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 2018

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 2018, together with the comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**767,275**	595,062
Cost of sales		**(326,617)**	(251,372)
Gross profit		**440,658**	343,690
Other income, other gains and losses		**106,410**	21,448
Selling expenses		**(51,196)**	(14,823)
Administrative expenses		**(167,894)**	(178,437)
Fair value changes related to investment properties		**91,389**	175,845
Fair value changes on derivative component of convertible bonds		**38,443**	41,373
Finance costs	*4*	**(285,318)**	(265,555)
Share of results of joint ventures		**(1)**	(92)
Profit before tax	*5*	**172,491**	123,449
Income tax credit (expense)	*6*	**15,046**	(76,678)
Profit for the period		**187,537**	46,771
Profit for the period attributable to:			
Owners of the Company		**191,930**	43,172
Non-controlling interests		**(4,393)**	3,599
		187,537	46,771
		RMB cents	*RMB cents*
		(Unaudited)	(Unaudited)
Earnings per share	*8*		
– Basic		**3.94**	0.92
– Diluted		**2.37**	0.36

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**187,537**	46,771
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation	**(4,522)**	(7,258)
Fair value changes on available-for-sale investment, net of tax	**–**	40,849
Item that will not be reclassified to profit or loss:		
Fair value changes on investment in equity instrument at fair value through other comprehensive income, net of tax	**37,127**	–
Other comprehensive income for the period	**32,605**	33,591
Total comprehensive income for the period	**220,142**	80,362
Total comprehensive income (expense) attributable to:		
Owners of the Company	**224,257**	78,647
Non-controlling interests	**(4,115)**	1,715
	220,142	80,362

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Non-current assets			
Investment properties		**20,514,653**	19,650,677
Property, plant and equipment		**394,490**	413,871
Goodwill		**231,602**	231,602
Interests in joint ventures		**6,067**	6,068
Amount due from a joint venture		**522,323**	522,323
Available-for-sale investment		**–**	444,259
Equity instrument at fair value through other comprehensive income		**493,761**	–
Deferred tax assets		**135,059**	175,201
Other non-current assets		**2,620,000**	1,210,000
		24,917,955	22,654,001
Current assets			
Properties under development for sale		**6,875,173**	5,621,635
Properties held for sale		**543,214**	729,206
Other inventories		**814**	1,145
Accounts receivable	*9*	**64,853**	377,292
Deposits paid, prepayments and other receivables		**1,090,735**	1,138,263
Tax recoverable		**67,787**	32,594
Other financial assets		**–**	150,000
Restricted bank deposits		**2,490,200**	2,117,521
Bank balances and cash		**2,865,005**	3,975,163
		13,997,781	14,142,819
Current liabilities			
Accounts payable	*10*	**479,462**	600,037
Contract liabilities		**1,683,829**	–
Accruals, deposits received and other payables		**1,916,070**	3,725,372
Tax liabilities		**592,416**	1,009,685
Dividend payables		**208,059**	–
Borrowings		**3,999,049**	3,615,042
Debt component of convertible bonds		**565,459**	589,650
Derivative component of convertible bonds		**56,904**	111,078
		9,501,248	9,650,864
Net current assets		**4,496,533**	4,491,955
Total assets less current liabilities		**29,414,488**	27,145,956
Non-current liabilities			
Borrowings		**9,961,384**	9,343,235
Senior notes and bond		**5,292,085**	5,250,854
Debt component of convertible bonds		**437,437**	–
Derivative component of convertible bonds		**221,968**	–
Deferred tax liabilities		**2,533,323**	2,482,664
		18,446,197	17,076,753
Net assets		**10,968,291**	10,069,203
Capital and reserves			
Share capital		**41,083**	39,121
Reserves		**10,694,507**	9,796,941
Equity attributable to owners of the Company		**10,735,590**	9,836,062
Non-controlling interests		**232,701**	233,141
Total equity		**10,968,291**	10,069,203

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 (the "**Stock Exchange**").

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, equity instrument at fair value through other comprehensive income and derivative component of convertible bonds, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs and an interpretation

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs and the interpretation have been applied in accordance with the relevant transition provisions in the respective standards which results in changes in accounting policies and amounts reported as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

– Step 1: Identify the contract(s) with a customer

– Step 2: Identify the performance obligations in the contract

– Step 3: Determine the transaction price

– Step 4: Allocate the transaction price to the performance obligations in the contract

– Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good and service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from customer.

The Group recognises revenue from the following major sources:

– Sales of properties
– Leasing of commercial properties, office premises and car parks
– Hotel operation, property management service

Revenue from sales of properties is recognised at a point of time when the completed property is transferred to the customer, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and the collection of the consideration is probable.

Revenue from leasing of commercial properties, office premises and car parks continues to be accounted for in accordance with HKAS 17 "Leases".

Revenue from hotel operation and property management service is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Existence of significant financing component

In determining the transaction price for the sales of properties, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (e.g. sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

2.1.2 Summary of effects arising from initial application of HKFRS 15

The following adjustment was made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS 15 at 1 January 2018
		RMB'000	*RMB'000*	*RMB'000*
Current liabilities				
Accruals, deposits received and other payables	(a)	3,725,372	(922,148)	2,803,224
Contract liabilities	(a)	–	922,148	922,148

Note:

(a) As at 1 January 2018, deposits received in advance from customers for presale of properties of RMB922,148,000 previously included in accruals, deposits received and other payables was reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	Note	As reported	Adjustment	Amounts without application of HKFRS 15
		RMB'000	*RMB'000*	*RMB'000*
Current liabilities				
Accruals, deposits received and other payables	(a)	1,916,070	1,683,829	3,599,899
Contract liabilities	(a)	1,683,829	(1,683,829)	–

Note:

(a) As at 30 June 2018, deposits received in advance from customers for presale of properties of RMB1,683,829,000 were classified as contract liabilities.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities and 2) expected credit losses ("**ECL**") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9 i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

2.2.1 Key Changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15. Rental income receivable included in accounts receivable is initially measured in accordance with HKAS 17.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

– the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

– the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI (including available-for-sale investment) are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income, other gains and losses" line item in profit or loss.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

2.2.1 Key Changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets *(Continued)*

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts receivable, other receivables, deposits paid, restricted bank deposits and bank balances). The application of HKFRS 9 has had no material effect on classification and measurement of financial assets in these condensed consolidated financial statements. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable without significant financing component. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

2.2.1 Key Changes in accounting policies resulting from application of HKFRS 9 *(Continued)*

Classification and measurement of financial assets *(Continued)*

Impairment under ECL model *(Continued)*

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For those rental income receivable including in accounts receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 "Leases".

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9. The provision for impairment is considered insignificant in respect of these balances as there has not been a significant change in credit quality at 1 January 2018.

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

		Carrying amounts previously reported at 31 December 2017	**Reclassification**	**Carrying amounts under HKFRS 9 at 1 January 2018**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Available-for-sale investment	(a)	444,259	(444,259)	–
Equity instrument at fair value through other comprehensive income	(a)	–	444,259	444,259

Note:

(a) The Group elected to present in OCI for the fair value change of its equity investment previously classified as available-for-sale investment, of which approximately RMB444,259,000 related to the shareholding in certain listed equity securities in the PRC previously measured at fair value under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, RMB444,259,000 was reclassified from available-for-sale investment to equity instrument at fair value through other comprehensive income. The fair value gains of approximately RMB75,744,000 relating to those investments previously carried at fair value continued to accumulate in investment revaluation reserve.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.3 Impacts and changes in accounting policies of application on Amendments to HKAS 40 "Transfers of Investment Property"

The amendments clarify that a transfer to or from investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existed at that date. There is no impact to the classification at 1 January 2018.

Except as describe above, the application of other amendments to HKFRSs and the interpretation in the current interim period has had no material effect on the amounts reported 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.

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of properties	**309,677**	236,036
Rental income	**273,415**	238,101
Revenue from hotel operation, property management services and other service income	**184,183**	120,925
	767,275	595,062
Timing of revenue recognition		
At a point in time	**309,677**	236,036
Over time	**184,183**	120,925

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 service income

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 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 2018

	Property development and sales *RMB'000* **(Unaudited)**	**Commercial property investment and operations** *RMB'000* **(Unaudited)**	**Comprehensive services** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Revenue:				
From external customers	309,677	273,415	184,183	767,275
Inter-segment revenue	–	4,947	12,453	17,400
Total segment revenue	309,677	278,362	196,636	784,675
Reportable segment profit	145,106	234,897	60,655	440,658

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)	Total *RMB'000* (Unaudited)
Revenue:				
From external customers	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
Reportable segment profit	88,496	210,885	44,309	343,690

Inter-segment sales are at mutually agreed terms.

Reconciliations of reportable segment revenue, profit or loss

The Group does not allocate fair value changes related to investment properties, fair value changes on derivative component of convertible bonds, other income, other gains and losses, depreciation, 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 while the investment properties are allocated to the segment of "commercial property investment and operations" for presenting segment assets.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	**784,675**	599,865
Elimination of inter-segment revenue	**(17,400)**	(4,803)
Consolidated revenue	**767,275**	595,062
Profit		
Reportable segment profit	**440,658**	343,690
Other income, other gains and losses	**106,410**	21,448
Depreciation	**(25,232)**	(21,664)
Fair value changes related to investment properties	**91,389**	175,845
Fair value changes on derivative component of convertible bonds	**38,443**	41,373
Finance costs	**(285,318)**	(265,555)
Share of results of joint ventures	**(1)**	(92)
Corporate expenses	**(193,858)**	(171,596)
Consolidated profit before tax	**172,491**	123,449

Segment assets

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	At 31 December
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property development and sales	**10,154,480**	8,169,519
Commercial property investment and operations	**20,519,955**	19,651,457
Comprehensive services	**304,128**	309,787
Reportable segment assets	**30,978,563**	28,130,763
Goodwill	**231,602**	231,602
Equity instrument at fair value through other comprehensive income	**493,761**	–
Available-for-sale investment and other financial assets	**–**	594,259
Restricted bank deposits	**2,490,200**	2,117,521
Bank balances and cash	**2,865,005**	3,975,163
Deferred tax assets	**135,059**	175,201
Interests in joint ventures and amount due from a joint venture	**528,390**	528,391
Corporate assets	**1,193,156**	1,043,920
Consolidated total assets	**38,915,736**	36,796,820

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 and amount due from a joint venture, equity instrument at fair value through other comprehensive income, available-for-sale investment and other financial assets, bank balances and cash, restricted bank deposits, deferred tax assets and corporate assets.

4. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on:		
Bank and other borrowings	**367,897**	244,937
Convertible bonds	**52,024**	53,872
Senior notes and bond	**200,522**	85,796
Less: Amount capitalised in investment properties under development and properties under development for sale*	**(335,125)**	(119,050)
	285,318	265,555

* The finance costs have been capitalised at rates ranging from 3.56% to 8.50% (six months ended 30 June 2017: 3.64% to 6.50%) per annum.

5. PROFIT BEFORE TAX

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before tax is arrived at after charging (crediting):		
Cost of properties held for sale recognised as expense	**164,571**	147,540
Depreciation of property, plant and equipment	**25,393**	21,720
Less: amount capitalised in investment properties under development and properties under development for sale	**(161)**	(56)
	25,232	21,664
Gross rental income from investment properties	**273,415**	238,101
Outgoings in respect of investment properties that generated rental income during the period	**(38,518)**	(27,216)
	234,897	210,885
Operating lease charges in respect of land and buildings	**14,008**	12,407
Staff costs		
Directors' emoluments	**7,739**	14,239
Other staff cost		
– Salaries and other benefits in kind	**152,115**	113,573
– Equity-settled share-based payments	**17,763**	47,593
– Amount recognised as expense for retirement benefit costs	**8,592**	10,504
Less: Amount capitalised in investment properties under development and properties under development for sale	**(40,261)**	(20,546)
	145,948	165,363
Fair value changes on investment properties	**1,062**	174.430
Fair value changes on transfer of property inventories to investment properties	**90,327**	1,415
Fair value changes related to investment properties	**91,389**	175,845
(Gain) loss on disposal of property, plant and equipment	**(4)**	6
Foreign exchange (gain) loss , net	**(6,027)**	533

6. INCOME TAX CREDIT (EXPENSE)

	Notes	Six months ended 30 June **2018** *RMB'000* **(Unaudited)**	2017 *RMB'000* (Unaudited)
Current tax			
PRC Enterprise Income Tax ("**EIT**")			
– Current period	*(a)*	**(39,290)**	(19,979)
PRC Land Appreciation Tax ("**LAT**")			
– Current period	*(b)*	**(29,315)**	(3,104)
– Overprovision in prior period	*(c)*	**162,077**	594
		132,762	(2,510)
Deferred taxation		**(78,426)**	(54,189)
Total income tax credit (expense)		**15,046**	(76,678)

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 in Hong Kong for both periods.

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

(c) The amount for the period ended 30 June 2018, includes an overprovision of LAT of RMB161,781,000 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 period ended 30 June 2018.

7. DIVIDENDS

	Six months ended 30 June **2018** *RMB'000* **(Unaudited)**	2017 *RMB'000* (Unaudited)
Dividends recognised as distribution during the period:		
2017 Final dividend – HK5 cents (equivalent to approximately RMB4.15 cents)	**201,740**	–
2016 Final dividend – HK5 cents (equivalent to approximately RMB4.5 cents)	**–**	211,211

The dividends recognised as distribution for the year ended 31 December 2017 were subsequently paid on 20 July 2018.

No dividend for the six months ended 30 June 2018 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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	**191,930**	43,172
Effect of dilutive potential earnings in respect of – Convertible bonds	**16,864**	(12,665)
Earnings for the purpose of diluted earnings per share	**208,794**	30,507

	Number of shares	
	2018	2017
Number of shares		
Weighted average number of ordinary shares of the Company for the purpose of basic earnings per share	**4,872,534,196**	4,693,582,792
Effect of dilutive potential ordinary shares in respect of		
– Share options	**114,925,942**	21,056,865
– Convertible bonds	**304,949,261**	281,159,420
– Convertible preference shares	**3,508,685,216**	3,413,473,023
Weighted average number of ordinary shares of the Company for the purpose of diluted earnings per share	**8,801,094,615**	8,409,272,100

9. ACCOUNTS RECEIVABLE

	At 30 June	At 31 December
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Accounts receivable	**65,564**	378,003
Less: Allowance for doubtful debts	**(711)**	(711)
	64,853	377,292

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 the credit risk. For accounts receivable generated from hotel operation, the credit term is repayable on demand. For accounts receivable generated from property management, receivable generally have credit terms of ranging from 30 to 60 days (31 December 2017: 30 to 60 days).

9. ACCOUNTS RECEIVABLE *(Continued)*

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 2018	At 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**38,549**	368,530
1 to 12 months	**22,636**	5,018
13 to 24 months	**250**	3,058
Over 24 months	**3,418**	686
	64,853	377,292

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

	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At 1 January	**711**	793
Reversal on impairment loss recognised	**–**	(82)
At 30 June/31 December	**711**	711

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL, trade receivables have been grouped based on shared credit risk characteristics and the historical observed default rates adjusted by forward looking estimates. As at 30 June 2018, the directors of the Company considered that the default risk for the accounts receivable is very low and the lifetime ECL allowance is insignificant as at 30 June 2018.

10. ACCOUNTS PAYABLE

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

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**250,098**	479,144
1 to 12 months	**155,845**	75,937
13 to 24 months	**36,180**	12,742
Over 24 months	**37,339**	32,214
	479,462	600,037

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

During the first half of 2018, the Chinese economy continued its steady growth trend with further progress in the structural adjustment. The economy set off toward high quality positive development. The real estate industry in China has also entered a normal stage of transformation and upgrade. Apart from the constant launch of measures under the macroeconomic control policy on the property market, the government strengthened regulatory control on loans for property development to curtail leverages and bubbles in the real estate market, further promoting a positive development of the industry.

According to the statistics of the National Bureau of Statistics, during the first half of 2018, the sales area and sales amount of commodity housing in China continued to grow to a sales area nationwide of 771.43 million square meters, representing an increase of 3.3% year-on-year, while the sales amount of commodity housing nationwide was RMB6,694.5 billion, representing a year-on-year growth of 13.2%. Meanwhile, the area of commodity housing pending for sale continued to decline. As at the end of June 2018, the area of commodity housing pending for sale nationwide was 550.83 million square meters, representing a year-on-year decrease of 14.7%. This demonstrated the effectiveness of the property control policy. It is expected that the destocking and the property cooling policy will be implemented at the same time.

As one of the cities of entrepreneurship in China, Shenzhen is developing its innovative economy constantly and rapidly, which implies the ongoing inflow of more migrant talents and bringing a steady source of vivacity and vibrancy in the society. According to the latest findings of the Statistics Bureau of Shenzhen as at the end of 2017, the resident population in Shenzhen was approximately 12.5283 million, representing an increase of 0.62 million or 4.6% compared to 2016, the record high of this century by net increase.

Following the increasingly enhanced efforts in promoting the introduction of talents into Shenzhen, the comparative edge of more introduced quality talents was gradually demonstrated under the government policy. In 2017, its registered population increased by 299,200 as compared to the previous year, well ahead of other first-tier cities in terms of population growth. The Shenzhen Government actively attracted talents by simplifying the application procedures for Shenzhen residency account, which is conducive to attracting the influx of young, quality and highly intelligent external talents constantly and in turn a strong support to the urban development and demand for residential and commercial properties in Shenzhen.

The "Framework Agreement on Deepening Guangdong-Hong Kong-Macao Cooperation in the Development of the Greater Bay Area" (《深化粵港澳合作推進大灣區建設框架協議》) has been entered into by Guangdong, Hong Kong and Macao, marking a major milestone achieved for 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 launch of such plan signifies that the development of the Guangdong-Hong Kong-Macao Greater Bay Area has been escalated to the level of a Central Government policy and a national plan, which also provided a major platform for a new page of further reform, opening up and development of Guangdong as well as consolidating the cooperation among Guangdong, Hong Kong and Macao. It is expected that the Guangdong-Hong Kong-Macao Greater Bay Area will be developed into a globally first-rate bay area by 2020, establishing the framework for a world-class city clusters; and by 2030, the Greater Bay Area will rank the top among global bay areas, turning into an advanced manufacturing center, key innovative center, international financial, shipping and trading center and emulating into the forefront of world-renowned city clusters. As more development plans for the Greater Bay Area are being rolled out, it is expected that the population within the area will noticeably surge.

Unique Strength Unique Properties As a unique comprehensive real estate developer, the Group has positioned itself as a property developer focused on the Guangdong-Hong Kong-Macao Greater Bay Area and a pioneer in urban redevelopment. Pursuing the strategic positioning of "Unique Properties, Renovation and Redevelopment pioneer" and persisting in the "dual-core" strategic planning vision of "Focusing on Core Cities and Cities' Core Areas"with "Shenzhen-Hong Kong" playing the pivotal role, the Group has expanded its strategic presence over the core areas of core cities such as Shenzhen, Hong Kong and Pearl River Delta region. Among the projects to be developed by the Group in the future, those located in the Greater Bay Area accounted for 75% or more. Along with the progress of the national development strategies for Guangdong-Hong Kong-Macao Greater Bay Area, the economic and external population within the Bay Area is expected to continue to grow, further improvement in infrastructures and urban renewal was seen, resulting in a significant increase in the asset value and a significant drop of risks of the Group's projects located in the core cities of the Greater Bay Area. In particular, the development has brought about enormous room and potential opportunities for the development of the real estate market in Shenzhen, which will further drive the sales and profit growth of the Group.

The Group adopted an urban redevelopment model to acquire land resources. Situating in the core areas of the core cities, the projects individually can have a total gross floor area ranging from hundred thousand to a million square meters. It also has cost advantages over land bidding with a high profitability. The additional land supply of the Group is limited to core cities of the Greater Bay Area such as Shenzhen. Urban redevelopment has become the main source of land supply gradually. With its decades of successful experience and proven track record of multiple urban renewal project cases, the Group retains its first-mover advantage.

In addition, through the unique model of collaboration with our controlling shareholder who is responsible for integrating resources for project incubation and first-class development and will introduce the project into the listing company in due course, the stress on preliminary land reserve and cash can be effectively mitigated at a lower finance cost and lower the risks and uncertainties involved in the preliminary stage of urban renewal.

Resources Real Estate

The Group currently owns quality land bank of 4 million square meters in certain core cities, most of which is located at the Guangdong-Hong Kong-Macao Greater Bay Area with high asset value. Coupling with the urban renewal projects of 12 million square meters held by the controlling shareholder locating in core cities among the Greater Bay Area such as Shenzhen, Zhuhai and Dongguan, the supply of land resources and demands for the development of the Group in the coming 10 years are secured.

In the next 8 to 10 years, the Group will gradually develop commercial properties with an accumulated area of over 1 million square meters, and maintain ownership and operation of commercial properties in core cities, which will secure a steady cash flow and considerable revenue for the Group.

The Group has been actively exploring various financing channels and continuing to optimize the capital and shareholder structure by means of the cross-border financing platforms between Hong Kong and the PRC. Currently, overseas financing platform has been well developed. Financing efforts were satisfactorily in progress during the year, providing more financing channels to support the project development and expansion of the Group.

Smart Real Estate

The Group proactively explored the business mode that integrates industry and city and strived to develop a smart urban region with a view to promoting the innovation and upgrade of the industrial properties of the Group, strengthening core competitiveness and fostering new growth drivers for our business. On 23 July 2018, the Company entered into strategic cooperation agreement in relation to the smart urban regions with Huawei Technologies Co., Ltd.. In the future, both parties will unleash their respective resources in leading edge technology, operation and management expertises in their business sector and cooperate in the in-depth development of smart urban regions in full swing with the focus on mega-projects of renovation and redevelopment in Shenzhen against the backdrop of industrial digitalization in real estate development, management and operation, while providing scientifically-advanced and digitalized technological support for the urban renewal project of 12 million square meters to be introduced by the controlling shareholder to the Group.

Results

The Group achieved satisfactory results for the first half of 2018. All of its key financial indicators were in line with the expectations of the management and the overall performance result was satisfactory.

For the six months ended 30 June 2018, the Group achieved total revenue of approximately RMB767.3 million (six months ended 30 June 2017: RMB595.1 million), representing an increase of approximately 28.9% year-on-year. Gross profit was RMB440.7 million (six months ended 30 June 2017: RMB343.7 million), representing an increase of approximately 28.2% year-on-year. Gross profit margin remained at a relatively high level of 57% (six months ended 30 June 2017: 58%).

Profit for the period was RMB187.5 million (six months ended 30 June 2017: RMB46.8 million), representing a growth of approximately 301.0% year-on-year. Profit attributable to owners of the Company was RMB191.9 million (six months ended 30 June 2017: RMB43.2 million), representing a growth of approximately 344.6% year-on-year. Basic earnings per share was RMB3.94 cents (six months ended 30 June 2017: RMB0.92 cents), representing a growth of approximately 328.3% year-on-year.

The Group's key financial indicators for the six months ended 30 June 2018 were as follows:

	2018 *(RMB million)*	2017 *(RMB million)*	Change
Revenue	**767.3**	595.1	28.9(%)
Gross profit	**440.7**	343.7	28.2(%)
Profit/(loss) from core business*	**78.7**	(130.6)	(160.7)(%)
Profit attributable to owners of the Company	**191.9**	43.2	344.6(%)
Basic earnings per share (RMB cents)	**3.94**	0.92	328.3(%)
Gross profit margin (%)	**57**	58	

* Profit/(loss) from core business represents profit attributable to owners of the Company less fair value changes related to investment properties and related deferred tax, exchange gain or loss and fair value changes on derivative component of convertible bonds.

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Bank balance and cash (including restricted bank deposits) (RMB million)	**5,355.2**	6,092.7
Average finance costs (%)	**6.4**	6.6
Gearing ratio (%)	**71.8**	72.6

Business Review

Adhering to the "dual-core" strategic planning vision of "Focusing on Core Cities and Cities' Core Areas", the Group has established its business presence through deploying quality residential and commercial development projects over the core areas of core cities in the Guangdong-Hong Kong-Macao Greater Bay Area such as Shenzhen, Hong Kong and the Pearl River Delta region. With its robust operation, the Group achieved remarkable results and further consolidated its market position in the first half of 2018. The Group was honored with numerous awards in the capital market during the first half of 2018. For instance, the Group was credited as the "Listed Companies with the Best Investment Value in Shenzhen-Hong Kong Stock Connect" from the 2017 China Financial Market Award, was listed as one of the "Top 100 Hong Kong Listed Companies" from the election of 2017 top 100 listed companies in Hong Kong and ranked second in the list of top 10 turnover growth, honored with the "Institutional Investors' Favorite Hong Kong Stock Connect Company" from the first election of the Hong Kong Stock Connect companies which received most of the attention of institutional investors and the "Best Deal Award" from the 2018 Royal Institution of Chartered Surveyors (RICS) Hong Kong Annual Award. These awards demonstrated the strong market position of the Group and the wide market recognition on the business development and performance result of the Group.

Real Estate Development and Sales

Real estate development and sales are the core businesses of the Group. The Group has been actively expanding its presence in the core areas of the Guangdong-Hong Kong-Macao Greater Bay Area. As at 30 June 2018, the real estate development and sales of the Group generated revenue of approximately RMB309.7 million (as at 30 June 2017: RMB236.1 million), representing an increase of approximately 31.2% year-on-year, mainly attributable to the handover of LVGEM Hongwan Garden. The total contracted sales amounted to approximately RMB996.1 million (as at 30 June 2017: RMB529.3 million), representing an increase of approximately 88.2% year-on-year. During the period under review, the Group actively launched new quality real estate projects, among which, LVGEM International Garden Hanlin Mansion was launched for sale and received overwhelming response of subscription. With satisfactory sales, its total subscribed gross floor area amounted to 43,717 square meters and the total subscription amount reached RMB319.4 million.

Meanwhile, the Group continued to develop projects with potential, including LVGEM Mangrove Bay No. 1, LVGEM International Garden, LVGEM Meijing Project, LVGEM Liguang Project, LVGEM Hong Kong Lau Fau Shan Project and LVGEM Kaiwei Project. The Group will continue to strive for excellence and developing an upgraded and excellent residential and living community with unique and quality design, in order to drive the continued steady growth of cost-effectiveness and business scale.

LVGEM Mangrove Bay No. 1 is the most iconic urban renewal project of the Group. The project comprises three quality residential buildings and a 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 the Futian Port and the Huanggang Port, the 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. Currently, LVGEM Mangrove Bay No. 1 has completed the filing of planning, inspection and acceptance procedures and currently preparing for sales of the existing properties.

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 the Juzhou Park. It is well-served by a public transport network and is approximately a 10 minutes' drive from the city centre. The project occupies a site area of 729,000 square meters and a planned total gross floor area of 2,249,000 square meters. The total investment of the project will be over RMB8.0 billion. Zone E of LVGEM International Garden was launched as at 30 June 2018 by the Group, with a total of 369 residential units and the market response was overwhelming. 338 units have been subscribed and the subscription sales amounted to approximately RMB0.319 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.

LVGEM Liguang Project is positioned as a residential, commercial and industrial high-end industrial park complex. The project is located in Liguang Village, Guanlan Town, Bao'an District, Shenzhen. Strategically located in a well-developed residential area and adjacent to Mission Hills Golf Club, it possesses scenic greenery. The project occupies a site area of 271,202 square meters and a total gross floor area of 949,200 square meters. It is currently carrying out the preparatory work before commencement of construction as planned.

LVGEM Lau Fau Shan Project is the Group's first property development project in Hong Kong and marked a new milestone of the internationalisation of the "LVGEM" brand. The project is located at Deep Bay Road, Lau Fau Shan, Hong Kong. It occupies a site area of 82,400 square meters, comprising 116 low density waterfront villas, each of which has a gross floor area of 2,000-3,000 square feet. Embracing prime sea view and overlooking Deep Bay, the project is geographically prestigious and adjacent to Shenzhen with easy access to and from Mainland China. Further, it is located at the vicinity of Hung Shui Kiu New Development Area.

LVGEM Kaiwei Project is another urban renewal project. The project is located in a formerly Zhuhai Dongda Kaiwei Science Park in Xiang Zhou District, Zhuhai City. With a total gross floor area of 421,441 square meters, the project is positioned as an international grade A office building, apartment (hotel-serviced offices), residential and commercial complex. The project will become a major contributor of the Group's results within two years.

Commercial Property Investment and Operations

As one of our characteristics, the Group adheres to the "two-wheel driven" model of both residential and commercial businesses, which creates synergy and generates steady cash flow and operating revenue to the Group. The Group currently owns, operates and manages a number of quality commercial property projects, 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 549,321 square meters. The Group's commercial property development projects are mainly independent commercial projects as well as complex projects that comprise commercial areas. Among them, the ancillary services of commercial properties under complex projects significantly increase the overall value of individual residential projects among the real estate development business.

As at 30 June 2018, the Group's revenue from the investments and operations of commercial properties was approximately RMB273.4 million (as at 30 June 2017: RMB238.1 million), representing an increase of approximately 14.8% year-on-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, telecommunication corporations and other state-owned enterprises. As at 30 June 2018, the average occupancy rate of NEO Urban Commercial complex was about 99% (as at 30 June 2017: 100%).

Hong Kong LVGEM NEO Project is located in "Kowloon East CBD 2", 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 last 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 successfully topped out on 21 May 2018, and the construction is expected to be completed in 2019. The Hong Kong LVGEM NEO Project will officially commence promotion and pre-leasing in the fourth quarter of 2018, positioning for cornerstone clients such as certain renowned finance and technology enterprises principally. Featuring as a financial and technological center which integrates health, green, humanity and scenes, Hong Kong LVGEM NEO was designed to create a scene-based common office space with humanistic care. Given its prestigious geographical 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 Zoll Hongwan Shopping Centre, Zoll Chanson Shopping Centre, 1866 Zoll Centre and Zoll International Garden Centre. As at 30 June 2018, the average occupancy rate was about 96%. In particular, Huazhou Zoll International Garden Shopping Centre launched its full-scale opening on 9 February 2018, which is expected to contribute increasing rental revenue 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 30 June 2018, the comprehensive services of the Group generated revenue of RMB184.2 million (30 June 2017: RMB120.9 million), representing a year-on-year growth of approximately 52.3%.

Property management services include security services, maintenance and management of properties and facilities, property brokerage business, online platform and e-shops for lifestyle services, etc.. 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, property brokerage business, online platform and e-shops for lifestyle services, etc.. In March 2018, the Group officially commenced the operation of the "Shenzhen Meilin Flagship Store", our real estate agency services, kicking start businesses such as agency for new real estates, entrusted housing and real estate banking. For the online platform for lifestyles services, we have launched businesses such as cleaning of air conditioners on the "Daily Life* (尋常生活)" apps, which was well received by property owners and recorded an increase in value of 2.5 times in 2018 as compared to that of last year. 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. As the property management services and value-added services become more mature, it is expected that the property management company will contribute increasing revenue for the Group in the future.

In respect of hotel operations, the Group operates and manages two hotels in Shenzhen and the United States. These hotels are the LVGEM Jinjiang Hotel which is located in the central business district of Futian district, Shenzhen, and the 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 30 June 2018, its average occupancy rate was approximately 73% (30 June 2017: 76%).

The Group's Vanllee Hotel located in Covina, California, the United States, occupies a site area of approximately 22,652 square meters and is currently undergoing internal renovation in phases. Almost half done now, the internal renovation is expected to be completed in 2019. The operation of Vanllee Hotel is a milestone project of LVGEM (China), marking the further expansion of the Group's international business, which is expected to contribute stable hotel operation income to the Group.

Financing

During the period, the Group adopted various financing modes 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. On February 2018, the Group issued 132 million new convertible preference shares and ordinary shares to two eligible investors including Silver Sure (BVI) Investments Limited respectively at a price of HK$2.938 per share, representing a discount of 8.19%. On 8 February 2018, the Group issued 80,000,000 ordinary shares to two PRC qualified domestic institutional investor funds, namely Essence and Guosen at a price of HK$2.938 per share, representing a discount of 8.19%. The net proceeds from the abovementioned equity financing amounted to a total of HK$1 billion and will be applied to finance the development of projects, interest payment and for general corporate purposes of the Group.

On 10 May 2018, the Group issued 4% US$100 million convertible bonds due 2023 to Global Affluence Holding V Limited, a subsidiary of funds managed under PAG Assets Limited. The net proceeds from the issuance of convertible bonds was intended to be used for project development, debt refinancing or general corporate purposes.

The Group expected to further consolidate its financial strength through domestic and overseas financing, establish domestic and overseas financing platforms, improve the efficiency in use of funds to further support the steady development and achieve substantial business growth of the Group.

Future Prospect

Guangdong-Hong Kong-Macao Greater Bay Area is a significant strategic deployment under the national development plan. Leveraging on the advantages in various aspects of each related city, the Greater Bay Area has the potential to evolve into the most diversified city clusters globally and at the same time, an intra-linked world-class bay area with coordinated development. In the future, the Group will also closely follow the pace of national development strategy, continue to focus on the strategic vision of "Focusing on Core Cities and Cities' Core Areas"with "Shenzhen-Hong Kong" playing the pivotal role, insist to expand its presence over the Guangdong-Hong Kong-Macao Greater Bay Area and further focusing its development in the core areas of core cities. We will strive to put committed and enhanced efforts in urban renewal business to strengthen the core competitiveness. The group also continues to step up its efforts in developing and operating the "two-wheel driven" business model. By consolidating and uplifting its market position, the Group will endeavor to bring joyful lives to the residents, create value for the cities as well as reward the investors with substantial return.

Apart from the focused development of the real estate projects in the core cities in the Guangdong-Hong Kong-Macao Greater Bay Area, the Group will continue to identify quality projects for business expansion and timely develop overseas market to cater for the mid and long term development. Projects of LVGEM International Garden zone B4 and LVGEM Mangrove Bay No. 1 are expected to be launched for sale in the fourth quarter in 2018. For commercial projects, construction of Hong Kong LVGEM NEO Project is expected to complete in mid of 2019. The project will officially commence the promotion and pre-leasing in the fourth quarter of 2018. Positioning for cornerstone clients such as certain renowned finance and technology enterprises principally, the project is expected to deliver steady rental revenue for the Group.

In 2018, the Group will develop an optimal business development plan adaptive to market conditions and continue to enhance its market share and leading position by constantly implementing and adhering to the national policies and integrating the Company's advantages and needs. The Group will continue to push forward the collaboration with the controlling shareholder in respect of the supply of land resources. Currently, the first batch of well-developed projects has made solid progress. The Group has designated a special team to officially commence the preliminary financing.

Meanwhile, by studying the projects introduced by the controlling shareholder in the future that include the planning of industrial parks and centralized commercial clusters, the Group intends to develop a model integrating industrial, city and commerce, develop industrial properties (industrial park operation and industrial investment) and operate smart commercial cities. With the unique positioning and brand-new perspective, the Group will develop "unique properties, resources-linked properties and smart properties". To achieve this, we will put emphasis on pursuing the corporate goal of "delivering a joyful life for residents, creating new value for cities, rewarding investors with substantial return".

Looking forward, a new journey has a new vision. Constantly upholding the strategic positioning of "Unique Properties, Renovation and Redevelopment Pioneer" and the core value of "Professionalism lays the foundation and mutual harmony leads to sustainable growth", the Group will consolidate and expand the advantages in terms of resources, brands and business models. With new models and concepts, we will enter a new era, seize opportunities for development, accelerate the project progress, increase our value and profitability. By maintaining continuous business growth and constantly enhancing the risk aversion abilities, the Group will strive for the vision and goal of "being the most respected city value-creator in China".

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 2018 was approximately RMB767.3 million (six months ended 30 June 2017: RMB595.1 million), representing an increase of approximately 28.9% as compared to the same period last year, where increase in revenue of RMB73.6 million, RMB35.3 million and RMB63.3 million was recorded for the property development and sales, commercial property investment and operations and comprehensive services segments respectively.

	Six months ended 30 June			
	2018	2017	Increase	
	RMB'000	*RMB'000*	*RMB'000*	%
Property development and sales	**309,677**	236,036	73,641	31.2
Commercial property investment and operations	**273,415**	238,101	35,314	14.8
Comprehensive services	**184,183**	120,925	63,258	52.3
Total	**767,275**	595,062	172,213	28.9

For the six months ended 30 June 2018, the revenue from sales of properties held for sale was approximately RMB309.7 million (six months ended 30 June 2017: RMB236.1 million), representing an increase of approximately 31.2% 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 2018 was approximately 10,300 square meters (six months ended 30 June 2017: approximately 19,700 square meters).

Revenue from leasing of investment properties for the six months ended 30 June 2018 was approximately RMB273.4 million (six months ended 30 June 2017: RMB238.1 million), representing an increase of approximately 14.8% as compared to the same period last year. The increase was mainly attributed to the continued upward rental reversion and the full operation of LVGEM Zoll Hongwan Shopping Centre during the period. 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 2018 remained at a high level at 98% (six months ended 30 June 2017: 98%).

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. During the six months ended 30 June 2018, comprehensive services of the Group generated revenue of approximately RMB184.2 million (six months ended 30 June 2017: RMB120.9 million), representing an increase of approximately 52.3% as compared to the same period last year. The increase was mainly attributed to property management services provided for LVGEM Zoll Hongwan Shopping Centre upon its commencement of business and handover of LVGEM Hongwan Gardens residential building.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2018, the Group recorded an integrated gross profit of approximately RMB440.7 million (six months ended 30 June 2017: RMB343.7 million), representing an increase of approximately 28.2% as compared to the same period last year; while the integrated gross profit margin for the six months ended 30 June 2018 remained at a relatively high level at 57% (six months ended 30 June 2017: 58%).

Selling Expenses

For the six months ended 30 June 2018, selling expenses of the Group amounted to approximately RMB51.2 million (six months ended 30 June 2017: RMB14.8 million), representing an increase of approximately 245.4% as compared to the same period in 2017. It was mainly included advertising expenses and commission for LVGEM Mangrove Bay No. 1, LVGEM Hongwan Gardens and LVGEM International Garden in the selling expenses during the period under review.

Administrative Expenses

For the six months ended 30 June 2018, administrative expenses of the Group amounted to approximately RMB167.9 million (six months ended 30 June 2017: RMB178.4 million), representing a slight decrease of approximately 5.9% as compared to the same period in 2017, which was mainly attributable to the decrease in amortization expenses for share options. The administrative expenses included the amortization expenses for share options of approximately RMB22.0 million (six months ended 30 June 2017: RMB58.2 million) during the period.

Fair Value Changes related to Investment Properties

The valuation on the Group's investment properties as at 30 June 2018 was conducted by an independent property valuer which resulted in a positive fair value changes related to investment properties of RMB91.4 million for the period under review (six months ended 30 June 2017: RMB175.8 million).

Finance Costs

For the six months ended 30 June 2018, finance costs of the Group amounted to approximately RMB285.3 million (six months ended 30 June 2017: RMB265.6 million), representing an increase of approximately 7.4% as compared to the same period in 2017.

The increase in finance costs was due to the increase of the Group's total interest-bearing loans to approximately RMB20,255.4 million as at 30 June 2018 from approximately RMB18,971.1 million as at 31 December 2017. The Group's average finance cost of interest-bearing loans was approximately 6.4% as at 30 June 2018 (31 December 2017: 6.6%).

Income Tax Credit (Expense)

For the six months ended 30 June 2018, income tax credit of the Group amounted to approximately RMB15.0 million (six months ended 30 June 2017: expense of RMB76.7 million). The Group's income tax credit/expense included payments and provisions made for EIT and LAT during the period under review. The income tax credit during the period was mainly caused by the LAT credit for the period amounted to approximately RMB132.8 million (six months ended 30 June 2017: expenses of RMB2.5 million), which was attributable to the reversal of LAT overprovision in prior years.

Operating Results

For the six months ended 30 June 2018, the profit attributable to owners of the Company was approximately RMB191.9 million (six months ended 30 June 2017: RMB43.2 million), representing an increase of approximately 344.6% as compared to the same period in 2017.

Liquidity, Financial Resources and Gearing

Bank balances and cash as at 30 June 2018 amounted to approximately RMB5,355.2 million (including restricted bank deposits) (31 December 2017: RMB6,092.7 million).

The Group had total borrowings of approximately RMB20,255.4 million as at 30 June 2018 (31 December 2017: RMB18,798.8 million). Borrowings classified as current liabilities were approximately RMB4,564.5 million (31 December 2017: RMB4,204.7 million) and the Group's gearing ratio as at 30 June 2018 was approximately 137.3% (31 December 2017: 127.9%), 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 2018, the Group had current assets of approximately RMB13,997.8 million (31 December 2017: RMB14,142.8 million) and current liabilities of approximately RMB9,501.2 million (31 December 2017: RMB9,650.9 million), which represented an increase in net current assets from approximately RMB4,492.0 million as at 31 December 2017 to approximately RMB4,496.6 million as at 30 June 2018. The net current assets between 31 December 2017 and 30 June 2018 remain stable.

As at 30 June 2018, the Group recorded total assets of approximately RMB38,915.7 million (31 December 2017: RMB36,796.8 million) and total liabilities of approximately RMB27,947.4 million (31 December 2017: RMB26,727.6 million), representing a debt ratio (total liabilities over total assets) of approximately 71.8% (31 December 2017: 72.6%). Net assets of the Group were approximately RMB10,968.3 million as at 30 June 2018 (31 December 2017: RMB10,069.2 million).

For the six months ended 30 June 2018, the Group was able to utilise its internal resources, debt financing and equity placement to meet the funding requirements for acquisition and operation.

Charge on Assets

As at 30 June 2018, loans of approximately RMB13,521.5 million (31 December 2017: RMB12,323.7 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 RMB20,833.3 million (31 December 2017: RMB17,930.0 million).

Contingent Liabilities

As at 30 June 2018, the Group had contingent liabilities relating to guarantees in respect to mortgage facilities for certain purchasers amounting to approximately RMB588.1 million (31 December 2017: RMB379.2 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.

In the opinion of the directors of the Company, the possibility of default of the parties involved is remote and the fair values of these financial guarantee contracts are insignificant on initial recognition and therefore no provision for financial guarantee contracts has been made at the end of the reporting period.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's monetary assets, loans and transactions are principally denominated in RMB, Hong Kong dollars and United States dollars. During the period under review, there was no significant fluctuation in the exchange rates of these three currencies. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its exposure to statement of financial position for the six months ended 30 June 2018 and in the year 2017.

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 2018, the Group had a staff roster of 1,677 (30 June 2017: 1,638), of which 1,655 (30 June 2017: 1,620) employees were based in the Mainland China and 22 (30 June 2017: 18) 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 share options within an approved scheme.

EVENTS AFTER THE REPORTING PERIOD

On 23 July 2018, the Company entered into a strategic cooperation agreement with Huawei Technologies Co., Ltd., a globally leading information and communication solution provider, in relation to the long-term strategic cooperation in the joint development of the smart urban regions. Details of the strategic cooperation is disclosed in the announcement of the Company dated 23 July 2018.

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 2018, 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 non-executive Director and 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 2018.

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 2018 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 2018 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

During the period, the Company issued an aggregate of 241,358,732 ordinary shares and 132,564,669 convertible preference shares. Details are as follows:

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

(b) On 7 February 2018, the Company entered into a convertible preference shares subscription agreement with Silver Sure (BVI) Investments Limited, pursuant to which the Company issued 132,564,669 convertible preference shares at HK$2.938 per convertible preference share.

(c) On 7 February 2018, the Company entered into a share subscription agreement with Leadon International Investments Real Estate Limited, for subscription of 132,564,669 ordinary shares at HK$2.938 per share.

(d) On 8 February 2018, the Company conducted a top-up placing pursuant to which 80,000,000 new shares were issued to China LVGEM Property Holdings Limited ("**China LVGEM**") at the top-up subscription price of HK$2.938 per share which is equivalent to the 80,000,000 shares placed by China LVGEM to two placing agents under the top-up placing.

The net proceed from the issuing of convertible preference shares and the placing of shares described in paragraphs (b), (c) and (d) above was an aggregate of approximately HK$1,001 million. Up to 30 June 2018, approximately HK$700 million of the proceeds have been applied for the payment of acquisition and development costs for property development projects of the Company; approximately HK$235 million of the proceeds have been applied for the settlement of interest payments of the Group and for general corporate purposes.

The Company has not redeemed any of the Company's listed securities during the period under review. Save as disclosed above, 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 2018.

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 2018 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; Ms. Li Lihong as non-executive director; and Mr. ZHU Jiusheng, Mr. WANG Jing and Ms. HU Gin Ing as independent non-executive directors.

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

Hong Kong, 24 August 2018

For identification purposes only