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 2017

RESULTS

The board of directors (the "Directors" or the "Board") of LVGEM (China) Real Estate Investment Company Limited (the "Company" or "LVGEM (China)") announces the audited consolidated results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2017 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Revenue	*3*	**2,967,751**	4,590,162
Cost of sales		**(1,029,862)**	(2,294,209)
Gross profit		**1,937,889**	2,295,953
Other income, other gains and losses	*4*	**121,640**	108,448
Selling expenses		**(67,694)**	(58,293)
Administrative expenses		**(361,572)**	(348,696)
Fair value changes on investment properties		**478,423**	247,498
Fair value changes on derivative financial instruments		**2,373**	15,022
Finance costs	*5*	**(613,592)**	(406,500)
Share of results of joint ventures		**(93)**	(9)
Profit before tax	*6*	**1,497,374**	1,853,423
Income tax expense	*7*	**(458,811)**	(1,044,757)
Profit for the year		**1,038,563**	808,666
Profit for the year attributable to:			
Owners of the Company		**1,035,392**	802,297
Non-controlling interests		**3,171**	6,369
		1,038,563	808,666
		RMB cents	*RMB cents*
Earnings per share attributable to the owners of the Company during the year	*9*		
– Basic		**22.06**	17.09
– Diluted		**12.89**	9.81

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
Profit for the year	**1,038,563**	808,666
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation	**50,415**	2,979
Fair value changes on available-for-sale investments, net of tax	**(87,592)**	163,336
Other comprehensive (expense) income for the year	**(37,177)**	166,315
Total comprehensive income for the year	**1,001,386**	974,981
Total comprehensive income attributable to:		
Owners of the Company	**1,001,397**	967,927
Non-controlling interests	**(11)**	7,054
	1,001,386	974,981

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	**2017**	2016
		RMB'000	*RMB'000*
Non-current assets			
Investment properties		**19,650,677**	12,227,017
Property, plant and equipment		**413,871**	294,188
Goodwill		**231,602**	231,602
Interests in joint ventures		**6,068**	6,161
Amount due from a joint venture		**522,323**	522,223
Available-for-sale investments		**444,259**	561,048
Deferred tax assets		**175,201**	190,151
Deposits paid		**1,210,000**	366,776
		22,654,001	14,399,166
Current assets			
Properties under development for sale		**5,621,635**	3,977,425
Properties held for sale		**729,206**	1,556,050
Other inventories		**1,145**	1,006
Accounts receivable	*10*	**377,292**	16,536
Deposits paid, prepayments and other receivables		**1,138,263**	1,234,783
Tax recoverable		**32,594**	8,316
Other financial assets		**150,000**	200,000
Restricted bank deposits		**2,117,521**	1,738,990
Bank balances and cash		**3,975,163**	2,792,246
		14,142,819	11,525,352
Current liabilities			
Accounts payable	*11*	**600,037**	921,438
Accruals, deposits received and other payables		**3,725,372**	546,538
Tax liabilities		**1,009,685**	768,146
Borrowings		**3,615,042**	3,580,323
Convertible bonds		**589,650**	–
Derivative financial instruments		**111,078**	–
		9,650,864	5,816,445
Net current assets		**4,491,955**	5,708,907
Total assets less current liabilities		**27,145,956**	20,108,073
Non-current liabilities			
Borrowings		**9,343,235**	5,250,477
Senior notes and bond		**5,250,854**	2,586,467
Convertible bonds		**–**	559,186
Derivative financial instruments		**–**	120,496
Deferred tax liabilities		**2,482,664**	2,393,783
		17,076,753	10,910,409
Net assets		**10,069,203**	9,197,664
Capital and reserves			
Share capital		**39,121**	39,115
Reserves		**9,796,941**	8,925,397
Equity attributable to owners of the Company		**9,836,062**	8,964,512
Non-controlling interests		**233,141**	233,152
Total equity		**10,069,203**	9,197,664

Notes:

1. GENERAL

The Company is 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., Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong respectively. Its ultimate controlling party is Mr. WONG Hong King, 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 REVISED 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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Except as described below, 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.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. The application of these amendments has had no impact on the Group's consolidated financial statements.

The Group has not early applied the new and revised HKFRSs that have been issued but not yet effective.

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.

An analysis of the Group's revenue for the year is as follows:

	2017	2016
	RMB'000	*RMB'000*
Sales of properties	**2,114,289**	3,956,426
Rental income	**498,295**	430,205
Revenue from hotel operation, property management service and others	**355,167**	203,531
	2,967,751	4,590,162

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 under HKFRS 8:

– 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 2017

	Property development and sales *RMB'000*	**Commercial property investment and operations** *RMB'000*	**Comprehensive services** *RMB'000*	**Total** *RMB'000*
Revenue:				
From external customers	**2,114,289**	**498,295**	**355,167**	**2,967,751**
Inter-segment revenue	**–**	**9,607**	**9,510**	**19,117**
Total segment revenue	**2,114,289**	**507,902**	**364,677**	**2,986,868**
Reportable segment profit	**1,374,457**	**429,444**	**133,988**	**1,937,889**

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

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, 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.

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**2,986,868**	4,609,658
Elimination of inter-segment revenue	**(19,117)**	(19,496)
Consolidated revenue	**2,967,751**	4,590,162
Profit		
Reportable segment profit	**1,937,889**	2,295,953
Fair value changes on investment properties	**478,423**	247,498
Other income, other gains and losses	**121,640**	108,448
Depreciation	**(35,331)**	(39,934)
Finance costs	**(613,592)**	(406,500)
Share of results of joint ventures	**(93)**	(9)
Fair value changes on derivative financial instruments	**2,373**	15,022
Corporate expenses	**(393,935)**	(367,055)
Consolidated profit before tax	**1,497,374**	1,853,423

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

	2017	2016
	RMB'000	*RMB'000*
Assets		
Property development and sales	**8,169,519**	5,758,178
Commercial property investment and operations	**19,651,457**	12,227,872
Comprehensive services	**309,787**	373,570
Reportable segment assets	**28,130,763**	18,359,620
Goodwill	**231,602**	231,602
Available-for-sale investments and other financial assets	**594,259**	761,048
Bank balances and cash (including restricted bank deposits)	**6,092,684**	4,531,236
Deferred tax assets	**175,201**	190,151
Interests in joint ventures and amount due from a joint venture	**528,391**	528,384
Corporate assets	**1,043,920**	1,322,477
Consolidated total assets	**36,796,820**	25,924,518

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 financial assets, bank balances and cash (including restricted bank deposits), deferred tax assets, interests in joint ventures and amount due from a joint venture, and corporate assets.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located on the People's Republic of China (the "PRC"), Hong Kong, the United States of America (the "USA") and the Kingdom of Cambodia ("Cambodia"). All revenue from external customers are generated from PRC for the years ended 31 December 2017 and 2016. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	2017	2016
	RMB'000	*RMB'000*
PRC	**14,430,979**	13,035,440
Hong Kong	**6,995,524**	223,714
USA	**146,796**	157,211
Cambodia	**229,640**	–
	21,802,939	13,416,365

Note: Non-current assets excluded goodwill, available-for-sale investments and deferred tax assets.

No major customers contributed over 10% of the total sales of the Group for the years ended 31 December 2017 and 2016.

4. OTHER INCOME, OTHER GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
Interest income	**31,022**	30,663
Investment income from other financial assets	**5,446**	1,434
Dividend income	**12,050**	–
Gain on disposal of a subsidiary	**–**	18,340
Gain on disposal of property, plant and equipment	**233**	1,554
Gain on disposal of investment properties	**2,306**	4,968
Foreign exchange loss, net	**(19,846)**	(7,859)
Recovery of other receivables written-off	**331**	49,561
Write-down on other receivables	**(3,210)**	–
Gain on disposal of a PRC property development right	**86,397**	–
Others	**6,911**	9,787
	121,640	108,448

5. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on:		
Bank and other borrowings	**545,452**	550,825
Convertible bonds	**107,299**	13,258
Senior notes and bond	**242,685**	59,994
Less: Amount capitalised in investment properties under development and properties under development for sale*	**(281,844)**	(217,577)
	613,592	406,500

* The finance costs have been capitalised at rates ranging from 3.64% to 6.65% (2016: 4.16% to 8.95%) per annum.

6. PROFIT BEFORE TAX

	2017	2016
	RMB'000	*RMB'000*
Profit before tax is arrived at after charging (crediting):		
Cost of properties sold	**739,832**	2,076,778
Impairment loss on properties held for sale	**–**	20,506
Cost of properties held for sale recognised as expense	**739,832**	2,097,284
Depreciation of property, plant and equipment	**35,444**	39,966
Less: Amount capitalised in investment properties under development and properties under development for sale	**(113)**	(32)
	35,331	39,934
Gross rental income from investment properties	**498,295**	430,205
Outgoings in respect of investment properties that generated rental income during the year	**(68,851)**	(63,639)
	429,444	366,566
Operating lease charges in respect of land and buildings	**30,761**	21,237
Reversal on impairment loss on accounts receivable	**(82)**	(39)
Auditor's remuneration	**2,612**	2,569
Staff costs		
– Directors' emoluments	**23,836**	36,286
– Salaries and other benefits in kind	**212,174**	170,218
– Equity-settled share-based payments	**66,382**	102,877
– Amount recognised as expense for retirement benefit costs	**19,844**	12,548
Less: Amount capitalised in investment properties under development and properties under development for sale	**(58,652)**	(24,702)
	263,584	297,227

7. INCOME TAX EXPENSE

	Notes	**2017**	2016
		RMB'000	*RMB'000*
Current tax			
PRC Enterprise Income Tax ("EIT")			
– Current year	*(a)*	**307,634**	263,048
– Underprovision in prior year		**14,163**	8,466
		321,797	271,514
PRC Land Appreciation Tax ("LAT")			
– Current year	*(b)*	**228,502**	694,855
– Overprovision in prior year	*(c)*	**(224,516)**	(2,860)
		3,986	691,995
Deferred taxation			
– Current year		**133,028**	91,074
– Overprovision in prior year		**–**	(9,826)
		133,028	81,248
Total income tax expense		**458,811**	1,044,757

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.

(c) The amount includes overprovision of LAT of RMB223,922,000 in relation to an urban redevelopment project in Shenzhen, the PRC. The Group has recomputed the LAT provision based on the actual relocation compensation to original inhabitants finalised during the year ended 31 December 2017.

8. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2016 Final dividend- HK5 cents (equivalent to approximately RMB4.5 cents)	**211,211**	–
2015 Final dividend- HK1 cent (equivalent to approximately RMB0.8 cents)	**–**	40,116
	211,211	40,116

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of HK5 cents (equivalent to approximately RMB4.15 cents) (2016: HK5 cents) 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.

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:

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic earnings per share	**1,035,392**	802,297
Effect of dilutive potential earnings in respect of		
– Convertible bonds	**50,908**	(3,013)
Earnings for the purposes of diluted earnings	**1,086,300**	799,284

	2017	2016
Number of shares		
Weighted average number of ordinary shares of the Company for the purpose of basic earnings per share	**4,693,739,778**	4,693,582,792
Effect of dilutive potential ordinary shares in respect of		
– Share options	**35,099,564**	7,142,669
– Convertible bonds	**287,940,630**	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	**8,430,252,995**	8,148,091,674

10. ACCOUNTS RECEIVABLE

	2017	2016
	RMB'000	*RMB'000*
Accounts receivable	**378,003**	17,329
Less: Allowance for doubtful debts	**(711)**	(793)
	377,292	16,536

Accounts receivable represents 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 term is payable on demand. For accounts receivable generated from property management, receivable generally have credit terms of 30 to 60 days (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:

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**368,530**	6,517
1 to 12 months	**5,018**	7,741
13 to 24 months	**3,058**	1,176
Over 24 months	**686**	1,102
	377,292	16,536

Included in the Group's accounts receivable balances are debtors with aggregate carrying amount of RMB8,762,000 (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 57% (2016: 77%) are past due within twelve months, and 43% (2016: 23%) 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.

As at 31 December 2017 and 2016, 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.

The movement in the allowance for doubtful debts is as follows:

	2017	2016
	RMB'000	*RMB'000*
A 1 January	**793**	832
Reversal on impairment loss recognised	**(82)**	(39)
At 31 December	**711**	793

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:

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**479,144**	832,363
1 to 12 months	**75,937**	35,676
13 to 24 months	**12,742**	16,866
Over 24 months	**32,214**	36,533
	600,037	921,438

CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to report to all the shareholders the consolidated business performance of the Group for the year ended 31 December 2017.

Looking back, the macroeconomy of China in 2017 was generally in stable condition, in particular with the real estate market played an important role. During the year, the Chinese government promulgated a series of regulatory policies to continuously regulate the real estate market in China and accelerate the reform of the real estate system and the development of long-term mechanism, in order to promote the consistently steady and healthy development of real estate market.

With the effect of long-term mechanism and regulatory policies, the value of real property in major cities in the PRC continued to be prominent. As one of China's most dynamic and innovative cities, Shenzhen continued to witness influx of expatriate population, leading to contracted land supply and long-term under supply in residential housing. Strong supply-and-demand fundamentals, nevertheless, provided long-term solid support for the price of residential housing in the core areas of Shenzhen. Furthermore, as the Guangdong-Hong Kong-Macao Greater Bay Area develops, the economic potentials, demographic benefits, infrastructure improvement and urban renewal will create enormous opportunities and huge room for asset appreciation in the real estate industry of Shenzhen.

As an unique comprehensive property developer, LVGEM (China) adheres to the strategic planning concept of "Focusing on Core Cities and Cities' Core Areas". The Company's projects are mainly located in core cities and central areas of Shenzhen and Hong Kong. LVGEM (China) successfully developed and operated numerous large-scale quality residential and commercial development projects in Guangdong-Hong Kong-Macao Greater Bay Area, achieving good benefits in social, economic and environmental aspects. As the pioneer in the field of urban renewal, LVGEM (China) has over the years focused on urban renewal. We successfully developed various urban renewal projects and secured parcels of land at the heart of urban prime locations at low costs, thus enjoying first-mover advantage. Meanwhile, through collaboration with our controlling shareholder, we developed an unique model for land acquisition with less risk exposure and higher flexibility. The Company adhered to the "two-wheel driven" model of commercial and residential businesses whereby synergies were delivered between the businesses of ancillary services for commercial properties as well as residential development and sales, generating stable cash flows and gains from appreciation.

For the segment of "Property Development and Sales", under the "dual-core strategy", the Group has been actively participating in residential and commercial development projects in the Pearl River Delta region for over two decades, especially the urban renewal projects in Shenzhen. In 2017, the Group actively launched new quality property projects, namely LVGEM Hongwan Garden and LVGEM Huazhou International Garden zone B, among which, zones B1, B2 and B3 of LVGEM Huazhou International Garden were launched in May, October and December 2017 respectively, receiving overwhelming market responses. LVGEM Hongwan Garden was launched for sale in July 2017 and recorded good sales performance. In addition, the Group is developing the LVGEM Hong Kong Lau Fau Shan Project which is the Group's first property development project in Hong Kong and marked a new milestone of the internationalisation of the "LVGEM" brand.

For the segment of "Commercial Property Investment and Operations", the Group currently successfully operates two commercial brands, namely "NEO" and "Zoll", totaling 17 investment properties, with a total gross floor area of approximately 543,708 square meters and an average occupancy rate of 98%. Among which, the grand openings of LVGEM Zoll Hongwan Shopping Centre and LVGEM Zoll International Garden Shopping Centre were held on 9 January 2017 and 23 January 2018, respectively, securing a number of quality tenants. By generating stable cash flow and rental income for the Company and multiple synergies with the Company's residential business through the "two-wheel driven" model, these commercial properties have enabled the Group to achieve stable capital growth.

In order to actively adapt to the Guangdong-Hong Kong-Macao Greater Bay Area strategy and capture the development opportunities, in 2017, the Group acquired 8 Bay East, the entire grade-A waterfront office building locating in "Kowloon East", the new central business district of Hong Kong, for HK$9,000,000,000 and renamed it as Hong Kong LVGEM NEO Project, which is estimated to be completed in 2019. The acquisition represents another key move of the Group in Hong Kong following the LVGEM Hong Kong Lau Fau Shan Project, which is of significant strategic importance to us. The project will consolidate the Group's leading position in the commercial property sector and strengthen its market position and brand influence in the Guangdong-Hong Kong-Macao Greater Bay Area. Leveraging its excellent geographic location and the huge policy benefits, the project is expected to contribute stable rental income and long-term capital gains to LVGEM (China).

For the segment of "Comprehensive Services", in 2017, our property management services, hotel operations and others contributed revenue of RMB355 million to the Group. In 2017, the Group newly acquired Vanllee Hotel, which is located in Covina, California, United States and occupies a site area of 22,652 square meters. As a milestone project of LVGEM (China), the operation of Vanllee Hotel represents a further expansion of the Group's international business.

After over 20 years of steady operations, LVGEM (China) has won recognitions from the industry, capital market and society. In 2017, the Group successfully issued US$400,000,000 guaranteed senior notes, which received immense responses from the capital market and were over-subscribed. We entered into a strategic partnership with the Bank of East Asia (China) Limited to obtain credit support. The Group was awarded the honor of "Trustworthy (Quality) Enterprises in Shenzhen's Real Estate Development Industry" and ranked as the "Top 10 Shenzhen Real Estate Development Enterprises in terms of Comprehensive Strength". The above achievements reflect that the capital market highly values the development prospect of LVGEM (China) and that the society recognizes the strength of the LVGEM (China) brand.

The stable development of the Group could not have been accomplished without the trust and support from all of our shareholders, investors, clients, business partners and staff. For this, I would like to extend my sincere gratitude on behalf of the Board. In future, by continuously adhering to the core value of "professionalism lays the foundation and mutual harmony leads to sustainable growth" and committing to the mission of "enhancing city values", the Group will continue to consolidate its leading position in the Shenzhen market, focus primarily on the Pearl River Delta region, follow the Guangdong-Hong Kong-Macao Greater Bay Area strategy as well as proactively expand its Yangtze River Delta region market and overseas business. Meanwhile, the Group will capture development opportunities, speed up project progress and enhance value and profitability in order to bring long-term and sustainable returns to our shareholders, investors and society, striving for the fabulous vision of "being the most respected city value-creator in China".

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In 2017, the Chinese economy maintained a steady growth in general and the real estate industry in China was gradually entering a new stage of stable development. In order to constantly regulate the development of its real estate industry, the government has announced a series of regulatory policies to put in place a long-term and effective mechanism to regulate the real estate industry and create a favourable environment for the development of the market in view of a sustainable, stable and healthy growth of the real estate market.

According to the statistics of the National Bureau of Statistics, in 2017, the sales area and sales amount of commodity housing in China continued to grow to a sales area of commodity housing nationwide of 1,694.08 million square meters, representing an increase of 7.7% year-on-year, while the sales amount of commodity housing nationwide was RMB13,370.1 billion, representing a year-on-year growth of 13.7%. Meanwhile, the area of commodity housing pending for sale continued to decline. As at the end of December, the area of commodity housing pending for sale nationwide was 589.23 million square meters, representing a year-on-year decrease of 15.3%. This reflected a gradually more stable real estate industry in China and the remarkable results of the destocking policy.

With the long-term and effective mechanism and regulatory policies, major cities continued to stand out with greater values. As one of the most dynamic and innovative cities in China, Shenzhen has been attracting the inflow of migrant talents. According to the latest findings of Statistics Bureau of Shenzhen Municipality as at the end of 2016, the resident population in Shenzhen amounted to 11.91 million, representing an increase of 4.66%, the highest among the four major first-tier cities in China. Meanwhile, in order to deepen the reform of the household registration system, increase the proportion of registered population and optimize the population structure, the Shenzhen Municipal Government successively launched various loosening household registration policies to attract quality talents. In 2016, its registered population increased by 498,000 as compared to 2015, well ahead of other first-tier cities. The continuous inflow of migrant population has generated stable growth in demand of residential and commercial properties in Shenzhen and particularly, the under supply of land resources has provided strong support to the price of residential properties in the core district of Shenzhen.

Meanwhile, 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 the globally first-rate bay area by 2020, establishing the framework for world-class city clusters. In 2030, the Greater Bay Area will rank the top among global bay areas, 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 more development plans of the Greater Bay Area are being rolled out, it is expected that the population within the area will surge.

As a featured and integrated real estate developer, LVGEM (China) is positioned as a unique property developer and pioneer in urban renewal, which has always upheld the "dual-core" strategic planning vision of "Focusing on Core Cities and Cities' Core Areas", with "Shenzhen-Hong Kong" playing the pivotal role. Our projects made their focused presence over the core areas of core cities such as Shenzhen, Hong Kong and the Pearl River Delta region, which are also the major planning cities of the Guangdong-Hong Kong-Macao Greater Bay Area. The economic growth, demographic benefits, improved infrastructure and urban renewal construction within the Greater Bay Area will bring enormous rooms for development and potential opportunities to Shenzhen's real estate market, which is expected to further drive the sales and profit growth of the Group.

Results

The Group achieved satisfactory results for the year ended 31 December 2017. 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 2017, the Group achieved total revenue of approximately RMB2,967.8 million (2016: RMB4,590.2 million), representing a decrease of approximately 35.3% year-on-year. Gross profit was RMB1,937.9 million (2016: RMB2,296.0 million), representing a decrease of approximately 15.6% year-on-year. Gross profit margin remained at a relatively high level of 65.3% (2016: 50.0%).

Profit for the year was RMB1,038.6 million (2016: RMB808.7 million), representing a growth of approximately 28.4% year-on-year. Profit attributable to owners of the Company was RMB1,035.4 million (2016: RMB802.3 million), representing a growth of approximately 29.1% year-on-year. Basic earnings per share was RMB22.06 cents (2016: RMB17.09 cents), representing a growth of approximately 29.1% year-on-year.

The Board has recommended the payment of a final dividend of HK5 cents (equivalent to approximately RMB4.15 cents) per ordinary share for the year ended 31 December 2017 (2016: HK5 cents and equivalent to approximately RMB4.5 cents).

The Group's key financial indicators for the year ended 31 December 2017 were as follows:

	2017 *(RMB million)*	2016 *(RMB million)*	Change
Revenue	**2,967.8**	4,590.2	(35.3)%
Gross profit	**1,937.9**	2,296.0	(15.6)%
Profit from core business*	**649.8**	604.4	7.5%
Profit attributable to owners of the Company	**1,035.4**	802.3	29.1%
Basic earnings per share *(RMB cents)*	**22.06**	17.09	29.1%
Gross profit margin *(%)*	**65.3**	50.0	

* 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 31 December 2017 (Audited)	As at 31 December 2016 (Audited)
Bank balances and cash (including restricted bank deposits) *(RMB million)*	**6,092.7**	4,531.2
Average finance costs *(%)*	**6.6**	6.2
Debt ratio	**72.6**	64.5
Rate of equity return *(%)*	**10.5**	8.9

Business Review

Over the years, the Group has been focusing on core areas in Shenzhen and actively participating in large-scale quality residential and commercial development projects in the Guangdong-Hong Kong-Macao Greater Bay Area. It has approximately over 20 years of successful experience in real estate development, in particular urban renewal, which has consolidated the leading market position of the Group in Shenzhen. In 2017, the Group was again awarded the honour of "Trustworthy (Quality) Enterprises in Shenzhen's Real Estate Development Industry" and was ranked as the "Top 10 Shenzhen Real Estate Development Enterprises in terms of Comprehensive Strength" for seven consecutive years, marking the high recognition of the strength of the LVGEM (China) brand by the community.

In contrast to traditional real estate developers at the national level, LVGEM (China) has positioned itself as a unique property developer and pioneer in urban renewal, which persists in the "dual-core" strategic planning vision of "Focusing on Core Cities and Cities' Core Areas". LVGEM (China) has precisely made its business presence over the core areas of core cities in the Guangdong-Hong Kong-Macao Greater Bay Area such as Shenzhen, Hong Kong and Pearl River Delta region. All the past, existing and future major projects of the Group are located in Greater Bay region. As a part of the relevant national strategic plan, Guangdong-Hong Kong-Macao Greater Bay Area will become one of the regions in China with the strongest purchasing power in the future. The huge policy support and economic growth potential remained strongly favourable to the real estate demand, price and property rent of the region, which would benefit the key development areas of the Group such as, among others, Shenzhen, Hong Kong, Zhuhai and Dongguan.

As the pioneer in the field of urban renewal, the Group has accumulated approximately 20 years of successful experience in urban renewal and has developed more than ten urban renewal projects. With such first mover advantages and the extensive experience in urban renewal, the Group has been able to acquire large-scale land in core areas of Shenzhen with high quality, avoiding costly ways of land acquisition such as land tender, auction and listing, which guarantees a higher return for the Group and prevents high risk exposure. Through over 20 years of urban renewal experience, the Group has multiple examples of successful urban renewal projects and has established a strong brand reputation. Given its experience over the years, the Group has developed a set of refined business model and a professional team for urban renewal procedure, which has high viability and can effectively respond to various policy changes and mitigate operational risks. For the urban renewal model, the Group also focuses on the bottom-up approach and completes each project with market-oriented and standardised methods. Meanwhile, through the cooperation with controlling shareholders, the Group has successfully developed a set of comprehensive and standardised land-acquisition model to continue to flexibly expand the land bank of the listed company.

Property Development and Sales

Property development and sales are the core businesses of the Group. For the year ended 31 December 2017, real estate development and sales of the Group generated approximately RMB2,114.3 million in revenue during the year (2016: RMB3,956.4 million), representing a decrease of approximately 46.6% year-on-year. The decrease in revenue was mainly attributable to the decrease in gross floor area handover during the year. The total contracted sales amounted to approximately RMB3,619.7 million (2016: RMB826.8 million), representing a substantial increase of approximately 337.8% year-on-year. During the year under review, the Group actively launched quality real estate projects, including LVGEM Hongwan Garden and LVGEM Huazhou International Garden Zone B, among which, zone B1, B2 and B3 of LVGEM Huazhou International Garden were launched in May, October and December 2017, respectively and the sales response was overwhelming. LVGEM Hongwan Garden was launched for sale in July 2017 with good sales performance and a sell-through rate achieving nearly 100%.

Meanwhile, the Group continued to identify projects with potential, including LVGEM Mangrove Bay No. 1, LVGEM Meijing Project, LVGEM Liguang Project and LVGEM Hong Kong Lau Fau Shan project, in order to bring steady growth momentum for sales and performance in the coming years. Our operating efficiency and scale will advance to a new stage after the controlling shareholders gradually introduce their land resources into the listed company in the future.

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 high-quality complex 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. LVGEM Mangrove Bay No. 1 is expected to be launched for sale in 2018.

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. In particular, zone B1, B2 and B3 of LVGEM Huazhou International Garden were launched in May, October and December 2017, respectively with a total of 1,798 residential units and the market response was overwhelming. As at 31 December 2017, 1,606 units have been subscribed and the subscription sales amounted to approximately RMB1.6 billion.

LVGEM Meijing Project is another urban upgrade and redevelopment project positioned to serve the high-income class ranging from white-collar to golden-collar, in Shenzhen. This project has an integrated modelling zone for new mixed-use 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 aboveground gross floor area of 97,214 square meters. Strategically located in the sub-district of Overseas Chinese Town, the project possesses rich scenic resources. It commenced construction at the end of 2016.

Commercial Property Investment and Operations

The Group adheres to the "two-wheel driven" model of both commercial and residential businesses. In particular, the ancillary services of commercial properties, residential development and sales business create synergy and generate steady cash flow and operating revenue to the Group. The Group's commercial property development projects are mainly independent commercial projects as well as complex projects that comprise of commercial areas. Among which, ancillary services of commercial properties under complex projects significantly increase the overall value of individual residential projects among the real estate development business. Through quality commercial property 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 owned by the Group are mainly represented by two commercial brands, namely "NEO" and "Zoll", including NEO Urban Commercial complex, LVGEM Zoll Hongwan Shopping Centre, LVGEM Zoll Chanson Shopping Centre, LVGEM 1866 Zoll Centre, LVGEM Zoll International Garden Shopping Centre, Hong Kong LVGEM NEO and other shops and investment properties, with a total gross floor area of approximately 543,708 square meters. For the year ended 31 December 2017, the Group's revenue from the investments and operations of commercial properties was approximately RMB498.3 million (2016: RMB430.2 million), representing an increase of approximately 15.8% as compared to the same period last year.

NEO Urban Commercial complex is elected as one of the ten major 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 comprise offices and branches of various Fortune Global 500 companies, banks, telecommunications corporations and other state-owned enterprises. As at 31 December 2017, the average occupancy rate of NEO Urban Commercial complex was about 99% (2016: 99%).

Hong Kong LVGEM NEO Project is located in "Kowloon East", the new central business district in Hong Kong, occupying a site area of approximately 4,500 square meters and a planned total gross floor area of approximately 55,390 square meters. To proactively develop the business layout over Guangdong-Hong Kong-Macao Greater Bay Area, the Group acquired 8 Bay East, the full seaview grade-A commercial building in Hong Kong for HK$9 billion during the year, and renaming it as the Hong Kong LVGEM NEO Project. The project represents a strategic step for the Group to create a meaningful presence in the Hong Kong property market and will strengthen the Group's leading position in the commercial property sector as well as its market position and brand influence in the Guangdong-Hong Kong-Macao Greater Bay Area. The project transaction was completed and delivered on 29 December 2017 and the construction is expected to be completed in 2019. Given its favorable location, the project is expected to offer stable rental income and long-term capital gains to the Group.

Zoll Shopping Centre is a famous fashion and comprehensive shopping centre. As at the end of 2017, the Group owns and operates LVGEM Zoll Hongwan Shopping Centre, LVGEM Zoll Chanson Shopping Centre and LVGEM 1866 Zoll Centre. During the year 2017, the average annual occupancy rate was about 97%. In particular, LVGEM Zoll Hongwan Shopping Centre, which is located in Meilin District, Futian, Shenzhen, was opened for business on 9 January 2017 with 77 contracted store tenants; the occupancy rate for sections opened in Phase I reached 100%. In addition, LVGEM Zoll International Garden Shopping Centre launched its full-scale opening on 9 February 2018, which is expected to contribute increasing and more stable rental income to the Group in the future.

Comprehensive Services

The Group provides comprehensive services to customers and tenants of its residential and commercial properties, including property management services, hotel operations and others. For the year ended 31 December 2017, the comprehensive services of the Group generated revenue of RMB355.2 million (2016: RMB203.6 million), representing a year-on-year growth of approximately 74.5%.

Property management services include security services and maintenance and management of properties and facilities. 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.

In respect of hotel operations, the Group operates and manages two hotels in Shenzhen and the United States. These hotels include LVGEM Jinjiang Hotel, which is located in the central business district of Futian district, Shenzhen, and Vanllee Hotel in Covina, California, the United States which was newly acquired in 2017. In particular, LVGEM Jinjiang 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. As at 31 December 2017, its average occupancy rate was approximately 77% (2016: 77%).

In 2017, the Group newly acquired Vanllee Hotel located in Covina, California, the United States. The hotel occupies a site area of approximately 22,652 square meters and renovation is expected to be completed in 2018. The operation of Vanllee Hotel is a milestone project of LVGEM (China) and marked the further expansion of the Group's international business, which is expected to contribute stable hotel operation income to the Group.

Financing

During the year, the Group adopted both domestic and overseas capital platforms in their highest and best use to conduct financing and the cross-border financing strategy between Hong Kong and the PRC so as to consolidate the financial resources of the Group. Gemstones International Limited, a wholly-owned subsidiary of the Company, issued a total of US$400,000,000 guaranteed senior notes due 2020 on 15 August 2017 and 25 October 2017 respectively. The Group intends to use the net proceeds from the issue for general corporate purposes and finance the new property projects.

The Group obtained the financing credit limit of Hong Kong syndicated loans of HK$5,400,000,000 during the year as a strong financial support to the successful acquisition of Hong Kong LVGEM NEO project. This financing was the first overseas syndicated loans granted to the Group, marking the high recognition on our operating status as well as confidence in our future prospect from the banking industry.

The Group expected to further consolidate its financial strength through domestic and overseas financing, establish domestic and overseas financing platform in support of the Group's development, seize more development opportunities and achieve substantial business growth in the future.

Future Prospect

Following the steady development of the Mainland's economy and the launch of the strategic plan of the Guangdong-Hong Kong-Macao Greater Bay Area, the Group is confident in the prospect of the real estate market in the Mainland China, particularly the tremendous development potential of the Greater Bay Area. In the future, the Group will continue to persist in its strategic vision of "Focusing on Core Cities and Cities' Core Areas" with "Shenzhen – Hong Kong" playing the pivotal role and establish our strategic presence in the Guangdong-Hong Kong-Macao Greater Bay Area, in order to consolidate and strengthen our solid position in Shenzhen.

Apart from focusing on the development of real estate projects in the core cities in the Guangdong-Hong Kong-Macao Greater Bay Area, the Group will continue to expand overseas markets and identify quality projects when appropriate in order to satisfy its medium-to-long term development needs.

In 2018, the Group will formulate the best business development plan that meets the market needs by leveraging the Company's characteristics and strengths and accommodating to the national policies. In respect of residential projects, LVGEM International Garden zone B4, zone E and LVGEM Mangrove Bay No. 1 are expected to be launched for pre-sale in 2018. For commercial projects, LVGEM Zoll International Garden Shopping Centre has already opened for business on 23 January 2018, which is expected to contribute increasing and more stable rental income to the Group in 2018. The interior renovation of Vanllee Hotel project in the United States is expected to be completed in 2018, which is expected to contribute stable hotel operation income to the Group.

In 2018, the Group will push forward the substantive cooperation with the controlling shareholder on land resources to officially initiate capital injection into the first batch of mature redevelopment projects as and when appropriate. In addition, the Group will conduct a feasibility study on the project of existing industrial park and centralized commercial podium to be contributed by the controlling shareholder in the future, in order to realize the integrated business model of industrial town, being developing industrial real estate (industrial park operation and industrial investment) and operating smart business city, with an aim to facilitate industrial innovation and upgrade for the Group and create new business growth drivers in support of our long-term sustainable development.

Looking forward, constantly upholding the core value of "Professionalism lays the foundation and mutual harmony leads to sustainable growth", the Group will seize any development opportunities, speed up the progress of projects, enhance value and profitability so as to further strengthen its market position in and brand influence over the development of the Greater Bay Area. The Group will strive for the vision and goal of "being the most respected city value-creator in China".

Major Corporate Events

On 15 August 2017, Gemstones International Limited, a wholly-owned subsidiary of the Company, issued 8.5% guaranteed senior notes due 2020 in an aggregate principal amount of US$225,000,000 (the "Senior Notes"). 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 net proceeds from the issuance of the Senior Notes have been fully received. The Senior Notes are listed on the Singapore Exchange Securities Trading Limited (the "Singapore Stock Exchange").

On 25 October 2017, Gemstones International Limited issued additional 8.5% guaranteed senior notes due 2020 in an aggregate principal amount of US$175,000,000 (the "Additional Senior Notes"), which are consolidated and formed a single series with the Senior Notes issued on 15 August 2017. Details of the terms and conditions are set out in the announcements of the Company dated 17 October 2017, 18 October 2017 and 26 October 2017. The Additional Senior Notes are listed on the Singapore Stock Exchange. Up to the date of this announcement, the net proceeds of approximately US$396 million from the issuance of the Additional Senior Notes have been fully received.

On 11 October 2017, Pace Ascend Limited, an indirect wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement with Greater Honour Limited as seller, pursuant to which the Group conditionally agreed to acquire the property located at 123 Hoi Bun Road, Kwun Tong, Kowloon and the completed development by way of (i) the acquisition of the entire issued shares capital and sales loan of New Grade Investments Limited; and (ii) engagement of project manager and confine the Olinda payment, at a total consideration of HK$9 billion. The seller will continue and complete the construction and fitting out of the development after completion of the acquisition. The acquisition was completed on 29 December 2017 and the Group has paid HK$5,525 million during the year.

On 17 January 2018, the Company received a notice from Chance Talent Management Limited (the "CB Subscriber"), requesting for the conversion of the convertible bonds in the principal amount of US$10,000,000. Accordingly, the Company has allotted and issued 28,794,063 conversion shares to the CB Subscriber at the conversion price of HK$2.695 per conversion share on 18 January 2018.

On 7 February 2018, the Company entered into a convertible preference shares subscription agreement with Silver Sure (BVI) Investments Limited ("Silver Sure"), a wholly-owned subsidiary of ABC International Holdings Limited, pursuant to which the Company has agreed to allot and issue, and Silver Sure has agreed to subscribe for 132,564,669 new convertible preference shares at the convertible preference shares subscription price of HK$2.938 per convertible preference share (the "2018 CPS Subscription"). The 2018 CPS Subscription was completed on 21 February 2018. Details regarding the 2018 CPS Subscription are set out in the announcements of the Company dated 7 February 2018 and 13 February 2018.

On 7 February 2018, the Company entered into a share subscription agreement with Leadon International Investments Real Estate Limited ("Leadon") pursuant to which the Company has agreed to allot and issue, and Leadon has agreed to subscribe for 132,564,669 new shares at the share subscription price of HK$2.938 per share (the "Share Subscription"). The shares were allotted and issued pursuant to the general mandate granted to the Directors in the annual general meeting held on 21 June 2017 (the "2017 AGM"). The Share Subscription was completed on 26 February 2018. Details regarding the Share Subscription are set out in the announcements of the Company dated 7 February 2018 and 13 February 2018.

On 8 February 2018, the Company entered into a placing and subscription agreement with China LVGEM Property Holdings Limited ("China LVGEM") (the immediate holding company of the Company) and two placing agents, pursuant to which (i) China LVGEM agreed to place, through the placing agents, an aggregate of up to 80,000,000 top-up placing shares of the Company at the top-up placing price of HK$2.938 per share (the "Top-up Placing"); and (ii) China LVGEM agreed to subscribe for up to 80,000,000 top-up subscription shares of the Company at the top-up subscription price of HK$2.938 per share (the "Top-up Subscription") which is equivalent to the top-up placing price. The shares were allotted and issued pursuant to the general mandate granted to the Directors in the 2017 AGM. The Top-up Placing and the Top-up Subscription were completed on 13 February 2018 and 14 February 2018 respectively. An aggregate of 80,000,000 top-up placing shares of the Company were placed to not less than six placees at the top-up placing price of HK$2.938 per share; and 80,000,000 top-up subscription shares of the Company were allotted and issued to China LVGEM at the top-up subscription price of HK$2.938 per share. Details regarding the Top-up Placing and the Top-up Subscription are set out in the announcements of the Company dated 8 February 2018 and 13 February 2018.

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 2017 was approximately RMB2,967.8 million (2016: RMB4,590.2 million), representing a decrease of approximately 35.3% as compared to the same period last year, which was mainly due to the decrease in revenue from sales of properties held for sale.

	2017	2016	increase/ (decrease)	
	RMB'000	*RMB'000*	*RMB'000*	%
Property development and sales	**2,114,289**	3,956,426	(1,842,137)	(46.6)
Commercial property investment and operations	**498,295**	430,205	68,090	15.8
Comprehensive services	**355,167**	203,531	151,636	74.5
Total	**2,967,751**	4,590,162	(1,622,411)	(35.3)

For the year ended 31 December 2017, the revenue from sales of properties held for sale was approximately RMB2,114.3 million (2016: RMB3,956.4 million), representing a decrease of approximately 46.6% as compared to the same period last year, which mainly includes sales of the 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 2017 was approximately 55,500 square meters (2016: approximately 150,000 square meters).

Revenue from leasing of investment properties for the year ended 31 December 2017 was approximately RMB498.3 million (2016: RMB430.2 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 2017 remained at a high level at 98% (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. For the year ended 31 December 2017, comprehensive services of the Group generated revenue of RMB355.2 million (2016: RMB203.6 million), representing an increase of approximately 74.5% as compared to the same period last year.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2017, the Group's integrated gross profit slightly dropped to approximately RMB1,937.9 million (2016: RMB2,296.0 million), representing a decrease of approximately 15.6% as compared to last year; while the integrated gross profit margin for the year ended 31 December 2017 increased to a relatively high level at 65.3% (2016: 50.0%). The increase in gross profit margin was mainly attributable to the revenue from property development and sales having a higher margin during the year.

Selling Expenses

For the year ended 31 December 2017, selling expenses of the Group amounted to approximately RMB67.7 million (2016: RMB58.3 million), representing an increase of approximately 16.1% as compared to last year. In 2017, the selling expenses mainly included advertising expenses for LVGEM Mangrove Bay No. 1 and LVGEM International Garden.

Administrative Expenses

For the year ended 31 December 2017, administrative expenses of the Group amounted to approximately RMB361.6 million (2016: RMB348.7 million), representing an increase of approximately 3.7% as compared to 2016. The increase was mainly attributable to the increase of staff cost of the Group during the year. Among which, the amortisation expenses for share options during the year amounted to approximately RMB80.4 million (2016: RMB128.4 million).

Fair Value Changes on Investment Properties

The valuation on the Group's investment properties as at 31 December 2017 was conducted by an independent firm of property valuers which resulted in a positive fair value changes on investment properties of RMB478.4 million for the year ended 31 December 2017 (2016: RMB247.5 million).

Finance Costs

For the year ended 31 December 2017, finance costs of the Group amounted to approximately RMB613.6 million (2016: RMB406.5 million), representing an increase of approximately 50.9% as compared to 2016.

The increase in finance costs was due to the increase of the Group's total interest-bearing loans to RMB18,971.1 million as at 31 December 2017 from RMB11,940.4 million as at 31 December 2016. The Group's average finance cost of interest-bearing loans was 6.6% for the year ended 31 December 2017 (2016: 6.2%).

Income Tax Expense

For the year ended 31 December 2017, income tax expenses of the Group amounted to approximately RMB458.8 million (2016: RMB1,044.8 million). The Group's income tax expense included payments and provisions made for EIT and LAT during the year. The decrease of income tax expense during the year was mainly attributable to the decrease in LAT provision. The LAT for the year amounted to approximately RMB4.0 million (2016: RMB692.0 million), which was mainly attributable to the sales of LVGEM Hongwan Garden, net with overprovision of LAT in prior year amounted to RMB223.9 million.

Operating Results

For the year ended 31 December 2017, the profit attributable to owners of the Company was approximately RMB1,035.4 million (2016: RMB802.3 million), representing an increase of approximately 29.1% as compared to 2016.

Liquidity, Financial Resources and Gearing

Bank balances and cash as at 31 December 2017 amounted to approximately RMB6,092.7 million (including restricted bank deposits) (2016: RMB4,531.2 million).

The Group had total borrowings of approximately RMB18,798.8 million as at 31 December 2017 (2016: RMB11,976.5 million). Borrowings classified as current liabilities were approximately RMB4,204.7 million (2016: RMB3,580.3 million) and the Group's gearing ratio as at 31 December 2017 was approximately 127.9% (2016: 80.6%), 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 2017, the Group had current assets of approximately RMB14,142.8 million (2016: RMB11,525.3 million) and current liabilities of approximately RMB9,650.9 million (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 RMB4,492.0 million as at 31 December 2017. The decrease in net current assets as at 31 December 2017 was mainly attributable to the maturity of the convertible bonds in year 2018 and payment of deposits of land use right during the year.

As at 31 December 2017, the Group recorded total assets of approximately RMB36,796.8 million (2016: RMB25,924.5 million) and total liabilities of approximately RMB26,727.6 million (2016: RMB16,726.8 million), representing a debt ratio (total liabilities over total assets) of approximately 72.6% (2016: 64.5%). Net assets of the Group were approximately RMB10,069.2 million as at 31 December 2017 (2016: RMB9,197.7 million).

For the year ended 31 December 2017, the Group was able to utilise its internal resources and debt financing to meet the funding requirements for acquisition.

Charge on Assets

For the year ended 31 December 2017, loans of approximately RMB12,323.7 million (2016: RMB8,597.5 million) were secured; and properties under development for sale, properties held for sale, investment properties, properties, plant and equipment and pledged deposits of the Group were pledged in the total amount of approximately RMB17,930.0 million (2016: RMB13,093.6 million).

Contingent Liabilities

For the year ended 31 December 2017, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB379.2 million (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 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 2017, the Group had a staff roster of 1,779 (2016: 1,494), of which 1,761 (2016: 1,471) employees were based in the mainland China and 18 (2016: 23) employees were based in Hong Kong. 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 RMB4.15 cents) per ordinary share in cash for the year ended 31 December 2017 to shareholders whose names appear on the register of members of the Company on 5 June 2018. Subject to shareholders' approval at the Annual General Meeting, the dividend is expected to be paid on or around 20 July 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 21 May 2018 to 25 May 2018, 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 18 May 2018.

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 5 June 2018. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 1 June 2018 to 5 June 2018, 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 31 May 2018.

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 2017, 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 2017.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2017.

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 2017 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 2017 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 15 August 2017, Gemstones International Limited, a wholly-owned subsidiary of the Company, issued the Senior Notes. Gemstones International Limited issued the Additional Senior Notes in October 2017. The Senior Notes and the Additional Senior Notes are listed on the Singapore Stock Exchange.

The Company has not redeemed any of its listed securities during the year. Save as disclosed and the issue of 600,000 shares by the Company pursuant to the exercise of share options during the year, 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 2017 and up to the date of this 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 2017 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 2017 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, 23 March 2018

* *For identification purposes only*