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LOGAN

龙光地产

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)

PROPOSED ISSUE OF SENIOR NOTES

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The Company proposes to conduct an international offering of guaranteed U.S. Dollar denominated senior fixed rate notes.

Completion of the Proposed Notes Issue is subject to, among others, market conditions and investors' interest. The Notes are proposed to be guaranteed by the Subsidiary Guarantors. As at the date of this announcement, the principal amount, the interest rate, the payment date and certain other terms and conditions of the Proposed Notes Issue are yet to be finalised. Upon finalising the terms of the Notes, it is expected that Guotai Junan International, Deutsche Bank, HSBC, Shanghai Pudong Development Bank Hong Kong Branch, China Minsheng Banking Corp., Ltd., Hong Kong Branch, the Subsidiary Guarantors and the Company will enter into the Purchase Agreement. The Company intends to use the net proceeds of the Proposed Notes Issue for refinancing its existing indebtedness. The Company may adjust its plans in response to changing market conditions and, thus, reallocate the use of the net proceeds.

Approval in-principle has been received for the listing and quotation of the Notes on the official list of the SGX-ST. Admission to the official list of the SGX-ST and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors or any other subsidiary or associated company of the Company, the Notes or the Subsidiary Guarantees. SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this announcement.

The Notes have not been, and will not be, registered under the Securities Act. The Notes are being offered outside the United States in offshore transactions to non-U.S. persons in accordance with Regulation S under the Securities Act, and may not be offered or sold within the United States or to, or for the account on benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. None of the Notes will be offered to the public in Hong Kong.

MiFID II professionals/ECPs-only/No PRIIPs KID — Manufacturer target market (MiFID II product governance) is eligible counterparties and professional clients only (all distribution channels). No PRIIPs key information document (KID) has been prepared as not available to retail in EEA.

As no binding agreement in relation to the Proposed Notes Issue has been entered into as at the date of this announcement, the Proposed Notes Issue may or may not materialise. Investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company. A further announcement in respect of the Proposed Notes Issue will be made by the Company should the Purchase Agreement be signed.

THE PROPOSED NOTES ISSUE

Introduction

The Company proposes to conduct an international offering of guaranteed U.S. Dollar denominated senior fixed rate notes.

In connection with the Proposed Notes Issue, the Company will provide certain professional investors with recent unaudited financial information of the Group for the six months ended 30 June 2018. Such financial information was extracted from the unaudited interim results of the Group for the six months ended 30 June 2018 (the “**Interim Financial Information**”). To ensure equal dissemination of information to the shareholders of the Company, the Interim Financial Information is attached hereto.

Completion of the Proposed Notes Issue is subject to, among others, market conditions and investors’ interest. The Notes are proposed to be guaranteed by the Subsidiary Guarantors. As at the date of this announcement, the principal amount, the interest rate, the payment date and certain other terms and conditions of the Proposed Notes Issue are yet to be finalised. Upon finalising the terms of the Notes, it is expected that Guotai Junan International, Deutsche Bank, HSBC, Shanghai Pudong Development Bank Hong Kong Branch, China Minsheng Banking Corp., Ltd., Hong Kong Branch, the Subsidiary Guarantors and the Company will enter into the Purchase Agreement.

The Notes have not been, and will not be, registered under the Securities Act. The Notes are being offered outside the United States in offshore transactions to non-U.S. persons in accordance with Regulation S under the Securities Act, and may not be offered or sold within the United States or to, or for the account on benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. None of the Notes will be offered to the public in Hong Kong.

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Reasons for the Proposed Notes Issue

The Group is principally engaged in property development, property investment and property construction in the PRC, focusing on the residential property market, and its products are primarily targeted at first-time homebuyers and upgraders.

The Company believes demand from such customers is less susceptible to fluctuations in property prices and thus provides stability to the Group’s business profile. In 2018, the Group was ranked as the 26th-largest property developer in the PRC by comprehensive

strength. The Company intends to use the net proceeds of the Proposed Notes Issue for refinancing its existing indebtedness. The Company may adjust its plans in response to changing market conditions and, thus, reallocate the use of the net proceeds.

Listing

Approval in-principle has been received for the listing and quotation of the Notes on the official list of the SGX-ST. Admission to the official list of the SGX-ST and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors or any other subsidiary or associated company of the Company, the Notes or the Subsidiary Guarantees. SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this announcement.

GENERAL

As no binding agreement in relation to the Proposed Notes Issue has been entered into as at the date of this announcement, the Proposed Notes Issue may or may not materialise. Investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company. A further announcement in respect of the Proposed Notes Issue will be made by the Company should the Purchase Agreement be signed.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set forth below unless the context requires otherwise:

“Board”	the board of Directors
“China Minsheng Banking Corp., Ltd., Hong Kong Branch”	China Minsheng Banking Corp., Ltd., Hong Kong Branch
“Company”	Logan Property Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Deutsche Bank”	Deutsche Bank AG, Singapore Branch
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guotai Junan International”	Guotai Junan Securities (Hong Kong) Limited

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited
“Notes”	the guaranteed U.S. Dollar denominated senior fixed rate notes to be issued by the Company
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement
“Proposed Notes Issue”	the proposed issue of the Notes by the Company
“Purchase Agreement”	the agreement proposed to be entered into by and among Guotai Junan International, Deutsche Bank, HSBC, Shanghai Pudong Development Bank Hong Kong Branch, China Minsheng Banking Corp., Ltd., Hong Kong Branch, the Company and the Subsidiary Guarantors in relation to the Proposed Notes Issue
“Securities Act”	the United States Securities Act of 1933, as amended
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Shanghai Pudong Development Bank Hong Kong Branch”	Shanghai Pudong Development Bank Co., Ltd. Hong Kong Branch
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary Guarantees”	the guarantees to be provided by the Subsidiary Guarantors in respect of the Notes
“Subsidiary Guarantors”	certain existing subsidiaries of the Company which provide guarantees for the Notes

“U.S. Dollars” or United States dollar(s), the lawful currency of the United States
“US\$”
“United States” the United States of America

By Order of the Board
Logan Property Holdings Company Limited
Kei Hoi Pang
Chairman

Hong Kong, 21 August 2018

As at the date of this announcement, the executive Directors are Mr. Kei Hoi Pang, Mr. Ji Jiande, Mr. Xiao Xu and Mr. Lai Zhuobin; the non-executive Director is Ms. Kei Perenna Hoi Ting; and the independent non-executive Directors are Mr. Zhang Huaqiao, Dr. Liu Ka Ying, Rebecca and Mr. Cai Suisheng.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
REVENUE	5	15,153,528	12,382,234
Cost of sales		(9,542,129)	(7,493,210)
Gross profit		5,611,399	4,889,024
Other income and gains		758,542	309,579
Other expenses		(37,439)	(4,076)
Selling and marketing expenses		(270,651)	(295,696)
Administrative expenses		(446,673)	(288,274)
Net increase in fair value of investment properties	12	1,037,395	1,771,333
Net increase/(decrease) in fair value of derivative financial instruments	24	23,024	(125,641)
Share of profit of associates		51,707	101,228
Share of losses of joint ventures		(61,869)	(2,072)
PROFIT FROM OPERATIONS		6,665,435	6,355,405
Finance costs	6	(520,876)	(318,173)
PROFIT BEFORE TAX	7	6,144,559	6,037,232
Income tax expense	8	(2,349,721)	(2,281,790)
PROFIT FOR THE PERIOD		3,794,838	3,755,442
Attributable to:			
Owners of the parent		3,431,807	3,399,006
Non-controlling interests		363,031	356,436
		3,794,838	3,755,442
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RMB cents)	10		
Basic		60.99	61.84
Diluted		59.96	61.42

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	3,794,838	3,755,442
OTHER COMPREHENSIVE INCOME FOR THE PERIOD (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of group entities	(152,469)	52,691
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,642,369	3,808,133
Attributable to:		
Owners of the parent	3,279,338	3,451,697
Non-controlling interests	363,031	356,436
	3,642,369	3,808,133

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
NON-CURRENT ASSETS			
Investment properties	12	17,190,209	15,664,830
Other property, plant and equipment	11	170,239	147,867
Deferred tax assets		398,727	330,206
Investments in associates		669,255	2,653,386
Investments in joint ventures		19,514,361	9,261,913
Assets under cross-border guarantee arrangements	14	461,120	—
Restricted and pledged deposits		237,557	218,102
Total non-current assets		38,641,468	28,276,304
CURRENT ASSETS			
Inventories		33,399,697	38,457,739
Trade and other receivables and prepayments	13	40,439,169	20,448,286
Contract assets		137,899	—
Tax recoverable		1,390,039	753,256
Assets under cross-border guarantee arrangements	14	1,654,660	1,745,380
Restricted and pledged deposits		1,997,779	2,311,691
Cash and cash equivalents		25,362,522	19,878,192
Total current assets		104,381,765	83,594,544
CURRENT LIABILITIES			
Trade and other payables	15	27,800,305	37,275,788
Contract liabilities		28,250,887	—
Liabilities under cross-border guarantee arrangements	14	1,654,660	1,745,380
Bank and other loans		8,330,990	5,597,885
Senior notes	16	2,991,049	2,965,541
Other current liabilities	17	6,490,000	7,000,000
Tax payable		3,433,074	2,709,162
Total current liabilities		78,950,965	57,293,756
NET CURRENT ASSETS		25,430,800	26,300,788
TOTAL ASSETS LESS CURRENT LIABILITIES		64,072,268	54,577,092

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

		30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		64,072,268	54,577,092
NON-CURRENT LIABILITIES			
Liabilities under cross-border guarantee arrangements	14	461,120	—
Bank and other loans		8,413,166	14,191,435
Senior notes	16	11,210,771	5,924,103
Corporate bonds	17	10,662,449	5,162,449
Deferred tax liabilities		2,388,766	2,135,296
Total non-current liabilities		33,136,272	27,413,283
Net assets		30,935,996	27,163,809
EQUITY			
Equity attributable to owners of the parent			
Share capital		434,291	433,828
Perpetual capital securities	19	2,363,346	2,363,346
Reserves		23,777,631	20,509,047
		26,575,268	23,306,221
Non-controlling interests		4,360,728	3,857,588
Total equity		30,935,996	27,163,809

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the parent											
	Share capital	Share premium	Treasury shares	Share-based	Exchange	PRC		Retained profits	Perpetual capital securities	Non-controlling interests		Total equity
				compensation reserve	reserve	statutory reserves	Other reserve		Total	Total		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)				(note 18)					(note 19)			
At 1 January 2017	434,591	1,899,444	–	95,062	(123,177)	832,451	2,902,849	13,385,629	–	19,426,849	6,324,497	25,751,346
Profit for the period	–	–	–	–	–	–	–	3,399,006	–	3,399,006	356,436	3,755,442
Other comprehensive income –												
Exchange differences on translation of financial statements of group entities	–	–	–	–	52,691	–	–	–	–	52,691	–	52,691
Total comprehensive income for the period	–	–	–	–	52,691	–	–	3,399,006	–	3,451,697	356,436	3,808,133
Final dividend declared	–	–	–	–	–	–	–	(1,192,592)	–	(1,192,592)	–	(1,192,592)
Equity-settled share-based transactions	–	–	–	4,983	–	–	–	–	–	4,983	–	4,983
Effect of forfeited share options	–	–	–	(14,372)	–	–	–	14,372	–	–	–	–
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	(3,434,236)	–	–	(3,434,236)	(604,357)	(4,038,593)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	5,394	5,394
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	17,650	17,650
Issuance of perpetual capital securities	–	–	–	–	–	–	–	–	2,363,346	2,363,346	–	2,363,346
At 30 June 2017	434,591	1,899,444	–	85,673	(70,486)	832,451	(531,387)	15,606,415	2,363,346	20,620,047	6,099,620	26,719,667

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the parent											
	Share capital	Share premium	Treasury shares	Share-based compensation reserve	Exchange reserve	PRC statutory reserves	Other reserve	Retained profits	Perpetual capital securities	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000 (note 18)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (note 19)	RMB'000	RMB'000	RMB'000
(Unaudited)												
At 1 January 2018	433,828	—*	—	89,148*	(43,177)*	921,664*	116,307*	19,425,105*	2,363,346	23,306,221	3,857,588	27,163,809
Profit for the period	—	—	—	—	—	—	—	3,431,807	—	3,431,807	363,031	3,794,838
Other comprehensive income –												
Exchange differences on translation of financial statements of group entities	—	—	—	—	(152,469)	—	—	—	—	(152,469)	—	(152,469)
Total comprehensive income for the period	—	—	—	—	(152,469)	—	—	3,431,807	—	3,279,338	363,031	3,642,369
Transfer to PRC statutory reserves	—	—	—	—	—	24,066	—	(24,066)	—	—	—	—
2017 final and special dividends declared	—	—	—	—	—	—	—	(879,898)	—	(879,898)	—	(879,898)
Issuance of shares in connection with the exercise of share option	463	26,835	—	(3,711)	—	—	—	—	—	23,587	—	23,587
Equity-settled share-based transactions	—	—	—	30,000	—	—	—	—	—	30,000	—	30,000
Effect of forfeited share options	—	—	—	(3,662)	—	—	—	3,662	—	—	—	—
Repurchase of own shares	—	—	(3,999)	—	—	—	—	—	—	(3,999)	—	(3,999)
Deemed disposal of subsidiaries	—	—	—	—	—	—	133,096	(18,221)	—	114,875	—	114,875
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	47,383	47,383
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	683,496	—	—	683,496	(3,505,274)	(2,821,778)
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	102,000	—	—	102,000	3,598,000	3,700,000
Distribution to holders of perpetual capital securities	—	—	—	—	—	—	—	(80,352)	—	(80,352)	—	(80,352)
At 30 June 2018	434,291	26,835*	(3,999)*	111,775*	(195,646)*	945,730*	1,034,899*	21,858,037*	2,363,346	26,575,268	4,360,728	30,935,996

* These reserve accounts comprise the consolidated reserves of RMB23,777,631,000 (31 December 2017: RMB20,509,047,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		4,708,371	5,582,185
Tax paid		(1,583,824)	(1,427,602)
Net cash flows from operating activities		3,124,547	4,154,583
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		485,468	51,549
Addition to investment properties	12	(421,452)	(141,836)
Addition to other property, plant and equipment		(18,410)	(26,456)
Disposal of a subsidiary		566,016	—
Deemed disposal of subsidiaries		(1,036,835)	—
Acquisition of subsidiaries		(320,929)	(517,281)
Investments in joint ventures		(181,132)	(15,521)
Investments in associates		(20,000)	—
Advances to joint ventures and associate		(8,459,911)	(2,412,272)
Proceeds from disposal of other property, plant and equipment		5,098	410
Decrease/(increase) in restricted and pledged deposits		294,457	(1,113,363)
Net cash flows used in investing activities		(9,107,630)	(4,174,770)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(1,073,360)	(1,186,648)
Proceeds from bank and other loans		10,932,613	13,240,538
Repayment of bank and other loans		(8,994,026)	(6,706,855)
Repayment of senior notes		—	(2,172,448)
Repayment of corporate bonds		(10,000)	—
Proceeds from issuance of senior notes		4,929,281	4,410,756
Proceeds from issuance of corporate bonds	17	5,000,000	—
Proceeds from assets-backed securities		—	1,521,000
Proceeds from issuance of perpetual capital securities	19	—	2,363,346
Distribution paid to holders of perpetual capital securities		(80,352)	—
Proceeds from issuance of shares in connection with the exercise of share options		23,587	—
Repurchase of own shares		(3,999)	—
Capital contribution from non-controlling shareholders		3,700,000	17,650
Payments for acquisition of non-controlling interests		(2,821,778)	(4,038,593)
Proceeds from loan from non-controlling shareholders		152,000	—
Dividends paid to ordinary equity shareholders of the Company		(408,630)	—
Net cash flows from financing activities		11,345,336	7,448,746
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,362,253	7,428,559
Cash and cash equivalents at beginning of period		19,878,192	13,559,827
Effect of foreign exchange rate changes		122,077	(77,972)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		25,362,522	20,910,414

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

1. CORPORATE AND GROUP INFORMATION

Logan Property Holdings Company Limited (the “Company”) is incorporated in the Cayman Islands as an exempted company with limited liability. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

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

2. ACCOUNTING POLICIES

The condensed consolidation interim financial information (the “interim financial information”) for the six months ended 30 June 2018 is prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The interim financial information does not include all the information and disclosures in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2017. The accounting policies and basis of preparation adopted in the preparation of the interim financial information are the same as those used in the annual financial statements for the year ended 31 December 2017, except for the following new and revised Hong Kong Financial Reporting Standards (the “HKFRSs”, which include all HKFRSs, HKASs and Interpretations issued by the HKICPA), that have been adopted by the Group for the first time in 2018 for the current period’s interim financial information:

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Annual Improvements <i>2014-2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and Amendments to HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on the interim financial information.

2. ACCOUNTING POLICIES (CONTINUED)

The nature and the impact of the changes are described below:

HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group did not restate comparative information and recognised any material transition adjustments against the opening balance of equity at 1 January 2018. The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(i) Classification and measurement

Except for trade receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss or amortised cost. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's financial assets are as follows:

- *Debt instruments at amortised cost* that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.
- *Financial assets at fair value through profit or loss* include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

2. ACCOUNTING POLICIES (CONTINUED)**HKFRS 9 Financial Instruments (Continued)****(i) Classification and measurement (Continued)**

The adoption of HKFRS 9 has had no significant impact on the Group's interim financial information on classification and measurement of its financial assets.

(ii) Impairment

HKFRS 9 requires an impairment on trades receivables, contract assets, other receivables and amounts due from joint ventures and associates that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on its trade receivables and contract assets. The Group applied general approach and recorded twelve-month expected losses on its other receivables and amounts due from joint venture and associates. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at 1 January 2018. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

2. ACCOUNTING POLICIES (CONTINUED)

HKFRS 15 Revenue from Contracts with Customers (Continued)

Revenue recognition

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

Land development revenue

Land development revenue is recognised at a point in time, when the customer obtains control of the assets and the Group has present right to payment and the collection of the consideration is probable.

(i) Accounting for revenue from sales of properties

Prior to the adoption of HKFRS 15, the Group accounted for revenue from sales of properties when significant risks and rewards of ownership have been transferred to the customers on delivery in its entirety at a single time upon vacant possession.

Under HKFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress. The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

The Group has assessed that there is an enforceable right to payment from the customers for performance completed to date for few properties. Thus, majority of revenue from sale of properties will continue to be recognised at a point in time, when the purchasers obtain the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable. The adoption of HKFRS 15 has had no significant impact on the timing of revenue recognition.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

2. ACCOUNTING POLICIES (CONTINUED)**HKFRS 15 Revenue from Contracts with Customers (Continued)****Revenue recognition (Continued)**

- (ii) Accounting for significant financing component for sales of properties

Prior to the adoption of HKFRS 15, the Group presented sales proceeds received from customers in connection with the Group's pre-sales of properties as receipts in advance under trade and other payables in the consolidated statement of financial position. No interest was accrued on the long-term advances received under the previous accounting policy.

Upon adoption of HKFRS 15, the Group recognised contract liabilities for the interest on the sales proceeds received from customers with a significant financing component. The Group elected to apply the practical expedient and did not recognise the effects of a significant financing component with a customer if the time period is one year or less. In addition, reclassifications have been made from trade and other payables to contract liabilities for the outstanding balance of sales proceeds from customers. The adoption of HKFRS 15 has had no significant impact on the opening retained profits as at 1 January 2018. Receipts in advance of RMB19,614,745,000 that were previously classified under trade and other payables has been reclassified to contract liabilities as at 1 January 2018.

- (iii) Accounting for sales commission

Prior to the adoption of HKFRS 15, the Group expensed off the sales commission associated with obtaining agreement for sale and purchase with property buyer. Upon adoption of HKFRS 15, sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded in contract assets. Capitalised sales commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as selling and marketing expenses at that time. The adoption of HKFRS 15 has had no significant impact on the opening retained profits as at 1 January 2018.

- (iv) Accounting for revenue from construction services

Prior to the adoption of HKFRS 15, revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Upon adoption of HKFRS 15, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and continue to recognise revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. The adoption of HKFRS 15 has had no significant impact on the opening retained profits as at 1 January 2018.

2. ACCOUNTING POLICIES (CONTINUED)

The Group has not early applied any of the new and revised HKFRSs, that have been issued but are not yet effective, in the interim financial information.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 16	<i>Leases</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ¹
Annual Improvements <i>2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2021

³ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application, certain of which may be relevant to the Group's operation and may result in changes in the Group's accounting policies, and changes in presentation and measurement of certain items of the Group's interim financial information.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

3. DISAGGREGATION OF REVENUE

Set out below is the disaggregation of the Group's revenue from contracts with customers:

For the six months ended 30 June 2018

(Unaudited)	Property development RMB'000	Construction contracts RMB'000	Primary land development RMB'000	Total RMB'000
Segment				
Type of goods or services				
Sales of properties	13,074,239	—	—	13,074,239
Construction income	—	966,193	—	966,193
Primary land development income	—	—	1,067,254	1,067,254
Total revenue from contracts with customers	13,074,239	966,193	1,067,254	15,107,686
Geographical markets:				
Mainland China	13,074,239	966,193	1,067,254	15,107,686
Timing of revenue recognition				
Goods transferred at a point in time	13,074,239	—	1,067,254	14,141,493
Services transferred over time	—	966,193	—	966,193
Total revenue from contracts with customers	13,074,239	966,193	1,067,254	15,107,686

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

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

4. OPERATING SEGMENT INFORMATION

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

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

The Group's revenue from external customers from each operating segment is set out in note 5 to the interim financial information.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that depreciation, other income and gains, other expenses, finance costs, share of profits or losses of joint ventures and associates, fair value gains or losses of investment properties and derivative financial instruments and head office and corporate income and expenses are excluded from such measurement.

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Information regarding the reportable segments is presented below.

For the six months ended 30 June 2018

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

For the six months ended 30 June 2017

(Unaudited)	Property development RMB'000	Property leasing RMB'000	Construction contracts RMB'000	Primary land development RMB'000	Total RMB'000
Gross revenue from external customers	12,259,627	46,191	260,838	—	12,566,656
Less: Business tax and other sales related taxes	(182,825)	(1,428)	(169)	—	(184,422)
Net revenue from external customers	12,076,802	44,763	260,669	—	12,382,234
Inter-segment revenue	—	10,061	2,155,433	—	2,165,494
Reportable segment revenue	12,076,802	54,824	2,416,102	—	14,547,728
Reportable segment profit	4,375,112	45,723	374,113	—	4,794,948

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about a major customer

During the six months ended 30 June 2018 and 2017, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Reconciliation of reportable segment revenue and profit or loss

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	19,040,996	14,547,728
Elimination of inter-segment revenue	(3,887,468)	(2,165,494)
Consolidated revenue	15,153,528	12,382,234
Profit		
Reportable segment profit	5,457,489	4,794,948
Elimination of inter-segment profits	(370,493)	(357,647)
Reportable segment profit derived from the Group's external customers	5,086,996	4,437,301
Other income and gains	758,542	309,579
Other expenses	(37,439)	(4,076)
Depreciation	(28,581)	(22,161)
Finance costs	(520,876)	(318,173)
Share of profits of associates	51,707	101,228
Share of losses of joint ventures	(61,869)	(2,072)
Net increase in fair value of investment properties	1,037,395	1,771,333
Net increase/(decrease) in fair value of derivative financial instruments	23,024	(125,641)
Unallocated head office and corporate income and expenses	(164,340)	(110,086)
Consolidated profit before tax	6,144,559	6,037,232

Geographic information

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

5. REVENUE

Revenue represents income from the sale of properties, rental income, construction income and primary land development income earned during the period, before deduction of business tax and other sales related taxes.

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sale of properties*	13,173,690	12,259,627
Rental income	48,309	46,191
Construction income	968,646	260,838
Primary land development income	1,067,449	—
	15,258,094	12,566,656
Less: Business tax and other sales related taxes	(104,566)	(184,422)
	15,153,528	12,382,234

* The invoiced amount billed to buyers of properties for the six months ended 30 June 2018 was RMB14,302,890,000 (six months ended 30 June 2017: RMB12,794,114,000) including value-added tax of RMB1,129,200,000 (six months ended 30 June 2017: RMB534,487,000).

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank and other loans and other borrowing costs	561,113	660,849
Interest on senior notes	326,508	432,938
Interest on corporate bonds	415,699	307,197
	1,303,320	1,400,984
Less: Interest capitalised	(782,444)	(1,082,811)
	520,876	318,173

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of properties sold	8,284,916	7,263,482
Cost of services provided	1,257,213	229,728
Depreciation	29,288	39,319
Less: Amount capitalised	(707)	(17,158)
	28,581	22,161
Equity-settled share option expense	30,000	4,983
Interest income:		
— Cash at bank	(141,107)	(51,284)
— Amounts due from an associate and joint ventures	(344,361)	(242,876)
Gain on deemed disposal of subsidiaries, net	(198,076)	—
Net (gain)/loss on disposal of items of other property, plant and equipment	(964)	2,691

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2018 and 2017. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate.

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current charge for the period:		
PRC corporate income tax	1,453,079	1,021,781
PRC land appreciation tax	711,693	1,024,693
	2,164,772	2,046,474
Deferred	184,949	235,316
Total tax charge for the period	2,349,721	2,281,790

9. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Proposed interim and special dividends — HK20 cents and HK8 cents respectively per ordinary share (six months ended 30 June 2017: HK19 cents and HK3 cents respectively)	1,325,243	1,021,033

The interim and special dividends have not been recognised as a liability at the end of the reporting period.

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

The calculation of the basic earnings per share amounts for the six months ended 30 June 2018 is based on the profit for the period attributable to owners of the parent, adjusted for the distribution related to perpetual capital securities, and the weighted average number of ordinary shares of 5,491,590,802 (six months ended 30 June 2017: 5,496,322,000) in issue during the period.

The calculation of the diluted earnings per share amounts for the six months ended 30 June 2018 is based on the profit for the period attributable to owners of the parent, adjusted for the distribution related to perpetual capital securities. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all the dilutive potential ordinary shares into ordinary shares.

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the parent	3,431,807	3,399,006
Distribution related to perpetual capital securities	(82,717)	—
Profit used in the basic and diluted earnings per share calculations	3,349,090	3,399,006
Number of shares		
	Six months ended 30 June	
	2018	2017
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	5,491,591	5,496,322
Effect of dilution — weighted average number of ordinary shares:		
Share options	94,291	38,160
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	5,585,882	5,534,482

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

11. OTHER PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired and disposed of other property, plant and equipment of RMB18,410,000 (six months ended 30 June 2017: RMB28,194,000) and RMB4,134,000 (six months ended 30 June 2017: RMB3,102,000), respectively. The Group acquired and disposed of other property, plant and equipment of RMB37,939,000 (six months ended 30 June 2017: Nil) and RMB632,000 (six months ended 30 June 2017: Nil) through acquisition of subsidiaries and disposal of subsidiaries, respectively.

12. INVESTMENT PROPERTIES

All of the Group's investment properties and investment properties under development were revalued on 30 June 2018 based on valuations performed by APAC Asset Valuation and Consulting Limited and Vocation (Beijing) International Assets Appraisal Co., Ltd., independent professionally qualified valuers.

The valuations of completed investment properties and investment properties under construction were based on either the income approach by capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary rental income potential of the properties, which is positively correlated to the market rental growth rate, and negatively correlated to risk-adjusted discount rate, or the direct comparison method by reference to comparable market transactions, which is positively correlated to the market unit sale rate.

During the period, the net increase in fair value of investment properties and investment properties under development amounted to RMB1,037,395,000 (six months ended 30 June 2017: RMB1,771,333,000), additions in investment properties and investment properties under development amounted to RMB421,452,000 (six months ended 30 June 2017: RMB224,334,000) and transfer from inventories to investment properties amounted to RMB61,952,000 (six months ended 30 June 2017: Nil).

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Notes	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Trade receivables	(i)	1,148,396	486,042
Prepayments and other receivables		5,416,651	3,929,825
Land deposits	(ii)	3,395,121	1,230,892
Amounts due from related companies	(iii)	142,190	130,751
Amount due from a non-controlling shareholder	(iii)	2,218,989	—
Amounts due from associates	(iv)	6,275,523	3,606,723
Amounts due from joint ventures	(iv)	21,800,437	11,045,375
Derivative financial instruments:			
Senior notes redemption call options (note 16(xi))		41,862	18,678
		40,439,169	20,448,286

Notes:

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

Consideration in respect of properties is payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The Group normally requires its customers to make payment of monthly/quarterly charges in advance in relation to the leasing of investment properties and provision of property management services.

As at 30 June 2018, the Group had a certain concentration of credit risk as 93% of the Group's trade receivables was related to revenue recognised as primary land development income in 2018. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. All trade receivables are non-interest-bearing.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

Notes: (Continued)

(i) (Continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the revenue recognition date and invoice date, is as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Current to 30 days	1,081,645	317,566
31 days to 90 days	6,665	800
91 to 180 days	57,870	138,454
181 to 365 days	1,688	27,990
Over 365 days	528	1,232
	1,148,396	486,042

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2018, no expected credit loss (31 December 2017: Nil) was made against the gross amounts of trade receivables.

All receivables were neither past due nor impaired as at the end of the reporting period. They relate to a large number of diversified customers for whom there was no recent history of default.

Based on past experience and historical records, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

- (ii) The amount represented deposits for the acquisition of land.
- (iii) The amounts due from related companies and a non-controlling shareholder are unsecured, interest-free and repayable on demand.
- (iv) The amounts due from associates and joint ventures are unsecured, interest-free and repayable on demand.

14. ASSETS AND LIABILITIES UNDER CROSS-BORDER GUARANTEE ARRANGEMENTS

During the six months ended 30 June 2018, the Group entered into some cross-border guarantee arrangements with certain financial institutions, whereby certain onshore funding (i.e. in the PRC) has been used as a pledge against advances to offshore (i.e. in Hong Kong) for the Group's general working capital.

Pursuant to these arrangements which are made in compliance with the relevant rules and regulations promulgated by the State Administration of Foreign Exchange, the Group's subsidiaries in the PRC deposited funds in the relevant financial institutions, which in turn advanced the same amount of funds to the Group's subsidiaries in Hong Kong. The net cost of such arrangements is 0.47% per annum of the total funds advanced.

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Assets under cross-border guarantee arrangements	2,115,780	1,745,380
Portion classified as current assets	(1,654,660)	(1,745,380)
Non-current portion	461,120	—
Liabilities under cross-border guarantee arrangements	2,115,780	1,745,380
Portion classified as current liabilities	(1,654,660)	(1,745,380)
Non-current portion	461,120	—

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

15. TRADE AND OTHER PAYABLES

		30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
	Notes		
Trade payables	(i)	7,267,381	7,304,745
Other payables and accrued charges	(ii)	5,694,375	2,904,694
Customer deposits received		84,533	68,421
Rental and other deposits received		29	86,563
Receipts in advance	(iii)	—	19,614,745
Proceeds from asset-backed securities	(iv)	1,570,128	1,570,128
Amounts due to related companies	(v)	11,779	7,401
Amount due to non-controlling shareholders	(vi)	9,127,760	—
Amounts due to joint ventures	(vii)	4,044,320	5,719,091
		27,800,305	37,275,788

Notes:

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Current to 30 days	1,940,381	2,385,566
31 to 90 days	899,104	757,914
91 to 180 days	842,727	383,827
181 to 365 days	1,957,034	2,435,913
Over 365 days	1,628,135	1,341,525
	7,267,381	7,304,745

The trade payables are non-interest-bearing.

- (ii) Other payables are non-interest-bearing and are expected to be settled within one year.
- (iii) Receipts in advance represent sales proceeds received from buyers in connection with the Group's pre-sales of properties. The opening balance as at 1 January 2018 has been reclassified to contract liabilities as detailed in note 2.
- (iv) The balance represented proceeds received from a specific purpose entity ("SPE") set up by a financial institution in the PRC for issuance of asset-backed securities, to which the Group has transferred the right of receipt of the remaining sale proceeds of certain properties to be delivered by the Group. Under an assignment arrangement between the Group and the SPE, as and when the Group receives the sale proceeds from customers, the Group would remit to the SPE any cash flows it collects on behalf of the SPE.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

15. TRADE AND OTHER PAYABLES (CONTINUED)

Notes: (Continued)

- (v) The amounts due to related companies are unsecured, interest-free and repayable on demand.
- (vi) The amounts due to non-controlling shareholders are unsecured and repayable on demand. As at 30 June 2018, the amounts included amounts of RMB165,000,000 (31 December 2017: Nil) which bear interest at fixed rate of 6.88% per annum. The remaining amounts of RMB8,962,760,000 are interest-free.
- (vii) The amounts due to joint ventures are unsecured, interest-free and repayable on demand.

16. SENIOR NOTES

	Effective interest rate (% per annum)	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
US\$260m Senior Notes (notes (i), (xi))	7.91	1,766,390	1,749,499
US\$200m Senior Notes (notes (ii), (xi))	5.80	1,305,623	1,294,182
US\$450m Senior Notes (notes (iii), (xi))	5.42	2,906,506	2,880,422
US\$256m Senior Notes (notes (iv))	5.19	1,679,185	1,664,865
US\$200m Senior Notes due 2018 (note (v))	5.45	1,311,864	1,300,676
US\$250m Senior Notes (note (vi), (xi))	6.75	1,651,944	—
SG\$200m Senior Notes (note (vii), (xi))	6.60	968,236	—
US\$300m Senior Notes (note (viii), (xi))	7.32	1,962,859	—
US\$100m Senior Notes (note (ix), (xi))	7.88	649,213	—
		14,201,820	8,889,644
Portion classified as current liabilities (note (x))		(2,991,049)	(2,965,541)
		11,210,771	5,924,103

Notes:

- (i) On 19 January 2016, the Company issued senior notes with a principal amount of US\$260,000,000 due in 2020 (the "US\$260m Senior Notes"). The senior notes are interest bearing at 7.70% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 19 January 2020. At any time and from time to time on or after 19 January 2019, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (ii) On 3 January 2017, the Company issued senior notes with a principal amount of US\$200,000,000 due in 2022 (the "US\$200m Senior Notes"). The senior notes are interest bearing at 5.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 3 January 2022. At any time and from time to time on or after 3 January 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (iii) On 23 May 2017, the Company issued senior notes with a principal amount of US\$450,000,000 due in 2023 (the "US\$450m Senior Notes"). The senior notes are interest bearing at 5.25% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 23 February 2023. At any time and from time to time on or after 23 May 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

16. SENIOR NOTES (CONTINUED)

Notes: (Continued)

- (iv) On 3 November 2017, the Company issued senior notes with a principal amount of US\$256,000,000 due in 2018 (the "US\$256m Senior Notes"). The senior notes are interest bearing at 5.125% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 2 November 2018. At any time and from time to time on or after 3 November 2017, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (v) On 4 December 2017, the Company issued senior notes with a principal amount of US\$200,000,000 due in 2018 (the "US\$200m Senior Notes due 2018"). The senior notes are interest bearing at 5.375% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 3 December 2018. At any time and from time to time on or after 4 December 2017, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (vi) On 7 March 2018, the Company issued senior notes with a principal amount of US\$250,000,000 due in 2021 ("US\$250m Senior Notes"). The senior notes are interest bearing at 6.375% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 7 March 2021. At any time and from time to time on or after 7 March 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (vii) On 16 April 2018, the Company issued senior notes with a principal amount of SG\$200,000,000 due in 2021 ("SG\$200m Senior Notes"). The senior notes are interest bearing at 6.125% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 16 April 2021. At any time and from time to time on or after 16 April 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (viii) On 24 April 2018, the Company issued senior notes with a principal amount of US\$300,000,000 due in 2021 ("US\$300m Senior Notes"). The senior notes are interest bearing at 6.875% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 24 April 2021. At any time and from time to time on or after 24 April 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (ix) On 30 May 2018, the Company issued senior notes with a principal amount of US\$100,000,000 due in 2021 ("US\$100m Senior Notes"). The senior notes are consolidated and form a single series with the US\$300m Senior Notes due 2021 issued on 24 April 2018. The senior notes are interest bearing at 6.875% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 24 April 2021. At any time and from time to time on or after 24 April 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (x) 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.
- (xi) Redemption call options represent the fair value of the Company's options to early redeem the senior notes and are recorded as derivative financial instruments under "Trade and other receivables and prepayments" (note 13). The assumptions applied in determining the fair value of the redemption call options as at 30 June 2018 and 31 December 2017 are set out in note 24.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

17. CORPORATE BONDS

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Corporate bonds due in 2019	3,252,449	3,262,449
Corporate bonds due in 2020	4,500,000	4,500,000
Corporate bonds due in 2021	4,400,000	4,400,000
Corporate bonds due in 2022	5,000,000	—
	17,152,449	12,162,449
Portion classified as current liabilities	(6,490,000)	(7,000,000)
	10,662,449	5,162,449
Non-current liabilities	10,662,449	5,162,449

Notes:

- (i) On 19 August 2015 and 27 August 2015 respectively, Shenzhen Logan Holdings Co., Ltd. ("Shenzhen Logan"), a company established in the PRC and a wholly-owned subsidiary of the Company, issued domestic corporate bonds on the Shanghai Stock Exchange. The coupon rates of the first and second tranche with a principal amount of RMB4,000,000,000 and RMB1,000,000,000 were fixed at 5% per annum and 4.77% per annum respectively. The terms of the first and second tranche of corporate bonds were 5 year and 4 years. At the end of third year and second year, Shenzhen Logan shall be entitled to adjust the coupon rate of first and second tranche of corporate bonds respectively and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan. On 28 August 2017, Shenzhen Logan had adjusted the coupon rate of second tranche of corporate bonds from 4.77% per annum to 5.35% per annum and the second tranche of corporate bonds with an aggregate principal amount of RMB237,551,000 was sold back to Shenzhen Logan. The first tranche of the corporate bonds with a principal amount of RMB4,000,000,000 is classified as a current liability as at 30 June 2018 and 31 December 2017.

- (ii) On 13 January 2016 and 16 May 2016 respectively, Shenzhen Logan issued non-public domestic corporate bonds on Shanghai Stock Exchange. The coupon rates of the first and second tranche with a principal amount of RMB2,500,000,000 and RMB500,000,000 were fixed at 5.8% per annum and 5.2% per annum respectively. The terms of the first and second tranche of corporate bonds were 3 years and 4 years. At the end of second year, Shenzhen Logan shall be entitled to adjust the coupon rate of first and second tranche of corporate bonds respectively and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan.

The first tranche with a principal amount of RMB2,500,000,000 is classified as a current liability as at 31 December 2017. On 13 January 2018, the coupon rate of the first tranche is adjusted to 6.88% per annum; the first tranche with a principal amount of RMB10,000,000 were sold back to Shenzhen Logan; and the corporate bonds with a remaining principal amount of RMB2,490,000,000 are due in January 2019 and are classified as current liabilities as at 30 June 2018.

On 16 May 2018, the coupon rate of the second tranche is adjusted to 6.99% per annum. The second tranche of the corporate bonds with a principal amount of RMB500,000,000 is due in May 2020 and are classified as a non-current liability as at 30 June 2018.

- (iii) On 25 July 2016, Shenzhen Logan issued non-public domestic corporate bonds on Shenzhen Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB3,000,000,000 was 5.15% per annum. The terms of the domestic corporate bonds were 5 years. At the end of third year, Shenzhen Logan shall be entitled to adjust the coupon rate of domestic corporate bonds and bond holders shall be entitled to sell back the bonds to Shenzhen Logan.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

17. CORPORATE BONDS (CONTINUED)

Notes: (Continued)

- (iv) On 21 October 2016, Shenzhen Logan issued domestic corporate bonds on the Shenzhen Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB1,400,000,000 was 3.4% per annum. The terms of the domestic corporate bonds were 5 years. At the end of third year, Shenzhen Logan shall be entitled to adjust the coupon rate of domestic corporate bonds and bond holders shall be entitled to sell back the bonds to Shenzhen Logan.
- (v) On 1 February 2018, 22 March 2018 and 21 May 2018 respectively, Shenzhen Logan issued non-public domestic corporate bonds on the Shanghai Stock Exchange. The coupon rates of the first, second and third tranche with a principal amount of RMB2,000,000,000, RMB2,000,000,000 and RMB1,000,000,000 were fixed at 6.99% per annum, 7.20% per annum and 7.30% per annum respectively. The terms of all these three domestic corporate bonds were 4 years. At the end of second year, Shenzhen Logan shall be entitled to adjust the coupon rate of all these three domestic corporate bonds and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan.

18. SHARE OPTION SCHEME

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

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

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

18. SHARE OPTION SCHEME (CONTINUED)

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

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

14,434,000 share options and 5,704,000 share options were lapsed and forfeited, and exercised, respectively, during the six months ended 30 June 2018.

19. PERPETUAL CAPITAL SECURITIES

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

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

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

20. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

- (i) During the current period, on 27 April 2018, the Group acquired the remaining 28.6% equity interest in Shenzhen Logan Junjing Real Estate Company Limited (“Shenzhen Logan Junjing”) from Shenzhen Pingan Dahua Huitong Wealth Management Co., Ltd.* (深圳平安大華滙通財富管理有限公司) (“Pingan Dahua”), an independent third party of the Group and the non-controlling shareholder of Shenzhen Logan Junjing, at a consideration of RMB2,821,778,000. Upon the completion of the above transaction, Shenzhen Logan Junjing became the Group’s indirect wholly-owned subsidiary. The excess of the carrying amount of the non-controlling interest of approximately RMB3,505,274,000 over the consideration paid in respect of the acquisition of the additional interest in the subsidiary amounting to RMB683,496,000 is recognised in other reserve.
- (ii) During the prior period, on 28 June 2017, the Group acquired an additional 10% equity interest in Huizhou Daya Bay Dongzhen Property Co., Ltd. (“Huizhou Dongzhen”) from Pingan Dahua, the non-controlling shareholder of Huizhou Dongzhen, at a consideration of RMB4,038,593,000. Upon the completion of the above transaction, Huizhou Dongzhen 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 over the carrying amount of the non-controlling interest of approximately RMB604,356,000 amounting to approximately RMB3,434,237,000 is recognised in other reserve.

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

21. FINANCIAL GUARANTEES

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

	30 June 2018 (Unaudited) RMB’000	31 December 2017 (Audited) RMB’000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group’s properties (notes)	24,443,383	18,416,334
Guarantees given to banks and other lender in connection with banking facilities granted to associates and joint ventures	11,689,638	9,353,489
	36,133,021	27,769,823

21. FINANCIAL GUARANTEES (CONTINUED)

Notes:

- (i) As at 30 June 2018, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any auction banks, net of any auction proceeds as described below.

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

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

- (ii) The fair value of the guarantees is not significant and the directors of the Company consider that in the event of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalties and therefore no provision has been made in the interim financial information for the guarantees.

22. COMMITMENTS

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Contracted, but not provided for	19,851,840	16,064,280

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

23. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 June	
		2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Construction contracts income from related companies	(i)	26,232	260,669
Construction contracts income from joint ventures	(i)	1,300,407	—
Management service income from joint ventures	(i)	62,288	—
Decoration income from joint ventures	(i)	57,240	—
Design fee from related companies	(i)	545	—
Design fee from joint ventures	(i)	78,384	—
Rental income from related companies	(ii)	275	2,120
Rental income from joint ventures	(ii)	1,728	—
Interest income from an associate and joint ventures	(iii)	344,362	242,876
Remuneration of key management personnel	(b)	32,066	29,320

Notes:

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

23. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Fees	1,707	2,308
Salaries, allowances and benefits in kind	24,331	23,814
Retirement scheme contributions	193	88
Equity-settled share option expense	5,835	3,110
	32,066	29,320

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments, other than derivative financial instruments, and senior notes and corporate bonds, reasonably approximate to their fair values.

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

The fair values of the non-current portion of assets and liabilities under cross-border guarantee arrangement, deposits and bank and other loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for bank and other loans as at 30 June 2018 was assessed to be insignificant.

Derivative financial instruments, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of derivative financial instruments are the same as their fair values.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2018 (Unaudited)

	Fair value measurement using			Total RMB'000		
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000			
	Senior notes redemption call options	—	—		41,862	41,862

As at 31 December 2017 (Audited)

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

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

Valuation techniques	Significant unobservable inputs	Range	
		30 June 2018	31 December 2017
Senior note redemption call options	Risk free rate	1.716% to 2.779%	1.234% to 2.216%
	Option adjusted spread	3.846% to 5.755%	3.140% to 4.201%
	Discount rate	5.640% to 8.349%	4.374% to 6.417%

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

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

The Group did not have any financial liabilities measured at fair values as at 30 June 2018 and 31 December 2017.

During the period, there were no transfer of fair value measurements between level 1 and level 2 and no transfer into or out of level 3 for both financial assets and financial liabilities (31 December 2017: Nil).

25. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This interim financial information was approved and authorised for issue by the board of directors on 15 August 2018.