Goodman Logistics (HK) Limited
ARBN 155 911 149
and its subsidiaries
Condensed interim financial report for the half year ended 31 December 2012

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Goodman Logistics (HK) Limited and its subsidiaries
Report of the directors
for the half year ended 31 December 2012

The directors have pleasure in submitting their condensed interim financial report for Goodman Logistics (HK) Limited ("the Company") and its subsidiaries (collectively referred to as the "Consolidated Entity") for the half year ended 31 December 2012 ("half year").

Incorporation and principal place of business

Goodman Logistics (HK) Limited was incorporated in Hong Kong on 18 January 2012 and has its principal place of business at Suite 2008, Three Pacific Place, 1 Queen's Road East, Hong Kong.

On 22 August 2012, the Company became a party to the stapling deed with Goodman Limited ("GL") and Goodman Industrial Trust ("GIT"), and together the three entities and their controlled entities are known as the Goodman Group. The Goodman Group is listed on the Australian Securities Exchange.

Principal activities

The principal activities of the Consolidated Entity are investment in directly and indirectly held industrial property, fund management, property management services and development management.

Condensed interim financial report

The results of the Consolidated Entity for the half year ended 31 December 2012 and the state of the Consolidated Entity's affairs at that date are set out in the condensed interim financial report on pages 4 to 21.

No interim dividends were declared during the half year.

Directors

The directors during the half year and up to the date of this report were:

Gregory Leith Goodman
Philip John Pearce
Ian Douglas Ferrier
Philip Yan Hok Fan

State of affairs

The key changes in the Consolidated Entity's state of affairs during the half year were as follows:

a) Stapling

On 22 August 2012, Goodman Funds Management Limited as the responsible entity of GIT paid a subscription amount of HK$4,567,164,781 for the issue by the Company of 1,605,107,474 shares to CHESS Depositary Nominees Pty Limited ("CDN") (in addition to the one share already held). CDN issued corresponding CHESS Depositary Interests ("CDI") to GIT. Later that day GIT carried out a distribution in specie of all its CDI interests to its unit holders so that the CDI were stapled to each GIT unit and GL share.

The Company became a party to the Stapling Deed with GL and GIT which became effective on the implementation of the Stapling on 22 August 2012.

b) Acquisition of China entities

On 11 September 2012, the Company acquired a 100% interest in Goodman China Limited, which provides property management services to Goodman Group's Chinese properties, for US$3,283,859 from GL.

On 22 October, 2012, the Company acquired a 100% interest in Goodman China Asset Management Limited, the fund manager for Goodman China Logistics Holding Limited, for US$233,105.

c) Investment in Goodman Japan Development Partnership

On 6 September 2012, the Company agreed to subscribe up to JPY20.0 billion over three years for a 50% interest in Goodman Japan Development Partnership ("GJDP"). On 10 September 2012, the Company subscribed JPY6.4 billion for a 42.5% interest in GJDP.

State of affairs (cont)

d) Acquisition of European businesses

On 21 September 2012, the Company acquired:

+ a 100% interest in Goodman Management Holdings (Lux) Sàrl, the owner of the Goodman European operating companies, for €210,694,598;
+ a 100% interest in GELF Management (Lux) Sàrl, the manager of Goodman European Logistics Fund FCP, for €102,623,718; and
+ a 100% interest in GPO Advisory (Lux) Sàrl, the provider of property management services to Goodman Property Opportunities (Lux) Sàrl SICAR, for €3,434,320,

from Goodman Europe (Aust) Pty Ltd, a subsidiary of GL.

On 21 September 2012, the Company also acquired a 94% interest in Goodman Property Opportunities (Lux) Sàrl SICAR, a property investment and development company, for €48,747,484 from Goodman Europe Development Trust, a sub-trust of GIT.

Events subsequent to balance sheet date

In the opinion of the directors, there were no events subsequent to the balance sheet date, and up to the date of signature of this condensed interim financial report, which would require adjustment to or disclosure in the condensed interim financial report.

By order of the board

Ian Douglas Ferrier, AM	**Philip John Pearce**
Independent Chairman	Managing Director Greater China

Sydney, 21 February 2013

Goodman Logistics (HK) Limited and its subsidiaries
Consolidated interim balance sheet
as at 31 December 2012

(expressed in Australian dollars)

		Consolidated	
		31 Dec 2012	30 Jun 2012
	Note	$M	$M
Current assets			
Cash		66.3	-
Receivables	7	161.4	-
Current tax receivables		0.1	-
Other assets		4.5	-
Total current assets		**232.3**	**-**
Non-current assets			
Receivables	7	49.8	-
Inventories	8	147.5	-
Other assets		39.1	-
Investment properties	9	75.3	-
Investments accounted for using the equity method	10	79.2	-
Plant and equipment		2.2	-
Total non-current assets		**393.1**	**-**
Total assets		**625.4**	**-**
Current liabilities			
Payables	11	504.3	-
Current tax payables		2.8	-
Employee benefits		2.5	-
Provisions		0.2	-
Total current liabilities		**509.8**	**-**
Non-current liabilities			
Payables	11	0.8	-
Provisions		1.7	-
Total non-current liabilities		**2.5**	**-**
Total liabilities		**512.3**	**-**
Net assets		**113.1**	**-**
Equity attributable to Shareholders			
Issued share capital[1]	12	-	-
Share premium		606.1	-
Reserves	13	(514.3)	-
Retained earnings	14	17.1	-
Total equity attributable to Shareholders		**108.9**	**-**
Other non-controlling interests		4.2	-
Total equity		**113.1**	**-**

1. Amounts less than $0.1 million.

The notes on pages 8 to 21 form part of this condensed consolidated interim financial report.

Goodman Logistics (HK) Limited and its subsidiaries
Consolidated interim statement of comprehensive income
for the half year ended 31 December 2012

(expressed in Australian dollars)

	Note	Consolidated 2012 $M
Revenue		
Gross property income		1.8
Fund management income		3.7
Property services income		4.4
Development income		14.4
		24.3
Property and development expenses		
Property expenses		(0.5)
Development expenses		(10.2)
		(10.7)
Other income		
Net loss from fair value adjustments on investment properties	9	(4.3)
Net gain on disposal of controlled entities	4	9.9
Share of net results of equity accounted investments	4	0.2
		5.8
Other expenses		
Employee expenses		(4.6)
Share based payments expense	4	(1.5)
Administrative and other expenses		(3.6)
Impairment losses	4	(0.2)
		(9.9)
Profit before interest and tax		**9.5**
Net finance income		
Finance income	5	6.6
Finance expense	5	(2.5)
Net finance income		**4.1**
Profit before income tax		**13.6**
Income tax expense		(0.6)
Profit for the half year		**13.0**
Profit attributable to:		
Shareholders	14	12.8
Non-controlling interests		0.2
Profit for the half year		**13.0**
Other comprehensive income		
Effect of foreign currency translation		(18.0)
Other comprehensive income for the half year		**(18.0)**
Total comprehensive income for the half year		**(5.0)**
Total comprehensive income attributable to:		
Shareholders		(5.2)
Non-controlling interests		0.2
Total comprehensive income for the half year		**(5.0)**

The notes on pages 8 to 21 form part of this condensed consolidated interim financial report.

Goodman Logistics (HK) Limited and its subsidiaries
Consolidated interim statement of changes in equity
for the half year ended 31 December 2012

(expressed in Australian dollars)

Half year ended 31 December 2012

Consolidated		Attributable to Shareholders						
		Issued share capital[1]	Share premium	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	$M	$M	$M	$M	$M	$M	$M
Balance at 1 July 2012		-	-	-	-	-	-	-
Total comprehensive income for the half year								
Profit for the half year	14	-	-	-	12.8	**12.8**	0.2	**13.0**
Other comprehensive income for the half year		-	-	(18.0)	-	**(18.0)**	-	**(18.0)**
Total comprehensive income for the half year, net of income tax		**-**	**-**	**(18.0)**	**12.8**	**(5.2)**	**0.2**	**(5.0)**
Transfers		-	-	(4.3)	4.3	**-**	-	**-**
Contributions by and distributions to owners								
- Issue of shares to GIT	12	-	561.8	-	-	**561.8**	-	**561.8**
- Issue of shares under the Institutional Placement	12	-	40.0	-	-	**40.0**	-	**40.0**
- Issue of shares under the Security Purchase Plan	12	-	4.9	-	-	**4.9**	-	**4.9**
- Issue costs		-	(0.6)	-	-	**(0.6)**	-	**(0.6)**
- Equity settled share based payments expense	13(c)	-	-	0.8	-	**0.8**	-	**0.8**
Changes in ownership interests in subsidiaries								
- Acquisition of entities from Goodman Group	2(c)	-	-	(492.8)	-	**(492.8)**	4.0	**(488.8)**
Balance at 31 December 2012		**-**	**606.1**	**(514.3)**	**17.1**	**108.9**	**4.2**	**113.1**

1. Amounts less than $0.1 million.

The notes on pages 8 to 21 form part of this condensed consolidated interim financial report.

Goodman Logistics (HK) Limited and its subsidiaries
Condensed consolidated interim cash flow statement
for the half year ended 31 December 2012

(expressed in Australian dollars)

	Consolidated
	2012
	$M
Cash flows from operating activities	
Property income received	1.9
Cash receipts from development activities	112.5
Other cash receipts from services provided	22.3
Property expenses paid	(0.7)
Payments for development activities	(64.5)
Other cash payments in the course of operations	(17.6)
Finance costs paid	(0.2)
Net income taxes paid	(0.4)
Net cash provided by operating activities	**53.3**
Cash flows from investing activities	
Payments for equity investments	(79.1)
Payments for investment properties	(1.3)
Cash acquired on acquisition of subsidiaries	47.7
Net cash used in investing activities	**(32.7)**
Cash flows from financing activities	
Net cash flows from loans from related parties	44.8
Net cash provided by financing activities	**44.8**
Net increase in cash held	65.4
Cash at the beginning of the half year	-
Effect of exchange rate fluctuations on cash held	0.9
Cash at the end of the half year	**66.3**

The notes on pages 8 to 21 form part of this condensed consolidated interim financial report.

(expressed in Australian dollars)

1. Statement of significant accounting policies

(a) Statement of compliance

This condensed interim financial report of the Company as at and for the six months ended 31 December 2012 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity") and the Consolidated Entity's interests in jointly controlled entities.

This condensed interim financial report has been prepared in accordance with Hong Kong Financial Reporting Standard 34 "Interim financial reporting". The condensed interim financial report is presented in Australian dollars and was authorised for issue by the directors on 21 February 2013.

The condensed interim financial report does not include all of the information required for a full annual financial report.

The Company has not applied any new amendments or standards that are not yet effective for the current accounting period. A summary of the significant accounting policies adopted by the Consolidated Entity is set out below.

(b) Basis of preparation of the condensed interim financial report

The measurement basis used in the preparation of the condensed interim financial report is the historical cost basis except for investment properties which are stated at fair value.

As at 31 December 2012, the Consolidated Entity had net current liabilities of $277.5 million. In accordance with the stapling agreement between the Company, GL and Goodman Funds Management Limited as responsible entity for GIT, on request, each party (and its subsidiaries) must provide financial support to the other party (and its subsidiaries). The financial support to the other party (and its subsidiaries) may include:

(a) lending money or providing financial accommodation;
(b) guaranteeing any loan or other financing facility including providing any security;
(c) entering into any covenant, undertaking, restraint, negative pledge on the obtaining of any financial accommodation or the provision of any guarantee or security in connection with any financial accommodation; and
(d) entering into any joint borrowing or joint financial accommodation and providing any guarantee, security, indemnities and undertakings in connection with the relevant joint borrowing or joint financial accommodation.

A party need not do anything under the above arrangements to the extent that the party considers that it is not in the interests of the Goodman Group Securityholders as a whole, or would cause a member of the party's group to contravene or breach applicable laws or particular finance arrangements.

On the basis of the above, the condensed interim financial report has been prepared on a going concern basis.

No comparative information is presented for the period from 1 July 2011 to 31 December 2011 for the consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and condensed consolidated interim cash flow statement as the Company was incorporated on 18 January 2012.

The preparation of condensed interim financial reports in conformity with Hong Kong Financial Reporting Standards 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.

(c) Principles of consolidation

Controlled entities

Controlled entities are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The condensed consolidated interim financial report incorporates the assets and liabilities of all entities controlled by the Company at 31 December 2012 and the results of all such entities for the half year ended 31 December 2012.

Where an entity either began or ceased to be controlled by the Company during the financial period, the results of that entity are included only from or to the date control commenced or ceased.

1. Statement of significant accounting policies (cont)

(c) Principles of consolidation (cont)

Joint ventures
A joint venture is either an entity or operation that is jointly controlled by the Consolidated Entity.

Joint venture entities
In the condensed consolidated interim financial report, investments in joint venture entities are accounted for using the equity method. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

The Consolidated Entity's share of the joint venture entity's net profit or loss is recognised in the consolidated statement of comprehensive income from the date joint control commences to the date joint control ceases. Movements in reserves are recognised directly in the consolidated reserves.

Accounting for acquisitions of non-controlling interests
Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no gain or loss and no goodwill is recognised as a result of such transactions.

Transactions eliminated on consolidation
Unrealised gains resulting from transactions with joint venture entities, including those relating to contributions of non-monetary assets on establishment, are eliminated to the extent of the Consolidated Entity's interest. Unrealised gains relating to joint venture entities are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence an impairment of an asset.

Combination of entities or businesses under common control
Where the Consolidated Entity acquires entities or businesses from other members of the Goodman Group such that all of the combining entities (businesses) are ultimately controlled by Goodman Group securityholders both before and after the combination, the Consolidated Entity applies the pooling of interests method.

At the date of the combination of entities under common control, the assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities that would otherwise be done under the acquisition method. The only goodwill that is recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration transferred and the equity "acquired" by the Consolidated Entity is reflected within equity (common control reserve).

Similar to the acquisition method, the results of the "acquired" entity are included only from the date control commenced. Comparatives are not restated to present the condensed interim financial report as if the entities had always been combined.

(d) Revenue recognition

Gross property income
Gross property income comprises rental income entitlements under operating leases, net of incentives provided, plus recoverable outgoings.

Rental income entitlements under operating leases are recognised on a straight-line basis over the term of the lease contract. Where operating lease rental income is recognised relating to fixed increases in rentals in future years, an asset is recognised. This asset is a component of the relevant investment property carrying amount. The cost of lease incentives provided to customers is recognised on a straight-line basis over the life of the lease as a reduction of gross property income.

Recoverable outgoings are recognised as income when the relevant outgoings are recorded as an expense.

Rendering of services
Fee income derived from fund management and property services is recognised progressively as the services are provided. Any performance related fund management income is recognised on attainment of the performance related conditions.

Development income
Development income comprises fee income from development management contracts and income from fixed price construction contracts.

Fee income from development management services is recognised progressively as the services are provided in proportion to the stage of completion by reference to costs incurred.

1. Statement of significant accounting policies (cont)

(d) Revenue recognition (cont)

Certain development management arrangements are assessed as being fixed price construction contracts rather than a rendering of services. Revenue and expenses relating to construction contracts are recognised in the statement of comprehensive income in proportion to the stage of completion of the relevant contracts. The stage of completion is assessed by reference to costs incurred to date as a percentage of estimated total costs for each contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the statement of comprehensive income.

Finance income
Interest is brought to account on an accruals basis using the effective interest method, and, if not received at balance date, is reflected in the balance sheet as a receivable.

(e) Foreign currency translation

Functional and presentation currency
Items included in the condensed consolidated interim financial report of each of the Company's controlled entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The condensed consolidated interim financial report is presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions
Foreign currency transactions are translated to each entity's functional currency at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at the balance date are translated at the rates of exchange ruling on that date. Resulting exchange differences are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost are translated at rates of exchange applicable at the date of the initial transaction. Non-monetary items which are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of controlled foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars at foreign exchange rates applicable at the balance sheet date.

Revenue and expenses are translated at weighted average rates for the financial period. Exchange differences arising on translation are taken directly to the foreign currency translation reserve until the disposal or partial disposal of the operations.

Exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in the foreign currency translation reserve on consolidation.

(f) Investment properties

Investment properties comprise investment interests in land and buildings held for the purpose of leasing to produce rental income and/or for capital appreciation. Investment properties are carried at their fair value.

Components of investment properties
Land and buildings (including integral plant and equipment) comprising investment properties are regarded as composite assets and are disclosed as such in the condensed consolidated interim financial report. Investment properties are not depreciated as they are subject to continual maintenance and regularly revalued on the basis described below.

Investment property carrying values include the costs of acquiring the properties and subsequent costs of development, if applicable. Where a contract of purchase includes a deferred payment arrangement, the acquisition value is determined as the cash consideration payable in the future, discounted to present value at the date of acquisition. Costs of development include the costs of all materials used in construction, costs of managing the project, holding costs and borrowing costs incurred during the development period.

Amounts provided to customers as lease incentives and assets relating to fixed rental income increases in operating lease contracts are included within investment property values. Lease incentives are amortised over the term of the lease on a straight-line basis. The amortisation is applied to reduce gross property income.

Expenditure on direct leasing and tenancy costs is deferred and included within investment property values. Direct leasing and tenancy costs are amortised over the term of the lease in proportion to the rental income recognised in each financial period.

1. Statement of significant accounting policies (cont)

(f) Investment properties (cont)

Stabilised investment properties
Stabilised investment properties are completed investment properties that are capable of earning rental income. An independent valuation of stabilised investment properties is obtained at least every three years to use as a basis for measuring the fair value of the properties. The independent registered valuers determine the market value based on market evidence and assuming a willing, but not anxious, buyer and seller, a reasonable period to sell the property, and the property being reasonably exposed to the market.

At each balance sheet date occurring between obtaining independent valuations, the Directors review the carrying value of the Consolidated Entity's investment properties to be satisfied that, in their opinion, the carrying value of the investment properties reflects the fair value of the investment properties at that date. Changes in fair value are recognised directly in the statement of comprehensive income. Net unrealised fair value adjustments on investment properties are transferred to the asset revaluation reserve from retained earnings.

Investment properties under development
Investment properties under development include land, new investment properties in the course of construction and investment properties that are being redeveloped. Property under development for future use as an investment property is measured at fair value at each balance sheet date.

External valuations are generally not performed for investment properties under development, but instead valuations are determined using the Consolidated Entity's feasibility studies supporting the properties under development. The end values of the developments in the feasibility studies are based on assumptions to determine capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant market adjusted for a profit and risk factor. Changes in fair value are recognised directly in the statement of comprehensive income. Net unrealised fair value adjustments on investment properties are transferred to the asset revaluation reserve from retained earnings.

Deposits for investment properties
Deposits and other costs associated with acquiring investment properties that are incurred prior to the Consolidated Entity obtaining legal title are recorded at cost and disclosed as other assets in the balance sheet.

Disposal of investment properties
The disposal of an investment property is recognised when the significant risks and rewards of ownership have been transferred. The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the property at the time of the disposal and the proceeds on disposal (less transaction costs and any provision for future rental guarantees) and is included in the statement of comprehensive income in the period of disposal. On disposal, the balance of previously unrealised fair value adjustments for the individual properties included in the asset revaluation reserve is transferred to retained earnings.

(g) Inventories

Inventories relate to land and property developments that are held for sale or development and sale in the normal course of the Consolidated Entity's business. Where property developments are forecast to be completed and sold more than 12 months after the balance sheet date, then the inventories are classified as non-current.

Work in progress in relation to land subdivision and development projects includes the costs of acquisition, planning, management and development and holding costs such as interest and taxes. Work in progress is carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses.

(h) Financial instruments

Non-derivative financial assets
The Consolidated Entity initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Consolidated Entity is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Consolidated Entity has legal right to offset the amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

1 Statement of significant accounting policies (cont)

(h) Financial instruments (cont)

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less allowance for impairment of doubtful debts, 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.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Non-derivative financial liabilities
The Consolidated Entity initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

The Consolidated Entity derecognises a financial liability when the contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Consolidated Entity has legal right to offset the amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

The Consolidated Entity has classified non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise interest bearing liabilities, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Issued capital
Ordinary shares
Ordinary shares of the Company are classified as equity. Incremental costs directly attributable to issues of ordinary shares and options are recognised as a deduction from equity, net of any tax effects.

(i) Finance costs

Expenditure incurred in obtaining debt finance is offset against the principal amount of the interest bearing liability to which it relates, and is recognised as a finance cost on an effective yield basis over the life of the facility or until the facility is significantly modified. Where a facility is significantly modified, any unamortised expenditure in relation to that facility and incremental expenditure incurred in modifying the facility are recognised as a finance cost in the financial year in which the significant modification occurs.

Finance costs relating to a qualifying asset are capitalised as part of the cost of that asset using a weighted average cost of debt. Qualifying assets are assets which take a substantial time to get ready for their intended use or sale. All other finance costs are expensed using the effective interest rate method.

(j) Impairment

Non-financial assets
The carrying amounts of the Consolidated Entity's assets (except investment properties, refer to note 1(f); inventories, refer to note 1(g); and deferred tax assets, refer to note 1(n)) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset is written down to the recoverable amount. The impairment is recognised in the statement of comprehensive income in the reporting period in which it occurs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation, with any excess recognised through the statement of comprehensive income.

1. Statement of significant accounting policies (cont)

(j) Impairment (cont)

Impairment losses recognised in respect of cash-generating units are allocated to the carrying amount of any identified intangible asset and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Financial assets
A financial asset is assessed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the financial asset is written down to the present value of the estimated future cash flows discounted at the original effective interest rate, or in the case of an available for sale financial asset, to its fair value. The impairment is recognised in profit or loss in the reporting period in which it occurs.

When a decline in the fair value of an available for sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is transferred to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount
The recoverable amount of the Consolidated Entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

The recoverable amount of other assets is the greater of their fair value less costs to sell, 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment
An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses, other than those referred to above, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

Where a group of assets working together supports the generation of cash inflows, the recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets, the relevant cash flows are discounted to their present value.

(k) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability most closely matching the expected future payments. The unwinding of the discount is treated as part of the expense related to the particular provision.

Dividends payable
Provisions for dividends payable are recognised in the reporting period in which the dividends are declared for the entire undistributed amount regardless of the extent to which they will be paid in cash.

1. Statement of significant accounting policies (cont)

(k) Provisions (cont)

Rental guarantees
A provision for rental guarantees is recognised when it is expected that the Consolidated Entity will be obliged to make payments in the future to meet rental income targets guaranteed to third parties under the terms of asset disposal contracts. The provision is measured at the present value of the estimated future payments.

(l) Segment reporting

The Consolidated Entity reports the results and financial position of its operating segments based on the internal reports regularly reviewed by the Group Chief Executive Officer in order to assess each segment's performance and to allocate resources to them.

An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are regularly reviewed by the Group Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group Chief Executive Officer include items that are directly attributable to a segment and the portion that can be allocated to the segment on a reasonable basis. Unallocated items include fair value adjustments and impairments, interest and tax expense, interest bearing receivables and payables, receivables from and payables to GL and GIT, provision for dividends to shareholders, corporate assets, head office expenses and income tax assets and liabilities.

(m) Employee benefits

Wages, salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits, and annual leave that are expected to be settled within 12 months of the reporting date, represent present obligations resulting from employees' services provided to the reporting date. These are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at balance sheet date including related on-costs, such as workers' compensation insurance and payroll tax.

Defined contribution superannuation funds
Obligations for contributions to defined contribution superannuation funds are recognised as an expense as incurred.

Share based payment transactions
The fair value of rights and options over stapled securities at the grant date is expensed with a corresponding increase in the employee compensation reserve. The share based payments expense is calculated over the period to the vesting date and is adjusted to reflect the actual number of rights or options for which the related service and non-market vesting conditions are expected to be met. The fair values of rights and options are measured at grant date using a combination of Monte Carlo simulations and binomial pricing models.

(n) Income tax

Income tax for the period 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 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 period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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 balance sheet date. Deferred tax assets and liabilities are not discounted.

2. Acquisition of entities from the Goodman Group

During the half year, the Company acquired controlled entities in China and Continental Europe from GL and GIT as set out below:

(a) Acquisition of entities in China

Entity acquired	Principal activity	
Goodman China Limited	Property management services	11 Sep 2012
Goodman China Asset Management Limited	Fund management	22 Oct 2012

Carrying values of assets acquired and liabilities assumed

	Goodman China Limited $M	Goodman China Asset Management Limited $M
Cash	15.8	-
Receivables	1.3	-
Other assets	22.3	0.3
Payables	(36.2)	(0.1)
Net assets acquired	**3.2**	**0.2**
Total consideration	**3.2**	**0.2**

(b) Acquisition of entities in Continental Europe

Entity acquired	Principal activity	Date of acquisition
Goodman Management Holdings (Lux) Sàrl	Intermediate holding company	21 Sep 2012
GELF Management (Lux) Sàrl	Fund management	21 Sep 2012
GPO Advisory (Lux) Sàrl	Property management services	21 Sep 2012
Goodman Property Opportunities (Lux) Sàrl SICAR	Property investment and development	21 Sep 2012

Carrying values of assets acquired and liabilities assumed

	Goodman Management Holdings (Lux) Sàrl $M	GELF Management (Lux) Sàrl $M	GPO Advisory (Lux) Sàrl $M	Goodman Property Opportunities (Lux) Sàrl SICAR $M
Cash	7.2	2.9	-	21.8
Receivables	18.9	2.5	4.3	142.8
Investment properties	43.6	-	-	33.9
Investments accounted for using the equity method	-	-	-	1.2
Inventories	21.5	-	-	92.3
Other assets	19.7	-	-	3.4
Payables	(222.2)	(2.8)	(0.1)	(231.8)
Net (liabilities assumed)/assets acquired	**(111.3)**	**2.6**	**4.2**	**63.6**
Total consideration	**258.2**	**125.8**	**4.2**	**59.7**

2. Acquisition of entities from the Goodman Group (cont)

(c) Amount transferred to common control reserve

	$M
Total consideration transferred	451.3
Non-controlling interests, based on proportionate interest in the recognised amounts of the assets and liabilities of Goodman Property Opportunities (Lux) Sàrl SICAR	4.0
Carrying value of net liabilities	37.5
Amount transferred to common control reserve	**492.8**

The amount transferred to the common control reserve represents the difference between the consideration paid and the carrying value of the net assets of the entities.

3. Segment reporting

The Consolidated Entity is based in Hong Kong and has separately managed divisions in Asia and Continental Europe. The activities and services undertaken by the divisions include:

+ direct and indirect ownership of investment properties;
+ fund management;
+ property services; and
+ development.

Information about reportable segments

	Asia	Continental Europe	Total
	2012	2012	2012
Statement of comprehensive income	**$M**	**$M**	**$M**
External revenue			
Gross property income	-	1.8	1.8
Fund management income	0.5	3.2	3.7
Property services income	0.8	3.6	4.4
Development income	5.6	8.8	14.4
Total external revenue	**6.9**	**17.4**	**24.3**
Reportable segment profit before tax[1]	**5.4**	**10.1**	**15.5**
Other material non-cash items not included in reportable segment profit before tax			
Net loss from fair value adjustments on investment properties	-	(4.3)	(4.3)
Impairment losses	-	(0.2)	(0.2)

1. Reportable segment profit before tax comprises profit attributable to shareholders adjusted for property valuations, impairment losses and other non-cash or non-recurring items.

	Asia		Continental Europe		Total	
	31 Dec 2012	30 Jun 2012	31 Dec 2012	30 Jun 2012	31 Dec 2012	30 Jun 2012
Balance sheet	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Reportable segment assets	**169.6**	**-**	**377.8**	**-**	**547.4**	**-**
Investments in equity accounted investments (included in reportable segment assets)	73.0	-	6.2	-	79.2	-
Total non-current assets	97.6	-	295.5	-	393.1	-
Reportable segment liabilities	**27.2**	**-**	**64.3**	**-**	**91.5**	**-**

3. Segment reporting (cont)

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	2012 $M
Revenue	
Total revenue for reportable segments	24.3
Consolidated revenue	**24.3**
Profit or loss	
Total profit before tax for reportable segments	15.5
Other non-cash items not included in reportable segment profit before tax	(4.5)
Unallocated amounts: Share based payments expense	(1.5)
Net finance income - refer to note 5	4.1
Consolidated profit before income tax	**13.6**

	31 Dec 2012 $M	30 Jun 2012 $M
Assets		
Total assets for reportable segments	547.4	-
Other unallocated amounts[1]	78.0	-
Consolidated total assets	**625.4**	**-**
Liabilities		
Total liabilities for reportable segments	91.5	-
Other unallocated amounts[1]	420.8	-
Consolidated total liabilities	**512.3**	**-**

1. Other unallocated amounts comprise principally receivables from and payables to GL and GIT.

4. Profit before income tax

	Consolidated 2012 $M
Profit before income tax has been arrived at after crediting/(charging) the following items:	
Net gain on disposal of special purpose development entities in Continental Europe	9.9
Share of net results of equity accounted investments	0.2
Share based payments expense	(1.5)
Depreciation of plant and equipment	(0.2)
Impairment losses on receivables	(0.2)

5. Finance income and expense

	Consolidated 2012 $M
Finance income	
Interest income from related party loans	0.9
Foreign exchange gain	5.7
	6.6
Finance expense	
Interest expense from related party loans	(5.2)
Capitalised borrowing costs	2.7
	(2.5)
Net finance income	**4.1**

6. Dividends

No dividends were declared or paid to equity shareholders of the Company during the half year.

7. Receivables

	Consolidated	
	31 Dec 2012 $M	30 Jun 2012 $M
Current		
Trade receivables	3.9	-
Other receivables	44.6	-
Amounts due from related parties	34.8	-
Loans to related parties	78.1	-
	161.4	**-**
Non-current		
Loans to related parties	45.1	-
Other receivables	4.7	-
	49.8	**-**

8. Inventories

	Consolidated	
	31 Dec 2012 $M	30 Jun 2012 $M
Non-current		
Development land	147.5	-
	147.5	**-**

9. Investment properties

	Consolidated
	2012 $M
Carrying amount at the beginning of the half year	-
Cost of acquisition:	
- On acquisition of controlled entities	77.5
Capital expenditure	1.3
Transfers to inventories	(1.8)
Net loss from fair value adjustments	(4.3)
Effect of foreign currency translation	2.6
Carrying amount at the end of the half year	**75.3**
Analysed as:	
Stabilised investment properties	35.4
Investment properties under development	39.9
	75.3

10. Investments accounted for using the equity method

	Consolidated 31 Dec 2012 $M	Consolidated 30 Jun 2012 $M
Share of net assets accounted for using the equity method		
Joint venture entities (JVEs)	79.2	-
Total	**79.2**	**-**

Investment in JVEs

Movements in carrying amount of investments in JVEs	Consolidated 2012 $M
Carrying amount at the beginning of the half year	-
Share of net results after tax	0.2
Acquisitions:	
- On acquisition of controlled entities (refer to note 2)	1.2
- Other acquisitions[1]	83.2
Effect of foreign currency translation	(5.4)
Carrying amount at the end of the half year	**79.2**

1. Other acquisitions include an amount of JPY6.4 billion ($77.7 million) paid for a 42.5% interest in GJDP. As at 31 December 2012, the Company has a commitment to subscribe for a further amount of JPY13.6 billion ($151.5 million) over three years.

The Company's principal JVEs are set out below:

Name	Country of establishment/ incorporation	Consolidated share of JVE's result 31 Dec 2012 $M	Consolidated ownership interest 31 Dec 2012 %	Consolidated ownership interest 30 Jun 2012 %	Consolidated investment carrying amount 31 Dec 2012 $M	Consolidated investment carrying amount 30 Jun 2012 $M
Property development JVEs						
Goodman Japan Development Partnership	Japan	-	42.5	-	73.0	-
Üllő One 2008 Kft	Hungary	-	50.0	-	1.5	-
Üllő Two 2008 Kft	Hungary	-	50.0	-	1.8	-
WMP NV	Belgium	0.2	50.0	-	2.9	-
		0.2			**79.2**	**-**

11. Payables

	Consolidated 31 Dec 2012 $M	Consolidated 30 Jun 2012 $M
Current		
Trade payables	39.6	-
Other payables and accruals	44.6	-
Loans from related parties	420.1	-
	504.3	**-**
Non-current		
Other payables and accruals	0.8	-
	0.8	**-**

12. Share capital

	31 Dec 2012	30 Jun 2012	31 Dec 2012	30 Jun 2012
	Number of shares		$M	$M
Authorised share capital				
Ordinary shares of HK$0.0001 each	100,000,000,000	100,000,000,000	1.3	1.3
Issued and fully paid				
Ordinary shares of HK$0.0001 each	1,713,233,947	1	-[1]	-[1]

1. Amounts less than $0.1 million.

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.

On 22 August 2012, GIT paid a subscription amount of HK$4,567,164,781 ($561.8 million) for the issue of 1,605,107,474 shares by the Company to CHESS Depositary Nominees Pty Limited ("CDN") (in addition to the one share already held). CDN issued corresponding CHESS Depositary Interests ("CDI") to GIT. Later that day, GIT carried out a distribution in specie of all its CDI interests to its unitholders so that the CDI were stapled to each GIT unit and GL share.

During the half year, the Company issued 94,117,700 shares for a subscription amount of $40.0 million under the Institutional Placement, 11,552,643 shares for a subscription amount of $4.9 million under the Security Purchase Plan and 2,456,129 shares at par to employees of the Goodman Group.

13. Reserves

		Consolidated	
		31 Dec 2012	30 Jun 2012
	Note	$M	$M
Asset revaluation reserve	13(a)	(4.5)	-
Foreign currency translation reserve	13(b)	0.4	-
Employee compensation reserve	13(c)	0.8	-
Common control reserve	13(d)	(511.0)	-
Total reserves		**(514.3)**	**-**

The movements in reserves of the Consolidated Entity are analysed below:

	Consolidated
	2012
	$M
(a) Asset revaluation reserve	
Balance at the beginning of the half year	-
Transfers from retained earnings	(4.3)
Effect of foreign currency translation	(0.2)
Balance at the end of the half year	**(4.5)**
(b) Foreign currency translation reserve	
Balance at the beginning of the half year	-
Net exchange differences on conversion of foreign operations	0.4
Balance at the end of the half year	**0.4**
(c) Employee compensation reserve	
Balance at the beginning of the half year	-
Equity settled share based payments expense recognised in the statement of comprehensive income	0.8
Balance at the end of the half year	**0.8**

13. Reserves (cont)

	Consolidated
	2012
	$M
(d) Common control reserve	
Balance at the beginning of the half year	-
Acquisition of entities from Goodman Group	(492.8)
Effect of foreign currency translation	(18.2)
Balance at the end of the half year	**(511.0)**

14. Retained earnings

	Consolidated
	2012
	$M
Balance at the beginning of the half year	-
Profit for the half year	12.8
Transfers to asset revaluation reserve	4.3
Balance at the end of the half year	**17.1**

15. Non-cash transactions

On 22 August 2012, the Company issued share capital of $561.8 million to GIT which was satisfied by GIT issuing promissory notes to the Company.

Subsequent to 22 August 2012:

+ the Company issued additional shares for a subscription amount of $44.9 million, which was satisfied by a receivable from GIT; and
+ the Consolidated Entity acquired certain entities from the Goodman Group (refer to note 2). The consideration for the entities that were acquired from GIT was satisfied by a cancellation of $59.7 million of the promissory notes issued by GIT. The consideration for the entities that were acquired from GL was satisfied by a transfer of $391.6 million of the promissory notes.

16. Events subsequent to balance sheet date

In the opinion of the directors, there were no events subsequent to balance sheet date, and up to the date of signature of this condensed interim financial report, which would require adjustment to or disclosure in the condensed interim financial report.

Independent auditor's review report
to the board of directors of Goodman Logistics (HK) Limited

Review report to the board of directors of Goodman Logistics (HK) Limited.

Introduction

We have reviewed the accompanying consolidated interim balance sheet of Goodman Logistics (HK) Limited as at 31 December 2012, the related consolidated interim statements of comprehensive income and changes in equity and condensed consolidated interim cash flow statement for the half year then ended, and notes to the interim financial information. The directors are responsible for the preparation and presentation of the condensed interim financial report in accordance with the Hong Kong Accounting Standard 34 "Interim financial reporting".

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial report, as at 31 December 2012 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

KPMG
Certified Public Accountants

8th Floor, Prince's Building
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21 February 2013