

Goodman Logistics (HK) Limited
ARBN 155 911 149
and its subsidiaries
Condensed interim financial report for the half year ended 31 December 2016

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Goodman Logistics (HK) Limited and its subsidiaries
Report of the directors
for the half year ended 31 December 2016

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 2016 ("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 2016 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.

A final dividend of 1.0 cent per share was paid on 26 August 2016 in respect of the Consolidated Entity's performance in the financial year ended 30 June 2016. No interim dividends were declared in respect of the half year ended 31 December 2016.

Directors

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

Ian Douglas Ferrier, AM
Philip Yan Hok Fan
Gregory Leith Goodman (resigned as a director on 20 September 2016 and appointed alternate director to Ian Douglas Ferrier on the same date)
Philip John Pearce (resigned on 12 July 2016)

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 2016

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

Sydney, 16 February 2017



Philip Yan Hok Fan
Independent Director

Goodman Logistics (HK) Limited and its subsidiaries
Consolidated interim statement of financial position
as at 31 December 2016

(expressed in Australian dollars)

	Consolidated		
	31 Dec 2016	30 Jun 2016	
	Note	\$M	\$M
Current assets			
Cash		132.4	67.3
Inventories	4(b)	139.9	125.9
Receivables	5	280.3	303.3
Current tax receivables		1.0	0.2
Other assets		8.8	2.4
Total current assets		562.4	499.1
Non-current assets			
Inventories	4(b)	308.2	261.2
Investment properties	4(b)	44.4	45.2
Investments accounted for using the equity method	4(b)	628.4	629.5
Receivables	5	21.2	26.6
Other financial assets	8	16.8	16.6
Plant and equipment		6.4	7.6
Other assets		2.0	8.7
Total non-current assets		1,027.4	995.4
Total assets		1,589.8	1,494.5
Current liabilities			
Payables	6	114.2	106.2
Loans from related parties	13	824.4	832.7
Current tax payables		12.7	15.3
Employee benefits		18.6	21.6
Total current liabilities		969.9	975.8
Non-current liabilities			
Payables	6	6.2	6.7
Loans from related parties	13	36.1	10.0
Deferred tax liabilities		-	0.1
Employee benefits		-	0.7
Provisions		2.2	2.6
Total non-current liabilities		44.5	20.1
Total liabilities		1,014.4	995.9
Net assets		575.4	498.6
Equity attributable to Shareholders			
Share capital	10	661.1	650.8
Reserves	11	(564.8)	(526.1)
Retained earnings	12	459.0	355.8
Total equity attributable to Shareholders		555.3	480.5
Non-controlling interests		20.1	18.1
Total equity		575.4	498.6

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 2016

(expressed in Australian dollars)

	Note	Consolidated	
		2016 \$M	2015 \$M
Revenue			
Gross property income		4.9	6.7
Management income		49.8	45.2
Development income	2	384.7	519.4
Dividends from investments		3.8	8.2
		443.2	579.5
Property and development expenses			
Property expenses		(2.0)	(3.2)
Development expenses	2	(294.5)	(418.3)
		(296.5)	(421.5)
Other income/(losses)			
Net loss from fair value adjustments on investment properties	4(e)	-	(3.1)
Share of net results of equity accounted investments	4(f)	74.2	43.3
		74.2	40.2
Other expenses			
Employee expenses		(48.6)	(36.2)
Share based payments expense		(8.2)	(8.0)
Administrative and other expenses		(11.6)	(12.8)
Impairment reversals/(losses)	2	0.2	(7.6)
		(68.2)	(64.6)
Profit before interest and income tax	2	152.7	133.6
Net finance income/(expense)			
Finance income	7	0.1	0.2
Finance expense	7	(16.4)	(12.9)
Net finance expense		(16.3)	(12.7)
Profit before income tax		136.4	120.9
Income tax expense		(13.1)	(14.6)
Profit for the half year		123.3	106.3
Profit for the half year attributable to:			
Shareholders	12	121.0	101.3
Non-controlling interests		2.3	5.0
Profit for the half year		123.3	106.3
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Increase/(decrease) due to revaluation of other financial assets		1.6	(2.8)
Effect of foreign currency translation		(41.7)	(0.6)
Other comprehensive income for the half year		(40.1)	(3.4)
Total comprehensive income for the half year		83.2	102.9
Total comprehensive income for the half year attributable to:			
Shareholders		81.2	97.5
Non-controlling interests		2.0	5.4
Total comprehensive income for the half year		83.2	102.9

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 2016

(expressed in Australian dollars)

Half year ended 31 December 2015

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 2015		631.9	(514.8)	186.3	303.4	10.5	313.9	
Total comprehensive income for the half year								
Profit for the half year	12	-	-	101.3	101.3	5.0	106.3	
Other comprehensive income for the half year		-	(3.8)	-	(3.8)	0.4	(3.4)	
Total comprehensive income for the half year, net of income tax		-	(3.8)	101.3	97.5	5.4	102.9	
Transfers		-	4.6	(4.6)	-	-	-	
Contributions by and distributions to owners								
Issue of shares under Goodman Group's distribution reinvestment plan ("DRP")	10	5.5	-	-	5.5	-	5.5	
Issue of shares to employees of Goodman Group	10	7.4	-	-	7.4	-	7.4	
Equity settled share based payments transactions	11(c)	-	1.5	-	1.5	-	1.5	
Balance at 31 December 2015		644.8	(512.5)	283.0	415.3	15.9	431.2	

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 year								
Profit for the half year	12	-	-	121.0	121.0	2.3	123.3	
Other comprehensive income 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	
Transfers		-	-	-	-	-	-	
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	

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 2016

(expressed in Australian dollars)

	Consolidated	
	2016	2015
	\$M	\$M
Cash flows from operating activities		
Property income received	6.7	8.2
Cash receipts from development activities	478.2	738.5
Other cash receipts from services provided	48.3	44.1
Property expenses paid	(1.6)	(2.6)
Payments for development activities	(369.7)	(434.4)
Other cash payments in the course of operations	(54.5)	(53.8)
Dividends/distributions received	53.5	12.5
Finance costs paid	(0.1)	(0.3)
Net income taxes paid	(16.6)	(10.7)
Net cash provided by operating activities	144.2	301.5
Cash flows from investing activities		
Payments for investment properties	(0.3)	(0.2)
Capital return from equity investments	42.8	16.3
Payments for equity investments	(37.0)	(79.9)
Payments for plant and equipment	(0.2)	(2.3)
Net cash provided by/(used in) investing activities	5.3	(66.1)
Cash flows from financing activities		
Net payment of loans with related parties	(68.2)	(253.5)
Dividend paid	(17.8)	-
Net cash used in financing activities	(86.0)	(253.5)
Net increase/(decrease) in cash held	63.5	(18.1)
Cash at the beginning of the half year	67.3	92.3
Effect of exchange rate fluctuations on cash held	1.6	5.7
Cash at the end of the half year	132.4	79.9

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 2016

(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 2016 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 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 16 February 2017.

As at 31 December 2016, the Consolidated Entity had net current liabilities of \$407.5 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:

- + 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.

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

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 2016.

The financial information relating to the financial year ended 30 June 2016 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 2016 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 2016. 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 2016.

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 2016

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 estimates and assumptions concerning the application of accounting policies and the future to be made by the Consolidated Entity. Estimates are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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 can be found in the following notes:

- + Note 4 – Property assets; and
- + Note 8 – Other financial assets.

The accounting impacts of revisions to estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Measurement of fair values

A number of the Consolidated Entity's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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).

Further information about the assumptions made in measuring fair values is included in the following notes:

- + Note 4 – Property assets; and
- + Note 8 – Other financial assets.

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2016

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	
	2016	2015
	\$M	\$M
Income from disposal of inventories	103.0	291.2
Net gain/(loss) on disposal of special purpose development entities	5.2	(9.1)
Other development income	276.5	237.3
Development income	384.7	519.4
Inventory cost of sales	(83.3)	(228.5)
Other development expenses	(211.2)	(189.8)
Development expenses	(294.5)	(418.3)
Impairment reversals/(losses) on receivables	0.2	(2.1)
Impairment losses on inventories	-	(5.5)
Impairment reversals/(losses)	0.2	(7.6)

3. Segment reporting

The Consolidated Entity is based in Hong Kong and has activities and/or investments in Asia, Continental Europe and the United Kingdom. The activities and services undertaken by the divisions include:

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

Information about reportable segments

	Asia		Continental Europe		United Kingdom		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Consolidated statement of comprehensive income								
External revenue								
Gross property income	0.6	1.0	4.3	5.7	-	-	4.9	6.7
Management income	27.3	23.7	22.5	21.5	-	-	49.8	45.2
Development income	22.4	(4.9)	362.3	524.3	-	-	384.7	519.4
Dividends from investments	3.8	8.2	-	-	-	-	3.8	8.2
Total external revenue	54.1	28.0	389.1	551.5	-	-	443.2	579.5
Reportable segment profit before income tax¹	80.9	23.0	74.6	113.4	0.6	-	156.1	136.4
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)	44.2	9.3	2.7	2.7	0.6	-	47.5	12.0
Material non-cash items not included in reportable segment profit before income tax								
Net loss from fair value adjustments on investment properties	-	-	-	(3.1)	-	-	-	(3.1)
Share of fair value adjustments in equity accounted investments	22.8	18.3	2.1	13.0	1.8	-	26.7	31.3

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 2016

Results for the half year (cont)

3. Segment reporting (cont)

	Asia		Continental Europe		United Kingdom		Total	
	31 Dec 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Consolidated statement of financial position								
Reportable segment assets	811.3	752.6	570.5	641.3	108.9	36.3	1,490.7	1,430.2
Investments accounted for using the equity method (included in reportable segment assets)	495.5	507.7	90.8	86.8	42.1	35.0	628.4	629.5
Total non-current assets	692.4	639.5	292.9	320.9	42.1	35.0	1,027.4	995.4
Reportable segment liabilities	42.1	39.4	93.1	87.4	-	-	135.2	126.8

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

	2016	2015
	\$M	\$M
Revenue		
Total revenue for reportable segments	443.2	579.5
Consolidated revenue	443.2	579.5
Profit or loss		
Total profit before income tax for reportable segments	156.1	136.4
Corporate expenses not allocated to reportable segments	(22.1)	(15.4)
Operating profit before net finance expense and income tax expense	134.0	121.0
Valuation and other adjustments not included in reportable segment profit before income tax:		
- Net loss from fair value adjustments on investment properties	-	(3.1)
- Impairment reversals/(losses)	0.2	(7.6)
- Share of fair value adjustments in equity accounted investments	26.7	31.3
- Share based payments expense	(8.2)	(8.0)
Net finance expense - refer to note 7	(16.3)	(12.7)
Consolidated profit before income tax	136.4	120.9
	31 Dec 2016	30 Jun 2016
	\$M	\$M
Assets		
Total assets for reportable segments	1,490.7	1,430.2
Other unallocated amounts ¹	99.1	64.3
Consolidated total assets	1,589.8	1,494.5
Liabilities		
Total liabilities for reportable segments	135.2	126.8
Other unallocated amounts ¹	879.2	869.1
Consolidated total liabilities	1,014.4	995.9

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 2016

Operating assets and liabilities

4. Property assets

(a) Types of property assets

The Consolidated Entity's investment in property assets includes both inventories and investment properties, which may be held either directly or through its investments in JVs (collectively referred to as 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.

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 fair value. The calculation of fair 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.

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

	Consolidated	
	31 Dec 2016	30 Jun 2016
	Note	\$M
Directly held property:		
Inventories		
Current		139.9
Non-current		308.2
	4(d)	448.1
Investment properties		
Stabilised investment properties	4(e)	24.7
Investment properties under development	4(e)	19.7
		44.4
Property held by managed partnerships:		
Investments accounted for using the equity method - JVs	4(f)	628.4
		628.4
		629.5

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2016

Operating assets and liabilities (cont)

4. Property assets (cont)

(c) Estimates and assumptions in determining property carrying values

Inventories

For both inventories held directly and inventories held in managed partnerships, external valuations are not performed but instead valuations are determined using the 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 the inventories are impaired.

Investment properties

Stabilised investment properties

Stabilised investment properties refer to investment properties which are not under development. The fair value of stabilised investment properties 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 2016, 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.

The 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 2016	30 Jun 2016
	%	%
China ¹	6.3	6.5
Logistics - Continental Europe	5.9	6.0
Logistics - United Kingdom	5.3	5.2

1. In order to align with current practice, the capitalisation rate for the China portfolios has been presented net of property taxes. In prior periods, the rates were presented gross and the gross capitalisation rate at 30 June 2016 was 8.1%.

Investment properties under development

External valuations are generally not performed for investment properties under development, 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 such as 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, size and current status of the development and is generally in a market range of 10% to 15%. This adjusted end value is then compared to the forecast cost of a completed development to determine whether there is an increase or decrease in value.

This practice of determining fair value by reference to the development feasibility studies is generally also applied for the Consolidated Entity's investments in managed partnerships. However, certain managed partnerships do obtain independent valuations for investment properties under development each financial year.

(d) Inventories

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$M	\$M
Development land	448.1	387.1

During the half year, an impairment loss of \$nil (2015: \$5.5 million) was recognised on development land.

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2016

Operating assets and liabilities (cont)

4. Property assets (cont)

(e) Investment properties

	Consolidated	
	2016	2015
	\$M	\$M
Carrying amount at the beginning of the half year	45.2	52.7
Net loss from fair value adjustments	-	(3.1)
Effect of foreign currency translation	(0.8)	1.4
Carrying amount at the end of the half year	44.4	51.0
Analysed as:		
Stabilised investment properties	24.7	31.3
Investment properties under development	19.7	19.7
	44.4	51.0

(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	
		2016	2015	31 Dec 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016
		\$M	\$M	%	%	\$M	\$M
Property investment							
Goodman China Logistics Partnership ("GCLP")	Cayman Islands	30.9	27.6	20.0	20.0	453.5	414.3
KWASA Goodman Germany ("KGG")	Luxembourg	4.8	15.7	24.1	27.4	90.8	83.2
Property development							
Goodman Japan Development Partnership	Japan	36.1	-	42.5	42.5	37.4	90.3
Goodman UK Partnership	United Kingdom	2.4	-	33.3	33.3	42.1	35.0
Other JVs		-	-			4.6	6.7
		74.2	43.3			628.4	629.5

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	
	2016	2015
	\$M	\$M
Movements in carrying amount of investments in JVs		
Carrying amount at the beginning of the half year	629.5	453.4
Share of net results after tax (before revaluations)	47.5	12.0
Share of fair value adjustments	26.7	31.3
Share of net results after tax	74.2	43.3
Share of movements in reserves	(23.8)	-
Acquisitions	38.3	79.8
Capital return	(42.8)	-
Disposals	(3.4)	-
Dividends/distributions received and receivable	(49.8)	(20.2)
Effect of foreign currency translation	6.2	22.9
Carrying amount at the end of the half year	628.4	579.2

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2016

Operating assets and liabilities (cont)

5. Receivables

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$M	\$M
Current		
Trade receivables	10.4	15.1
Other receivables	68.7	65.1
Amounts due from related parties	72.8	36.2
Loans to related parties	106.7	64.3
Construction contract receivables	21.7	122.6
	280.3	303.3
Non-current		
Loans to related parties	21.2	26.6
	21.2	26.6

6. Payables

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$M	\$M
Current		
Trade payables	23.0	43.2
Other payables and accruals	91.2	63.0
	114.2	106.2
Non-current		
Other payables and accruals	6.2	6.7
	6.2	6.7

Goodman Logistics (HK) Limited and its subsidiaries
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Capital management

7. Finance income and expense

	Note	Consolidated	
		2016 \$M	2015 \$M
Finance income			
Interest income on loans to:			
- Related parties	13	-	0.1
- Other parties		0.1	0.1
		0.1	0.2
Finance expense			
Interest expense on loans from related parties	13	(23.6)	(24.9)
Other borrowing costs		(0.2)	(0.2)
Foreign exchange loss		-	(0.2)
Capitalised borrowing costs		7.4	12.4
		(16.4)	(12.9)
Net finance expense		(16.3)	(12.7)

8. Other financial assets

Fair value of financial instruments

Investments in unlisted securities are carried at fair value and classified as other financial assets in the consolidated statement of financial position.

(i) Valuation techniques and significant unobservable inputs

The fair value measurement for investments in unlisted securities has been categorised as a Level 3 fair value. The following table shows the valuation technique used in measuring fair value as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity securities - Goodman Japan Limited	Discounted cash flows: The valuation model was determined by discounting the future cash flows expected to be generated from continuing operations. The future cash flows were based on fund and development forecasts and then estimating a year five terminal value using a terminal growth rate and an appropriate discount rate.	<ul style="list-style-type: none"> Assets under management of \$2.9 billion in year five Average annual development of 113,000 square metres Five year terminal value growth rate of 0.73% Risk adjusted discount rate of 7.18% per annum 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> the level of development activity, assets under management and terminal value growth rate were higher/(lower); and/or the risk-adjusted discount rate were lower/(higher).

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2016

Capital management (cont)

8. Other financial assets (cont)

Fair value of financial instruments (cont)

(ii) Reconciliation of Level 3 fair values

	Consolidated	
	2016	2015
	\$M	\$M
Carrying amount at the beginning of the half year	16.6	18.3
Capital return	-	(0.4)
Net change in fair value - included in other comprehensive income	1.6	(2.8)
Effect of foreign currency translation	(1.4)	1.3
Carrying amount at the end of the half year	16.8	16.4

9. Dividends

A final dividend of 1.0 cent per share was paid on 26 August 2016 in respect of the Consolidated Entity's performance in the financial year ended 30 June 2016.

10. Share capital

	31 Dec 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016
	Number of shares		\$M	\$M
Share capital	1,789,121,143	1,778,318,630	661.7	651.4
Accumulated issue costs			(0.6)	(0.6)
Total issued capital			661.1	650.8

Details	Number of shares	Share capital
		\$M
Ordinary shares, issued and fully paid		
Balance at 1 July 2015	1,753,035,922	632.5
Shares issued under Goodman Group's DRP ¹	7,196,343	5.5
Shares issued to employees of Goodman Group ²	9,866,049	7.4
Balance at 31 December 2015	1,770,098,314	645.4
Shares issued under Goodman Group's DRP	8,220,316	6.0
Balance at 30 June 2016	1,778,318,630	651.4
Shares issued to employees of Goodman Group ²	10,802,513	10.3
Balance at 31 December 2016	1,789,121,143	661.7

1. Goodman Group's DRP was not active during the half year. For the half year ended 31 December 2015, \$45.4 million of the distribution paid by Goodman Group was issued in the form of stapled securities in Goodman Group. The Consolidated Entity's share of the equity raised amounted to \$5.5 million.

2. During the half year, the Company issued 10,802,513 (2015: 9,866,049) shares to employees of Goodman Group under the Goodman Group Long Term Incentive Plan and Goodman Group Tax Exempt 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 2016

Other items

11. Reserves

	Note	Consolidated	
		31 Dec 2016	30 Jun 2016
		\$M	\$M
Asset revaluation reserve	11(a)	7.1	5.5
Foreign currency translation reserve	11(b)	(46.0)	(4.6)
Employee compensation reserve	11(c)	12.2	11.1
Common control reserve ¹	11(d)	(538.1)	(538.1)
Total reserves		(564.8)	(526.1)

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	
	2016	2015
	\$M	\$M
(a) Asset revaluation reserve		
Balance at the beginning of the half year	5.5	6.2
Increase/(decrease) due to revaluation of other financial assets	1.6	(2.8)
Transfers to retained earnings	-	4.6
Balance at the end of the half year	7.1	8.0
(b) Foreign currency translation reserve		
Balance at the beginning of the half year	(4.6)	10.4
Net exchange differences on conversion of foreign operations	(41.4)	(1.0)
Balance at the end of the half year	(46.0)	9.4
(c) Employee compensation reserve		
Balance at the beginning of the half year	11.1	6.7
Equity settled share based payment transactions	1.1	1.5
Balance at the end of the half year	12.2	8.2
(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	
		2016	2015
		\$M	\$M
Balance at the beginning of the half year		355.8	186.3
Profit for the half year		121.0	101.3
Transfers from asset revaluation reserve		-	(4.6)
Dividend paid	9	(17.8)	-
Balance at the end of the half year		459.0	283.0

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2016

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	
	2016	2015	31 Dec 2016	30 Jun 2016
	\$M	\$M	\$M	\$M
JVs				
GCLP	32.0	27.5	17.2	-
KGG	52.1	1.4	-	-
	84.1	28.9	17.2	-
Related parties of GL and GIT				
Goodman Hong Kong Logistics Partnership	13.8	17.6	7.3	7.4
Goodman Australia Partnership	1.7	2.1	-	-
Goodman European Partnership	293.4	425.2	43.8	20.3
Other related parties	0.1	1.2	4.5	8.5
	309.0	446.1	55.6	36.2

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 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016	2016	2015
	\$M	\$M	\$M	\$M	\$M	\$M
JVs	8.3	9.7	-	-	-	-
GL, GIT and their controlled entities	99.1	64.3	(860.5)	(842.7)	(23.6)	(24.9)
Related parties of GL and GIT						
Goodman European Partnership	20.5	16.9	-	-	-	0.1
Related parties of GL and GIT	20.5	16.9	-	-	-	0.1

14. 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.



**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 2016 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 2016 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

16 February 2017