ANNUAL REPORT 2016

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)

Contents

Company Profile

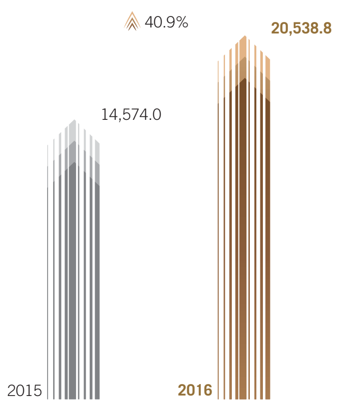
Logan Property Holdings Group Limited ("Logan Property") is an integrated property developer focusing on the residential property development, mainly the Guangdong-Hong Kong-Macao Bay Area, with products of residential development projects that primarily target first-time homebuyers and upgraders. In 2017, the Group was ranked the 29th of macro 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–" to Logan Property respectively with a "Stable Outlook". Logan Property is a constituent stock in the MSCI China Small Cap Index Series and Hang Seng Composite LargeCap/MediumCap Index, and subsequently included in the list of eligible stocks for trading in the Shenzhen-Hong Kong Stock Connect and the Shanghai-Hong Kong Stock Connect.

Financial Highlights

Summary of Consolidated Statement of Profit or Loss (RMB mn)	As of 31 December 2016	2015	Change
Revenue	**20,539**	14,574	40.9%
Gross Profit	**6,560**	4,430	48.1%
Gross Profit Margin (%)	**31.9%**	30.4%	1.5% pt.
Core Profit	**3,107**	1,974	57.4%
Core Profit Margin (%)	**15.1%**	13.5%	1.6% pt.
Net Profit	**5,200**	2,688	93.5%
Profit Attributable to Equity Shareholders of the Company	**4,488**	2,649	69.4%
Earnings Per Share			
– Basic (HK cents)	**90.62**	62.56	44.9%
– Diluted (HK cents)	**90.35**	62.45	44.7%
Total Dividend per Share (HK cents)	**25**	14	78.6%
– Final Dividend per Share (HK cents)	**22**	14	57.1%
– Special Dividend per Share (HK cents)	**3**	–	N/A

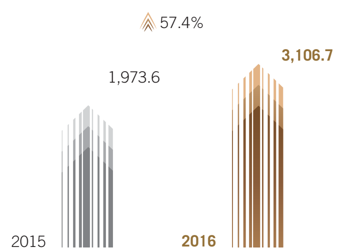
Revenue

(RMB million)



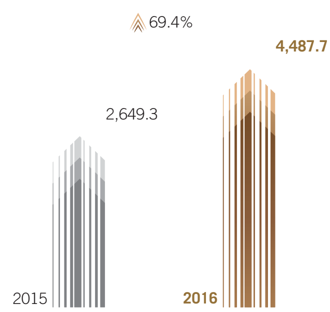
Core Profit

(RMB million)

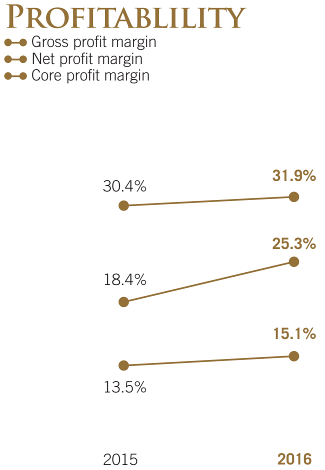


Attributable to Equity Shareholders for the Company

(RMB million)

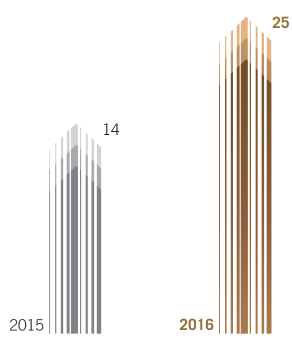


Profitablility



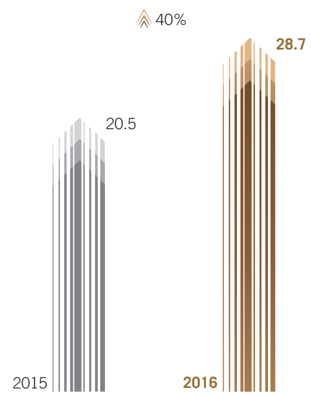
Total Dividend

(HK cent per share)



Contract Sales

(RMB billion)



AWARDS


500强
中国房地产
2016中国房地产开发企业50强
2016 Best 50 of China Real Estate Developers
龙光地产控股有限公司
中国房地产业协会 中国房地产测评中心
二〇一六年三月


500强
中国房地产
2016中国房地产开发企业典型住宅项目
2016 Typical Residential Projects of China Real Estate Developers
龙光·玖龙玺
龙光地产控股有限公司
中国房地产业协会 中国房地产测评中心
二〇一六年三月


100
2015年度中国房地产卓越100榜
深圳市龙光控股有限公司
Ranking of China's 100 Best Real Estate Enterprises
中国房地产卓越100榜
Secretary General


Bloomberg Businessweek
Listed Enterprises of the Year
2016
年度上市企業
龍光地產控股有限公司
1380.HK

AWARDS

2016 Best 50 of China Real Estate Developers

Presented by the following Organizations:
China Real Estate Association
China Real Estate Appraisal

Ranking of China's 100 Best Real Estate Enterprises

Presented by the following Organizations:
@guandian

2016 Typical Residential Projects of China Real Estate Developers – Logan • Acesite Mansion

Presented by the following Organizations:
China Real Estate Association
China Real Estate Appraisal

Listed Enterprises of the Year 2016

Presented by the following Organizations:
Bloomberg Businessweek

Listed Company Award of Excellence 2016

Presented by the following Organizations:
Hong Kong Economic Journal
PR Asia

Awards

100强

2016中国房地产上市公司百强

Certificate of 2016 China Top 100 Listed Real Estate Companies

龙光地产（03380.HK）

2016中国房地产上市公司综合实力50强

證 書

CERTIFICATE

2016中国房地产百强企业

2016 China TOP 100 Real Estate Developers

證 書

CERTIFICATE

2016中国房地产百强企业

2016 China TOP 100 Real Estate Developers

100

2015年度中国房地产上市企业30强

深圳市龙光控股有限公司

Ranking of China's 100 Best Real Estate Enterprises

中国房地产卓越100榜

觀點

Secretary General

秘书长

AWARDS

2016 Best 50 China Real Estate Listed Companies with Strongest Comprehensive Strengths

Presented by the following Organizations:
China Real Estate Association
China Real Estate Appraisal

Certificate of 2016 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 for 2016 China Top 100 Real Estate Developers (one of China Top 100 Real Estate Developers for six consecutive years from 2011 to 2016)

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 30 Listed Real Estate Enterprises

Presented by the following Organizations:
@guandian

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

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

Hong Kong Share Registrar

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

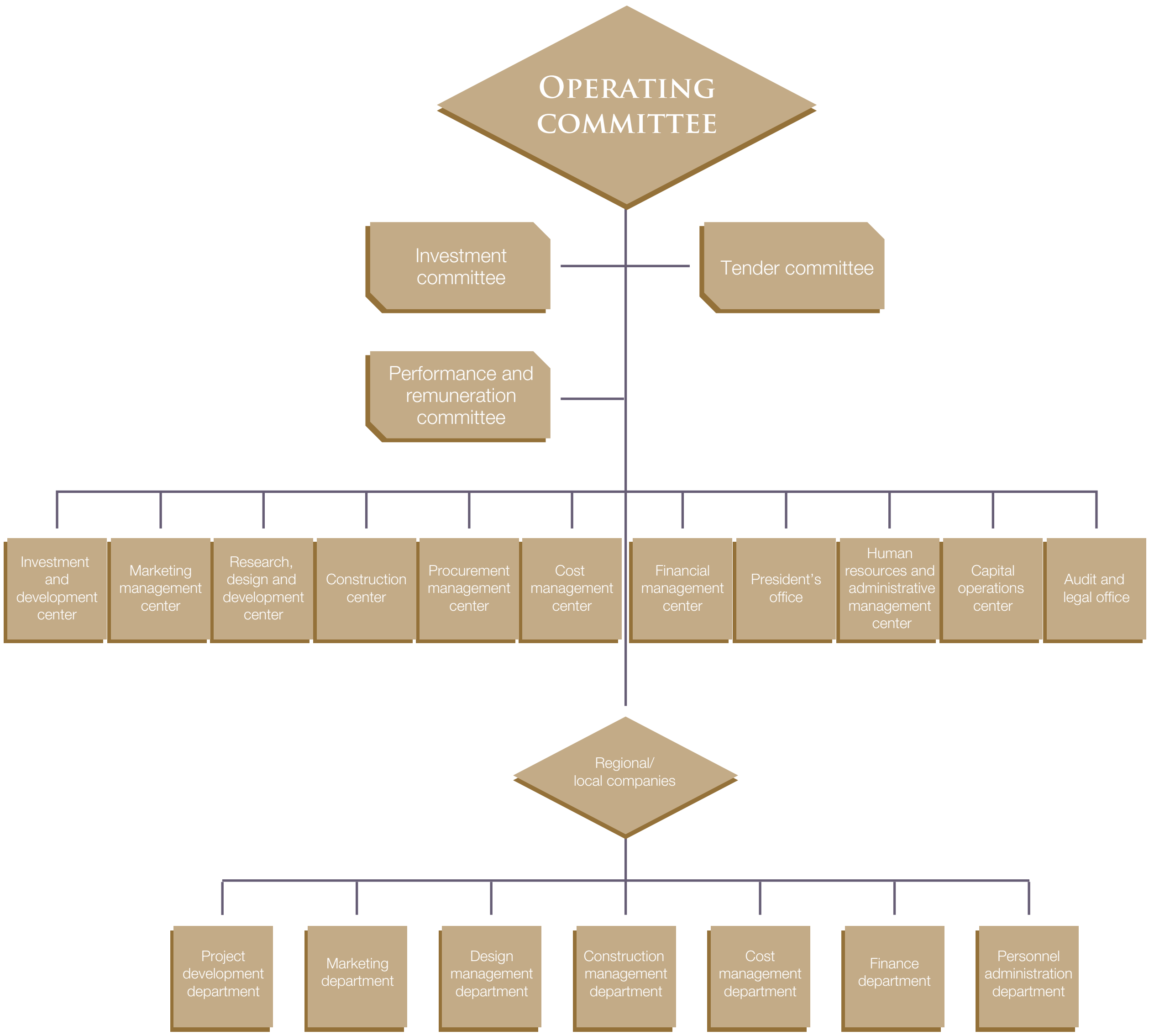
Principal Banker

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's prospective strategic deployment and industry vision coincides with the central government's planning and development of the Guangdong-Hong Kong-Macau Greater Bay Area. It is expected that the Group will be able to seize the opportunity to tap into the high-speed development and integration of the market opportunities of the Greater Bay Area.

Dear shareholders,

On behalf of the Board, I hereby present the annual results of the Group for the financial year ended 31 December 2016.

Introduction

For the year ended at 31 December 2016, the Group achieved a contract sales of approximately RMB28.7 billion, representing an increase of approximately 40.0% as compared with the previous year, and a GFA of contracted sales of 2,298,000 sq.m., which exceeded the increased sales target of the Group for the year. Under the economic stabilizing measures implemented by the central government and the increasingly competitive real estate industry in China, the Group achieved a satisfactory result in the year 2016, and continued to maintain a relatively high profitability. Revenue for the year amounted to RMB20,538.8 million, representing an increase of approximately 40.9% as compared with last year. For the year of 2016, gross profit amounted to RMB6,559.8 million, and the gross profit margin was 31.9%, representing an increase of 1.5 percentage points as compared with that of last year. Profit attributable to equity

Chairman's Statement

shareholders amounted to RMB4,487.7 million, representing a significant increase of approximately 69.4% as compared with the previous year. Core profit of the Group, being profit for the year excluding changes in fair value of investment properties and derivative financial instruments and the relevant deferred tax (hereinafter, the "Core Profit") amounted to approximately RMB3,106.7 million, representing an increase of approximately 57.4% as compared with the previous year. Core Profit margin was 15.1%, representing a further year-on-year increase of 1.6 percentage points.

During the year under review, Logan Property actively seized the market momentum. With its insight in the industry, precise strategy on land bank distribution, and brilliant performance, the Company continued to strengthen its leading position in the market, and is being highly recognized by industry players and the capital market, undoubtedly a harvesting year for the Group. On 16 March 2017, the Group was selected as the China Top 100 Real Estate Developers (中國房地產百強企業) jointly announced by Enterprise Research Institute of Development Research Center of the State Council (國務院發展研究中心企業研究所), The Institute of Real Estate Studies of Tsinghua University (清華大學地產研究所) and China Index Academy (中國指數研究院) for the seventh consecutive years, with its ranking moving up from 38th in 2015 to 29th in 2017. The Group also ranked the 4th in lace in the "Top 10 by Profitability in 2017". For the capital market, Logan Property was reinstated with its rating by Moody's and Fitch, both are international authorized rating agency, of Ba3 and BB–, respectively, suggesting a stable outlook. The credit rating for 深圳市龍光控股有限公司 (Shenzhen Logan Holdings Co., Ltd.*), the principal domestic operating subsidiary of the Group, was adjusted upward to AA+ by 聯合信用評級有限公司 (United Credit Rating Co., Ltd.*). In Hong Kong, the Group gained a number of recognition by several well-known financial organizations and media, such as the "The Listing Enterprise Award" (上市企業大獎) by Bloomberg Businessweek/Chinese Edition, an Asian famous finance magazine in their first "Listed Enterprises Annual Award 2016", as well as "Outstanding Listing Companies Award 2016" (2016年上市公司年度大獎) presented by The Hong Kong Institute of Financial Analysts and Professional Commentators Limited. It fully signified the recognition and acknowledgement to the capabilities and prospects of Logan Properties by the international capital market and Hong Kong financial industry. At the end of the year 2016, with the successful launch of the "Shenzhen-Hong Kong Stock Connect" (深港通) which was highly expected by the investor community, Logan Property was successfully included in the exchange-traded stocks under such scheme. Upon which, stocks of the Company become the eligible Hong Kong stocks available for investment under both Shenzhen-Hong Kong Stock Connect (深港通) and Shanghai-Hong Kong Stock Connect (滬港通). It was also awarded the two prizes of the "Most Valuable Domestic Real Estate Stock Company" (最具價值內房股公司) and the "Management Listing Company with the Best Market Capitalization" (最佳市值管理上市公司) in the "2016 Golden Hong Kong Shares Section" (2016金港股評選) jointly organized by Zhitongcaijing (智通財經) and Hithink Flush (同花順).

Chairman's Statement

Business Review

In 2016, global political situation was full of changes. The Brexit, the successful election of President Donald Trump as president for the United States, and the regional politics between Russia and the Middle East, have all added to the uncertainties for the global economy. Nevertheless, with the stable economic growth in China with a GDP reaching 6.7%, the central government continued to implement the refined reformation in economic structure. In respect of the China real estate market, according to the data published by the National Bureau of Statistics, in 2016, the accumulative saleable GFA of commodity houses and the accumulative saleable amounts had a year-on-year increase of approximately 22.5% and approximately 34.8%, respectively. Although the transaction volume has reached a new high for the year, and the property prices have continued to go up, urban segregation continued. Under the transition from a more relaxed real estate policies to the continuous policy tightening in major cities, with local adjustment taking over the features of the "different policies for different cities" policy, people are encouraged to purchase houses for self-occupation, more attention has been paid on discouraging the demands in investment and speculation, so as to prevent the bubble risks and the excessive fluctuation in the market. On one hand, the control and adjustment policies continue to tighten up in major cities, the requirement on limitation of house purchase and loans and other regulatory measures are increasingly stricten, so as to suppress speculative demand and prevent market risks. On the other hand, the strategy of getting rid of the inventory is still followed by third- and fourth-tier cities to improve the market environment from both supply and demand. Therefore, the property price increased significantly for the first three quarters. According to the study information of full samples size of 100 cities by China Real Estate Index System, the residence price in those 100 cities increased by 17.83% from January to November 2016, representing an increase of 13.68% as compared to 2015, reaching a new record high in recent years, and the prices tended to become stable after the tightening up of the control and adjustment. The central government has strengthened the systematic development of the real estate industry in a long run by integrating region, proceeding new urbanization, and building up a better environment for the positive development of the industry.

During the year under review, the Group continued to focus largely on projects targeting upgraders and first-time homebuyers and catering to inelastic demand in order to fully grasp the strong growth before the control and adjustment. Over the past year, the urban segregation in the China real estate industry and the segregation among companies continued to intensify. The property market in Shenzhen continued to exceed the other cities in China. With its insights and capability over the market, the Group effectively grasped the opportunities in the market brought from the "different cities, different policies" in order to cope with pace of property launch in response to market development. It enabled the realization of rapid growth of sales performance for a number of projects of the Group. The quick turnover of the projects also ensured rapid cash returns to the Group. During the year under review, "Logan City" and "Acesite Mansion", the flagship projects of the Group, made significant contribution to the sales growth of the whole year. As a national major project with an aggregate GFA of 5 million sq.m., Logan City ranked number nine in the total transaction volume in China in 2016. It has made this project continue to maintain its strong sales momentum for consecutive years in the highly competitive of the Greater Shenzhen region. It has become a benchmark project in the industry, showing the strong development and operations ability of Logan Property.

Chairman's Statement

In terms of strategies, the Group has mainly considered the key factors such as regional industry development, net inflow trend of population and the demand-supply relationship. Based on the foregoing, the Company decided to spend more efforts in Shenzhen and the Pearl River Delta Metropolitan Region under its influence, especially the cities with significant developmental potentials such as, Zhuhai, Foshan and Zhongshan. The Group also precisely developed many of its properties along metro stations. A number of projects of the Group in Shenzhen are currently situated along the metro stations, representing substantial potential for appreciation. During the year under review, the Group successfully bidded for five land parcels through public tendering in open market, including key cities of Shenzhen and the Zhuhai regions, continuing to replenish its quality land resources. The Group is also continuing to identify premium lands in the strategic region of Pearl River Delta, in order to prepare for the key cities in the radiation and development of the major cities. As the competition of the primary land market is getting fierce, the Group is exploring more diversified land acquisition channels. At present, the Group has participated a preliminary works for urban renewal projects in Shenzhen and a number of other cities in Pearl River Delta, providing the Group with sufficient and cost-efficient lands in the medium to long run. As at 31 December 2016, the total GFA of the Group's land reserve was 14.09 million sq.m., which is expected to meet the development requirement of the Group at least for the next five to six years. Out of which, land reserves in Shenzhen attributed approximately 40% of the Group's total land reserves, which is expected to continue to inject strong momentum into the Group's sales growth.

In terms of financial management, the Group continues to practice its prudent financial strategy, laying a foundation for the Group's steady development and profitability through diversified domestic and overseas financing channels, gradually lowering financing costs and optimizing the debt structure. As at 31 December 2016, the Group had cash and bank balances (including restricted and pledged deposits) of approximately RMB14,797.3 million (2015: RMB11,190.6 million), and a net debt-to-equity ratio of approximately 71.4% (2015: 56.4%). During the year under review, the average borrowing cost of the Group was 6.1% (2015: 6.8%). During the year under review, the Group issued three non-public domestic corporate bonds and one public domestic corporate bond with a total issue size of RMB7.4 billion at coupon rates ranging from 3.4% to 5.8%, raising funds at a lower financing cost to support the continuous development of the Group's businesses. In January 2017, the Group successfully issued overseas senior notes with an issue size of USD200 million for a term of five years and at a coupon rate of 5.75% per annum. Such interest rate was further lower than the previous issue of US dollar note, providing the Group with sufficient funds at a lower financing costs. The Group will continue to broaden its financing channels, lowering its financing costs, continually strengthening the overall financial capability for the Group's long-term development.

Chairman's Statement

Prospects

The Central Economic Work Conference held in Beijing in mid-December has set the overall direction for a stabilized yet aggressive economy in 2017. The financial policies will become more active and effective, with an objective to deepen the supply-side reform and focus on revitalizing the real economy. The adjustment and control policies introduced by the governments at all levels in the fourth quarter of 2016 have been effective and effectively affected the market expectations and integrated industries and is expected to lead the smooth development of the real estate market as a whole.

PRC's Premier Li Keqiang made it clear for the first time in his Report on the Work of the Central Government in 2017 that the development plan for the cities in the Greater Bay Area of Guangdong, Hong Kong and Macao has been formulated, and is committed to the development of Guangdong-Hong Kong-Macao Greater Bay Area (featuring Hong Kong and Macau) and world-class city cluster that includes the nine cities in the Pearl River Delta (Guangzhou, Shenzhen, Foshan, Dongguan, Zhongshan, Zhuhai, Huizhou, Jiangmen, Zhaoqing), and integrate the plan into a part of the national overall strategic development. These areas will be planned in synchronicity and developed into an important driving force for national economic upgrading and restructuring, the supporting region for the "One Belt, One Road" development strategy, the world's major science and technology industry innovation center, as well as the international competitive modern industry pilot area and national green development demonstration area. The central government has planned that Guangdong-Hong Kong-Macao Greater Bay Area will bring together the capital, logistics, technology and talents from the cities around the country to achieve complementary resources and capacity to attract investment and economic activities. It is expected to bring huge economic benefits to China and the Guangdong-Hong Kong-Macao region, and enhance the influence of the metropolitan area and the region. It is expected that the overall GDP of Guangdong-Hong Kong-Macao Greater Bay Area will be comparable to or even beyond the well-known Bay Area in the world and establish itself as one of the world's leading bay area, which would even be comparable to the New York Bay Area and the Tokyo Bay Area. It is expected that the plan will be carried out this year. The market believes that the overall construction prospects of the Greater Bay Area is positive and it will bring huge opportunities for the development of the Guangdong-Hong Kong-Macao region. Of which, driven by the core cities such as Shenzhen and Hong Kong, it is expected that the prime lands such as Zhuhai, Zhongshan and Foshan in the region will become more important transportation hubs and their development potentials are limitless.

The Group has always been deeply rooted in the Pearl River Delta region. The prospective strategic deployment and industry vision coincides with the central government's planning and development of the Greater Bay Area. It is expected that the promotion of relevant policies will further promote the land value and housing prices in the Guangdong-Hong Kong-Macao region. With the Group's solid foundation at the core area, the cumulated branding effect, and the huge value of the land and its projects, the Group will be able to seize the opportunity to tap into the high-speed development and integration of the market opportunities of Greater Bay Area economy system, enhance the overall strength, fully shows the Group's superior insights on development and planning.

To cope with the development advantages of the Greater Bay Area, Hong Kong and Shenzhen will definitely play a more important leading role. In the future, the Group will continue to deploy its prospective plan of Guangdong-Hong Kong-Macao Greater Bay Area to increase the investment in the area, especially focusing on the development in the prime land in Zhuhai, Zhongshan and Foshan, where the Group has established its presence. On the other hand, the Group extends its profound experience gained from developing first-tier cities to the area within a radius of one hour of metro lines in Shenzhen, and also to those core areas such as the Greater Bay Area, Yangtze River Delta and Beijing-Tianjin-Hebei region.

In addition, the Group successfully bid a rare and high-quality land parcel in Lee Nam Road, Ap Lei Chau for large-scale residential use in Hong Kong in collaboration with KWG Property Holding Limited in early 2017. Through allocating overseas assets in Hong Kong to hedge foreign exchange risk effectively, and diversify the land bank portfolio and increase profit margin, all of them could prove the Group's insights into the market trends. The Group will continue to focus on the areas that are suitable for investment and development in Hong Kong, Macau and overseas, to gradually form the new layout of simultaneous development in domestic and overseas.

The Group will continue to launch the projects along Shenzhen's subway lines in the year, which includes "Logan•Jiuzuan" (龍光•玖鑽) project, erected on the Hongshan subway station in the centre of north Shenzhen; "龍光•玖雲著" at the Pingshan High Speed Rail Station; and "龍光•玖龍臺" in Guangmíng High Speed Rail Station. Therefore, the Group is able to capture the market demand and consolidate the leading position of Logan Property in the Shenzhen market. The Group believes that the development concept of Greater Bay Area will effectively expand its room and depth for future development.

In the future, the Group will continue to identify quality assets in oversea markets, and also continue to live up the values, such as the design and quality of the projects to further strengthen the Group's market competitiveness and penetration. The Group will also adjust its sales and development strategies in a timely manner in response to the supply and demand of the market, so as to increase the brand influence of Logan Property and consolidate its leading position in the industry.

ACKNOWLEDGMENTS

On behalf of the Board, I hereby express my heartfelt gratitude to all shareholders, investors, partners, customers, and community for their support and trust. In the past year, thanks to the guidance given from the management of the Company, together with the efforts and contributions from all staff, the Group managed to move forward with courage and implement its strategies wisely. Stepping over two decades, it signifies a new milestone for the Company. In the future, the Company will unite together and share the same vision, creating a higher return for all of its shareholders.

Kei Hoi Pang
Chairman

Hong Kong
30 March 2017

Management Discussion and Analysis

Performance Highlights

	2016 RMB'000	2015 RMB'000	Changes %
Revenue[1]	**21,401,036**	15,439,780	38.6%
Among which: Sales of properties			
– Income from properties delivered	**21,104,999**	15,247,388	38.4%
– GFA[2] of properties delivered (sq.m.)	**1,859,412**	2,240,698	-17.0%
– ASP[2] of properties delivered (RMB)	**10,810**	6,576	64.4%
Rental income	**83,932**	71,748	17.0%
Construction income	**212,105**	120,644	75.8%
Gross profit	**6,559,828**	4,430,103	48.1%
Profit for the year			
– Attributable to equity shareholders	**4,487,736**	2,649,279	69.4%
– Attributable to non-controlling shareholders	**712,147**	38,539	1,747.9%
Profit for the year (excluding changes in fair value of investment properties and derivatives and deferred tax)	**3,106,736**	1,973,589	57.4%
– Attributable to equity shareholders	**3,056,915**	1,935,312	58.0%
– Attributable to non-controlling shareholders	**49,821**	38,277	30.2%

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

2. Excluding the car parking portion

	2016 RMB'000	2015 RMB'000	Changes %
Total assets	**86,501,709**	56,771,666	52.4%
Cash and bank balances (including cash and cash equivalents and restricted and pledged deposits)	**14,797,303**	11,190,623	32.2%
Total bank and other borrowings[3]	**33,186,537**	21,044,443	57.7%
Total equity	**25,751,346**	17,460,917	47.5%
Total equity attributable to equity shareholders	**19,426,849**	13,548,779	43.4%
Key financial ratios			
Gross profit margin[(1)]	**31.9%**	30.4%	
Core profit margin[(2)]	**15.1%**	13.5%	
Net debt-to-equity ratio[(3)]	**71.4%**	56.4%	
Liability to asset ratio[(4)]	**70.2%**	69.2%	

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

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

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

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

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

PROPERTY DEVELOPMENT

Contracted sales

In 2016, the Company continued to focus on Shenzhen region as its core development strategy. The Logan City (龍光城) and Acesite Mansion (玖龍璽) projects in Shenzhen Region contributed RMB12.45 billion for the year. For the year 2017, the Company will launch more projects in the Shenzhen market, and it is expected that the Company will be able to achieve remarkable results in its revenue and earnings in the coming few years.

During the year ended 31 December 2016, the Group recorded contracted sales of approximately RMB28,716.0 million, representing an increase of approximately 40.0% as compared with RMB20,510.0 million in 2015. Shenzhen Region, other regions of Pearl River Delta, Shantou region, Nanning region and other regions accounted for approximately 44.1%, 16.2%, 22.9%, 11.4% and 5.4% of the Group's contracted sales in 2016, respectively.

	Summary of contracted sales in 2016				
	Amount (RMB million)	Percentage	GFA[1] (sq.m.)	Percentage	ASP[1] (RMB per sq.m.)
Shenzhen region	12,664	44.1%	599,026	26.1%	21,077
Other regions of Pearl River Delta	4,651	16.2%	383,681	16.7%	11,141
Shantou region	6,590	22.9%	635,787	27.7%	9,099
Nanning region	3,268	11.4%	467,451	20.3%	6,575
Other regions	1,543	5.4%	212,257	9.2%	7,172
Total	28,716	100.0%	2,298,202	100.0%	11,870

Revenue from sales of properties

During the year ended 31 December 2016, revenue from sales of properties amounted to approximately RMB21,105.0 million, representing an increase of approximately 38.4% as compared with RMB15,247.4 million in 2015, and accounted for approximately 98.6% of the Group's total revenue. GFA delivered (excluding car parking spaces) decreased by approximately 17% to 1,859,412 sq.m. during the year 2016 from 2,240,698 sq.m. for the year 2015. 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 2016, accounting for approximately 45.1%, 13.7%, 22.4%, 15.8% and 3.0%, respectively.

	Revenue from sale of properties in 2016				
	Amount (RMB million)	Percentage	GFA[1] (sq.m.)	Percentage	ASP[1] (RMB per sq.m.)
Shenzhen region	9,515	45.1%	294,340	15.8%	32,241
Other regions of Pearl River Delta	2,895	13.7%	367,943	19.8%	6,895
Shantou region	4,726	22.4%	577,927	31.1%	7,421
Nanning region	3,335	15.8%	518,324	27.9%	6,113
Other regions	634	3.0%	100,878	5.4%	6,102
Total	21,105	100.0%	1,859,412	100.0%	10,810

1. Excluding the car parking portion

Newly developed projects

As at 31 December 2016, the Group commenced construction of a total of 13 projects or new project phases, with a total planned GFA of approximately 3,559,685 sq.m.

Developing projects

As at 31 December 2016, the Group had a total of 21 projects or project phases under construction, with a total GFA of approximately 4,809,251 sq.m.

Land reserves

In 2016, the Group acquired five new projects through public tendering, auction and listing with a total GFA of 1,966,413 sq.m..

List of newly acquired projects through public tendering, auction and listing in 2016

No.	City	Project name	Date of acquisition	Equity	Site area (sq.m.)	Total GFA (sq.m.)	Saleable GFA (sq.m.)	Total land cost (RMB million)	Average land cost
1	Zhuhai	Project in West Lake Branch, Jinwan District 金灣區西湖片區項目	2016.01.28	100%	49,468	198,000	148,403	997	6,718
2	Foshan	Dafu Village Project – Southern land 大富村項目－南地塊	2016.03.25	100%	81,468	322,342	244,376	1,123	4,595
3	Shenzhen	Guangming Project 光明項目	2016.06.08	50%	152,442	720,000	511,140	14,060	27,507
4	Nanning	Jinyang Road Project 金陽路項目	2016.08.10	100%	56,999	382,020	273,750	958	3,498
5	Shantou	東海岸E組團	2016.12.28	100%	97,915	344,051	244,788	1,914	7,819
			Total for the year		438,292	1,966,413	1,422,457	19,052	13,394

As at 31 December 2016, the total GFA of the land reserve of the Group amounted to approximately 14,090,556 sq.m., the average cost of land reserve was RMB3,384 per sq.m., and over 74% of its investment was made in the Shenzhen region.

PROPERTY INVESTMENTS

Rental income

As at 31 December 2016, the rental income of the Group amounted to RMB83.9 million, representing an increase of approximately 17.0%, and accounted for approximately 0.4% of the Group's total revenue.

Investment properties

As at 31 December 2016, the Group had 22 investment properties with a total GFA of approximately 460,554 sq.m.. As at 31 December 2016, the 16 investment properties were completed.

Financial Review

(I) Revenue[1]

Revenue of the Group for the year ended 31 December 2016 increased to RMB21,401.0 million by approximately RMB5,961.2 million, or approximately 38.6%, as compared with 2015, primarily due to the increase of approximately 38.4% 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 2016 amounted to approximately RMB21,105.0 million, RMB83.9 million and RMB212.1 million (2015: approximately RMB15,247.4 million, RMB71.7 million and RMB120.6 million, respectively), respectively.

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

Project name	**2016** Area[2] (sq.m.)	**2016** Amount[3] (RMB'000)	2015 Area[2] (sq.m.)	2015 Amount[3] (RMB'000)
Logan City (龍光城)	**143,479**	**1,635,772**	792,605	4,937,002
Huizhou Sky Palace (惠州天悦龍庭)	**6,018**	**42,892**	93,444	393,011
Huizhou Grand Riverside Bay (惠州水悦龍灣)	**16,981**	**140,408**	196,572	1,244,310
Shantou Seaward Sunshine (汕頭尚海陽光)	**29,959**	**367,643**	21,399	356,562
Shantou Sunshine Castle (汕頭陽光華府)	**–**	**408**	–	2,148
Shantou Flying Dragon Garden (汕頭龍騰熙園)	**–**	**5,674**	–	6,270
Shantou Logan Flying Dragon Landscape (汕頭龍騰嘉園)	**295,500**	**1,838,713**	163,472	853,925
Shantou Royal Sea Sunshine (汕頭御海陽光)	**252,468**	**2,513,094**	–	–
Foshan Grand Riverside Bay (佛山水悦龍灣)	**109,837**	**757,659**	52,682	389,312
Foshan Joy Palace (佛山君悦龍庭)	**24,373**	**259,404**	166,420	1,115,694

Project name	2016 Area[2] (sq.m.)	2016 Amount[3] (RMB'000)	2015 Area[2] (sq.m.)	2015 Amount[3] (RMB'000)
Foshan Grand View (佛山水悦雲天)	–	–	1,956	15,783
Foshan Grand Joy Castle (佛山君悦華府)	1,417	61,343	59,756	590,127
Foshan Shin Street Building (佛山尚街大廈)	19,495	226,950	29,526	243,621
Foshan Grand Garden (佛山水悦熙園)	48,631	333,531	–	–
Zhongshan Ocean Grange (中山海悦熙園)	907	12,499	1,913	35,447
Zhongshan Grand Garden (中山水悦熙園)	4,153	47,608	18,484	136,731
Zhongshan Grasse Vieille Ville (中山海悦城邦)	–	–	–	2,796
Zhongshan Ocean Vista Residence (中山海悦華庭)	3,588	80,262	141,298	1,200,522
Zhuhai Easy Life (珠海海悦雲天)	–	1,818	–	10,331
Zhongshan Grand Joy Garden (中山水悦馨園)	145,610	927,587	–	–
Dongguan Imperial Summit Sky Villa (東莞君御旗峰)	11,182	136,114	39,246	405,413
Dongguan Royal Castle (東莞君御華府)	288	5,477	58,409	449,218
Guangzhou Palm Waterfront (廣州棕櫚水岸)	7,733	160,546	8,722	124,662
Guangzhou Landscape Residence (廣州峰景華庭)	2,201	25,966	–	11,362
Shenzhen Sky Palace (深圳天悦龍庭)	–	–	–	535
Shenzhen Grand Joy Palace (深圳君悦龍庭)	–	–	–	73
Acesite Mansion (深圳玖龍璽)	116,392	7,554,276	–	–
Nanning Provence (南寧普羅旺斯)	95,504	751,377	73,344	667,269
Nanning Grand Riverside Bay (南寧水悦龍灣)	7,189	82,621	42,612	356,616

MANAGEMENT DISCUSSION AND ANALYSIS

Project name	2016 Area[2] (sq.m.)	2016 Amount[3] (RMB'000)	2015 Area[2] (sq.m.)	2015 Amount[3] (RMB'000)
Nanning Royal Castle (南寧君御華府)	**55,146**	**606,789**	49,606	535,426
Nanning Joy Residence (南寧君悦華庭)	**135,133**	**871,253**	–	–
Fangchenggang Sunshine Seaward (防城港陽光海岸)	**145,185**	**623,803**	208,294	949,383
Chengdu Sky Palace (成都天悦龍庭)	**880**	**35,545**	20,938	213,839
Chengdu Joy Residence (成都君悦華庭)	**76,714**	**403,264**	–	–
Guilin Provence (桂林普羅旺斯)	**80,168**	**398,840**	–	–
Haikou Sea and City (海南海雲天)	**23,281**	**195,863**	–	–
Total	**1,859,412**	**21,104,999**	2,240,698	15,247,388

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

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

3. Including revenue from sales of car parking spaces, but before deduction of business tax and other sales related taxes.

(II) Cost of sales

The cost of sales of the Group for the year ended 31 December 2016 increased to RMB13,979.0 million by approximately RMB3,835.1 million, or approximately 37.8%, as compared with 2015, primarily due to the increase in cost of sales from sales of properties resulting from the expansion of business scale. Key components of costs are as follows:

	2016 RMB'000	2015 RMB'000	Changes per year %
Costs	**13,979,010**	10,143,907	37.8%
– Costs of sales of properties	**13,812,693**	10,020,821	37.8%
– Costs of construction business and rental business	**166,317**	123,086	35.1%

(III) Selling and marketing expenses and administrative expenses

The selling and marketing expenses of the Group for the year ended 31 December 2016 amounted to approximately RMB714.2 million (2015: RMB573.1 million). As the Group further increased its property marketing efforts in response to the challenging market environment in 2016, the selling and marketing expenses had increased by approximately 24.6% as compared with 2015.

The administrative expenses of the Group for 2016 amounted to approximately RMB556.7 million (2015: RMB587.8 million), representing an decrease of approximately 5.3% as compared with 2015.

(IV) Profit from operations

The profit from operations of the Group for 2016 amounted to approximately RMB8,305.3 million (2015: RMB4,209.7 million), representing an increase of approximately 97.3% over the corresponding period. As the revenue of the Group and other revenue increased by approximately RMB6,253.7 million as compared with 2015, the relevant cost of sales, selling and marketing expenses and administrative expenses increased by approximately RMB3,945.1 million as compared with 2015 whereas the fair value gain of investment properties and derivative financial instruments of the Group for the year increased by approximately RMB1,813.6 million as compared with 2015. As a result, the profit from operations of the Group increased by approximately RMB4,095.6 million as compared with 2015.

(V) Net finance costs

The net finance costs of the Group for 2016 increased to approximately RMB371.9 million (2015: RMB36.2 million), primarily due to the increase in loan scales.

(VI) Tax

Taxes of the Group for the year ended 31 December 2016 included CIT and LAT. Taking into account the impact of the relevant changes in deferred tax, the net CIT and LAT amounted to approximately RMB1,761.9 million and RMB971.6 million, respectively (2015: RMB922.7 million and RMB563.0 million, respectively).

(VII) Core Profit

Core Profit of the Group for the year ended 31 December 2016 amounted to approximately RMB3,106.7 million (2015: RMB1,973.6 million), representing a year-on-year increase of approximately 57.4%. The Core Profit margin of the Group for 2016 was approximately 15.1% (2015: 13.5%). Such increase was primarily due to the increase of gross profit margin in 2016.

(VIII) Liquidity and financial resources

As at 31 December 2016, total assets of the Group amounted to approximately RMB86,501.7 million (31 December 2015: RMB56,771.7 million), of which current assets amounted to approximately RMB58,521.4 million (31 December 2015: RMB49,760.3 million). Total liabilities amounted to approximately RMB60,750.4 million (31 December 2015: RMB39,310.7 million), of which non-current liabilities amounted to approximately RMB29,695.5 million (31 December 2015: RMB16,689.5 million). Total equity amounted to approximately RMB25,751.3 million (31 December 2015: RMB17,460.9 million). Total equity attributable to equity shareholders amounted to RMB19,426.8 million (31 December 2015: RMB13,548.8 million).

Management Discussion and Analysis

(VIII) Liquidity and financial resources (continued)

As at 31 December 2016, the Group had total cash and bank balances (including restricted cash) of approximately RMB14,797.3 million (31 December 2015: RMB11,190.6 million) and total borrowings of approximately RMB33,186.5 million (31 December 2015: RMB21,044.4 million). As at 31 December 2016, total net borrowings of the Group amounted to approximately RMB18,389.2 million (31 December 2015: RMB9,853,820.0 million), the net debt-to-equity ratio of the Group was 71.4% (31 December 2015: 56.4%).

(IX) Financing activities

In 2016, the Group issued non-public domestic corporate bonds and public domestic corporate bond with an aggregate principal amount of RMB7,400.0 million, of which RMB2,500.0 million has a term of three years and an interest rate of 5.8% per annum, RMB500.0 million has a term of four years and an interest rate of 5.2% per annum, RMB3,000.0 million has a term of five years and an interest rate of 5.15% per annum, and RMB1,400.0 million has a term of five years and an interest rate of 3.4% per annum. The cash ratio (the ratio of cash and bank balances to short-term borrowings) was approximately 2.6 times in 2016 (2015: 2.0 times).

(X) Pledge of assets

As at 31 December 2016, the Group had pledged investment properties, other properties, inventories and pledged deposits of approximately RMB23,787.0 million to secure its borrowings (31 December 2015: RMB16,902.4 million).

(XI) Contingent liabilities

As at 31 December 2016, the Group provided guarantees of approximately RMB9,806.2 million (31 December 2015: RMB8,157.0 million) in respect of the mortgage loans that certain banks 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 relevant 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 material forward exchange contract to hedge its exposure to foreign exchange risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

(XIII) Employees and Remuneration Policy

As at 31 December 2016, the Group had approximately 2,350 employees (2015: 2,043). 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.

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 25 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	50	Chairman, Chief Executive Officer and Executive Director
Mr. Ji Jiande	42	Vice President, Chief Operating Officer and Executive Director
Mr. Xiao Xu	45	Vice President and Executive Director
Mr. Lai Zhuobin	45	Chief Financial Officer and Executive Director
Ms. Kei Perenna Hoi Ting	27	Non-executive Director
Mr. Zhang Huaqiao	53	Independent Non-executive Director
Ms. Liu Ka Ying, Rebecca	47	Independent Non-executive Director
Mr. Cai Suisheng	66	Independent Non-executive Director

Executive Directors

Mr. Kei Hoi Pang, aged 50, 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 the Group's predecessors. Since October 2009, Mr. Kei Hoi Pang has also served as a director and chief executive officer of Shenzhen Logan Holdings Company Limited. Mr. Kei Hoi Pang has over 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 42, 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, chief executive officer and an executive director of the Company. Mr. Ji Jiande served as the general manager of various companies of the Group. In December 2009, Mr. Ji Jiande was appointed as a director of Shenzhen Logan Holdings Company Limited, primarily responsible for the operational management, construction and material management of the Group.

Mr. Xiao Xu, aged 45, 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 Property Limited Liability Company (formerly known as "Logan Real Estate Holdings Co., Ltd.") in 2007 and held various senior management positions 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 in April 2011. Mr. Xiao was also appointed as the director of 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. (珠海市鉑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 45, 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 Property Limited Liability Company (formerly known as "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. 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 27, 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, chief executive officer and an executive director of the Company, and the niece of Mr. Ji Jiande, 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 53, 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 form 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. 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 47, was appointed as an independent non-executive director of the Company on 18 November 2013. From June 1996 to March 2002, Ms. Liu served as the general manager for the Asia and China region of The PRG-Schultz International, Inc., a company listed on NASDAQ. In January 2007, Ms. Liu was appointed as the chief executive officer of AllPanther Asset Management Limited (竣富(資產)管理有限公司) and served at such position since then. She possesses experience in management, investment in real estate development and private investment funds, as well as accounting and financial management.

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

Mr. Cai Suisheng, aged 66, was appointed as an independent non-executive director of the Company on 18 November 2013. Mr. Cai is currently the emeritus president of Guangdong Provincial Real Estate Association (廣東省房地產行業協會). 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). From 2007 to 2016, Mr. Cai was appointed as the vice president of Guangdong Economics Association (廣東經濟學會). 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.

Save as otherwise disclosed, there is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board, and no information relating to the Directors which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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	50	Chairman and Chief Executive Officer
Mr. Ji Jiande	42	Vice President and Chief Operating Officer of the Group
Mr. Xiao Xu	45	Vice President of the Group
Mr. Lai Zhuobin	45	Chief Financial Officer of the Group
Ms. Huang Xiangling	40	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 40, 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 of the Company (the “Board”) is pleased to present this Corporate Governance Report for the period from 1 January 2016 to 31 December 2016 in the Company’s annual report for the year ended 31 December 2016.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency 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 Listing Rules.

The Board is of the view that throughout the year ended 31 December 2016, the Company has complied with most of the code provisions as set out in the CG Code, except for code provision A.2.1 (the details of which are set forth below).

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2016.

The Company has also established written guidelines (the “Employees Written Guidelines”) no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. During the year ended 31 December 2016, no incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a director to perform his responsibilities to the Company, and whether the director is spending sufficient time performing them.

Board Composition

The Board of the Company currently 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 26 to 29 of the Annual Report for the year ended 31 December 2016.

The relationships between the members of the Board are disclosed under "Biographies of Directors and Senior Management" on pages 26 to 29 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 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

The chairman and chief executive officer of the Company are held by Mr. 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 year ended 31 December 2016, the Board 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 annual 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.

Appointment and Re-election of Directors

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 of the Directors

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

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

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

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

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management. The delegated functions are periodically reviewed. Authorisation has to be obtained from the Board prior to any significant transactions entered into by the senior 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.

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 2016:

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

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. 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 list of the chairman and members of each Board committee is set out under "Corporate Information" on page 8.

Audit Committee

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee 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, in respect of the year ended 31 December 2016, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties.

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

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

The Audit Committee also met the external auditors once without the presence of the executive directors during the year ended 31 December 2016.

Remuneration Committee

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include:

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 year ended 31 December 2016, 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 *(Chairman)*	1/1
Mr. Kei Hoi Pang	1/1
Ms. Liu Ka Ying, Rebecca	1/1

The remuneration of the directors and the senior management by band for the year ended 31 December 2016 is set out below:

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

Nomination Committee

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The principal duties of the Nomination Committee include:

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.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, 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 year ended 31 December 2016, 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 *(Chairman)*	1/1
Mr. Zhang Huaqiao	1/1
Ms. Liu Ka Ying, Rebecca	1/1

Corporate Governance Functions

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

During the year, 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.

ATTENDANCE RECORDS OF DIRECTORS

The attendance record of each director at the Board meetings and the general meeting of the Company held during the year ended 31 December 2016 is set out in the table below:

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

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions.

In response to the use of RMB6 billion to a wealth management plan by a joint venture in connection with obtaining an entrusted loan of approximately RMB12 billion for an associate, the Company has announced the "Notice in respect of Further Regulations on Joint Ventures Management" which incorporated the regulations on joint ventures management into the corporate governance overview of the Company and regulates the management of the joint ventures and related affairs.

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2016.

The Internal Audit Department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2016, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

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 2016.

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 Auditors' Report on pages 71 to 79.

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, KPMG, in respect of audit services and non-audit services for the year ended 31 December 2016 is set out below:

Service Category	**Fees Paid/Payable**
Audit Services	4,180,000
Non-audit Services	2,118,000
	6,298,000

COMPANY SECRETARY

The Company has engaged Tricor Services Limited, external service provider, and Ms. Li Yan Wing, Rita has been appointed as the Company's company secretary. Its primary contact person at the Company is Mr. Xiao Xu, an executive director of the Company.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual director. All resolutions put forward at general 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 general meeting.

Convening General Meeting by Shareholders

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

Putting Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

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

Contact Details

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

Address:	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, shareholder(s) 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 9156 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. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

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 2016.

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 12 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 4 and 6 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 10 to 15 of this annual report. Description of possible risks and uncertainties facing the Company is set out in the Management Discussion and Analysis on pages 16 to 25 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 200 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.

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 2016 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 80 to 199.

Results and Appropriations

Profits attributable to shareholders for the year ended 31 December 2016, before dividends, of RMB4,487,736,000 (2015: RMB2,649,279,000) have been transferred to reserves. Other movements in reserves are set out on page 84 of "Consolidated Statement of Changes in Equity".

Payment of Final Dividend

The Directors recommend payment of a final dividend of HK22 cents per share (the "Proposed Final Dividend") and a special dividend of HK3 cents per share (the "Proposed Special Dividend") amounted to a total dividend of HK25 cents per share for the year ended 31 December 2016, subject to the approval by shareholders at the annual general meeting (the "AGM") of the Company to be held on Tuesday, 27 June 2017. The Proposed Final Dividend and the Proposed Special Dividend, if approved by the Company's shareholders at the AGM, will be paid on Wednesday, 19 July 2017 to the shareholders whose names appear on the register of members of the Company on Thursday, 6 July 2017.

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 Thursday, 22 June 2017 to Tuesday, 27 June 2017, 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 Wednesday, 21 June 2017.

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

For determining the entitlement to the Proposed Final Dividend and the Proposed Special Dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from Tuesday, 4 July 2017 to Thursday, 6 July 2017, both days inclusive, during which period no transfer of share will be registered. In order to qualify for the Proposed Final Dividend and the Proposed Special 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 Monday, 3 July 2017.

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 11 to the consolidated financial statements.

Share Capital

Details of the movements in the share capital of the Company for the year ended 31 December 2016 and as at that date is set out in note 24(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 2016 are set out in "Consolidated statements of changes in equity" and note 24(d) to the consolidated financial statements, respectively.

Borrowings

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

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 200 of the annual report.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2016, the Company had repurchased from the market a total of 61,232,000 shares. All the repurchased shares have been cancelled. The Directors believe that the repurchases of shares would lead to an enhancement of the net value of the Group and its assets and/or its earnings per share.

Details of the repurchases of the shares of the Company are as follows:

Month of repurchase	Number of shares repurchased	Highest price per share (HK$)	Lowest price per share (HK$)	Aggregate purchase price (HK$)
January	3,072,000	2.25	2.15	6,763,060
February	584,000	2.25	2.21	1,304,400
March	1,056,000	2.50	2.44	2,613,820
April	3,134,000	2.93	2.85	9,072,720
May	N/A	N/A	N/A	N/A
June	N/A	N/A	N/A	N/A
July	N/A	N/A	N/A	N/A
August	18,632,000	3.38	3.21	61,618,140
September	4,160,000	3.38	3.34	13,990,440
October	27,322,000	3.35	3.19	89,665,100
November	3,272,000	3.17	3.07	10,231,180
December	N/A	N/A	N/A	N/A

On 3 January 2017, the Company issued 5.75% senior notes due in 2022 with a principal amount of US$200 million. The notes are listed and traded on the Stock Exchange of Hong Kong.

Between January 2016 and October 2016, the Group issued non-public domestic corporate bonds and public domestic corporate bond with an aggregate principal amount of RMB7.4 billion, of which RMB2.5 billion has a term of three years and an interest rate of 5.8% per annum, RMB500 million has a term of four years and an interest rate of 5.2% per annum, RMB3 billion has a term of five years and an interest rate of 5.15% per annum, and RMB1.4 billion has a term of five years and an interest rate of 3.4% per annum.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

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 annual 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. Kei Hoi Pang, Mr. Xiao Xu and Ms. Kei Perenna Hoi Ting 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.

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 2016 and remained in force as of the date of this annual 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 2016, 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 2016.

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 2016, the loan facility of US$73,500,000 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 2016, the Company did not have other disclosure obligations under Rule 13.18 of the Listing Rules.

Share Option Scheme

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

1. Purpose of the Share Option Scheme:

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

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

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

2. Participants of the Share Option Scheme:

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

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

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

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

3. **Maximum number of Shares available for issue:**

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following the completion of the Global Offering ("the Hong Kong Public Offering and International Offering") (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), being 500,000,000 shares (representing approximately 9.10% of the number of issued shares of the Company as at the date of this annual report), excluding for this purpose Shares which would have been issued on the exercise in full of options in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company, but not cancelled, lapsed or exercised). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may: (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by the Shareholders in general meeting; and/or (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board.

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

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

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

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

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

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

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

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

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

7. The basis of determining the exercise price:

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

8. The remaining life of the Share Option Scheme:

The Share Option Scheme will remain in force for a period of 10 years commencing from 18 November 2013.

During the year ended 31 December 2016, no share options were granted. Details of the share options granted under the Share Option Scheme during the year ended 31 December 2016 were as follows:

			Number of share options							
Name of Director	Date of grant	Exercise Price (HK$)	Outstanding as at 1 January 2016	Granted from 1 January 2016 to 31 December 2016	Exercised from 1 January 2016 to 31 December 2016	Cancelled/ Lapsed from 1 January 2016 to 31 December 2016	Outstanding as at 31 December 2016	Percentage of total issued share capital[(1)]	Exercise period	Closing price of the securities immediately before the date on which the options were offered (HK$)
Mr. Kei Hoi Pang	29 May 2014	2.340	13,120,000	–	–	–	13,120,000	0.239%	29 May 2014 to 28 May 2020	2.340
Mr. Ji Jiande	29 May 2014	2.340	9,840,000	–	–	–	9,840,000	0.179%	29 May 2014 to 28 May 2020	2.340
Mr. Xiao Xu	29 May 2014	2.340	4,470,000	–	–	–	4,470,000	0.081%	29 May 2014 to 28 May 2020	2.340
Mr. Lai Zhuobin	29 May 2014	2.340	4,170,000	–	–	–	4,170,000	0.076%	29 May 2014 to 28 May 2020	2.340
Ms. Kei Perenna Hoi Ting	29 May 2014	2.340	2,050,000	–	–	–	2,050,000	0.037%	29 May 2014 to 28 May 2020	2.340
Total number held by Directors	29 May 2014	2.340	33,650,000	–	–	–	33,650,000	0.612%	29 May 2014 to 28 May 2020	2.340
Total number held by other employees	29 May 2014	2.340	164,610,000	–	–	–	164,610,000	2.995%	29 May 2014 to 28 May 2020	2.340

Note:

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

EQUITY-LINKED AGREEMENTS

Save as the Share Option Scheme, no equity-linked agreements were entered into by the Company during the year under review.

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 2016, 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[4]
Mr. Kei Hoi Pang	Beneficiary of a family trust. Interest of a controlled corporation[3]	4,250,000,000 (L)		77.32%
	Beneficial owner		13,120,000 (L)	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)		77.32%
	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%
Mr. Zhang Huaqiao	Beneficial Owner	–	420,000 (L)	0.01%

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 15.46% 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) The percentage is calculated based on the total number of issued shares as at 31 December 2016.

(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 2016, 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 2016, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Nature of Interest	Number of Shares[1]	Percentage of the Company's Issued Share Capital[4]
Mr. Kei Hoi Pang	Beneficiary of a family trust, Interest of a controlled corporation	4,250,000,000 (L)	77.32%
	Beneficial owner	13,120,000 (L)	0.24%
Ms. Kei Perenna Hoi Ting	Beneficiary of a family trust, Interest of controlled corporations[2]	4,250,000,000 (L)	77.32%
	Beneficial owner	2,050,000 (L)	0.04%
Brock Nominees Limited[3]	Nominee	3,400,000,000 (L)	61.86%
Credit Suisse Trust Limited[3]	Trustee	3,400,000,000 (L)	61.86%
Junxi Investments Limited[3]	Beneficial owner	3,400,000,000 (L)	61.86%
Kei Family United Limited[3]	Interest of a controlled corporation	3,400,000,000 (L)	61.86%
Tenby Nominees Limited[3]	Nominee	3,400,000,000 (L)	61.86%
Dragon Julibee Investments Limited	Beneficial owner	425,000,000 (L)	7.73%

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 15.46% 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) The percentage is calculated based on the total number of issued shares as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, 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 annual 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 2016, the aggregate sales and purchases attributable to the Group's five largest customers and suppliers were approximately 0.5% of the Group's total revenue and the 15.9% 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 2016, the Group entered into the following connected transactions with its connected persons:

(a) Framework Agreement with Pingan Dahua

On 17 May 2016, 惠州大亞灣東圳房地產有限公司 (Huizhou Daya Bay Dongzhen Property Co., Ltd.*) (the "Project Company"), 深圳市龍光東圳置業有限公司 (Shenzhen Logan Dongzhen Realty Co., Ltd.*), a wholly-owned subsidiary of the Company, ("Shenzhen Logan Dongzhen"), 深圳市龍光控股有限公司 (Shenzhen Logan Holdings Co., Ltd.*), a wholly-owned subsidiary of the Company, and the Company entered into a framework agreement (the "Framework Agreement") with 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"). Pursuant to the Framework Agreement, (1) Pingan Dahua has conditionally agreed to make a capital contribution of RMB4,500 million to the Project Company and Shenzhen Logan Dongzhen has conditionally agreed to make an additional capital contribution of RMB0.04 million to the Project Company, for the development of the Logan City Project; and (2) Pingan Dahua has conditionally agreed to grant an entrusted loan of RMB500 million to the Project Company.

Directors' Report

(a) Framework Agreement with Pingan Dahua (continued)

Pingan Dahua owned a 49% interest in a subsidiary of the Company as at the date of the Framework Agreement, and is a substantial shareholder of a subsidiary of the Company. 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 Framework Agreement and the transactions contemplated thereunder constitutes a connected transaction for the Company. As the Directors (including all the independent non-executive Directors) have confirmed that the principal terms of the Framework Agreement are normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole, the Framework Agreement 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 17 May 2016.

(b) Acquisition of Pak San Bay Investments Company Limited

On 5 December 2016, Jolly Gain Investments Limited (樂盈投資有限公司), a wholly-owned subsidiary of the Company, (the "Purchaser") entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Honk Jee Loong Holdings Company Limited (鴻駿隆控股有限公司) ("Honk Jee Loong") and Mr. Yao Yaojia (姚耀加) (the "Guarantor") pursuant to which the Purchaser has agreed to acquire the entire issued share capital of Pak San Bay Investments Company Limited (北山灣投資有限公司) (the "Target Company" and together with its subsidiaries, the "Target Group"), from Honk Jee Loong at a consideration of approximately RMB494.0 million.

As at the date of the Sale and Purchase Agreement, the Target Company was wholly-owned by Honk Jee Loong, which is in turn indirectly wholly-owned by the Guarantor. Upon completion of the acquisition, each of the members of the Target Group became a wholly-owned subsidiary of the Company.

As the Guarantor is a brother-inlaw of Mr. Kei Hoi Pang, an executive Director, and an uncle of Ms. Kei, a non-executive Director, and a brother-in-law of Mr. Ji Jiande, an executive Director, each of the Guarantor and Honk Jee Loong is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the acquisition contemplated under the Sale and Purchase Agreement constitutes a connected transaction for the Company. As one or more of the applicable percentage ratios in respect of the acquisition contemplated thereunder the Sale and Purchase Agreement are over 0.1% but less than 5%, the acquisition contemplated under the Sale and Purchase Agreement is subject to the reporting and announcement requirements and are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the Sale and Purchase Agreement are set out in the announcement of the Company dated 5 December 2016.

Continuing Connected Transactions

Details of the continuing connected transactions of the Company during the year ended 31 December 2016 are as follows:

(a) 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 and RMB312,000,000 for the year ended 31 December 2015 and 31 December 2016, respectively, and RMB195,000,000 for the year ending 31 December 2017.

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 2016 was approximately RMB171,194,000, which did not exceed the annual cap for the year ended 31 December 2016.

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

(b) 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 and RMB3,375,000 for the year ended 31 December 2015 and 31 December 2016, respectively, and RMB2,025,000 for the year ending 31 December 2017.

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 2016 was nil, which did not exceed the annual cap for the year ended 31 December 2016.

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.

(c) 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 and RMB3,000,000 for the year ended 31 December 2015 and 31 December 2016, respectively, and RMB1,875,000 for the year ending 31 December 2017.

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.

(c) Management Service Agreement (continued)

The transaction amount for the year ended 31 December 2016 was approximately RMB1,501,000, which did not exceed the annual cap for the year ended 31 December 2016.

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.

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 29 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 2016.

SUFFICIENCY OF PUBLIC FLOAT

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

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

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

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

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

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

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

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

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

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

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

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual 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 30 to 41 of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2016 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

Environmental, Social and Governance Report

In compliance with the Environmental, Social and Governance Reporting Guide (the "ESG Guide") under Appendix 27 as set forth under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), Logan Property Holdings Company Limited (the "Company") and its subsidiaries (the "Group", "we" or "us") prepared the Environmental, Social and Governance ("ESG") Report (the "Report"). The preparation of the Report involved the participation of the Group's key stakeholders, including the management and relevant staff who jointly assessed the importance of relevant ESG matters and provided all relevant ESG information.

The Company believes that this Report enables the Company to communicate the Group's sustainability related matters in a transparent and accountable manner, which is key to gaining the trust of its stakeholders. The Group is committed to making continuous contribution to the sustainable development in China and overseas, and fulfilling corporate social responsibilities at various operational levels.

The Report encompasses the Group's ESG matters on property development and construction contract business from 1 January 2016 to 31 December 2016 (the "Reporting Period" or "Financial Year 2016"). We set out the following scope of reporting, based on the importance of each ESG area to the Group's business and stakeholders:

Essentials of the ESG Guide	Significant ESG Matters of the Group
A. Environmental	
A1. Emissions	• Emission of exhaust and sewage • Emission of greenhouse gases • Construction wastes • Office wastes
A2. Use of Resources	• Energy use • Management of water use
A3. The Environment and Natural Resources	• Construction noise
B. Social	
B1. Employment	• Employee treatment • Equal opportunity policy
B2. Health and Safety	• Occupational health and safety
B3. Development and Training	• Employee training and development
B4. Labour Standards	• Prevention of child labour or forced labour
B5. Supply Chain Management	• Supply chain quality and environmental management
B6. Product Responsibility	• Product quality • Sales management • Aftersales service and information privacy
B7. Anti-corruption	• Anti-bribery and anti-corruption
B8. Community Investment	• Social benefit

A) ENVIRONMENTAL

A1. Emissions

As a major property developer and city complex operator in the PRC, the Group is committed to supporting environmental sustainability, promoting environmental work and awareness, and complying with the laws and regulations on environmental protection (including the management of pollutants and emissions) formulated by national, provincial and municipal governments of the PRC. By doing so, the Group seeks to ensure its development, whilst at the same time taking care of the environment and meeting the goal of sustainable development.

In addition, the Group takes as its mission to improving the quality of property projects, so that customers can enjoy a comfortable living environment. Hence, we hope to minimize the environmental damage during the process of our development, to become a green property developer. Construction works during the development of property projects would unavoidably emit exhaust, sewage and wastes. As such, the Group strives to process such wastes with good work plans and continuous monitoring, to reduce its damage to the environment. Before a project commences its construction, experts from the Group's engineering department would assess and predict the amount of emissions to be generated, and formulate a production and management process that can effectively reduce emissions from the project. During production, the Group also closely monitors and control the amount of emissions, including exhaust, sewage and construction wastes, to the minimal level.

The Group received satisfactory returns from its resources invested in environmental protection. During the Reporting Period, the Group was not aware of any material violations of laws and regulations relating to environmental protection, including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), and the Law of People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》).

Emission of Exhaust and Sewage

To mitigate the environmental impact from emissions, the Group implements a series of emissions reduction measures that aim to reduce emissions and prevent them from spreading to and affecting the surroundings in an all-round manner, covering the source of emissions, the construction process and the post-construction stage. During the planning of project engineering, we set up our objectives on pollutants emission and air quality. The Group continuously monitors the actual emission and conducts regular comparative analysis against the objectives, so as to identify areas for improvement and improve accordingly. The engineering department establishes environmental monitoring points at the project site, to provide live monitoring of environmental quality and ensure timely improvement for all the situations concerned.

Environmental, Social and Governance Report

To target dust pollution, the Group hardens the ground of construction sites in all its development projects, and apply brick slags to temporary roads. On top of that, all construction sites are equipped with sprinkler pipes for regular sprinkling; dust sources, such as earthworks, are placed in a concentrated manner and covered. All these measures effectively reduced the spread of dusts. Furthermore, every construction site is also furnished with an area where vehicles and machines within the site can be washed before leaving their departure, in order to prevent their dust from affecting the environment nearby. In respect of exhaust emission, all the construction machinery and transportation vehicles for the construction sites are powered by clean fuels such as ultra-low-sulphur diesel, while exhaust pipes are installed with catalytic converters and particulate filters to reduce the generation and emission of air pollutants.

In respect of sewage treatment, all construction sites are equipped with return pipes to collect sewage, through which such used water would flow into sedimentation tanks for filtration, so as to ensure the discharge of sewage whose indicators are in line with regulations. For the measures of sewage reduction, please refer to the section headed "Management of Water Use".

Emission of greenhouse gases

The emission of greenhouse gases generated in the course of the Group's business operations are mainly caused by the use of fuel and electricity. Please refer to the section headed "Energy Use" for details in relation to measures to reduce greenhouse gas emissions.

Construction wastes

The Group controls and deals with construction wastes arising during the development process through a comprehensive plan, recycling and continuous monitoring. During the development phase in the real estate project, the engineering staff of the Group spend efforts in reviewing the engineering drawings to reduce the construction wastes caused by the late construction demolition as a result of the drawing problem. Construction wastes are sorted out and stacked, and delivery records are kept for easy track of the wastes and ensure proper handling of wastes. The spoil in each project is generally recycled in the way of backfilling. Recycling system is set up in certain projects, so that construction wastes (including waste bricks, concrete block, stone, fly ashes) are reprocessed as building blocks for the construction of the building wall to reduce the wastes and save the raw materials. These measures have reduced the construction wastes, and in turn, significantly reduced the landfill load and related greenhouse gas emissions.

Office wastes

The Group has implemented a number of waste reduction measures in administrative offices. Each office of the Group has set up a recycling bin to collect waste paper which is collected and sent to qualified recyclers for recycling. A recycling box for single-sided paper is also set next to the printer to collect the single-sided paper used for secondary printing of non-important documents. Double-sided printing is advocated in the office, and all computer files are defaulted for double-sided printing to save paper. All departments are also required to report the amount of office supplies for the current month in one-month advance so as to set a goal for the reasonable use of office supplies.

A2. Use of Resources[1]

All production and operation activities of the Group are carried out in accordance with the purpose of energy conservation and emission reduction, and the emphasis is laid on recycling, reducing waste and avoiding the direct or indirect overuse of natural resources.

In the real estate project development, the Group uses more environmental friendly and highly efficient construction equipment as well as green contraction methods to minimize the use of resources and engineering pollution. The design of the project as well as common facilities are also taken into the consideration in environmental protection to reduce the resource consumption in the long run. In addition, the Group adopts component modular building design, use prefabricated components to reduce on-site production and the waste of raw materials.

In the administrative office, the Group reviews the use of resources on a regular basis and formulates resource improvement plans and measures, including the use of environmentally friendly and highly efficient office and operating equipment to improve the Group's environmental performance on one hand and save the costs for the Group on the other hand, which serves a double purpose.

Energy use

The Group has developed a number of electricity saving measures: use of LED lights or other highly efficient energy-saving fluorescent tubes in most of the Group's lighting system; use of non-tungsten flood light for outdoor lighting to reduce the power consumption; use of sound and light control switch or timer switch for some of the non-essential long time lighting lamps to reduce the lighting time; use of latest low power consumption equipment and elimination of the old high-consumption equipment, so as to reduce the power consumption.

In addition, the Group has also applied solar technology, which includes the use of solar street lighting for the project road, as well as solar water heaters to provide hot water. The indoor air conditioning temperature in all offices of the Group is set between 23 and 25 degrees celsius to avoid unnecessary cooling power consumption. Metering meters are installed in the right positions, and professional staff check the meters regularly, in order to monitor power consumption for improvement.

As for other fuel consumption, the Group's engineering department also has the corresponding control measures. Power supplied by the power company is used as far as possible to replace the diesel generators, which can take advantage of the power company's more efficient power generation equipment to reduce carbon emissions. In addition, the Group uses energy-saving construction machinery and equipment, and ensure that idle machines are off timely to reduce unnecessary fuel consumption.

[1] The Group does not consume packaging materials in production activities, thus data disclosure for packaging materials does not apply.

Environmental, Social and Governance Report

Management of water use

To protect valuable water resources, the Group has actively implemented a number of water conservation projects. As the Group's main water consumption is generated by construction projects, the Group has devoted to the management of water consumption in construction sites. All the construction sites of our projects are equipped with sewage clarifiers, construction wastewater, rainwater and other domestic sewage are drawn into the clarifiers for filtration. The filtered water is then recycled for vehicle cleaning and dust removal. As for vehicle cleaning which consumes plenty of water, the engineering department requires the use of water-saving pistols to reduce water consumption, and the water used for cleaning should be collected back to the sewage clarifiers for recycling. The engineering department of the Group will propose a plan for inspection and maintenance of water pipes and regularly inspects for leakage in the water pipes used in the projects for timely maintenance.

For other daily water consumption during administration, the Group also encourages employees to reuse domestic sewage as much as possible (for example, for irrigation), to enhance the awareness of water conservation. As for equipment, the Group uses water-saving faucets and toilets are installed with regularly flushing system, which shut down after 10 o'clock every night to reduce the waste of water. The Group installs water meters at proper places and makes appropriate calibrations to assist measurement and eliminate the waste.

A3. Environment and natural resources

The Group attaches great importance to the impact of business operations on the surrounding environment and natural resources, and the Group is committed to complying with national environmental protection laws and regulations.

The Group organizes intra-group publicity campaigns that are related to environment protection and energy conservation on a regular basis. It also leads the entities in charge of construction to participate in various environmental publicity activities held by the government departments so as to enhance the environmental protection concept of the employees and raise the awareness of energy conservation and emission reduction in their daily work.

During the construction of each project, the Group regularly monitors and measures the construction and conducts environmental quality assessment. For the identified environmental risks, the engineering staff will respond in a timely manner according to the actual situation, so as to control the problem as soon as possible, reducing the impact on environment.

Construction noise

In addition to the various emissions and resource consumption mentioned above, the negative impact on the environment that comes with the Group's business is mainly the noise created from the construction work of project development. During the construction process, the operation of construction machinery generates considerable noise, so the engineering staffs have made appropriate arrangements to reduce the construction noise and that all construction of the projects is only carried out during the day to avoid disturbing residents in the surrounding areas at night. In addition, the construction site is equipped with appropriate sound insulation equipment to effectively reduce the noise's spreading to the nearby community.

B) SOCIAL

B1. Employment

Employee treatment

The Group believes that high calibres play the role of cornerstone for our business development, so we provide attractive remuneration packages for our employees to attract and retain top staff. The remuneration of the employees of the Group is determined with reference to the market and industry practices. Employee compensation comprises of basic salary, indefinite salary, short-term bonus, long-term reward (such as options) and other employee benefits. The Remuneration Committee of the Group will also review such treatment every year or as necessary.

The number of working hours and holidays of the employees of the Group are implemented strictly in accordance with the Labor Law of the People's Republic of China and local labor laws and regulations, ensuring that every employee can have their holiday they deserve and have a good work-life balance.

As to employee benefit schemes, the Group provides mandatory and voluntary provident fund and provides medical insurance, pension scheme, unemployment insurance and work injury insurance to employees in accordance with the provisions of the Labor Law of the PRC to ensure that employees' treatment and rights are guaranteed.

The Group is committed to maintaining a close relationship with its employees, providing quality services to our clients and enhancing our cooperation with our business partners. We provide a fair and secured working environment for our employees, promote the diversified development of our employees, and offer opportunities of payment, benefits and career development based on employees' contributions and performance.

Equal Opportunity Policy

As an employer promoting equal opportunities, the Group strongly opposes to all discriminatory behaviours and is committed to providing a fair and equitable working environment to all employees. We have entered into stringent selection criteria as guidance for the recruitment, training and treatment of our employees. The selection process only takes into account the candidate's experience, expertise and skills to make a decision on whether or not to hire. Any other factors that are unrelated to workability or performance, such as gender, pregnancy, marital status, disability, family status or race, are not considered.

The Group's human resources policies, including recruitment, dismissal and the above categories, complies with applicable laws and regulations. During the Reporting Period, the Group did not identify any material violation of human resources-related laws and regulations.

Environmental, Social and Governance Report

B2. Health and Safety

Occupational Health and Safety

Human resources are essential to the operation and development of the Group. As a result, the Group is committed to taking all appropriate measures to provide employees with a fair and safe working environment to protect employees and avoid occupational injuries.

The Group has developed and distributed employees' manuals and safety guidelines to provide guidance on the health and safety issues that the employees would encounter during their work, in a bid to reduce the chances of all kinds of occupational injuries. In addition, we carry out regular exercises, such as fire drills, for sudden situation. Through different kinds of exercises, the emergency response capability and safety awareness of the employees are improved. In order to provide physical protection to employees, those who work on construction sites are required to wear safety equipment. The Group conducts regular training on safety awareness for employees and allows the employees to give opinions to the management on the environmental safety of the site.

As a part of the strategy for sustainable development, the Group also conducts annual centralized audits on all domestic offices and construction sites to assess the implementation of occupational health and safety measures to ensure that the measures formulated are properly implemented across the Group and proper records are kept.

During the Reporting Period, the Group did not identify any material violation of laws and regulations relating to the safety of workplaces.

B3. Development and Training

Employee Training and Development

The Group provides the employees with adequate training and development resources on an on-going basis so that the employees keep abreast with the information about market and industry development, while improving their performance and achieving self-development in their posts.

We have a comprehensive training mechanism and training system to support the employees' in-service education and training, in a view to enhance the job knowledge and skills of the employees. The training programs include induction training, on-the-job training and third-party professional training to raise the employees' awareness and compliance of personnel rules and regulations, cultivate professional quality, understand the Company's management system, and enhance self-professional ability and comprehensive ability. Meanwhile, the external professional training ensures that the employees are able to obtain the latest market knowledge and information to enhance the competitiveness of employees. All of the above training fees are borne by the Group.

At the same time, we offer different career development plans and programs for different business characteristics and employees' orientations, competencies and development needs. In addition to having access to different business modules and expanding their horizons, the employees develop diversified skills by rotating positions or participating in different projects.

B4. Labour Standards

Prevention of child labour or compulsory labour

The Group strictly abides by the requirements of National Labour Law (國家勞動法), prohibiting the recruitment of child labour and forced labour. We have adopted a series of measures to ensure that all applicants meet the requirements and demands of labour law on labouring, including the rigorous inspection and election process implemented in the process of recruitment.

All staffs are required to reach the age of adult and entered into labour contract before duly hiring. The human resources department also exam the identification documents of the applicants to make sure the staff are legal labour, with an aim to avoid child labour or forced labour. Moreover, the Group also checks each subsidiary randomly on a regular basis to ensure no breach of relevant laws and regulations. During the Reporting Period, the Group did not identify any material violation of laws and regulations relating to child labour or forced labour.

B5. Supply Chain Management

Supply Chain Quality and Environmental Management

The Group has strict requirements on management of suppliers and outsourcing contractors. It sets up process to regulate purchasing and bidding process, so as to achieve the purpose of governing quality from the sources and includes the fair and just principles into the supply chain management systems and implements properly to make sure various raw materials and constructing projects compliance with our quality and environmental requirements.

Our purchasing management centre is responsible for the purchasing matters of the Group. Apart from overall assessment, reviewing on performance of all suppliers and outsourcing contractors over the previous year and renewing the suppliers' lists regularly for each year, the person responsible for the purchasing management centre and colleagues also randomly visit the suppliers' plants for examining and organizing business meetings, as well as examining field performance and communicate with the frontline staffs of suppliers and outsourcing contractors and senior management staff to make sure the production delivery period, projects process and quality and so on. If the performance of suppliers and outsourcing contractors fail to meet the requirements, we will discontinue cooperation with them to avoid the negative effects on the quality of the product and safety of the Group. In addition, purchasing management centre holds internal and external trainings regularly for purchasing staffs to improve their professional level.

In addition to the supplying quality of suppliers and the engineering quality of outsourcing contractors, we pay attention to its environmental performance. In selecting suppliers or outsourcing contractors, we consider their identification situations of environmental management system and environmental level of products and projects and conduct environmental examination on materials to promote low-carbon production and environmental operation among suppliers or outsourcing contractors. During the annual review of suppliers, we conduct ratings on suppliers and include the safe and environmental performance into the rating standards. For those suppliers failing to meet the requirements, the project management department of the Group would help them improve their performance. Furthermore, purchasing management centre participates in the R&D process of project department and actively proceeds and applies green, energy-saving products into the specific projects of the Group.

B6. Product Responsibility

Product Quality

The Group commits to providing high-quality real estate projects to improve the living quality of customers. The construction of all projects of the Group strictly abide by the requirements listed in Quality Management Ordinance of Construction Projects (建設工程質量管理條例) issued by State Council (國務院), as well as arrange relevant government institution and experts for checking in accordance with the Temporary Completion Examining Requirement of Housing Construction Projects and Municipal Infrastructure Projects (房屋建築工程和市政基礎設施工程竣工驗收暫行規定) issued by Housing Rural and Urban Construction Department (住房城鄉建設部) after completion, which makes sure all projects of the Group are in compliance with the healthy and safe requirements on real estate projects by our country.

Sales Management

The sales of all projects of the Group mark the price of commodity housing, relevant fee and other factors affecting the price of commodity housing publicly in accordance with the Price Tagging Rules of Commodity Housing Sales (商品房銷售明碼標價規定) issued by National Development and Reform Commission (國家發展和改革委員會). The Group ensures that housing purchasers are not misled by any false or irregular tender price, as well as no price deception by using false or misleading tender price.

Aftersales Service and Information Privacy

The Group has established a comprehensive channel for customer complaint and feedback. The aftersales department collects all views relating to services and product qualities, etc., and constantly follows up and improves them to ensure that customers' opinions are timely handled.

In addition, the Group values the protection of customers' or consumers' privacy. Besides entering into confidentiality agreements with customers, we will not transfer or disclose customers' information without the consent of relevant parties, so as to protect customers' privacy and interests.

During the Reporting Period, the Group did not identify any material violation of laws and regulations relating to production and service qualities.

B7. Anti-corruption

Anti-bribery and Anti-corruption

We are determined to combat all offences involving bribery, extortion, fraud and money laundering. The Group has established monitoring divisions which independently and directly report to the Board, such as audit department and supervision department, taking proactive monitoring and carrying out anti-corruption through internal audit. In addition, we have set up appropriate reporting mechanism, encouraging the employees to report any dishonest and improper action.

All employees are required to read the Code of Conduct for Employees' Occupational Integrity (《員工職業操守行為準則》), which set out the conducts including strictly prohibition of bribery and fraud, and emphasis on honesty and integrity, compliance with laws and regulations and incorruptibility in work, and sign and confirm that they have understood the Group's requirements in this aspect. New employee induction training contains incorruptibility and self-discipline course, and the employees are required to pass the exam to ensure that they understand the Group's requirements on incorruptibility and self-discipline. The Group has also established the Regulations on Employees' Incorruptibility in Work (《員工廉潔從業規定》), aiming to enhance the Group's clean construction, operating by laws and employees' incorruptibility in work, and against the conducts including employees' duties' breaches of laws and regulation. The Group's senior management shall enter into the Management Responsibility Book (《管理責任書》), in order to ensure that they are responsible for the corrupt practices and breach of incorruptibility of the management themselves and their subordinate.

In addition, we will hold the meeting of suppliers, through the in-depth communication of high-level members of both parties, advocating Logan culture and spirit of incorruptibility and cooperation, promoting the steps of strategic cooperation and understanding the condition of employees' incorruptibility and self-discipline. The Group enters into Incorruptibility and Cooperation Agreement (《廉潔合作協議》), which requires the suppliers to publish the whistleblowing channel provided by us in their Group. Suppliers shall be included in the supplier blacklist and its engagement shall be terminated in case of any issues on incorruptibility which have been audited and confirmed.

During the Reporting Period, the Group did not identify any material violation of laws and regulations relating to corruption and bribery.

B8. Community Investment

Social Benefit

Since its establishment in 1996, the Group has always been dedicated to promoting the development of social benefit and charity, fulfilled the social responsibilities of corporate citizen and been awarded honours, including gold cup of "Guangdong Poverty Alleviation Kapok Cup (廣東扶貧濟困紅棉杯)" granted by Guangdong provincial party committee and government. During the report period, we launched a number of donation activities, so as to support regional poverty alleviation, student support, education and construction, which includes:

- In April, 2016, we donated 0.1 billion yuan to Baise, Guangxi for its training, education／traffic construction and targeted poverty alleviation;

- In May, 2016, the Group donated 50 million yuan to construct "Guilin Chongshan Primary School Logan Branch (桂林崇善小學龍光分校)", so as to support construction work for education in Guilin;

- In October, 2016, we donated 5 million yuan to Baise Charity Federation for the poverty alleviation activities in 4 poverty villages of Zuodeng Town, Tiandong County.

We deeply believe that, under continuous investment, in addition to all sectors of society can benefit from social benefit and charity, we can perform our social responsibilities at the same time, carrying out the Group's idea of "developing and giving back to society simultaneously" and promoting the harmonious development of the society.

Independent Auditor's Report

KPMG

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

(Incorporated in the Cayman Islands with limited liability)

Qualified Opinion

We have audited the consolidated financial statements of Logan Property Holdings Company Limited and its subsidiaries ("the Group") set out on pages 80 to 199, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Basis for qualified opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for qualified opinion

(a) As disclosed in note 14, certain joint ventures (50:50) incurred payments to third parties to fund the costs for the acquisition of certain urbanization projects. These payments of approximately RMB900 million have been included in receivables as at 31 December 2016. However, we have been unable to obtain sufficient audit evidence to ascertain the nature of these payments, and thus we cannot satisfy ourselves as to the appropriateness of accounting for these payments as receivables as at 31 December 2016.

(b) The Group has disclosed in note 12 to the consolidated financial statements that it has entered into capital contribution agreements with Shenzhen Pingan Dahua Huitong Wealth Management Co., Ltd. ("Pingan Dahua") in 2015 and 2016, pursuant to which Pingan Dahua has made capital contributions to two subsidiaries of the Group (Shenzhen Logan Junjing Real Estate Development Co., Ltd. (深圳市龍光駿景房地產開發有限公司) ("Shenzhen Logan Junjing") and Huizhou Daya Bay Dongzhen Property Co., Ltd. (惠州大亞灣東圳房地產有限公司) ("Huizhou Dongzhen"). As at 31 December 2016, Pingan Dahua contributed a total of RMB4,800,000,000 and RMB3,960,000,000 to Shenzhen Logan Junjing and Huizhou Dongzhen respectively (2015: RMB2,800,000,000 and Nil, respectively). As also disclosed in note 12 and note 32, in 2016 Pingan Dahua received RMB2,086,288,000 from the Group on the repurchase of Pingan Dahua's 49% interest in the Group's subsidiary, Shenzhen Jinjun Property Co. Ltd. (深圳市金駿房地產有限公司) ("Shenzhen Jinjun").

Independent Auditor's Report

These transactions have been accounted for as equity transactions whereby adjustments have been made to the amount of other reserves within controlling shareholders' interests and non-controlling interests in the Group's consolidated financial statements as at 31 December 2016 and 2015.

During our audit of the consolidated financial statements of the Group as at 31 December 2016 it came to our attention that certain agreements, namely Supplementary Agreement of Cooperation Framework and the Equity Forward Repurchase Agreement, specified certain payments obligations by Shenzhen Logan Junjing and Huizhou Dongzhen to Pingan Dahua in connection with the above capital contributions.

As disclosed in note 12, management of the Group believes that notwithstanding these terms, the transactions can be accounted for as equity transactions. In our opinion, as the agreements contain obligations for the Group to re-purchase its own equity instruments in certain circumstances, accounting for these transactions entirely as equity transactions is not in accordance with the requirements of Hong Kong Accounting Standard 32 *Financial Instruments: Presentation*. As of the date of this report we have been unable to quantify the financial effect of this departure as we have been unable to satisfy ourselves that we have a full understanding of the rights and obligations of both sides to the agreements and any other similar transactions accounted for as equity transactions in the Group's consolidated financial statements as at 31 December 2016 and 2015. Any adjustments to these amounts would affect the amount of liabilities and net assets reported by the Group as at those dates and may affect the profit recognised for the years then ended.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for qualified opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

REVENUE RECOGNITION ON THE SALE OF PROPERTIES

Refer to note 4 to the consolidated financial statements and the accounting policies on page 104.

The Key Audit Matter	How the matter was addressed in our audit
The Group is an integrated property developer in Mainland China focusing on residential property development. Recorded revenue from the sale of properties for the year ended 31 December 2016 totalled RMB20,245 million. Revenue from the sale of properties is recognised when the properties are completed and the buyers have accepted the properties and obtained physical possession of the properties. Deposits and instalments received in respect of pre-sales of properties prior to the date of revenue recognition are included in the statement of financial position as receipts in advance. We identified revenue recognition on the sale of properties as a key audit matter because revenue is one of the key performance indicators of the Group and because of its significance to the consolidated financial statements, both of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet targets or expectations.	Our audit procedures to assess the recognition of revenue on the sale of properties included the following: • assessing the design, implementation and operating effectiveness of relevant key internal controls which govern the recognition of revenue on the sale of properties; • comparing the average selling prices and relevant gross floor area data of all properties sold during the current year with comparable transactions completed in the prior year and current market available data; • selecting a sample of property sale transactions from the total property sales recorded for the year (with a particular emphasis on property sales close to the financial reporting date) and inspecting the underlying documentation in respect of the related revenue, which included sales contracts, documentation confirming legal completion and evidence of physical handover of the properties to the buyers, to assess whether revenue had been properly recognised in the appropriate accounting period; • scrutinising all manual journal entries raised during the year relating to revenue and inspecting relevant underlying documentation for journal entries which were considered to be material or met other specific risked-based criteria; • performing site visits to verify the completion status of development projects, on a sample basis.

Independent Auditor's Report

Valuation of investment properties and investment properties under development

Refer to note 11 to the consolidated financial statements and the accounting policies on page 92.

The Key Audit Matter	How the matter was addressed in our audit
The Group holds a portfolio of investment properties and investment properties under development, comprising office buildings and shopping malls, located principally in the cities of Shenzhen, Guangzhou and Huizhou in Southern China. As at 31 December 2016, investment properties and investment properties under development, with a fair value of RMB11,891 million, in aggregate, accounted for 13.75% of the Group's total assets at that date. The changes in fair value of investment properties and investment properties under development recorded in the consolidated statement of profit or loss represented 33.81% of the Group's profit before taxation for the year ended 31 December 2016. The fair values of the investment properties and investment properties under development as at 31 December 2016 were assessed by the directors based on independent valuations prepared by qualified external property valuers.	Our audit procedures to assess the valuation of investment properties and investment properties under development included the following: • obtaining and inspecting the valuation reports prepared by the external property valuers engaged by the Group and on which the directors' assessment of the fair values of investment properties and investment properties under development was based; • assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity and independence; • with the assistance of our internal property valuation specialists, discussing with both management and the external property valuers the valuation methodology applied and the key estimates and assumptions adopted in the valuations;

VALUATION OF INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT (CONTINUED)

Refer to note 11 to the consolidated financial statements and the accounting policies on page 92. (Continued)

The Key Audit Matter	How the matter was addressed in our audit
In determining the fair values, the valuers applied a method of valuation which necessitates making certain estimates, which include determining capitalisation rates, prevailing market rents and comparable market transactions. We identified the valuation of investment properties and investment properties under development as a key audit matter because their valuation involves significant judgement and estimation and because a small change in the key estimates and assumptions applied by the valuers could have a significant impact on the valuations and the consolidated financial statements.	• challenging the key estimates and assumptions adopted in the valuations, including the capitalisation rates, prevailing market rents and comparable market transactions by comparing the key estimates and assumptions with those made in prior years and current market available data and/or government produced market statistics, on a sample basis; • comparing tenancy information, including committed rents and occupancy rates, provided by the Group to the external property valuers with underlying contracts and related documentation, on a sample basis; • conducting site visits to investment properties under development, on a sample basis, to observe the development progress and comparing the observed development progress with the Group's records; • challenging management's development budgets reflected in the latest forecasts with reference to market data and statistics for estimated construction costs, signed construction contracts and/or unit construction costs for recently completed projects developed by the Group.

Independent Auditor's Report

Assessing the classification of interests in joint ventures and an associate and recoverability of receivables from these investees

Refer to notes 13 and 14 to the consolidated financial statements and the accounting policies on page 91–92.

The Key Audit Matter	How the matter was addressed in our audit
The Group entered into certain arrangements with third parties to set up an associate and ten joint ventures to develop properties in 2016. The carrying amount of the Group's investments in the joint ventures and the associate as at 31 December 2016 totalled RMB64 million in aggregate and gross receivables due from these joint ventures and the associate as at 31 December 2016 totalled RMB15,340 million in aggregate. Included in these amounts is approximately RMB900 million in respect of which our opinion is qualified as described in the Basis for qualified opinion section of this report. We identified assessing the classification of interests in joint ventures and an associate and the recoverability of receivables from these investees as a key audit matter because: • significant management judgement is involved in interpreting the complex contractual terms and determining the appropriate accounting treatment for each investment;	Our audit procedures to assess the classification of interests in joint ventures and an associate and the recoverability of receivables from these investees included the following: • discussing with management all new investments to gain an understanding of the purpose and background of each investment; • inspecting investment contracts, articles of association and relevant legal documents and assessing the business substance of each investment to determine the key terms which may affect the accounting therefor and assessing whether the accounting treatment adopted by the Group for these new investments was consistent with the requirements of the prevailing accounting standards; • obtaining confirmations from banks and third parties of certain cash at bank balances, loans and receivables and payables of the investees;

Assessing the classification of interests in joint ventures and an associate and recoverability of receivables from these investees (Continued)

Refer to notes 13 and 14 to the consolidated financial statements and the accounting policies on page 91–92. (Continued)

The Key Audit Matter	How the matter was addressed in our audit
• the risk of inappropriate classification of interests in joint ventures and an associate, either on acquisition or in subsequent reporting periods, could have a material effect on the consolidated financial statements; • the amount of receivables from these investees as at 31 December 2016 is significant to the consolidated financial statements; and • significant management judgement is required to assess the recoverability of the receivables because the profitability of the proposed property development projects of these investees, which may take a number of years to complete, is inherently uncertain and can be influenced by broader political and economic factors.	• inspecting relevant underlying documentation in respect of significant payments made by the investees to third parties during the current year; • inspecting the certificates of land use rights obtained by the investees in respect of their proposed property development projects; • challenging management's assessment of the profitability of the proposed property developments for the investees, in particular the key estimates and assumptions adopted in the valuation of land use rights obtained and estimated future sales prices, by comparison with current market available data and/or government produced market statistics; • challenging the development budgets reflected in the latest forecasts for the proposed property development projects with reference to market data and statistics for estimated construction costs, signed construction contracts and/or unit construction costs for recently completed projects developed by the Group.

Information other than the consolidated financial statements and auditor's report thereon

The Directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. We obtained the Management Discussion and Analysis prior to the date of this auditor's report and expect the remaining other information to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chiu Mun Wai.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
30 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Revenue	4	20,538,838	14,574,010
Cost of sales		(13,979,010)	(10,143,907)
Gross profit		6,559,828	4,430,103
Other revenue	5(a)	423,523	134,635
Other expenses	5(b)	(196,327)	(144,029)
Selling and marketing expenses		(714,249)	(573,138)
Administrative expenses		(556,700)	(587,839)
Net increase in fair value of investment properties	11	2,681,903	943,057
Net increase in fair value of derivative financial instruments	22	81,720	6,936
Share of profit of an associate	13	31,723	–
Share of losses of joint ventures	14	(6,137)	–
Profit from operations		8,305,284	4,209,725
Finance costs	6(a)	(371,850)	(36,215)
Profit before taxation	6	7,933,434	4,173,510
Income tax	7	(2,733,551)	(1,485,692)
Profit for the year		5,199,883	2,687,818
Attributable to:			
Equity shareholders of the Company		4,487,736	2,649,279
Non-controlling interests		712,147	38,539
Profit for the year		5,199,883	2,687,818
Earnings per share (RMB cents)	10		
– Basic		81.06	52.41
– Diluted		80.82	52.32

The notes on pages 88 to 199 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 24(b)(i).

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2016

(Expressed in Renminbi)

	2016 RMB'000	2015 RMB'000
Profit for the year	**5,199,883**	2,687,818
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that may be classified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas entities	**(75,234)**	(94,268)
Total comprehensive income for the year	**5,124,649**	2,593,550
Attributable to:		
Equity shareholders of the Company	**4,412,502**	2,555,011
Non-controlling interests	**712,147**	38,539
Total comprehensive income for the year	**5,124,649**	2,593,550

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

The notes on pages 88 to 199 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Investment properties	11	11,890,879	6,117,500
Other property, plant and equipment	11	184,317	165,622
		12,075,196	6,283,122
Deferred tax assets	7(c)	273,500	385,210
Interest in an associate	13	3,019,480	–
Interests in joint ventures	14	12,384,833	–
Restricted and pledged deposits	18	227,304	343,065
		27,980,313	7,011,397
Current assets			
Inventories	15	40,197,099	28,198,344
Trade and other receivables and prepayments	16	2,943,357	10,025,722
Tax recoverable	7(c)	810,941	402,045
Assets under cross-border guarantee arrangements	17	–	286,600
Restricted and pledged deposits	18	1,010,172	2,212,300
Cash and cash equivalents	19	13,559,827	8,635,258
		58,521,396	49,760,269
Current liabilities			
Trade and other payables	20	23,919,327	16,969,129
Liabilities under cross-border guarantee arrangements	17	–	286,600
Bank and other loans	21	3,370,501	4,044,885
Senior Notes	22	1,747,637	–
Tax payable	7(c)	2,017,405	1,320,647
		31,054,870	22,621,261
Net current assets		27,466,526	27,139,008
Total assets less current liabilities		55,446,839	34,150,405

Consolidated Statement of Financial Position

At 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Bank and other loans	21	**11,707,510**	7,117,037
Corporate bonds	21	**12,400,000**	5,000,000
Senior notes	22	**3,960,889**	3,588,720
Deferred tax liabilities	7(c)	**1,627,094**	983,731
		29,695,493	16,689,488
NET ASSETS		**25,751,346**	17,460,917
CAPITAL AND RESERVES			
Share capital	24(c)	**434,591**	439,821
Reserves		**18,992,258**	13,108,958
Total equity attributable to equity shareholders of the Company		**19,426,849**	13,548,779
Non-controlling interests		**6,324,497**	3,912,138
TOTAL EQUITY		**25,751,346**	17,460,917

Approved and authorised for issue by the board of directors on 30 March 2017.

Lai Zhuobin	**Xiao Xu**
Director	*Director*

The notes on pages 88 to 199 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital (note 24(c)) RMB'000	Share premium (note 24(d)(i)) RMB'000	Share-based compensation reserve (note 24(d)(v)) RMB'000	Exchange reserve (note 24(d)(ii)) RMB'000	PRC statutory reserves (note 24(d)(iii)) RMB'000	Other reserve (note 24(d)(iv)) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 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 24(b)(ii))	–	–	–	–	–	–	(433,736)	(433,736)	–	(433,736)
Equity-settled share-based transactions (note 6(b))	–	–	49,842	–	–	–	–	49,842	–	49,842
Effect of forfeited and cancelled share options	–	–	(21,475)	–	–	–	21,475	–	–	–
Issuance of shares (note 24(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 32)	–	–	–	–	–	(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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital (note 24(c)) RMB'000	Share premium (note 24(d)(i)) RMB'000	Share-based compensation reserve (note 24(d)(v)) RMB'000	Exchange reserve (note 24(d)(ii)) RMB'000	PRC statutory reserves (note 24(d)(iii)) RMB'000	Other reserve (note 24(d)(iv)) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	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
Changes in equity for 2016:										
Profit for the year	-	-	-	-	-	-	4,487,736	4,487,736	712,147	5,199,883
Other comprehensive income	-	-	-	(75,234)	-	-	-	(75,234)	-	(75,234)
Total comprehensive income for the year	-	-	-	(75,234)	-	-	4,487,736	4,412,502	712,147	5,124,649
Transfer to PRC statutory reserves	-	-	-	-	184,095	-	(184,095)	-	-	-
Repurchase and cancellation of own share (note 24(c)(ii))	(5,230)	(168,009)	-	-	-	-	-	(173,239)	-	(173,239)
Dividend declared (note 24(b)(ii))	-	-	-	-	-	-	(694,998)	(694,998)	-	(694,998)
Equity-settled share-based transactions (note 23)	-	-	23,731	-	-	-	-	23,731	-	23,731
Effect of forfeited and cancelled share options (note 23)	-	-	(3,926)	-	-	-	3,926	-	-	-
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	(45,146)	(45,146)
Acquisition of subsidiaries (note 31)	-	-	-	-	-	-	-	-	164,734	164,734
Acquisition of additional interests in subsidiaries (note 32)	-	-	-	-	-	(1,093,544)	-	(1,093,544)	(997,889)	(2,091,433)
Capital contribution from non-controlling interests	-	-	-	-	-	3,403,618	-	3,403,618	2,578,513	5,982,131
At 31 December 2016	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

The notes on pages 88 to 199 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
Cash generated from operations	19(b)	**6,702,762**	2,006,061
Tax paid			
– PRC tax paid	7(c)	**(1,874,626)**	(1,242,432)
Net cash generated from operating activities		**4,828,136**	763,629
Investing activities			
Addition to investment properties	11(a)	**(621,372)**	(296,754)
Addition to other property, plant and equipment	11(a)	**(67,726)**	(74,339)
Disposal of subsidiaries	33	**(233,434)**	–
Capital contribution to an associate	13	**(7,500)**	–
Capital contribution to joint ventures	14	**(100,200)**	–
Advances to an associate and joint ventures		**(14,982,198)**	–
Advances from joint ventures	20	**1,343,560**	–
Proceeds from disposal of other property, plant and equipment		**566**	1,389
Interest received		**168,569**	75,533
Acquisition of subsidiaries	31	**55,418**	–
Decrease/(increase) in restricted and pledged deposits		**1,604,489**	(617,259)
Net cash used in investing activities		**(12,839,828)**	(911,430)

Consolidated Cash Flow Statement

For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Financing activities			
Proceeds from bank and other loans		**14,822,616**	8,437,045
Repayment of bank and other loans		**(10,970,655)**	(10,156,639)
Proceeds from corporate bonds		**7,355,070**	4,950,000
Proceeds from non-interest bearing payable to a financial institution		**–**	1,293,801
Repayment of non-interest bearing payable to a financial institution	20	**(1,293,801)**	(1,293,801)
Proceeds from senior notes	22	**1,682,260**	–
Repayment of liabilities under cross-border guarantee arrangement		**(286,600)**	–
Proceeds from issuance of shares		**–**	1,289,140
Repurchase of own shares	24(c)(ii)	**(173,239)**	–
Interest and other borrowing costs paid		**(1,591,291)**	(1,529,839)
Increase in amount due from a non-controlling interest		**(14)**	(86,288)
Capital contribution from non-controlling interests		**5,982,131**	2,800,000
Payments for acquisition of additional interests in subsidiaries	32	**(2,000,000)**	(2,082,897)
Dividend paid to non-controlling interests		**(45,146)**	(72,000)
Dividend paid to equity shareholders of the Company		**(694,998)**	(433,736)
Net cash generated from financing activities		**12,786,333**	3,114,786
Net increase in cash and cash equivalents		**4,774,641**	2,966,985
Cash and cash equivalents at 1 January		**8,635,258**	5,576,357
Effect of foreign exchange rate changes		**149,928**	91,916
Cash and cash equivalents at 31 December	19(a)	**13,559,827**	8,635,258

The notes on pages 88 to 199 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 ("HKASs") 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"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate and joint ventures.

The financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment properties (see note 2(g));

– derivative financial instruments (see note 2(f)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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.

Judgements 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) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

2 Significant accounting policies (Continued)

(d) 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.

An investment in a subsidiary is consolidated into the consolidated 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 consolidated 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.

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 statement of profit or loss 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 the consolidated statement of financial position in accordance with notes 2(p) or (q) depending on the nature of the liability.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associate and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associate and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

2 Significant accounting policies (Continued)

(e) Associate and joint ventures (continued)

In the company's statement of financial position, investments in an associate and joint ventures are stated at cost less impairment losses (see note 2(k)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) 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.

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(j)) 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(v)(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(j)), 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(j).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Other property, plant and equipment

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

– 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(x)).

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.

(i) 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.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

2 Significant accounting policies (Continued)

(j) 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(g)).

(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(g)) or is held for development for sale (see note 2(l)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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;

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

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

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

– For investments in associate and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(i) Impairment of other receivables (continued)

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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, an associate and joint ventures in the Company's statement of financial position.

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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(k)(i) and (ii)).

(l) 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(x)). 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 for sale

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 for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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(v)(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".

(n) 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(k)), 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.

(o) 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(f)). 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(f). 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.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

2 Significant accounting policies (Continued)

(p) 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.

(q) 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(u)(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.

(r) 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.

(s) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (continued)

(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).

(t) 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.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

2 Significant accounting policies (Continued)

(t) Income tax (continued)

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.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(g), 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

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.

(u) 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(u)(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Financial guarantees issued, provisions and contingent liabilities (continued)

(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.

(v) 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 the buyers have accepted the properties and obtained the physical possession of the properties. Revenue from the sale of properties excludes value added tax, 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.

2 Significant accounting policies (Continued)

(v) Revenue recognition (continued)

(iv) Interest income

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

(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.

(w) 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.

(x) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) 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 JUDGEMENTS

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

(a) Investment in joint ventures and associates

The Group has co-operated with certain third parties to engage in certain property development projects through the investment in and advances to certain investees. The Group has exercised judgement in determining whether it has joint control or significant influence over these entities based on its representation on the board of directors or equivalent governing body of the investees. These investees are classified as joint ventures or associates in the consolidated statement of financial position and accounted for in accordance with accounting policy set out in note 2(e).

Significant judgement is required to assess the recoverability of the receivables because the profitability of the future development of properties by these investees over a number of years can be difficult to predict and can be influenced by broader political and economic factors.

(b) Valuation of investment properties

As described in note 11, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

3 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Valuation of investment properties (continued)

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 judgement and is satisfied that the method of valuation is reflective of the current market condition.

(c) 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 judgements, 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.

(d) 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 for sale, 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 judgement 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.

(e) Construction contracts

As explained in policy notes 2(m) and 2(v)(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.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(f) Land Appreciation Tax ("LAT")

As explained in note 7(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 judgement 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.

(g) 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.

(h) 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 25(e). Any change in assumptions of the valuation would affect the value of these options significantly, and profit or loss in future years.

4 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:

	2016 RMB'000	2015 RMB'000
Sale of properties	**21,104,999**	15,247,388
Rental income	**83,932**	71,748
Construction income	**212,105**	120,644
	21,401,036	15,439,780
Less: Business tax and other sales related taxes	**(862,198)**	(865,770)
	20,538,838	14,574,010

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

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

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

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

(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 the adjusted 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 2016 and 2015 is set out below.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

For the year ended 31 December 2016

	Property development RMB'000	Property leasing RMB'000	Construction contracts RMB'000	Total RMB'000
Gross revenue from external customers	21,104,999	83,932	212,105	21,401,036
Less: Business tax and other sales related taxes	(859,737)	(1,962)	(499)	(862,198)
Net revenue from external customers	20,245,262	81,970	211,606	20,538,838
Inter-segment revenue	–	11,023	4,197,558	4,208,581
Reportable segment revenue	20,245,262	92,993	4,409,164	24,747,419
Reportable segment profit	5,533,957	64,064	614,488	6,212,509
Interest income				
– Cash at bank	37,345	493	18,528	56,366
– Amounts due from an associate and joint ventures	–	–	13,501	13,501
Finance costs	(19,725)	–	(20,422)	(40,147)
Depreciation	(5,595)	(3,433)	(4)	(9,032)
Net increase in fair value of investment properties	–	2,681,903	–	2,681,903

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

4 Revenue and Segment Reporting (Continued)

(b) Segment reporting (continued)

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

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 other 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

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

	2016 RMB'000	2015 RMB'000
Revenue		
Reportable segment revenue	**24,747,419**	18,006,132
Elimination of inter-segment revenue	**(4,208,581)**	(3,432,122)
Consolidated revenue	**20,538,838**	14,574,010
Profit		
Reportable segment profit	**6,212,509**	4,038,093
Elimination of inter-segment profits	**(631,645)**	(381,739)
Reportable segment profit derived from Group's external customers	**5,580,864**	3,656,354
Other revenue	**423,523**	134,635
Other expenses	**(196,327)**	(144,029)
Depreciation	**(37,265)**	(22,844)
Finance costs	**(371,850)**	(36,215)
Share of profit of an associate	**31,723**	–
Share of losses of joint ventures	**(6,137)**	–
Net increase in fair value of investment properties	**2,681,903**	943,057
Net increase in fair value of derivative financial instruments	**81,720**	6,936
Unallocated head office and corporate expenses	**(254,720)**	(364,384)
Consolidated profit before taxation	**7,933,434**	4,173,510

(iii) Geographic information

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

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

5 Other Revenue and Other Expenses

(a) Other revenue

	2016 RMB'000	2015 RMB'000
Interest income on:		
– Cash at bank	**133,881**	93,070
– Amounts due from an associate and joint ventures	**256,787**	–
Government subsidies	**5,927**	18,589
Forfeited deposits	**18,374**	19,271
Others	**8,554**	3,705
	423,523	134,635

(b) Other expenses

	2016 RMB'000	2015 RMB'000
Donations (note)	**(125,533)**	–
Net foreign exchange loss	**(70,928)**	(141,756)
Net gain on disposal of property, plant and equipment	**181**	175
Net gain on disposal of subsidiaries (note 33)	**878**	–
Others	**(925)**	(2,448)
	(196,327)	(144,029)

Note: The Group made charitable donations amounted to RMB125,533,000 during the year ended 31 December 2016.

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2016 RMB'000	2015 RMB'000
Interests on bank and other loans and other borrowing costs	**903,430**	1,132,760
Interests on senior notes	**532,329**	368,715
Interests on corporate bonds	**482,294**	90,570
	1,918,053	1,592,045
Less: Amount capitalised (note)	**(1,546,203)**	(1,555,830)
	371,850	36,215

Note: The borrowing costs have been capitalised at rates ranging from 3.3% to 12.0% (2015: 2.8% to 13.0%) per annum for the year.

(b) Staff costs

	2016 RMB'000	2015 RMB'000
Salaries, wages and other benefits	**615,645**	477,028
Contributions to defined contribution retirement plans	**38,682**	25,591
Equity-settled share-based transactions	**23,731**	49,842
	678,058	552,461
Less: Amount capitalised	**(260,183)**	(94,758)
	417,875	457,703

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

6 Profit Before Taxation (continued)

(c) Other items

	2016 RMB'000	2015 RMB'000
Depreciation	**50,087**	33,969
Less: Amount capitalised	**(12,822)**	(11,125)
	37,265	22,844
Rentals receivable from investment properties	**(81,970)**	(67,878)
	(81,970)	(67,878)
Cost of properties sold	**13,812,693**	10,013,952
Cost of construction	**165,814**	117,317
Auditors' remuneration		
– Audit services	**4,180**	1,882
– Non-audit services	**2,118**	522
Operating lease charges: minimum lease payments for land and buildings	**10,805**	11,605

7 Income Tax

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

	2016 RMB'000	2015 RMB'000
Current tax		
Provision for PRC Corporate Income Tax ("CIT") for the year	**1,212,341**	771,588
CIT over-provision in prior years	**(21,459)**	–
Provision for LAT for the year	**971,606**	563,020
	2,162,488	1,334,608
Deferred tax		
Origination of temporary differences	**571,063**	151,084
	2,733,551	1,485,692

7 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:

	2016 RMB'000	2015 RMB'000
Profit before taxation	**7,933,434**	4,173,510
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**1,988,091**	1,052,060
Tax effect of non-taxable income	**(12,403)**	(15,820)
CIT over-provision in prior years	**(21,459)**	–
Tax effect of non-deductible expenses	**50,824**	19,674
Utilisation of previously unrecognised tax losses	**(506)**	(543)
Effect of tax losses not recognised	**300**	36
LAT	**971,606**	563,020
Tax effect of deductible LAT	**(242,902)**	(132,735)
Actual tax expense	**2,733,551**	1,485,692

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

7 Income Tax (continued)

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

(i) Current taxation

	2016 RMB'000	2015 RMB'000
CIT		
At 1 January	**174,774**	333,425
Provision for the year	**1,190,882**	771,588
CIT paid	**(994,880)**	(930,239)
At 31 December	**370,776**	174,774
LAT		
At 1 January	**739,328**	488,501
Provision for the year	**971,606**	563,020
LAT paid	**(879,746)**	(312,193)
At 31 December	**831,188**	739,328
Withholding tax		
At 1 January and 31 December	**4,500**	4,500
	1,206,464	918,602
Representing:		
Tax recoverable	**(810,941)**	(402,045)
Tax payable	**2,017,405**	1,320,647
	1,206,464	918,602

7 INCOME TAX (CONTINUED)

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

(ii) Deferred tax assets and liabilities recognised

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

	Group					
	Revaluation of investment properties	Unrealised gain on intra-group transactions	Temporary differences arising from LAT provisions	Unused tax losses (note)	Fair value adjustments arising from business combinations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax arising from:						
At 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 and 1 January 2016	1,131,992	(191,075)	(240,319)	(102,077)	–	598,521
Charged/(credited) to the consolidated profit or loss	670,476	(57,933)	(22,965)	(18,515)	–	571,063
Addition upon acquisition of subsidiaries	–	–	–	–	184,010	184,010
At 31 December 2016	1,802,468	(249,008)	(263,284)	(120,592)	184,010	1,353,594

7 INCOME TAX (CONTINUED)

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

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

	Group	
	2016	2015
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(273,500)**	(385,210)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**1,627,094**	983,731
	1,353,594	598,521

Note: In assessing the realisability of deferred tax assets in respect of the Group's subsidiaries which suffered losses in current or preceding periods, management have considered the projected future taxable income of these subsidiaries. Accordingly, the Group has recognised deferred tax assets of RMB120,592,000 as at 31 December 2016 (2015: RMB102,077,000) as the Group estimates that these subsidiaries have property 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	
	2016	2015
	RMB'000	RMB'000
Unused tax losses		
– PRC (note)	**4,822**	5,646

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 2016, tax losses of RMB2,116,000, RMB822,000, RMB541,000, RMB144,000 and RMB1,199,000 will expire, if unused, by the end of 2017, 2018, 2019, 2020 and 2021, respectively.

(e) Deferred tax liabilities not recognized

As at 31 December 2016, taxable temporary differences relating to undistributed profits of the Group's PRC subsidiaries amounted to RMB15,311,411,000 (2015: RMB10,727,709,000). No deferred tax liability was recognised in respect of these taxable temporary differences.

8 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:

	2016					
	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 23) RMB'000	Total RMB'000
Executive Directors						
Kei Hoipang ("Mr. Kei", also act as the Chairman of the Group)	–	6,383	7,434	30	2,827	16,674
Ji Jiande	–	3,113	16,279	30	2,120	21,542
Xiao Xu	–	1,612	4,701	28	964	7,305
Lai Zhuobin	–	1,615	3,951	32	900	6,498
Non-executive Director						
Kei Perenna Hoi Ting ("Ms. Kei")	1,342	–	2,577	11	442	4,372
Independent non-executive Directors						
Zhang Huaqiao	358	–	–	–	–	358
Liu Ka Ying, Rebecca	358	–	–	–	–	358
Cai Suisheng	358	–	–	–	–	358
Total	2,416	12,723	34,942	131	7,253	57,465

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8 DIRECTORS' EMOLUMENTS (CONTINUED)

	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 23) 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
Xiao Xu	–	1,394	1,530	24	1,567	4,515
Lai Zhuobin	–	1,395	1,418	27	1,462	4,302
Non-executive Director						
Kei Perenna Hoi Ting ("Ms. Kei")	1,529	–	–	15	718	2,262
Independent 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

Note: 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.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2015: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other one (2015: three) individual is as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	1,815	3,570
Discretionary bonuses	4,189	6,462
Share-based payments	1,285	4,282
Retirement scheme contributions	30	67
	7,319	14,381

The emoluments of the one (2015: three) individuals with the highest emoluments are within the following bands:

	2016 Number of individuals	2015 Number of individuals
HK$4,000,001 to HK$4,500,000	–	2
HK$5,500,001 to HK$6,000,000	–	1
HK$7,000,001 to HK$7,500,000	1	–
	1	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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10 Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2016 is based on the profit attributable to equity shareholders of the Company of RMB4,487,736,000 (2015: RMB2,649,279,000) and the weighted average of 5,536,242,000 shares (2015: 5,054,992,000 shares) in issue during the year ended 31 December 2016, calculated as follows:

	2016 '000	2015 '000
Weighted average number of shares		
Issued shares at 1 January	5,557,554	5,000,000
Effect of issuance of shares (note 24(c))	–	54,992
Effect of repurchase and cancellation (note 24(c))	(21,312)	–
Weighted average number of shares at 31 December	5,536,242	5,054,992

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB4,487,736,000 (2015: RMB2,649,279,000) and weighted average number of shares of 5,553,076,000 shares (2015: 5,063,879,000 shares) as follows.

	2016 '000	2015 '000
Weighted average number of shares		
Weighted average number of shares at 31 December	5,536,242	5,054,992
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	16,834	8,887
Weighted average number of shares (diluted) at 31 December	5,553,076	5,063,879

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a)

	Investment properties RMB'000	Investment properties under development RMB'000	Sub-total RMB'000	Other land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and other plant and equipment RMB'000	Sub-total RMB'000	Total RMB'000
Cost or valuation:								
At 1 January 2016	5,146,500	971,000	6,117,500	42,598	125,548	168,575	336,721	6,454,221
Additions	522,643	98,729	621,372	–	55,256	12,470	67,726	689,098
Transfer to investment properties	180,158	2,305,951	2,486,109	–	–	–	–	2,486,109
Disposals	(16,005)	–	(16,005)	–	–	(3,884)	(3,884)	(19,889)
Surplus on revaluation	531,282	2,150,621	2,681,903	–	–	–	–	2,681,903
Exchange difference	–	–	–	–	257	1,322	1,579	1,579
At 31 December 2016	6,364,578	5,526,301	11,890,879	42,598	181,061	178,483	402,142	12,293,021
Representing:								
Cost	–	–	–	42,598	181,061	178,483	402,142	402,142
Valuation	6,364,578	5,526,301	11,890,879	–	–	–	–	11,890,879
	6,364,578	5,526,301	11,890,879	42,598	181,061	178,483	402,142	12,293,021
Accumulated depreciation:								
At 1 January 2016	–	–	–	10,473	55,006	105,620	171,099	171,099
Charge for the year	–	–	–	2,125	33,313	14,649	50,087	50,087
Written back on disposals	–	–	–	–	–	(3,499)	(3,499)	(3,499)
Exchange difference	–	–	–	–	27	111	138	138
At 31 December 2016	–	–	–	12,598	88,346	116,881	217,825	217,825
Net book value:								
At 31 December 2016	6,364,578	5,526,301	11,890,879	30,000	92,715	61,602	184,317	12,075,196

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(Expressed in Renminbi)

11 Investment Properties and Other Property, Plant and Equipment (continued)

(a) (continued)

	Investment properties RMB'000	Investment properties under development RMB'000	Sub-total RMB'000	Other land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and other plant and equipment RMB'000	Sub-total RMB'000	Total 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
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

11 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	Fair value measurements as at the end of each reporting period categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
At 31 December 2016				
Investment properties				
– Leasehold land-HK	500,926	–	–	500,926
– Commercial-Mainland China	5,863,652	–	–	5,863,652
Investment properties under development	5,526,301	–	–	5,526,301
At 31 December 2015				
Investment properties				
– Commercial-Mainland China	5,146,500	–	–	5,146,500
Investment properties under development	971,000	–	–	971,000

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(Expressed in Renminbi)

11 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 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: 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 development were revalued as at 31 December 2015 and 2016. The valuations were carried out by the independent firms of surveyors, APAC Asset Valuation and Consulting Limited, who has among their staff Fellows of the Hong Kong Institute of Surveyors and Vocation (Beijing) International Assets Appraisal Co., Ltd Shenzhen Branch, with recent experience in the locations and categories of properties being valued. The Group's management have discussed with the surveyors on the valuation assumptions and valuation results when the valuations are performed at each interim and annual reporting date.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range (weighted average)
At 31 December 2016			
Investment properties			
– Leasehold land-HK	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	205,860 (205,860)
– Commercial-Mainland China	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	7,500-155,700 (45,331)
– Commercial-Mainland China	Income approach	Risk-adjusted discount rate	2% to 5.5%
		Expected market rental growth	1.08% to 10%
		Expected occupancy rate	92%-100%
Investment properties under development	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	7,500-125,630 (16,811)
At 31 December 2015			
Investment properties			
– Commercial-Mainland China	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)

11 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 2016, the fair values of investment properties is determined using the direct comparison approach and income capitalisation approach. Direct comparison approach is valued by making reference to comparable sale evidence as available in the relevant market of which is positively correlated to the market unit sale rate. Income capitalisation is valued by capitalising the rental income derived from the existing tenancies with due provisions for the reversionary income potential of the properties which is positively correlated to the market monthly rental rate, and negatively correlated to capitalisation rate.

The investment properties under development have been valued on the basis that the properties will be developed and completed in accordance with the relevant development plans. They are 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 11(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:

	2016 RMB'000	2015 RMB'000
In Hong Kong		
– under long leases	**500,926**	–
In the PRC		
– under long leases	**1,149,356**	635,600
– under medium-term leases	**10,270,597**	5,514,025
	11,920,879	6,149,625

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

12 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.

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

(Expressed in Renminbi)

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Soaring Pioneer Limited (incorporated in the BVI) (翔鋒有限公司)	US$1	100%	100%	–	Inactive
Logan Property International Investment Holdings Limited (incorporated in the BVI) (龍光地產國際投資控股有限公司)	US$1	100%	100%	–	Inactive
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

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12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

		Proportion of ownership interest			
Name of subsidiaries	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by subsidiary**	**Principal activities**
Talent Union (Hong Kong) Investments Limited (incorporated in Hong Kong) (滙駿(香港)投資有限公司)	HK$1	100%	–	100%	Inactive
King Kerry Investments Company Limited (incorporated in the BVI) (金凱利投資有限公司)	US$1	100%	–	100%	Investment holding
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
Cosmic Edge Investments Limited (incorporated in the BVI) (銳宇投資有限公司)	US$1	100%	100%	–	Investment holding
Century State Investments Limited (incorporated in the BVI) (世邦投資有限公司)	US$1	100%	100%	–	Inactive
Logan Property International Investment Limited (incorporated in Hong Kong) (龍光地產國際投資有限公司)	HK$1	100%	–	100%	Inactive
Unicorn Bay (Hong Kong) Investments Limited (incorporated in Hong Kong) (麒灣(香港)投資有限公司	HK$1	100%	–	100%	Inactive
Sino Triumph Global Limited (incorporated in the BVI) (華勝環球有限公司)	US$1	100%	–	100%	Inactive
Spring Estate Holdings Limited (incorporated in the BVI) (泉置控股有限公司)	US$1	100%	–	100%	Inactive
Virtue High Limited (incorporated in the BVI) (德崇有限公司)	US$1	100%	–	100%	Inactive

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12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Logan Property (Hong Kong) Company Limited (incorporated in Hong Kong) (龍光地產(香港)有限公司)	HK$1	100%	–	100%	Inactive
Logan Property (Singapore) Company Pte. Limited (incorporated in Singapore) (龍光地產(新加坡)有限公司)	SGD$1	100%	–	100%	Inactive
Union Brothers Limited (incorporated in the BVI)	US$1	100%	–	100%	Inactive
Pak San Bay Investments Company Limited (incorporated in the BVI) (北山灣投資有限公司)	US$1	100%	–	100%	Investment holding
Pak San Bay (Hong Kong) Investments Company Limited (incorporated in Hong Kong) (北山灣(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)	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

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12 Investments in Subsidiaries (Continued)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Huizhou Daya Bay Logan Property Co., Ltd. (note) (惠州大亞灣龍光房地產有限公司)	RMB10,000,000	100%	–	100%	Property development
Shantou Logan Property Co., Ltd. (note) (汕頭市龍光房地產有限公司)	RMB10,000,000	100%	–	100%	Property development
Zhuhai Logan Property Development Co., Ltd. (note) (珠海市龍光房地產開發有限公司)	RMB30,000,000	100%	–	100%	Property development and investment
Foshan Shunde Logan Realty Co., Ltd. (note) (佛山市順德區龍光置業房產有限公司)	RMB35,295,000	100%	–	100%	Property development
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%	Property development
Chengdu Logan Property Co., Ltd. (note) (成都市龍光房地產有限公司)	RMB10,000,000	100%	–	100%	Property development
Shantou Logan Realty Co., Ltd. (note) (汕頭市龍光置業有限公司)	RMB33,000,000	100%	–	100%	Property development and investment
Shantou Jiarun Property Co., Ltd. (note) (汕頭市佳潤房地產有限公司)	RMB50,000,000	100%	–	100%	Property development

(Expressed in Renminbi)

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
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) (南寧市龍光鉑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
Shantou Weida Property Co., Ltd. (note) (汕頭市偉達房地產有限公司)	RMB54,200,441	75%	–	75%	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)	RMB55,600,000	90%	–	90%	Property development and investment
Shenzhen Logan Property Co., Ltd. (note) (深圳市龍光房地產有限公司)	RMB80,000,000	100%	–	100%	Property development and investment
Shenzhen Yongjing Decorating Construction Co., Ltd. (note) (深圳市潤景裝飾工程有限公司)	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

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(Expressed in Renminbi)

12 Investments in Subsidiaries (Continued)

		Proportion of ownership interest			
Name of subsidiaries	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
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
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

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12 Investments in Subsidiaries (continued)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
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	100%	–	100%	Property development
Guilin Logan Bojun Property Development Co., Ltd. (note) (桂林市龍光鉑駿房地產開發 有限公司)	RMB50,000,000	100%	–	100%	Property development
Haikou Logan Property Development Co., Ltd. (note) (海口市龍光房地產開發有限公司)	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
Nanning Dezhiji Construction Materials Co., Ltd. (note) (南寧市德之吉建材有限公司)	RMB5,000,000	91%	–	100%	Sales of construction materials to group companies
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)	RMB50,000,000	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)	RMB Nil	100%	–	100%	Logistics
Zhuhai Bojun Property Development Co., Ltd. (note) (珠海市鉑駿房地產開發有限公司)	RMB Nil	51%	–	51%	Property development

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12 Investments in Subsidiaries (Continued)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Zhuhai 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)	RMB10,000,000	91%	–	100%	Sales of construction materials to group companies
Shenzhen Kaichengda Construction Materials Co., Ltd. (note) (深圳市凱誠達建築材料有限公司)	RMB10,000,000	91%	–	100%	Sales of construction materials to group companies
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)	RMB50,000,000	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)	RMB20,400,000	51%	–	51%	Property development
Shenzhen Junteng Realty Co., Ltd. (note) (深圳市駿騰置業有限公司)	RMB10,500,000	100%	–	100%	Property development and import and export business
Zhuhai Junchi Property Development Co.,Ltd. (note) (珠海市駿馳房地產開發有限公司)	RMB10,000,000	100%	–	100%	Property development
Shenzhen Logan Junfei Realty Co., Ltd.(note) (深圳市龍光駿飛置業有限公司)	RMB10,000,000	100%	–	100%	Property development
Shenzhen Logan Junyu Property Development Co., Ltd. (note) (深圳市龍光駿譽房地產開發有限公司)	RMB10,000,000	100%	–	100%	Property development
Huizhou Logan Junjing Property Co., Ltd. (note) (惠州市龍光駿景房地產有限公司)	RMB10,000,000	100%	–	100%	Property development and investment

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12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Huizhou Logan Jinjun Property Co., Ltd. (note) (惠州市龍光金駿房地產有限公司)	RMB10,000,000	100%	–	100%	Property development
Beijing Runjing Property Development Co., Ltd. (note) (北京潤璟房地產開發有限公司)	RMB5,000,000	100%	–	100%	Property development
Nanning Yaohui Property Development Co., Ltd. (note) (南寧市耀輝房地產開發有限公司)	RMB50,000,000	100%	–	100%	Property development
Shenzhen Logan Bojun Property Co., Ltd. (note) (深圳市龍光鉑駿房地產有限公司)	RMB10,000,000	100%	–	100%	Property development
Shanghai Logan Property Co., Ltd. (note) (上海市龍光房地產有限公司)	RMB10,000,000	100%	–	100%	Property development
Sichuan Logan Construction Co., Ltd. (note) (四川龍光建設工程有限公司)	RMB Nil	91%	–	100%	Property construction
Nanning Logan Jiarun Property Development Co., Ltd. (note) (南寧市龍光佳潤房地產開發有限公司)	RMB50,000,000	100%	–	100%	Property development
Shenzhen Logan Qianhai Equity Investment Co., Ltd. (note) (深圳市龍光前海股權投資 有限公司)	RMB10,000,000	100%	–	100%	Equity investment
Shenzhen Logan Chuncheng Investment Development Co., Ltd. (note) (深圳市龍光春城投資發展有限公司)	RMB10,000,000	62%	–	62%	Investment holding and provision of consultancy services
Shantou Logan Hongjing Property Co., Ltd. (note) (汕頭市龍光宏璟房地產有限公司)	RMB Nil	100%	–	100%	Property development
Huizhou Logan Business Management Co., Ltd. (note) (惠州市龍光商業管理有限公司)	RMB Nil	100%	–	100%	Provision of management services

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12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Zhuhai Longtai Property Development Co., Ltd. (note) (珠海市龍泰房地產開發有限公司)	RMB10,000,000	51%	–	51%	Property development and investment
Zhuhai Bonded Area Taihongshang Technology Co., Ltd. (note) (珠海保稅區台宏商科技有限公司)	RMB35,242,000	100%	–	100%	Property leasing, storage and trading
Zhuhai Bonded Area Tianmu International Trade Co., Ltd. (note) (珠海保稅區天牧國際貿易有限公司)	RMB5,000,000	100%	–	100%	Property leasing, storage and trading
Huizhou Manha Property Development Co., Ltd. (note) (惠州市曼哈房地產開發有限公司)	RMB30,000,000	100%	–	100%	Property development
Huizhou Lvgem Property Development Co., Ltd. (note) (惠州市綠景房地產開發有限公司)	RMB20,750,000	100%	–	100%	Property development

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

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

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Shenzhen Jinjun (Note (i))		Shenzhen Logan Junjing (Note (ii))		Huizhou Dongzhen (Note (ii))	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
NCI percentage	**0%**	49%	**49%**	49%	**10%**	0%
Current assets	**6,911,267**	8,074,701	**11,033,637**	8,046,019	**12,913,515**	3,991,223
Non-current assets	**358,373**	5	**3,996,543**	–	**1,635,161**	530,395
Current liabilities	**(1,867,299)**	(3,421,169)	**(1,183,581)**	(2,438,249)	**(7,382,401)**	(2,878,712)
Non-current liabilities	**(1,664,246)**	(2,600,000)	**(2,822,648)**	–	**(972,336)**	(350,000)
Net assets	**3,738,095**	2,053,537	**11,023,951**	5,607,770	**6,193,939**	1,292,906
Carrying amount of NCI	**–**	1,007,213	**5,401,741**	2,798,908	**604,780**	–
Revenue	**7,554,363**	–	**–**	–	**1,616,800**	4,902,722
Profit/(loss) for the year	**1,684,558**	(43,573)	**1,230,271**	(2,230)	**765,071**	1,035,028
Total comprehensive income	**1,684,558**	(43,573)	**1,230,271**	(2,230)	**765,071**	1,035,028
(Loss)/profit allocated to NCI	**(9,324)**	(21,351)	**602,833**	(1,093)	**55,269**	–
Cash inflow/(outflow) from operating activities	**2,538,801**	(3,731,921)	**(9,831,725)**	(922)	**(3,053,339)**	2,276,988
Cash (outflow)/inflow from investing activities	**(1,303)**	1	**–**	–	**(52)**	(5)
Cash (outflow)/inflow from financing activities	**(1,175,717)**	2,371,474	**7,984,272**	2,782	**3,567,557**	(1,920,157)

Notes to the Consolidated Financial Statements

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12 Investments in Subsidiaries (Continued)

Notes:

(i) During the year ended 31 December 2016, the Group acquired additional 49% equity interests in Shenzhen Jinjun 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"), the non-controlling interest of Shenzhen Jinjun at a consideration of RMB2,086,288,000 (see note 32(i)).

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

(ii) Based on the corporative intention of the Group, the two subsidiaries of the Group, Shenzhen Logan Junjing and Huizhou Dongzhen, entered into the agreements and supplementary agreements of cooperation framework, capital contribution agreements, the equity forward repurchase agreements (the "Project Cooperation Agreements") with Pingan Dahua, pursuant to which Pingan Dahua has made capital contributions to Shenzhen Logan Junjing and Huizhou Dongzhen and has revised the business registration information. As at 31 December 2016, Pingan Dahua contributed a total of RMB4,800,000,000 and RMB3,960,000,000 to Shenzhen Logan Junjing and Huizhou Dongzhen respectively (2015: RMB2,800,000,000 and RMB Nil, respectively) and the Group has accounted the contribution made by Pingan Dahua as the amount of other reserves within controlling shareholders' interests and non-controlling interests.

The Project Cooperation Agreements have specified that Shenzhen Logan Junjing and Huizhou Dongzhen have the option to repurchase with preemption the part or all of the equity held by Pingan Dahua. If Shenzhen Logan Junjing and Huizhou Dongzhen do not exercise the options, Pingan Dahua can transfer the equity to third party. Besides that, the Project Cooperation Agreements also have specified that Shenzhen Logan Junjing and Huizhou Dongzhen should repurchase the equity from Pingan Dahua in no later than 2 or 3 years respectively. If Shenzhen Logan Junjing and Huizhou Dongzhen exercise the preemption rights, then the obligation of repurchase will not be triggered. The Group believe that the arrangement was an arm's length commercial decision as well as common market practice. Also the Group is probable and able to exercise its preemption rights.

As there are unclear terms existed in the agreements, the Group has reaffirmed the commercial substance with Pingan Dahua. And the Group has engaged two reputable PRC law firms to express their opinion reaffirming the arrangement was an equity investments.

The Group believe that, based on the Project Cooperation Agreements signed off between the Group and Pingan Dahua and the rights and obligations of both sides stipulated in the agreements, the capital contributions made by Pingan Dahua to Shenzhen Logan Junjing and Huizhou Dongzhen can be accounted for as equity investments on both accounting and legal treatments, thus the Group has disclosed the capital contributions made by Pingan Dahua as non-controlling interest and other reserves and the accounting for these transactions as equity transactions has been consistent with the requirement of the Group's accounting policies.

13 INTEREST IN AN ASSOCIATE

	2016 RMB'000	2015 RMB'000
Investment cost	**7,500**	–
Share of profit of an associate	**31,723**	–
Elimination of downstream transactions	**(39,223)**	–
	–	–
Amount due from an associate (note)	**3,019,480**	–
	3,019,480	–

Note: The amount due from an associate is unsecured and has no fixed term of repayment but is not expected to be settled within one year. As at 31 December 2016 it includes an amount of RMB2,500,000,000 (2015: RMB Nil) which is bearing fixed interest rate of 5.8%, unsecured and repayable on demand.

The amount due from an associate is for the acquisition of land where the Group is responsible for providing all funding.

The following list contains the particulars of a material associate, which is an unlisted corporate entity whose quoted market price is not available:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
Shenzhen Kaifeng Industrial Co.,Ltd. ("Shenzhen Kaifeng") (note) (深圳市凱豐實業有限公司)	Incorporated	People's Republic of China	Registered capital RMB15,000,000	50%	–	50%	Property development

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

The directors consider that the Group can only exercise significant influence over Shenzhen Kaifeng based on its board composition, and accordingly it is classified as an associate of the Group. The associate is accounted for using the equity method in the consolidated financial statements.

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13 Interest in an Associate (Continued)

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

	2016 RMB'000
Gross amounts of the associate	
Current assets	12,823,418
Non-current assets	2,301,833
Current liabilities	(3,048,305)
Non-current liabilities (note)	(11,998,500)
Equity	78,446
Revenue	–
Profit for the year	63,446
Other comprehensive income	–
Total comprehensive income	63,446
Reconciled to the Group's interests in the associate	
Gross amounts of net assets of the associate	78,446
Group's effective interest	50%
Group's share of net assets of the associate	39,223
Elimination of interest income	(35,931)
Elimination of other downstream transaction	(3,292)
Carrying amount in the consolidated financial statements	–

Note: This represented an entrusted loan of RMB11,998,500,000 from a wealth management company, in which Shenzhen Tengyao Industrial Co., Ltd., a joint venture of the Group, had invested RMB6,000,000,000 to a wealth management plan managed by that company. The entrusted loan is secured by a piece of land owned by the above associate.

14 INTERESTS IN JOINT VENTURES

	2016 RMB'000	2015 RMB'000
Investment cost	**100,200**	–
Share of losses of joint ventures	**(6,137)**	–
Elimination of downstream transactions	**(29,818)**	–
	64,245	–
Amounts due from joint ventures (note)	**12,320,588**	–
	12,384,833	–

Note: The amounts due from joint ventures are unsecured and have no fixed term of repayment but are not expected to be settled within one year. As at 31 December 2016 it includes amounts of RMB6,440,170,000 (2015: RMB Nil) which are bearing floating or fixed interest rate ranged from 3.4% to 7.3%.

The amounts due from joint ventures are for the acquisition of land where the Group is responsible for providing all funding.

To address increasing land premium in public bidding, the Group started in 2016 to secure land by teaming up with resourceful joint venture partners. These joint ventures are engaged in urban development projects in Shenzhen and the nearby cities. Included in the amounts due from joint ventures of approximately RMB900 million was applied by the joint ventures to fund the costs for the acquisition of certain urbanization projects.

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14 INTERESTS IN JOINT VENTURES (CONTINUED)

Details of the Group's interest in the joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
Shenzhen Runjing Industrial Co., Ltd. ("Shenzhen Runjing") (note) (深圳市潤璟實業有限公司)	Incorporated	People's Republic of China	Registered capital RMB100,000,000	50%	–	50%	Property development
Shenzhen Tengyao Industrial Co., Ltd. ("Shenzhen Tengyao") (note) (深圳市騰耀實業有限公司)	Incorporated	People's Republic of China	Registered capital RMB20,000,000	50%	–	50%	Property development
Shenzhen Logan Mingjun Property Co., Ltd. ("Shenzhen Logan Mingjun") (note) (深圳市龍光銘駿房地產有限公司)	Incorporated	People's Republic of China	Registered capital RMB20,000,000	50%	–	50%	Property development
Foshan Logan Junjing Property Co., Ltd. ("Foshan Logan Junjing") (note)* (佛山市龍光駿景房地產有限公司)	Incorporated	People's Republic of China	Registered capital RMB21,000,000	50%	–	50%	Property development
Shenzhen Yingshenglong Investment Co., Ltd. ("Shenzhen Yingshenglong") (note) (深圳市盈升隆投資有限公司)	Incorporated	People's Republic of China	Registered capital RMB10,000,000	49%	–	49%	Property development
Shenzhen Yingrui Industrial Co., Ltd. ("Shenzhen Yingrui") (note) (深圳市盈睿實業有限公司)	Incorporated	People's Republic of China	Registered capital RMB10,000,000	50%	–	50%	Property development

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14 INTERESTS IN JOINTS VENTURES (CONTINUED)

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
Shenzhen Huiyi Investment Co., Ltd. ("Shenzhen Huiyi") (note) (深圳市惠益投資有限公司)	Incorporated	People's Republic of China	Registered capital RMB10,000,000	50%	–	50%	Property development
Shenzhen Yurongshun Industrial Co., Ltd. ("Shenzhen Yurongshun") (note) (深圳市裕榮順實業有限公司)	Incorporated	People's Republic of China	Registered capital RMB10,000,000	50%	–	50%	Property development
Shenzhen Juncheng Property Co., Ltd. ("Shenzhen Juncheng") (note) (深圳市駿誠房地產有限公司)	Incorporated	People's Republic of China	Registered capital RMB20,000,000	49%	–	49%	Property development
Shenzhen Baoxing Property Co., Ltd. ("Shenzhen Baoxing")(note) (深圳市寶興房地產有限公司)	Incorporated	People's Republic of China	Registered capital RMB20,000,000	50%	–	50%	Property development

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

* In 2016, the Group entered into a cooperation agreement with an independent third party to jointly develop the Foshan Dafu Village Project ("the Project"). The Group and the third party are developing the Project independently in operation and management based on the division of the land according to the cooperation agreement.

The Group shares control in the above entities with other shareholders, accordingly they are classified as joint ventures of the Group. All the joint ventures in which the Group held interest are unlisted corporate entities whose quoted market prices are not available.

14 INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised financial information of material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below.

	2016 RMB'000
Gross amounts of Shenzhen Runjing	
Current assets	1,012,243
Non-current assets	1,863,748
Current liabilities	(1,699,454)
Non-current liabilities	(1,080,000)
Equity	96,537
Included in the above assets and liabilities:	
Cash and cash equivalents	1,327
Current financial liabilities (excluding trade and other payables and provisions)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	1,080,000
Revenue	–
Loss for the year	(3,463)
Other comprehensive income	–
Total comprehensive income	(3,463)
Included in the above profit:	
Depreciation and amortisation	–
Interest income	108
Interest expense	83
Income tax expense	–
Reconciled to the Group's interest in Shenzhen Runjing	
Gross amounts of Shenzhen Runjing's net assets	96,537
Group's effective interest	50%
Group's share of Shenzhen Runjing's net assets	48,269
Carrying amount in the consolidated financial statements	48,269

14 INTERESTS IN JOINT VENTURES (CONTINUED)

	2016 RMB'000
Gross amounts of Shenzhen Tengyao	
Current assets	7,260,427
Non-current assets	252,324
Current liabilities	(7,492,709)
Non-current liabilities	–
Equity	20,042
Included in the above assets and liabilities:	
Cash and cash equivalents	1,427
Current financial liabilities (excluding trade and other payables and provisions)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	–
Revenue	–
Profit for the year	42
Other comprehensive income	–
Total comprehensive income	42
Included in the above profit:	
Depreciation and amortisation	–
Interest income	81
Interest expense	–
Income tax expense	16
Reconciled to the Group's interest in Shenzhen Tengyao	
Gross amounts of Shenzhen Tengyao's net assets	20,042
Group's effective interest	50%
Group's share of Shenzhen Tengyao's net assets	10,021
Elimination of interest income	(10,021)
Carrying amount in the consolidated financial statements	–

14 INTERESTS IN JOINT VENTURES (CONTINUED)

	2016 RMB'000
Gross amounts of Shenzhen Logan Mingjun	
Current assets	102,006
Non-current assets	250,000
Current liabilities	(332,492)
Non-current liabilities	–
Equity	19,514
Included in the above assets and liabilities:	
Cash and cash equivalents	9,583
Current financial liabilities (excluding trade and other payables and provisions)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	–
Revenue	–
Loss for the year	(486)
Other comprehensive income	–
Total comprehensive income	(486)
Included in the above loss:	
Depreciation and amortisation	–
Interest income	27
Interest expense	–
Income tax expense	–
Reconciled to the Group's interest in Shenzhen Logan Mingjun	
Gross amounts of Shenzhen Logan Mingjun's net assets	19,514
Group's effective interest	50%
Group's share of Shenzhen Logan Mingjun's net assets	9,757
Carrying amount in the consolidated financial statements	9,757

14 INTERESTS IN JOINT VENTURES (CONTINUED)

	2016 RMB'000
Gross amounts of Foshan Logan Junjing	
Current assets	2,625,273
Non-current assets	4
Current liabilities	(963,556)
Non-current liabilities	(1,642,000)
Equity	19,721
Included in the above assets and liabilities:	
Cash and cash equivalents	16,009
Current financial liabilities (excluding trade and other payables and provisions)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	1,642,000
Revenue	–
Loss for the year	(1,278)
Other comprehensive income	–
Total comprehensive income	(1,278)
Included in the above loss:	
Depreciation and amortisation	–
Interest income	40
Interest expense	–
Income tax expense	–
Reconciled to the Group's interest in Foshan Logan Junjing	
Gross amounts of Foshan Logan Junjing's net assets	19,721
Group's effective interest	50%
Group's share of Foshan Logan Junjing's net assets	9,861
Elimination of interest income	(2,633)
Elimination of other downstream transaction	(7,228)
Carrying amount in the consolidated financial statements	–

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14 Interests in Joint Ventures (continued)

	2016 RMB'000
Gross amounts of Shenzhen Yingshenglong	
Current assets	964,039
Non-current assets	54,000
Current liabilities	(1,007,981)
Non-current liabilities	–
Equity	10,058
Included in the above assets and liabilities:	
Cash and cash equivalents	10,325
Current financial liabilities (excluding trade and other payables and provisions)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	–
Revenue	–
Profit for the year	58
Other comprehensive income	–
Total comprehensive income	58
Included in the above profit:	
Depreciation and amortisation	–
Interest income	62
Interest expense	–
Income tax expense	–
Reconciled to the Group's interest in Shenzhen Yingshenglong	
Gross amounts of Shenzhen Yingshenglong's net assets	10,058
Group's effective interest	49%
Group's share of Shenzhen Yingshenglong's net assets	4,928
Elimination of interest income	(4,928)
Carrying amount in the consolidated financial statements	–

14 INTERESTS IN JOINT VENTURES (CONTINUED)

	2016 RMB'000
Gross amounts of Shenzhen Yingrui	
Current assets	1,966,374
Non-current assets	45,000
Current liabilities	(1,211,371)
Non-current liabilities	(800,000)
Equity	3
Included in the above assets and liabilities:	
Cash and cash equivalents	28
Current financial liabilities (excluding trade and other payables and provisions)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	800,000
Revenue	–
Profit for the year	3
Other comprehensive income	–
Total comprehensive income	3
Included in the above profit:	
Depreciation and amortisation	–
Interest income	4
Interest expense	–
Income tax expense	–
Reconciled to the Group's interest in Shenzhen Yingrui	
Gross amounts of Shenzhen Yingrui's net assets	3
Group's effective interest	50%
Group's share of Shenzhen Yingrui's net assets	2
Elimination of interest income	(2)
Carrying amount in the consolidated financial statements	–

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14 INTERESTS IN JOINT VENTURES (CONTINUED)

	2016 RMB'000
Gross amounts of Shenzhen Huiyi	
Current assets	2,334,813
Non-current assets	10,000
Current liabilities	(2,334,801)
Non-current liabilities	–
Equity	10,012
Included in the above assets and liabilities:	
Cash and cash equivalents	10,932
Current financial liabilities (excluding trade and other payables and provisions)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	–
Revenue	–
Profit for the year	12
Other comprehensive income	–
Total comprehensive income	12
Included in the above profit:	
Depreciation and amortisation	–
Interest income	12
Interest expense	–
Income tax expense	–
Reconciled to the Group's interest in Shenzhen Huiyi	
Gross amounts of Shenzhen Huiyi's net assets	10,012
Group's effective interest	50%
Group's share of Shenzhen Huiyi's net assets	5,006
Elimination of interest income	(5,006)
Carrying amount in the consolidated financial statements	–

14 INTERESTS IN JOINT VENTURES (CONTINUED)

	2016 RMB'000
Gross amounts of Shenzhen Yurongshun	
Current assets	489,541
Non-current assets	–
Current liabilities	(489,540)
Non-current liabilities	–
Equity	1
Included in the above assets and liabilities:	
Cash and cash equivalents	31
Current financial liabilities (excluding trade and other payables and provisions)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	–
Revenue	–
Profit for the year	1
Other comprehensive income	–
Total comprehensive income	1
Included in the above profit:	
Depreciation and amortisation	–
Interest income	1
Interest expense	–
Income tax expense	–
Reconciled to the Group's interest in Shenzhen Yurongshun	
Gross amounts of Shenzhen Yurongshun's net assets	1
Group's effective interest	50%
Group's share of Shenzhen Yurongshun's net assets	1
Carrying amount in the consolidated financial statements	1

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14 Interests in Joint Ventures (continued)

	2016 RMB'000
Gross amounts of Shenzhen Juncheng	
Current assets	480,740
Non-current assets	–
Current liabilities	(468,050)
Non-current liabilities	–
Equity	12,690
Included in the above assets and liabilities:	
Cash and cash equivalents	316,878
Current financial liabilities (excluding trade and other payables and provisions)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	–
Revenue	–
Loss for the year	(7,309)
Other comprehensive income	–
Total comprehensive income	(7,309)
Included in the above loss:	
Depreciation and amortisation	–
Interest income	93
Interest expense	1,004
Income tax expense	–
Reconciled to the Group's interest in Shenzhen Juncheng	
Gross amounts of Shenzhen Juncheng's net assets	12,690
Group's effective interest	49%
Group's share of Shenzhen Juncheng's net assets	6,218
Carrying amount in the consolidated financial statements	6,218

14 INTERESTS IN JOINT VENTURES (CONTINUED)

Aggregate information of joint venture that is not individually material:

	2016 RMB'000
Carrying amount of individually immaterial joint venture in the consolidated financial statements	–
Amount of the Group's share of the joint venture's	
Loss for the year	(1)
Other comprehensive income	–
Total comprehensive income	(1)

15 INVENTORIES

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

	2016 RMB'000	2015 RMB'000
Construction		
Raw materials	4,611	2,672
Property development		
Properties held for development for sale	1,976,817	1,863,770
Properties under development for sale	29,657,327	20,083,350
Completed properties for sale	8,558,344	6,248,552
	40,192,488	28,195,672
	40,197,099	28,198,344

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

	2016 RMB'000	2015 RMB'000
In the PRC		
– under long leases	40,192,488	28,195,672
Including:		
– Properties expected to be recovered after more than one year	27,423,100	20,156,410

15 INVENTORIES (CONTINUED)

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

16 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2016 **RMB'000**	2015 RMB'000
Trade receivables (note (i))	**129,292**	96,181
Prepayments and other receivables	**1,742,443**	1,291,029
Land deposits (note (v))	**725,620**	8,348,721
Amounts due from related companies (note (vi))	**140,944**	166,811
Amount due from a non-controlling interest (note (vi))	**14**	86,288
Amount due from an associate (note(vii))	**14,320**	–
Amounts due from joint ventures (note(vii))	**55,563**	–
Derivative financial instruments:		
– Senior notes redemption call options (note 22)	**135,161**	36,692
	2,943,357	10,025,722

Notes:

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

	2016 **RMB'000**	2015 RMB'000
Current or less than 1 month overdue	**94,273**	61,207
More than 1 month overdue and up to 3 months overdue	**149**	3
More than 3 months overdue and up to 6 months overdue	**5,064**	–
More than 6 months overdue and up to 1 year overdue	**11,272**	25,187
More than 1 year overdue	**18,534**	9,784
	129,292	96,181

16 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

Notes: (continued)

(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 25(a).

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

(v) During the year ended 31 December 2015, the Group entered into four land grant contracts for acquisition of the land in the PRC. As at 31 December 2015, a total consideration of RMB8,348,721,000 was paid and recognised as deposits for the acquisition of those pieces of land. During the year ended 31 December 2016, the acquisition of three out of those pieces of the land was completed and respective land use right certificates were obtained.

During the year ended 31 December 2016, the Group entered into three land grant contracts for acquisition of the land in the PRC and as at 31 December 2016, a total consideration of RMB725,620,000 was paid and recognised as deposit for the acquisition of the land.

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

(vii) The amounts due from an associate and joint ventures as at 31 December 2016 are unsecured, interest free and expected to be recovered within one year.

17 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.

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17 Assets and Liabilities under Cross-Border Guarantee Arrangements (Continued)

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% (2015: 2%) per annum of the total funds advanced. The pledge of the Hong Kong funds deposited with such financial institutions had been released upon the settlement of the advances in 2016, detailed as follows:

	2016 RMB'000	2015 RMB'000
Assets under cross-border guarantee arrangements		
– included as current assets	–	286,600
Liabilities under cross-border guarantee arrangements		
– included as current liabilities	–	(286,600)
	–	–

18 Restricted and Pledged Deposits

	2016 RMB'000	2015 RMB'000
Restricted deposits (note i)	360,288	351,849
Pledged deposits (note ii)	877,188	2,203,516
	1,237,476	2,555,365

(i) As at 31 December 2016, there was RMB360,288,000 in the Group's restricted deposits, which was limited to use in the development of certain property projects. In accordance with relevant documents issued by the PRC State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amounts of presale proceeds from properties as guarantee deposits for the construction of related properties. The deposits can only be used for purchases of construction materials and the payments of construction fees of the relevant property projects when approval from the PRC State-Owned Land and Resource Bureau is obtained. Such restricted deposits will only be released after completion of the related pre-sold properties or issuance of the real estate ownership certificates, whichever is the earlier.

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

	2016 RMB'000	2015 RMB'000
Bank and other loans	475,750	813,850
Mortgage loan facilities granted by the banks to purchasers of the Group's properties	401,438	89,666
Non-interest bearing payable to a financial institution	–	1,300,000
	877,188	2,203,516

19 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2016 RMB'000	2015 RMB'000
Cash at bank and on hand	**13,559,827**	8,635,258

The Group's cash and bank balances at 31 December 2016 include RMB11,790,545,000 (2015: RMB6,999,906,000) 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.

(b) Reconciliation of profit before taxation to cash generated from operations:

		2016 RMB'000	2015 RMB'000
Profit before taxation		**7,933,434**	4,173,510
Adjustments for:			
Interest income	5(a)	**(390,668)**	(93,070)
Finance costs	6(a)	**371,850**	36,215
Depreciation	6(c)	**37,265**	22,844
Net gain on disposal of other property, plant and equipment	5(b)	**(181)**	(175)
Net gain on disposal of subsidiaries	5(b)	**(878)**	–
Share of profit of an associate	13	**(31,723)**	–
Share of losses of joint ventures	14	**6,137**	–
Net increase in fair value of investment properties	11	**(2,681,903)**	(943,057)
Net increase in fair value of derivative financial instruments	22	**(81,720)**	(6,936)
Equity-settled share-based transactions	6(b)	**23,731**	49,842
Operating profit before changes in working capital		**5,185,344**	3,239,173
Increase in inventories and land deposits		**(11,660,452)**	(6,344,051)
Decrease/(increase) in trade and other receivables		**6,677,717**	(17,663)
Increase in trade and other payables		**6,500,153**	5,128,602
Cash generated from operations		**6,702,762**	2,006,061

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20 Trade and Other Payables

	2016 RMB'000	2015 RMB'000
Trade payables (note (i))	**4,675,389**	4,046,221
Other payables and accrued charges	**1,241,533**	498,071
Customer deposits received	**12,368**	112,677
Rental and other deposits received	**99,511**	9,851
Receipts in advance	**16,049,478**	11,008,496
Amounts due to related companies (note (ii))	**497,488**	12
Amounts due to joint ventures (note (iii))	**1,343,560**	–
Non-interest bearing payable to a financial institution (note (iv))	**–**	1,293,801
	23,919,327	16,969,129

Notes:

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

	2016 RMB'000	2015 RMB'000
Within 1 month or on demand	**2,866,163**	2,274,297
More than 1 month but within 3 months	**269,849**	351,249
More than 3 months but within 6 months	**391,516**	464,546
More than 6 months but within 1 year	**392,494**	628,771
More than 1 year	**755,367**	327,358
	4,675,389	4,046,221

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

(iii) The amounts due to joint ventures are unsecured, interest-free and repayable on demand.

(iv) The non-interest bearing payable to a financial institution at 31 December 2015 was interest-free, secured by a pledged deposit of RMB1,300,000,000 and fully repaid in 2016.

21 BANK AND OTHER LOANS

	2016 RMB'000	2015 RMB'000
Bank loans		
– Secured	**5,219,809**	8,764,105
– Unsecured	**4,276,702**	1,227,817
	9,496,511	9,991,922
Other loans		
– Secured	**3,509,500**	1,160,000
– Unsecured	**2,072,000**	10,000
	5,581,500	1,170,000
Unsecured corporate bonds (Note (i))	**12,400,000**	5,000,000
	27,478,011	16,161,922

Bank loans are repayable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year or on demand	**3,138,501**	3,674,885
After 1 year but within 2 years	**2,755,320**	3,288,797
After 2 years but within 5 years	**3,321,240**	2,758,870
After 5 years	**281,450**	269,370
	6,358,010	6,317,037
	9,496,511	9,991,922

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21 Bank and Other Loans (continued)

Other loans as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year or on demand	**232,000**	370,000
After 1 year but within 2 years	**1,670,000**	800,000
After 2 within 5 years	**3,679,500**	–
	5,581,500	1,170,000

At 31 December 2016, the Group's bank and other loans representing:

	2016 RMB'000	2015 RMB'000
Current	**3,370,501**	4,044,885
Non-current	**11,707,510**	7,117,037
	15,078,011	11,161,922

Notes:

(i) Corporate bonds

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 domestic corporate 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 corporate bonds respectively and the bond holders shall be entitled to sell back the bonds.

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 domestic 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 domestic corporate bonds respectively and the bond holders shall be entitled to sell back the bonds.

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.

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.

21 BANK AND OTHER LOANS (CONTINUED)

Note: (continued)

(ii) The bank loans bear floating interest rate ranging from 3.25% to 8.05% (2015: 2.8% to 13.0%) per annum, and are secured by the following assets:

	2016 RMB'000	2015 RMB'000
Investment properties	**7,440,084**	3,898,609
Properties held for development for sale	**283,658**	202,150
Properties under development for sale	**13,919,639**	8,110,383
Completed properties for sale	**109,260**	1,051,776
Other land and building	**22,228**	22,655
Pledged deposits	**475,750**	813,850
	22,250,619	14,099,423

Note:

(i) The bank loans also secured by the Group's equity interest in certain subsidiaries.

(ii) At 31 December 2016, the amount of RMB4,014,084,000 (2015: RMB Nil) and RMB10,253,122,000 (2015: RMB Nil) of the investment property and properties under development for sale also secured for other loans.

(iii) All of the Group's banking facilities are subject to the fulfillment of covenants relating to the subsidiaries' certain financial ratios and properties pre-sale schedules, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants.

(iii) As at 31 December 2016, the Group has six bank loans with an aggregate carrying amount of RMB2,612,500,000 which are repayable in tranches from 1 September 2017 to 24 March 2019. However, the loans contain covenants stating that the Group should repay the loans in line with the cash collection schedules of the respective presale properties.

As at 31 December 2016, the Group has five bank loans with an aggregate carrying amount of RMB1,640,922,000 which are repayable in tranches from 20 October 2017 to 28 September 2019. However, the loans contain covenants stating that the Group or the relevant subsidiaries shall maintain the respective financial ratios at a specific level.

The Group exceeded the thresholds described above, and a total amount of RMB4,253,422,000 of the covenants relating to bank loans had been breached (2015: RMB Nil) as at 31 December 2016. However, management obtained waivers from the banks in December 2016. Accordingly RMB2,372,500,000 of the loans were not repayable on demand at 31 December 2016 and extended until original due dates, while an amount of RMB1,101,061,000 is reclassified to current liabilities and a total amount of RMB1,880,922,000 is represented as current liabilities as at 31 December 2016.

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21 Bank and Other Loans (continued)

Note: (continued)

(iv) The other loans are borrowed from other financial institutions, bear interest rate ranging from 4.99% to 12.00% (2015: 6.13% to 11.50%) per annum, and are secured by the following assets:

	2016 RMB'000	2015 RMB'000
Investment properties	**4,014,084**	–
Properties held for development for sale	**248,037**	–
Properties under development for sale	**11,541,695**	1,440,121
Completed properties for sale	**–**	62,907
	15,803,816	1,503,028

Notes:

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

(ii) At 31 December 2016, the amount of RMB4,014,084,000 (2015: RMB Nil) and RMB10,253,122,000 (2015: RMB Nil) of the investment property and properties under development for sale also secured for bank loans.

(v) Certain bank loan at 31 December 2016 amounted to RMB538,050,000 (2015: RMB769,000,000) is guaranteed by a related company and Mr. Kei.

22 Senior Notes

Liability component of the senior notes:

	2016 RMB'000	2015 RMB'000
US$300m Senior Notes (note (i))	**2,093,304**	1,955,804
US$250m Senior Notes (note (ii))	**1,747,637**	1,632,916
US$260m Senior Notes (note (iii))	**1,867,585**	–
	5,708,526	3,588,720

Notes:

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

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

22 SENIOR NOTES (CONTINUED)

Notes: (continued)

(iii) On 19 January 2016, the Company issued another senior notes with principal amount of US$260,000,000 due in 2020 ("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.

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

	Liability component (note (v)) RMB'000	Redemption call options (notes (vi) and 16) RMB'000	Total RMB'000
US$300m Senior Notes			
At 1 January 2015	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
Interest and transaction cost amortised	232,126	–	232,126
Interest paid	(227,418)	–	(227,418)
Change in fair value	–	(90,475)	(90,475)
Exchange difference	132,792	(5,260)	127,532
At 31 December 2016	2,093,304	(129,540)	1,963,764
US$250m Senior Notes			
At 1 January 2015	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
Interest and transaction cost amortised	168,102	–	168,102
Interest paid	(164,246)	–	(164,246)
Change in fair value	–	2,589	2,589
Exchange difference	110,865	(111)	110,754
At 31 December 2016	1,747,637	(409)	1,747,228
US$260m Senior Notes			
Proceeds from issuance senior notes	1,695,124	(10,901)	1,684,223
Transaction costs	(1,976)	13	(1,963)
Net proceeds	1,693,148	(10,888)	1,682,260
Interest and transaction cost amortised	132,101	–	132,101
Interest paid	(67,450)	–	(67,450)
Change in fair value	–	6,166	6,166
Exchange difference	109,786	(490)	109,296
At 31 December 2016	1,867,585	(5,212)	1,862,373
Total:			
At 31 December 2016	5,708,526	(135,161)	5,573,365
At 31 December 2015	3,588,720	(36,692)	3,552,028

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22 Senior Notes (continued)

Notes: (continued)

At 31 December 2016, the Group's senior notes representing:

	Liability component (note (v)) RMB'000
– Current portion	1,747,637
– Non-current portion	3,960,889

(v) 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, US$250m Senior Notes and US$260m Senior Notes are 11.33%, 9.83% and 7.91% per annum respectively.

(vi) Redemption call options represent the fair value of the Company's option to early redeem the senior notes and are recorded as derivative financial instruments under "Trade and other receivables" (note 16). The assumptions applied in determining the fair value of the redemption call options at 31 December 2016 are set out in note 25(e).

23 Equity Settled Share-Based Transactions

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

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

No options were exercised during the year ended 31 December 2016 (2015: Nil).

23 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

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

Fair value at measurement date	HK$1.08
Share price	HK$2.34
Exercise price	HK$2.34
Expected volatility	55.667%
Option life	6 years
Dividend yield	0%
Risk-free interest rate	1.26%

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

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

24 Capital, Reserves and Dividends

(a) Movements in components of equity

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

Company

	Share capital (note 24(c)) RMB'000	Share premium (note 24(d)(i)) RMB'000	Share-based compensation reserve (note 24(d)(v)) RMB'000	Exchange reserves (note 24(d)(ii)) RMB'000	Accumulated losses RMB'000	Total RMB'000
At 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 24(b)(ii))	–	–	–	–	(433,736)	(433,736)
Equity-settled share-based transactions (note 6(b))	–	–	49,842	–	–	49,842
Effect of forfeited and cancelled share options	–	–	(21,475)	–	21,475	–
Issuance of shares (note 24(c))	46,706	1,242,434	–	–	–	1,289,140
At 31 December 2015 and 1 January 2016	439,821	2,067,453	75,257	22,650	(1,045,813)	1,559,368
Changes in equity for 2016:						
Profit and total comprehensive income for the year	–	–	–	107,083	707	107,790
Repurchase of own shares	(5,230)	(168,009)	–	–	–	(173,239)
Dividend declared (note 24(b)(ii))	–	–	–	–	(694,998)	(694,998)
Equity-settled share-based transactions (note 6(b))	–	–	23,731	–	–	23,731
Effect of forfeited and cancelled share options (note 23)	–	–	(3,926)	–	3,926	–
At 31 December 2016	434,591	1,899,444	95,062	129,733	(1,736,178)	822,652

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2016 RMB'000	2015 RMB'000
Proposed final dividend and special dividend – HK22 cents and HK3 cents respectively (equivalent to approximately RMB20 cents and RMB3 cents respectively) per share (2015: HK14 cents and nil (equivalent to approximately RMB12 cents and nil) per share)	**1,229,115**	653,138

The proposed final dividend declared to shareholders of the Company in 2016 is subject to approval at the AGM. The 2016 final dividend proposed to be declared 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

	2016 RMB'000	2015 RMB'000
Final dividend in respect of the previous financial year, approved during the period, of HK 14 cents (equivalent to RMB13 cents) per ordinary share (2015: HK11 cents (equivalent to RMB8.7 cents)) per ordinary share	**694,998**	433,736

Dividends of HK$776,959,000 (equivalent to RMB694,998,000) (2015: HK$550,000,000 (equivalent to RMB433,736,000)) was paid by 31 December 2016.

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24 Capital, Reserves and Dividends (continued)

(c) Share capital

(i) Issued share capital

	2016 No. of shares '000	2016 HK$'000	2015 No. of shares '000	2015 HK$'000
Ordinary shares, issued and fully paid:				
At 1 January	**5,557,554**	**555,755**	5,000,000	500,000
Issuance of shares	**–**	**–**	557,554	55,755
Shares repurchased (note ii)	**(61,232)**	**(6,123)**	–	–
At 31 December	**5,496,322**	**549,632**	5,557,554	555,755
RMB'000 equivalent at 31 December		**434,591**		439,821

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.

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(i) Issued share capital (continued)

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.

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 with 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.

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(ii) Repurchase and cancellation of own shares

During the reporting period, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased and cancelled	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		RMB	RMB	RMB'000
January 2016	3,072,000	1.91	1.77	5,760
February 2016	528,000	1.90	1.81	1,003
February 2016	56,000	1.92	1.86	108
March 2016	1,056,000	2.13	2.03	2,233
April 2016	3,134,000	2.51	2.36	7,725
August 2016	5,974,000	2.84	2.73	17,132
August 2016	4,004,000	2.91	2.83	11,909
August 2016	3,374,000	2.91	2.85	10,101
August 2016	5,214,000	2.90	2.74	15,454
August 2016	66,000	2.94	2.84	199
September 2016	4,160,000	2.92	2.86	12,484
October 2016	7,920,000	2.97	2.75	23,095
October 2016	1,760,000	2.87	2.78	5,086
October 2016	2,404,000	2.87	2.78	6,962
October 2016	2,840,000	2.86	2.78	8,317
October 2016	3,016,000	2.89	2.83	8,871
October 2016	5,136,000	2.93	2.80	15,203
October 2016	2,580,000	2.95	2.86	7,684
October 2016	546,000	2.91	2.81	1,577
October 2016	1,120,000	2.84	2.78	3,209
November 2016	1,150,000	2.77	2.71	3,235
November 2016	1,062,000	2.73	2.66	2,937
November 2016	800,000	2.73	2.69	2,235
November 2016	260,000	2.77	2.69	720
Total	61,232,000			173,239

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, an amount equivalent to the fair value of the shares repurchased and cancelled of HK$195,259,000 (equivalent to approximately RMB173,239,000) was transferred out from share capital and share premium.

24 Capital, Reserves and Dividends (Continued)

(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(w).

(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.

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24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(iv) Other reserve

At 1 January 2016, 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.;

(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..

(3) The difference between the consideration paid and carrying amount of non-controlling interest acquired arising from acquisition of additional interests of Foshan Nanhai Logan Realty Co., Ltd., Foshan Logan Realty Co., Ltd. and Shantou Logan Junjing Property Co.,Ltd..

During 2016, the movement of the other reserve represents:

(1) The difference between the capital injection and carrying amount of non-controlling interest produced arising from capital injection of Huizhou Daya Bay Dongzhen Property Co., Ltd..

(2) The difference between the consideration paid and carrying amount of non-controlling interest acquired arising from acquisition of additional interests of Shenzhen Jinjun Property Co., Ltd..

(v) Share-based compensation reserve

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

The share options lapsed due to the resignation of the certain mid-level managers. 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.

(vi) Distributability of reserves

At 31 December 2016, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company was RMB292,999,000 (2015: RMB1,044,290,000). After the end of the reporting period, the directors proposed a final dividend and a special dividend of HK22 cents and HK3 cents respectively, equivalent to approximately RMB20 cents and RMB3 cents respectively (2015: HK14 cents and nil respectively, equivalent to approximately RMB12 cents and nil respectively) per share, amounting to RMB1,229,115,000 (2015: RMB653,138,000). This dividend has not been recognised as a liability at the end of the reporting period.

24 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 2016 and 2015 was as follows:

	2016 **RMB'000**	2015 RMB'000
Total bank loans	**9,496,511**	9,991,922
Total other loans	**5,581,500**	1,170,000
Senior notes	**5,708,526**	3,588,720
Corporate bonds	**12,400,000**	5,000,000
Non-interest bearing payable to a financial institution	**–**	1,293,801
	33,186,537	21,044,443
Less: Cash and cash equivalents	**(13,559,827)**	(8,635,258)
Restricted and pledged deposits	**(1,237,476)**	(2,555,365)
Net debt	**18,389,234**	9,853,820
Total equity	**25,751,346**	17,460,917
Net debt to equity ratio	**71.4%**	56.4%

As at 31 December 2016, Shenzhen Logan Holdings Co., Ltd, a wholly-owned subsidiary of the Company (established in the People's Republic of China) (the "Issuer"), has totally issued an amount of RMB12.4billion of corporate bonds, of which RMB7.4 billion are publicly issued (2015: RMB6.0 billion). According to Securities Law of the People's Republic of China, the accumulated bond balance constitutes no more than 40% of the net asset value of the Issuer. Other than the ratio, neither the Company nor any other of its subsidiaries are subject to externally imposed capital requirements.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arise 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.

(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.

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

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group'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:

	2016					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade payables	2,588,846	1,295,063	743,116	48,364	4,675,389	4,675,389
Other payables and accrued charges	1,241,533	–	–	–	1,241,533	1,241,533
Bank loans	3,619,051	3,051,707	3,528,603	351,731	10,551,092	9,496,511
Other loans	565,728	1,957,188	3,804,078	–	6,326,994	5,581,500
Corporate bonds	620,800	620,800	13,328,527	–	14,570,127	12,400,000
Senior notes	2,276,342	373,002	4,210,100	–	6,859,444	5,708,526
Amounts due to related companies	497,488	–	–	–	497,488	497,488
Amounts due to joint ventures	1,343,560	–	–	–	1,343,560	1,343,560
	12,753,348	7,297,760	25,614,424	400,095	46,065,627	40,944,507
Financial guarantees issued:						
– Maximum amount guaranteed (note 28)	9,806,196	–	–	–	9,806,196	

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

(b) Liquidity risk (continued)

	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 guarantee (note 28)	8,156,977	–	–	–	8,156,977	

(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 21 to the financial statements. The Group does not carry out any hedging activities to manage its interest rate exposure.

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

(c) Interest rate risk (continued)

Sensitivity analysis

At 31 December 2016, 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 RMB14,119,000 (2015: RMB71,856,000) 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 2016.

(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.

The Group's exposure at 31 December 2016 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.

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

(d) Currency risk (continued)

(i) Exposure to currency (continued)

	Exposure to foreign currencies (expressed in Renminbi)					
	2016			2015		
	Renminbi RMB'000	Hong Kong Dollars RMB'000	United States Dollars RMB'000	Renminbi RMB'000	Hong Kong Dollars RMB'000	United States Dollars RMB'000
Trade and other receivables	–	77,535	–	–	38,115	–
Cash and cash equivalents	71,221	893,654	2,082,567	1,602,248	1,370,360	249,344
Trade and other payables	(494,000)	(15,733)	(6,980)	–	(51)	–
Bank loans	(50,859)	(649,414)	(511,508)	(47,628)	–	(897,994)
Senior notes	–	–	(5,708,526)	–	–	(3,588,721)
Net exposure arising from recognised assets and liabilities	(473,638)	306,042	(4,144,447)	1,554,620	1,408,424	(4,237,371)

(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.

	2016			2015		
	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%	(19,774)	–	5%	58,298	–
	(5%)	19,774	–	(5)%	(58,298)	–
Hong Kong Dollars	5%	–	12,777	5%	–	52,816
	(5%)	–	(12,777)	(5)%	–	(52,816)
United States Dollars	5%	–	(173,031)	5%	–	(158,901)
	(5%)	–	173,031	(5)%	–	158,901

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

(d) Currency risk (continued)

(ii) Sensitivity analysis (continued)

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 rates ruling at the end of the reporting periods 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 periods, 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 2015.

(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

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

(e) Fair value measurement (continued)

(i) Financial assets measured at fair value (continued)

	Fair value at each end of the reporting period	Fair value measurements as at the end of each reporting period categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
At 31 December 2016				
Assets:				
– Senior notes redemption call options	135,161	–	–	135,161
At 31 December 2015				
Assets:				
– Senior notes redemption call options	36,692	–	–	36,692

During the year ended 31 December 2016 and 2015, 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 2016 (2015: all). The valuations were carried out by an independent firm of surveyors, APAC Asset Valuation and Consulting 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.

25 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	0.257% – 1.497% (2015: 0.409% – 1.406%)
		Option adjusted spread	3.078%-4.698% (2015: 5.953% – 6.107%)
		Discount rate	3.658%-6.195% (2015: 6.362% – 7.513%)

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 2016 and 2015, it is estimated that with all other variables held constant, a decrease/increase in risk free 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 2015.

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

	2016 RMB'000	2015 RMB'000
At 1 January	36,692	27,814
Fair value at inception	10,888	–
Change in fair value	81,720	6,936
Exchange difference	5,861	1,942
At 31 December	135,161	36,692

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 2015 and 2016 based on the nature or short-term maturity of these financial instruments.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

26 Commitments

Commitments outstanding at 31 December 2016 not provided for in the financial statements were as follows:

	2016 RMB'000	2015 RMB'000
Contracted for	5,593,891	11,983,863
Authorised but not contracted for	18,672,299	21,096,818
	24,266,190	33,080,681

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

27 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 1 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 11.

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

	2016 RMB'000	2015 RMB'000
Within 1 year	90,436	80,301
After 1 year but within 5 years	166,182	176,235
After 5 years	62,074	68,283
	318,692	324,819

(b) Lessee

The Group leases office space under operating leases. The leases typically run for an initial period of 1 to 2 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:

	2016 RMB'000	2015 RMB'000
Within 1 year	9,556	6,668
After 1 year but within 5 years	3,380	11,058
	12,936	17,726

28 CONTINGENT LIABILITIES

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

	2016 RMB'000	2015 RMB'000
Guarantees given to financial institutions for mortgages facilities granted to purchasers of the Group's properties	**9,806,196**	8,156,977

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.

29 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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	2016 RMB'000	2015 RMB'000
Construction contracts income from related companies	(i)	**211,607**	116,280
Rental income from related companies	(ii)	**2,070**	–
Interest income from an associate and joint ventures	(iii)	**315,308**	–
Management service fee income from a related company	(iv)	**1,501**	700
Disposal of subsidiaries to joint ventures	(v)	**109,000**	–
Acquisition of subsidiary from the relative of the Chairman of the Company	(vi)	**(494,000)**	–
Acquisition of investment property from a related party	(vii)	**(22,775)**	–
Remuneration of key management personnel	(viii)	**(80,500)**	(40,856)

Notes:

(i) The Group was engaged for the construction projects of related companies.

(ii) The Group received rentals deriving from its investment properties from related companies.

(iii) This represented the gross interest income from the associate and joint ventures, which is before the elimination of interest between the Group and the associate or joint ventures. The Group has been providing funds to the associate and joint ventures. The advances are interest bearing, unsecured and have no fixed term of repayment (For details, please see notes 13 and note 14).

(iv) The Group provided management service to a related company.

(v) During the year ended 31 December 2016, the Group disposed 11 newly set-up subsidiaries to joint ventures of the Group. Please refer to note 33 for details.

29 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

Notes: (continued)

(vi) On 5 December 2016, the Group entered into an acquisition agreement with a relative of the Chairman of the Company. Please refer to note 31 for details.

(vii) The Group purchased an investment property from a related party.

(viii) Remuneration of key management personnel, including amounts paid to the directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2016 RMB'000	2015 RMB'000
Short-term employee benefits	**80,500**	40,856
Post-employment benefits	**–**	–
	80,500	40,856

(b) Balances with related parties

	Note	**2016 RMB'000**	2015 RMB'000
Amount due from an associate (note)	13	**3,019,480**	–
Amounts due from joint ventures (note)	14	**12,320,588**	–
Amounts due from related companies	16	**140,944**	166,811
Amounts due from an associate and joint ventures	16	**69,883**	–
Amounts due to related companies	20	**(497,488)**	(12)
Amounts due to joint ventures	20	**(1,343,560)**	–
Guarantee provided by a related company and Mr. Kei.	21	**538,050**	769,000

Note: These amounts are included in interests in an associate and joint ventures which are disclosed in notes 13 and 14.

30 LOANS COVENANTS WAIVERS

As explained in note 21(iii), a total amount of RMB4,253,422,000 of the covenants relating to bank loans had been breached. The Group obtained RMB2,372,500,000 out of RMB4,253,422,000 of waivers of the breaches of covenants in December 2016. On the basis of its forecasts, management believes that the risk of the covenants being breached is low and the Group will continue as a going concern for the foreseeable future.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

31 Acquisition of Subsidiaries

On 5 December 2016, 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 the Chairman of the Company, Mr Kei) 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 Pak San Bay Investments Company Limited ("Pak San Bay"), from HJL at a consideration of RMB494 million. Pak San Bay (through its wholly-owned subsidiary (collectively "Pak San Bay Group")) in turn owned 75% interest in a property project in Guangdong. 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 extraordinary general meeting of the Company (the "EGM") held on 5 December 2016. The transaction was completed on 31 December 2016.

This acquisition has been accounted for using the acquisition method. Pak San Bay Group was acquired so as to continue the expansion of the Group's property development operations.

	2016 RMB'000
Other property, plant and equipment	132
Inventories	1,252,790
Trade and other receivables	3,279
Cash and cash equivalents	55,418
Trade and other payables	(468,875)
Deferred tax liability recognised	(184,010)
Net identified assets and liabilities	658,734
Less: Non-controlling interest	(164,734)
	494,000
Bargain purchase arising on acquisition	–
Total consideration	494,000
Total consideration	494,000
Amount due to a related party	(494,000)
Total consideration paid	–
Cash and cash equivalents acquired	(55,418)
Net cash inflow arising from acquisition	55,418

On acquisition day, the book value of assets and liabilities acquired amounted to RMB79,911,000 and the fair value of assets and liabilities acquired amounted to RMB658,734,000.

32 ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

	2016 RMB'000
Consideration paid	2,000,000
Amounts due from non-controlling interests (note 16)	86,288
Others	5,145
Carrying amount of non-controlling interests acquired	(997,889)
Excess of consideration paid recognised in other reserve	1,093,544

During 2015 and 2016, the Group acquired additional interests in three subsidiaries from the non-controlling interests. Details of the transactions are as follows:

(i) Shenzhen Jinjun Property Co., Ltd. ("Shenzhen Jinjun")

On 26 December 2016, the Group acquired 49% equity interest in Shenzhen Jinjun from a non-controlling interest, Pingan Dahua, at a consideration of RMB2,086,288,000.

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 RMB997,889,000 amounted to approximately RMB1,088,399,000 is recognised in other reserve in accordance with the accounting policy set out in note 2(d).

(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(d).

(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 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(d).

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

32 Acquisition of Additional Interests in Subsidiaries (Continued)

(iv) 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(d).

33 Disposal of Subsidiaries

During the year end 31 December 2016, the Group has disposed certain subsidiaries. Subsequent to the disposals, these entities are no longer subsidiaries of the Group and certain of these subsidiaries became joint ventures of the Group.

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

	RMB'000
Inventories	3,407
Trade and other receivables	708,417
Cash and cash equivalents	233,434
Trade and other payables	(816,136)
Net assets attributable to the Group disposed of	129,122
Less: Non-controlling interest	–
	129,122
Net gain on disposal of subsidiaries	878
Total consideration	130,000
Total consideration received, satisfied in cash	–
Cash and cash equivalents disposed of	(233,434)
Net cash outflow arising from disposals	(233,434)

34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Plant and equipment		**7,295**	–
Investments in subsidiaries		**10,211**	10,211
		17,506	10,211
Current assets			
Prepayments and other receivables		**4,740,722**	5,536,466
Cash and cash equivalents		**2,966,168**	285,728
		7,706,890	5,822,194
Current liabilities			
Other payables		**32,296**	–
Bank loan		**1,160,922**	205,295
Senior notes		**1,747,637**	–
		2,940,855	205,295
Net current assets		**4,766,035**	5,616,899
Total assets less current liability		**4,783,541**	5,627,110
Non-current liabilities			
Bank loan		**–**	479,022
Senior notes		**3,960,889**	3,588,720
		3,960,889	4,067,742
NET ASSETS		**822,652**	1,559,368
CAPITAL AND RESERVES	24		
Share capital		**434,591**	439,821
Reserves		**388,061**	1,119,547
TOTAL EQUITY		**822,652**	1,559,368

Approved and authorised for issue by the board of directors on 30 March 2017.

Lai Zhuobin
Director

Xiao Xu
Director

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

35 Non-adjusting Events after the Reporting Period

(a) On 3 January 2017, the Company issued another senior notes with principal amount of US$200,000,000 due in 2022 ("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 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.

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

(c) Shenzhen Logan Holdings Company Limited, a wholly-owned subsidiary of the Company (established in the People's Republic of China) has issued an Asset-backed securitization of an amount of RMB1,521 million for a term of three years after the reporting period. Under this assignment between the Group and the Specific Purpose Entity set up by a financial institution ("SPE") in the PRC, as and when the Group receives the sales proceeds from customers, the Group would remit any cash flows it collects on behalf of the SPE. On 25 January 2017, the securities under this ABS have been fully subscribed.

(d) On 22 March 2017, the Company and KWG Property Holding Limited ("KWG") have entered into a joint venture through the formation of Unicorn Bay Limited, a previously wholly-owned subsidiary ("the JV company"). Each of the Company and KWG owns 50% of the issued share capital of the JV Company.

The purpose of the JV Company is to develop the Ap Lei Chau Inland Lot No. 136 at Lee Nam Road, Ap Lei Chau, Hong Kong (the "Site") into a residential development which has a total land premium of HKD16,855,780,000.

36 Ultimate Controlling Party

At 31 December 2016, 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.

(Expressed in Renminbi)

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, Statement of cash flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

(b) Hedge accounting

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group preliminarily assesses that its current hedge relationships will qualify as continuing hedges upon the adoption of HKFRS 9 and therefore it expects that the accounting for its hedging relationships will not be significantly impacted.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2(v). Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

HKFRS 15, Revenue from contracts with customers (continued)

(a) Timing of revenue recognition (continued)

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts HKFRS 15 some of the Group's contract manufacturing and residential property development activities that are currently recognised at a point in time may meet the HKFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

HKFRS 15, Revenue from contracts with customers (continued)

(b) Significant financing component (continued)

Advance payments are not common in the Group's arrangements with its customers, with the exception of when residential properties are marketed by the Group while the property is still under construction. In this situation, the Group may offer buyers a discount compared to the sales price payable, provided the buyer agrees to pay the balance of the purchase price early.

Currently, the revenue from property sales is recognised when the property is complete, measured at the amount received from the customer, irrespective of whether the customer pays early or on completion. However, under HKFRS 15 such advance payment schemes are likely to be regarded as including a financing component.

The Group is in the process of assessing whether this component in the Group's advance payment schemes would be significant to the contract and therefore whether, once HKFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognising revenue. Any adjustment to the transaction price under HKFRS 15, if considered necessary, would result in interest expense being recognised while the construction work is still in progress to reflect the effect of the financing benefit obtained from the customers, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customer.

(c) Sales with a right of return

Currently when the customers are allowed to return the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

HKFRS 16, Leases

As disclosed in note 2(j), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 27(b), at 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB12,936,000 for properties, the majority of which is payable within 1 year. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The Group is considering whether to adopt HKFRS 16 before its effective date of 1 January 2019. However, early adoption of HKFRS 16 is only permitted if this is no earlier than the adoption of HKFRS 15. It is therefore unlikely that HKFRS 16 will be adopted before the effective date of HKFRS 15, being 1 January 2018.

Five Years' Financial Summary

CONSOLIDATED RESULTS

	Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**20,538,838**	14,574,010	12,497,937	11,119,424	6,587,660
Profit attributable to shareholders of the company	**4,487,736**	2,649,279	2,347,630	2,024,156	1,794,068

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	At 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**27,980,313**	7,011,397	5,609,629	4,187,407	4,075,690
Current assets	**58,521,396**	49,760,269	39,226,124	23,624,432	17,973,466
Total assets	**86,501,709**	56,771,666	44,835,753	27,811,839	22,049,156
Current Liabilities	**31,054,870**	22,621,261	17,827,322	13,634,741	12,821,807
Non-current Liabilities	**29,695,493**	16,689,488	13,691,413	6,827,422	5,076,588
Total Liabilities	**60,750,363**	39,310,749	31,518,735	20,462,163	17,898,395
Net assets	**25,751,346**	17,460,917	13,317,018	7,349,676	4,150,761
Total equity attributable to shareholders of the Company	**19,426,849**	13,548,779	11,209,886	7,335,688	4,092,780
Non-controlling interests	**6,324,497**	3,912,138	2,107,132	13,988	57,981
Total equity	**25,751,346**	17,460,917	13,317,018	7,349,676	4,150,761

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