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 2017

RESULTS

The board (the "**Board**") of directors (the "**Directors**") 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 2017, together with the comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**595,062**	3,763,762
Cost of sales		**(251,372)**	(2,062,650)
Gross profit		**343,690**	1,701,112
Other income, other gains and losses		**21,448**	29,402
Selling expenses		**(14,823)**	(25,606)
Administrative expenses		**(178,437)**	(170,437)
Fair value changes on investment properties		**175,845**	624
Fair value changes on derivative financial instruments		**41,373**	–
Finance costs	*4*	**(265,555)**	(150,493)
Share of results of joint ventures		**(92)**	–
Profit before tax	*5*	**123,449**	1,384,602
Income tax expense	*6*	**(76,678)**	(814,525)
Profit for the period		**46,771**	570,077
Profit for the period attributable to:			
Owners of the Company		**43,172**	564,167
Non-controlling interests		**3,599**	5,910
		46,771	570,077
		RMB cents	*RMB cents*
		(Unaudited)	(Unaudited)
Earnings per share			
– Basic	*8*	**0.92**	12.02
– Diluted	*8*	**0.36**	6.96

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**46,771**	570,077
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation	**(7,258)**	(7,230)
Fair value changes on available-for-sale investments, net of tax	**40,849**	–
Other comprehensive income (expense) for the period	**33,591**	(7,230)
Total comprehensive income for the period	**80,362**	562,847
Total comprehensive income attributable to:		
Owners of the Company	**78,647**	557,530
Non-controlling interests	**1,715**	5,317
	80,362	562,847

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Non-current assets			
Investment properties		**12,399,857**	12,227,017
Property, plant and equipment		**430,251**	294,188
Goodwill		**231,602**	231,602
Interests in joint ventures		**528,292**	528,384
Available-for-sale investments		**825,513**	561,048
Deferred tax assets		**194,462**	190,151
Deposits paid for acquisition of equity interests		**–**	210,000
Deposits paid for acquisition of property, plant and equipment		**–**	156,776
		14,609,977	14,399,166
Current assets			
Properties under development for sale		**4,700,467**	3,977,425
Properties held for sale		**1,410,400**	1,556,050
Other inventories		**947**	1,006
Accounts receivable	*9*	**16,943**	16,536
Deposits paid, prepayments and other receivables		**1,213,921**	1,234,783
Tax recoverable		**1,413**	8,316
Other current assets		**50,000**	200,000
Restricted bank deposits		**2,189,734**	1,738,990
Bank balances and cash		**2,989,521**	2,792,246
		12,573,346	11,525,352
Current liabilities			
Accounts payable	*10*	**731,962**	921,438
Accruals, deposits received and other payables		**580,169**	546,538
Dividend payables	*7*	**211,211**	–
Tax payable		**748,338**	768,146
Borrowings		**4,614,914**	3,580,323
		6,886,594	5,816,445
Net current assets		**5,686,752**	5,708,907
Total assets less current liabilities		**20,296,729**	20,108,073
Non-current liabilities			
Convertible bonds		**577,104**	559,186
Derivative financial instruments		**79,123**	120,496
Borrowings		**8,049,612**	7,836,944
Deferred tax liabilities		**2,465,899**	2,393,783
		11,171,738	10,910,409
Net assets		**9,124,991**	9,197,664
Capital and reserves			
Share capital		**39,115**	39,115
Reserves		**8,851,009**	8,925,397
Equity attributable to owners of the Company		**8,890,124**	8,964,512
Non-controlling interests		**234,867**	233,152
Total equity		**9,124,991**	9,197,664

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 ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEX").

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, available-for-sale investments and derivative financial instruments 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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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 effective during the current period.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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. 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.

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 2017

	Property development and sales *RMB'000* **(Unaudited)**	**Commercial property investment and operations** *RMB'000* **(Unaudited)**	**Comprehensive services** *RMB'000* **(Unaudited)**	**Consolidated** *RMB'000* **(Unaudited)**
SEGMENT REVENUE				
External sales	**236,036**	**238,101**	**120,925**	**595,062**
Inter-segment revenue	**–**	**4,803**	**–**	**4,803**
Total segment revenue	**236,036**	**242,904**	**120,925**	**599,865**
SEGMENT RESULTS				
Reportable segment profit	**88,496**	**210,885**	**44,309**	**343,690**

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2016

	Property development and sales *RMB'000* (Unaudited)	Commercial property investment and operations *RMB'000* (Unaudited)	Comprehensive services *RMB'000* (Unaudited)	Consolidated *RMB'000* (Unaudited)
SEGMENT REVENUE				
External sales	3,445,760	209,705	108,297	3,763,762
Inter-segment revenue	–	5,167	–	5,167
Total segment revenue	3,445,760	214,872	108,297	3,768,929
SEGMENT RESULTS				
Reportable segment profit	1,475,914	173,283	51,915	1,701,112

Inter-segment sales are at mutually agreed terms.

Reconciliations of reportable segment revenue, profit or loss

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	**599,865**	3,768,929
Elimination of inter-segment revenue	**(4,803)**	(5,167)
Consolidated revenue	**595,062**	3,763,762
Profit		
Reportable segment profit	**343,690**	1,701,112
Other income, other gains and losses	**21,448**	29,402
Depreciation and amortisation	**(21,664)**	(18,911)
Fair value changes on investment properties	**175,845**	624
Finance costs	**(265,555)**	(150,493)
Share of results of joint ventures	**(92)**	–
Fair value changes on derivative financial instruments	**41,373**	–
Corporate expenses	**(171,596)**	(177,132)
Consolidated profit before tax	**123,449**	1,384,602

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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 2017	At 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property development and sales	**6,028,666**	5,758,178
Commercial property investment and operations	**12,401,066**	12,227,872
Comprehensive services	**357,072**	373,570
Reportable segment assets	**18,786,804**	18,359,620
Goodwill	**231,602**	231,602
Available-for-sale investments and other current assets	**875,513**	761,048
Bank balances and cash (including restricted bank deposits)	**5,179,255**	4,531,236
Deferred tax assets	**194,462**	190,151
Interests in joint ventures	**528,292**	528,384
Corporate assets	**1,387,395**	1,322,477
Consolidated total assets	**27,183,323**	25,924,518

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

4. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**330,308**	282,150
Interest expense on convertible bonds	**53,872**	–
Front-end fee	**425**	2,038
Less: Amount capitalised in investment properties under development and properties under development for sale*	**(119,050)**	(133,695)
	265,555	150,493

* The finance costs have been capitalised at rates ranging from 3.64% to 6.50% (six months ended 30 June 2016: 4.35% to 8.95%) per annum.

5. PROFIT BEFORE TAX

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before tax is arrived at after charging (crediting):		
Cost of properties held for sale recognised as expense	**147,540**	1,969,846
Depreciation and amortisation of property, plant and equipment	**21,720**	19,675
Less: amount capitalised in investment properties under development and properties under development for sale	**(56)**	(764)
	21,664	18,911
Gross rental income from investment properties	**238,101**	209,705
Outgoings in respect of investment properties that generated rental income during the period	**(27,216)**	(36,422)
	210,885	173,283
Operating lease charges in respect of land and buildings	**12,407**	16,192
Staff costs		
– Directors' remuneration	**14,239**	20,040
– Salaries and other benefits in kind	**83,034**	70,732
– Equity-settled share-based payments	**47,593**	53,515
– Amount recognised as expense for retirement benefit costs	**10,504**	10,182
Less: Amount capitalised in investment properties under development and properties under development for sale	**(20,546)**	(29,442)
	134,824	125,027
Loss on disposal of property, plant and equipment	**6**	298
Foreign exchange loss (gain), net	**533**	(6,873)

6. INCOME TAX EXPENSE

		Six months ended 30 June	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Current tax			
– PRC Enterprise Income Tax ("**EIT**")	*(a)*	**19,979**	83,877
– PRC Land Appreciation Tax ("**LAT**")	*(b)*	**2,510**	620,329
		22,489	704,206
Deferred taxation		**54,189**	110,319
Total income tax expense		**76,678**	814,525

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 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.

7. DIVIDENDS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period:		
2016 Final dividend – HK5 cents (equivalent to approximately RMB4.5 cents)	**211,211**	–

The dividends recognised as distribution for the year ended 31 December 2016 were subsequently paid on 21 July 2017.

No dividend for the six months ended 30 June 2016 and 30 June 2017 had been proposed by the directors of the Company.

8. 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:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	**43,172**	564,167
Effect of dilutive potential earnings in respect of		
– Convertible bonds	**(12,665)**	–
Earnings for the purpose of diluted earnings per share	**30,507**	564,167

	Number of shares	
	2017	2016
Number of shares		
Number of ordinary shares of the Company for the purpose of basic earnings per share	**4,693,582,792**	4,693,582,792
Effect of dilutive potential ordinary shares in respect of		
– Share options	**21,056,865**	202,487
– Convertible bonds	**281,159,420**	–
– 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	**8,409,272,100**	8,107,258,302

9. ACCOUNTS RECEIVABLE

	At 30 June 2017 *RMB'000* **(Unaudited)**	At 31 December 2016 *RMB'000* (Audited)
Accounts receivable	**17,736**	17,329
Less: Allowance for doubtful debts	**(793)**	(793)
	16,943	16,536

Accounts receivable represent receivables arising from sales of properties, rental income from leasing properties and comprehensive services (including hotel operation and property management). For the receivables arising from sales of properties, they are due for settlement in accordance with the terms of the relevant sales and purchase agreements. For the receivables arising from rental income from leasing properties, monthly rents are normally received in advance and sufficient rental deposits are held to minimise credit risk. For accounts receivable generated from hotel operation, the credit terms is repayable on demand. For accounts receivable generated from property management, receivable generally have credit terms of 30 to 60 days (31 December 2016: 30 to 60 days).

All accounts receivable are denominated in RMB. The ageing analysis of the Group's accounts receivable, based on invoice dates for rental income from leasing properties and comprehensive services and the terms of relevant sales and purchases agreements for sales of properties, is as follows:

	At 30 June 2017 *RMB'000* **(Unaudited)**	At 31 December 2016 *RMB'000* (Audited)
Within 1 month	**4,363**	6,517
1 to 12 months	**8,131**	7,741
13 to 24 months	**3,317**	1,176
Over 24 months	**1,132**	1,102
	16,943	16,536

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

	At 30 June 2017 *RMB'000* **(Unaudited)**	At 31 December 2016 *RMB'000* (Audited)
At 1 January	**793**	832
Reversal on impairment loss recognised	**–**	(39)
At 30 June/31 December	**793**	793

Included in the Group's accounts receivable balances are debtors with aggregate carrying amount of RMB14,558,000 (31 December 2016: RMB10,019,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss, of which 60% (31 December 2016: 77%) are past due within twelve months, and 40% (31 December 2016: 23%) are past due over twelve months, based on the repayment terms. 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.

10. ACCOUNTS PAYABLE

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

	At 30 June 2017 *RMB'000* **(Unaudited)**	At 31 December 2016 *RMB'000* (Audited)
Within 1 month	**617,647**	832,363
1 to 12 months	**67,282**	35,676
13 to 24 months	**14,512**	16,866
Over 24 months	**32,521**	36,533
	731,962	921,438

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

Reviewing the first half of 2017, the global economy registered benign recovery amidst numerous uncertainties. In China, influenced by various factors such as improved external environment, rising commodity price and real estate market exuberance, the Chinese economy boomed in the first half of 2017 with first-half GDP reaching RMB38.149 trillion or a 6.9% year-on-year growth, reflecting the fact that the domestic economy continued to grow steadily.

As for the mainland real estate market, the central government continued to practice four "R"s (i.e. purchase restriction, credit restriction, price restriction and sales restriction) in its austerity measures during the first half year to enable property developers to push forward real estate destocking steadily in a bid to bring healthy development for the mainland real estate market. According to the national real estate sales data for January to June 2017 as announced by the National Bureau of Statistics, sales area of commodity housing amounted to 746.62 million square meters, representing a year-on-year growth of 16.1% or up by 1.8 percentage points as compared with January to May. In addition, as of the end of June, the areas of commodity housing pending for sale amounted to 645.77 million square meters, decreased by 14.41 million square meters as compared with the end of May. This represented the remarkable results of China's real estate destocking policy with a rising trend in both sales area and sales amount of commodity housing.

As at the end of 2016, the resident population of Shenzhen reached 11.90 million, which increased by 529,700 or 4.7% as compared with the end of last year; the investment of property development projects in Shenzhen reached RMB175.652 billion, representing an increase of 32.0%. This represented a potential growing demand for house purchases and real estate investments in Shenzhen. Despite the regulatory policy bringing down the number of real estate transactions in the short term, it is believed that the policy could bring in effective allocation of housing supply among first-tier cities such as Shenzhen with the booming local economic developments as well as the robust demand for houses for self-occupation and investment purpose, which is conducive to the long-term development of the industry.

The government proactively developed the Guangdong-Hong Kong-Macao Greater Bay Area, which represents the city cluster formed by nine cities including Guangzhou, Shenzhen, Zhuhai, Zhongshan and Dongguan as well as Hong Kong and Macao regions. The central areas of economically-developed core cities, such as Shenzhen, the Pearl River Delta region and Hong Kong that the Group focuses on are the major planning cities of the Greater Bay Area, and the Group's core projects include LVGEM Hongwan Garden, LVGEM Mangrove Bay No. 1 and the Lau Fau Shan project in Hong Kong. Under the development goal of the "Development Plan for a City Cluster in the Guangdong-Hong Kong-Macao Greater Bay Area" (《粵港澳大灣區城市群發展規劃》), the Greater Bay Area will be developed into first-rate bay areas in the world by 2020, establishing the framework for world-class city clusters. Meanwhile, the Greater Bay Area will rank the top among global bay areas in 2030, turning into an advanced manufacturing center, key innovation center, international financial, shipping and trade center globally and emulating into the forefront of world-renowned city clusters. As the development plan of the Greater Bay Area has been rolled out, it is expected that the population within the area will surge while the economy and indeed the real estate market will usher in robust development. Hence, the Group's premium real estate projects situated in the Greater Bay Area will be poised to reap the geographical advantages and embrace opportunities, which are expected to further drive the sales growth of the Group.

Results

In the first half of 2017, all of the Group's key financial indicators were in line with the expectations of the management.

For the six months ended 30 June 2017, the Group achieved total revenue of approximately RMB595.1 million (six months ended 30 June 2016: RMB3,763.8 million), representing a decline of approximately 84% year-on-year. Gross profit was RMB343.7 million (six months ended 30 June 2016: RMB1,701.1 million), representing a decrease of approximately 80% year-on-year. Gross profit margin remained at a healthy level of 58% (six months ended 30 June 2016: 45%).

Profit for the period was RMB46.8 million (six months ended 30 June 2016: RMB570.1 million), representing a significant decline of approximately 92% as compared to last year. Profit attributable to owners of the Company was RMB43.2 million (six months ended 30 June 2016: RMB564.2 million), representing a drop of approximately 92% over the same period last year. Basic earnings per share was RMB0.92 cents (six months ended 30 June 2016: RMB12.02 cents), representing a decrease of approximately 92% year-on-year.

The Group's key financial indicators for the six months ended 30 June 2017 were as follows:

	Six months ended 30 June		
	2017	2016	
	(RMB million)	*(RMB million)*	
	(Unaudited)	(Unaudited)	Change
Revenue	**595.1**	3,763.8	(84%)
Gross profit	**343.7**	1,701.1	(80%)
(Loss)/profit from core business*	**(130.6)**	556.8	(124%)
Profit attributable to owners of the Company	**43.2**	564.2	(92%)
Basic earnings per share (RMB cents)	**0.92**	12.02	
Gross profit margin (%)	**58**	45	

* (Loss)/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 instruments.

	As at 30 June	As at 31 December	
	2017	2016	
	(Unaudited)	(Audited)	Change
Bank balance and cash (include restricted bank deposits) (RMB million)	**5,179.3**	4,531.2	14%
Average finance costs (%)	**6.1**	6.2	
Gearing ratio (%)	**66.4**	64.5	
Rate of equity return (%)	**0.5**	8.9	

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, particularly focusing on the development of projects in Shenzhen, through which it has established a renowned brand name and enjoyed a leading position. In May 2017, the Group was again awarded the honour of "Trustworthy (Quality) Enterprises in Shenzhen's Real Estate Development Industry" by Shenzhen Real Estate Association and has ranked as the "Top 10 Shenzhen Real Estate Development Enterprises in terms of Comprehensive Strength" for seven years in a row; Huazhou LVGEM Real Estate Development Co., Ltd. was awarded the honour of "Caring Enterprise" in Maoming Alleviation Day 2016; Shenzhen LVGEM Property Management Co., Ltd. was honoured as the "Top 30 Shenzhen Index (Sampling survey)" in the "2016 Owner Satisfaction in Property Management"; Shenzhen LVGEM Jinjiang Hotel was awarded the Top 20 Local Brand Hotel of Shenzhen in 2016 and the Most Popular Hotel of the 2016 Tourism Popularity Rankings, reflecting the industry's high recognition of the Group and the LVGEM brand and demonstrating its excellent strengths.

The Group is one of the pioneers in the field of urban renewal and has accumulated over 20 years of experience in urban rehabilitation and urban renewal. By adopting the strategy of dual-core layout of "Focusing on Core Cities and Cities' Core Areas" as its development focus, the Group's major development projects are all situated in the core areas of the core cities. Currently, the Group's development projects are situated mainly in the core areas of economically developed cities such as Shenzhen, the Pearl River Delta region and Hong Kong. As the government promotes the development and planning of city cluster in the Guangdong-Hong Kong-Macao Greater Bay Area with an aim to rank the top among global bay areas in 2030 and emulate into the bay area with the highest total GDP in the world, the Group is confident that it 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 models 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. In addition, 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 profitability in the future.

Real estate development and sales were the core businesses of the Group. For the six months ended 30 June 2017, real estate development and sales of the Group generated approximately RMB236.1 million in revenue, representing a decrease of approximately 93% over the same period last year. The decrease in revenue was attributable to fact that the majority of sales arrangement of the year will take place in the second half year, while sales revenue were mainly recognised in the first half of the year in 2016.

During the first half of 2017, the Group's total contracted sales amounted to approximately RMB529.3 million, mainly attributable to the pre-sale of "Huazhou LVGEM International Garden" zone B1 residential project, located in Huazhou, Maoming of Guangdong Province. The project was first launched for sale during Labour Day holidays and the market response was overwhelming, with the sell-through rate achieving nearly 94% for this sale.

During the period under review, the Group continued to identify quality projects with potential, in order to bring growth momentum for future sales and performance. The Group's on-hand projects included Phase II of LVGEM International Garden, LVGEM Hongwan Project, LVGEM Mangrove Bay No. 1, LVGEM Liguang Project, LVGEM Meijing Project, Suzhou LVGEM • NEO Project, and the Lau Fau Shan development project located in Hong Kong, expecting the total gross floor area to be approximately 2,000,000 square meters.

LVGEM International Garden is located in Huazhou, Maoming of 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 a public transport network and is approximately a 10 minutes' drive from the city centre. The total investment of the project will be over RMB8.0 billion. Of which, zone B1 of the residential project was first launched for sale during Labour Day holidays in 2017 and the market response was overwhelming. Approximately 496 residential units were launched for the project. The subscription sales reached approximately RMB0.38 billion with an average selling price of RMB6,150 per square meter. Sell-through rate was almost 94% for this project. The Group further plans to launch zone B2 units in the fourth quarter of 2017.

LVGEM Hongwan Project is located in the central business district of Futian District, Shenzhen. The project comprises five high-rise quality residential buildings, two residential apartments and Hongwan Zoll Centre. It occupies a site area of 32,785 square meters and total gross floor area of 367,605 square meters. The project was completed by the end of 2015. All units were completed and launched to the market in batches. Units of Phase I have been launched for sale in 2015 and sales revenue of approximately RMB3,540.4 million was recognised during the year 2016. The residential apartments have been launched for sale in July 2017 with an estimated average selling price of RMB79,500 per square meter. LVGEM Hongwan Project is the first "zero defect" occupation project of the Group. Currently, the units of Phase I were successfully delivered to and occupied by owners and attained a high level of customer satisfaction of 99%.

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 comprehensive and high-quality buildings 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-Macao Expressway and Metro Line 3, 4 and 7, the project occupies a site area of 24,424 square meters and a planned total gross floor area of 305,450 square meters. Among which, the residential portion has a gross floor area of approximately 118,687 square meters. The whole project is expected to be completed in 2017. Pre-sale of certain residential units is planned to commence in the fourth quarter of 2017.

LVGEM Meijing Project is another urban upgrade and redevelopment project positioned to serve the high-income group, from white-collar to golden-collar, in Shenzhen. This project has 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 apartments, 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 and is expected to be completed by the end of 2020.

Suzhou NEO (綠景商務廣場) is situated in Wuzhong District, Suzhou and is a serviced apartment embracing the scenic view of the prosperous Suzhou Bay with a gross floor area of approximately 81,851.5 square meters. The project was launched for sale in July 2017, receiving positive market response.

LVGEM Liguang Project is located next to Sili Road, Old Village, Liguang Community, Longhua New District, 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. The demolition and relocation plan of the project will be completed in the first half of 2018 and the construction will commence in mid-2018.

Lau Fau Shan Project is 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. It is expected that the construction will commence in 2018.

Commercial Properties Investment and Operation

The Group operates commercial properties represented by two commercial brands, namely "NEO" and "Zoll", including NEO Urban Commercial complex, Hongwan Zoll Centre, Xiangsong Zoll Centre, 1866 Zoll Centre and other shops and investment properties, with a total gross floor area of approximately 420,239 square meters. In January 2017, the grand opening of LVGEM Hongwan Zoll Centre was held, attracting bustling foot traffic and enjoying wide popularity among consumers and tenants. The LVGEM Huazhou Zoll Centre and LVGEM Mangrove Bay No. 1 Zoll Centre are expected to open for business at the end of 2017 and in 2018, respectively. In the first half of 2017, the revenue from the investments and operations of commercial properties was approximately RMB238.1 million, representing an increase of approximately 14% as compared to the same period last year and contributing stable investment revenue and rental return to the Group.

NEO Urban Commercial complex is strategically located in the western region of central Futian District of the core central business district in Shenzhen and was elected as one of the ten key landmarks of Shenzhen. It is a key urban and commercial landmark in Shenzhen. It has easy access to public transport located 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 the Grade A office building include offices and branches of several Fortune Global 500 companies, banks, telecommunications corporations and other state-owned enterprises. As of 30 June 2017, the average occupancy rate of NEO Urban Commercial complex was about 100% (2016: 98%).

Suzhou NEO (綠景商務廣場) is located in the core area of Yuexi development zone, Wuzhong, Suzhou. It is situated at the west corner of Tayun Road, north corner of Su Street and east corner of Yuelaixi, with a direct connection to Metro Line 4 under planning. The project occupies a site area of 14,592 square meters and has a planned total gross floor area of 81,841 square meters. It is positioned as mid-to-high-end offices and street-level boutique business, together with lake-view apartments.

Zoll Centre is a famous fashion and comprehensive shopping centre. The Group currently owns and operates Xiangsong Zoll Centre, 1866 Zoll Centre and LVGEM Hongwan Zoll Centre. In the first half of 2017, the average occupancy rate was about 97% (first half of 2016: 90%). The occupancy rate continued to rise steadily, successfully establishing the brand image and market positioning, which attracted a number of retailers as tenants and maintained stable relationships with numerous famous quality brands. LVGEM Hongwan Zoll Centre was opened for business in January 2017 with 77 contracted store tenants; the occupancy rate reached a high level of 99%. Huazhou Zoll Centre is expected to open for business at the end of 2017. LVGEM Mangrove Bay No. 1 Zoll Centre is expected to open for business in 2018, which will contribute more stable rental income to the Group by the time.

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 six months ended 30 June 2017, comprehensive services of the Group generated revenue of RMB120.9 million, representing an increase of approximately 12% as compared with the same period in 2016.

The Group operates and manages the LVGEM Jinjiang 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. In the first half of 2017, its average occupancy rate was approximately 76% (first half of 2016: 77%).

Vanllee Hotel is located in Covina, California, the United States. The acquisition marked an expansion of the Group's international business. The hotel occupies a site area of approximately 22,652 square meters and is currently under renovation. The hotel has approximately 258 guest rooms with a function space of over 9,000 square feet. It is expected that the construction will be completed in 2018, which will contribute stable hotel operation income to the Group by the time.

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.

Future Prospect

Having engaged in the real estate market for over twenty years, the Group has always upheld the development strategy of "Focusing on Core Cities and Cities' Core Areas" and cherished "sincerely and constantly improving the city life" as its corporate mission. With a strong presence across various cities, our brand image is already deeply rooted in people's minds, and our high-quality projects are highly recognised by all sectors of the society. Despite the current uncertainties associated with 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 the Greater Bay Area.

In the second half of 2017, the Group will formulate a business development plan that responds to the control and adjustment measures on the real estate industry and market fluctuations in the future. Meanwhile, the Group will develop an optimal business development plan adaptive to market conditions by implementing national policies and integrating the Company's characteristics and advantages. Several projects of the Group such as the LVGEM Hongwan Project, 蘇州公館 and Huazhou International Garden have been launched for sale in May and July, respectively and the market response was overwhelming, which provided sufficient confidence for the Group's project sales in the second half year. Mangrove Bay No. 1 located in Futian District, Shenzhen and International Garden located in Huazhou, Maoming City are also expected to be launched for sale in the fourth quarter. All projects are carefully designed by the Group with strategically advantageous locations, catering to the needs of the market and customers. Overwhelming market response is thus expected. Moreover, the Group is confident in the sales and believes that it will generate ample cash flow in the second half year.

Apart from further developing Shenzhen region and focusing on the real estate projects in the core cities in the Pearl River Delta region, the Group will actively explore overseas markets and identify high-quality projects. As the Guangdong-Hong Kong-Macao Greater Bay Area is part of China's national strategic plan and the Group's key projects are all located in the Greater Bay Area, it is thus beneficial to the key development areas of the Group.

Looking forward, the Group will continue to grasp various opportunities in the market, align with the national development policy and continuously enhance its competitiveness to cater to the demands of the market and customers. Meanwhile, the Group will strive for the vision and goal of "being the most respected city value-creator in China" with an aim to further strengthen its market position in and brand influence over the development of the Greater Bay Area and build a better future.

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 six months ended 30 June 2017 was approximately RMB595.1 million (six months ended 30 June 2016: RMB3,763.8 million), representing a decrease of approximately 84% as compared to the same period last year, which was mainly due to the decrease in revenue from sales of properties held for sale.

	Six months ended 30 June			
			Increase/	
	2017	2016	(decrease)	
	RMB'000	*RMB'000*	*RMB'000*	%
	(Unaudited)	(Unaudited)		
Property development and sales	**236,036**	3,445,760	(3,209,724)	(93)
Commercial property investment and operations	**238,101**	209,705	28,396	14
Comprehensive services	**120,925**	108,297	12,628	12
Total	**595,062**	3,763,762	(3,168,700)	(84)

For the six months ended 30 June 2017, the revenue from sales of properties held for sale was approximately RMB236.1 million (six months ended 30 June 2016: RMB3,445.8 million), representing a decrease of approximately 93% as compared to the same period last year, which mainly includes sales of the high-rise residential buildings of LVGEM Hongwan Gardens and other properties held for sale. The Group's total gross floor area of properties held for sale sold during the six months ended 30 June 2017 was approximately 19,686 square meters (six months ended 30 June 2016: approximately 118,153 square meters).

Revenue from leasing of investment properties for the six months ended 30 June 2017 was approximately RMB238.1 million (six months ended 30 June 2016: RMB209.7 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 six months ended 30 June 2017 remained at a high level at 98% (six months ended 30 June 2016: 94%).

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. As at 30 June 2017, comprehensive services of the Group generated revenue of approximately RMB120.9 million (six months ended 30 June 2016: RMB108.3 million), representing an increase of approximately 12% as compared to the same period last year.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2017, the Group's integrated gross profit continued to remain at a relatively high level at approximately RMB343.7 million (six months ended 30 June 2016: RMB1,701.1 million), representing a decrease of approximately 80% as compared to the same period last year; while the integrated gross profit margin for the six months ended 30 June 2017 remained at a relatively high level at 58% (six months ended 30 June 2016: 45%). The increase in gross profit margin was mainly attributable to the increase in proportion of revenue from commercial property investment and operations during the period under review.

Selling Expenses

For the six months ended 30 June 2017, selling expenses of the Group amounted to approximately RMB14.8 million (six months ended 30 June 2016: RMB25.6 million), representing a decrease of approximately 42% as compared to the same period in 2016. It was mainly included advertising expenses for LVGEM Mangrove Bay No. 1 in the selling expenses during the period under review.

Administrative Expenses

For the six months ended 30 June 2017, administrative expenses of the Group amounted to approximately RMB178.4 million (six months ended 30 June 2016: RMB170.4 million), representing an increase of approximately 5% as compared to the same period in 2016. The administrative expenses mainly included the amortization expenses for share options of approximately RMB58.2 million during the period.

Fair Value Changes on Investment Properties

The valuation on the Group's investment properties as at 30 June 2017 was conducted by an independent property valuer which resulted in a positive fair value changes on investment properties of RMB175.8 million for the period under review (six months ended 30 June 2016: RMB0.6 million).

Finance Costs

For the six months ended 30 June 2017, finance costs of the Group amounted to approximately RMB265.6 million (six months ended 30 June 2016: RMB150.5 million), representing an increase of approximately 76% as compared to the same period in 2016.

The increase in finance costs was due to the increase of the Group's total interest-bearing loans to approximately RMB13,269.6 million as at 30 June 2017 from approximately RMB11,940.4 million as at 31 December 2016. The Group's average finance cost of interest-bearing loans was approximately 6.1% as at 30 June 2017 (31 December 2016: 6.2%).

Income Tax Expense

For the six months ended 30 June 2017, income tax expenses of the Group amounted to approximately RMB76.7 million (six months ended 30 June 2016: RMB814.5 million). The Group's income tax expense included payments and provisions made for EIT and LAT during the period under review. The decrease of income tax expense during the period was mainly attributable to the decrease in LAT provision. The LAT for the period amounted to approximately RMB2.5 million (six months ended 30 June 2016: RMB620.3 million), which was mainly attributable to the sales of properties held for sale.

Operating Results

For the six months ended 30 June 2017, the profit attributable to owners of the Company was approximately RMB43.2 million (six months ended 30 June 2016: RMB564.2 million), representing a decrease of approximately 92% as compared to the same period in 2016.

Liquidity, Financial Resources and Gearing

Bank balances and cash as at 30 June 2017 amounted to approximately RMB5,179.3 million (including restricted bank deposits) (31 December 2016: RMB4,531.2 million).

The Group had total borrowings of approximately RMB13,241.6 million as at 30 June 2017 (31 December 2016: RMB11,976.5 million). Borrowings classified as current liabilities were approximately RMB4,614.9 million (31 December 2016: RMB3,580.3 million) and the Group's gearing ratio as at 30 June 2017 was approximately 89% (31 December 2016: 81%), which was based on total interest-bearing loans less bank balances and cash (include restricted bank deposits) to total equity.

Current, Total and Net Assets

As at 30 June 2017, the Group had current assets of approximately RMB12,573.3 million (31 December 2016: RMB11,525.3 million) and current liabilities of approximately RMB6,886.6 million (31 December 2016: RMB5,816.4 million), which represented a decrease in net current assets from approximately RMB5,708.9 million as at 31 December 2016 to approximately RMB5,686.7 million as at 30 June 2017. The increase in current liabilities as at 30 June 2017 was mainly attributable to the increase in borrowings.

As at 30 June 2017, the Group recorded total assets of approximately RMB27,183.3 million (31 December 2016: RMB25,924.5 million) and total liabilities of approximately RMB18,058.3 million (31 December 2016: RMB16,726.8 million), representing a debt ratio (total liabilities over total assets) of approximately 66% (31 December 2016: 65%). Net assets of the Group were approximately RMB9,125.0 million as at 30 June 2017 (31 December 2016: RMB9,197.7 million).

For the six months ended 30 June 2017, the Group was able to utilise its internal resources and debt financing to meet the funding requirements for land acquisition.

Charge on Assets

As at 30 June 2017, loans of approximately RMB9,992.0 million (31 December 2016: RMB8,597.5 million) were secured by properties under development held for sale, properties held for sale, investment properties, properties, plant and equipment, and pledged bank deposits of the Group respectively in the total amount of approximately RMB12,460.0 million (31 December 2016: RMB12,705.0 million).

Contingent Liabilities

As at 30 June 2017, the Group had contingent liabilities relating to guarantees in respect to mortgage facilities for certain purchasers amounting to approximately RMB575.6 million (31 December 2016: RMB2,479.5 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 of the Company 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

The Group's monetary assets, loans and transactions are principally denominated in RMB, HK$ 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 exposure to statement of financial position for the six months ended 30 June 2017 and in the year 2016.

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 2017, the Group had a staff roster of 1,638 (30 June 2016: 1,363), of which 1,620 (30 June 2016: 1,346) employees were based in the Mainland China and 18 (30 June 2016: 17) employees were based 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.

EVENTS AFTER THE REPORTING PERIOD

On 8 August 2017, Gemstones International Limited, a wholly-owned subsidiary of the Company, issued senior notes in an aggregate principal amount of US$225,000,000 (the "**Senior Notes**") carries interest at 8.5% per annum and due in 2020. Details of the terms and conditions are set out in the announcements of the Company dated 3 August 2017, 9 August 2017 and 17 August 2017. The Senior Notes have been listed and quoted on the Singapore Exchange Securities Trading Limited on 16 August 2017. Up to the date of this announcement, the net proceeds of approximately US$221,724,000 from the issuance of the Senior Notes have been fully received.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance 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 2017, the Group complied with all code provisions under the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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**") as 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 has been 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 during the six months ended 30 June 2017.

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 2017 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 HKICPA. 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 HKAS 34. The interim results of the Group for the six months ended 30 June 2017 have also been reviewed by the members of the audit committee of the Company before submission to the Board for approval. The audit committee of the Company 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 under review. 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 2017.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The contents of results announcement are published on the websites of the Company (www.lvgem-china.com) and the HKEX (www.hkex.com.hk). The 2017 Interim Report 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 interim results announcement only gives a summary of the information and particulars of the 2017 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, 25 August 2017

For identification purposes only