



Logan Property Holdings Company Limited
龍光地產控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3380)

ANNUAL REPORT
2015



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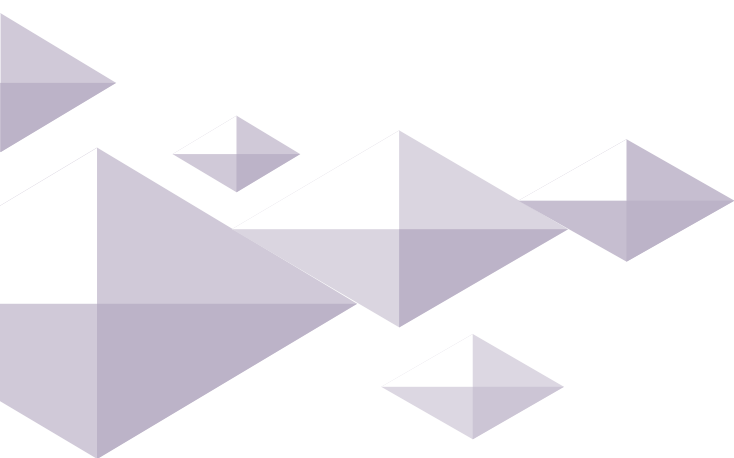
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COMPANY PROFILE

Logan Property Holdings Group Limited (“Logan Property” or the “Company”) is a leading integrated property developer in the PRC focusing on the residential property development, mainly focusing on the prosperous market including Shenzhen and Pearl River Delta region, with products primarily target first-time homebuyers and upgraders. As of 31 December 2015, the Company together with its subsidiaries (the “Group”) had a land bank with an aggregate GFA of 13.71 million sqm. Over 60% of saleable resources is in Shenzhen market. In 2015, the Group was ranked the 38th-largest property developer in the PRC in terms of overall business strengths. In addition, Moody’s and Fitch have affirmed their ratings of “Ba3” and “BB-” respectively with a Stable Outlook. Logan Property is a constituent stock in the MSCI (Morgan Stanley Capital International) China Small Cap Index Series and Hang Seng Composite LargeCap/MediumCap Index. Logan Property has also been included the list of eligible stocks for southbound trading of the Shanghai-Hong Kong Stock Connect.



AWARDS



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



China Top 100 Real Estate Developers for five consecutive years from 2011 to 2015

Presented by the following Organizations:

China Top 10 Real Estate Research Committee
(中國房地產TOP10研究組)



Certificate of 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 2015 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



Top 10 Chinese Real Estate Company Listed in Hong Kong in terms of Investment Value in 2015 (二零一五中國大陸在港上市房地產公司投資價值TOP10)

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



2015 China Top 100 Real Estate Developers – Top 10 by Profitability

Presented by the following Organizations:
China Top 10 Real Estate Research Committee
(中國房地產TOP10研究組)



Medal of the Most Valuable Real Estate Enterprise of China for 2015

Presented by the following Organization:
@guardian

AWARDS



Hong Kong Outstanding Enterprise 2015

Presented by following Organization:
Economic Digest



The Highest Development Potential Real Estate Enterprises for 2015 (2015年度最佳成长潜力房企)

Presented by the following Organization:
hexun.com

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

Unit Nos. 02-03A, Level 68

International Commerce Centre

1 Austin Road West

Hong Kong

COMPANY'S WEBSITE

<http://www.loganestate.com>

AUTHORIZED REPRESENTATIVES

Ms. Li Yan Wing, Rita

Ms. Kei Perenna Hoi Ting

PRINCIPAL SHARE REGISTRAR

Codan Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL BANKER

Industrial and Commercial Bank of China (Asia) Limited

33/F, ICBC Tower

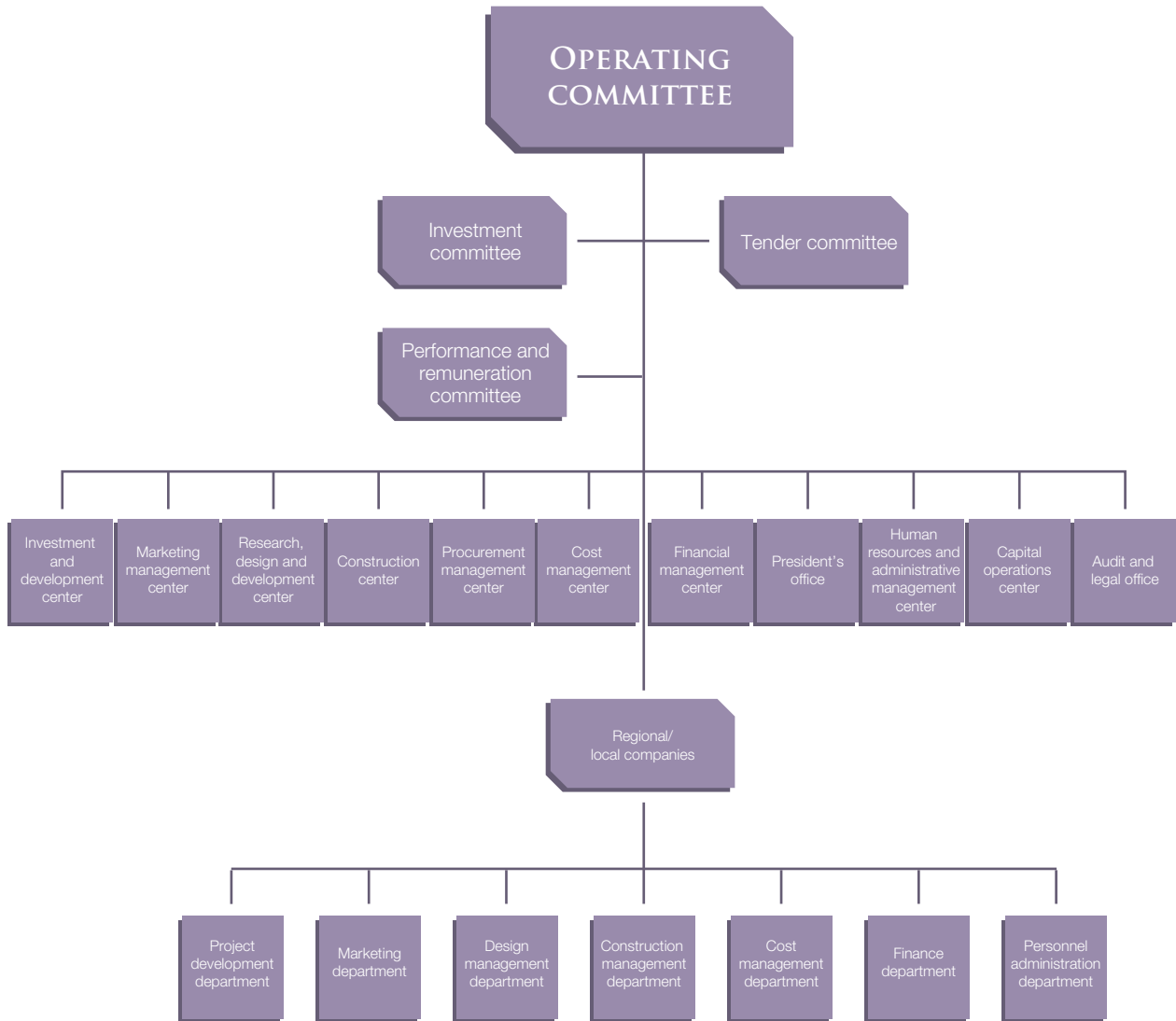
3 Garden Road, Central

Hong Kong

LISTING INFORMATION

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

CORPORATE STRUCTURE



CHAIRMAN'S STATEMENT

THE GROUP WILL TIMELY ADJUST
OUR MARKETING STRATEGIES ACCORDING TO
MARKET CHANGES TO ACHIEVE HIGHER SALES
GROWTH WHILE MAINTAINING REASONABLE
PROFIT MARGIN.

Dear shareholders,

On behalf of the board of directors of the Company (the "Board"), I hereby present the annual results of the Group for the financial year ended 31 December 2015.

RESULTS AND RATINGS

For the year ended 31 December 2015, the Group recorded contracted sales of approximately RMB20.5 billion, representing a significant increase of approximately 53.6% as compared with the corresponding period of the previous year, and contracted saleable GFA of 2,420,000 sq.m., which exceeded the increased annual sales target of the Group of RMB18.0 billion for this year by 14%, with the growth rate of sales ranking top in the industry. Despite the sluggish economy and fierce competition, the Group once again recorded sustainable and remarkable growth. Revenue for the year amounted to RMB14,574.0 million, representing an increase of approximately 16.6% as compared with the corresponding period of the previous year. For the year of 2015, gross profit amounted to RMB4,430.1 million, and the



CHAIRMAN'S STATEMENT



gross profit margin was 30.4%. Profit attributable to equity shareholders amounted to RMB2,649.3 million, representing an increase of approximately 12.8% as compared with the corresponding period of the previous year. Core profit amounted to approximately RMB1,973.6 million, representing an increase of approximately 12.1% as compared with the corresponding period of the previous year. Core profit margin was 13.5%.

In 2015, the economic environment, business condition and domestic property market were full of challenges. Logan Property gained wide recognition and support from the industry and capital market with its visionary land distribution, quick turnover of quality products and outstanding sales performance. During the year under review, Logan Property was again rated by Moody's and Fitch, each being an international authorized rating agency, with a rating of Ba3 and BB-, respectively and the outlook remained stable. Logan Property was selected as the "Most Valuable Property Enterprise in 2015" and the "Most Valuable Listed Property Enterprise in 2015" by National Business Daily. Logan Property also won the "Most Valuable Real Estate Enterprise for Investment in China of 2015" in the 2015 Popular China Real Estate Award (中國地產風尚大獎) of the Boao Real Estate Forum organized by boao.guandian.cn (觀點博鰲房地產論壇). In Hong Kong, the Group also won the award of "Hong Kong Outstanding Enterprises of 2015" issued by Economic Digest. Logan Property won the above awards for the second consecutive year since its listing in 2013, evidencing the high recognition of the society to the business strength and enormous growth potential of Logan Property.

MARKET REVIEW AND SALES PERFORMANCE

In 2015, the global economic condition was volatile. On the other hand, the PRC economy maintained stable growth under the new norm, and the overall economic structure continued to optimize and upgrade. During the year under review, benefitted from the introduction of numerous favourable policies promulgated by the PRC government, the general sales performance of the PRC property market marked a significant recovery. Following the implementation of the "330 New Policy" of the PRC real estate market by the central government at the beginning of the year 2015, various control and adjustment policies were launched to support the sustainable development of the PRC real estate market, including the adjustment of down-payment ratio for purchase of the second property and purchaser using housing accumulation fund loans, together with the relaxed monetary policies, such as reductions of interest rate for five times and benchmark rates for four times. Cost of home purchasers and upgraders to purchase houses decreased, thus boosting the demand for upgraders. The property market has showed recovery since the first half of the year under review. According to the data published by National Bureau of Statistics, total saleable GFA and sales

CHAIRMAN'S STATEMENT

of commodity houses for the year 2015 increased by approximately 6.5% and approximately 14.4% as compared with the corresponding period of the previous year, respectively. During the year under review, the Company continued to focus largely on projects targeting upgraders and first-time homebuyers and catering to inelastic demand in order to fully grasp the market opportunities. Of the contracted sales units in 2015, approximately 94% had GFA of 140 sq.m. or less. In terms of payment method, approximately 80% of contracted sales units in 2015 were settled by mortgage down payment.

During the process of industrial restructuring, the supply and demand of different cities varied significantly. First-tier cities and certain major second-tier cities showed strong recovery with rapid and significant growth in property prices and turnover. Property markets in other second-tier cities remained stable, while the destocking process continued in third-and fourth-tier cities. The Company grasped the market opportunities timely and stood out in the consolidation of the industry with its remarkable sales performance during the year under review. The Company ranked top in the industry with its 53.6% growth rate of contracted sales. Due to the unbalanced of long-term property demand and supply structure, the property price in Shenzhen recorded the most rapid growth among all first-tier cities in the PRC. As at 31 December 2015, the Company has land reserve of 13,710,000 sq.m., and over 60% of the saleable resources are located in Shenzhen. During the year under review, the two flagship projects in Shenzhen, namely the Logan City in eastern Shenzhen (深圳東龍光城) and Acesite Mansion (玖龍璽), made great contribution to the growth of the annual sales of the Company. The Acesite Mansion, locating in Longhua district, the new core area of Shenzhen, was launched for pre-sale in October and December 2015, respectively, receiving overwhelming responses from the market. This project is built atop a metro station in Longhua district, being only one station away from Shenzhen North Railway Station and 28 minutes from West Kowloon, Hong Kong upon completion of the High Speed Rail Link. With the strategic positioning as the garden oasis in the Futian central business district ("CBD"), the project enjoys highly-developed commercial and community facilities in Futian. Together with the competitive design of units equipping with intelligent household decoration, the project has great appreciation potential. The Group obtained such land parcel through public tender at the end of October 2014. It took only a year for land resumption, land development and launching of sales. Quick turnover of the project ensured rapid cash returns for the year under review. Another key project of the Group in Shenzhen was Logan City in Shenzhen East with a GFA of 5 million sq.m.. Featured with the magnificent mountain landscape and lake view, convenient transportation and well-equipped facilities, the project attracted much attention from people with inelastic demand in Shenzhen. The popular sales during the year 2015 contributed to a higher selling price. During the year 2015, nearly 8,000 units of approximately RMB5 billion were sold.

PROSPECTS

Year 2016 is the first year of which year the 13th Five-Year Plan becomes effective. Under the current macro-environment, it is expected that the economic growth in China will be within a reasonable range. Structural reform and urbanization will be continued to put forward. In light of a slower growth of GDP, the central government is expected to continue its qualitative easing policy and effective financial policies in order to stimulate domestic economic development. The moderate supporting policies to the real estate industry are also expected to continue. In respect of the PRC real estate industry, the development of urbanization and the real estate enterprises has shown. 2016 also marks the 20th anniversary of the establishment of the Group. The Group will duly adjust its investments and sales strategies according to the changing market situation so as to strive for a higher sales growth while ensuring a reasonable profit margin.

CHAIRMAN'S STATEMENT

In respect of the product structure, the Group will continue to focus on projects catering to inelastic demand and targeting first-time homebuyers and upgraders in order to strengthen the existing advantages and competitiveness of the Group. Further, the Group will also strive to further refine the design and quality of products with an aim to provide the best quality to customers and realize product value of the Group.

In respect of the land investment, the Group will maintain its leading market position in Shantou and Nanning while further increasing its investment in the large Shenzhen circle and the Pearl River Delta and optimising its strategic plan. Its focus will be placed on cities and surrounding regions with a more developed economy and development potential, including Beijing-Tianjin-Hebei Economic Zone, Shanghai and zone nearby and the opportunities to obtain the land nearby. These efforts will allow the Group to establish a quality land reserve for its continuous rapid growth. The Group will also acquire quality properties in the core areas of first-tier cities such as Shenzhen, Beijing and Shanghai to provide long-term and stable operating cash flow for the Company.

In addition, the Group will also continue to analyse the development opportunities of other industries and other investment projects in order to further optimize its diversified strategies and create greater returns for the shareholders.

ACKNOWLEDGMENTS

On behalf of the Board, I hereby express my gratitude to all customers, employers, partners and shareholders for their support and trust under any market condition. I also express my heartfelt thankfulness to the management and all employees of the Company for their dedication for a satisfactory results of the Group. Over the past two decades, the Company has been building its value with passion. The Company will continue to work closely for the sustainable development of the Group and a higher return for all shareholders.

Kei Hoi Pang

Chairman

Hong Kong

10 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS



PERFORMANCE HIGHLIGHTS

	2015 RMB'000	2014 RMB'000	Changes %
Revenue¹	15,439,780	13,246,247	16.6%
Among which: Sales of properties			
– Income from properties delivered	15,247,388	12,953,104	17.7%
– GFA ² of properties delivered (sq.m.)	2,240,698	1,739,538	28.8%
– ASP ² of properties delivered (RMB)	6,576	7,131	-7.8%
Rental income	71,748	56,453	27.1%
Construction income	120,644	236,690	-49.0%
Gross profit	4,430,103	3,804,365	16.4%
Profit for the year			
– Attributable to the shareholders	2,649,279	2,347,630	12.8%
– Attributable to non-controlling shareholders	38,539	72,876	-47.1%
Profit for the year (excluding changes in fair value of investment properties and derivatives and deferred tax)	1,973,589	1,760,121	12.1%
– Attributable to shareholders	1,935,312	1,687,245	14.7%
– Attributable to non-controlling shareholders	38,277	72,876	-47.5%

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

2. Excluding the car parking portion

MANAGEMENT DISCUSSION AND ANALYSIS



	2015 RMB'000	2014 RMB'000	Changes %
Total assets	56,771,666	44,835,753	26.6%
Cash and bank balances (including cash and cash equivalents and restricted and pledged deposits)	11,190,623	7,514,463	48.9%
Total bank and other borrowings³	21,044,444	16,265,362	29.4%
Total equity	17,460,917	13,317,018	31.1%
Total equity attributable to shareholders	13,548,779	11,209,886	20.9%
Key financial ratios			
Gross profit margin ⁽¹⁾	30.4%	30.4%	
Core profit margin ⁽²⁾	13.5%	14.1%	
Net debt-to-equity ratio ⁽³⁾	58.4%	65.7%	
Liability to asset ratio ⁽⁴⁾	69.2%	70.3%	

Notes: 3. Including bank and other loans, senior notes and corporate bonds and non-interest bearing payable

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT

Contracted sales

During the year ended 31 December 2015, the Group recorded contracted sales of approximately RMB20,510 million, representing an increase of approximately 53.6% as compared with RMB13,350 million in 2014. The contracted saleable GFA¹ increased by approximately 33.2% to 2,420,000 sq.m. in 2015 from 1,817,000 sq.m. in 2014. Shenzhen Region, other regions of Pearl River Delta, Shantou region, Nanning region and other regions accounted for 43.2%, 17.4%, 21.0%, 14.6% and 3.8% of the Group's contracted sales in 2015, respectively.

	Summary of contracted sales in 2015				ASP ¹ (RMB per sq.m.)
	Amount (RMB million)	Percentage	GFA ¹ (sq.m.)	Percentage	
Shenzhen region	8,855	43.2%	878,191	36.4%	10,083
Other regions of Pearl River Delta	3,563	17.4%	465,673	19.3%	7,321
Shantou region	4,309	21.0%	515,596	21.3%	7,787
Nanning region	2,997	14.6%	435,394	18.0%	6,341
Other regions	786	3.8%	121,102	5.0%	6,250
Total	20,510	100.0%	2,415,956	100.0%	8,194

Revenue from sales of properties

During the year ended 31 December 2015, revenue from sales of properties amounted to approximately RMB15,247.0 million, representing an increase of approximately 17.7% as compared with RMB12,953.1 million in 2014, and accounted for approximately 98.8% of the Group's total revenue. GFA delivered (excluding car parking spaces) increased by approximately 28.8% to 2,240,698 sq.m. during the year 2015 from 1,739,538 sq.m. for the year 2014. Shenzhen region, other regions of Pearl River Delta, Shantou region, Nanning region and other regions contributed to the Group's revenue from sales of properties of 2015, accounting for 48.7%, 25.4%, 8.0%, 16.5% and 1.4%, respectively.

	Revenue from sale of properties in 2015				ASP ¹ (RMB per sq.m.)
	Amount (RMB million)	Percentage	GFA ¹ (sq.m.)	Percentage	
Shenzhen region	7,430	48.7%	1,180,276	52.7%	6,261
Other regions of Pearl River Delta	3,876	25.4%	480,757	21.5%	7,840
Shantou region	1,219	8.0%	184,871	8.3%	6,339
Nanning region	2,509	16.5%	373,856	16.6%	5,963
Other regions	213	1.4%	20,938	0.9%	9,095
Total	15,247	100.0%	2,240,698	100.0%	7,100

Newly developed projects

As at 31 December 2015, the Group commenced construction of a total of 13 projects or project phases, with a total planned GFA of approximately 1,392,059 sq.m..

1. Excluding the car parking portion

MANAGEMENT DISCUSSION AND ANALYSIS

Developing projects

As at 31 December 2015, the Group had a total of 24 projects or project phases under construction, with a total GFA of approximately 3,604,826 sq.m..

Land reserves

In 2015, the Group acquired eight new projects through public tendering, auction and listing with a total GFA of 2,388,469 sq.m..

List of newly acquired projects through public tendering, auction and listing in 2015

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.)
1	Zhuhai	Jiulong Bay Garden 九龍灣名園	100%	2015.01.28	15,877	80,607	978	12,133
2	Nanning	Provence (Phase 10) 普羅旺斯 (10 期)	100%	2015.06.16	15,622	69,287	98	1,414
3	Shantou	East Coast Project 東海岸項目	100%	2015.07.14	131,244	401,478	1,416	3,527
4	Nanning	Wuxiang New District Project 五象新區項目	100%	2015.07.24	79,454	302,600	618	2,043
5	Nanning	Wuxiang New District Project 五象新區項目	100%	2015.07.24	62,858	258,000	471	1,826
6	Shantou	East Coast Project C 東海岸 C 組團	100%	2015.09.10	71,490	299,385	778	2,599
7	Shenzhen	Longhua Hongshan Project 龍華紅山項目	51%	2015.09.23	87,045	841,672	11,250	13,366
8	Shenzhen	Pingshan Land Parcel No. 63-65 坪山 63-65 地塊	100%	2015.12.22	20,173	135,440	1,082	7,989
Total					483,763	2,388,469	16,691	6,988

As at 31 December 2015, the total GFA of the land reserve of the Group amounted to approximately 13,713,330 sq.m., the average cost of land reserve was RMB2,410 per sq.m., and over 70% of our investment was made in Shenzhen region.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY INVESTMENTS

Rental income

As at 31 December 2015, the rental income of the Group amounted to RMB71.7 million, representing an increase of approximately 27.1% as compared with the corresponding period of the previous year.

Investment properties

As at 31 December 2015, the Group had 15 investment properties with a total GFA of approximately 316,076 sq.m.. As at 31 December 2015, the 12 investment properties were completed.

Financial Review

(I) Revenue¹

Revenue of the Group for the year ended 31 December 2015 increased to RMB15,439.8 million by approximately RMB2,193.5 million, or approximately 16.6%, as compared with 2014, primarily due to the increase of approximately 17.7% in revenue from sales of properties during the year under review. Revenue from sales of properties, income from the leasing business and income from the construction business for the year ended 31 December 2015 amounted to approximately RMB15,247.4 million, RMB71.7 million and RMB120.6 million (2014: approximately RMB12,953.1 million, RMB56.5 million and RMB236.7 million, respectively) respectively.

Details of the revenue¹ from sales of properties by project are as follows:

Project name	2015		2014	
	Area ² (sq.m.)	Amount ³ (RMB'000)	Area ² (sq.m.)	Amount ³ (RMB'000)
Eastern Shenzhen Logan City (深圳東龍光城)	792,605	4,937,002	447,982	2,654,271
Huizhou Sky Palace (惠州天悅龍庭)	93,444	393,011	107,085	436,718
Huizhou Grand Riverside Bay (惠州水悅龍灣)	196,572	1,244,310	–	–
Shantou Seaward Sunshine (汕頭尚海陽光)	21,399	356,562	25,770	1,051,479
Shantou Sunshine Castle (汕頭陽光華府)	–	2,148	170	20,437
Shantou Flying Dragon Garden (汕頭龍騰熙園)	–	6,270	129	3,166
Shantou Flying Dragon Landscape (汕頭龍騰嘉園)	163,472	853,925	–	–
Foshan Grand Riverside Bay (佛山水悅龍灣)	52,682	389,312	83,623	847,566
Foshan Joy Palace (佛山君悅龍庭)	166,420	1,115,694	23,695	170,252
Foshan Grand View (佛山水悅雲天)	1,956	15,783	5,864	55,090

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

MANAGEMENT DISCUSSION AND ANALYSIS

Project name	2015		2014	
	Area ² (sq.m.)	Amount ³ (RMB'000)	Area ² (sq.m.)	Amount ³ (RMB'000)
Foshan Grand Hyatt (佛山君悦華府)	59,756	590,127	–	–
Foshan Highstreet Building (佛山尚街大廈)	29,526	243,621	–	–
Zhongshan Ocean Grange (中山海悦熙園)	1,913	35,447	88,227	612,299
Zhongshan Grand Garden (中山水悦熙園)	18,484	136,731	69,041	389,871
Zhongshan Grasse Vieille Ville (中山海悦城邦)	–	2,796	49	12,461
Zhongshan Grasse Terrace (中山海悦華庭)	141,298	1,200,522	–	–
Dongguan Imperial Summit Sky Villa (東莞君御旗峰)	39,246	405,413	45,601	504,408
Dongguan Royal Castle (東莞君御華府)	58,409	449,218	–	–
Guangzhou Palm Waterfront (廣州棕櫚水岸)	8,722	124,662	9,070	126,362
Guangzhou Landscape Residence (廣州峰景華庭)	–	11,362	–	70,769
Zhuhai Easy Life (珠海海悦雲天)	–	10,331	543	36,771
Shenzhen Sky Palace (深圳天悦龍庭)	–	535	–	4,395
Shenzhen Grand Joy Palace (深圳君悦龍庭)	–	73	–	4,721
Nanning Provence (南寧普羅旺斯)	73,344	667,269	262,896	2,137,695
Nanning Grand Riverside Bay (南寧水悦龍灣)	42,612	356,616	195,325	1,414,378
Nanning Royal Castle (南寧君御華府)	49,606	535,426	–	–
Fangchenggang Sunshine Seaward (防城港陽光海岸)	208,294	949,383	226,762	1,068,595
Chengdu Sky Palace (成都天悦龍庭)	20,938	213,839	147,706	1,331,400
Total	2,240,698	15,247,388	1,739,538	12,953,104

- 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 sale of car parking spaces, but before deduction of business tax and other sales related taxes.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Direct costs

The direct costs of the Group for the year ended 31 December 2015 increased to RMB10,143.9 million by approximately RMB1,450.3 million, or approximately 16.7%, as compared with 2014, 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. Key components of costs are as follows:

	2015 RMB'000	2014 RMB'000	Changes per year %
Costs	10,143,907	8,693,572	16.7%
– Costs of sales of properties	10,020,821	8,466,674	18.4%
– Costs of construction business and rental business	123,086	226,898	-45.8%

(III) Selling and marketing expenses and administrative expenses

The selling and marketing expenses of the Group for the year ended 31 December 2015 amounted to approximately RMB573.1 million (2014: RMB413.2 million). As the Group further increased its property marketing efforts in response to the challenging market environment in 2015, the selling and marketing expenses had increased by approximately 38.7% as compared with 2014.

The administrative expenses of the Group for 2015 amounted to approximately RMB587.8 million (2014: RMB527.1 million), representing an increase of approximately 11.5% as compared with 2014. The increase was primarily due to the increase in expenses such as increase in 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 2015 amounted to approximately RMB4,209.7 million (2014: RMB3,811.3 million), representing an increase of approximately 10.5% as compared with the corresponding period of previous year. As the revenue of the Group and other revenue for 2015 increased by approximately RMB2,125.2 million as compared with 2014, the relevant direct costs, selling and marketing expenses and administrative expenses increased by approximately RMB1,671.0 million as compared with 2014 whereas the fair value gain of investment properties and derivative financial instruments of the Group for the year increased by approximately RMB74.1 million as compared with 2014. As a result, the profit from operations of the Group increased by approximately RMB398.4 million as compared with 2014.

(V) Net finance costs

The net finance costs of the Group for 2015 decreased to approximately RMB36.2 million (2014: RMB93.6 million), primarily due to increase in the amount of borrowing costs of the Group being capitalised as properties development costs. The percentage of net finance cost to the revenue has dropped from 0.7% in 2014 to 0.2% in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

(VI) Tax

Taxes of the Group for the year ended 31 December 2015 included CIT and LAT. Taking into account the impact of the relevant changes in deferred tax, the net CIT and LAT amounted to approximately RMB922.7 million and RMB563.0 million, respectively (2014: RMB856.8 million and RMB440.3 million, respectively).

(VII) Core profit

The core profit of the Group for the year ended 31 December 2015 excluding changes in fair value of investment properties and derivatives financial instruments and the relevant deferred tax (the "Core Profit") amounted to approximately RMB1,973.6 million (2014: RMB1,760.1 million), representing an increase of approximately 12.1% as compared with 2014. The Core Profit margin of the Group for 2015 was 13.5% (2014: 14.1%), representing a decrease of approximately 0.6 percentage points, primarily due to the increase in selling and marketing expenses for the year 2015 as compared with corresponding period in 2014.

(VIII) Liquidity and financial resources

As at 31 December 2015, total assets of the Group amounted to approximately RMB56,771.7 million (31 December 2014: RMB44,835.8 million), of which current assets amounted to approximately RMB49,760.3 million (31 December 2014: RMB39,226.1 million). Total liabilities amounted to approximately RMB39,310.7 million (31 December 2014: RMB31,518.7 million), of which non-current liabilities amounted to approximately RMB16,689.5 million (31 December 2014: RMB13,691.4 million). Total equity amounted to approximately RMB17,460.9 million (31 December 2014: RMB13,317.0 million). Total equity attributable to equity shareholders amounted to RMB13,548.8 million (31 December 2014: RMB11,209.9 million).

As at 31 December 2015, the Group had total cash and bank balances (including restricted cash) of approximately RMB11,190.6 million (31 December 2014: RMB7,514.5 million) and total borrowings included non-interest bearing payable to a financial institution of approximately RMB21,044.4 million (31 December 2014: RMB16,265.4 million). As at 31 December 2015, total net borrowings of the Group amounted to approximately RMB10,196.9 million (31 December 2014: RMB8,750.9 million), the net debt-to-equity ratio of the Group was 58.4%.

(IX) Financing activities

In 2015, the Group successfully issued two tranches of corporate bonds of approximately RMB4,950 million (after deducting issuance cost). The first tranche of issuance amounted to RMB4 billion, with a coupon rate of 5.0% and a term of 5 years. The second tranche of issuance amounted to RMB1 billion, with a coupon rate of 4.77% and a term of 4 years. The cash ratio (the ratio of cash and bank balances to short-term borrowings) was approximately 2.0 times in 2015 (2014: 2.0 times).

(X) Pledge of assets

As at 31 December 2015, the Group had pledged investment properties, other properties, inventories and pledged deposits of approximately RMB16,902.4 million to secure its borrowings (31 December 2014: RMB15,216.7 million).

MANAGEMENT DISCUSSION AND ANALYSIS

(XI) Contingent liabilities

As at 31 December 2015, the Group provided guarantees of approximately RMB8,157.0 million (31 December 2014: RMB4,371.0 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.

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.

(XII) Foreign Exchange Exposure

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

(XIII) Employees and Remuneration Policy

As at 31 December 2015, the Group had approximately 2,043 employees (2014: 1,241). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. The remuneration policy of the Group is to provide remuneration packages, including basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when occasion requires.

The Company has also adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details are set out in the section headed "Share Option Scheme" of the "Directors' Report" of this annual report.

ISSUE OF NEW SHARES AND USE OF PROCEEDS

On 25 November 2015, the Company entered into a placing and subscription agreement (the "Agreement") with certain financial institutions as placing agents to allot and issue (the "Placing") 557,554,000 shares of the Company (the "Placing Shares") at the price of HK\$2.78 per Share (the "Placing Price"). The Placing had been completed on 3 December 2015 and the net proceeds of approximately HK\$1,538.9 million was received by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

The Placing Shares represent (i) approximately 11.15% of the issued share capital of the Company as at the date of the Agreement; and (ii) approximately 10.03% of the issued share capital of the Company as enlarged by the issue of the Placing Shares. The Placing Shares have a market value of approximately HK\$1,790,000,000 based on the closing price of the Shares of HK\$3.21 on 25 November 2015, the date of the Agreement. The Placing Price of HK\$2.78 per Placing Share represents: (i) a discount of approximately 13.4% to the closing price of HK\$3.21 per Share as quoted on the Stock Exchange on the date of the Agreement; (ii) a discount of approximately 14.5% to the average of the closing prices of approximately HK\$3.25 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Agreement; and (iii) a discount of approximately 13.9% to the average of the closing prices of approximately HK\$3.23 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of the Agreement.

The gross proceeds of the Placing was approximately HK\$1,550 million, and the net proceeds (after deducting all applicable costs and expenses of the Placing) was approximately HK\$1,538.9 million. The net proceeds from the Placing has been applied in compliance with the intended use (i.e. towards the Group's business development and as general working capital of the Group). As at 31 December 2015, the Group had not utilised any portion of the net proceeds and the net proceeds is currently held in cash and cash equivalents and intended that it will be applied in the manner consistent with the proposed allocations.

POSSIBLE RISKS AND UNCERTAINTIES FACING THE COMPANY

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

Business Risk

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

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

Foreign Currency Risk

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

Financial Risk

The financial risk management of the Group are set out in note 4 to the consolidated financial statements.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

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

Name	Age	Position
Mr. Kei Hoi Pang	49	Chairman, Chief Executive Officer and Executive Director
Mr. Ji Jiande	41	Vice President, Chief Operating Officer and Executive Director
Mr. Xiao Xu	44	Vice President and Executive Director
Mr. Lai Zhuobin	44	Chief Financial Officer and Executive Director
Ms. Kei Perenna Hoi Ting	26	Non-executive Director
Mr. Zhang Huaqiao	52	Independent Non-executive Director
Ms. Liu Ka Ying, Rebecca	46	Independent Non-executive Director
Mr. Cai Suisheng	65	Independent Non-executive Director

Executive Directors

Mr. Kei Hoi Pang, aged 49, 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 Logan Holdings Company Limited (formerly known as "Shenzhen Youkaisu Investment Co., Ltd."), respectively. Mr. Kei Hoi Pang has 20 years of experience in the property development industry and possesses experience in corporate strategic planning and management as well as project management.

Mr. Ji Jiande, aged 41, was appointed as an executive director of the Company on 18 November 2013. Mr. Ji Jiande is also the Group's vice president and chief operating officer, primarily responsible for managing the business of Shantou region. He is also in charge of the construction and material procurement of the Group. He is the younger brother of Mr. Kei Hoi Pang, the chairman and an executive director of the Company. 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 December 2008, Mr. Ji Jiande also served as a director of Logan Real Estate Holdings Co., Ltd.. In December 2009, Mr. Ji Jiande was appointed as a director of Shenzhen Logan Holdings Company Limited (formerly known as "Shenzhen Youkaisu Investment Co., Ltd."), primarily responsible for the operational management, construction and material management of the Group.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Xiao Xu, aged 44, was appointed as an executive director of the Company on 18 November 2013 and the vice president of the Company in July 2015. He is also the assistant to the president of the Group. Mr. Xiao is mainly responsible for implementing strategic development, investment analysis and external affairs of the Group. Mr. Xiao was employed by Logan 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 Logan Holdings Company Limited (formerly known as “Shenzhen Youkaisu Investment Co., Ltd”) in April 2011. Mr. Xiao was also appointed as the director of Foshan Nanhai Logan Realty Co., Ltd. (佛山市南海區龍光置業房產有限公司), Shenzhen Logan Junchi Property Development Co., Ltd. (深圳市龍光駿馳房地產開發有限公司) and Zhuhai Bojun Property Development Co., Ltd. (珠海市鉅駿房地產開發有限公司) in August 2014. He has substantial experience in investment analysis, corporate management, secretarial work and external liaison. Mr. Xiao obtained a bachelor’s degree in business management from Jinan University (暨南大學) in June 1993 and obtained a postgraduate diploma in economics from the Party School of Chinese Communist Party of Guangdong Province (中共廣東省委黨校) in July 1998.

Mr. Lai Zhuobin, aged 44, was appointed as an executive director of the Company on 18 November 2013 and the chief financial officer of the Company in July 2015. He is also the financial director of the Group. Mr. Lai is mainly responsible for the financial management and capital markets functions of the Group. Mr. Lai was employed by Logan 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 Logan Holdings Company Limited (formerly known as “Shenzhen Youkaisu 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. Mr. Lai also obtained an executive master’s degree in business management from Peking University in 2013.

Non-executive Director

Ms. Kei Perenna Hoi Ting, aged 26, 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Zhang Huaqiao, aged 52, 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), an independent non-executive director of Fosun International Limited (Stock Code: 656), Zhong An Real Estate Limited (Stock Code: 672), China Huirong Financial Holdings Limited (Stock Code: 1290), Luye Pharma Group Ltd. (Stock Code: 2186), Wanda Hotel Development Company Limited (Stock Code: 169) and Sinopec Yizheng Chemical Fibre Company Limited (Stock Code: 1033). Mr. Zhang is the chairman of the board of China Smartpay Group Holdings Limited (formerly known as “Oriental City Group Holdings Limited”) (Stock Code: 8325) and was re-designated from a non-executive director to an executive director with effect from 13 May 2015. 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 effect from 30 June 2014 and 10 November 2014 respectively. Mr. Zhang has also resigned as a director of Nanjing Central Emporium Group Stocks Co., Ltd. (SS Stock Code: 600280), a company the shares of which are listed on the Shanghai Stock Exchange, in June 2015. 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 46, 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Cai Suisheng, aged 65, 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	49	Chairman and Chief Executive Officer
Mr. Ji Jiande	41	Vice President and Chief Operating Officer of the Group
Mr. Xiao Xu	44	Vice President of the Group
Mr. Lai Zhuobin	44	Chief Financial Officer of the Group
Ms. Huang Xiangling	39	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 39, is a vice president of the Group. She is mainly responsible for the management of the president's office and public affairs of the Group. Ms. Huang joined Logan Real Estate Holdings Co., Ltd. in 2005. Ms. Huang has extensive experience in project management, internal management and external liaison. Ms. Huang obtained a diploma in public affairs management from Zhejiang University in June 2007.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the period from 1 January to 31 December 2015 (the "Reporting Period") in the Company's annual report for the year ended 31 December 2015.

CORPORATE GOVERNANCE PRACTICES

The Board has committed to achieving high corporate governance standards in order to achieve sustainable development and enhance corporate performance.

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 of Hong Kong Limited (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 deviation to code provision A.2.1.

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.

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 with all the directors of the Company and all 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.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board of the Company comprises the following eight directors:

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

The biographical information of the directors are set out in the section headed “Biographies of Directors and Senior Management” on pages 22 to 25 of the annual report for the year ended 31 December 2015.

The relationships between the members of the Board are disclosed under “Biographies of Directors and Senior Management” on pages 22 to 25 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.

CORPORATE GOVERNANCE REPORT

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 on 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.

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

CORPORATE GOVERNANCE REPORT

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 2015:

Name of Directors	Attending Internally-facilitated Briefings or Training, Attending Seminars and Reading Materials
Executive Directors	
Mr. Kei Hoi Pang (<i>Chairman</i>)	√
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	√

CORPORATE GOVERNANCE REPORT

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 6 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 but not limited to:

1. review the relationship with the Company's external auditors by reference to the work performed by the auditors;
2. review the Company's financial information and consider any significant or unusual items raised by external auditors, if any;
3. oversee the Company's financial reporting system, risk management and internal control systems; and
4. perform the Company's corporate governance function.

The Audit Committee held two meetings to review annual and interim financial results and reports in respect of the year ended 31 December 2014 and the six months ended 30 June 2015 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 (<i>Chairman</i>)	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.

CORPORATE GOVERNANCE REPORT

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 review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive directors and senior management and other related matters.

CORPORATE GOVERNANCE REPORT

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 Director	Attendance/ Number of Meetings
Mr. Zhang Huaqiao (<i>Chairman</i>)	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 2015 is set out below:

Annual Income	Number of Persons
Below RMB1,000,000	3
RMB1,000,000 to 4,999,999	4
Over RMB5,000,000	2

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.

CORPORATE GOVERNANCE REPORT

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, and to consider the qualifications of the retiring directors standing for election at the Annual General Meeting. 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 Director	Attendance/ Number of Meetings
Mr. Kei Hoi Pang (<i>Chairman</i>)	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 twice 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.

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORD OF DIRECTORS

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:

Name of Director	Attendance/ Number of Meetings	
	Board Meetings	Annual General Meeting
Executive Directors		
Mr. Kei Hoi Pang	5/5	1/1
Mr. Ji Jiande	4/5	1/1
Mr. Xiao Xu	5/5	1/1
Mr. Lai Zhuobin	5/5	1/1
Non-executive Director		
Ms. Kei Perenna Hoi Ting	5/5	1/1
Independent Non-executive Directors		
Mr. Zhang Huaqiao	4/5	1/1
Ms. Liu Ka Ying, Rebecca	4/5	1/1
Mr. Cai Suisheng	4/5	1/1

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 2015.

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 55 to 56.

CORPORATE GOVERNANCE REPORT

AUDITORS' 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 2015 is set out below:

Service Category	Fees Paid/Payable RMB
Audit Services	1,866,000
Non-audit Services	532,000
	2,398,000

INTERNAL CONTROLS

The Board is responsible for the internal control systems of the Group and reviewing their effectiveness.

During the Reporting Period, 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. The review was made by discussions with the management of the Company, its external and internal auditors and the review was performed by the Audit Committee. The review results have been reported to the Board. The Board is satisfied that such systems are effective and adequate. In addition, the Board has also reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting functions.

INTERNAL AUDIT

The primary role of the internal audit function is to help the Board and the senior management of the Group to protect the assets, reputation and sustainability of the Group. The internal audit function provides independent and objective assurance as to whether the design and operational effectiveness of the Group's framework of control and governance processes, as designed and represented by the Company's management, is adequate. The internal audit function of the Group is independent of the internal control systems of the Group.

Results of audit work together with an assessment of the overall internal control framework are reported to the Audit Committee as appropriate. The internal audit function also reviews the Company's management's action plans in relation to audit findings and verifies the adequacy and effectiveness of the mitigating controls before formally closing the issues.

CORPORATE GOVERNANCE REPORT

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 3.29 of the Listing Rules.

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 Article 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.

CORPORATE GOVERNANCE REPORT

Contact Details

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

Address: Unit Nos. 02–03A, Level 68, International Commerce Centre, 1 Austin Road West, Hong Kong
(For the attention of the Board of Directors)

Fax: (852) 2175 5098

Email: i.r@logan.com.cn

For the avoidance of doubt, 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.

DIRECTORS' REPORT

The directors of the Company (the "Directors") have pleasure in presenting the annual report of the Company together with the audited consolidated financial statements for the year ended 31 December 2015.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries (the "Group") are principally engaged in property development, property investment and property construction. The activities and particulars of the Company's subsidiaries are shown under note 13 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.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion of the Group's future business development are set out in the Chairman's Statement on pages 8 to 11 of this annual report. Description of possible risks and uncertainties facing the Company is set out in the Management Discussion and Analysis on pages 12 to 21 of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is set out in the Group's Five-year Financial Summary on page 144 of this annual report.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

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

RELATIONSHIP WITH STAKEHOLDERS

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

DIRECTORS' REPORT

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

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

CONSOLIDATED FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2015 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 57 to 143.

RESULTS AND APPROPRIATIONS

Profits attributable to shareholders for the year ended 31 December 2015, before dividends, of RMB2,649,279,000 (2014: RMB2,347,630,000) 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 HK14 cents per share (the "Proposed Final Dividend") (equivalent to approximately RMB12 cents) in respect of the year ended 31 December 2015. Subject to the approval of the Proposed Final Dividend by the shareholders at the annual general meeting ("AGM") to be held on Thursday, 12 May 2016, it is expected that the Proposed Final Dividend will be paid on Thursday, 7 July 2016 to the shareholders whose name appears in the register of members of the Company on Wednesday, 1 June 2016.

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, 10 May 2016 to Thursday, 12 May 2016, 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 Monday, 9 May 2016.

DIRECTORS' REPORT

(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, 30 May 2016 to Wednesday, 1 June 2016, 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, 27 May 2016.

INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the investment properties and other property, plant and equipment are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company for the year ended 31 December 2015 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 2015 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 20 and 21 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 144 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 2015.

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' REPORT

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. Ji Jiande, Ms. Liu Ka Ying, Rebecca and Mr. Cai Suisheng shall retire from office by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

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

Directors' Service Contracts

Each of the Executive Directors has entered into a service agreement with the Company and each of the Independent Non-Executive Directors has signed an appointment letter with the Company. The appointment of 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 27 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.

DIRECTORS' REPORT

Management Contracts

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

Indemnity and Insurance Provisions

The Articles of Association of the Company provides that every Director shall be entitled to be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses as a result of any act or failure to act in carrying out his/her functions. Such provisions were in force during the course of the financial year ended 31 December 2015 and remained in force as of the date of this report. The Company has also arranged appropriate directors and officers liability insurance in respect of legal action against Directors.

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 2015, the Company had received an annual written confirmation from each of the Company's controlling shareholders in respect of their and their associates' compliance with the Deed of Non-Competition. The independent non-executive Directors had reviewed and were satisfied that each of the controlling shareholders of the Company has complied with the Deed of Non-Competition for the year ended 31 December 2015.

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.

DIRECTORS' REPORT

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 2015, 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 2015, 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.

DIRECTORS' REPORT

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.

DIRECTORS' REPORT

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 9 years.

During the year ended 31 December 2015, no share options were granted. Details of the share options granted under the Share Option Scheme during the year ended 31 December 2015 were as follows:

Name of Director	Exercise Price (HK\$)	Number of Share Options				Percentage of Total Issued Share Capital ⁽¹⁾	Exercisable period
		Granted during 1 January 2015 to 31 December 2015	Outstanding as at 1 January 2015	Lapsed from 1 January 2015 to 31 December 2015	Outstanding as at 31 December 2015		
Mr. Kei Hoi Pang	2.340	–	13,120,000	–	13,120,000	0.236%	29 May 2014 to 28 May 2020
Mr. Ji Jiande	2.340	–	9,840,000	–	9,840,000	0.177%	29 May 2014 to 28 May 2020
Mr. Xiao Xu	2.340	–	4,470,000	–	4,470,000	0.080%	29 May 2014 to 28 May 2020
Mr. Lai Zhuobin	2.340	–	4,170,000	–	4,170,000	0.075%	29 May 2014 to 28 May 2020
Ms. Kei Perenna Hoi Ting	2.340	–	2,050,000	–	2,050,000	0.037%	29 May 2014 to 28 May 2020
Directors in aggregate			33,650,000		33,650,000	0.605%	29 May 2014 to 28 May 2020
Other employees in aggregate		–	164,610,000	–	164,610,000	2.962%	29 May 2014 to 28 May 2020

Note:

(1) The percentage is calculated based on the total number of issued shares as at the date of annual report.

DIRECTORS' REPORT

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 2015, 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 ⁽⁵⁾
Mr. Kei Hoi Pang	Beneficiary of a family trust. Interest of a controlled corporation ⁽³⁾	4,250,000,000 (L)		76.47%
	Beneficial owner		13,120,000 (L) ⁽⁴⁾	0.24%
Mr. Ji Jiande	Beneficial owner	–	9,840,000 (L)	0.18%
Ms. Kei Perenna Hoi Ting	Beneficiary of a family trust. Interest of controlled corporations ⁽³⁾	4,250,000,000 (L)		76.47%
	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)	0.08%

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 settlor 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 15.29% 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.
- (5) The percentage is calculated based on the total number of issued shares as at 31 December 2015.

DIRECTORS' REPORT

(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 2015, 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 2015, 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 ⁽⁵⁾
Mr. Kei Hoi Pang	Beneficiary of a family trust, Interest of a controlled corporation	4,250,000,000 (L)	76.47%
	Beneficial owner	13,120,000 (L) ⁽⁴⁾	0.24%
Ms. Kei Perenna Hoi Ting	Beneficiary of a family trust, Interest of controlled corporations ⁽²⁾	4,250,000,000 (L)	76.47%
	Beneficial owner	2,050,000 (L)	0.04%
Brock Nominees Limited ⁽³⁾	Nominee	3,400,000,000 (L)	61.18%
Credit Suisse Trust Limited ⁽³⁾	Trustee	3,400,000,000 (L)	61.18%
Junxi Investments Limited ⁽³⁾	Beneficial owner	3,400,000,000 (L)	61.18%
Kei Family United Limited ⁽³⁾	Interest of a controlled corporation	3,400,000,000 (L)	61.18%
Tenby Nominees Limited ⁽³⁾	Nominee	3,400,000,000 (L)	61.18%
Dragon Jubilee Investments Limited	Beneficial owner	425,000,000 (L)	7.65%
RRJ Capital Master Fund III, L.P.	Interest of a controlled corporation	278,777,000 (L)	5.02%

DIRECTORS' REPORT

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 15.29% interests in the Company.
- (3) Ms. Kei Perenna Hoi Ting is the settlor 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.
- (5) The percentage is calculated based on the total number of issued shares as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, 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 2015, the aggregate sales and purchases attributable to the Group's five largest customers and suppliers were less than 1.3% of the Group's total revenue and the 9.5% 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

During the year ended 31 December 2015, the Group entered into the following connected transactions with its connected persons:

On 26 October 2015, 深圳市龍光駿景房地產開發有限公司 (Shenzhen Logan Junjing Real Estate Company Limited*) ("Shenzhen Logan Junjing"), 深圳市龍光投資顧問有限公司 (Shenzhen Logan Investment Co., Ltd.*) ("Shenzhen Logan"), a wholly-owned subsidiary of the Company, 深圳市優凱思投資顧問有限公司 (Shenzhen Youkaisi Investment Co., Ltd.*) a wholly-owned subsidiary of the Company, the Company and 深圳平安大華匯通財富管理有限公司 (Shenzhen Pingan Dahua Huitong Wealth Management Company Limited*) ("Pingan Dahua") entered into a framework agreement (the "Framework Agreement"), pursuant to which Pingan Dahua, as lender, principally agreed to grant an entrusted loan with the principal amount of up to RMB1,900 million (equivalent to approximately HK\$2,317 million) to Shenzhen Logan Junjing, as borrower, through a bank to be agreed by the parties and to be designated as lending agent under the entrusted loan agreement (the "Entrusted Loan Agreement") as the lending agent. The Entrusted Loan Agreement will be entered into by the parties in 2016 with the first drawdown to occur in the same year.

DIRECTORS' REPORT

Shenzhen Logan Junjing is owned as to 51% and 49% by Shenzhen Logan and Pingan Dahua, respectively, and accordingly Pingan Dahua is a substantial shareholder of Shenzhen Logan Junjing as at the date of the Framework Agreement. Accordingly, Pingan Dahua is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. As a result, the Entrusted Loan Arrangement contemplated under the Framework Agreement constitutes a connected transaction of the Company. As the Directors (including all the independent non-executive Directors) have confirmed that the principal terms of the Entrusted Loan Arrangement are on normal commercial terms and those terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, such transaction is only subject to the reporting, announcement and annual review requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Details of the Framework Agreement are set out in the announcement of the Company dated 26 October 2015.

CONTINUING CONNECTED TRANSACTIONS

Details of the continuing connected transactions of the Company during the year ended 31 December 2015 are as follows:

(a) Master Construction Services Agreement

On 22 November 2013, Shenzhen Logan Holdings Co., Ltd. (formerly known as Shenzhen Youkai Investment Co., Ltd.) ("Shenzhen Logan"), 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 Youkai 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 ended on December 31, 2015, subject to an annual caps of RMB455,000,000, RMB250,000,000 and RMB250,000,000 for the years ended 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 Youkai 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 2015 was approximately RMB116.3 million, which did not exceed the annual cap for the year ended 31 December 2015.

DIRECTORS' REPORT

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 the 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.

(b) Construction Service Agreement

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

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

The transaction amount for the year ended 31 December 2015 was approximately RMB116,280,000, which did not exceed the annual cap for the year ended 31 December 2015.

As Shantou Weida is indirectly controlled by Mr. Yao Yaojia, being a brother-in-law of Mr. Kei Hoipang, an executive Director and the chairman of the Company, and an uncle of Ms. Kei Perenna Hoi Ting, a non-executive Director, and a brother-in-law of Mr. Ji Jiande, an executive Director, each of Mr. Yao Yaojia and Shantou Weida is a connected person of the Company for the purpose of the Listing Rules. Accordingly, transactions under the Construction Service Agreement constitutes continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Details of the Construction Service Agreement are set out in the announcement of the Company dated 27 January 2015.

DIRECTORS' REPORT

(c) Design Service Agreement

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

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

The transaction amount for the year ended 31 December 2015 was approximately RMB0, which did not exceed the annual cap for the year ended 31 December 2015.

As Shantou Weida is indirectly controlled by Mr. Yao Yaojia, being a brother-in-law of Mr. Kei Hoipang, an executive Director and the chairman of the Company, and an uncle of Ms Kei Perenna Hoi Ting, a non-executive Director, and a brother-in-law of Mr. Ji Jiande, an executive Director, each of Mr. Yao Yaojia and Shantou Weida is a connected person of the Company for the purpose of the Listing Rules. Accordingly, transactions under the Design Service Agreement constitutes continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Details of the Design Service Agreement are set out in the announcement of the Company dated 27 January 2015.

(d) Management Service Agreement

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

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

DIRECTORS' REPORT

The transaction amount for the year ended 31 December 2015 was approximately RMB700,000, which did not exceed the annual cap for the year ended 31 December 2015.

As Shantou Weida is indirectly controlled by Mr. Yao Yaojia, being a brother-in-law of Mr. Kei Hoipang, an executive Director and the chairman of the Company, and an uncle of Ms Kei Perenna Hoi Ting, a non-executive Director, and a brother-in-law of Mr. Ji Jiande, an executive Director, each of Mr. Yao Yaojia and Shantou Weida is a connected person of the Company for the purpose of the Listing Rules. Accordingly, transactions under the Management Service Agreement constitutes continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Details of the Management Service Agreement are set out in the announcement of the Company dated 27 January 2015.

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

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

1. in the ordinary and usual course of business of the Group;
2. under normal commercial terms, or on terms better than terms available to or from independent third parties; and
3. in accordance with the agreements governing the above continuing connected transactions, the terms of which are fair and reasonable and in the interests of the Shareholders as a whole.

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

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

1. have been approved by the Board;
2. are in accordance with the pricing policy of the Group;
3. have been entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
4. have not exceeded the relevant cap allowed by the Stock Exchange.

DIRECTORS' REPORT

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 27 to the financial statements which constitutes a connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules during the year ended 31 December 2015.

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.

DIRECTORS' 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 26 to 37 of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2015 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

INDEPENDENT AUDITOR'S REPORT



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 57 to 143, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and 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 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.

INDEPENDENT AUDITOR'S REPORT

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 financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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

10 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2015

(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Revenue	5	14,574,010	12,497,937
Direct costs		(10,143,907)	(8,693,572)
Gross profit		4,430,103	3,804,365
Other revenue	6(a)	134,635	85,497
Other net loss	6(b)	(144,029)	(14,148)
Selling and marketing expenses		(573,138)	(413,167)
Administrative expenses		(587,839)	(527,120)
Net increase in fair value of investment properties	12	943,057	861,854
Net increase in fair value of derivative financial instruments	21	6,936	13,995
Profit from operations		4,209,725	3,811,276
Finance costs	7(a)	(36,215)	(93,601)
Profit before taxation	7	4,173,510	3,717,675
Income tax	8(a)	(1,485,692)	(1,297,169)
Profit for the year		2,687,818	2,420,506
Attributable to:			
Equity shareholders of the Company		2,649,279	2,347,630
Non-controlling interests		38,539	72,876
Profit for the year		2,687,818	2,420,506
Earnings per share (RMB cents)	11		
– Basic		52.41	46.95
– Diluted		52.32	46.95

The notes on pages 64 to 143 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 23(b)(i).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2015

(Expressed in Renminbi)

	2015 RMB'000	2014 RMB'000
Profit for the year	2,687,818	2,420,506
Other comprehensive income for the year (after tax and reclassification adjustments)		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas entities	(94,268)	6,465
Total comprehensive income for the year	2,593,550	2,426,971
Attributable to:		
Equity shareholders of the Company	2,555,011	2,354,095
Non-controlling interests	38,539	72,876
Total comprehensive income for the year	2,593,550	2,426,971

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Investment properties	12	6,117,500	4,684,500
Other property, plant and equipment	12	165,622	122,041
		6,283,122	4,806,541
Deferred tax assets	8(c)(ii)	385,210	366,488
Assets under cross-border guarantee arrangements	16	–	436,600
Restricted and pledged deposits	17	343,065	–
		7,011,397	5,609,629
Current assets			
Inventories	14	28,198,344	27,875,440
Trade and other receivables and prepayments	15	10,025,722	2,502,385
Tax recoverable	8(c)(i)	402,045	166,836
Assets under cross-border guarantee arrangements	16	286,600	1,167,000
Restricted and pledged deposits	17	2,212,300	1,938,106
Cash and cash equivalents	18	8,635,258	5,576,357
		49,760,269	39,226,124
Current liabilities			
Trade and other payables	19	16,969,129	11,842,586
Liabilities under cross-border guarantee arrangements	16	286,600	1,167,000
Bank and other loans	20	4,044,885	3,824,474
Tax payable	8(c)(i)	1,320,647	993,262
		22,621,261	17,827,322
Net current assets		27,139,008	21,398,802
Total assets less current liabilities		34,150,405	27,008,431

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2015

(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Liabilities under cross-border guarantee arrangements	16	–	436,600
Bank and other loans	20	7,117,037	9,057,042
Corporate bonds	20	5,000,000	–
Senior notes	21	3,588,720	3,383,846
Deferred tax liabilities	8(c)(ii)	983,731	813,925
		16,689,488	13,691,413
NET ASSETS			
		17,460,917	13,317,018
CAPITAL AND RESERVES			
Share capital	23(c)	439,821	393,115
Reserves		13,108,958	10,816,771
Total equity attributable to equity shareholders of the Company		13,548,779	11,209,886
Non-controlling interests		3,912,138	2,107,132
TOTAL EQUITY		17,460,917	13,317,018

Approved and authorised for issue by the board of directors on 10 March 2016.

Lai Zhuobin
DirectorXiao Xu
Director

The notes on pages 64 to 143 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Share-based compensation reserve	Exchange reserve	PRC statutory reserves	Other reserve	Retained profits	Total			
	(note 23(c))	(note 23(d)(i))	(note 23(d)(v))	(note 23(d)(ii))	(note 23(d)(iii))	(note 23(d)(iv))					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 23(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 28)	-	-	-	-	-	-	-	-	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	

	Attributable to equity shareholders of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Share-based compensation reserve	Exchange reserve	PRC statutory reserves	Other reserve	Retained profits	Total			
	(note 23(c))	(note 23(d)(i))	(note 23(d)(v))	(note 23(d)(ii))	(note 23(d)(iii))	(note 23(d)(iv))					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2015	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	
Changes in equity for 2015:											
Profit for the year	-	-	-	-	-	-	2,649,279	2,649,279	38,539	2,687,818	
Other comprehensive income	-	-	-	(94,268)	-	-	-	(94,268)	-	(94,268)	
Total comprehensive income for the year	-	-	-	(94,268)	-	-	2,649,279	2,555,011	38,539	2,593,550	
Transfer to PRC statutory reserves	-	-	-	-	65,397	-	(65,397)	-	-	-	
Dividend declared (note 23(b)(ii))	-	-	-	-	-	-	(433,736)	(433,736)	-	(433,736)	
Equity-settled share-based transactions (note 7(b))	-	-	49,842	-	-	-	-	49,842	-	49,842	
Effect of forfeited and cancelled share options	-	-	(21,475)	-	-	-	21,475	-	-	-	
Issuance of shares (note 23(c))	46,706	1,242,434	-	-	-	-	-	1,289,140	-	1,289,140	
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	(72,000)	(72,000)	
Acquisition of additional interests in subsidiaries (note 29)	-	-	-	-	-	(1,121,364)	-	(1,121,364)	(961,533)	(2,082,897)	
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	2,800,000	2,800,000	
At 31 December 2015	439,821	2,067,453	75,257	(47,943)	648,356	592,775	9,773,060	13,548,779	3,912,138	17,460,917	

The notes on pages 64 to 143 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2015

(Expressed in Renminbi)

Note	2015 RMB'000	2014 RMB'000
Operating activities		
Profit before taxation	4,173,510	3,717,675
Adjustments for:		
Bank interest income	(93,070)	(57,258)
Gain from acquisition	–	(5,058)
Finance costs	36,215	93,601
Depreciation	22,844	19,425
Net gain on disposal of other property, plant and equipment	(175)	(304)
Net increase in fair value of investment properties	(943,057)	(861,854)
Net increase in fair value of derivative financial instruments	(6,936)	(13,995)
Equity-settled share-based payment expenses	49,842	46,890
Operating profit before changes in working capital	3,239,173	2,939,122
Increase in inventories and land deposits	(6,344,051)	(8,177,677)
(Increase)/Decrease in trade and other receivables	(17,663)	186,990
Increase/(Decrease) in trade and other payables	5,128,602	(997,575)
Cash generated from/(used in) operations	2,006,061	(6,049,140)
Tax paid		
– PRC tax paid	(1,242,432)	(1,413,585)
Net cash generated from/(used in) operating activities	763,629	(7,462,725)
Investing activities		
Addition to investment properties	(296,754)	(51,804)
Addition to other property, plant and equipment	(74,339)	(46,350)
Acquisition of subsidiaries	–	181,543
Proceeds from disposal of other property, plant and equipment	1,389	1,338
Interest received	75,533	57,258
Increase in restricted and pledged deposits	(617,259)	(2,863,480)
Net cash used in investing activities	(911,430)	(2,721,495)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2015

(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Financing activities			
Proceeds from bank and other loans		8,437,045	13,936,552
Repayment of bank and other loans		(10,156,639)	(9,586,112)
Proceeds from corporate bonds		4,950,000	–
Proceeds from non-interest bearing payable to a financial institution		1,293,801	1,293,801
Repayment of non-interest bearing payable to a financial institution		(1,293,801)	–
Proceeds from senior notes		–	3,351,558
Proceeds from issuance of shares		1,289,140	–
Interest and other borrowing costs paid		(1,529,839)	(896,847)
Increase in amount due from non-controlling interests		(86,288)	–
Capital contribution from controlling interests		2,800,000	3,903,293
Payments for acquisition of additional interests in subsidiaries	29	(2,082,897)	–
Dividend paid to non-controlling interests		(72,000)	–
Dividend paid to equity shareholders of the Company		(433,736)	(67,752)
Net cash generated from financing activities		3,114,786	11,934,493
Net increase in cash and cash equivalents		2,966,985	1,750,273
Cash and cash equivalents at 1 January		5,576,357	3,827,434
Effect of foreign exchange rate changes		91,916	(1,350)
Cash and cash equivalents at 31 December	18	8,635,258	5,576,357

The notes on pages 64 to 143, form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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 (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Statement of compliance (continued)

The HKICPA has issued the following amendments to HKFRSs that are first effective or available for the current accounting period of the Group and the Company.

- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain key management personnel services from management entities.

(b) Basis of preparation

The consolidated financial statements for the year ended 31 December 2015 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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 profit or loss and other 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 retained 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Depreciation of investment properties and other property, plant and equipment

(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 plant and equipment**

Depreciation is calculated to write-off the cost of furniture, fixtures and other plant and equipment, 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 plant and equipment 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)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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.
- a significant or prolonged decline in the fair value of investment in an equity instrument below its cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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:

- property, plant and equipment (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the listing of securities on The Stock Exchange of Hong Kong Limited, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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 12, investment properties and investment properties under development are stated at fair value based on the valuation performed by an independent firm of professional surveyors, the valuers have valued the investment properties by reference to sales evidences as available on the market. The investment properties under development 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.

In determining the fair value, the valuers have based on a method of valuation which involves, inter-alia, certain estimates including comparable market transactions. 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 property, plant and equipment (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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:

	2015					
	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	3,718,865	144,358	182,998	–	4,046,221	4,046,221
Other payables and accrued charges	498,071	–	–	–	498,071	498,071
Bank loans	4,197,916	3,593,551	3,047,600	362,837	11,201,904	9,991,922
Other loans	459,559	801,973	–	–	1,261,532	1,170,000
Non-interest bearing payable to a financial institution	1,293,801	–	–	–	1,293,801	1,293,801
Liabilities under cross-border guarantee arrangements	300,893	–	–	–	300,893	286,600
Corporate bonds	247,700	247,700	5,605,378	–	6,100,778	5,000,000
Senior notes	385,694	2,007,496	2,274,973	–	4,668,163	3,588,720
Amounts due to related companies	12	–	–	–	12	12
	11,102,511	6,795,078	11,110,949	362,837	29,371,375	25,875,347
Financial guarantees issued:						
– Maximum amount guaranteed (note 26)	8,156,977	–	–	–	8,156,977	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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

(b) Liquidity risk (continued)

	2014					Carrying amount RMB'000
	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	
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
Non-interest bearing payable to a financial institution	1,293,801	–	–	–	1,293,801	1,293,801
Liabilities under cross-border guarantee arrangements	1,230,630	451,213	–	–	1,681,843	1,603,600
Senior notes	362,828	364,552	4,039,565	–	4,766,945	3,383,846
Amounts due to related companies	223,860	–	–	–	223,860	223,860
	11,782,908	7,313,071	6,555,275	1,247,533	26,898,787	23,276,637
Financial guarantees issued: – Maximum amount guaranteed (note 26)	4,371,045	–	–	–	4,371,045	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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 2015, 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 RMB71,856,000 (2014: RMB77,955,000) 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 the end of the reporting period. 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 2014.

(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 Hong Kong holding companies which use RMB as functional currency holds lots of RMB, the exchange rate fluctuation between RMB and Hong Kong dollars results in large exchange gain or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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

(d) Currency risk (continued)

The Group's exposure at 31 December 2015 to currency risk also arise 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.

(i) Exposure to currency

The following table details the group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the group's presentation currency is excluded.

	Exposure to foreign currencies (expressed in Renminbi)					
	2015			2014		
	Hong Kong		United	Hong Kong		United
	Renminbi	Dollars	States	Renminbi	Dollars	States
	RMB'000	RMB'000	Dollars	RMB'000	RMB'000	Dollars
Trade and other receivables	-	38,115	-	-	12,039	-
Cash and cash equivalents	1,602,248	1,370,360	249,344	2,990,616	75,553	238,824
Trade and other payable	-	(51)	-	-	(227,402)	-
Bank loans	(47,628)	-	(897,994)	-	(47,334)	(644,452)
Senior notes	-	-	(3,588,721)	-	-	(3,372,863)
Net exposure arising from						
recognised assets and liabilities	1,554,620	1,408,424	(4,237,371)	2,990,616	(187,144)	(3,778,491)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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

(d) Currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2015			2014		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000
Renminbi	5%	58,298	-	5%	112,148	
	(5)%	(58,298)	-	(5)%	(112,148)	
Hong Kong Dollars	5%	-	52,816	5%	-	(7,018)
	(5)%	-	(52,816)	(5)%	-	7,018
United States Dollars	5%	-	(158,901)	5%	-	(141,693)
	(5)%	-	158,901	(5)%	-	141,693

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change foreign exchange rates had been applied to re-measure those financial instruments held by the group which expose the group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the group's presentation currency. The analysis is performed on the same basis for 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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 RMB'000	Fair value measurements as at the end of each reporting period categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
<i>At 31 December 2015</i>				
Assets:				
– Senior notes redemption call options	36,692	–	–	36,692
<i>At 31 December 2014</i>				
Assets:				
– Senior notes redemption call options	27,814	–	–	27,814

During the year ended 31 December 2015 and 2014, 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 2015 (2014: 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.

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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)
Senior note redemption call options	Residual method	Risk free rate	0.409% to 1.406% (2014: 0.096% – 1.493%)
		Option adjusted spread	5.953% to 6.107% (2014: 9.433% – 9.971%)
		Discount rate	6.362% to 7.513% (2014: 9.532% – 11.464%)

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

As at 31 December 2015 and 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. The analysis is performed on the same basis for 2014.

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

	2015 RMB'000	2014 RMB'000
At 1 January	27,814	–
Fair value of inception	–	13,819
Change in fair value	6,936	13,995
Exchange difference	1,942	–
At 31 December	36,692	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 statement of profit or loss.

(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 2014 and 2015 based on the nature or short-term maturity of these financial instruments.

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5 REVENUE AND SEGMENT REPORTING

(a) Revenue

Revenue represents income from sale of properties, rental income and construction income earned during the year, before deduction of business tax and discounts allowed, and is analysed as follows:

	2015 RMB'000	2014 RMB'000
Sale of properties	15,247,388	12,953,104
Rental income	71,748	56,453
Construction income	120,644	236,690
	15,439,780	13,246,247
Less: Business tax and other sales related taxes	(865,770)	(748,310)
	14,574,010	12,497,937

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

5 REVENUE 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 2015 and 2014 is set out below.

For the year ended 31 December 2015

	Property development RMB'000	Property leasing RMB'000	Construction contracts RMB'000	Total RMB'000
Gross revenue from external customers	15,247,388	71,748	120,644	15,439,780
Less: Business tax and sales related taxes	(857,536)	(3,870)	(4,364)	(865,770)
Net revenue from external customers	14,389,852	67,878	116,280	14,574,010
Inter-segment revenue	–	–	3,432,122	3,432,122
Reportable segment revenue	14,389,852	67,878	3,548,402	18,006,132
Reportable segment profit	3,613,418	62,112	362,563	4,038,093
Bank interest income	19,316	–	18,091	37,407
Finance costs	(9,368)	–	(10,963)	(20,331)
Depreciation	(9,490)	–	(14)	(9,504)
Net increase in fair value of investment properties	–	943,057	–	943,057

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

5 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

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 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	3,221,777	54,533	483,188	3,759,499
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

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

	2015 RMB'000	2014 RMB'000
Revenue		
Reportable segment revenue	18,006,132	16,190,132
Elimination of inter-segment revenue	(3,432,122)	(3,692,195)
Consolidated revenue	14,574,010	12,497,937
Profit		
Reportable segment profit	4,038,093	3,759,499
Elimination of inter-segment profit	(381,739)	(497,994)
Reportable segment profit derived from Group's external customers	3,656,354	3,261,505
Other revenue and other net loss	(9,394)	71,349
Depreciation	(22,844)	(19,425)
Finance costs	(36,215)	(93,601)
Net increase in fair value of investment properties	943,057	861,854
Net increase in fair value of derivative financial instruments	6,936	13,995
Unallocated head office and corporate expenses	(364,384)	(378,003)
Consolidated profit before taxation	4,173,510	3,717,675

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

5 REVENUE 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

	2015 RMB'000	2014 RMB'000
Bank interest income	93,070	57,258
Design fee income	–	3,158
Government subsidies	18,589	3,728
Forfeited deposits	19,271	7,492
Bargain purchase gain recognised in a business combination (note 28)	–	5,058
Others	3,705	8,803
	134,635	85,497

(b) Other net loss

	2015 RMB'000	2014 RMB'000
Net gain on disposal of property, plant and equipment	175	304
Net foreign exchange loss	(141,756)	(14,352)
Others	(2,448)	(100)
	(144,029)	(14,148)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2015 RMB'000	2014 RMB'000
Interests on bank and other loans and other borrowing costs	1,132,760	1,107,444
Interests on senior notes	368,715	131,582
Interests on corporate bonds	90,570	–
	1,592,045	1,239,026
Less: Amount capitalised (note)	(1,555,830)	(1,145,425)
	36,215	93,601

Note: The borrowing costs have been capitalised at rates ranging from 2.8% to 13.0% (2014: 4.7% to 11.3%) per annum for the year.

(b) Staff costs

	2015 RMB'000	2014 RMB'000
Salaries, wages and other benefits	477,028	283,331
Contributions to defined contribution retirement plans	25,591	20,094
Equity-settled share-based payment expenses	49,842	46,890
	552,461	350,315
Less: Amount capitalised	(94,758)	(4,705)
	457,703	345,610

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

7 PROFIT BEFORE TAXATION (CONTINUED)

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

(c) Other items

	2015 RMB'000	2014 RMB'000
Depreciation	33,969	29,715
Less: Amount capitalised	(11,125)	(10,290)
	22,844	19,425
Rentals receivable from investment properties	(67,878)	(54,533)
Less: Direct outgoings	–	–
	(67,878)	(54,533)
Cost of properties sold	10,013,952	8,466,674
Cost of construction	117,317	226,898
Auditors' remuneration	2,404	2,333
Operating lease charges: minimum lease payments for land and buildings	11,605	8,190

8 INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	2015 RMB'000	2014 RMB'000
Current tax		
Provision for PRC Corporate Income Tax ("CIT") for the year	771,588	711,210
Provision for LAT for the year	563,020	440,328
	1,334,608	1,151,538
Deferred tax		
Origination and reversal of temporary differences	151,084	145,631
	1,485,692	1,297,169

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

8 INCOME TAX (CONTINUED)

(a) Income tax in the consolidated statement of profit or loss 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:

	2015 RMB'000	2014 RMB'000
Profit before taxation	4,173,510	3,717,675
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	1,052,060	927,059
Tax effect of non-taxable income	(15,820)	(2,991)
Tax effect of non-deductible expenses	19,674	17,696
Utilisation of previously unrecognised tax losses	(543)	(61)
Effect of tax losses not recognised	36	135
LAT	563,020	440,328
Tax effect of deductible LAT	(132,735)	(84,997)
Actual tax expense	1,485,692	1,297,169

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

8 INCOME TAX (CONTINUED)

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

(i) Current taxation

	2015 RMB'000	2014 RMB'000
CIT		
At 1 January	333,425	529,352
Acquisition of subsidiaries (note 28)	–	38,457
Provision for the year	771,588	711,210
CIT tax paid	(930,239)	(945,594)
At 31 December	174,774	333,425
LAT		
At 1 January	488,501	501,248
Acquisition of subsidiaries (note 28)	–	14,916
Provision for the year	563,020	440,328
LAT tax paid	(312,193)	(467,991)
At 31 December	739,328	488,501
Withholding tax		
At 1 January and 31 December	4,500	4,500
	918,602	826,426
Representing:		
Tax recoverable	(402,045)	(166,836)
Tax payable	1,320,647	993,262
	918,602	826,426

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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					Total RMB'000
	Revaluation of investment properties RMB'000	Unrealised gain on intra-group transactions RMB'000	Temporary differences arising from LAT provisions RMB'000	Unused tax losses (note) RMB'000	Others RMB'000	
Deferred tax arising from:						
At 1 January 2014	680,763	(155,350)	(146,307)	(81,520)	4,220	301,806
Charged/(credited) to the consolidated profit or loss	215,465	(51,689)	(21,616)	7,691	(4,220)	145,631
At 31 December 2014 and 1 January 2015	896,228	(207,039)	(167,923)	(73,829)	-	447,437
Charged/(credited) to the consolidated profit or loss	235,764	15,964	(72,396)	(28,248)	-	151,084
At 31 December 2015	1,131,992	(191,075)	(240,319)	(102,077)	-	598,521

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

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	
	2015 RMB'000	2014 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	(385,210)	(366,488)
Net deferred tax liabilities recognised in the consolidated statement of financial position	983,731	813,925
	598,521	447,437

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 RMB102,077,000 as at 31 December 2015 (2014: RMB73,829,000) 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	
	2015 RMB'000	2014 RMB'000
Unused tax losses – PRC (note)	5,646	7,652

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 2015, tax losses of RMB2,012,000, RMB2,116,000, RMB833,000, RMB541,000 and RMB144,000 will expire, if unused, by the end of 2016, 2017, 2018, 2019 and 2020 respectively.

(e) Deferred tax liabilities not recognised

As at 31 December 2015, taxable temporary differences relating to undistributed profits of the Group's PRC subsidiaries amounted to RMB10,727,709,000 (2014: RMB8,157,353,000). No deferred tax liability was recognised in respect of these taxable temporary differences as the Company controls the dividend policy of these subsidiaries and has no plan to either distribute profit or dispose of these PRC subsidiaries in the foreseeable future.

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9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	2015					
	Directors' fees RMB'000	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 Hoipang ("Mr. Kei", also act as the Chairman of the Group)	–	5,890	2,949	26	4,596	13,461
Ji Jiande	–	2,668	3,291	26	3,447	9,432
Lai Zhuobin	–	1,395	1,418	27	1,462	4,302
Xiao Xu	–	1,394	1,530	24	1,567	4,515
Non-executive Director						
Kei Perenna Hoi Ting ("Ms. Kei")	1,529	–	–	15	718	2,262
Independents non-executive Directors						
Zhang Huaqiao	335	–	–	–	–	335
Liu Ka Ying, Rebecca	335	–	–	–	–	335
Cai Suisheng	335	–	–	–	–	335
Total	2,534	11,347	9,188	118	11,790	34,977

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9 DIRECTORS' EMOLUMENTS (CONTINUED)

	2014					
	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Retirement scheme contributions	Share-based payment expenses (note 22)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors						
Kei Hoipang ("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						
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

Note:

- (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.

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10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2014: two) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2014: three) individuals are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	3,570	3,941
Discretionary bonuses	6,462	1,002
Share-based payments	4,282	1,945
Retirement scheme contributions	67	79
	14,381	6,967

The emoluments of the three (2014: three) individuals with the highest emoluments are within the following bands:

	2015 Number of individuals	2014 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	–	–
HK\$2,000,001 to HK\$2,500,000	–	1
More than HK\$2,500,000	3	2
	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.

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11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2015 is based on the profit attributable to equity shareholders of the Company of RMB2,649,279,000 (2014: RMB2,347,630,000) and the weighted average of 5,054,992,000 shares (2014: 5,000,000,000 shares) in issue during the year ended 31 December 2015, calculated as follows:

	2015 '000	2014 '000
Weighted average number of shares		
Issued shares at 1 January	5,000,000	5,000,000
Effect of issuance of shares (note 23(c))	54,992	–
Weighted average number of shares at 31 December	5,054,992	5,000,000

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable equity shareholders of the Company of RMB2,649,279,000 (2014: RMB2,347,630,000) and weighted average number of shares of 5,063,879,000 shares (2014: 5,000,000,000 shares).

	2015 '000	2014 '000
Weighted average number of shares		
Weighted average number of shares at 31 December	5,054,992	5,000,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	8,887	–
Weighted average number of shares (diluted) at 31 December	5,063,879	5,000,000

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12 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a)

	Investment properties	Investment properties under development	Sub-total	Other land and buildings	Leasehold improvements	Furniture, fixtures and other plant and equipment	Sub-total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost or valuation:								
At 1 January 2015	4,684,500	-	4,684,500	42,598	63,259	157,757	263,614	4,948,114
Additions	3,604	293,150	296,754	-	63,598	10,741	74,339	371,093
Acquisition of subsidiaries (note 28)	-	-	-	-	-	-	-	-
Transfer to investment properties	97,177	119,006	216,183	-	-	-	-	216,183
Transfer to inventories	(22,994)	-	(22,994)	-	-	-	-	(22,994)
Disposals	-	-	-	-	-	(5,557)	(5,557)	(5,557)
Surplus on revaluation	384,213	558,844	943,057	-	-	-	-	943,057
Exchange difference	-	-	-	-	(1,309)	5,634	4,325	4,325
At 31 December 2015	5,146,500	971,000	6,117,500	42,598	125,548	168,575	336,721	6,454,221
Representing:								
Cost	-	-	-	42,598	125,548	168,575	336,721	336,721
Valuation	5,146,500	971,000	6,117,500	-	-	-	-	6,117,500
	5,146,500	971,000	6,117,500	42,598	125,548	168,575	336,721	6,454,221
Accumulated depreciation:								
At 1 January 2015	-	-	-	8,055	37,800	95,718	141,573	141,573
Charge for the year	-	-	-	2,418	17,206	14,345	33,969	33,969
Written back on disposals	-	-	-	-	-	(4,443)	(4,443)	(4,443)
Exchange difference	-	-	-	-	-	-	-	-
At 31 December 2015	-	-	-	10,473	55,006	105,620	171,099	171,099
Net book value:								
At 31 December 2015	5,146,500	971,000	6,117,500	32,125	70,542	62,955	165,622	6,283,122

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12 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) (continued)

	Investment properties	Investment properties under development	Sub-total	Other land and buildings	Leasehold improvements	Furniture, fixtures and other fixed assets	Sub-total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 28)	-	-	-	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

12 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) 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 RMB'000	Fair value measurements as at the end of each reporting period categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
<i>At 31 December 2015</i>				
Investment properties	5,146,500	–	–	5,146,500
Investment properties under development	971,000	–	–	971,000
<i>At 31 December 2014</i>				
Investment properties	4,684,500	–	–	4,684,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

12 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Fair value measurement of properties (continued)

(i) Fair value hierarchy (continued)

During the year ended 31 December 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: nil). 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 2014 and 2015. The valuations were carried out by an independent firm of surveyors, Roma Appraisals 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)
<i>At 31 December 2015</i>			
Investment properties	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	4,400–83,000 (25,843)
Investment properties under developments	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	10,000–50,000 (19,312)
<i>At 31 December 2014</i>			
Investment properties	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	9,000–91,000 (36,449)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

12 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Fair value measurement of properties (continued)

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

At 31 December 2015, the investment properties have been valued by reference to sales evidences as available on the market. The investment properties under development 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 is 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 12(a) to these financial statements.

The changes in fair values of investment properties and investment properties under developments are presented in "net increase in fair value of investment properties" in the consolidated statement of profit or loss.

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

	2015 RMB'000	2014 RMB'000
In the PRC		
– under long leases	635,600	576,000
– under medium-term leases	5,514,025	4,143,043
	6,149,625	4,719,043

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 20.

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13 INVESTMENTS IN SUBSIDIARIES

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.

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary	
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) (鉞盈投資有限公司)	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary	
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 Holdings 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) (匯駿(香港)投資有限公司)	HK\$1	100%	–	100%	Inactive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary	
King Kerry Investments Company Limited (incorporated in the BVI) (金凱利投資有限公司)	US\$1	100%	–	100%	Investment holding
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 Logan Holdings Co., Ltd. (note) (深圳市龍光控股有限公司) ("formerly known as Shenzhen Youkai Investment Co., Ltd. (前稱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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary	
Shantou Logan Property Co., Ltd. (note) (汕頭市龍光房地產有限公司)	RMB10,000,000	100%	–	100%	Property development
Zhuhai Logan Property Development Co., Ltd. (note) (珠海市龍光房地產開發有限公司)	RMB30,000,000	100%	–	100%	Property development and investment
Foshan Shunde Logan Realty Co., Ltd. (note) (佛山市順德區龍光置業房產有限公司)	RMB35,295,000	100%	–	100%	Property development
Huizhou Logan Property Co., Ltd. (note) (惠州市龍光房地產有限公司)	RMB30,000,000	100%	–	100%	Property development
Dongguan Logan Property Co., Ltd. (note) (東莞市龍光房地產有限公司)	RMB50,000,000	100%	–	100%	Property development
Shantou Jinfengyuan Realty Co., Ltd. (note) (汕頭市金鋒園置業有限公司)	RMB66,000,000	100%	–	100%	Property development
Nanning Logan Jinjun Property Development Co., Ltd. (note) (南寧市龍光金駿房地產開發有限公司)	RMB50,000,000	100%	–	100%	Property development and investment
Hainan Logan Property Development Co., Ltd. (note) (海南龍光房地產開發有限公司)	RMB20,000,000	100%	–	100%	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary	
Shantou Jiarun Property Co., Ltd. (note) (汕頭市佳潤房地產有限公司)	RMB50,000,000	100%	–	100%	Property development
Hainan Jinjun Realty Co., Ltd. (note) (海南金駿置業有限公司)	RMB351,800,000	100%	–	100%	Property development
Foshan Shancheng Logan Property Co., Ltd. (note) (佛山市禪城區龍光房地產有限公司)	RMB10,500,000	100%	–	100%	Property development
Nanning Logan Bojun Property Development Co., Ltd. (note) (南寧市龍光鉞駿房地產開發有限公司)	RMB700,000,000	100%	–	100%	Property development
Chengdu Logan Jinjun Realty Co., Ltd. (note) (成都市龍光金駿置業有限公司)	RMB10,000,000	100%	–	100%	Property development
Chengdu Logan Donghua Property Development Co., Ltd. (note) (成都市龍光東華房地產開發有限公司)	RMB558,059,600	100%	–	100%	Property development
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary	
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.)	RMB200,000,000	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
Foshan Nanhai Logan Realty Co., Ltd. (note) (佛山市南海區龍光置業房產有限公司)	RMB58,820,000	100%	–	100%	Property development
Shenzhen Logan Investment Consultancy Co., Ltd. (note) (深圳市龍光投資顧問有限公司)	RMB10,000,000	100%	–	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary	
Dongguan Logan Realty Co., Ltd. (note) (東莞市龍光置業有限公司)	RMB10,500,000	100%	–	100%	Property development
Shantou Logan Jinjun Property Co., Ltd. (note) (汕頭市龍光金駿房地產有限公司)	RMB50,000,000	100%	–	100%	Property development
Zhongshan Junchi Property Co., Ltd. (note) (中山市駿馳房地產有限公司)	RMB10,500,000	100%	–	100%	Property development
Foshan Runjing Property Co., Ltd. (note) (佛山市順德區龍光潤景房地產有限公司)	RMB50,000,000	100%	–	100%	Property development
Foshan Logan Realty Co., Ltd. (note) (佛山市龍光置業房產有限公司)	RMB10,500,000	100%	–	100%	Property development
Shantou Logan Junjing Property Co., Ltd. (note) (汕頭市龍光駿景房地產有限公司)	RMB49,908,125	100%	–	100%	Property development
Shenzhen Jinjun Property Co., Ltd. (note) (深圳市金駿房地產有限公司)	RMB198,000,000	51%	–	51%	Property development
Guilin Logan Bojun Property Development Co., Ltd. (note) (桂林市龍光鉞駿房地產開發有限公司)	RMB50,000,000	100%	–	100%	Property development
Haikou Logan Property Development Co., Ltd. (note) (海口市龍光房地產開發有限公司)	RMB102,500,000	100%	–	100%	Property development
Shenzhen Logan Junchi Property Development Co., Ltd. (note) (深圳市龍光駿馳房地產開發有限公司)	RMB5,000,000	51%	–	51%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary	
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
Zuhai Bojun Property Development Co., Ltd. (note) (珠海市鉞駿房地產開發有限公司)	RMB5,000,000	51%	–	51%	Property development
Zuhai Junjing Property Development Co., Ltd (note) (珠海市駿景房地產開發有限公司)	RMB10,000,000	100%	–	100%	Property development
Shenzhen Dezhiji Construction Materials Co., Ltd (note) (深圳市德之吉建築材料有限公司)	RMB nil	91%	–	100%	Property development
Shenzhen Kaichengda Construction Materials Co., Ltd (note) (深圳市凱誠達建築材料有限公司)	RMB nil	91%	–	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary	
Shantou Logan Runjing Property Co., Ltd. (note) (汕頭市龍光潤璟房地產有限公司)	RMB50,000,000	100%	–	100%	Property development
Nanning Logan Mingjun Property Development Co., Ltd. (note) (南寧市龍光銘駿房地產開發有限公司)	RMB10,000,000	100%	–	100%	Property development
Shenzhen Logan Junjing Property Development Co., Ltd. (note) (深圳市龍光駿景房地產開發有限公司)	RMB17,567,568	51%	–	51%	Property development
Shenzhen Tengfeng Construction Materials Co., Ltd (note) (深圳市騰豐建築材料有限公司)	RMB nil	91%	–	100%	Property development
Shenzhen Junfeng Construction Materials Co., Ltd (note) (深圳市俊豐建築材料有限公司)	RMB nil	91%	–	100%	Property development

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following table lists out the information relating to Shenzhen Jinjun Property Co., Ltd. ("Shenzhen Jinjun") and Shenzhen Logan Junjing Property Development Co., Ltd. ("Shenzhen Logan Junjing"), the subsidiaries of the Group which has a material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Shenzhen Jinjun		Shenzhen Logan Junjing (Note)	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
NCI percentage	49%	49%	49%	0%
Current assets	8,074,701	6,852,228	8,046,019	–
Non-current assets	5	–	–	–
Current liabilities	(3,421,169)	(4,755,117)	(2,438,249)	–
Non-current liabilities	(2,600,000)	–	–	–
Net assets	2,053,537	2,097,111	5,607,770	–
Carrying amount of NCI	1,007,213	1,028,564	2,798,908	–
Revenue	–	–	–	–
Loss for the year	(43,573)	(2,889)	(2,230)	–
Total comprehensive income	(43,573)	(2,889)	(2,230)	–
Profit allocated to NCI	(21,351)	(1,416)	(1,093)	–
Dividend paid to NCI	–	–	–	–
Net cash outflow from operating activities	(3,731,921)	(71)	(922)	–
Net cash inflow from investing activities	1	–	–	–
Net cash inflow from financing activities	2,371,474	2,074	2,782	–

Note: Shenzhen Logan Junjing was newly incorporated during the year ended 31 December 2015.

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14 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2015 RMB'000	2014 RMB'000
Construction		
Raw materials	2,672	3,097
Property development		
Properties held for development for sale	1,863,770	9,663,537
Properties under development for sale	20,083,350	13,772,764
Completed properties available for delivery	6,248,552	4,436,042
	28,195,672	27,872,343
	28,198,344	27,875,440

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

	2015 RMB'000	2014 RMB'000
In the PRC		
– under long leases	28,195,672	27,872,343
Including:		
– Properties expected to be completed after more than one year	8,039,262	3,169,653

(c) 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 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2015 RMB'000	2014 RMB'000
Trade receivables (note (i))	96,181	140,767
Prepayments and other receivables	1,291,029	921,887
Land deposits (note (v))	8,348,721	953,808
Amounts due from related companies (note (vi))	166,811	458,109
Amounts due from non-controlling shareholders (note (vi))	86,288	–
Derivative financial instruments:		
– Senior notes redemption call options (note 21)	36,692	27,814
	10,025,722	2,502,385

Notes:

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

	2015 RMB'000	2014 RMB'000
Current or less than 1 month overdue	61,207	116,311
More than 1 month overdue and up to 3 months overdue	3	–
More than 3 months overdue and up to 6 months overdue	–	–
More than 6 months overdue and up to 1 year overdue	25,187	14,672
More than 1 year overdue	9,784	9,784
	96,181	140,767

- (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.
- (v) 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. During the year ended 31 December 2015, the acquisition of the land was completed and respective land use right certificates were obtained.

During the year ended 31 December 2015, the Group entered into four land grant contracts for acquisition of the land in the PRC and as at 31 December 2015, a total of RMB8,348,721,000 was paid and recognised as deposit for the acquisition of the land.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

16 ASSETS AND LIABILITIES UNDER CROSS-BORDER GUARANTEE ARRANGEMENTS

In 2014, 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 in compliance with the relevant rules and regulations promulgated by the State Administration of Foreign Exchange, the Group's subsidiaries in Hong Kong deposited 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 2% (2014: 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:

	2015 RMB'000	2014 RMB'000
Assets under cross-border guarantee arrangements		
– included as non-current assets	–	436,600
– included as current assets	286,600	1,167,000
Liabilities under cross-border guarantee arrangements		
– included as current liabilities	(286,600)	(1,167,000)
– included as non-current liabilities (repayable after 1 year but within 2 years)	–	(436,600)
	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

17 RESTRICTED AND PLEDGED DEPOSITS

	2015 RMB'000	2014 RMB'000
Restricted deposits	351,849	40,102
Pledged deposits	2,203,516	1,898,004
	2,555,365	1,938,106

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

	2015 RMB'000	2014 RMB'000
Bank and other loans	813,850	585,336
Mortgage loan facilities granted by the banks to purchasers of the Group's properties	89,666	12,668
Non-interest bearing payable to a financial institution	1,300,000	1,300,000
	2,203,516	1,898,004

18 CASH AND CASH EQUIVALENTS

	2015 RMB'000	2014 RMB'000
Cash at bank and in hand	8,635,258	5,576,357

The Group's cash and bank balances at 31 December 2015 include RMB6,999,906,000 (2014: RMB3,986,477,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

19 TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables (note (i))	4,046,221	3,242,460
Other payables and accrued charges	498,071	278,743
Dividends payable (note 23(b)(ii))	–	368,811
Customer deposits received	112,677	36,523
Rental and other deposits received	9,851	7,789
Receipts in advance	11,008,496	6,390,599
Amounts due to related companies (note (ii))	12	223,860
Non-interest bearing payable to a financial institution (note (iii))	1,293,801	1,293,801
	16,969,129	11,842,586

Notes:

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

	2015 RMB'000	2014 RMB'000
Within 1 month or on demand	2,274,297	1,851,483
More than 1 month but within 3 months	351,249	211,616
More than 3 months but within 6 months	464,546	227,260
More than 6 months but within 1 year	628,771	662,222
More than 1 year	327,358	289,879
	4,046,221	3,242,460

- (ii) The amounts due to 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 on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

20 BANK AND OTHER LOANS

	2015 RMB'000	2014 RMB'000
Bank loans		
– Secured	8,764,105	8,619,116
– Unsecured	1,227,817	753,500
	9,991,922	9,372,616
Other loans		
– Secured	1,160,000	1,870,900
– Unsecured	10,000	1,638,000
	1,170,000	3,508,900
Unsecured corporate bonds	5,000,000	–
	16,161,922	12,881,516

Bank loans are repayable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year or on demand	3,674,885	1,716,474
After 1 year but within 2 years	3,288,797	3,211,000
After 2 years but within 5 years	2,758,870	3,619,452
After 5 years	269,370	825,690
	6,317,037	7,656,142
	9,991,922	9,372,616

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

20 BANK AND OTHER LOANS (CONTINUED)

Other loans as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year or on demand	370,000	2,108,000
After 1 year but within 2 years	800,000	1,400,900
	1,170,000	3,508,900

Notes:

(i) Corporate bonds

On 12 August 2015, China Securities Regulatory Commission approved the application of Shenzhen Logan Holdings Co., Ltd. ("Shenzhen Logan") (formerly known as Shenzhen Youkai Investment Co., Ltd.), a company established in the PRC and a wholly-owned subsidiary of the Company, for a proposed issue of domestic corporate bonds of up to RMB5,000,000,000 (the "Domestic Bonds"). The Domestic Bonds were unsecured, issued in two tranches and listed on the Shanghai Stock Exchange. The coupon rates of the first and second tranche with a principal amount of RMB4,000,000,000 and RMB1,000,000,000 were fixed at 5% per annum and 4.77% per annum respectively. The term of the first and second Domestic Bonds were 5 years and 4 years.

At the end of third year and second year, Shenzhen Logan shall be entitled to adjust the coupon rate of first and second Domestic Bonds respectively and the investors shall be entitled to sell back the bonds.

(ii) The bank loans bear floating interest rate ranging from 2.8% to 13.0% (2014: 2.7% to 13.0%) per annum, and are secured by the following assets:

	2015 RMB'000	2014 RMB'000
Investment properties	3,898,609	2,370,000
Properties held for development for sale	202,150	–
Properties under development for sale	8,110,383	9,645,405
Completed properties available for delivery	1,051,776	4,007
Other land and building	22,655	–
Pledged deposits	813,850	567,286
	14,099,423	12,586,698

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

20 BANK AND OTHER LOANS (CONTINUED)

Notes: (continued)

- (iii) 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 2015, none of the covenants relating to drawn down facilities had been breached (2014: nil).
- (iv) The other loans are borrowed from other financial institutions, bear fixed interest rate ranging from 6.13% to 11.50% (2014: 6.13% to 13.00%) per annum, and are secured by the following assets:

	2015 RMB'000	2014 RMB'000
Pledged deposits	–	18,050
Investment properties	–	87,000
Properties held for development for sale	–	897,863
Properties under development for sale	1,440,121	327,121
Completed properties available for delivery	62,907	–
	1,503,028	1,330,034

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

- (v) Certain bank and other loans at 31 December 2015 amounted to RMB769,000,000 (2014: RMB3,680,000,000) are guaranteed by related companies/parties and Mr. Kei.

21 SENIOR NOTES

Liability component of the senior notes:

	2015 RMB'000	2014 RMB'000
US\$300m Senior Notes (note (i))	1,955,804	1,844,174
US\$250m Senior Notes (note (ii))	1,632,916	1,539,672
	3,588,720	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

21 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 15) RMB'000	Total RMB'000
<i>US\$300m Senior Notes</i>			
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
Interest and transaction cost amortised	213,848	–	213,848
Interest paid	(210,506)	–	(210,506)
Change in fair value	–	(13,161)	(13,161)
Exchange difference	108,288	(1,701)	106,587
At 31 December 2015	1,955,804	(33,805)	1,921,999
<i>US\$250m Senior Notes</i>			
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
Interest and transaction cost amortised	154,867	–	154,867
Interest paid	(152,032)	–	(152,032)
Change in fair value	–	6,225	6,225
Exchange difference	90,409	(241)	90,168
At 31 December 2015	1,632,916	(2,887)	1,630,029
Total:			
At 31 December 2015	3,588,720	(36,692)	3,552,028
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 15). The assumptions applied in determining the fair value of the redemption call options at 31 December 2015 are set out in note 4(e).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

22 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 2015 (2014: 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 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.

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 options grants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

23 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 (note 23(c)) RMB'000	Share premium (note 23(d)(i)) RMB'000	Share-based compensation reserve (note 23(d)(v)) RMB'000	Exchange reserves (note 23(d)(ii)) RMB'000	Accumulated losses RMB'000	Total RMB'000
At 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 23(b)(iii))	–	–	–	–	(436,563)	(436,563)
Equity-settled share-based transactions (note 7(b))	–	–	46,890	–	–	46,890
At 31 December 2014 and 1 January 2015	393,115	825,019	46,890	7,869	(585,921)	686,972
Changes in equity for 2015:						
Loss and total comprehensive income for the year	–	–	–	14,781	(47,631)	(32,850)
Dividend declared (note 23(b)(iii))	–	–	–	–	(433,736)	(433,736)
Equity-settled share-based transactions (note 7(b))	–	–	49,842	–	–	49,842
Effect of forfeited and cancelled share options	–	–	(21,475)	–	21,475	–
Issuance of shares (note 23(c))	46,706	1,242,434	–	–	–	1,289,140
At 31 December 2015	439,821	2,067,453	75,257	22,650	(1,045,813)	1,559,368

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2015 RMB'000	2014 RMB'000
Final dividend proposed after the end of reporting period of HK14 cents (equivalent to approximately RMB12 cents) per share (2014: HK11 cents (equivalent to approximately RMB9 cents) per share)	653,138	435,490

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

	2015 RMB'000	2014 RMB'000
Final dividend in respect of the previous financial year, approved during the period, of HK11 cents (equivalent to RMB8.7 cents) per ordinary share (2014: HK11 cents (equivalent to RMB8.7 cents per ordinary share))	433,736	436,563

Dividends of HK\$550,000,000 (equivalent to RMB433,736,000) (2014: HK\$82,500,000 (equivalent to RMB67,752,000)) was paid by 31 December 2015. The remaining amounts were fully accrued as dividends payable (note 19).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

Issued share capital

	2015		2014	
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000
Ordinary shares, issued and fully paid:				
At 1 January	5,000,000	500,000	5,000,000	500,000
Issuance of shares	557,554	55,755	–	–
At 31 December	5,557,554	555,755	5,000,000	500,000
RMB'000 equivalent at 31 December		439,821		393,115

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

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 global initial public offering ("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.

Issuance of shares during 2015

On 25 November 2015 and 3 December 2015, a total of 557,554,000 shares of HK\$0.1 each were issued at a price of HK\$2.78 per share. Proceeds of HK\$55,755,000 (equivalent to RMB46,706,000), representing the par value of shares issued, were credited to the Company's share capital. The remaining proceeds (net of transaction costs) of HK\$1,483,150,000 (equivalent to RMB1,242,434,000) 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(iii) PRC statutory reserves

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

General reserve

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

Statutory surplus reserve

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

Statutory reserve fund 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., Shantou Jiarun Property Co., Ltd. and Shenzhen Logan Holdings Co., Ltd. (formerly known as Shenzhen Youkai 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., Shenzhen Jinjun Property Co., Ltd. and Shenzhen Logan Junjing Property Development 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 22.

(vi) Distributability of reserves

At 31 December 2015, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company was RMB1,044,290,000 (2014: RMB246,967,000). After the end of the reporting period, the directors proposed a final dividend of HK14 cents, equivalent to approximately RMB12 cents (2014: HK11 cents, equivalent to approximately RMB9 cents) per share, amounting to RMB653,138,000 (2014: RMB435,490,000). This dividend has not been recognised as a liability at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(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 2015 and 2014 was as follows:

	2015 RMB'000	2014 RMB'000
Total bank loans	9,991,922	9,372,616
Total other loans	1,170,000	3,508,900
Senior notes	3,588,720	3,383,846
Corporate bonds	5,000,000	–
Non-interest bearing payable to a financial institution	1,293,801	1,293,801
	21,044,443	17,559,163
Less: Cash and cash equivalents	(8,635,258)	(5,576,357)
Restricted and pledged deposits	(2,555,365)	(1,938,106)
Net debt	9,853,820	10,044,700
Total equity	17,460,917	13,317,018
Net debt to equity ratio	56.4%	75.5%

Save as disclosed in the Directors' Report and note 20(iii), neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

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(Expressed in Renminbi)

24 COMMITMENTS

Commitments outstanding at 31 December 2015 not provided for in the financial statements were as follows:

	2015 RMB'000	2014 RMB'000
Contracted for	11,983,863	5,231,861
Authorised but not contracted for	21,096,818	20,781,381
	33,080,681	26,013,242

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

25 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 12.

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

	2015 RMB'000	2014 RMB'000
Within 1 year	80,301	59,458
After 1 year but within 5 years	176,235	178,866
After 5 years	68,283	86,029
	324,819	324,353

(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:

	2015 RMB'000	2014 RMB'000
Within 1 year	6,668	5,443
After 1 year but within 5 years	11,058	1,458
	17,726	6,901

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

26 CONTINGENT LIABILITIES

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

	2015 RMB'000	2014 RMB'000
Guarantees given to financial institutions for mortgages facilities granted to purchasers of the Group's properties	8,156,977	4,371,045

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

27 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	2015 RMB'000	2014 RMB'000
Construction contracts income from related companies	(a)	116,280	228,440
Design fee income from a related company	(b)	–	2,710
Management services fee income from a related company	(c)	700	–
Remuneration of key management personnel	(d)	(40,856)	(24,857)

Notes:

- (a) The Group being engaged for the construction projects of related companies on normal commercial terms and in the ordinary course of business.
- (b) The Group provides construction design service to a related company (became a subsidiary upon the completion of acquisition as mentioned in note 28) on normal commercial terms and in the ordinary course of business.
- (c) The Group provides management services to a related company on normal commercial terms and in the ordinary course of business.
- (d) Remunerations 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:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	40,856	24,857
Post-employment benefits	–	–
	40,856	24,857

- (e) Applicability of the Listing Rules relating to connected transaction

The related party transactions in respect of construction contracts income, design fee income and management services fee income from related companies (notes 27(a), (b) and (c)) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

28 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 had 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 amount of bargain purchase arising as a result of the 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 ADDITIONAL INTERESTS IN SUBSIDIARIES

	2015 RMB’000
Consideration paid	2,082,897
Carrying amount of non-controlling interests acquired	(961,533)
Excess of consideration paid recognised in other reserve	1,121,364

During the year, the Group acquired additional interests in three subsidiaries from the non-controlling interests. Details of the transactions are as follows:

(i) **Foshan Nanhai Logan Realty Co., Ltd. (“Foshan Nanhai”)**

On 13 November 2015, the Group entered into an equity transfer agreement with a non-controlling interest to acquire additional 49% equity interests in Foshan Nanhai at a consideration of approximately RMB552,367,000. Upon the completion of the above transaction, Foshan Nanhai became the Group’s indirect wholly-owned subsidiary.

The excess of the consideration paid in respect of the acquisition of additional interests in the subsidiary of approximately RMB552,367,000 over the carrying amount of the non-controlling interest of approximately RMB286,950,000 amounted to approximately RMB265,417,000 is recognised in other reserve in accordance with the accounting policy set out in note 2(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

29 ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES (CONTINUED)

(ii) Foshan Logan Realty Co., Ltd. (“Foshan Logan”)

On 10 December 2015, the Group entered into an equity transfer agreement with a non-controlling interest to acquire additional 49% equity interests in Foshan Logan at a consideration of approximately RMB217,754,000. Upon the completion of the above transaction, Foshan Logan became the Group’s indirect wholly-owned subsidiary.

The excess of the consideration paid in respect of the acquisition of additional interests in the subsidiary of approximately RMB217,754,000 over the carrying amount of the non-controlling interest of approximately RMB94,561,000 amounted to approximately RMB123,193,000 is recognised in other reserve in accordance with the accounting policy set out in note 2(c).

(iii) Shantou Logan Junjing Property Co., Ltd. (“Shantou Logan”)

On 31 December 2015, the Group entered into an equity transfer agreement with a non-controlling interest to acquire additional 49% equity interests in Shantou Logan at a consideration of approximately RMB1,312,776,000. Upon the completion of the above transaction, Shantou Logan became the Group’s indirect wholly-owned subsidiary.

The excess of the consideration paid in respect of the acquisition of additional interests in the subsidiary of approximately RMB1,312,776,000 over the carrying amount of the non-controlling interest of approximately RMB580,022,000 amounted to approximately RMB732,754,000 is recognised in other reserve in accordance with the accounting policy set out in note 2(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Plant and equipment		–	1,309
Investments in subsidiaries		10,211	10,211
		10,211	11,520
Current assets			
Prepayments and other receivables		5,536,466	4,835,857
Cash and cash equivalents		285,728	272,537
		5,822,194	5,108,394
Current liability			
Other payables		–	404,643
Bank loan		205,295	–
Net current assets		5,616,899	4,703,751
Total assets less current liability		5,627,110	4,715,271
Non-current liabilities			
Bank loan		479,022	644,453
Senior notes		3,588,720	3,383,846
		4,067,742	4,028,299
NET ASSETS		1,559,368	686,972
CAPITAL AND RESERVES	23		
Share capital		439,821	393,115
Reserves		1,119,547	293,857
TOTAL EQUITY		1,559,368	686,972

Approved and authorised for issue by the board of directors on 10 March 2016

Lai Zhuobin
DirectorXiao Xu
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- (a) On 19 January 2016, the Company has made application to The Stock Exchange of Hong Kong Limited for the listing of and permission to deal in the senior notes with principal amount of US\$260,000,000 due in 2020. The senior notes are interest bearing at 7.70% per annum.
- (b) On 22 January 2016, the Company has announced that it intends to exercise its power under the general mandate granted by the shareholders of the Company to the Board to buy back up to 500,000,000 shares.
- (c) After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 23(b).

32 ULTIMATE CONTROLLING PARTY

At 31 December 2015, 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.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 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
<i>Annual Improvements to HKFRSs 2012-2014 Cycle</i>	1 January 2016
<i>Amendments to HKAS 1, Disclosure initiative</i>	1 January 2016
<i>Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation</i>	1 January 2016
<i>HKFRS 15, Revenue from contracts with customers</i>	1 January 2018
<i>HKFRS 9, Financial instruments</i>	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.

FIVE YEARS' FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	14,574,010	12,497,937	11,119,424	6,587,660	3,447,474
Profit attributable to shareholders of the Company	2,649,279	2,347,630	2,024,156	1,794,068	1,247,583

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	At 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Non-current assets	7,011,397	5,609,629	4,187,407	4,075,690	3,187,487
Current assets	49,760,269	39,226,124	23,624,432	17,973,466	13,405,167
Total assets	56,771,666	44,835,753	27,811,839	22,049,156	16,592,654
Current liabilities	22,621,261	17,827,322	13,634,741	12,821,807	9,596,124
Non-current liabilities	16,689,488	13,691,413	6,827,422	5,076,588	4,673,171
Total liabilities	39,310,749	31,518,735	20,462,163	17,898,395	14,267,295
Net assets	17,460,917	13,317,018	7,349,676	4,150,761	2,323,359
Equity attributable to shareholders of the Company	13,548,779	11,209,886	7,335,688	4,092,780	2,291,849
Non-controlling interests	3,912,138	2,107,132	13,988	57,981	31,510
Total equity	17,460,917	13,317,018	7,349,676	4,150,761	2,323,359