

Goodman Logistics (HK) Limited
ARBN 155 911 149
and its subsidiaries
Condensed interim financial report for the half year ended 31 December 2017

Contents	Page
Report of the directors	2
Consolidated interim statement of financial position	4
Consolidated interim statement of comprehensive income	5
Consolidated interim statement of changes in equity	6
Condensed consolidated interim cash flow statement	7
Notes to the condensed interim financial report	
Basis of preparation	
1. Basis of preparation	8
Results for the half year	
2. Profit before interest and income tax	10
3. Segment reporting	10
Operating assets and liabilities	
4. Property assets	12
5. Receivables	15
6. Payables	15
Capital management	
7. Finance income and expense	16
8. Other financial assets	16
9. Dividends	17
10. Share capital	17
Other items	
11. Reserves	18
12. Retained earnings	18
13. Related party transactions	19
14. Events subsequent to the reporting date	19
Independent auditor's review report	20

Goodman Logistics (HK) Limited and its subsidiaries
Report of the directors
for the half year ended 31 December 2017

The directors have pleasure in submitting their condensed interim financial report for Goodman Logistics (HK) Limited ("Company") and its subsidiaries (collectively referred to as the "Consolidated Entity") for the half year ended 31 December 2017 ("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 901, 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 Goodman Group. 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, investment management, property management services and development management.

Condensed interim financial statements

The results of the Consolidated Entity for the half year ended 31 December 2017 and the state of the Consolidated Entity's affairs at that date are set out in the condensed interim financial statements on pages 4 to 19.

No interim dividends were declared in respect of the half year. In the prior half year, the Company declared and paid a final dividend of 1.0 cent per share amounting to \$17.8 million relating to performance in the 2016 financial year.

Directors

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

Directors	Appointment date
Ian Douglas Ferrier, AM	22 February 2012
David Jeremy Collins	1 February 2018
Philip Yan Hok Fan	Appointed 22 February 2012, retired 16 November 2017
Gregory Leith Goodman	Appointed 16 November 2017, resigned 1 February 2018 and appointed alternate to Ian Douglas Ferrier
Daniel Cornelius D. Peeters	1 February 2018

State of affairs

There were no significant changes in the Consolidated Entity's state of affairs during the half year.

Goodman Logistics (HK) Limited and its subsidiaries
Report of the directors
for the half year ended 31 December 2017

Events subsequent to the reporting date

In the opinion of the directors, other than disclosed elsewhere in the condensed interim financial report, there were no events subsequent to the reporting 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
Independent Chairman

Hong Kong, 14 February 2018



David Jeremy Collins
Director

Goodman Logistics (HK) Limited and its subsidiaries
Consolidated interim statement of financial position
as at 31 December 2017

(expressed in Australian dollars)

	Consolidated		
	Note	31 Dec 2017 \$M	30 Jun 2017 \$M
Current assets			
Cash		82.2	107.9
Inventories	4(b)	23.9	127.1
Receivables	5	658.1	515.2
Current tax receivables		0.2	0.2
Other assets		1.7	2.0
Total current assets		766.1	752.4
Non-current assets			
Inventories	4(b)	177.8	188.3
Investment properties	4(b)	-	22.5
Investments accounted for using the equity method	4(b)	762.6	651.4
Receivables	5	35.2	26.6
Other financial assets	8	20.1	20.5
Deferred tax assets		0.3	-
Plant and equipment		4.8	5.6
Other assets		2.0	1.4
Total non-current assets		1,002.8	916.3
Total assets		1,768.9	1,668.7
Current liabilities			
Payables	6	86.9	76.0
Loans from related parties	13	633.6	795.8
Current tax payables		16.6	15.3
Employee benefits		14.6	20.0
Total current liabilities		751.7	907.1
Non-current liabilities			
Payables	6	17.8	15.0
Loans from related parties	13	66.6	56.5
Deferred tax liabilities		-	0.1
Total non-current liabilities		84.4	71.6
Total liabilities		836.1	978.7
Net assets		932.8	690.0
Equity attributable to Shareholders			
Share capital	10	674.6	661.1
Reserves	11	(514.9)	(548.7)
Retained earnings	12	746.0	554.0
Total equity attributable to Shareholders		905.7	666.4
Non-controlling interests		27.1	23.6
Total equity		932.8	690.0

The notes on pages 8 to 19 form part of this condensed interim financial report.

Goodman Logistics (HK) Limited and its subsidiaries
Consolidated interim statement of comprehensive income
for the half year ended 31 December 2017

(expressed in Australian dollars)

	Note	Consolidated	
		2017 \$M	2016 \$M
Revenue			
Gross property income		5.7	4.9
Management income		81.6	49.8
Development income	2	439.2	384.7
Dividends from investments		1.3	3.8
		527.8	443.2
Property and development expenses			
Property expenses		(1.3)	(2.0)
Development expenses	2	(324.0)	(294.5)
		(325.3)	(296.5)
Other income/(losses)			
Share of net results of equity accounted investments	4(f)	88.8	74.2
Net loss on disposal of equity accounted investments		(1.3)	-
		87.5	74.2
Other expenses			
Employee expenses		(43.7)	(48.6)
Share based payments expense		(14.2)	(8.2)
Administrative and other expenses		(11.4)	(11.6)
Impairment reversals		0.2	0.2
		(69.1)	(68.2)
Profit before interest and income tax	2	220.9	152.7
Net finance income/(expense)			
Finance income	7	1.5	0.1
Finance expense	7	(13.4)	(16.4)
Net finance expense		(11.9)	(16.3)
Profit before income tax		209.0	136.4
Income tax expense		(13.8)	(13.1)
Profit for the half year		195.2	123.3
Profit for the half year attributable to:			
Shareholders	12	192.0	121.0
Non-controlling interests		3.2	2.3
Profit for the half year		195.2	123.3
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Increase due to revaluation of other financial assets		-	1.6
Effect of foreign currency translation		34.1	(41.7)
Other comprehensive income/(loss) for the half year		34.1	(40.1)
Total comprehensive income for the half year		229.3	83.2
Total comprehensive income for the half year attributable to:			
Shareholders		225.8	81.2
Non-controlling interests		3.5	2.0
Total comprehensive income for the half year		229.3	83.2

The notes on pages 8 to 19 form part of this condensed interim financial report.

Goodman Logistics (HK) Limited and its subsidiaries
Consolidated interim statement of changes in equity
for the half year ended 31 December 2017

(expressed in Australian dollars)

Half year ended 31 December 2016

Consolidated	Attributable to Shareholders						Non- controlling interests	Total equity
	Note	Share capital \$M	Reserves \$M	Retained earnings \$M	Total \$M	\$M		
Balance at 1 July 2016		650.8	(526.1)	355.8	480.5	18.1	498.6	
Total comprehensive income for the half year								
Profit for the half year	12	-	-	121.0	121.0	2.3	123.3	
Other comprehensive loss for the half year		-	(39.8)	-	(39.8)	(0.3)	(40.1)	
Total comprehensive income for the half year, net of income tax		-	(39.8)	121.0	81.2	2.0	83.2	
Contributions by and distributions to owners								
Dividend paid	9	-	-	(17.8)	(17.8)	-	(17.8)	
Issue of shares to employees of Goodman Group	10	10.3	-	-	10.3	-	10.3	
Equity settled share based payment transactions	11(c)	-	1.1	-	1.1	-	1.1	
Balance at 31 December 2016		661.1	(564.8)	459.0	555.3	20.1	575.4	

Half year ended 31 December 2017

Consolidated	Attributable to Shareholders						Non- controlling interests	Total equity
	Note	Share capital \$M	Reserves \$M	Retained earnings \$M	Total \$M	\$M		
Balance at 1 July 2017		661.1	(548.7)	554.0	666.4	23.6	690.0	
Total comprehensive income for the half year								
Profit for the half year	12	-	-	192.0	192.0	3.2	195.2	
Other comprehensive income for the half year		-	33.8	-	33.8	0.3	34.1	
Total comprehensive income for the half year, net of income tax		-	33.8	192.0	225.8	3.5	229.3	
Contributions by and distributions to owners								
Issue of shares to employees of Goodman Group	10	13.5	-	-	13.5	-	13.5	
Balance at 31 December 2017		674.6	(514.9)	746.0	905.7	27.1	932.8	

The notes on pages 8 to 19 form part of this condensed interim financial report.

Goodman Logistics (HK) Limited and its subsidiaries
Condensed consolidated interim cash flow statement
for the half year ended 31 December 2017

(expressed in Australian dollars)

	Consolidated	
	2017	2016
	\$M	\$M
Cash flows from operating activities		
Property income received	7.5	6.7
Cash receipts from development activities	519.1	478.2
Other cash receipts from services provided	51.0	48.3
Property expenses paid	(1.5)	(1.6)
Payments for development activities	(249.8)	(369.7)
Other cash payments in the course of operations	(74.9)	(54.5)
Dividends/distributions received	29.1	53.5
Interest received	0.2	-
Finance costs paid	(0.5)	(0.1)
Net income taxes paid	(13.1)	(16.6)
Net cash provided by operating activities	267.1	144.2
Cash flows from investing activities		
Payments for investment properties	(0.1)	(0.3)
Capital return from equity accounted investments	57.1	42.8
Payments for equity accounted investments	(97.6)	(37.0)
Payments for plant and equipment	(0.3)	(0.2)
Net cash (used in)/provided by investing activities	(40.9)	5.3
Cash flows from financing activities		
Net payment of loans with related parties	(250.9)	(68.2)
Dividend paid	-	(17.8)
Net cash used in financing activities	(250.9)	(86.0)
Net (decrease)/increase in cash held	(24.7)	63.5
Cash at the beginning of the half year	107.9	67.3
Effect of exchange rate fluctuations on cash held	(1.0)	1.6
Cash at the end of the half year	82.2	132.4

The notes on pages 8 to 19 form part of this condensed interim financial report.

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2017

(expressed in Australian dollars)

Basis of preparation

1. Basis of preparation

(a) Statement of compliance

This condensed interim financial report of the Company as at and for the half year ended 31 December 2017 comprises the Company and its subsidiaries (together referred to as the “Consolidated Entity”) and the Consolidated Entity’s interests in joint ventures (“JVs”).

This condensed interim financial report has been prepared on a going concern basis and in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*. The condensed interim financial report is presented in Australian dollars and was authorised for issue by the directors on 14 February 2018.

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:

- + lending money or providing financial accommodation;
- + guaranteeing any loan or other financing facility including providing any security;
- + entering into any covenant, undertaking, restraint or negative pledge on the obtaining of any financial accommodation or the provision of any guarantee or security in connection with any financial accommodation; and
- + 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 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.

The condensed interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the annual report of the Consolidated Entity as at and for the year ended 30 June 2017.

The financial information relating to the year ended 30 June 2017 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual report for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- + the Company has delivered the financial statements for the year ended 30 June 2017 to the Registrar of Companies in accordance with section 662(3) of, and part 3 of Schedule 6 to, the Companies Ordinance; and
- + the Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not include a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

The accounting policies applied in the condensed interim financial report are consistent with those applied by the Consolidated Entity in the annual report for the year ended 30 June 2017. There are no significant changes to the Consolidated Entity’s half year interim statement of financial position or interim statement of comprehensive income as a result of the application of new and amended standards and interpretations mandatory for annual reporting periods beginning on or after 1 July 2017.

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

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2017

Basis of preparation (cont)

1. Basis of preparation (cont)

(b) Critical accounting estimates used in the preparation of the condensed interim financial report

The preparation of the condensed interim financial report requires the use of estimates and assumptions that affect the application of the Consolidated Entity's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are those used in determining the fair value of investment properties held by managed partnerships and assessing the net realisable value of inventories.

When measuring the fair value of an asset or a liability, the Consolidated Entity uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy and have been defined as follows:

- + Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- + Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- + Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of investment properties are assessed as being Level 3.

Further information about the estimates and assumptions in relation to the Consolidated Entity's property assets are included in note 4.

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2017

Results for the half year

2. Profit before interest and income tax

Profit before interest and income tax has been arrived at after crediting/(charging) the following items:

	Consolidated	
	2017	2016
	\$M	\$M
Income from disposal of inventories	177.1	103.0
Net gain on disposal of special purpose development entities	14.9	5.2
Other development income	247.2	276.5
Development income	439.2	384.7
Inventory cost of sales	(139.4)	(83.3)
Other development expenses	(184.6)	(211.2)
Development expenses	(324.0)	(294.5)

3. Segment reporting

Operating segment information is reported on a geographic basis and the Consolidated Entity has determined that its operating segments are Asia (which consists of China, Hong Kong and Japan), Continental Europe and the United Kingdom.

The activities and services undertaken by the operating segments include:

- + property investment, comprising the Consolidated Entity's cornerstone investments in managed partnerships;
- + management activities, both fund and property management; and
- + development activities, including development of directly owned assets (predominantly disclosed as inventories) and management of development activities for the Consolidated Entity's managed partnerships.

Information about reportable segments

	Asia		Continental Europe		United Kingdom		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Consolidated statement of comprehensive income								
External revenue								
Gross property income	2.4	0.6	3.3	4.3	-	-	5.7	4.9
Management income	54.2	27.3	27.4	22.5	-	-	81.6	49.8
Development income	31.1	22.4	408.1	362.3	-	-	439.2	384.7
Dividends from investments	1.3	3.8	-	-	-	-	1.3	3.8
Total external revenue	89.0	54.1	438.8	389.1	-	-	527.8	443.2
Reportable segment profit before income tax¹	102.4	80.9	98.0	74.6	0.7	0.6	201.1	156.1
Other key components of financial performance included in reportable segment profit before income tax								
Share of net results of equity accounted investments (before fair value adjustments)	32.9	44.2	3.2	2.7	0.7	0.6	36.8	47.5
Material non-cash items not included in reportable segment profit before income tax								
Share of fair value adjustments in equity accounted investments	32.9	22.8	10.0	2.1	9.1	1.8	52.0	26.7

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

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2017

Results for the half year (cont)

3. Segment reporting (cont)

	Asia		Continental Europe		United Kingdom		Total	
	31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Consolidated statement of financial position								
Reportable segment assets	857.7	774.5	599.6	697.4	96.7	89.6	1,554.0	1,561.5
Investments accounted for using the equity method (included in reportable segment assets)	567.8	514.0	103.5	89.2	91.3	48.2	762.6	651.4
Total non-current assets	647.4	642.2	264.1	225.9	91.3	48.2	1,002.8	916.3
Reportable segment liabilities	35.7	31.2	77.1	66.6	-	-	112.8	97.8

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

	2017	2016
	\$M	\$M
Revenue		
Total revenue for reportable segments	527.8	443.2
Consolidated revenue	527.8	443.2
Profit or loss		
Total profit before income tax for reportable segments	201.1	156.1
Corporate expenses not allocated to reportable segments	(18.2)	(22.1)
	182.9	134.0
Valuation and other adjustments not included in reportable segment profit before income tax:		
- Impairment reversals	0.2	0.2
- Share of fair value adjustments in equity accounted investments	52.0	26.7
- Share based payments expense	(14.2)	(8.2)
Net finance expense - refer to note 7	(11.9)	(16.3)
Consolidated profit before income tax	209.0	136.4
	31 Dec 2017	30 Jun 2017
	\$M	\$M
Assets		
Total assets for reportable segments	1,554.0	1,561.5
Other unallocated amounts ¹	214.9	107.2
Consolidated total assets	1,768.9	1,668.7
Liabilities		
Total liabilities for reportable segments	112.8	97.8
Other unallocated amounts ¹	723.3	880.9
Consolidated total liabilities	836.1	978.7

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

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2017

Operating assets and liabilities

4. Property assets

(a) Types of property assets

The Consolidated Entity's investment in property assets include both inventories (held for development and sale) and investment properties (held for capital appreciation and gross property income).

The Consolidated Entity holds both inventories and investment properties either directly or through its investments in managed partnerships.

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. Inventories are carried at the lower of cost or net realisable value. The calculation of net realisable value requires estimates and assumptions which are regularly evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

Inventories are classified as non-current assets unless they are contracted to be sold within twelve months of the end of the reporting period, in which case they are classified as current assets.

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. The calculation of fair value requires estimates and assumptions which are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances. Investment properties are not depreciated as they are subject to continual maintenance and regularly revalued on the basis described below.

(b) Summary of the Consolidated Entity's investment in property assets

	Note	Consolidated	
		31 Dec 2017 \$M	30 Jun 2017 \$M
Directly held property:			
Inventories			
Current		23.9	127.1
Non-current		177.8	188.3
	4(d)	201.7	315.4
Investment properties			
Investment properties under development	4(e)	-	22.5
		-	22.5
Property held by managed partnerships:			
Investments accounted for using the equity method - JVs	4(f)	762.6	651.4
		762.6	651.4

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2017

Operating assets and liabilities (cont)

4. Property assets (cont)

(c) Estimates and assumptions in determining property carrying values

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.

External valuations are not performed for inventories but instead valuations are determined using the Consolidated Entity's feasibility studies supporting the land and property developments. The end values of the developments in the feasibility studies are based on assumptions such as capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant market. Where the feasibility study calculations indicate that the forecast cost of a completed development will exceed the net realisable value, then inventories are impaired.

Investment properties

Stabilised investment properties

Stabilised investment properties refer to investment properties which are not under development. Stabilised investment properties are carried at their fair value. Fair value is based on current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts. The current price is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Market assessment

At 31 December 2017, all markets in which the Consolidated Entity operated were observed to be active and no adjustments were made to the carrying value of stabilised investment properties arising from internal valuations using discounted cash flow calculations. Overall weighted average capitalisation rates for the divisional portfolios (including managed partnerships) are set out in the table below:

Division	Total portfolio weighted average capitalisation rate	
	31 Dec 2017	30 Jun 2017
	%	%
China	6.1	6.3
Continental Europe	5.3	5.4
United Kingdom	4.7	5.3

Investment properties under development

External valuations are generally not performed for investment properties under development held directly by the Consolidated Entity, but instead valuations are determined using the feasibility studies supporting the developments. 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. This profit and risk factor is dependent on the function, location and size of the development and is generally in a market range of 10% to 15%.

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2017

Operating assets and liabilities (cont)

4. Property assets (cont)

(d) Inventories

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$M	\$M
Current		
Land and development properties	23.9	127.1
	23.9	127.1
Non-current		
Land and development properties	177.8	188.3
	177.8	188.3

(e) Investment properties

	Consolidated	
	2017	2016
	\$M	\$M
Carrying amount at the beginning of the half year	22.5	45.2
Capital expenditure	0.1	-
Transfers to inventories	(23.0)	-
Effect of foreign currency translation	0.4	(0.8)
Carrying amount at the end of the half year	-	44.4
Analysed as:		
Stabilised investment properties	-	24.7
Investment properties under development	-	19.7
	-	44.4

(f) Investments accounted for using the equity method - JVs

The Consolidated Entity's principal managed partnerships are set out below:

Name	Country of establishment/ incorporation	Consolidated share of net results recognised		Consolidated ownership interest		Consolidated investment carrying amount	
		2017	2016	31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017
		\$M	\$M	%	%	\$M	\$M
Property investment							
Goodman China Logistics Partnership ("GCLP")	Cayman Islands	48.0	30.9	20.0	20.0	485.3	447.6
KWASA Goodman Germany ("KGG")	Luxembourg	13.2	4.8	22.5	23.8	103.5	89.2
Property development							
Goodman Japan Development Partnership ("GJDP")	Japan	18.4	36.1	50.0	46.0	77.6	60.9
Goodman UK Partnership ("GUKP")	United Kingdom	9.8	2.4	33.3	33.3	91.3	48.2
Other JVs		(0.6)	-			4.9	5.5
		88.8	74.2			762.6	651.4

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2017

Operating assets and liabilities (cont)

4. Property assets (cont)

(f) Investments accounted for using the equity method – JVs (cont)

The reconciliation of the carrying value at the beginning to the carrying value at the end of the half year is set out below:

	Consolidated	
	2017	2016
	\$M	\$M
Movements in carrying amount of investments in JVs		
Carrying amount at the beginning of the half year	651.4	629.5
Share of net results after tax (before revaluations)	36.8	47.5
Share of fair value adjustments	52.0	26.7
Share of net results after tax	88.8	74.2
Share of movements in reserves	16.3	(23.8)
Acquisitions	97.8	38.3
Capital return	(58.4)	(42.8)
Disposals	-	(3.4)
Dividends/distributions received and receivable	(30.0)	(49.8)
Effect of foreign currency translation	(3.3)	6.2
Carrying amount at the end of the half year	762.6	628.4

5. Receivables

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$M	\$M
Current		
Trade receivables	9.7	29.2
Other receivables	138.0	49.1
Amounts due from related parties	56.1	41.9
Loans to related parties	218.9	110.5
Amounts recoverable on development contracts ¹	235.4	284.5
	658.1	515.2
Non-current		
Loans to related parties	35.2	26.6
	35.2	26.6

1. Included in amounts recoverable on development contracts is \$227.9 million (30 June 2017: \$190.0 million) that will be receivable from related parties on practical completion of the developments.

6. Payables

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$M	\$M
Current		
Trade payables	18.0	27.4
Other payables and accruals	68.9	48.6
	86.9	76.0
Non-current		
Other payables and accruals	17.8	15.0
	17.8	15.0

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2017

Capital management

7. Finance income and expense

	Note	Consolidated	
		2017	2016
		\$M	\$M
Finance income			
Interest income on loans to:			
- Related parties	13	1.4	-
- Other parties		0.1	0.1
		1.5	0.1
Finance expense			
Interest expense on loans from related parties	13	(16.0)	(23.6)
Other borrowing costs		(0.3)	(0.2)
Capitalised borrowing costs		2.9	7.4
		(13.4)	(16.4)
Net finance expense		(11.9)	(16.3)

8. Other financial assets

The other financial asset relates to the Consolidated Entity's investment in Goodman Japan Limited and is carried at fair value. The fair value assessment is categorised as Level 3. There have been no changes in the significant unobservable inputs used to determine the fair value since 30 June 2017.

Reconciliation of Level 3 fair values

	Consolidated	
	2017	2016
	\$M	\$M
Carrying amount at the beginning of the half year	20.5	16.6
Net change in fair value - included in other comprehensive income	-	1.6
Effect of foreign currency translation	(0.4)	(1.4)
Carrying amount at the end of the half year	20.1	16.8

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2017

Capital management (cont)

9. Dividends

No interim dividends were declared in respect of the half year ended 31 December 2017. In the prior half year, the Company declared and paid a final dividend of 1.0 cent per share amounting to \$17.8 million relating to performance in the 2016 financial year.

10. Share capital

	31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017
	Number of shares		\$M	\$M
Share capital	1,800,763,877	1,789,121,143	675.2	661.7
Accumulated issue costs			(0.6)	(0.6)
Total issued capital			674.6	661.1

Details	Number of shares	Share capital \$M
Ordinary shares, issued and fully paid		
Balance at 1 July 2016	1,778,318,630	651.4
Shares issued to employees of Goodman Group ¹	10,802,513	10.3
Balance at 31 December 2016	1,789,121,143	661.7
Balance at 30 June 2017	1,789,121,143	661.7
Shares issued to employees of Goodman Group ¹	11,642,734	13.5
Balance at 31 December 2017	1,800,763,877	675.2

1. During the half year, the Company issued 11,642,734 (2016: 10,802,513) shares to employees of Goodman Group under the Goodman Group Long Term Incentive Plan.

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.

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2017

Other items

11. Reserves

	Note	Consolidated	
		31 Dec 2017	30 Jun 2017
		\$M	\$M
Asset revaluation reserve	11(a)	11.2	11.2
Foreign currency translation reserve	11(b)	(3.9)	(37.7)
Employee compensation reserve	11(c)	15.9	15.9
Common control reserve ¹	11(d)	(538.1)	(538.1)
Total reserves		(514.9)	(548.7)

1. The common control reserve arises from the acquisition of entities from other members of Goodman Group under the pooling of interest method. The amount in the common control reserve reflects the difference between the consideration paid and the carrying values of the assets and liabilities of the "acquired" entity at the date of acquisition.

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

	Consolidated	
	2017	2016
	\$M	\$M
(a) Asset revaluation reserve		
Balance at the beginning of the half year	11.2	5.5
Increase due to revaluation of other financial assets	-	1.6
Balance at the end of the half year	11.2	7.1
(b) Foreign currency translation reserve		
Balance at the beginning of the half year	(37.7)	(4.6)
Net exchange differences on conversion of foreign operations	33.8	(41.4)
Balance at the end of the half year	(3.9)	(46.0)
(c) Employee compensation reserve		
Balance at the beginning of the half year	15.9	11.1
Equity settled share based payment transactions	-	1.1
Balance at the end of the half year	15.9	12.2
(d) Common control reserve		
Balance at the beginning of the half year	(538.1)	(538.1)
Balance at the end of the half year	(538.1)	(538.1)

12. Retained earnings

	Note	Consolidated	
		2017	2016
		\$M	\$M
Balance at the beginning of the half year		554.0	355.8
Profit for the half year		192.0	121.0
Dividend paid	9	-	(17.8)
Balance at the end of the half year		746.0	459.0

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2017

Other items (cont)

13. Related party transactions

Management and development activities and amounts due from related parties

	Management and development activities		Amounts due from related parties	
	2017	2016	31 Dec 2017	30 Jun 2017
	\$M	\$M	\$M	\$M
JVs				
GCLP	28.8	32.0	11.4	-
KGG	106.4	52.1	-	-
	135.2	84.1	11.4	-
Related parties of GL and GIT				
Goodman Hong Kong Logistics Partnership	13.9	13.8	5.6	7.0
Goodman Australia Partnership	1.2	1.7	-	-
Goodman European Partnership	284.6	293.4	33.3	32.2
Other related parties	0.7	0.1	5.8	2.7
	300.4	309.0	44.7	41.9

Financing arrangements with related parties

	Loans to related parties		Loans from related parties		Interest income/(expense) charged on loans to/from related parties	
	31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017	2017	2016
	\$M	\$M	\$M	\$M	\$M	\$M
JVs	18.6	13.0	-	-	0.3	-
GL, GIT and their controlled entities	214.9	107.2	(700.2)	(852.3)	(15.1)	(23.6)
Related parties of GL and GIT						
Goodman European Partnership	20.6	16.9	-	-	0.2	-
Related parties of GL and GIT	20.6	16.9	-	-	0.2	-
	254.1	137.1	(700.2)	(852.3)	(14.6)	(23.6)

14. Events subsequent to the reporting date

Other than disclosed elsewhere in the condensed interim financial report, there has not arisen in the interval between the end of the half year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.



**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 condensed interim financial report set out on pages 4 to 19 which comprises the consolidated interim statement of financial position of Goodman Logistics (HK) Limited as at 31 December 2017 and the related consolidated interim statements of comprehensive income and changes in equity and the condensed consolidated interim cash flow statement for the half year then ended and explanatory notes. The directors are responsible for the preparation and presentation of the condensed interim financial report in accordance with 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 all significant matters 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 2017 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
10 Chater Road
Central, Hong Kong

14 February 2018