LVGEM

綠景(中國)地產投資有限公司

LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(HKSE Stock Code: 95)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

RESULTS

The board of directors (the "Directors" or the "Board") of LVGEM (China) Real Estate Investment Company Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2015, together with the comparative figures for the previous corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2015

	Notes	**Six months ended 30 June** **2015** ***HK$'000*** **(Unaudited)**	2014 *HK$'000* (Unaudited)
Revenue	*4*	**91,121**	44,671
Cost of sales		**(66,424)**	(28,262)
Gross profit		**24,697**	16,409
Other income		**8,595**	4,386
Selling expenses		**(2,839)**	(2,979)
Administrative expenses		**(30,818)**	(60,491)
Fair value changes on investment properties		**–**	(3,700)
Gain on disposal of subsidiaries		**–**	39,166
Finance costs	*5*	**(548)**	(815)
Share of results of associates		**–**	7,038
Loss before tax	*6*	**(913)**	(986)
Income tax expense	*7*	**(5,179)**	(2,324)
Loss for the period		**(6,092)**	(3,310)
(Loss) profit for the period attributable to:			
Owners of the Company		**(9,941)**	(2,400)
Non-controlling interests		**3,849**	(910)
		(6,092)	(3,310)
		HK cents	*HK cents*
Loss per share	*9*		
– Basic		**(0.7)**	(0.2)
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(6,092)**	(3,310)
Other comprehensive expense		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**(2,087)**	(20,494)
Share of exchange differences on translation of an associate	**–**	(3,227)
Reclassification of exchange reserve upon disposal of subsidiaries	**–**	(30,104)
Other comprehensive expense for the period	**(2,087)**	(53,825)
Total comprehensive expense for the period	**(8,179)**	(57,135)
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(11,506)**	(51,771)
Non-controlling interests	**3,327**	(5,364)
	(8,179)	(57,135)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2015

	Notes	At 30 June 2015 HK$'000 (Unaudited)	At 31 December 2014 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**9,831**	9,588
Investment properties		**586,734**	301,738
Deferred tax assets		**1,304**	1,304
		597,869	312,630
Current assets			
Properties held under development		**111,142**	105,465
Properties held for sale		**299,424**	359,633
Other inventories		**26**	24
Accounts receivable	*10*	**39**	10
Deposits paid, prepayments and other receivables		**22,268**	24,400
Tax recoverable		**20,471**	4,419
Restricted bank deposits		**14,525**	23,335
Bank balances and cash		**374,634**	483,138
		842,529	1,000,424
Total assets		**1,440,398**	1,313,054
Current liabilities			
Accounts payable	*11*	**43,429**	71,664
Accruals, deposits received and other payables		**121,687**	52,518
Tax payable		**4,547**	3,700
Borrowings		**118,823**	9,053
		288,486	136,935
Net current assets		**554,043**	863,489
Total assets less current liabilities		**1,151,912**	1,176,119
Non-current liabilities			
Borrowings		**11,375**	89,448
Deferred tax liabilities		**53,376**	52,353
		64,751	141,801
Total liabilities		**353,237**	278,736
NET ASSETS		**1,087,161**	1,034,318
Capital and reserves			
Share capital		**13,842**	13,842
Reserves		**963,497**	975,003
Equity attributable to owners of the Company		**977,339**	988,845
Non-controlling interests		**109,822**	45,473
TOTAL EQUITY		**1,087,161**	1,034,318

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Main Board (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group has not early adopted the amendments to Appendix 16 issued by the Stock Exchange in early 2015 which will be effective for accounting periods ending on or after 31 December 2015.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance is mainly focused on property development and property investment in the People's Republic of China ("PRC"). No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

Six months ended 30 June 2015

	Property development *HK$'000* (Unaudited)	Property investment *HK$'000* (Unaudited)	Consolidated *HK$'000* (Unaudited)
SEGMENT REVENUE			
External sales	**81,192**	**9,929**	**91,121**
SEGMENT RESULTS			
Segment profit	**14,319**	**7,551**	**21,870**
Other unallocated income			**504**
Corporate expenses			**(23,287)**
Loss before tax			**(913)**

Six months ended 30 June 2014

	Property development *HK$'000* (Unaudited)	Property investment *HK$'000* (Unaudited)	Consolidated *HK$'000* (Unaudited)
SEGMENT REVENUE			
External sales	37,644	7,027	44,671
SEGMENT RESULTS			
Segment loss	(2,134)	(11,379)	(13,513)
Other unallocated income			990
Corporate expenses			(34,667)
Share of results of associates			7,038
Gain on disposal of subsidiaries			39,166
Loss before tax			(986)

The Group does not allocate other unallocated income, corporate expenses, share of results of associates and gain on disposal of subsidiaries to individual reportable segment profit or loss for the purposes of resource allocation and performance assessment by the chief operating decision makers.

The accounting policies adopted in preparing the reportable segment information are the same as the Group's accounting policies.

Segment assets and liabilities

The following is an analysis of the Group's assets by reportable and operating segment, no liabilities are presented as the information is not reportable to the chief operating decision makers in the resource allocation and assessment of performance:

Segment assets

	At 30 June 2015 ***HK$'000*** **(Unaudited)**	At 31 December 2014 *HK$'000* (Audited)
Property development	**668,030**	684,540
Property investment	**689,289**	401,848
Total segment assets	**1,357,319**	1,086,388
Corporate assets	**83,079**	226,666
Total assets	**1,440,398**	1,313,054

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than corporate assets.

4. REVENUE

	Six months ended 30 June	
	2015 ***HK$'000*** **(Unaudited)**	2014 *HK$'000* (Unaudited)
Sales of properties held for sale	**81,192**	37,644
Rental income from investment properties	**9,929**	7,027
	91,121	44,671

5. FINANCE COSTS

	Six months ended 30 June 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Interest on borrowings which are repayable within five years:		
Bank loans	**566**	1,151
Imputed interest expense on loans from non-controlling shareholders	**–**	106
	566	1,257
Interest on convertible notes	**–**	2,421
Total borrowing costs	**566**	3,678
Less: Amount capitalised in properties held under development*	**(18)**	(2,863)
	548	815

* The finance costs have been capitalised at a rate of 1.27% (six months ended 30 June 2014: 0.82%) per annum.

6. LOSS BEFORE TAX

	Six months ended 30 June 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Loss before tax is arrived at after charging (crediting):		
Cost of properties held for sale recognised as expense	**64,716**	26,692
Depreciation of property, plant and equipment	**773**	1,009
Less: Amount capitalised in properties held under development	**–**	(122)
	773	887
Outgoings in respect of investment properties that generated rental income during the period	**1,708**	1,570
Operating lease charges in respect of land and buildings	**1,427**	121
Impairment loss on amount due from an associate	**–**	19
Impairment loss on goodwill	**–**	16
Staff costs, including directors' emoluments and retirement benefits cost*	**11,949**	50,872
Less: Amount capitalised in properties held under development	**(2,042)**	(5,100)
	9,907	45,772
Amount recognised as expense for retirement benefits cost	**779**	1,453
Interest income from banks	**(5,597)**	(3,755)
Exchange (gain) loss, net	**(22)**	1,678
(Gain) loss on disposal of property, plant and equipment	**(3)**	141
Loss on early repayment of loan from a non-controlling shareholder	**–**	72

* For the six months ended 30 June 2014, this amount included approximately HK$19,365,000, which represented compensation to staffs, included mainly severance payments, discretionary awards and complimentary payments, payable by the Group to its employees in Suzhou, the PRC, as part of the sale and purchase of shares in the Company. Such an amount had been recognised as an expense in the condensed consolidated statement of profit or loss during the six months ended 30 June 2014.

7. INCOME TAX EXPENSE

	Notes	Six months ended 30 June 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Current tax			
– PRC Enterprise Income Tax ("EIT")	*(a)*	**2,763**	(555)
– PRC Land Appreciation Tax ("LAT")	*(b)*	**1,393**	3,413
		4,156	2,858
Deferred tax	*(c)*	**1,023**	(534)
Total income tax expense		**5,179**	2,324

Notes:

(a) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

No Hong Kong Profits Tax has been provided for as the Group had no estimated assessable profits for both periods.

(b) Under the Provisional Rules on LAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

(c) Deferred tax is calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their respective tax bases at the end of both reporting periods, using applicable tax rates.

8. DIVIDENDS

No dividend for the six months ended 30 June 2015 has been proposed by the Directors of the Company (six months ended 30 June 2014: Nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Loss for the purpose of basic and diluted loss per share	**(9,941)**	(2,400)

	Number of shares 2015	2014
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,384,240,281**	1,330,448,745

No diluted loss per share for the six months ended 30 June 2015 was presented as there was no potentially dilutive ordinary shares in issue during the period.

No diluted loss per share for the six months ended 30 June 2014 was presented as the exercise of share options and conversion of convertible notes would result in a reduction in loss per share.

10. ACCOUNTS RECEIVABLE

	At 30 June 2015 HK$'000 (Unaudited)	At 31 December 2014 HK$'000 (Audited)
Accounts receivable	**39**	10

Accounts receivable represent rental income from leasing properties. Monthly rents are normally received in advance and sufficient rental deposits are held to minimise credit risk. Accounts receivable generally have credit terms of 30 to 60 days (31 December 2014: 30 to 60 days) and no interest is charged. All accounts receivable are denominated in Renminbi. The ageing analysis of the Group's accounts receivable, based on invoice dates, is as follows:

	At 30 June 2015 HK$'000 (Unaudited)	At 31 December 2014 HK$'000 (Audited)
Within 30 days	**39**	10

The carrying amount of accounts receivable is considered a reasonable approximation of fair value as this financial asset, which is measured at amortised cost, is expected to be paid within a short timescale, such that the time value of money impact is not significant.

As at 30 June 2015 and 31 December 2014, accounts receivable were neither past due nor impaired. These related to a number of customers for whom there was no recent history of default.

11. ACCOUNTS PAYABLE

Based on invoice dates, the ageing analysis of the Group's accounts payable is as follows:

	Notes	At 30 June 2015 HK$'000 (Unaudited)	At 31 December 2014 HK$'000 (Audited)
Over 365 days		**854**	894
Rental received on behalf of landlords	*(a)*	**854**	894
Accrued construction costs and other project-related expenses	*(b)*	**42,575**	70,770
		43,429	71,664

Notes:

(a) Rental received on behalf of landlords comprised net rental received from tenants after netting off fee charged to them provided by external service providers.

(b) The amounts represent construction costs and other project-related expenses payable which are accrued based on the terms of the relevant agreements and the progress of the projects, and are not due for payment as at the end of both reporting periods.

CHAIRMAN'S STATEMENT

Results and Dividends

For the six months ended 30 June 2015, the Group's revenue was approximately HK$91.1 million (six months ended 30 June 2014: approximately HK$44.7 million). Loss attributable to owners of the Company was approximately HK$9.9 million (six months ended 30 June 2014: approximately HK$2.4 million). Basic loss per share was approximately 0.7 HK cents (six months ended 30 June 2014: 0.2 HK cents).

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

Business Review and Outlook

Stepping into 2015, the property market in China has gradually rebounded after the Central Government relaxed the restrictions on down payment mortgages for second-home properties. Led by a pragmatic and outstanding management team, the Group has embarked on preparatory efforts and is poised to embark and capitalise on the opportunities presented by the reviving market. We have formulated short to long-term development plans and explored quality development projects in a timely manner in order to create strong growth drivers for the revenue and profit of the Group.

In the recovery of the China property market, Shenzhen is a leader. The increase in property prices and rents of Grade A offices in the first quarter of 2015 has already outpaced other cities, presenting a good momentum. The Group is well-aware of Shenzhen's strong potential and advantage in the property market, thus it announced an important initiative in June to acquire Green View Holding Company Limited and its subsidiaries ("Target Group") which has established a strong position in property development in Shenzhen and the Pearl River Delta Region. The Target Group focuses on the development of urban boutique residences, community-based shopping centers and urban complexes in the prime locations of Shenzhen and the Pearl River Delta Region and is a leading integrated property developer and commercial property operator in Shenzhen. Upon completion of this acquisition, the Group will secure the sizeable property profile and development platform of the Target Group, further expand its coverage to the core Pearl River Delta Region, diversify its property portfolio, enhance the net asset value and income base notably, thereby bringing its business to the next level.

To capture the enormous opportunities in the Shenzhen property market, the Group announced in April 2015 the acquisition of 75% equity interest in a property project company which holds certain properties in Baoan District, Shenzhen. This acquisition officially expands our coverage from Suzhou and its neighborhood to the Pearl River Delta Region, and diversifies our business from residential property into commercial property.

In recent years, the China property market has transited from fast-paced development to a period of steady growth, but there are still some exceptions. For instance, the core cities in the Pearl River Delta Region and the Yangtze River Delta Region still have huge room for development. As for the geographical development in the years ahead, the Group plans to allocate its resources into the aforesaid regions, leveraging on the rich experience and strong reputation of the Target Group in urban reconstruction projects to accelerate our own development in these regions. In addition to developing properties at the central areas of major cities in China, the Group also intends to actively expand into other markets including Hong Kong and Macau. In July, the Group announced the conditional acquisition of Wisdom Concept Development Limited ("Wisdom Concept"), the principal assets of which are parcels of land located in Lau Fau Shan, Hong Kong, which are intended to be developed as seaview villas. In the future, the Group will be seeking quality projects in target markets to capture more development opportunities.

As the Chinese economy continues to grow steadily, the commercial property segment presents strong potential for development. The Group intends to leverage on the existing business and advantages of the Target Group to develop both residential and commercial properties at the same time. Meanwhile, it will also study the feasibility of other potential businesses, such as introducing community O2O service platform to residential properties, to offer convenience and intelligent online and offline property management services to residents and improve their living standards, as well as broaden the Group's income stream. With a visionary and experienced management team possessing a strong background guided by a clear development blueprint, the Group is confident that it can bring its business to a new height and maximize the returns for our shareholders.

The growth and success of the Group would not be possible without our shareholders, staff, customers and business partners. On behalf of the Group, I would like to express gratitude for their long-term trust and support. With a commitment to excellence, we can join hands to facilitate the constant prosperous growth of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the period under review, in addition to continuing the property development and investment businesses in Suzhou, the Group also acquired 75% equity interest in a property project company in Shenzhen and continued to actively seek for business opportunities in Shenzhen and other cities in southern China.

Property Development

During the first half of 2015, the real estate market in Suzhou went through from a period of sluggishness into a heated one. After the difficult period in 2014, the real estate market remained at a modest state in January and February and entered a stable period in March and April in which some over-priced housing projects started to cut selling price. Meanwhile, flats at a bargain price flooded the market, leading to the commencement of price adjustment in the market. Also, driven by a series of national favorable policies and local bail-out policies, especially the reduction in interest rate by the central bank and the "330 New Policy", the real estate market started to bloom in May and recorded a remarkable growth in June, showing a good overall performance.

The Group's various development projects in Suzhou were in progress and on schedule in the period under review.

1. ***Taihu Garden Court,*** *Guangfu Town, Wuzhong District, Suzhou*

Taihu Garden Court's outstanding architectural design and beautiful classical landscaping outperformed the townhouse projects nearby. Thus, sales result slightly outperformed peripheral villa projects.

As at 30 June 2015, 4 remaining townhouses of Phase 1 with a total gross floor area of about 1,100 sq.m. were pending for sale.

As at 30 June 2015, 4 townhouses of Phase 2 with a total gross floor area of about 900 sq.m. were sold, generating sales revenue of approximately HK$11.1 million. As at 30 June 2015, 15 remaining townhouses of Phase 2 with a total gross floor area of about 3,600 sq.m. were pending for sale.

As at 30 June 2015, 10 townhouses of Phase 3 with a total gross floor area of about 2,300 sq.m. were sold, generating sales revenue of approximately HK$30.0 million. As at 30 June 2015, 62 remaining townhouses of Phase 3 with a total gross floor area of about 15,000 sq.m. were pending for sale.

The Group will pay close attention to the market, and adjust strategies in a timely manner and sell the remaining townhouses in the second half of 2015 for higher revenue.

2. ***Lakeside Garden Court,*** *Shengze Town, Wujiang, Suzhou*

Lakeside Garden Court is targeted at first-time homebuyers. The project is highly appreciated by local buyers due to the Group's practice of applying customer-oriented philosophy, with appealing architectural design, modernity and practicability of living features in social housing project, where quality management is enhanced and local culture and characteristics are incorporated. The remarkably high occupancy rate of the first three phases and the successful sales result of Phase 4 were due not only to the absence of home purchase restriction policy in Wujiang but also the accurate positioning and appropriate sales strategy of the project.

The total site area of Lakeside Garden Court, which is being developed in four phases, is about 86,200 sq.m. with a total gross floor area of approximately 152,400 sq.m..

As at 30 June 2015, 4 remaining units (including 2 show flats) of Phase 1 with a total gross floor area of about 400 sq.m. were pending for sale. All units of Phase 2 had been sold out during 2013.

Phase 3 comprises 86 low-density townhouses, with a total gross floor area of around 19,600 sq.m.. During the first half of 2015, a total of 2 townhouses with a total gross floor area of about 500 sq.m. were sold, generating sales revenue of approximately HK$5.9 million. 11 remaining townhouses with a total gross floor area of about 2,500 sq.m. are pending for sale. The Group plans to sell them at an appropriate price.

Phase 4 consists of 6 blocks of high-rise residential buildings of mainly small apartment units (under 90 sq.m.) with a total gross floor area of about 55,900 sq.m.. During the first half of the year, a total of 44 units of Phase 4 with a total gross floor area of about 3,800 sq.m. were sold with sales revenue of approximately HK$34.2 million. A total of 52 remaining units of Phase 4 with a total gross floor area of 4,300 sq.m. are pending for sale. The Group plans to sell them during the second half of 2015.

3. ***Wuzhong Office Building, Wuzhong District, Suzhou***

The project is strategically located in the Yuexi Sub-town centre in Wuzhong, with an accessible transportation network. The Yuexi Sub-town centre provides various functions including commercial, financial, cultural, entertainment, administrative office and residential building. Currently, the presence of Suzhou Customs (蘇州海關), Management Committee of Wuzhong Economic and Technological Development Zone (吳中經濟技術開發區管委會), Wuzhong City Investment Company (吳中區城投公司), Wuzhong Human Resource Market (吳中區人才市場), Wuzhong Administrative Service Centre (吳中區行政服務中心) and a number of government authorities have been established to become a more comprehensive administrative office centre. Xijiang station of Subway Line 4 is adjacent to the project and is expected to operate in 2017.

The site area of the building is approximately 14,600 sq.m. and the total gross floor area above ground is around 57,500 sq.m., while the underground space is around 24,200 sq.m.. The Group has actively negotiated with the government to optimise the design and function of the project, and obtained approval for its planning proposal.

Property Investment

The Group's investment properties in Suzhou are located in the prime business district of Suzhou New District, and have benefited from the ongoing implementation of development strategy by the government of the Suzhou New District. However, investment revenue has been affected to a certain extent by the weak retail market and a reduction of customer traffic resulting from successive construction and completion of surrounding complexes.

1. ***SGV Plaza,*** *Suzhou New District*

SGV Plaza is located at Shi Shan Road, the most prosperous area in the Suzhou New District, with a total gross floor area of about 11,000 sq.m.. The occupancy rate as at the end of June 2015 was about 96%. Rental income during the first half of the year amounted to approximately HK$4.0 million. In addition to the ongoing optimisation of tenant mix, the Group will also optimize the space available for operations and increase the operating area so as to drive the rental revenue. Meanwhile, the Group has started preliminary preparation for transformation of shopping malls and image upgrade in order to enhance competitiveness and increase the level of customer traffic.

2. ***Garden Court Plaza,*** *Suzhou New District*

Garden Court Plaza is located not far away from the Bin He Road station of Rail Line 1 with a total gross floor area of about 4,500 sq.m.. During the first half of 2015, rental income amounted to about HK$2.0 million with 100% occupancy rate. The industrial plant to the east of Bin He Road which is opposite to the mall has been transformed and will become a commercial service project. The clustering effects will benefit Garden Court Plaza in the long run.

3. ***SGV Apartments,*** *Suzhou New District*

SGV Apartments district, an area of a cluster of primary and secondary schools, enjoys sound reputation from local middle-class families. As such, the district has gradually transformed from rental housings for foreign senior management into residential housings for locals who have high income. The price of SGV Apartments is gradually rising along with the continual improvement of the peripheral infrastructure and completion of the landmark complex of the city. The Group holds residential investment properties of about 5,500 sq.m. (34 units). During the first half of 2015, rental income was approximately HK$1.3 million. The Group will improve its revenues in the second half of the year by adopting a combination of leasing and sale of its properties based on changes in surrounding markets.

During the period under review, the Group acquired certain investment properties in Shenzhen through the acquisition of HongKong Jiatian International Trading Development Limited ("HongKong Jiatian") which holds 75% of the equity interest in a project company that holds land with an aggregate area of approximately 22,892 sq.m. located at Baoan District in Shenzhen, the PRC. During the period, rental income from the aforesaid property was approximately HK$2.6 million from the date of completion of the acquisition by the Group.

Property Management

For the six months ended 30 June 2015, the Group continued its outsourcing policy. In the process of identifying and appointing local property management companies, the Group exercised careful due diligence to ensure these property companies are fully licensed and qualified. The Group coordinated with government authorities for the establishment of owner's association or property management committee in accordance with the applicable local rules and regulations.

Strategic Partnerships

Spinnaker Capital Group

Spinnaker Capital Group remains a strategic non-controlling shareholder in one of the Group's subsidiaries – Suzhou New Heritage GF Limited which is the company for the development of Taihu Garden Court.

Financial Review

Revenue

The Group's revenue mainly comprised of revenue from sales of properties held for sale and leasing of investment properties. The Group's revenue for the six months ended 30 June 2015 was approximately HK$91.1 million (six months ended 30 June 2014: HK$44.7 million), representing an increase of 104% as compared with the same period last year. The increase in the Group's revenue was mainly due to the increase in revenue from sales of properties held for sale.

The revenue from sales of properties held for sale included the disposal of 14 low-density townhouses in Taihu Garden Court Phases 2 and 3, 2 low-density townhouses and 44 residential apartment units in Lakeside Garden Court Phases 3 and 4 of approximately HK$41.1 million, approximately HK$5.9 million and approximately HK$34.2 million respectively. The Group's total gross floor area of properties held for sale sold during the six months ended 30 June 2015 was approximately 7,500 sq.m. (six months ended 30 June 2014: 2,900 sq.m.).

Revenue from leasing of investment properties for the six months ended 30 June 2015 was approximately HK$9.9 million (six months ended 30 June 2014: HK$7.0 million). The revenue generated from leasing of investment properties at Suzhou Garden Villa and two retail centres in Suzhou as well as investment properties in Shenzhen which were acquired by the Group in the period under review were approximately HK$1.3 million (six months ended 30 June 2014: HK$1.2 million), approximately HK$6.0 million (six months ended 30 June 2014: HK$5.8 million) and approximately HK$2.6 million (six months ended 30 June 2014: Nil) respectively.

Operating Results

For the six months ended 30 June 2015, the Group's gross profit amounted to approximately HK$24.7 million (six months ended 30 June 2014: HK$16.4 million). The gross profit margin for the six months ended 30 June 2015 was approximately 27% as compared to approximately 37% for the same period last year.

Administrative expenses decreased significantly from approximately HK$60.5 million for the six months ended 30 June 2014 to approximately HK$30.8 million for the period under review. It was primarily attributable to the compensation to directors, employees in Hong Kong and Suzhou, the PRC and professional expenses incurred as a result of mandatory general offers made by China LVGEM Property Holdings Limited for all the securities of the Company for the six months ended 30 June 2014. No such expenses were incurred for the period under review.

The valuation on the Group's investment properties as at 30 June 2015 was conducted by an independent property valuer. There was no fair value changes for the period ended 30 June 2015 (six months ended 30 June 2014: negative fair value changes of approximately HK$3.7 million).

For the six months ended 30 June 2014, gain on disposal of subsidiaries amounted to approximately HK$39.2 million resulting from the disposal of Accordcity Limited and its subsidiary and New Heritage Management Limited and its subsidiaries in the amount of approximately HK$27.4 million and HK$11.8 million, respectively.

For the six months ended 30 June 2014, share of results of associates was mainly attributable to the profit contributed by Beijing Landmark Towers Co., Ltd., an associate of Accordcity Limited for the period up to the date of disposal of Accordcity Limited, of approximately HK$7.0 million.

For the six months ended 30 June 2015, the loss attributable to owners of the Company was approximately HK$9.9 million (six months ended 30 June 2014: HK$2.4 million) which represented a basic loss per share of 0.7 HK cents (six months ended 30 June 2014: 0.2 HK cents).

Liquidity, Financial Resources and Gearing

Bank balances and cash as at 30 June 2015 amounted to approximately HK$374.6 million (31 December 2014: HK$483.1 million).

The Group had total bank borrowings of approximately HK$55.4 million as at 30 June 2015 (31 December 2014: HK$23.7 million). Borrowings classified as current liabilities were approximately HK$118.8 million (31 December 2014: HK$9.1 million) and the Group's gearing ratio as at 30 June 2015 was approximately 5% (31 December 2014: 2%), which was based on total bank borrowings to total equity.

Current, Total and Net Assets

As at 30 June 2015, the Group had current assets of approximately HK$842.5 million (31 December 2014: HK$1,000.4 million) and current liabilities of approximately HK$288.5 million (31 December 2014: HK$136.9 million) resulting in a decrease in net current assets from approximately HK$863.5 million as at 31 December 2014 to approximately HK$554.0 million as at 30 June 2015. The decrease in current assets at 30 June 2015 was mainly due to the cash consideration paid by the Group for the acquisition of HongKong Jiatian during the six months ended 30 June 2015. The increase in current liabilities at 30 June 2015 was mainly due to the recognition of the remaining balance of the consideration payable for the acquisition of HongKong Jiatian and the reclassification of loans from non-controlling shareholders, which were repayable within one year from 30 June 2015, from non-current liabilities to current liabilities.

As at 30 June 2015, the Group recorded total assets of approximately HK$1,440.4 million (31 December 2014: HK$1,313.1 million) and total liabilities of approximately HK$353.2 million (31 December 2014: HK$278.7 million), representing a debt ratio (total liabilities over total assets) of approximately 25% (31 December 2014: 21%). Net assets of the Group was approximately HK$1,087.2 million as at 30 June 2015 (31 December 2014: HK$1,034.3 million).

During the six months ended 30 June 2015, the Group was able to utilise its internal reserves and debt financing to meet the funding requirements when opportunities for land acquisition arise.

Charge on Assets

As at 30 June 2015, bank loans of approximately HK$55.4 million (31 December 2014: approximately HK$21.1 million) were secured by investment properties of the Group of approximately HK$434.2 million (31 December 2014: approximately HK$160.5 million). The increase in bank loans secured by investment properties of the Group at 30 June 2015 was mainly attributable to the inclusion of the bank loans of the subsidiary of HongKong Jiatian, which was acquired by the Group during the period under review.

Contingent Liabilities

The directors of the Company considered that there were no material contingent liabilities as at 30 June 2015 and 31 December 2014.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's monetary assets, loans and transactions are principally denominated in Renminbi, Hong Kong dollars and United States dollars. During the period under review, there was no significant fluctuation in the exchange rates of these three currencies. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its statement of financial position exposure for the six months ended 30 June 2015 and in the year 2014.

Treasury Policies and Capital Structure

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

Employees

As at 30 June 2015, the Group had a staff roster of 89 (30 June 2014: 88), of which 72 (30 June 2014: 72) employees were based in the Mainland China and 17 (30 June 2014: 16) employees in Hong Kong. The remuneration of employees was in line with the market trends and commensurate to the levels of pay in the industry. Remuneration of the Group's employees includes basic salaries, bonuses and long-term incentives such as the granting of share options within an approved scheme.

ACQUISITIONS

On 30 April 2015, Xingfu (China) Limited, an indirect wholly-owned subsidiary of the Company, as purchaser and Crown Profit (HK) Industrial Limited as vendor, among others, entered into a sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which the purchaser conditionally agreed to purchase, and the vendor conditionally agreed to sell and transfer the entire issued share capital of HongKong Jiatian, at a consideration of RMB145,200,000 (equivalent to approximately HK$183,066,000). HongKong Jiatian holds 75% of the equity interest in a project company that holds land with an aggregate area of approximately 22,892 sq.m. located at Baoan District in Shenzhen, the PRC. The Sale and Purchase agreement was completed on 4 May 2015. Further details of the acquisition is disclosed in the announcement of the Company dated 30 April 2015.

On 2 June 2015, Urban Thrive Holdings Limited, a wholly-owned subsidiary of the Company, as purchaser entered into an agreement with Mr. Wong Hong King ("Mr. Wong"), the controlling shareholder of the Company, as vendor in respect of the conditional sale and purchase of the entire issued share capital of Green View Holding Company Limited (the "Target Company") at a consideration of HK$13,785,000,000. The consideration for the acquisition will be settled by either (a) if the proposed placing of new shares or other financial instruments to be conducted by the Company to raise fund has not been completed at the time of completion, the Company will allot and issue to Mr. Wong (or to his nominee as he may direct in writing) at the issue price set out in the agreement of 109,342,511 consideration shares and 6,582,405,062 convertible preference shares; or (b) if the placing has been completed at the time of completion, the Company will allot and issue to Mr. Wong (or to his nominee as he may direct in writing) at the issue price of not more than 5,046,146,308 consideration shares and/or by cash, and/or by the allotment and issue of the convertible preference shares at the issue price.

The Target Company and its subsidiaries focus on the development of urban boutique residences, community-based shopping centers and urban complexes in Shenzhen and the Pearl River Delta Region. Completion of the agreement is subject to the satisfaction (or waiver as the case may be) of the conditions set out in the agreement, which include, among others, the independent shareholders of the Company having approved the agreement and the issue of the consideration shares, the convertible preference shares and the conversion shares upon the exercise of the conversion rights of the convertible preference shares, the Listing Committee of the Stock Exchange having granted approval for the listing of such shares stated above, and approval having been obtained from the Listing Committee of the Stock Exchange for the new listing application of the Company pursuant to Rule 14.54 of the Listing Rules in relation to the Agreement. Further details of the acquisition is disclosed in the announcement of the Company dated 18 June 2015. As at the date of this announcement, completion of the acquisition has not yet taken place.

On 30 July 2015, Jianmai Limited, an indirect 75%-owned subsidiary of the Company, as purchaser entered into an acquisition agreement with Hanison Construction Holdings (BVI) Limited as vendor and Sanney Limited as vendor's guarantor pursuant to which Jianmai Limited conditionally agreed to acquire from the vendor the entire issued share capital of Wisdom Concept and the full benefits of the loan extended by the vendor to Wisdom Concept for an aggregate consideration of HK$710,000,000. 10% of the consideration, equivalent to HK$71,000,000, was paid upon the signing of the acquisition agreement, with the remaining balance of the consideration payable at completion. As at the date of this announcement, completion of this acquisition has not yet taken place. The principal assets of Wisdom Concept are parcels of land in Lau Fau Shan, Yuen Long, New Territories, Hong Kong. Further details of the acquisition are disclosed in the announcements of the Company dated 30 July 2015 and 13 August 2015.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate practices and procedures. The corporate governance principles of the Company emphasise a quality board, transparency and accountability to all shareholders of the Company.

Throughout the six months ended 30 June 2015, the Company complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. The obligation to follow the Listing Rules is set out in the terms of the service agreements of each executive Director and the letters of appointment of each independent non-executive Director. Having made specific enquiry of all the Directors, all Directors confirmed that they have complied with the required standards as set out in the Model Code for the six months ended 30 June 2015.

REVIEW OF INTERIM FINANCIAL INFORMATION

The auditor of the Company, Deloitte Touche Tohmatsu, has performed an independent review on the interim financial report for the six months ended 30 June 2015 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. On the basis of the auditor's review, which does not constitute an audit, Deloitte Touche Tohmatsu confirmed in writing that nothing has come to the auditor's attention that causes the auditor to believe that the interim financial report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34. The interim results of the Group for the six months ended 30 June 2015 have also been reviewed by the members of the Audit Committee before submission to the Board for approval. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of the Company's listed securities during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 June 2015.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.lvgem-china.com) and the Stock Exchange (www.hkex.com.hk). The 2015 Interim Report will be dispatched to shareholders in due course.

GENERAL INFORMATION

As at the date of this announcement, the Board comprises Miss HUANG Jingshu (Chairman), Mr. YIM Chun Leung (Chief Executive Officer), Mr. YE Xingan, Mr. CHEN Tieshen and Ms. DENG Chengying as executive directors and Mr. ZHU Jiusheng, Mr. WANG Jing and Ms. HU Gin Ing as independent non-executive directors.

This interim results announcement only gives a summary of the information and particulars of the 2015 Interim Report from which the contents of this announcement are derived.

By order of the Board
LVGEM (China) Real Estate Investment Company Limited
HUANG Jingshu
Chairman

Hong Kong, 28 August 2015