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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

RESULTS

The board of directors (the "Directors" or the "Board") of LVGEM (China) Real Estate Investment Company Limited (the "Company" or "LVGEM (China)") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2016 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Notes	**2016** *RMB'000*	2015 *RMB'000*
Revenue	*3*	**4,590,162**	1,210,270
Cost of sales		**(2,294,209)**	(574,887)
Gross profit		**2,295,953**	635,383
Other income, other gains and losses	*4*	**108,448**	87,336
Selling expenses		**(58,293)**	(56,501)
Administrative expenses		**(348,696)**	(239,059)
Fair value changes on investment properties		**247,498**	426,816
Fair value changes on derivative financial instruments		**15,022**	–
Finance costs	*5*	**(406,500)**	(262,868)
Share of results of joint ventures		**(9)**	(30)
Profit before tax	*6*	**1,853,423**	591,077
Income tax expense	*7*	**(1,044,757)**	(166,492)
Profit for the year		**808,666**	424,585
Profit for the year attributable to:			
Owners of the Company		**802,297**	417,780
Non-controlling interests		**6,369**	6,805
		808,666	424,585
		RMB cents	*RMB cents*
Earnings per share attributable to the owners of the Company during the year	*9*		
– Basic		**17.09**	10.55
– Diluted		**9.81**	5.66

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	RMB'000	*RMB'000*
Profit for the year	**808,666**	424,585
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation	**2,979**	(19,500)
Fair value changes on available-for-sale investments, net of tax	**163,336**	–
Other comprehensive income (expense) for the year	**166,315**	(19,500)
Total comprehensive income for the year	**974,981**	405,085
Total comprehensive income attributable to:		
Owners of the Company	**967,927**	401,935
Non-controlling interests	**7,054**	3,150
	974,981	405,085

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Investment properties		**12,227,017**	11,973,452
Property, plant and equipment		**294,188**	333,422
Goodwill		**231,602**	231,602
Interests in joint ventures		**528,384**	525,393
Available-for-sale investments		**561,048**	343,267
Deferred tax assets		**190,151**	199,785
Deposits paid for acquisition of equity interests		**210,000**	–
Deposits paid for acquisition of property, plant and equipment		**156,776**	–
		14,399,166	13,606,921
Current assets			
Properties under development for sale		**3,977,425**	2,109,719
Properties held for sale		**1,556,050**	3,293,741
Other inventories		**1,006**	914
Accounts receivable	*10*	**16,536**	102,210
Deposits paid, prepayments and other receivables		**1,234,783**	1,941,469
Tax recoverable		**8,316**	88,950
Other current assets		**200,000**	80,000
Restricted bank deposits		**1,738,990**	1,253,444
Bank balances and cash		**2,792,246**	1,514,559
		11,525,352	10,385,006
Current liabilities			
Accounts payable	*11*	**921,438**	1,102,296
Accruals, deposits received and other payables		**546,538**	3,944,349
Tax liabilities		**768,146**	470,507
Borrowings		**3,580,323**	1,676,275
		5,816,445	7,193,427
Net current assets		**5,708,907**	3,191,579
Total assets less current liabilities		**20,108,073**	16,798,500
Non-current liabilities			
Convertible bonds		**559,186**	–
Derivative financial instruments		**120,496**	–
Borrowings		**7,836,944**	6,557,606
Deferred tax liabilities		**2,393,783**	2,267,724
		10,910,409	8,825,330
Net assets		**9,197,664**	7,973,170
Capital and reserves			
Share capital		**39,115**	39,115
Reserves		**8,925,397**	7,841,962
Equity attributable to owners of the Company		**8,964,512**	7,881,077
Non-controlling interests		**233,152**	92,093
Total equity		**9,197,664**	7,973,170

Notes:

1. GENERAL

The Company is a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the Company's registered office and principal place of business are PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Suites 1701-1703, 17/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong respectively. Its immediate holding company is China LVGEM Property Holdings Limited, a company incorporated in the Cayman Islands with limited liability and its ultimate holding company is Go Great International Limited, a company incorporated in the British Virgin Islands with limited liability. Its ultimate controlling party is Mr. WONG Hong King ("Mr. Wong"), father of Ms. HUANG Jingshu, the Chairman of the Company, and Mr. HUANG Hao Yuan, the Executive Director of the Company.

The Company acts as an investment holding company.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2017.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. The Group's available-for-sale investments with the balance amounted to RMB561,048,000 which is stated at fair value, will either be measured at fair value through profit and loss or be designated as FVTOCI (subject to fulfilment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principle versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede the current lease guidance including HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet), except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contract to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB122,589,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the directors are currently assessing its potential impact. However, it is not practicable to provide a reasonable estimate of the financial effect until the Group performs a detailed review.

Except those mentioned above, the directors of the Company anticipate that the application of other new standards and amendments to HKFRSs will have no material impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the income from property development, property leasing and provision of comprehensive services, net of business tax and other sales related taxes and after deduction of any trade discounts.

In identifying its operating segments, the executive directors of the Company, being the chief operating decision makers, generally follow the Group's service lines, which represent the main products and services provided by the Group. The Group has identified the following reportable segments:

- Property development and sales: sales of properties
- Commercial property investment and operations: lease of commercial properties, office premises and car parks
- Comprehensive services: hotel operation, property management service and others

Each of these operating segments is managed separately as each of these products and service lines requires different resources as well as marketing approaches.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results

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

For the year ended 31 December 2016

	Property development and sales *RMB'000*	**Commercial property investment and operations** *RMB'000*	**Comprehensive services** *RMB'000*	**Total** *RMB'000*
Revenue:				
From external customers	**3,956,426**	**430,205**	**203,531**	**4,590,162**
Inter-segment revenue	**–**	**9,483**	**10,013**	**19,496**
Total segment revenue	**3,956,426**	**439,688**	**213,544**	**4,609,658**
Reportable segment profit	**1,859,142**	**366,566**	**70,245**	**2,295,953**

For the year ended 31 December 2015

	Property development and sales *RMB'000*	Commercial property investment and operations *RMB'000*	Comprehensive services *RMB'000*	Total *RMB'000*
Revenue:				
From external customers	575,881	412,637	221,752	1,210,270
Inter-segment revenue	–	9,508	–	9,508
Total segment revenue	575,881	422,145	221,752	1,219,778
Reportable segment profit	181,123	352,184	102,076	635,383

Inter-segment sales are at mutually agreed terms.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Reconciliations of reportable segment revenue, profit or loss

The Group does not allocate fair value changes on investment properties, other income, other gains and losses, depreciation and amortisation, finance costs, share of results of joint ventures, fair value changes on derivative financial instruments and corporate expenses 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.

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**4,609,658**	1,219,778
Elimination of inter-segment revenue	**(19,496)**	(9,508)
Consolidated revenue	**4,590,162**	1,210,270
Profit		
Reportable segment profit	**2,295,953**	635,383
Fair value changes on investment properties	**247,498**	426,816
Other income, other gains and losses	**108,448**	87,336
Depreciation and amortisation	**(39,934)**	(52,687)
Finance costs	**(406,500)**	(262,868)
Share of results of joint ventures	**(9)**	(30)
Fair value changes on derivative financial instruments	**15,022**	–
Corporate expenses	**(367,055)**	(242,873)
Consolidated profit before taxation	**1,853,423**	591,077

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

	2016	2015
	RMB'000	*RMB'000*
Assets		
Property development and sales	**5,758,178**	5,615,955
Commercial property investment and operations	**12,227,872**	11,973,614
Comprehensive services	**373,570**	240,996
Reportable segment assets	**18,359,620**	17,830,565
Goodwill	**231,602**	231,602
Available-for-sale investments and other current assets	**761,048**	423,267
Bank balances and cash (including restricted cash)	**4,531,236**	2,768,003
Deferred tax assets	**190,151**	199,785
Interests in joint ventures	**528,384**	525,393
Corporate assets	**1,322,477**	2,013,312
Consolidated total assets	**25,924,518**	23,991,927

For the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than goodwill, available-for-sale investments and other current assets, bank balances, and cash (including restricted cash), deferred tax assets, interests in joint ventures and corporate assets.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

No geographical information is presented as the operations, major customers and assets of the Group are substantially located in the People's Republic of China ("PRC").

No major customers contributed over 10% of the total sales of the Group for the years ended 31 December 2016 and 2015.

4. OTHER INCOME, OTHER GAINS AND LOSSES

	2016	2015
	RMB'000	*RMB'000*
Interest income	**30,663**	23,243
Investment income	**1,434**	12,511
Dividend income	**–**	5,040
Gain on disposal of a subsidiary	**18,340**	–
Gain(loss) on disposal of property, plant and equipment	**1,554**	(86)
Gain on disposal of investment properties	**4,968**	46,230
Foreign exchange (loss)gain, net	**(7,859)**	3,347
Recovery of other receivables written-off in prior year of the settlement	**49,561**	8,363
Write-down on other receivable	**–**	(19,627)
Others	**9,787**	8,315
	108,448	87,336

5. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**610,819**	603,421
Interest expense on convertible bonds	**13,258**	–
Less: Amount capitalised in investment properties under development and properties under development for sale *	**(217,577)**	(340,553)
	406,500	262,868

* The finance costs have been capitalised at rates ranging from 4.16% to 8.95% (2015: 5.29% to 8.46%) per annum.

6. PROFIT BEFORE TAX

	2016	2015
	RMB'000	*RMB'000*
Profit before tax is arrived at after charging (crediting):		
Cost of properties sold	**2,076,778**	394,758
Impairment loss on properties held for sale	**20,506**	–
Cost of properties held for sale recognised as expense	**2,097,284**	394,758
Depreciation of property, plant and equipment	**39,966**	52,726
Less: Amount capitalised in investment properties under development and properties under development for sale	**(32)**	(39)
	39,934	52,687
Gross rental income from investment properties	**430,205**	412,637
Outgoings in respect of investment properties that generated rental income during the year	**(63,639)**	(60,453)
	366,566	352,184
Operating lease charges in respect of land and buildings	**21,237**	25,857
(Reversal on) provision on impairment loss on accounts receivable	**(39)**	59
Auditor's remuneration	**3,080**	2,737
Staff costs		
– Directors' emoluments	**36,286**	8,146
– Salaries and other benefits in kind	**170,218**	136,709
– Equity-settled share-based payments	**102,877**	–
– Amount recognised as expense for retirement benefit costs	**12,548**	10,161
Less: Amount capitalised in investment properties under development and properties under development for sale	**(24,702)**	(9,189)
	297,227	145,827

7. INCOME TAX EXPENSE

	Notes	2016	2015
		RMB'000	*RMB'000*
Current tax			
PRC Enterprise Income Tax ("EIT")			
– Current year	*(a)*	**263,048**	71,759
– Underprovision in prior year		**8,466**	12,684
		271,514	84,443
PRC Land Appreciation Tax ("LAT")			
– Current year	*(b)*	**694,855**	50,400
– Overprovision in prior year		**(2,860)**	–
		691,995	50,400
Deferred taxation			
– Current year		**91,074**	60,329
– Overprovision in prior year		**(9,826)**	(28,680)
		81,248	31,649
Total income tax expense		**1,044,757**	166,492

7. INCOME TAX EXPENSE *(Continued)*

Notes:

(a) Under the Law of the People's Republic of China 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 years.

(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.

8. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2015 Final dividend – HK1 cent (equivalent to approximately RMB0.8 cents)	**40,116**	–
Others	**–**	599,055
	40,116	599,055

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2016 of HK5 cents (equivalent to approximately RMB4.5 cents) (2015: HK1 cent) per ordinary share of the Company has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

Note: During the year ended 31 December 2015, Green View Holding Company Limited and its subsidiaries declared and made dividends of RMB582,695,000 and RMB16,360,000 to Mr. Wong and a non-controlling shareholder of a subsidiary, respectively.

9. EARNINGS PER SHARE

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

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic earnings per share	**802,297**	417,780
Effect of dilutive potential earnings in respect of		
– Convertible bonds	**(3,013)**	–
Earnings for the purposes of diluted earnings	**799,284**	417,780

	2016	2015
Number of shares		
Weighted average number of ordinary shares of the Company for the purpose of basic earnings per share	**4,693,582,792**	3,961,527,997
Effect of dilutive potential ordinary shares in respect of		
– Share options	**7,142,669**	–
– Convertible bonds	**33,893,190**	–
– Convertible preference shares	**3,413,473,023**	3,413,473,023
Weighted average number of ordinary shares of the Company for the purpose of diluted earnings per share	**8,148,091,674**	7,375,001,020

10. ACCOUNTS RECEIVABLE

	2016	2015
	RMB'000	*RMB'000*
Accounts receivable	**17,329**	103,042
Less: Allowance for doubtful debts	**(793)**	(832)
	16,536	102,210

Accounts receivable represents receivables arising from sales of properties which are due for settlement in accordance with the terms of the relevant sales and purchase agreements, and 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 (2015: 30 to 60 days) and no interest is charged. All accounts receivable are denominated in RMB. The ageing analysis of the Group's accounts receivable, based on invoice dates for leasing income and the terms of relevant sales and purchases agreements for sales of properties, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**6,517**	93,883
1 to 12 months	**7,741**	2,212
13 to 24 months	**1,176**	4,546
Over 24 months	**1,102**	1,569
	16,536	102,210

Included in the Group's accounts receivable balances are debtors with aggregate carrying amount of RMB10,019,000 (2015: RMB8,327,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss, of which 77% (2015: 27%) are past due within twelve months, and 23% (2015: 73%) are past due over twelve months, based on the repayment terms set out in the sales and purchase agreements. No provision for impairment is considered necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2016	2015
	RMB'000	*RMB'000*
A 1 January	**832**	773
Impairment loss recognised	**–**	59
Reversal on impairment loss recognised	**(39)**	–
At 31 December	**793**	832

As at 31 December 2016 and 2015, all remaining 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

Accounts payable mainly represent amounts due to contractors. Payment to contractors is made by reference of progress of the respective construction work and agreed milestones.

The following is an aged analysis of accounts payable presented based on the invoice date:

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**832,363**	955,153
1 to 12 months	**35,676**	91,321
13 to 24 months	**16,866**	37,191
Over 24 months	**36,533**	18,631
	921,438	1,102,296

12. COMPARATIVE FIGURES

Certain comparative figures from statement of profit or loss have been reclassified to conform with the current year's presentation.

CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to report to all the shareholders who have been supportive to LVGEM (China) the consolidated business performance of the Group for the year ended 31 December 2016.

LVGEM (China) is a unique property developer and commercial property operator. Adhering to the strategic vision of "Focusing on Core Cities and Cities' Core Areas", the Company's projects are mainly located in core cities and central areas to ensure high risk tolerance, high values and high returns for all projects. Being one of the pioneers in urban renewal, LVGEM (China) actively participated in urban renewal projects in Shenzhen and the Pearl River Delta. It successfully developed several property projects that gained recognition from industry peers and positive feedbacks from consumers, through which it has accumulated extensive experience and established a unique land resources acquisition model. The Company adhered to the "two-wheel driven" model and adopted the business mix of real estate development + commercial property operation. The ancillary services of commercial properties may enhance the value of real estate projects, as well as bringing stable rental income, cash flow and returns on property appreciation to the Company. The Company successfully completed a reverse takeover and the deemed new listing in 2015, making its official presence in the major access to the international capital market. This enabled the Group to better leverage on the advantages of financing strategies brought by cross-border financing and to make effective financing by fully utilising both domestic and overseas capital platforms.

During the year under review, the macro economy of China has entered into the "New Normal" state amidst downward pressure. With the impact of destocking, liquidity easing measures, positive sentiments in the land market and special rectification actions, the real estate industry also experienced a year full of turbulence. In the face of the ever-changing policies and market conditions, all staff of LVGEM (China) has weathered through the challenges with great courage by upholding the value of being "far-sighted, professional, responsive and honest", allowing us to forge ahead under adverse conditions. Our efforts have been rewarded with fruitful results.

For real estate development, adhering to the strategic vision of "Focusing on Core Cities and Cities' Core Areas", we proactively developed a number of quality residential projects with potential. In Shenzhen region, in which the Group has been developing for years, we are developing LVGEM Hongwan Garden, LVGEM Mangrove Bay No. 1, Liguang Project and Meijing Project. Other projects under development include Suzhou LVGEM • NEO Project, which is also the new base for our development in the Yangtze River Delta region and Phase II of LVGEM International Garden located in Huazhou in the Pearl River Delta region. The Lau Fau Shan project in Hong Kong is also well underway, which is a major step of the Group in expanding to projects overseas.

For commercial property operation, the Group's two commercial property brands, the "NEO" and "Zoll", were a great success. The NEO integrated business complex in operation in Shenzhen became the central hub terminal of four railway lines following the commencement of operation of Line 7, 9 and 11 of the Shenzhen Metro, which will help increase the property value and rental income of NEO in Shenzhen. Hongwan Zoll Centre, the third Zoll Centre completed by the Group, also commenced operation following its grand opening in January 2017, which was a strong proof of our efforts in branding and scale expansion of the "Zoll" brand.

For financing, leveraging the cross-border financing modes as well as domestic and overseas capital platforms, the Group seized opportunities for capital management and issued RMB domestic corporate bonds and US dollar convertible bonds respectively during the year, which was another achievement of the Group in terms of financing. In addition, the Group also actively participated in financial investment and proposed to participate in the promotion and establishment of 一帶一路財產保險股份有限公司 (Belt and Road Property Insurance Co., Ltd.*), and invested in the Bank of Shanghai. We believe that financial investment will create synergies with the principal business and in turn broaden our stream of revenue and enhance the profitability and overall competitiveness of the Group.

In terms of project expansion, the Group also made a number of breakthroughs in 2016. The Group successfully acquired the urban renewal project in Zhuhai and won the project of a hotel located in Los Angeles, the United States. On the other hand, the parent company of the Group is also involved in certain quality urban renewal projects totalling not less than 12 million square meters in Shenzhen and the Pearl River Delta region. The Group will absorb these quality projects in time to facilitate its expansion and enhance the profitability of the Company. Looking forward, the Group will continue to identify quality assets and projects.

We believe that based on our excellent market insight and execution capability together with the extensive experience in the real estate industry, the Group will further optimise its property portfolio, asset value, income foundation and financial strength, endeavour to enhance the corporate image and brand popularity, consolidate its leading position in the market of Shenzhen and the Pearl River Delta region. Further, we will stringently implement and push forward our effective business model and strategies, continue to develop the high-quality integrated real estate and commercial property projects with potential, strive to create social values and bring satisfactory returns to shareholders and investors.

Last but not least, I would like to express my sincere gratitude to all of our shareholders, staff, clients and business partners for their continuous trust and support on behalf of the Board. Adhering to the core value of "Professionalism lays the foundation and mutual harmony leads to sustainable growth" and continuing to commit to the mission of enhancing city value, the Group will excel ourselves, seize every opportunity and take initiatives while working together to achieve the vision and goal of "being the most respected city value-creator"!

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In 2016, the market was trapped in a complicated situation with continued instability in the international environment and the economy was still under downward pressure. Nevertheless, China's real estate market was still hot with annual transaction volume reaching its historical high and continued to show differentiation between cities. Moreover, the Chinese government adopted a series of measures in the fourth quarter, actively seeking to create a favourable development environment for stable and healthy growth in the industry in the long run.

Among those measures, the Chinese government's policy on real estate destocking has achieved remarkable results, with continuous increase in both sales area and sales amount of commodity housing and the areas pending for sale gradually decreased. With the implementation of the policy on the change from business tax to value-added tax for the construction and real estate industry (the "B2V") by the Chinese government with effect from 1 May 2016, coupled with the improvement of the tax system, both fixed assets investment and domestic demand increased, while the pace of real estate destocking was further accelerated. According to the statistics of the National Bureau of Statistics, in 2016, the sales area of commodity housing nationwide was 1,573.49 million square meters, representing an increase of 22.5% over the previous year while the sales amount of commodity housing was RMB11,762.7 billion, representing a year-on-year growth of 34.8%. As at the end of 2016, the areas of commodity housing pending for sale was 695.39 million square meters, representing a year-on-year decrease of 3.2%.

On the other hand, the property prices in first-tier cities and the cities with booming property markets were still on the rise. In order to suppress speculative demand and avoid market risks, local governments across the country have implemented a new round of regulatory measures one after another, including the policies in relation to increasing down-payment ratio, purchase restrictions and credit tightening, with an aim to stabilise the prices of the property market. In 2016, according to the statistics announced by National Bureau of Statistics, the average selling prices of new commodity residential housing in Shenzhen recorded a year-on-year increase of over 50%, demonstrating the huge market potential and demand for residential housing in Shenzhen. Although the regulatory policies may reduce the transaction volume in the property market in the near future, however, with the huge demand for property placement in first-tier cities at the moment, it is believed that the policies will be able to ensure better property allocation and thus beneficial for the long-term development of the industry.

Shenzhen, with a current resident population of approximately 20 million, is a hub city for internationally-renowned high-new technology and large financial enterprises and continuously attracts talents from different sectors to settle in the city. Among the four major first-tier cities, Shenzhen is the youngest city in terms of demographic structure. Based on the statistics from the population census, it is projected that the population between the age of 25 and 35 in Shenzhen accounted for the largest proportion of total population. This will provide constant demands for home purchase (including rigid demand and those looking for living condition improvement) to the property market in Shenzhen.

In addition, according to the results from the population sample survey conducted in 2015, the mobile population in Shenzhen accounted for 78.0% of the total resident population, representing an increase of 4.3% as compared with the data obtained from the population census in 2010. As a first-tier forefront city with finance and high-tech industry as the major parts of its economic structure, Shenzhen will continue to attract more quality, highly-educated and highly-skilled youth population from other cities, which will boost the demand for residential and commercial properties and continue to promote the vibrant development of the property market.

Under the guidance of the strategic vision of "Focusing on Core Cities and Cities' Core Areas", the Group's property projects are mainly located in the central areas of economically-developed core cities, such as Shenzhen, the Pearl River Delta region and Hong Kong, where there are enormous rooms for development and potential opportunities. Meanwhile, the Group's Suzhou project is located in the core areas in Yuexi development zone, Wuzhong, Suzhou. The project is positioned as mid-to-high-end offices and street-style boutique shopping mall, which will help to enhance the Group's brand influence in the Yangtze River Delta region upon completion.

Results

The Group achieved outstanding results for the year ended 31 December 2016. All of its key financial indicators were in line with the expectations of the management and the overall results performance was satisfactory.

For the year ended 31 December 2016, the Group achieved total revenue of approximately RMB4,590.2 million, representing a significant growth of approximately 279.3% as compared to the same period in 2015. Gross profit was RMB2,296.0 million, representing a significant growth of approximately 261.3% as compared to last year. Gross profit margin for the year remained at a healthy level of 50.0% (2015: 52.5%).

Profit for the year was RMB808.7 million (2015: RMB424.6 million), representing a significant growth of approximately 90.5% as compared to last year. Profit attributable to owners of the Company was RMB802.3 million (2015: RMB417.8 million), representing a significant growth of approximately 92.0% over the same period last year. Basic earnings per share was RMB17.09 cents (2015: RMB10.55 cents), representing a growth of approximately 62.0% year-on-year.

The Board has recommended the payment of a final dividend of HK5 cents (equivalent to approximately RMB4.5 cents) per ordinary share for the year ended 31 December 2016 (2015: HK1 cent and equivalent to approximately RMB0.8 cents).

The Group's key financial indicators for the year ended 31 December 2016 were as follows:

	2016 *(RMB million)*	2015 *(RMB million)*	Change
Revenue	**4,590.2**	1,210.3	279.3%
Gross profit	**2,296.0**	635.4	261.3%
Profit from core business*	**604.4**	58.4	934.5%
Profit attributable to owners of the Company	**802.3**	417.8	92.0%
Basic earnings per share *(RMB cents)*	**17.09**	10.55	62.0%
Gross profit margin (%)	**50.0**	52.5	

* Profit from core business represents profit attributable to owners of the Company less fair value changes on investment properties and related deferred tax, exchange gain or loss and fair value changes on derivative financial investments.

	As at 31 December 2016 (Audited)	As at 31 December 2015 (Audited)
Bank balances and cash (including restricted bank deposits) *(RMB million)*	**4,531.2**	2,768.0
Average finance costs (%)	**6.2**	6.5
Gearing ratio (%)	**64.5**	66.8
Rate of equity return (%)	**8.9**	5.3

Business Review – Real Estate Development and Sales

For many years, the Group has always been actively participating in large-scale quality residential and commercial development projects in the Pearl River Delta region, through which it has accumulated extensive experience in China's real estate industry and established a renowned brand name and enjoyed a leading position in Shenzhen where the real estate industry recorded the most rapid pace of growth among all cities. In 2016, the Group was awarded "2016 Top 10 Shenzhen Real Estate Enterprises in terms of Comprehensive Strength" by Shenzhen Real Estate Association and was recognised as one of the 13 "Trustworthy" enterprises in Shenzhen's real estate industry, reflecting the broad market recognition successfully gained by the LVGEM brand and products. Meanwhile, LVGEM Hotel of the Group was awarded "The Most Popular Hotel" (最受歡迎酒店獎) by the Shenzhen Travel Association.

The Group is one of the pioneers in the field of urban renewal with unique operating models that differentiates itself from other developers and has accumulated over 20 years of experience in urban rehabilitation and urban renewal. Furthermore, in contrast to traditional real estate developers at the national or regional level, the Group's major development projects are all situated in the core areas of the core cities and adopted the strategy of dual-core layout of "Focusing on Core Cities and Cities' Core Areas" as its development focus. With development projects situated mainly in the core areas of economically developed cities such as Shenzhen, the Pearl River Delta region and Hong Kong, the Group will be able to maintain the rapid growth and risk tolerance of its businesses.

The Group adopted a two-way expansion model for land acquisition, so as to acquire land resources by way of both public auction in the market and urban renewal. Moreover, the Group has successfully developed a set of comprehensive and standardised land-acquisition model which will at the same time continuously provide the Group with abundant land supply that is able to deliver high gross profit and sustainable growth at low cost through the cooperation with the parent company.

The Group adopted various refined cost control measures, with a view to achieve effective cost reduction through whole-process management with control before, during and after the implementation of process, which will in turn enable the Group to maintain a relatively high gross profit margin and revenue in the future.

Real estate development and sales were the core businesses of the Group and accounted for approximately 86.2% of the Group's total revenue of the year. For the year ended 31 December 2016, real estate development and sales of the Group generated approximately RMB3,956.4 million in revenue, representing a substantial increase of approximately 587.0% over the same period in 2015. The substantial increase in revenue was mainly attributable to the part of the property sales revenue from LVGEM Hongwan Garden located at Futian District, Shenzhen carried forward. Sales revenue of the abovementioned project was approximately RMB3,540.4 million for the year ended 31 December 2016.

For the year ended 31 December 2016, the Group's total contracted sales amounted to approximately RMB826.8 million, mainly attributable to the sales of remaining flats. However, the Group expects LVGEM Mangrove Bay No. 1 and LVGEM Hongwan Apartment will bring considerable sales and revenue contribution to the Group in the coming few years following the commencement of their pre-sale in 2017.

During the year under review, the Group continued to identify quality projects with potential, in order to bring growth momentum for future sales and performance. The projects under development included LVGEM Hongwan Apartment, LVGEM Mangrove Bay No. 1, Liguang Project, Meijing Project, Suzhou LVGEM • NEO Project, Phase II of LVGEM International Garden located in Huazhou and the Lau Fau Shan development project located in Hong Kong, expecting the tally of total construction area to be approximately 1,250,000 square meters.

LVGEM Hongwan Project is located in the central business district of Futian District, Shenzhen. The project comprises five high-rise quality residential buildings, two apartment buildings and Hongwan Zoll Centre. It occupies a site area of 32,785 square meters and total gross floor area of 367,372 square meters. The project was completed by the end of 2015. All units were completed and sales revenue was partly recognised during the year 2016. Sales revenue generated from the project was approximately RMB3,540.4 million, while the average unit selling price was approximately RMB45,800 per square meter. LVGEM Hongwan Project is the first "zero defect" occupation project of the Group with 674 units successfully delivered to and occupied by owners and attained a high level of customer satisfaction of 99.1%.

LVGEM Mangrove Bay No. 1 is recently the largest urban upgrade and redevelopment project of the Group. The project comprises three quality residential buildings and a comprehensive and high-quality building of Grade A offices, hotels and apartments. The project is located in the southeast corner of the intersection of Shazui Road and Jindiyi Road in the central business district of Futian District, Shenzhen. Having easy access to public transport and strategically located in the proximity to both Futian Port and Huanggang Port, Beijing-Hong Kong-Macau Expressway and Metro Line 3, 4 and 7, the project occupies a site area of 24,424 square meters and a planned gross floor area of 305,450 square meters. Among which, the residential portion has a gross floor area of approximately 91,300 square meters. The whole project is expected to be completed in 2017. Pre-sale of certain high-end residences is planned to commence in 2017 subject to the market condition. It is expected to generate cash flow contribution to the Group in 2017.

Meijing Project is another urban upgrade and redevelopment project positioned to serve the high-income group, from white-collar to golden-collar, in Shenzhen and an integrated model zone for new mixed-used industrial town which will be mainly used for industrial research and development and industrial ancillary services, complemented by other functions such as apartment, commerce and offices. The project is located at south of Beihuan Road, north of Qiaoxiang Road, east of the intersection of Qiaoxiang Road and Beihuan Road as well as west of Qiaochengfang in Shenzhen. The project occupies a site area of 10,862 square meters and a planned above-ground gross floor area of 97,214 square meters. As the project is strategically located in the sub-district of Overseas Chinese Town, it enjoys rich scenic resources. It has commenced construction at the end of 2016 with an estimated total project revenue of over RMB2.2 billion.

Liguang Project is located next to Sili Road, Old Village, Liguang Community, Shenzhen. It occupies a site area of 271,202 square meters and is used for commercial and residential purposes. Phase I has a construction site area of 42,666 square meters and a plot ratio-based gross floor area of 156,300 square meters. Special planning for Phase I of the project has been approved. It is expected to complete the demolition and relocation plan in 2017 and commence construction in 2018. The estimated total revenue from the project is approximately RMB3.6 billion.

LVGEM International Garden is located in Huazhou City, Maoming, Guangdong province. It is located in a well-developed and traditional residential area with rich natural resources and is in proximity to Juzhou Park. It is well-served by public transport network and is only within approximately 10 minutes' drive from the city centre. The total investment of the project will be over RMB8.0 billion, which will promote the economic development of the region and the whole city, enhance the status of Huazhou City, improve the investment and leasing environment and facilitate the overall social and economic development of the city. The project occupies a total site area of 859,000 square meters and is planned to develop and launch for sale in phases. Phase I represents Zone A, which is divided into Zone A1 and Zone A2. Among which, Zone A1 occupies a site area and a total gross floor area of 48,795 square meters and 38,456 square meters respectively. The construction of the project was completed in November 2014 and was delivered and occupied in May 2015. Zone A2 occupies a site area and a total gross floor area of 55,032 square meters and 211,839 square meters respectively. The construction of Zone A2 was completed in November 2015 and was delivered in December 2015. As of 31 December 2016, Zone A of Phase I of LVGEM International Garden has been launched for sale. The saleable residential area was 170,288 square meters and the total area sold was approximately 131,000 square meters, and contributed approximately RMB0.58 billion of the Group's contracted sales in total. The development of Zone B of Phase II is underway. Zone B occupies a site area of 117,560 square meters and a total gross floor area of 555,969 square meters. The detailed plan for the construction work of Zone B has been approved by the Municipal Commission of Urban Planning and the design for schools and lakeside apartments of the project is in progress concurrently.

Lau Fau Shan Project is a project located in Deep Bay Road, Lau Fau Shan, Hong Kong. It is the first outbound and Hong Kong quality property development project of the Group, which represents a new milestone of the internationalisation of "LVGEM" brand. The project occupies a site area of 82,400 square meters of a scarce and quality land parcel and is planned to build 116 low density waterfront villas. The project is currently in the planning stage with an estimated total sales of over HK$7.0 billion.

Commercial Property Investment and Operation

"Two-wheel driven" business mix comprises "real estate development and commercial property operation", which is another key feature of the Group.

The Group's commercial property development projects are mainly independent commercial projects as well as commercial and residential complex projects that comprise of residential areas. Among which, ancillary services of commercial properties under commercial and residential complex projects further increases the value of individual projects among the real estate development business, as compared to that of pure residential projects. Through the robust and quality commercial operation management, the Group can be rewarded with investment returns from the appreciation in property value, as well as generate stable rental income and cash flow by properly managing and leasing quality commercial properties.

The commercial properties of the Group are mainly represented by two commercial brands, namely "NEO" and "Zoll", including NEO Urban Commercial complex, Xiangsong Zoll Centre, 1866 Zoll Centre and other shops and investment properties, with a total gross floor area of 392,829 square meters. Meanwhile, the grand opening of LVGEM Hongwan Zoll Centre was held in January 2017. LVGEM International Garden Zoll Centre and LVGEM Mangrove Bay No. 1 Zoll Centre are also expected to open for business in 2017 and 2018 respectively.

For the year ended 31 December 2016, the revenue from the investments and operations of commercial properties is approximately RMB430.2 million, representing an increase of approximately 4.3% as compared to the same period in 2015, contributing stable investment revenue and lease payments to the Group.

NEO Urban Commercial complex is elected as one of the ten key landmarks of Shenzhen. It is strategically located in the western region of central Futian District of the core central business district in Shenzhen. It is a key urban and commercial landmark in Shenzhen. It has easy access to public transport locating at the intersection of four Metro Lines 1, 7, 9 and 11. NEO Urban Commercial complex has a total gross floor area of approximately 252,539 square meters and a total lettable area of approximately 105,870 square meters. The high-quality corporate tenants of Grade A office building include offices and branches of several Fortune Global 500 companies, banks, telecommunications corporations and other state-owned enterprises. During the year 2016, the average occupancy rate of NEO Urban Commercial complex was about 99% (2015: 99%).

Suzhou LVGEM • NEO Project is located in the core area of Yuexi development zone, Wuzhong, Suzhou, and situated at the west corner of Tayun Road, north corner of Su Street and east corner of Yuelaixi. The project occupies a site area of 14,592 square meters and has a planned total gross floor area of 81,841 square meters. The project is positioned as mid-to-high-end offices and street-level boutique shopping mall. At the end of 2016, the overall completion progress was 60%. It is expected to launch for sales in 2017 and will provide stable cash flow and sales contribution for the Company.

Zoll Centre is a famous fashion and comprehensive shopping centre. As at the end of 2016, the Group owns and operates Xiangsong Zoll Centre and 1866 Zoll Centre. During the year 2016, the average occupancy rate was about 92% (2015: 95%). The mild decrease in occupancy rate was mainly due to the Group's continuous efforts in optimising the tenant mix, enhancing the market position of the "Zoll" brand and inviting more quality brands and tenants that cater for the consumption demand of residents to join. In addition, LVGEM Hongwan Zoll Centre was opened for business on 9 January 2017 with 74 contracted store tenants, which will contribute a more stable rental income to the Group. LVGEM International Garden Zoll Centre and LVGEM Mangrove Bay No.1 Zoll Centre are also expected to open for business in 2017 and 2018 respectively.

Comprehensive Services

The Group provides comprehensive services to customers and tenants of its residential and commercial properties. These comprehensive services include property management services, hotel operations and others. For the year ended 31 December 2016, comprehensive services of the Group generated revenue of RMB203.6 million, representing a decrease of approximately 8.2% as compared with the same period in 2015.

The Group operates and manages the LVGEM hotel, which is located in the central business district of Futian district, Shenzhen. The hotel has a total gross floor area of 25,751 square meters. It is strategically located and has over 330 rooms, 2 multi-functional meeting rooms, 1 banquet hall and video conference room. During the year ended 31 December 2016, its average occupancy rate was approximately 77% (2015: 76%).

The Group provided comprehensive property management services for most of its property development projects through its wholly-owned subsidiaries, namely 深圳市綠景紀元物業管理服務有限公司 (Shenzhen LVGEM Jiyuan Property Management Service Co., Ltd.*) and 深圳市綠景物業管理有限公司 (Shenzhen LVGEM Property Management Co., Ltd.*). The comprehensive services provided by the Group ranged from security services, property maintenance and management of ancillary facilities. Shenzhen LVGEM Property Management Co., Ltd. obtained the ISO9001:2008 certification for its quality system of property management services and the level A property management qualification.

Investment and Financing and Market Bidding

During the year, the Group adopted both domestic and overseas assets platforms in their highest and best use to conduct financing and the cross-border financing strategy between Hong Kong and PRC. The Group completed the issue of unsecured and non-guaranteed domestic corporate bonds of RMB2,600,000,000, and convertible bonds of US$100,000,000, with average finance costs further decreased to 6.2%. The net proceeds of totaling RMB3,300 million were used to replenish the general working capital. The Group expected to further consolidate its financial strength through financing so as to identify further quality projects, seize more development opportunities and achieve substantial business growth in the future.

正興隆房地產（深圳）有限公司 (Zhengxinglong Real Estate (Shenzhen) Co., Ltd.*) ("Zhengxinglong"), a wholly-owned subsidiary of LVGEM (China), proposed to participate in the promotion and establishment of 一帶一路財產保險股份有限公司 (Belt and Road Property Insurance Co., Ltd.*) (as named tentatively) (hereinafter referred to as "Belt Road Insurance") as organised by China International Council for the Promotion of Multinational Corporations (中國國際跨國公司促進會). Zhengxinglong proposed to contribute RMB290 million for the subscription of 10% of shares in Belt Road Insurance. This allows the Group to take advantage of the opportunities arising from its development in the insurance market by supporting the implementation of various national strategies, such as the construction under the State's "One Belt, One Road" initiative, the synergic development of Beijing-Tianjin-Hebei region and the development of Yangtze River Economic Belt. We believe that the participation in the promotion of Belt Road Insurance will create synergies with the principal business, broaden the revenue stream as well as enhance the profitability and overall competitiveness of the Group.

The Group engaged in the equity investment of Bank of Shanghai, representing 0.4% of the total share capital of Bank of Shanghai. In 2016, Bank of Shanghai was successfully listed on the Shanghai Stock Exchange. The Group had recorded an increase in other comprehensive income of approximately RMB163.3 million on the books accordingly.

On 11 November 2016, the Group entered into an agreement and agreed to acquire the entire issued share capital of Apex Leader Limited, the sole business of which is the ownership of 100% interest of the registered capital of 珠海凱威置業有限公司 (Zhuhai Kaiwei Property Co., Ltd.), at a consideration of RMB2,100 million. 珠海凱威置業有限公司 (Zhuhai Kaiwei Property Co., Ltd.) owns the land and the existing buildings at the 珠海東大凱威科技園 (Zhuhai Dongda Kaiwei Science Park). This project is located in Zhuhai and has a site area of approximately 79,525 square meters, with existing factory buildings and dormitories of gross floor area of approximately 126,700 square meters built thereon. The Group has paid 10% of the consideration, equivalent to RMB210 million during the year 2016.

Meanwhile, the Group continued to monitor any opportunities for exploring overseas market and bidding. During the year 2016, by way of public auction, the Group successfully secured a hotel project in South California, United States at a bidding price of USD22,600,000. Following the acquisition of Lau Fau Shan Project by the Group in Hong Kong, the business expansion in the US market marked another significant breakthrough by the Group towards internationalisation.

Future Prospect

Despite the uncertainties associated with the economic growth and the real estate market in the PRC, the Group is confident in the prospect of the real estate market in the Mainland China and the tremendous development potential of Shenzhen and the Pearl River Delta region. In the future, the Group will continue to adhere to its strategic vision of "Focusing on Core Cities and Cities' Core Areas" and actively develop potential real estate projects in the core areas of core cities.

Meanwhile, with primary focus on urban renewal and secondary on market bidding, the Group will continue to obtain more high-quality land resources in the core areas at low costs. It is expected that the urban renewal projects of the Group's parent company will achieve breakthroughs during the year based on the planned timeline. The Group will closely cooperate with the parent company to gradually inject various urban renewal projects of the parent company into the Group.

In 2016, the Group has completed its five-year performance plan in view of its medium-to-long term development in the future, providing key support to strategy planning, strategy implementation, business layout and plans. Confronted with the Chinese government's policy control on real estate and market fluctuations in the future, the Group will carefully study and implement the national policies and formulate the best business development plan that meets market needs by leveraging the Company's characteristics and strengths.

The Group maintained a sound financial position. As at 31 December 2016, bank balances and cash (including restricted bank deposits) amounted to RMB4,531.2 million, well-positioning the Group against market challenges and providing the Group with sufficient resources to actively identify high-quality projects. The Group will further expand the market through mergers and acquisitions so as to increase market share and consolidate its leading position in the region.

Apart from focusing on the development of real estate projects in Shenzhen and the core cities in the Pearl River Delta region, the Group will continue to actively broaden its project coverage and expand its business to the overseas markets in order to satisfy its medium-to-long term development needs. So far as the objective circumstances allow, in addition to the Lau Fau Shan project in Hong Kong and the hotel project in the United States, the Group will continue to identify appropriate land parcels and projects overseas, with an aim to seeking new profit growth drivers for the Group while maintaining stable development.

Looking forward, the Group will continue to grasp various market opportunities, enhance its competitiveness and promote its corporate core value of "Professionalism lays the foundation and mutual harmony leads to sustainable growth" in the market. We aim to make significant contributions to the prosperity of cities and in return, widely gain market recognition for adding value to cities.

Material Acquisition

On 11 November 2016, the Group entered into a sale and purchase agreement pursuant to which the purchaser agreed to purchase, and the vendor agreed to sell and transfer the entire issued share capital of Apex Leader Limited, at a consideration of RMB2,100 million. 10% of the consideration, equivalent to RMB210 million, was paid during the year 2016, 70% of the consideration, equivalent to RMB1,470 million, will be payable within one month after the PRC Governmental authorities granting approval for the implementation of the redevelopment project; and the balance of 20% of the consideration, equivalent to approximately RMB420 million subject to adjustments, will be payable within one month after the project has obtained the permit to commence construction. As at the date of this announcement, completion of this acquisition has not yet taken place.

Financial Review

Revenue

The Group's revenue mainly comprised of revenue from sales of properties held for sale, leasing of investment properties and comprehensive services. The Group's revenue for the year ended 31 December 2016 was approximately RMB4,590.2 million (2015: RMB1,210.3 million), representing an increase of approximately 279.3% as compared to the same period last year, which was mainly due to the increase in revenue from sales of properties held for sale.

	2016	2015	increase/ (decrease)	
	RMB'000	*RMB'000*	*RMB'000*	*%*
Property development and sales	**3,956,426**	575,881	3,380,545	587.0
Commercial property investment and operations	**430,205**	412,637	17,568	4.3
Comprehensive services	**203,531**	221,752	(18,221)	(8.2)
Total	**4,590,162**	1,210,270	3,379,892	279.3

For the year ended 31 December 2016, the revenue from sales of properties held for sale was approximately RMB3,956.4 million (2015: RMB575.9 million), representing an increase of approximately 587.0% as compared to the same period last year, which mainly includes sales of the high-rise residential buildings of LVGEM Hongwan Garden and other properties held for sale. The Group's total gross floor area of properties held for sale sold during the year ended 31 December 2016 was approximately 150,000 square meters (2015: approximately 84,000 square meters).

Revenue from leasing of investment properties for the year ended 31 December 2016 was approximately RMB430.2 million (2015: RMB412.6 million). The Group's commercial properties are all located in core areas. The properties are mainly operated under the brands of "Zoll" and "NEO". The occupancy rate of investment properties during the year ended 31 December 2016 remained at a high level at 94% (2015: 96%).

The Group provides comprehensive services to customers and tenants of its residential and commercial properties. These comprehensive services include property management services, hotel operations and others. For the year ended 31 December 2016, comprehensive services of the Group generated revenue of RMB203.6 million (2015: RMB221.8 million), representing a decrease of approximately 8.2% as compared to the same period last year.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2016, the Group's integrated gross profit continued to remain at a relatively high level at approximately RMB2,296.0 million (2015: RMB635.4 million), representing an increase of approximately 261.3% as compared to last year; while the integrated gross profit margin for the year ended 31 December 2016 remained at a relatively high level at 50.0% (2015: 52.5%). The decrease in gross profit margin was mainly attributable to the increase in proportion of revenue from a sales of properties held for sale during the year.

Selling Expenses

For the year ended 31 December 2016, selling expenses of the Group amounted to approximately RMB58.3 million (2015: RMB56.5 million), representing an increase of approximately 3.2% as compared to the same period in 2015. In 2016, the selling expenses mainly included sales commission from the sales of properties held for sale of the Hongwan project.

Administrative Expenses

For the year ended 31 December 2016, administrative expenses of the Group amounted to approximately RMB348.7 million (2015: RMB239.1 million), representing an increase of approximately 45.9% as compared to 2015. The increase was mainly attributable to the share options granted by the Group during the year. Among which, the amortisation expenses for share options during the year amounted to approximately RMB128.4 million (2015: Nil).

Fair Value Changes on Investment Properties

The valuation on the Group's investment properties as at 31 December 2016 was conducted by an independent property valuer which resulted in a positive fair value changes on investment properties of RMB247.5 million for the year ended 31 December 2016 (2015: RMB426.8 million).

Finance Costs

For the year ended 31 December 2016, finance costs of the Group amounted to approximately RMB406.5 million (2015: RMB262.9 million), representing an increase of approximately 54.6% as compared to 2015.

The increase in finance costs was due to the increase of the Group's total interest-bearing loans (including, among others, bonds and convertible bonds) to RMB11,940.4 million as at 31 December 2016 from RMB8,165.4 million as at 31 December 2015. The Group's average finance cost of interest-bearing loans was 6.2% for the year ended 31 December 2016 (2015: 6.5%). The decrease in average finance cost of interest-bearing loans was mainly due to the lowered market interest rate resulted from the monetary policy of the Chinese government.

Income Tax Expense

For the year ended 31 December 2016, income tax expenses of the Group amounted to approximately RMB1,044.8 million (2015: RMB166.5 million). The Group's income tax expense included payments and provisions made for EIT and LAT during the year. The increase of income tax expense during the year was mainly attributable to the increase in LAT provision. The LAT for the year amounted to approximately RMB692.0 million (2015: RMB50.4 million), which was mainly attributable to the sales of LVGEM Hongwan Garden.

Operating Results

For the year ended 31 December 2016, the profit attributable to owners of the Company was approximately RMB802.3 million (2015: RMB417.8 million), representing an increase of approximately 92.0% as compared to 2015.

Liquidity, Financial Resources and Gearing

Bank balances and cash as at 31 December 2016 amounted to approximately RMB4,531.2 million (including restricted bank deposits) (2015: RMB2,768.0 million).

The Group had total borrowings of approximately RMB11,976.5 million as at 31 December 2016 (2015: RMB8,233.9 million). Borrowings classified as current liabilities were approximately RMB3,580.3 million (2015: RMB1,676.3 million) and the Group's gearing ratio as at 31 December 2016 was approximately 80.6% (2015: 67.7%), which was based on total interest-bearing loans less bank balances and cash (including restricted bank deposits) to total equity.

Current, Total and Net Assets

As at 31 December 2016, the Group had current assets of approximately RMB11,525.3 million (2015: RMB10,385.0 million) and current liabilities of approximately RMB5,816.4 million (2015: RMB7,193.4 million), which represented an increase in net current assets from approximately RMB3,191.6 million as at 31 December 2015 to approximately RMB5,708.9 million as at 31 December 2016. The increase in current assets as at 31 December 2016 was mainly attributable to the increase in bank balances and cash as well as restricted bank deposits.

As at 31 December 2016, the Group recorded total assets of approximately RMB25,924.5 million (2015: RMB23,991.9 million) and total liabilities of approximately RMB16,726.8 million (2015: RMB16,018.7 million), representing a debt ratio (total liabilities over total assets) of approximately 64.5% (2015: 66.8%). Net assets of the Group were approximately RMB9,197.7 million as at 31 December 2016 (2015: RMB7,973.2 million).

For the year ended 31 December 2016, the Group was able to utilise its internal resources and debt financing to meet the funding requirements for land acquisition.

Charge on Assets

For the year ended 31 December 2016, loans of approximately RMB8,597.5 million (2015: RMB8,150.3 million) were secured by properties under development for sale, properties held for sale, investment properties, properties, plant and equipment and pledged deposits of the Group respectively in the total amount of approximately RMB12,705.0 million (2015: RMB10,813.3 million).

Contingent Liabilities

For the year ended 31 December 2016, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB2,479.5 million (2015: RMB2,140.3 million). Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owned by the defaulted purchasers to the banks.

The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyer obtaining the individual property ownership certificate or the full settlement of mortgage loans by the buyer.

The Directors consider that it is not probable that the Group will sustain a loss under these guarantees as during the periods under guarantees, the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The Directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

Exposure to Fluctuations in Exchange Rates and Related Hedges

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in Renminbi. The Group is exposed to foreign currency risk arising from the exposure of Hong Kong dollars and United States dollars against Renminbi as a result of certain cash balances and loans in Hong Kong dollars or United States dollars.

The Group does not have a foreign currency hedging policy. However, the Directors monitor the Group's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currency, consider adopting appropriate foreign currency hedging policy in the future.

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 31 December 2016, the Group had a staff roster of 1,494 (2015: 1,389), of which 1,471 (2015: 1,370) employees were based in the mainland China and 23 (2015: 19) employees in Hong Kong SAR. The remuneration of employees was in line with the market trends and commensurate to the levels of remuneration in the industry. Remuneration of the Group's employees includes basic salaries, bonuses and long-term incentives such as the granting of share options pursuant to an approved scheme.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK5 cents (equivalent to approximately RMB4.5 cents) per ordinary share in cash for the year ended 31 December 2016 to shareholders whose names appear on the register of members of the Company on 30 June 2017. Subject to shareholders' approval at the Annual General Meeting, the dividend is expected to be paid on or around 21 July 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 June 2017 to 21 June 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfers of shares accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 15 June 2017.

The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is 30 June 2017. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 28 June 2017 to 30 June 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 27 June 2017.

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 year ended 31 December 2016, the Group complied with all the code provisions of the Corporate Governance Code as set out 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 of the Listing Rules as its own code of conduct regarding directors' securities transactions. The Directors confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 December 2016.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2016.

The consolidated financial statements have been audited by the Group's auditor, Messrs. Deloitte Touche Tohmatsu. The unqualified auditor's report will be included in the 2016 Annual Report to shareholders.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

On 29 August 2016, Zhengxinglong was approved by the China Securities Regulatory Commission to issue non-public domestic corporate bond of RMB2,600,000,000 (the "PRC Domestic Corporate Bond") to qualified investors in the PRC, with fixed interest rate of 6.5% per annum, with tenure of five years. The PRC Domestic Corporate Bond is listed on the Shenzhen Stock Exchange. The purpose of the issuance of such bond was to replenish the Group's general liquidity, so as to provide additional general working capital resources to support the development of the Group.

On 6 November 2016 and 8 November 2016, the Company entered into a subscription agreement and a supplemental agreement with Chance Talent Management Limited for the issue of US$100 million convertible bonds (the "Convertible Bonds"), which bear interest at 5.5% per annum and due in 2018. Pursuant to the terms of the Convertible Bonds, the holder of the Convertible Bonds can convert the Convertible Bonds into shares of the Company at the conversion price of HK$2.76 per share. Assuming full conversion of the Convertible Bonds, the Convertible Bonds will be convertible into 281,159,420 new shares of the Company. The issuance of the Convertible Bonds was completed on 18 November 2016 and the net proceeds from the issue of the Convertible Bonds were utilised as general working capital of the Company.

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

EVENTS AFTER THE REPORTING PERIOD

Except for the matters disclosed under the "Management Discussion and Analysis" section of this announcement, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2016 and up to the date of the announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT, ANNUAL REPORT AND CIRCULAR

The annual results announcement is published on the websites of the Company (www.lvgem-china.com) and the Stock Exchange (www.hkex.com.hk). The 2016 Annual Report and a circular containing the notice of Annual General Meeting will be dispatched to shareholders in due course.

GENERAL INFORMATION

As at the date of this announcement, the Board comprises Ms. HUANG Jingshu (Chairman), Mr. TANG Shouchun (Chief Executive Officer), Mr. YE Xingan, Ms. DENG Chengying and Mr. HUANG Hao Yuan as executive Directors and Mr. ZHU Jiusheng, Mr. WANG Jing and Ms. HU Gin Ing as independent non-executive Directors.

This annual results announcement only gives a summary of the information and particulars of the 2016 Annual 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, 16 March 2017

* *For identification purposes only*