LVGEM

綠景(中國)地產投資有限公司

LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(HKSE Stock Code: 95)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 2019, together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**3,422,084**	767,275
Cost of sales		**(1,013,800)**	(326,617)
Gross profit		**2,408,284**	440,658
Other income, other gains and losses		**86,424**	106,410
Selling expenses		**(51,179)**	(51,196)
Administrative expenses		**(161,296)**	(167,894)
Fair value changes on investment properties		**479,228**	91,389
Fair value changes on derivative component of convertible bonds		**(47,160)**	38,443
Finance costs	*4*	**(490,069)**	(285,318)
Share of results of joint ventures		**–**	(1)
Profit before tax	*5*	**2,224,232**	172,491
Income tax (expense) credit	*6*	**(1,232,555)**	15,046
Profit for the period		**991,677**	187,537
Profit (loss) for the period attributable to:			
Owners of the Company		**991,860**	191,930
Non-controlling interests		**(183)**	(4,393)
		991,677	187,537
		RMB cents	*RMB cents*
		(Unaudited)	(Unaudited)
Earnings per share	*8*		
– Basic		**20.00**	3.94
– Diluted		**11.79**	2.37

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**991,677**	187,537
Other comprehensive (expense) income		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation	**(249)**	(4,522)
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	**21,712**	37,127
Other comprehensive income for the period	**21,463**	32,605
Total comprehensive income for the period	**1,013,140**	220,142
Total comprehensive income (expense) attributable to:		
Owners of the Company	**1,013,336**	224,257
Non-controlling interests	**(196)**	(4,115)
	1,013,140	220,142

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Non-current assets			
Investment properties		**23,515,474**	22,117,251
Property, plant and equipment		**442,523**	458,393
Goodwill		**231,602**	231,602
Interests in joint ventures		**6,060**	6,060
Amount due from a joint venture		**522,318**	522,318
Equity instrument at fair value through other comprehensive income		**519,765**	490,816
Deferred tax assets		**611,455**	345,030
		25,849,197	24,171,470
Current assets			
Properties under development for sale		**8,281,418**	7,407,278
Properties held for sale		**2,407,001**	3,302,382
Other inventories		**723**	629
Accounts receivable	*9*	**27,507**	11,576
Deposits paid, prepayments and other receivables		**1,166,721**	890,294
Financial assets at fair value through profit or loss		**–**	10,559
Debt instrument at fair value through other comprehensive income		**5,000**	20,000
Tax recoverable		**124,447**	8,048
Restricted bank deposits		**3,258,183**	3,915,826
Bank balances and cash		**5,835,116**	3,674,042
		21,106,116	19,240,634
Current liabilities			
Accounts payable	*10*	**1,173,746**	1,383,514
Contract liabilities		**3,170,712**	2,268,288
Accruals, deposits received and other payables		**859,928**	744,814
Lease liabilities		**23,482**	–
Tax liabilities		**2,223,387**	1,468,779
Dividend payables		**232,759**	–
Borrowings		**4,370,881**	3,232,448
Senior notes and bond		**2,593,396**	2,591,909
		14,648,291	11,689,752
Net current assets		**6,457,825**	7,550,882
Total assets less current liabilities		**32,307,022**	31,722,352
Non-current liabilities			
Borrowings		**12,781,223**	13,309,348
Senior notes and bond		**2,820,890**	2,809,060
Debt component of convertible bonds		**1,426,257**	1,381,645
Derivative component of convertible bonds		**246,559**	198,105
Lease liabilities		**101,569**	–
Deferred tax liabilities		**2,644,516**	2,585,251
		20,021,014	20,283,409
Net assets		**12,286,008**	11,438,943
Capital and reserves			
Share capital		**41,565**	41,141
Reserves		**12,137,144**	11,290,307
Equity attributable to owners of the Company		**12,178,709**	11,331,448
Non-controlling interests		**107,299**	107,495
Total equity		**12,286,008**	11,438,943

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, financial assets at fair value through profit or loss, debt 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 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs and an interpretation

In the current interim period, the Group has applied, for the first time, the 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 2019 for the preparation of the Group's condensed consolidated financial statements.

Except for HKFRS 16 "Leases" as described below, the application of the new and amendments to HKFRSs and an interpretation in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies on application of HKFRS 16 Leases

The Group recognised additional lease liabilities of RMB131,723,000, the related right-of-use assets classified as investment properties of RMB220,423,000 and deferred tax liabilities of RMB22,175,000 at 1 January 2019 by applying HKFRS 16.C8(b)(ii) transition. When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the Group is 9.5%. The Group recognised lease liabilities of RMB125,051,000 at 30 June 2019 which is also related to leases previously classified as operating leases at 1 January 2019.

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 discounts.

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of properties	**2,988,335**	309,677
Rental income	**302,279**	273,415
Revenue from hotel operation, property management services and other services	**131,470**	184,183
	3,422,084	767,275
Timing of revenue recognition		
At a point in time	**2,988,335**	309,677
Over time	**131,470**	184,183

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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:

– Real estate 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 other 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.

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 2019

	Real estate 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	**2,988,335**	**302,279**	**131,470**	**3,422,084**
Inter-segment revenue	**–**	**5,096**	**32,784**	**37,880**
Total segment revenue	**2,988,335**	**307,375**	**164,254**	**3,459,964**
Reportable segment profit	**2,088,439**	**272,621**	**47,224**	**2,408,284**

Six months ended 30 June 2018

	Real estate 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

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, 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.

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	**3,459,964**	784,675
Elimination of inter-segment revenue	**(37,880)**	(17,400)
Consolidated revenue	**3,422,084**	767,275
Profit		
Reportable segment profit	**2,408,284**	440,658
Fair value changes on investment properties	**479,228**	91,389
Other income, other gains and losses	**86,424**	106,410
Depreciation	**(18,807)**	(25,232)
Finance costs	**(490,069)**	(285,318)
Share of results of joint ventures	**–**	(1)
Fair value changes on derivative component of convertible bonds	**(47,160)**	38,443
Corporate expenses	**(193,668)**	(193,858)
Consolidated profit before tax	**2,224,232**	172,491

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Real estate development and sales	**10,819,662**	10,720,169
Commercial property investment and operations	**23,523,466**	22,119,061
Comprehensive services	**354,421**	365,004
Reportable segment assets	**34,697,549**	33,204,234
Goodwill	**231,602**	231,602
Equity instrument at fair value through other comprehensive income	**519,765**	490,816
Debt instrument at fair value through other comprehensive income	**5,000**	20,000
Financial assets at fair value through profit or loss	**–**	10,559
Bank balances and cash (including restricted bank deposits)	**9,093,299**	7,589,868
Deferred tax assets	**611,455**	345,030
Interests in joint ventures and amount due from a joint venture	**528,378**	528,378
Corporate assets	**1,268,265**	991,617
Consolidated total assets	**46,955,313**	43,412,104

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than goodwill, equity instrument at fair value through other comprehensive income, debt instrument at fair value through other comprehensive income, financial assets at fair value through profit or loss, 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.

4. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on:		
Bank and other borrowings	**488,925**	367,897
Convertible bonds	**78,652**	52,024
Senior notes and bonds	**208,135**	200,522
Lease liabilities	**6,126**	–
Less: Amount capitalised in investment properties under development and properties under development for sale*	**(291,769)**	(335,125)
	490,069	285,318

* The finance costs have been capitalised at rates ranging from 5.08% to 9.00% (six months ended 30 June 2018: 3.56% to 8.50%) per annum.

5. PROFIT BEFORE TAX

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before tax is arrived at after charging (crediting):		
Cost of properties held for sale recognised as expense	**899,896**	164,571
Depreciation of property, plant and equipment	**18,811**	25,393
Less: Amount capitalised in investment properties under development and properties under development for sale	**(4)**	(161)
	18,807	25,232
Gross rental income from investment properties	**302,279**	273,415
Outgoings in respect of investment properties that generated rental income during the period *(Note)*	**(29,658)**	(38,518)
	272,621	234,897
Staff costs		
Directors' emoluments	**4,343**	7,739
Other staff cost:		
Salaries and other benefits in kind	**160,216**	152,115
Equity-settled share-based payments	**–**	17,763
Amount recognised as expense for retirement benefit costs	**9,258**	8,592
Less: Amount capitalised in investment properties under development and properties under development for sale	**(37,676)**	(40,261)
	136,141	145,948
Loss (gain) on disposal of property, plant and equipment	**2**	(4)
Foreign exchange gains, net	**(2,327)**	(6,027)

Note: For the six months ended 30 June 2018, the amount included rental expense incurred for properties that are under sublease arrangement of RMB12,799,000.

6. INCOME TAX (EXPENSE) CREDIT

	Notes	Six months ended 30 June **2019** ***RMB'000*** **(Unaudited)**	 2018 *RMB'000* (Unaudited)
Current tax			
PRC Enterprise Income Tax			
– Current period	*(a)*	**(528,952)**	(39,290)
PRC Land Appreciation Tax ("**LAT**")			
– Current period	*(b)*	**(947,954)**	(29,315)
– Overprovision in prior period	*(c)*	**7,778**	162,077
		(940,176)	132,762
Deferred taxation		**236,573**	(78,426)
Total income tax (expense) credit		**(1,232,555)**	15,046

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 2019 includes an overprovision of LAT of RMB7,778,000 in relation to a property development project in Shenzhen, the PRC (six months ended 30 June 2018: 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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period:		
2018 Final dividend – HK5.3 cents (equivalent to approximately RMB4.65 cents)	**232,600**	–
2017 Final dividend – HK5 cents (equivalent to approximately RMB4.40 cents)	**–**	201,740

The dividends recognised as distribution for the year ended 31 December 2018 were subsequently paid on 30 July 2019.

No dividend for the six months ended 30 June 2019 and 30 June 2018 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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	**991,860**	191,930
Effect of dilutive potential earnings in respect of – Convertible bonds	**–**	16,864
Earnings for the purpose of diluted earnings per share	**991,860**	208,794

	Number of shares	
	2019	2018
Number of shares		
Weighted average number of ordinary shares of the Company for the purpose of basic earnings per share	**4,959,644,839**	4,872,534,196
Effect of dilutive potential ordinary shares in respect of		
– Share options	**57,168,548**	114,925,942
– Convertible bonds	**–**	304,949,261
– Convertible preference shares	**3,396,069,708**	3,508,685,216
Weighted average number of ordinary shares of the Company for the purpose of diluted earnings per share	**8,412,883,095**	8,801,094,615

The computation of diluted earnings per share for the period ended 30 June 2019 does not assume the conversion of the convertible bonds as the conversion would result in an increase in earnings per share.

9. ACCOUNTS RECEIVABLE

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Accounts receivable	**28,179**	12,248
Less: Allowance for credit losses	**(672)**	(672)
	27,507	11,576

Accounts receivable represent receivables arising from sales of properties, rental income from leasing properties and comprehensive services (including hotel operation and property management). For the receivables arising from sales of properties, they are due for settlement in accordance with the terms of the relevant sales and purchase agreements. For the receivables arising from rental income from leasing properties, monthly rents are normally received in advance and sufficient rental deposits are held to minimise credit risk. For accounts receivable generated from hotel operation, the credit term is payable on demand. For accounts receivable generated from property management, receivable generally have credit terms of ranging from 30 to 60 days (31 December 2018: 30 to 60 days).

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

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**15,881**	6,853
1 to 12 months	**7,855**	2,079
13 to 24 months	**2,790**	1,881
Over 24 months	**981**	763
	27,507	11,576

10. ACCOUNTS PAYABLE

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

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**799,531**	1,220,394
1 to 12 months	**284,121**	109,626
13 to 24 months	**49,885**	11,029
Over 24 months	**40,209**	42,465
	1,173,746	1,383,514

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

During the first half of 2019, the Chinese economy continued its steady growth with further progress in general. With key macroeconomic indicators maintaining within a reasonable range and constant advancement in the supply-side structural reform, there are more positive factors for promoting quality development. In respect of macroeconomic policy, the government reinforced the proactive fiscal policy to improve effectiveness and moderately relaxed the prudent monetary policy. The policy for the real estate industry adhered to the keynote of "no speculation on residential properties" and proposed to "implement the long-term adjustment mechanism of different strategies for different cities under the principle of one strategy for one city, with major responsibilities attributable to the city government".

During the first half of 2019, the overall Chinese real estate market maintained its steady trend with a slight decline, further realizing the goal of "no speculation on residential properties". As shown in the statistics published by the National Bureau of Statistics, from January to June 2019, the sales area of commodity housing in China was 757.86 million square meters, representing a decrease of 1.8% year-on-year, while the sales amount of commodity housing in China was RMB7,069.8 billion, representing a year-on-year growth of 5.6%. Investment in real estate development amounted to RMB6,160.9 billion, representing a year-on-year increase of 10.9%, while the newly commenced housing area was 1,055.09 million square meters, up by 10.1%. Against the backdrop of the Sino-US trade disputes, the Chinese real estate industry withstood the challenges arising from the trade disputes in the macroeconomic environment, demonstrating huge flexibility.

In February 2019, the Central Committee of the Communist Party of China and the State Council published the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" with a total of 11 chapters, including Background of the Plan, Overall Requirements, Spatial Layout, Developing an International Innovation and Technology Hub, Expediting Infrastructural Connectivity and Building a Globally Competitive Modern Industrial System, etc., indicating that the development and construction of the Greater Bay Area has become a decision of the central government and a national strategic plan. Going forward, driven by the continuous progress of reform and opening-up, the Greater Bay Area, with unlimited potential, will definitely become a strong engine for economic growth in China. The continuous development and improvement of the city cluster in the Greater Bay Area provided strong support for urban development and demand for residential and commercial properties. In particular, Shenzhen, a leading city of the reform and opening up, has witnessed long-term and rapid economic development. The openness and inclusiveness of Shenzhen constantly attracted talents from all over China, which in turn bring dynamic growth to its development. With the influx of incoming talents and the demand for higher living standards of residents, the demand for quality commodity housing in Shenzhen and the Greater Bay Area will increase steadily in the future, and the market will continue to be dominated by rigid demand. The Group has always been focusing on the development of core regions in the Greater Bay Area and would benefit from the urban development and rapid construction of Shenzhen and the Greater Bay Area in the long run.

Over the last few decades, LVGEM (China) has focused on core cites in the Greater Bay Area and acquired ample land reserve resources in Shenzhen, Hong Kong and Zhuhai, etc.. With more than 20 years of rich experience in urban renewal, the Group has established prominent industrial advantages in this regard. Meanwhile, the Group puts forward the strategic guideline of developing a brand new smart city by integrating technology with real estate development, striving to create positive social, green and economic benefits. The Group also makes use of its strengths in strategic layout and resources to propose its new strategic direction of "Focus on urban renewal in the Greater Bay Area, develop a brand new smart city", in a bid to develop itself into a benchmark for new smart city developers and operators that are dedicated to the construction of the Guangdong-Hong Kong-Macao Greater Bay Area.

Results

The Group achieved satisfactory results for the first half of 2019. 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 2019, the Group achieved total revenue of approximately RMB3,422.1 million (six months ended 30 June 2018: RMB767.3 million), representing an increase of approximately 346.0% year-on-year. Gross profit was RMB2,408.3 million (six months ended 30 June 2018: RMB440.7 million), representing an increase of approximately 446.5% year-on-year. Gross profit margin remained at a relatively high level of 70% (six months ended 30 June 2018: 57%).

Profit for the period was RMB991.7 million (six months ended 30 June 2018: RMB187.5 million), representing a growth of approximately 428.8% year-on-year. Profit attributable to owners of the Company was RMB991.9 million (six months ended 30 June 2018: RMB191.9 million), representing a growth of approximately 416.8% year-on-year. Basic earnings per share was RMB20.00 cents (six months ended 30 June 2018: RMB3.94 cents), representing a growth of approximately 407.6% year-on-year

The Group's key financial indicators for the six months ended 30 June 2019 were as follows:

	2019 *(RMB million)*	2018 *(RMB million)*	Change
Revenue	**3,422.1**	767.3	346.0(%)
Gross profit	**2,408.3**	440.7	446.5(%)
Profit from core business*	**569.0**	78.7	623.5(%)
Profit attributable to owners of the Company	**991.9**	191.9	416.8(%)
Basic earnings per share (RMB cents)	**20.00**	3.94	407.6(%)
Gross profit margin (%)	**70**	57	

* 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 component of convertible bonds.

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Bank balances and cash (including restricted bank deposits) (RMB million)	**9,093.3**	7,589.9
Average finance costs (%)	**6.2**	6.2
Debt ratio	**73.8**	73.7

Business Review

As a unique comprehensive real estate developer, the Group adhered to the strategic vision of "Focusing on Core Cities and Cities' Core Areas" and deployed its real estate projects mainly in the core areas of core cities which are economically-developed and possesses huge potentials and opportunities for development such as Shenzhen, Zhuhai and Hong Kong. With its robust operation, the Group achieved remarkable results and further solidated its market position in the first half of 2019. The Group was honored with numerous awards in the capital market during the first half of 2019. For instance, the Group was honored with "Best Growth Award for Hong Kong Listed Company in Greater China Region 2019 (2019年度大中華區港股上市公司最具成長獎)" and "Top 10 Shenzhen Real Estate Enterprises with High Credit 2019 (2019年深圳地產資信十強)". 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.

Leveraging on its strengths in strategic layout and resources and under the guidance of the strategy of "Focus on urban renewal in the Greater Bay Area, develop a brand new smart city", LVGEM (China) is striving to develop itself into a benchmark for new smart city developers and operators that are dedicated to the construction of the Guangdong-Hong Kong-Macao Greater Bay Area. As a unique developer focusing on urban renewal, the Group has always been persisted to the "dual-core" strategy (i.e. core areas of core cities) for its project layout and targeted land resources with low cost by adopting the two-way expansion model which comprised urban renewal and, to a lesser extent, market auction. In view of the limited land supply in the Greater Bay Area, the main sources of the Group's land acquisition was urban renewal. Currently, the Group is participating in the Baishizhou Renewal Project in Shenzhen, the so-called "Grand Urban Renewal Project in Shenzhen (深圳舊改航母)". The project will become a major quality asset and further enhance the Company's growth potential in the future. With the advantage of extensive urban renewal experience in Shenzhen, the Group will enter into a stage of more rapid development in the future.

The Group will also eliminate the uncertainties in the preliminary state of urban renewal by deepening the collaboration with substantial shareholders. In addition, the Group adhered to the "two-wheel driven" development model of "development+commercial" and consistently acquired projects by way of collaboration with controlling shareholders to share profits with its shareholders and investors. In respect of collaboration with controlling shareholders, the controlling shareholders are responsible for works in relation to the primary development of the urban renewal projects, such as negotiation with villagers and integration of resources. The project will only be injected into the listed company when it matures and the uncertainties being eliminated.

As of 30 June 2019, the Group has land reserves of approximately 4.4 million square meters, most of which are located in the Greater Bay Area, mainly in Shenzhen, Hong Kong, Guangzhou, Zhuhai and Dongguan. Moreover, the land reserves in which the controlling shareholders have control amounted to 12.1 million square meters, including Shenzhen, Zhuhai and Dongguan Projects, all of which are located at core locations in Guangdong-Hong Kong-Macao Greater Bay Area. The Group has sufficient land reserves which will be able to satisfy the Company's requirements for expansion and development in the future.

Looking forward, while continuously pushing forward its urban renewal projects, the Group will gradually expand the area of the commercial properties, aiming to create stable cash flows and attractive revenue to the Group by holding and operating commercial properties in core cities. The Group has been actively exploring various financing channels with a view to continuously optimizing its capital and shareholders structure through financing platforms in both Hong Kong and China. As a pioneer in urban renewal in Shenzhen, the Company will continue to benefit from the rising trend of urban renewal and quality resources from its shareholders. With the injection of assets, it is expected that the long-term value of the Group will increase significantly.

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 in core cities of the Guangdong-Hong Kong-Macao Greater Bay Area. As of 30 June 2019, the real estate development and sales of the Group generated revenue of approximately RMB2,988.3 million (as of 30 June 2018: RMB309.7 million), representing an increase of approximately 865.0% year-on-year, mainly attributable to sales of the high-rise residential buildings of LVGEM Mangrove Bay No. 1. The total contracted sales amounted to approximately RMB4,087.1 million (as of 30 June 2018: RMB996.1 million), representing an increase of approximately 310.3% year-on-year.

During the period, 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, LVGEM Dongqiao 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, thereby driving 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 in recent years. 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 Futian Port, Huanggang Port, Beijing-Hong Kong-Macao Expressway and Metro Lines 3, 4 and 7, the project occupies a site area of 24,424 square meters and a planned total gross floor area of 305,450 square meters, among which, the residential portion has a gross floor area of approximately 118,687 square meters. The project was launched for sale on 13 October 2018 with a saleable value of RMB10 billion. On 13 April 2019, the first batch of completed residential units of Tower B ranging from 172 to 240 square meters was launched for sale. In the first half of 2019, the contracted sales of the project amounted to RMB3,370 million. The recognised sales revenue in the first half of the year amounted to RMB2,750 million.

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 approximately 729,000 square meters and has a planned total gross floor area of approximately 2,249,000 square meters, involving a total investment of over RMB8 billion. The D1 zone of LVGEM International Garden Bolin Mansion was launched in the market in the first half of 2019. Leveraging the advantages such as excellent geographical location, transportation, ecological environment, established brand reputation, ancillary educational facilities, the launch of residential units in the region garnered enthusiastic market responses on two occasions. As of 30 June 2019, the total contracted sales amounted to RMB620 million. The saleable area of the project was over 1 million square meters and it is estimated that the project will be launched at a value of approximately RMB1 to 1.5 billion each year in the next 8 to 10 years.

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 the 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 is expected to be completed in 2019.

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 the Mid Valley Clubhouse of the 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 real estate 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 approximately 82,400 square meters, comprising approximately 116 low density waterfront villas, each of which has a gross floor area of approximately 2,000 to 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 the mainland China. Further, it is located at the vicinity of Hung Shui Kiu new development area.

LVGEM Dongqiao Project is located in Nanwan sub-district, Zhuhai, which sits on the main development axle and hence the major development area of Zhuhai. The project occupies a site area of approximately 207,550 square meters and is planned to be developed into a high-end complex with a gross floor area of approximately 794,353 square meters, which is comprised of residential, commerce and hotels. It will be a multi-functional hub with mountains and water landscape and a desirable living community with vitality. On 12 July 2019, the project company received the Letter in relation to the Confirmation of Zhuhai LVGEM Dongqiao Investment Co., Ltd. as the Operating Entity of the Old Village Urban Redevelopment Project in Dongqiao (《關於確認珠海市綠景東橋投資有限公司成為東橋城中舊村更新項目實施主體的函》) issued by Zhuhai Xiangzhou District Urban Renewal Bureau (珠海市香洲區城市更新局), confirming the project company has been qualified as the operating entity of the urban redevelopment project, and that all necessary administrative approvals have been obtained.

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

Commercial Property Investment and Operations

As a featured developer specializing in the field of urban renewal, the Group had always adhered to the "two-wheel driven" development model of "development+business" in project planning. 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 612,713 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 2019, the Group's revenue from the investments and operations of commercial properties was approximately RMB302.3 million (as at 30 June 2018: RMB273.4 million), representing an increase of approximately 10.6% 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 2019, the average occupancy rate of NEO Urban Commercial complex was about 88% (as at 30 June 2018: 99%).

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 55,390.18 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 located in 123 Hoi Bun Road, Kwun Tong for HK$9 billion at the end of 2017, and renaming it as the "LVGEM NEO Building". 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. As LVGEM Group's first commercial property project in Hong Kong, the Hong Kong LVGEM NEO Project received overwhelming responses since it was launched for leasing at the end of last year, attracting various types of multinational enterprise clients to become our tenants. Currently, the occupancy rate of the building based on pre-leasing is close to 50%. In the 2011-12 Policy Address of Hong Kong government, the Chief Executive announced the adoption of a visionary, coordinated and integrated approach to transform Kowloon East (comprising the former Kai Tak Airport, the Kwun Tong Business Area and the Kowloon Bay Business Area) into an additional attractive CBD to sustain the economic development of Hong Kong. This initiative was repeatedly reiterated in the subsequent Policy Addresses, and a series of specific measures were introduced successively with this regard. With the establishment of a new generation of CBD, the perfect time for Hong Kong government to aggressively implement the "Energizing Kowloon East" project has arrived. Given the support of government policies and its prestigious geographical location, the Hong Kong LVGEM NEO 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 2019, the average occupancy rate was about 98%. 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 2019, the comprehensive services of the Group generated revenue of RMB131.5 million (30 June 2018: RMB184.2 million).

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.. 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 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 2019, its average occupancy rate was approximately 75% (30 June 2018: 73%).

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. Currently, the renovation work has been completed. 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 year, 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.

The Group expected to further consolidate its financial strength, enrich its cash flow and improve the operational efficiency of the Company through domestic and overseas financing, establish domestic and overseas financing platforms, improve the efficiency in use of funds to further support the rapid expansion and development and achieve stable business growth of the Group.

Future Prospect

Guangdong-Hong Kong-Macao Greater Bay Area is a significant strategic deployment under the national development plan. The issue of the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" this year turned a new page in the development of the Greater Bay Area. Leveraging the advantage from coordination among various cities in the Greater Bay Area, the area will emerge as a leading economic force among city clusters in China, and has great potential to evolve into an intra-linked world-class bay area with coordinated development in the future. Since the 1990s, the Group has extended its business layout to core cities of the Guangdong-Hong Kong-Macao Greater Bay Area including Shenzhen and Zhuhai, and hence possessed pioneer advantages in terms of strategic layout. Going forward, the Group will continue to implement a full strategic upgrade. Under the strategic guidance of "Focus on urban renewal in the Greater Bay Area, develop a brand new smart city", the Group will focus on expanding its presence in the Guangdong-Hong Kong-Macao Greater Bay Area and further focus its development in the core areas of core cities, offering its promising prospects to constantly benefit from national strategies. Meanwhile, the Group will further optimize its business structure and step up its endeavors in creating an outstanding business operation model while putting committed efforts in urban renewal, aiming to create higher brand-added value for the Group, bring better life experience to the residents, infuse vitality to the city's renewal and development and deliver substantial benefits to the investors.

Going forward, the Group will continue to enhance the Company's business scale and leading position by constantly adhering to the national policies and integrating its advantages and market positioning. The Group will continue to push forward the acquisition of land resources, maintain long-term collaboration with controlling shareholders and make constant improvements in project investments and business operations with a view to gradually strengthening the Company's efficient operation capability and its brand competitiveness.

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, continue to develop quality projects in the core areas of core cities, 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".

Looking forward, the Company will be embarking on a new starting point. Adhering to the corporate mission of "enhancing city values", the Company will forge ahead with partners from different sectors while upholding the commitments to innovation and advancement to work towards the vision 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, leasing of investment properties and comprehensive services. The Group's revenue for the six months ended 30 June 2019 was approximately RMB3,422.1 million (six months ended 30 June 2018: RMB767.3 million), representing an increase of approximately 346.0% as compared to the corresponding period last year, which was mainly attributable to the increase in revenue from sales of properties.

	Six months ended 30 June		Increase/	
	2019	2018	(decrease)	
	RMB'000	*RMB'000*	*RMB'000*	*%*
Real estate development and sales	**2,988,335**	309,677	2,678,658	865.0
Commercial property investment and operations	**302,279**	273,415	28,864	10.6
Comprehensive services	**131,470**	184,183	(52,713)	(28.6)
Total	**3,422,084**	767,275	2,654,809	346.0

For the six months ended 30 June 2019, the revenue from sales of properties was approximately RMB2,988.4 million (six months ended 30 June 2018: RMB309.7 million), representing an increase of approximately 865.0% as compared to the corresponding period last year, which mainly includes sales of the high-rise residential buildings of LVGEM Mangrove Bay No. 1. The Group's total gross floor area of properties held for sale sold during the six months ended 30 June 2019 was approximately 64,349 square meters (six months ended 30 June 2018: approximately 10,300 square meters).

Revenue from leasing of investment properties for the six months ended 30 June 2019 was approximately RMB302.3 million (six months ended 30 June 2018: RMB273.4 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 for the six months ended 30 June 2019 remained at a high level at 94% (six months ended 30 June 2018: 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, renovations and others. During the six months ended 30 June 2019, comprehensive services of the Group generated revenue of RMB131.5 million (six months ended 30 June 2018: RMB184.2 million), representing a decrease of approximately 28.6% as compared to the corresponding period last year. The decrease was due to the absence of renovation income for LVGEM Hongwan Garden in 2019.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2019, the Group's integrated gross profit increased to approximately RMB2,408.3 million (six months ended 30 June 2018: RMB440.7 million), representing an increase of approximately 446.5% as compared to corresponding period last year; while the integrated gross profit margin for the six months ended 30 June 2019 was 70% (six months ended 30 June 2018: 57%). The fluctuation of gross profit margin was mainly attributable to the revenue recognised under different project portfolio. In 2018, the gross profit margin of Shenzhen projects still maintained at over 70% while the integrated gross profit for 2018 was 57% under the impact of the Huazhou project, and over 90% of the revenue for the six months ended 30 June 2019 was mainly generated from LVGEM Mangrove Bay No. 1, with a higher profit margin of approximately 73%.

Selling Expenses

For the six months ended 30 June 2019, selling expenses of the Group amounted to approximately RMB51.2 million (six months ended 30 June 2018: RMB51.2 million). The selling expenses mainly included sales commission for the sales of properties.

Administrative Expenses

For the six months ended 30 June 2019, administrative expenses of the Group amounted to approximately RMB161.3 million (six months ended 30 June 2018: RMB167.9 million), representing a decrease of approximately 3.9% as compared to the corresponding period last year.

Fair Value Changes on Investment Properties

The valuation on the Group's investment properties as at 30 June 2019 was conducted by an independent property valuer which resulted in a fair value gain on investment properties of RMB479.2 million for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB91.4 million).

Finance Costs

For the six months ended 30 June 2019, finance costs of the Group amounted to approximately RMB490.1 million (six months ended 30 June 2018: RMB285.3 million), representing an increase of approximately 71.8% as compared to the corresponding period last year.

The increase in finance costs was due to an increase in the Group's total interest-bearing loans from RMB20,412.0 million as at 30 June 2018 to RMB23,992.6 million as at 30 June 2019. The Group's average finance cost of interest-bearing loans was 6.2% for the six months ended 30 June 2019 (six months ended 30 June 2018: 6.4%).

Income Tax (Expense) Credit

For the six months ended 30 June 2019, income tax expense of the Group amounted to approximately RMB1,232.6 million (six months ended 30 June 2018: income tax credit of approximately RMB15.0 million). The Group's income tax expense/credit included payments and provisions made for EIT and LAT during the period under review. The increase of income tax expense during the year was mainly attributable to the increase in LAT provision due to the sales of LVGEM Mangrove Bay No. 1 and a reversal of over-provided LAT with an amount of RMB 161.8 million included in 2018.

Operating Results

For the six months ended 30 June 2019, the profit attributable to owners of the Company was approximately RMB991.9 million (six months ended 30 June 2018: RMB191.9 million), representing an increase of approximately 416.8% as compared to the corresponding period last year.

Liquidity, Financial Resources and Gearing

Bank balances and cash as at 30 June 2019 amounted to approximately RMB9,093.3 million (including restricted bank deposits) (31 December 2018: RMB7,589.9 million).

The Group had total borrowings of approximately RMB23,992.6 million as at 30 June 2019 (31 December 2018: RMB23,324.4 million). Borrowings classified as current liabilities were approximately RMB6,964.3 million (31 December 2018: RMB5,824.4 million) and the Group's gearing ratio as at 30 June 2019 was approximately 121.3% ((31 December 2018: 137.6%), 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 30 June 2019, the Group had current assets of approximately RMB21,106.1 million (31 December 2018: RMB19,240.6 million) and current liabilities of approximately RMB14,648.3 million (31 December 2018: RMB11,689.8 million), which represented a decrease in net current assets from approximately RMB7,550.9 million as at 31 December 2018 to approximately RMB6,457.8 million as at 30 June 2019.

As at 30 June 2019, the Group recorded total assets of approximately RMB46,955.3 million (31 December 2018: RMB43,412.1 million) and total liabilities of approximately RMB34,669.3 million (31 December 2018: RMB31,973.2 million), representing a debt ratio (total liabilities over total assets) of approximately 73.8% (31 December 2018: 73.7%). Net assets of the Group were approximately RMB12,286.0 million as at 30 June 2019 (31 December 2018: RMB11,438.9 million).

For the six months ended 30 June 2019, the Group was able to utilise its internal resources and debt and equity financing to meet the funding requirements for the development of real estate projects.

Charge on Assets

As at 30 June 2019, loans of approximately RMB14,722.9 million (31 December 2018: RMB16,085.5 million) were secured by properties under development for sale, investment properties, properties, plant and equipment and pledged deposits of the Group respectively in the total amount of approximately RMB22,932.5 million (31 December 2018: RMB18,878.2 million).

Contingent Liabilities

For the six months ended 30 June 2019, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB3,258.4 million (31 December 2018: RMB1,163.0 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 for the Group to sustain a loss under these guarantees as during the periods under guarantees, the Group can take over the ownerships of the related properties under default 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 that the purchasers default payments to the banks for their mortgage loans.

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 bank balances and cash 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 30 June 2019, the Group had a staff roster of 1,566 (30 June 2018: 1,677), of which 1,539 (30 June 2018: 1,655) employees were based in the mainland China and 27 (30 June 2018: 22) 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, retirement scheme and long-term incentives such as share options within an approved scheme.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

Throughout the six months ended 30 June 2019, the Group complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange.

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 obligation to follow the Listing Rules is set out in the terms of the service agreements of each executive director and the letters of appointment of non-executive Director and each independent non-executive Director. Having made specific enquiry with all the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code for the six months ended 30 June 2019.

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 2019 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 2019 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

On 23 April 2019, the Company received a conversion notice for the conversion of 50,000,000 convertible preference shares in the capital of the Company into 50,000,000 ordinary shares of the Company.

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 2019.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 21 May 2019, an indirect wholly-owned subsidiary of the Company entered into an equity transfer agreement to acquire 100% equity interest in Dongguan LVGEM Real Estate Development Co., Ltd., which is engaged in the development and holding of a commercial development located in Zhangmutou Town in Dongguan. Details of the acquisition are set out in the announcement of the Company dated 21 May 2019.

Save as disclosed above, the Group did not make any other significant investments, acquisitions or disposal that would constitute a discloseable transaction under Chapter 14 of the Listing Rules.

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 30 June 2019 and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.lvgem-china.com) and the Stock Exchange (www.hkex.com.hk). The 2019 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. WANG Jing, Ms. HU Gin Ing and Mr. MO Fan as independent non-executive directors.

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

Hong Kong, 21 August 2019

* *For identification purposes only*