from external customers	10,384,799	60,159	674,466	11,119,424
Inter-segment revenue	–	–	3,314,337	3,314,337
Reportable segment revenue	10,384,799	60,159	3,988,803	14,433,761
Reportable segment profit	3,432,245	59,608	61,703	3,553,556
Bank interest income	6,687	–	2,421	9,108
Finance costs	(33,249)	–	(38,472)	(71,721)
Depreciation	(8,009)	–	(18)	(8,027)
Net increase in fair value of investment properties	–	15,185	–	15,185

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

	2014 RMB'000	2013 RMB'000
Revenue		
Reportable segment revenue	**16,190,132**	14,433,761
Elimination of inter-segment revenue	**(3,692,195)**	(3,314,337)
Consolidated turnover	**12,497,937**	11,119,424
Profit		
Reportable segment profit derived from Group's external customers	**3,261,505**	3,553,556
Other revenue and other net loss	**71,349**	9,711
Depreciation	**(19,425)**	(16,039)
Finance costs	**(93,601)**	(103,140)
Net increase in fair value of investment properties	**861,854**	15,185
Net increase in fair value of derivative financial instruments	**13,995**	–
Unallocated head office and corporate expenses	**(378,002)**	(150,608)
Consolidated profit before taxation	**3,717,675**	3,308,665

5 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(iii) Geographic information

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

6 OTHER REVENUE AND OTHER NET LOSS

(a) Other revenue

	2014 RMB'000	2013 RMB'000
Bank interest income	57,258	11,608
Design fee income	3,158	4,300
Government subsidies	3,728	1,045
Forfeited deposits	7,492	6,136
Construction management service income	–	1,739
Gain from acquisition (note 29)	5,058	–
Others	8,803	2,837
	85,497	27,665

(b) Other net loss

	2014 RMB'000	2013 RMB'000
Net gain/(loss) on disposal of fixed assets	304	(16,561)
Net foreign exchange loss	(14,352)	(1,283)
Others	(100)	(110)
	(14,148)	(17,954)

7 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2014 RMB'000	2013 RMB'000
Interest on bank and other loans and other borrowing costs wholly repayable within five years	**1,055,511**	611,516
Interest on bank and other loans and other borrowing costs wholly repayable after five years	**51,933**	45,046
	1,107,444	656,562
Less: Amount capitalised (note)	**(1,013,843)**	(553,422)
	93,601	103,140

Note: The borrowing costs have been capitalised at rates ranging from 4.7% to 11.25% (2013: 6.2% to 11.3%) per annum for the year.

(b) Staff costs

	2014 RMB'000	2013 RMB'000
Salaries, wages and other benefits	**283,331**	233,668
Contributions to defined contribution retirement plans	**20,094**	17,404
Equity-settled share-based payment expenses	**46,890**	–
	350,315	251,072
Less: Amount capitalised	**(4,705)**	(6,106)
	345,610	244,966

7 PROFIT BEFORE TAXATION (CONTINUED)

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

(c) Other items

	2014 RMB'000	2013 RMB'000
Depreciation	**29,715**	23,117
Less: Amount capitalised	**(10,290)**	(7,078)
	19,425	16,039
Rentals receivable from investment properties	**(54,533)**	(60,159)
Less: Direct outgoings	**–**	551
	(54,533)	(59,608)
Cost of properties sold	**8,466,674**	6,422,976
Cost of construction	**226,898**	580,202
Auditors' remuneration	**2,333**	8,402
Operating lease charges: minimum lease payments for land and buildings	**8,190**	9,077

8 INCOME TAX

(a) Income tax in the consolidated income statement represents:

	2014 RMB'000	2013 RMB'000
Current tax		
Provision for PRC Corporate Income Tax ("CIT") for the year	**711,210**	838,380
Provision for LAT for the year	**440,328**	560,015
	1,151,538	1,398,395
Deferred tax		
Origination and reversal of temporary differences	**145,631**	(146,033)
	1,297,169	1,252,362

8 INCOME TAX (CONTINUED)

(a) Income tax in the consolidated income statement represents: (continued)

(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 year.

(iii) Effective from 1 January 2008, under the PRC CIT Law, the PRC's statutory income tax rate is 25%. The Group's PRC subsidiaries are subject to PRC income tax 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.

(b) Reconciliation between income tax expense and accounting profit before taxation at applicable tax rates:

	2014 **RMB'000**	2013 RMB'000
Profit before taxation	**3,717,675**	3,308,665
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**927,059**	818,142
Tax effect of non-taxable income	**(2,991)**	(877)
Tax effect of non-deductible expenses	**17,696**	9,049
Utilisation of previously unrecognised tax losses	**(61)**	(4,083)
Effect of tax losses not recognised	**135**	208
LAT	**440,328**	560,015
Tax effect of deductible LAT	**(84,997)**	(130,092)
Actual income tax expense	**1,297,169**	1,252,362

8 INCOME TAX (CONTINUED)

(c) Income tax in the consolidated statement of financial position represents:

(i) Current taxation

	2014 RMB'000	2013 RMB'000
CIT		
At 1 January	529,352	344,182
Acquisition of subsidiaries (note 29)	38,457	–
Provision for the year	711,210	838,380
CIT tax paid	(945,594)	(653,210)
At 31 December	333,425	529,352
LAT		
At 1 January	501,248	216,302
Acquisition of subsidiaries (note 29)	14,916	–
Provision for the year	440,328	560,015
LAT tax paid	(467,991)	(275,069)
At 31 December	488,501	501,248
Withholding tax		
At 1 January and 31 December	4,500	4,500
	826,426	1,035,100
Representing:		
Tax recoverable	(166,836)	(116,972)
Tax payable	993,262	1,152,072
	826,426	1,035,100

8 INCOME TAX (CONTINUED)

(c) Income tax in the consolidated statement of financial position represents: (continued)

(ii) Deferred tax assets and liabilities recognised

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Group					
	Revaluation of investment properties	**Unrealised gain on intra-group transactions**	**Temporary differences arising from LAT provisions**	**Unused tax losses (note)**	**Others**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax arising from:						
At 1 January 2013	689,273	(129,493)	(66,643)	(49,378)	4,080	447,839
Credited/(charged) to the consolidated profit or loss	(8,510)	(25,857)	(79,664)	(32,142)	140	(146,033)
At 31 December 2013 and 1 January 2014	**680,763**	**(155,350)**	**(146,307)**	**(81,520)**	**4,220**	**301,806**
Credited/(charged) to the consolidated profit or loss	**215,465**	**(51,689)**	**(21,616)**	**7,691**	**(4,220)**	**145,631**
At 31 December 2014	**896,228**	**(207,039)**	**(167,923)**	**(73,829)**	**–**	**447,437**

8 INCOME TAX (CONTINUED)

(c) Income tax in the consolidated statement of financial position represents: (continued)

(ii) Deferred tax assets and liabilities recognised (continued)

	Group	
	2014	2013
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(366,488)**	(297,174)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**813,925**	598,980
	447,437	301,806

Note: In assessing the realisability of deferred tax assets in respect of the Group's subsidiaries which suffered losses in current or preceding period, management considers the projected future taxable income of these subsidiaries. Accordingly, the Group has recognised deferred tax assets of RMB73,829,000 as at 31 December 2014 (2013: RMB81,520,000) as the Group estimates that these subsidiaries have properties development projects which are probable to generate sufficient future taxable profits to support their utilisation.

(d) Deferred tax assets not recognised:

Deferred tax assets have not been recognised in respect of the following item:

	Group	
	2014	2013
	RMB'000	RMB'000
Unused tax losses		
– PRC (note)	**7,652**	7,744

Note: The Group has not recognised deferred tax assets in respect of unused tax losses of certain subsidiaries as it is not probable that sufficient future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

The unused tax losses can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose. As at 31 December 2014, tax losses of RMB2,038,000, RMB2,012,000, RMB2,227,000, RMB834,000 and RMB541,000 will expire, if unused, by the end of 2015, 2016, 2017, 2018 and 2019, respectively.

9 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014					
	Fees RMB'000	Basic salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Retirement scheme contributions RMB'000	Share-based payment expenses (note 22) RMB'000	Total RMB'000
Executive Directors						
Kei Hoi Pang ("Mr. Kei", also act as the Chairman of the Group)	–	5,366	750	24	3,373	9,513
Ji Jiande	–	1,828	744	24	2,286	4,882
Lai Zhuobin	–	1,065	284	24	969	2,342
Xiao Xu	–	1,065	430	31	1,038	2,564
Non-executive Director						
Kei Perenna Hoi Ting ("Ms. Kei")	946	–	–	14	476	1,436
Independents non-executive Directors (note (ii))						
Zhang Huaqiao	316	–	–	–	–	316
Liu Ka Ying, Rebecca	316	–	–	–	–	316
Cai Suisheng	316	–	–	–	–	316
Total	1,894	9,324	2,208	117	8,142	21,685

9 DIRECTORS' REMUNERATION (CONTINUED)

	2013				
	Fees RMB'000	Basic salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive Directors					
Mr. Kei	–	4,249	880	57	5,186
Ji Jiande	–	1,427	523	19	1,969
Lai Zhuobin	–	817	208	34	1,059
Xiao Xu	–	807	288	42	1,137
Non-executive Director					
Ms. Kei	78	–	–	–	78
Independents non-executive Directors (note (ii))					
Zhang Huaqiao	10	–	–	–	10
Liu Ka Ying, Rebecca	10	–	–	–	10
Cai Suisheng	10	–	–	–	10
Total	108	7,300	1,899	152	9,459

Notes:

(i) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year. No director waived or agreed to waive any emoluments during the year.

(ii) Mr. Zhang Huaqiao, Ms. Liu Ka Ying, Rebecca and Mr. Cai Suisheng were appointed as the Company's independent non-executive directors on 18 November 2013.

10 Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, two (2013: two) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2013: three) individuals are as follows:

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	3,941	3,739
Discretionary bonuses	1,002	704
Retirement scheme contributions	79	98
	5,022	4,541

The emoluments of the three (2013: three) individuals with the highest emoluments are within the following bands:

	2014 Number of individuals	2013 Number of individuals
HK$Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	–	2
HK$2,000,001 to HK$2,500,000	3	1
	3	3

No individual received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year. No individual waived or agreed to waive any emoluments during the year.

11 Profit Attributable to Equity Shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB88,399,000 (2013: RMB45,236,000) which has been dealt with in the financial statements of the Company.

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2014 is based on the profit attributable to equity shareholders of the Company of RMB2,347,630,000 (2013: RMB2,024,156,000) and the weighted average number of 5,000,000,000 shares (2013: 4,274,657,534 shares) in issue during the year ended 31 December 2014.

The weighted average number of shares in issue during the year ended 31 December 2013 is based on (i) the assumption that 4,250,000,000 shares of the Company in issue, comprising 1,000 shares in issue prior to the publication of the Prospectus and 4,249,999,000 shares issued pursuant to the capitalisation issue, as if these shares were issued on 1 January 2013; and (ii) 750,000,000 shares issued under the IPO.

	2014	2013
	'000	'000
Weighted average number of shares		
Issued shares at 1 January	**5,000,000**	1
Effect of capitalisation issue (note 24(c))	**–**	4,249,999
Effect of issuance of new shares under the IPO (note 24(c))	**–**	24,658
Weighted average number of shares	**5,000,000**	4,274,658

(b) Diluted earnings per share

There were no diluted potential shares in existence during the year ended 31 December 2014 and 2013. The Company's share options as at 31 December 2014 (no share options were issued at 31 December 2013) do not give rise to any dilution effect to the earnings per share.

13 FIXED ASSETS

(a) Group

	Investment properties RMB'000	Investment properties under development RMB'000	Sub-total RMB'000	Other land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and other fixed assets RMB'000	Sub-total RMB'000	Total RMB'000
Cost or valuation:								
At 1 January 2014	3,573,000	220,000	3,793,000	33,615	47,141	133,693	214,449	4,007,449
Additions	51,804	-	51,804	-	16,107	30,243	46,350	98,154
Acquisition of subsidiaries (note 29)	-	-	-	8,983	-	206	9,189	9,189
Transfer to investment properties	220,000	(220,000)	-	-	-	-	-	-
Transfer to inventories	(22,158)	-	(22,158)	-	-	-	-	(22,158)
Disposals	-	-	-	-	-	(6,400)	(6,400)	(6,400)
Surplus on revaluation	861,854	-	861,854	-	-	-	-	861,854
Exchange difference	-	-	-	-	11	15	26	26
At 31 December 2014	4,684,500	-	4,684,500	42,598	63,259	157,757	263,614	4,948,114
Representing:								
Cost	-	-	-	42,598	63,259	157,757	263,614	263,614
Valuation	4,684,500	-	4,684,500	-	-	-	-	4,684,500
	4,684,500	-	4,684,500	42,598	63,259	157,757	263,614	4,948,114
Accumulated depreciation:								
At 1 January 2014	-	-	-	5,846	24,846	86,524	117,216	117,216
Charge for the year	-	-	-	2,209	12,950	14,556	29,715	29,715
Written back on disposals	-	-	-	-	-	(5,366)	(5,366)	(5,366)
Exchange difference	-	-	-	-	4	4	8	8
At 31 December 2014	-	-	-	8,055	37,800	95,718	141,573	141,573
Net book value:								
At 31 December 2014	4,684,500	-	4,684,500	34,543	25,459	62,039	122,041	4,806,541

13 FIXED ASSETS (CONTINUED)

(a) Group (continued)

	Investment properties RMB'000	Investment properties under development RMB'000	Sub-total RMB'000	Other land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and other fixed assets RMB'000	Sub-total RMB'000	Total RMB'000
Cost or valuation:								
At 1 January 2013	3,546,000	190,000	3,736,000	34,072	36,123	123,783	193,978	3,929,978
Additions	62,698	46,473	109,171	–	11,116	16,395	27,511	136,682
Transfer to investment properties	20,679	(20,679)	–	–	–	–	–	–
Disposals	(67,356)	–	(67,356)	(457)	–	(6,344)	(6,801)	(74,157)
Surplus on revaluation	10,979	4,206	15,185	–	–	–	–	15,185
Exchange difference	–	–	–	–	(98)	(141)	(239)	(239)
At 31 December 2013	3,573,000	220,000	3,793,000	33,615	47,141	133,693	214,449	4,007,449
Representing:								
Cost	–	–	–	33,615	47,141	133,693	214,449	214,449
Valuation	3,573,000	220,000	3,793,000	–	–	–	–	3,793,000
	3,573,000	220,000	3,793,000	33,615	47,141	133,693	214,449	4,007,449
Accumulated depreciation:								
At 1 January 2013	–	–	–	4,644	17,543	77,615	99,802	99,802
Charge for the year	–	–	–	1,645	7,322	14,150	23,117	23,117
Written back on disposals	–	–	–	(443)	–	(5,239)	(5,682)	(5,682)
Exchange difference	–	–	–	–	(19)	(2)	(21)	(21)
At 31 December 2013	–	–	–	5,846	24,846	86,524	117,216	117,216
Net book value:								
At 31 December 2013	3,573,000	220,000	3,793,000	27,769	22,295	47,169	97,233	3,890,233

13 FIXED ASSETS (CONTINUED)

(b) Company

	Leasehold improvement	
	2014	2013
	RMB'000	RMB'000
Cost:		
At 1 January	**3,130**	3,228
Exchange difference	**11**	(98)
At 31 December	**3,141**	3,130
Accumulated depreciation:		
At 1 January	**1,200**	592
Charge for the year	**628**	627
Exchange difference	**4**	(19)
At 31 December	**1,832**	1,200
Net book value:		
At 31 December	**1,309**	1,930

13 FIXED ASSETS (CONTINUED)

(c) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties 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 at each end of the reporting period	**Fair value measurements as at the end of each reporting period categorised into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
At 31 December 2014				
Fixed assets:				
– Investment properties	4,684,500	–	–	4,684,500
At 31 December 2013				
Fixed assets:				
– Investment properties	3,573,000	–	–	3,573,000
– Investment properties under developments	220,000	–	–	220,000

(Expressed in Renminbi)

13 FIXED ASSETS (CONTINUED)

(c) Fair value measurement of properties (continued)

(i) Fair value hierarchy (continued)

During the year ended 31 December 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.

All of the Group's investment properties and investment properties under developments were revalued as at 31 December 2013 and 2014. The valuations were carried out by an independent firm of surveyors, Roma Appraisals Limited (2013: DTZ Debenham Tie Leung Limited), who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's management have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**	**Range (weighted average)**
Group			
At 31 December 2014			
Investment properties	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	7,000–82,000 (39,300)
At 31 December 2013			
Investment properties	Income capitalisation method	Market monthly rental rate (RMB/sq.m.) Capitalisation rate	33–264 (198) 4.25% – 6.0% (4.92%)
Investment properties under developments	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	17,000–21,000 (18,832)

13 FIXED ASSETS (CONTINUED)

(c) Fair value measurement of properties (continued)

(ii) Information about Level 3 fair value measurements (continued)

At 31 December 2014, the fair values of investment properties have been valued by reference to sales evidences as available on the market. The fair value measurement is positively correlated to the market unit sale rate.

At 31 December 2013, the fair values of investment properties was determined using the income capitalisation method by capitalising the rental income derived from the existing tenancies with due provisions for the reversionary income potential of the properties. The fair value measurement was positively correlated to the market monthly rental rate, and negatively correlated to capitalisation rate. The investment properties under developments had been valued on the basis that the properties will be developed and completed in accordance with the relevant development plans. They were determined using the direct comparison approach by making references to comparable sale evidence as available in the relevant market, with adjustments for development costs to be expended to complete the properties. The fair value measurement was positively correlated to the market unit sale rate.

The movements during the year in the balance of Level 3 fair value measurements are set out in note 13(a) to these financial statements.

The loss on disposal of investment properties and changes in fair values of investment properties and investment properties under developments are presented in "other net loss" and "net increase in fair value of investment properties" in the consolidated income statement respectively.

(d) The analysis of net book value of properties is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
In the PRC		
– under long leases	**576,000**	368,000
– under medium-term leases	**4,143,043**	3,452,769
	4,719,043	3,820,769

The Group's certain investment properties, investment properties under development and properties under development for own use were pledged against the Group's bank and other loans, details of which are set out in note 21.

14 INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	RMB'000	RMB'000
Unlisted shares, at cost	**10,211**	10,211

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. All of them are established in the PRC unless otherwise stated.

		Proportion of ownership interest			
Name of subsidiaries	**Issued and fully paid/ registered capital**	**Group's effective interest**	**Held by the Company**	**Held by subsidiary**	**Principal activities**
Yuen Ming Investments Company Limited (incorporated in the BVI) (潤銘投資有限公司)	US$1	100%	100%	–	Investment holding
Noble Rhythm International Limited (incorporated in the BVI) (樂韻國際有限公司)	US$50,000	100%	100%	–	Investment holding
Golden Prosper Investments Limited (incorporated in the BVI) (金裕投資有限公司)	US$1	100%	100%	–	Investment holding
Jolly Gain Investments Limited (incorporated in the BVI) (樂盈投資有限公司)	US$1	100%	100%	–	Investment holding
Platinum Profit Investments Limited (incorporated in the BVI) (鉑盈投資有限公司)	US$1	100%	100%	–	Investment holding
Tai Ying Investments Limited (incorporated in the BVI) (太盈投資有限公司)	US$1	100%	100%	–	Investment holding
Talent Union Investments Limited (incorporated in the BVI) (匯駿投資有限公司)	US$1	100%	100%	–	Investment holding
Dragon Coronet Limited (incorporated in the BVI) (龍冠有限公司)	US$1	100%	100%	–	Investment holding

(Expressed in Renminbi)

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

		Proportion of ownership interest			
Name of subsidiaries	Issued and fully paid/ registered capital	Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Yuen Ming (Hong Kong) Investments Company Limited (incorporated in Hong Kong) (潤銘(香港)投資有限公司)	HK$1	100%	–	100%	Investment holding
Kam Wang (Hong Kong) Investments Company Limited (incorporated in Hong Kong) (金泓(香港)投資有限公司)	HK$1	100%	–	100%	Investment holding
Grandview Architectural Design Services Limited (incorporated in Hong Kong)	HK$1	100%	–	100%	Investment holding
Golden Prosper (Hong Kong) Investments Limited (incorporated in Hong Kong) (金裕(香港)投資控股有限公司)	HK$1	100%	–	100%	Inactive
Jolly Gain (Hong Kong) Investments Limited (incorporated in Hong Kong) (樂盈(香港)投資有限公司)	HK$1	100%	–	100%	Inactive
Platinum Profit (Hong Kong) Investments Limited (incorporated in Hong Kong) (鉑盈(香港)投資有限公司)	HK$1	100%	–	100%	Inactive
Tai Ying (Hong Kong) Investments Limited (incorporated in Hong Kong) (太盈(香港)投資有限公司)	HK$1	100%	–	100%	Inactive
Talent Union (Hong Kong) Investments Limited (incorporated in Hong Kong) (滙駿(香港)投資有限公司)	HK$1	100%	–	100%	Inactive
King Kerry Investments Company Limited (incorporated in the BVI) (金凱利投資有限公司)	US$1	100%	–	100%	Investment holding

(Expressed in Renminbi)

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Issued and fully paid/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
King Kerry (Hong Kong) Investments Company Limited (incorporated in Hong Kong) (金凱利(香港)投資有限公司)	HK$1	100%	–	100%	Investment holding
Logan Construction Co., Ltd. (note) (龍光工程建設有限公司)	RMB80,000,000	91%	–	91%	Property construction
Shenzhen Youkaisi Investment Co., Ltd. (note) (深圳市優凱思投資顧問有限公司)	RMB443,000,000	100%	–	100%	Investment holding and provision of consultancy services to group companies
Zhongshan Logan Property Co., Ltd. (note) (中山市龍光房地產有限公司)	RMB30,000,000	100%	–	100%	Property development
Nanning Logan Property Development Co., Ltd. (note) (南寧市龍光房地產開發有限公司)	RMB100,000,000	100%	–	100%	Property development and investment
Guangzhou Logan Property Co., Ltd. (note) (廣州市龍光房地產有限公司)	RMB40,000,000	100%	–	100%	Property development and investment
Guangzhou Logan Realty Co., Ltd. (note) (廣州市龍光置業有限公司)	RMB30,000,000	100%	–	100%	Property development
Huizhou Daya Bay Logan Property Co., Ltd. (note) (惠州大亞灣龍光房地產有限公司)	RMB10,000,000	100%	–	100%	Property development
Shantou Logan Property Co., Ltd. (note) (汕頭市龍光房地產有限公司)	RMB10,000,000	100%	–	100%	Property development
Zhuhai Logan Property Development Co., Ltd. (note) (珠海市龍光房地產開發有限公司)	RMB30,000,000	100%	–	100%	Property development and investment
Foshan Shunde Logan Realty Co., Ltd. (note) (佛山市順德區龍光置業房產有限公司)	RMB35,295,000	100%	–	100%	Property development

(Expressed in Renminbi)

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Issued and fully paid/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Huizhou Logan Property Co., Ltd. (note) (惠州市龍光房地產有限公司)	RMB30,000,000	100%	–	100%	Property development
Dongguan Logan Property Co., Ltd. (note) (東莞市龍光房地產有限公司)	RMB50,000,000	100%	–	100%	Property development
Shantou Jinfengyuan Realty Co., Ltd. (note) (汕頭市金鋒園置業有限公司)	RMB66,000,000	100%	–	100%	Property development
Nanning Logan Jinjun Property Development Co., Ltd. (note) (南寧市龍光金駿房地產開發有限公司)	RMB50,000,000	100%	–	100%	Property development and investment
Hainan Logan Property Development Co., Ltd. (note) (海南龍光房地產開發有限公司)	RMB20,000,000	100%	–	100%	Investment holding
Chengdu Logan Property Co., Ltd. (note) (成都市龍光房地產有限公司)	RMB10,000,000	100%	–	100%	Property development
Shantou Logan Realty Co., Ltd. (note) (汕頭市龍光置業有限公司)	RMB33,000,000	100%	–	100%	Property development and investment
Shantou Jiarun Property Co., Ltd. (note) (汕頭市佳潤房地產有限公司)	RMB50,000,000	100%	–	100%	Property development
Hainan Junjun Realty Co., Ltd. (note) (海南金駿置業有限公司)	RMB351,800,000	100%	–	100%	Property development
Foshan Shancheng Logan Property Co., Ltd. (note) (佛山市禪城區龍光房地產有限公司)	RMB10,500,000	100%	–	100%	Property development
Nanning Logan Bojun Property Development Co., Ltd. (note) (南寧市龍光鉑駿房地產開發有限公司)	RMB393,040,900	100%	–	100%	Property development
Chengdu Logan Jinjun Realty Co., Ltd. (note) (成都市龍光金駿置業有限公司)	RMB10,000,000	100%	–	100%	Property development

(Expressed in Renminbi)

14 Investments in Subsidiaries (Continued)

Name of subsidiaries	Issued and fully paid/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Chengdu Logan Donghua Property Development Co., Ltd. (note) (成都市龍光東華房地產開發有限公司)	RMB558,059,600	100%	–	100%	Property development
Shenzhen Logan Dongzhen Realty Co., Ltd. (note) (深圳市龍光東圳置業有限公司)	RMB30,000,000	100%	–	100%	Investment holding
Huizhou Daya Bay Dongzhen Property Co., Ltd. (note) (惠州大亞灣東圳房地產有限公司)	RMB50,000,000	100%	–	100%	Property development and investment
Shenzhen Logan Property Co., Ltd. (note) (深圳市龍光房地產有限公司)	RMB28,000,000	100%	–	100%	Property development and investment
Shenzhen Yongjing Decorating Construction Co. Ltd. (note) (深圳市潤景裝飾工程有限公司) (formerly known as Shenzhen Logan Decorating Construction Co., Ltd.)	RMB5,000,000	91%	–	100%	Provision of decoration construction to group companies
Shenzhen Logan Media Planning Co., Ltd. (note) (深圳市龍光傳媒策劃有限公司)	RMB2,200,000	100%	–	100%	Provision of advertising services to group companies
Shenzhen Chenrong Construction Materials Co., Ltd. (note) (深圳市宸榮建築材料有限公司)	RMB5,000,000	91%	–	100%	Sales of construction materials to group companies
Shenzhen Logan Century Business Management Co. Ltd. (note) (深圳市龍光世紀商業管理有限公司)	RMB100,000,000	100%	–	100%	Provision of management services to group companies
Nanning Logan Junchi Property Development Co., Ltd. (note) (南寧市龍光駿馳房地產開發有限公司)	RMB35,000,000	100%	–	100%	Property development
Zhongshan Jinjun Property Co., Ltd. (note) (中山市金駿房地產有限公司)	RMB10,000,000	100%	–	100%	Property development

(Expressed in Renminbi)

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Issued and fully paid/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Foshan Nanhai Logan Realty Co., Ltd. (note) (佛山市南海區龍光置業房產有限公司)	RMB58,820,000	51%	–	51%	Property development
Shenzhen Logan Investment Consultancy Co., Ltd. (note) (深圳市龍光投資顧問有限公司)	RMB10,000,000	100%	–	100%	Investment holding
Dongguan Logan Realty Co., Ltd. (note) (東莞市龍光置業有限公司)	RMB10,500,000	100%	–	100%	Property development
Shantou Logan Jinjun Property Co., Ltd. (note) (汕頭市龍光金駿房地產有限公司)	RMB50,000,000	100%	–	100%	Property development
Zhongshan Junchi Property Co., Ltd. (note) (中山市駿馳房地產有限公司)	RMB10,500,000	100%	–	100%	Property development
Foshan Runjing Property Co., Ltd. (note) (佛山市順德區龍光潤景房地產有限公司)	RMB10,000,000	100%	–	100%	Property development
Foshan Logan Realty Co., Ltd. (note) (佛山市龍光置業房產有限公司)	RMB10,500,000	51%	–	51%	Property development
Shantou Logan Junjing Property Co., Ltd. (note) (汕頭市龍光駿景房地產有限公司)	RMB49,908,125	51%	–	51%	Property development
Shenzhen Jinjun Property Co., Ltd. (note) (深圳市金駿房地產有限公司)	RMB100,000,000	51%	–	51%	Property development
Guilin Logan Bojun Property Development Co., Ltd. (note) (桂林市龍光鉑駿房地產開發有限公司)	RMB50,000,000	100%	–	100%	Property development
Haikou Logan Property Development Co., Ltd. (note) (海口市龍光房地產開發有限公司)	RMB50,000,000	100%	–	100%	Property development

(Expressed in Renminbi)

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Issued and fully paid/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Shenzhen Logan Junchi Property Development Co., Ltd. (note) (深圳市龍光駿馳房地產開發有限公司)	RMB5,000,000	51%	–	51%	Property development
Nanning Dezhiji Construction Materials Co., Ltd. (note) (南寧市德之吉建材有限公司)	RMB5,000,000	91%	–	100%	Property development
Guangdong Modern Construction Design and Consultation Co., Ltd. (note) (廣東現代建築設計與顧問有限公司)	RMB6,000,000	100%	–	100%	Provision of construction design and consultation services
Foshan Logan Sunshine Seaward Property Co., Ltd. (note) (佛山市龍光陽光海岸房地產有限公司)	RMB10,500,000	66%	–	66%	Property development
Guangxi King Kerry Realty Co., Ltd. (note) (廣西金凱利置業有限公司)	USD18,000,000	95%	–	95%	Property development
Shenzhen Runjing Logistic Co., Ltd. (note) (深圳市潤景物流有限公司)	RMB5,000,000	100%	–	100%	Logistics
Zhuhai Bojun Property Development Co., Ltd. (note) (珠海市鉑駿房地產開發有限公司)	RMB5,000,000	51%	–	51%	Property development

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

15 INVENTORIES

	Group	
	2014	2013
	RMB'000	RMB'000
Construction		
Raw materials	**3,097**	2,199
Property development		
Properties held for development for sale	**9,663,537**	4,486,934
Properties under development for sale	**13,772,764**	8,977,288
Completed properties available for delivery	**4,436,042**	4,219,405
	27,872,343	17,683,627
	27,875,440	17,685,826

(a) The analysis of carrying value of properties is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
In the PRC		
– under long leases	**27,872,343**	17,683,627
Including:		
– Properties expected to be completed after more than one year	**3,169,653**	2,142,222

(b) The Group's certain properties held for development for sale, properties under development for sale and completed properties available for delivery were pledged against the Group's bank and other loans, details of which are set out in note 21.

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables (note (i))	**140,767**	377,959	**–**	–
Prepayments and other receivables	**921,887**	588,895	**195,255**	3,808
Land deposits (note (v))	**953,808**	260,000	**–**	–
Amounts due from subsidiaries (note (vi))	**–**	–	**4,612,788**	–
Amounts due from related companies (note (vi))	**458,109**	73,293	**–**	–
Amount due from a non-controlling shareholder (note (vi))	**–**	15,827	**–**	–
Derivative financial instruments:				
– Senior notes redemption call options (note 22)	**27,814**	–	**27,814**	–
	2,502,385	1,315,974	**4,835,857**	3,808

Notes:

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

	Group	
	2014	2013
	RMB'000	RMB'000
Current or less than 1 month overdue	**116,311**	135,356
More than 1 month overdue and up to 3 months overdue	**–**	116,588
More than 3 months overdue and up to 6 months overdue	**–**	–
More than 6 months overdue and up to 1 year overdue	**14,672**	105,485
More than 1 year overdue	**9,784**	20,530
	140,767	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) The Group's credit policy is set out in note 4(a).

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

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(v) During the year ended 31 December 2013, the Group entered into a land grant contract for acquisition of the land in the PRC and as at 31 December 2013, a total of RMB260,000,000 was paid and recognised as deposit for the acquisition of the land. During the year ended 31 December 2014, the acquisition of the land was completed and respective land use right certificates were obtained.

During the year ended 31 December 2014, the Group entered into three land grant contracts for acquisition of the land in the PRC. As at 31 December 2014, a total of RMB953,808,000 was paid and recognised as deposits for the acquisition of those three pieces of land.

(vi) The amounts due from related companies and subsidiaries are interest-free, unsecured and recoverable on demand.

The amount due from a non-controlling shareholder at 31 December 2013 was interest-free, unsecured and fully recovered during the year.

17 RESTRICTED AND PLEDGED DEPOSITS

	Group	
	2014	2013
	RMB'000	RMB'000
Restricted deposits	**40,102**	14,206
Pledged deposits	**1,898,004**	664,020
	1,938,106	678,226

The Group's certain bank deposits which were pledged as securities in respect of:

	Group	
	2014	2013
	RMB'000	RMB'000
Bank and other loans	**585,336**	639,509
Mortgage loan facilities granted by the banks to purchasers of the Group's properties	**12,668**	24,511
Non-interest bearing payable to a financial institution	**1,300,000**	–
	1,898,004	664,020

18 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**5,576,357**	3,827,434	**272,537**	1,207,654

The Group's cash and bank balances at 31 December 2014 include RMB5,286,477,000 (2013: RMB2,613,059,000) placed with banks in the PRC, the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

19 ASSETS AND LIABILITIES UNDER CROSS-BORDER GUARANTEE ARRANGEMENTS

During the year, the Group entered into some cross-border guarantee arrangements with certain financial institutions, whereby certain offshore funding (i.e. in Hong Kong) primarily obtained from the issuance of Senior Notes has been used as a pledge against advances to onshore (i.e. in the PRC) for the Group's operating use in respect of its property development projects.

Pursuant to these arrangements which are made according to the relevant rules and regulations promulgated by the State Administration of Foreign Exchange, the Group's subsidiaries in Hong Kong deposit funds in the relevant financial institutions, which in turn either through its related companies or business partners in the PRC advanced the same amount of funds to the Group's subsidiaries in the PRC. The net cost of such arrangements is ranging from 1.7% to 2.5% per annum of the total funds advanced. The pledge of the Hong Kong funds deposited with such financial institutions will be released upon the settlement of the advances, detailed as follows:

	2014	2013
	RMB'000	RMB'000
Assets under cross-border guarantee arrangements		
– included as non-current assets	**436,600**	–
– included as current assets	**1,167,000**	–
Liabilities under cross-border guarantee arrangements		
– included as current liabilities	**(1,167,000)**	–
– included as non-current liabilities	**(436,600)**	–
	–	–

20 TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables (note (i))	**3,242,460**	2,703,878	**–**	–
Other payables and accrued charges	**278,743**	241,106	**8,252**	12,937
Dividends payable (note 24(b)(ii))	**368,811**	–	**368,811**	–
Customer deposits received	**36,523**	267,195	**–**	–
Rental and other deposits received	**7,789**	8,367	**–**	–
Receipts in advance	**6,390,599**	6,346,951	**–**	–
Amounts due to subsidiaries (note (ii))	**–**	–	**27,580**	52,189
Amounts due to related companies (note (ii))	**223,860**	161,063	**–**	–
Non-interest bearing payable to a financial institution (note (iii))	**1,293,801**	–	**–**	–
	11,842,586	9,728,560	**404,643**	65,126

Notes:

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

	Group	
	2014	2013
	RMB'000	RMB'000
Within 1 month or on demand	**1,851,483**	1,432,175
More than 1 month but within 3 months	**211,616**	308,793
More than 3 months but within 6 months	**227,260**	303,610
More than 6 months but within 1 year	**662,222**	361,870
More than 1 year	**289,879**	297,430
	3,242,460	2,703,878

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

(iii) The non-interest bearing payable to a financial institution is interest-free, secured by a pledged deposit of RMB1,300,000,000 and repayable within one year.

21 BANK AND OTHER LOANS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans				
– Secured	**8,619,116**	7,499,351	**644,453**	–
– Unsecured	**753,500**	–	**–**	–
	9,372,616	7,499,351	**644,453**	–
Other loans				
– Secured	**1,870,900**	707,000	**–**	–
– Unsecured	**1,638,000**	776,200	**–**	–
	3,508,900	1,483,200	**–**	–

Bank loans and other loans are repayable as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year or on demand	**3,824,474**	2,754,109	**–**	–
After 1 year but within 2 years	**4,611,900**	1,222,000	**–**	–
After 2 years but within 5 years	**3,619,452**	4,411,432	**644,453**	–
After 5 years	**825,690**	595,010	**–**	–
	9,057,042	6,228,442	**–**	–
	12,881,516	8,982,551	**644,453**	–

21 BANK AND OTHER LOANS (CONTINUED)

Other loans are repayable as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Within 1 year or on demand	**2,108,000**	575,200
After 1 year but within 2 years	**1,400,900**	908,000
	3,508,900	1,483,200

Notes:

(i) The bank loans bear floating interest rate ranging from 2.7% to 13.0% (2013: 2.0% to 9.3%) per annum, and are secured by the following assets:

	Group	
	2014	2013
	RMB'000	RMB'000
Investment properties	**2,370,000**	2,978,000
Investment properties under development	**–**	220,000
Properties held for development for sale	**–**	925,595
Properties under development for sale	**9,645,405**	4,736,349
Completed properties available for delivery	**4,007**	803,668
Other land and building	**–**	16,919
Pledged deposits	**567,286**	639,509
	12,586,698	10,320,040

(ii) All of the Group's banking facilities are subject to the fulfillment of covenants relating to the subsidiaries' certain statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2014, none of the covenants relating to drawn down facilities had been breached (2013: nil).

21 BANK AND OTHER LOANS (CONTINUED)

Notes: (continued)

(iii) The other loans are borrowed from other financial institutions, bear fixed interest rate ranging from 6.13% to 13.00% (2013: 7.05% to 11.3%) per annum, and are secured by the following assets:

	Group	
	2014	2013
	RMB'000	RMB'000
Pledged deposits	**18,050**	–
Investment properties	**87,000**	87,000
Properties held for development for sale	**897,863**	–
Properties under development for sale	**327,121**	644,155
	1,330,034	731,155

The other loans also secured by the Group's equity interest in certain subsidiaries.

(iv) Certain bank and other loans at 31 December 2014 amounted to RMB146,000,000 (2013: RMBNil) are guaranteed by related companies/parties and Mr. Kei.

22 SENIOR NOTES

Liability component of the senior notes:

	Group and Company	
	2014	2013
	RMB'000	RMB'000
US$300m Senior Notes (note (i))	**1,844,174**	–
US$250m Senior Notes (note (ii))	**1,539,672**	–
	3,383,846	–

Notes:

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

(ii) On 2 December 2014, the Company issued another senior notes with principal amount of US$250,000,000 due in 2017 ("US$250m Senior Notes"). The senior notes are interest bearing at 9.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 8 December 2017. At any time and from time to time before the maturity date, the Company may at its option redeem the senior notes, at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

22 SENIOR NOTES (CONTINUED)

Notes: (continued)

(iii) The movements of senior notes are set out below:

	Liability component (note (iv)) RMB'000	Redemption call options (notes (v) and 16) RMB'000	Total RMB'000
US$300m Senior Notes			
Proceeds from issuance senior notes	1,865,470	(7,839)	1,857,631
Transaction costs	(28,340)	119	(28,221)
Net proceeds	1,837,130	(7,720)	1,829,410
Interest and transaction cost amortised	121,688	–	121,688
Interest paid	(103,888)	–	(103,888)
Change in fair value	–	(11,233)	(11,233)
Exchange difference	(10,756)	10	(10,746)
At 31 December 2014	1,844,174	(18,943)	1,825,231
US$250m Senior Notes			
Proceeds from issuance senior notes	1,543,679	(6,156)	1,537,523
Transaction costs	(15,437)	62	(15,375)
Net proceeds	1,528,242	(6,094)	1,522,148
Interest and transaction cost amortised	9,894	–	9,894
Change in fair value	–	(2,762)	(2,762)
Exchange difference	1,536	(15)	1,521
At 31 December 2014	1,539,672	(8,871)	1,530,801
Total:			
At 31 December 2014	3,383,846	(27,814)	3,356,032

(iv) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives. The effective interest rates of the liability component of US$300M Senior Notes and US$250m Senior Notes are 11.33% and 9.83% per annum respectively.

(v) Redemption call options represent the fair value of the Company's option to early redeem the senior notes and are recorded as derivative financial instruments under "Trade and other receivables" (note 16). The assumptions applied in determining the fair value of the redemption call options at 31 December 2014 are set out in note 4(e).

(Expressed in Renminbi)

23 EQUITY SETTLED SHARE-BASED TRANSACTIONS

On 29 May 2014, the Group granted share options to the Group's directors and employees (including certain senior managers or above and certain mid-level managers). The exercise of these share options would entitle the Group's directors and employees of the Group to subscribe for an aggregate of 25,480,000 shares (of which 4,950,000 shares are granted to Mr. Kei) 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 holders the right to subscribe for one ordinary share of the Company.

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

No options were exercised during the year ended 31 December 2014 (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	55.667%
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. Expected dividends were estimated based on the dividend policy of the Group. Changes in the subjective input assumptions could materially affect the fair value estimate.

23 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

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.

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Share capital	Share premium	Share-based compensation reserve (note 23(d)(v))	Exchange reserves (note 23(d)(ii))	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	–	–	–	530	(15,723)	(15,193)
Changes in equity for 2013:						
Loss and total comprehensive income for the year	–	–	–	772	(45,236)	(44,464)
Issuance of new shares under the IPO, net of listing expenses (note 24(c))	58,965	1,159,169	–	–	–	1,218,134
Capitalisation issue (note 24(c))	334,150	(334,150)	–	–	–	–
At 31 December 2013 and 1 January 2014	393,115	825,019	–	1,302	(60,959)	1,158,477
Changes in equity for 2014:						
Loss and total comprehensive income for the year	–	–	–	6,567	(88,399)	(81,832)
Dividend declared (note 24(b)(ii))	–	–	–	–	(436,563)	(436,563)
Equity-settled share-based transactions (note 7(b))	–	–	46,890	–	–	46,890
At 31 December 2014	393,115	825,019	46,890	7,869	(585,921)	686,972

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2014 **RMB'000**	2013 RMB'000
Final dividend proposed after the end of reporting period of HK11 cents (equivalent to approximately RMB9 cents) per share (2013: HK11 cents (equivalent to approximately RMB9 cents) per share)	**435,490**	433,879

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

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the year

	2014 **RMB'000**	2013 RMB'000
Final dividend in respect of the previous financial year, approved during the period, of HK11 cents (equivalent to RMB9 cents) (2013: Nil) per share	**436,563**	–

Dividends of HK$82,500,000 (equivalent to RMB67,752,000) (2013: no dividend paid) was paid by 31 December 2014. The remaining amounts were fully accrued as dividends payable (note 20).

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

	2014		2013	
	No. of shares '000	**Amount HKD'000**	No. of shares '000	Amount HKD'000
Authorised:				
Shares of HK$0.1 each	**100,000,000**	**10,000,000**	100,000,000	10,000,000
Shares, issued and fully paid:				
At 1 January	**5,000,000**	**500,000**	1	–*
Issuance of new shares under the IPO	**–**	**–**	750,000	75,000
Capitalisation issue	**–**	**–**	4,249,999	425,000
At 31 December	**5,000,000**	**500,000**	5,000,000	500,000
RMB'000 equivalent at 31 December		**393,115**		393,115

* Each represents HK$100

The Company was incorporated on 14 May 2010 with authorised capital of HK$380,000 divided into 3,800,000 of HK$0.1 each. 1 fully paid share of HK$0.1 was allotted and issued to Ms. Kei.

On 2 November 2012, the Company allotted and issued at par (i.e. HK$0.1 per ordinary share) an aggregate of 999 shares, out of which 939 shares were allotted and issued to Ms. Kei and 20 shares were allotted to each of Dragon Jubilee Investments Limited, Gao Run Holdings Limited and Thrive Ally Limited, all of which are companies incorporated in the British Virgin Islands and are wholly owned by Ms. Kei.

Upon the completion of the Reorganisation on 1 April 2013, the Company became the holding company of the Group.

As at 31 December 2012, except for Guangdong Modern Construction Design and Consultation Co., Ltd. and Foshan Logan Sunshine Seaward Property Co., Ltd., all the companies comprising the Group were direct or indirect subsidiaries of the Company. The share capital in the consolidated statement of financial position as at 31 December 2012 represented the Company's share capital of HK$100. The paid-in capital of Guangdong Modern Construction Design and Consultation Co., Ltd. and Foshan Logan Sunshine Seaward Property Co., Ltd. totalling RMB12,930,000 were included in the other reserve.

24 Capital, Reserves and Dividends (continued)

(c) Share capital (continued)

Pursuant to written resolutions of the Company's shareholders passed on 18 November 2013, the Company's authorised ordinary share capital was increased to HK$10,000,000,000 by the creation of an additional 99,996,200,000 shares of HK$0.1 each, ranking pari passu with the existing shares of the Company in all respects.

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 Prospectus, 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.

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(u).

(iii) PRC statutory reserves

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

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(iii) PRC statutory reserves (continued)

General reserve

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

Statutory surplus reserve

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

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

(iv) Other reserve

The other reserve represents:

(1) The difference between the consideration paid arising from the Reorganisation and the paid-in capital of Shantou Jinfengyuen Realty Co., Ltd., Shantou Logan Realty Co., Ltd. and Shantou Jiarun Property Co., Ltd. and Shenzhen Yaukaisi Investment Co., Ltd.;

(2) The difference between the capital injection and paid-in capital of Shantou Jinfengyuen Realty Co., Ltd., Shantou Logan Realty Co., Ltd., Foshan Nanhai Logan Realty Co., Ltd., Foshan Logan Realty Co. Ltd., Shantou Logan Junjing Property Co., Ltd. and Shenzhen Jinjun Property Co. Ltd.

(v) Share-based compensation reserve

Share-based compensation reserve represents the fair value of services in respect of share options granted under the share option scheme as set out in note 23.

24 Capital, Reserves and Dividends (continued)

(d) Nature and purpose of reserves (continued)

(vi) Distributability of reserves

At 31 December 2014, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company was RMB246,967,000 (2013: RMB765,362,000). After the end of the reporting period, the directors proposed a final dividend of HK11 cents, equivalent to approximately RMB9 cents (2013: HK11 cents, equivalent to approximately RMB9 cents) per share, amounting to RMB435,490,000 (2013: RMB433,879,000). This dividend has not been recognised as a liability at the end of the reporting period.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of net debt to equity ratio. This ratio is calculated as net debt divided by total equity of the Group. Net debt is calculated as total interest bearing bank and other loans and senior notes less cash and cash equivalents and restricted and pledged deposits.

The adjusted net debt to equity ratio at 31 December 2014 and 2013 was as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Total bank loans	**9,372,616**	7,499,351
Total other loans	**3,508,900**	1,483,200
Senior notes	**3,383,846**	–
	16,265,362	8,982,551
Less: Cash and cash equivalents	**(5,576,357)**	(3,827,434)
Restricted and pledged deposits	**(1,938,106)**	(678,226)
Net debt	**8,750,899**	4,476,891
Total equity	**13,317,018**	7,349,676
Net debt to equity ratio	**65.7%**	60.9%

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management (continued)

Save as disclosed in the Directors' Report and note 21(ii), neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

25 COMMITMENTS

Commitments outstanding at 31 December 2014 not provided for in the financial statements were as follows:

	2014 **RMB'000**	2013 RMB'000
Contracted for	**5,231,861**	3,883,596
Authorised but not contracted for	**20,781,381**	18,499,548
	26,013,242	22,383,144

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

26 SIGNIFICANT LEASING ARRANGEMENTS

(a) Lessor

The Group leases out a number of building facilities under operating leases, consisting primarily of retail shops attached to some property development projects and office space. The leases typically run for an initial period of 3 to 15 years, with an option to renew the leases after that date at which time all terms are renegotiated. Further details of the carrying value of the properties are contained in note 13.

The Group's total future minimum lease incomes under non-cancellable operating leases are receivable as follows:

	2014 **RMB'000**	2013 RMB'000
Within 1 year	**59,458**	66,034
After 1 year but within 5 years	**178,866**	124,618
After 5 years	**86,029**	13,165
	324,353	203,817

26 SIGNIFICANT LEASING ARRANGEMENTS (CONTINUED)

(b) Lessee

The Group leases office space under operating leases. The leases typically run for an initial period of 1 to 4 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2014 RMB'000	2013 RMB'000
Within 1 year	**5,443**	7,247
After 1 year but within 5 years	**1,458**	4,062
	6,901	11,309

27 CONTINGENT LIABILITIES

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

	2014 RMB'000	2013 RMB'000
Guarantees given to financial institutions for mortgages facilities granted to purchasers of the Group's properties	**4,371,045**	3,372,691

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.

27 CONTINGENT LIABILITIES (CONTINUED)

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

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.

(b) Guarantees given to financial institutions for bank loans granted to subsidiaries by the Company

The Company has given a guarantee in respect of banking facilities of the wholly-owned subsidiaries to the extent of RMB424,564,000 (2013: RMB424,564,000), of which RMB47,334,000 were utilised (2013: RMB424,201,000). At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under the guarantee. The Company has not recognised any deferred income in respect of the guarantee as its fair value cannot be reliably measured using observable market data and its transaction price was RMBNil (2013: RMBNil).

28 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the financial statements, major related party transactions entered by the Group during the year are follows:

	Note	2014 RMB'000	2013 RMB'000
Construction contracts income from related companies	(a)	**228,400**	674,466
Design fee income from a related company	(b)	**2,710**	3,650
Sales of construction raw materials to related companies	(c)	**–**	2,890
Construction management service income from a related company	(d)	**–**	1,739
Remuneration of key management personnel	(e)	**(24,323)**	(13,892)

Notes:

(a) The Group being engaged for the construction projects of related companies on normal commercial terms and in the ordinary course of business.

28 Material Related Party Transactions (continued)

Notes: (continued)

(b) The Group provides construction design service to a related company (became a subsidiary upon the completion of acquisition as mentioned in note 29) on normal commercial terms and in the ordinary course of business.

(c) In 2013, the Group sold construction raw materials to related companies on normal commercial terms and in the ordinary course of business.

(d) In 2013, the Group provided construction management service to a related company (became a subsidiary upon the completion of acquisition as mentioned in note 29) on normal commercial terms and in the ordinary course of business.

(e) Remuneration of key management personnel, including amounts paid to the directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2014 **RMB'000**	2013 RMB'000
Short-term employee benefits	**24,323**	13,892
Post-employment benefits	**–**	–
	24,323	13,892

(f) Applicability of the Listing Rules relating to connected transaction

The related party transactions in respect of construction contracts income from related companies (note 28(a)) constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Directors' Report. The related party transactions in respect of design fee income and construction management services income from a related company (notes 28(b) and (d)) constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules, however they are exempt from the disclosures requirements in Chapter 14A of the Listing Rules.

29 Acquisition of Subsidiaries

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 (through its wholly-owned subsidiary and 95%-owned subsidiary (collectively "King Kerry Group")) in turn owned 95% interest in a property project in Guangxi. The transaction constituted a connected transaction to the Company under the "Listing Rules" and was approved by the independent shareholders of the Company at the "EGM" held on 31 July 2014. The transaction was completed on 31 July 2014.

This acquisition has been accounted for using the acquisition method. The gain from acquisition was RMB5,058,000. King Kerry Group was acquired so as to continue the expansion of the Group's property development operations.

29 ACQUISITION OF SUBSIDIARIES (CONTINUED)

The following table summarises the consideration paid for business acquisition completed in the current year, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date:

	RMB'000
Other property, plant and equipment	9,189
Inventories	1,807,300
Trade and other receivables	657,920
Tax recoverable	53,373
Cash and cash equivalents	341,693
Trade and other payables	(1,302,965)
Bank and other loans	(1,150,701)
Net identified assets and liabilities	415,809
Less: Non-controlling interest	(26,751)
	389,058
Gain from acquisition (note 6(a))	(5,058)
Total consideration	384,000
Total consideration	384,000
Amount due to a related company	(223,850)
Total consideration paid	160,150
Cash and cash equivalents acquired	(341,693)
Net cash inflow arising from acquisition	181,543

For the period from 1 August 2014 to 31 December 2014, King Kerry Group contributed turnover of RMB1,069,299,000 and profit of RMB264,653,000 to the Group's result. If the acquisition had occurred on 1 January 2014, management estimates that consolidated turnover would have been RMB12,528,201,000, and consolidated profit for the year would have been RMB2,431,626,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2014.

The Group incurred acquisition-related costs (included legal, valuation and due diligence costs) of approximately RMB707,000. These costs have been included in 'administrative expenses'.

30 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 24(b).

(Expressed in Renminbi)

31 ULTIMATE CONTROLLING PARTY

At 31 December 2014, in the opinion of the directors of the Company, Ms. Kei, who is a non-executive director of the Company, is the ultimate controlling party of the Company.

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

Five Years' Financial Summary

Consolidated Results

	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**12,497,937**	11,119,424	6,587,660	3,447,474	2,851,659
Profit attributable to shareholders of the Company	**2,347,630**	2,024,156	1,794,068	1,247,583	926,251

Consolidated Assets, Liabilities and Equity

	At 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**5,609,629**	4,187,407	4,075,690	3,187,487	2,097,201
Current assets	**39,226,124**	23,624,432	17,973,466	13,405,167	9,986,814
Total assets	**44,835,753**	27,811,839	22,049,156	16,592,654	12,084,015
Current liabilities	**17,827,322**	13,634,741	12,821,807	9,596,124	5,938,292
Non-current liabilities	**13,691,413**	6,827,422	5,076,588	4,673,171	4,449,058
Total liabilities	**31,518,735**	20,462,163	17,898,395	14,267,295	10,387,350
Net assets	**13,317,018**	7,349,676	4,150,761	2,323,359	1,696,665
Equity attributable to shareholders of the Company	**11,209,886**	7,335,688	4,092,780	2,291,849	1,680,726
Non-controlling interests	**2,107,132**	13,988	57,981	31,510	15,939
Total equity	**13,317,018**	7,349,676	4,150,761	2,323,359	1,696,665