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DREAMEAST GROUP LIMITED
夢東方集團有限公司

(Incorporated in Bermuda with limited liability and carrying on business in Hong Kong as "DreamEast Cultural Entertainment")

(Stock Code: 593)

ANNOUNCEMENT OF 2017 INTERIM RESULTS

CHAIRMAN'S STATEMENT

I am pleased to present the interim results of DreamEast Group Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 30 June 2017. During the period under review, the Group recorded revenue from continuing operations of approximately HK$1,042.6 million, an HK$1,032.7 million or 104.3 times increase compared to approximately HK$9.9 million for the corresponding period in 2016. The increase in revenue mainly resulted from the increase in revenue from property development in Fangshan, Beijing, the People's Republic of China. The Group's results for the period recorded a net profit of HK$166.7 million (six months ended 30 June 2016: HK$92.1 million).

As at 30 June 2017, the equity attributable to the owners of the Company amounted to approximately HK$2,993.7 million, representing an increase of approximately HK$243.9 million from that of 31 December 2016.

The Board has decided not to pay an interim dividend.

BUSINESS REVIEW

Change of Company Name to DreamEast to expand the Tourist Resorts Business

As a result of the promulgation of the "13th Five-Year Plan for the Development of the Tourism Industry"(《「十三五」旅遊業發展規劃》) in December 2016, China has entered into the critical period of "embracing the emerging era of mass tourism" as brought forward by Premier Li Keqiang. With the increase in per capita disposable income year by year, the tourism industry in China has maintained rapid growth over the recent years. According to the Annual Report on Tourism Statistics for 2016(《2016年全年旅遊統計資料報告》) and the Report on Development of China's Tourism Consumer Market 2016-2017(《2016-2017中國旅遊消費市場發展報告》) issued by China Tourism Academy, in 2016, the number of domestic travelers amounted to 4.44 billion, representing a year-on-year increase of 11%; income from domestic tourism amounted to RMB3.94 trillion, representing an increase of 15.2% and RMB880 per capita; the number of inbound and outbound travelers amounted to 260 million, up by 3.9%; income from inbound and outbound tourism amounted to USD120.0 billion, representing a year-on-year increase of 5.6%, of which tourists for sightseeing and leisure purposes accounted for 33.4%; income from tourism totaled RMB4.69 trillion for the year, up by 13.6%. It is anticipated that the number of domestic travelers for 2017 will reach 4.88 billion, representing a year-on-year increase of 10.0%. The number of inbound travelers is expected to reach 140 million, and income from international tourism will reach USD126.0 billion. These figures reveal the strong demand for domestic tourism and show that the tourism industry continued to lead the economic growth in respect of innovative development.

The Company has accurately captured and kept abreast with the trend of times. The Group has been exploring and researching the cultural tourism industry for more than a decade. Since its establishment of "DreamEast" brand in 2013, the Group has established a relatively high international reputation in cultural, entertainment, tourism and IP creation industries within merely 4 years. In 2017, the Group completed its strategic adjustment and prioritised the development of the cultural tourism business as its core business. In order to reflect the future business plans and strategies of the Group in a more clearly manner and to establish a more appropriate and distinctive corporate image, the Company was officially renamed as "DreamEast Group Limited" in this August. The management believes that the change of company name is conducive to the further growth of the Group's culture and tourism-related business, thus bringing more stable and sustained returns on investment to its shareholders.

DreamEast has been committed to the mission of "Fill the World with Joy（讓世界充滿歡樂）" and the vision of "Share the Beauty of China with the World（全球共享東方之美）". Focusing on the major metropolitan areas of Beijing, Shanghai and Shenzhen, DreamEast has planned and designed a number of cultural tourism projects, through which DreamEast will, standing in awe of culture, nature and humanity, establish a superb team to create a unique life experience for customers in the spirit of craftsmanship.

During the period under review, the principal activities of the Group included tourist resorts, property development and leasing and other businesses. The management believes that the co-development of cultural tourism projects and traditional property projects will bring about synergies and enhance the Group's long-term profitability and strengthen the Group's overall strength.

Tourist Resorts and Property Development Business

Suzhou DreamEast Tourist Resort (the "Suzhou Project")

The Suzhou DreamEast Tourist Resort is located in the East Taihu Lake Eco-tourism Resort area, Wujiang, Suzhou. Benefitting from the excellent ecological resources of Taihu Lake, the Suzhou Project is designed to become the most stylish urban resort centre offering leisure, entertainment, sports and education pervaded by its aura of joy, energy and intelligent features.

In December 2016, the Group succeeded in the bid of the land use right of land situated in Wujiang District, Suzhou City, Jiangsu Province, the PRC for a consideration of approximately RMB135 million. The land parcel has a site area of approximately 26,000 square metres and will be developed for Phase 1 of the Suzhou Project. Suzhou Project is expected to commence construction in the second half of 2017.

DreamEast Dream of Jiashan (the "Jiashan Project")

Combining highest good with the beauty of Jiangnan (the south of the Yangtze River) and integrated with science and technology, culture, leisure, tourism, vacation and entertainment functions, DreamEast Dream of Jiashan is established as a waterfront cultural city that exhibits good and love.

In December 2016, the Group succeeded in the bid of the land use right of land situated in Jiashan County, Jiaxing City, Zhejiang Province, the PRC for a consideration of approximately RMB65 million. The land parcels have a site area of approximately 70,000 square metres and will be developed for Phase 1 of the Jiashan Project. The grand groundbreaking ceremony of the Jiashan Project was held on 9 August 2017.

Hengyang DreamEast Tourist Resort (the "Hengyang Project")

Located in Hengyang City, Hunan Province, the Hengyang DreamEast Tourist Resort consists of a cultural town, a science and technology town, a forest town, a farming town and 5 theme parks. Upon completion, the Hengyang Project will become the national model of linkage among the primary industry, the second industry and the tertiary industry and city-industry integrated development, and is expected to be known as a Hunan culture themed city presented by DreamEast to the world.

In July 2017, the Group succeeded in the bid of the land use right of land situated in Hengnan County, Hengyang City, Hunan Province, the PRC for a consideration of RMB131 million. The land parcels have a site area of approximately 330,000 square metres and will be developed for Phase 1 of the Hengyang Project. The grand groundbreaking ceremony of the Hengyang Project was held on 10 August 2017.

Beijing Fangshan "COMB+" Project (The "Fangshan Project")

The Fangshan Project is located between the Southwest 5th and 6th Ring Roads in Beijing, the PRC, only 2 minutes' walk from Suzhuang Station on Fangshan Line of the Beijing Subway. The Group acquired 3 land parcels for the North, Central and South Zones of Phase 1 of the project in July 2014. Phase 1 of the project occupies a total site area of approximately 113,000 square metres, with a gross floor area of approximately 430,000 square metres and a planned saleable gross floor area of approximately 323,000 square metres. The project is the first large-scaled integrated community in the region. Owing to the high quality, excellent design, well-established auxiliary facilities and supreme service, the products of the Group enjoy a sound reputation. For instance, the show flats and clubhouse of this project were designed by renowned interior designer firm in Hong Kong. As a result, the project garnered strong support from the local government and continuous attention of residents in the local and surrounding cities since its inception.

The construction of the North Zone of Phase 1 of the Fangshan Project was completed during the period under review. Central Zone is expected to be completed in the second half of 2017, and the South Zone is to be completed in 2019. Given the favorable market conditions and strong demand in the region, several apartment buildings of the North Zone of the Fangshan Project were highly sought after when they were launched to the market in May 2016, September 2016 and March 2017. In the first half of 2017, some of the apartment units were delivered to buyers as scheduled. During the period under review, the Fangshan Project contributed HK$1,039.3 million to the revenue of the Group.

The management will keep abreast of the market trend and make timely adjustment to the marketing strategy, with the aim of maximising profitability and shareholders' returns.

Other Businesses

"4th Generation SkyOcean City" Urban Complex (The "Qian'an Project")

The Qian'an Project is located in Qian'an City of Hebei Province, the PRC. It will be developed into a multifunctional urban complex for commercial, office, apartment, tourism, cultural, dining, entertainment and shopping purposes, with a shopping centre, a commercial zone, offices, restaurants and apartment units. Phase 1 of the Qian'an Project has a total site area of approximately 106,000 square metres and a planned gross floor area of 163,000 square metres with six commercial buildings. Phase 2 and 3 of the Project have a total site area of approximately 119,000 square metres and a planned gross floor area of approximately 389,000 square metres.

Property Project in Irvine, California, U.S.A. (the "Irvine Project")

In April 2016, the Group established a subsidiary in order to develop the property project located in Irvine, California, U.S.A.. The Group invested US$22.5 million and owned 90% interests of the subsidiary.

The Irvine Project has a planned gross floor area of 380,000 square feet, and will be used to construct 371 apartment units. During the period under review, the Irvine Project had not commenced construction yet.

Operation of "COMB+" Global Innovation and Entrepreneurship Incubation Platform ("COMB+")

The short-term objective of "COMB+" is to build brand recognition and explore the best operating and profit model in the course of development. During the period under review, "COMB+" witnessed rapid business growth by cooperation with overseas famous incubators and provided short-term innovative courses on legal, taxation and marketing matters for overseas startups entering the Chinese market.

PROSPECTS AND DEVELOPMENT PLAN

Amidst the new landscapes of vigorous development of tourism projects across the country, each detailed aspect of a tourism project, including the product contents, tourists' experience, customisation, creativity and the ability to provide sound infrastructure and quality services, is essential. Among them, culture is a soft power which forms unique and mysterious aura at different time and in different places. The Group has many years of experience in property development, and our products have been enjoying good reputation for its committed ingenuity. With exploration of cultural resources for more than a decade, DreamEast has been striving to incorporate Chinese history, humanities, art, aesthetics, fashion and other featured elements into our works. Therefore, the Group is confident that we can develop each tourist resort project under DreamEast brand into unique and exquisite works full of vitality by employing high-tech approach while exploring the characteristics of local culture.

The Group has commenced construction of the Jiashan Project and the Hengyang Project, and is about to commence construction of the Suzhou Project. While focusing on the development of these 3 projects, the Group will continue to identify other projects with potential and spare no efforts to grow the cultural tourism business in scale and strength. Looking ahead, the Group will focus on the areas including tourist destinations, films and animations and commit itself to establishing its own IP ecosystem, so as to achieve its vision of "Share the Beauty of China with the World（全球共享東方之美）".

GROUP RESULTS

The Board of Directors of the Company ("Board" or "Directors") herein presents the unaudited interim results of the Group for the six-month period ended 30 June 2017. These unaudited interim results have not been audited, but have been reviewed by the Company's auditor and the audit committee of the Company ("Audit Committee").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended	
		30.6.2017	30.6.2016
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
			(Re-presented)
Continuing operations			
Revenue	*3*	**1,042,617**	9,895
Cost of sales and services		**(677,561)**	(3,401)
Gross profit		**365,056**	6,494
Other gains and losses	*4*	**11,363**	3,474
Other income		**3,235**	182
Gain on fair value change of investment properties	*11*	**16,478**	242,509
Selling expenses		**(32,118)**	(34,021)
Administrative expenses		**(60,724)**	(26,990)
Finance costs	*5*	**(72,685)**	(40,757)
Profit before tax	*6*	**230,605**	150,891
Income tax expense	*7*	**(63,899)**	(60,738)
Profit for the period from continuing operations		**166,706**	90,153
Discontinued operations			
Profit for the period from discontinued operations		**–**	1,985
Profit for the period		**166,706**	92,138

	Notes	Six months ended 30.6.2017 HK$'000 (unaudited)	30.6.2016 HK$'000 (unaudited) (Re-presented)
Other comprehensive income/(expense):			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation to presentation currency		**81,467**	(62,411)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(10,111)**	6,494
		71,356	(55,917)
Total comprehensive income for the period		**238,062**	36,221
Attributable to:			
Owners of the Company		**231,989**	31,211
Non-controlling interests		**6,073**	5,010
		238,062	36,221
Profit for the period attributable to owners of the Company			
– from continuing operations		**160,633**	85,143
– from discontinued operations		**–**	1,985
		160,633	87,128
Profit for the period attributable to non-controlling interests			
– from continuing operations		**6,073**	5,010
		6,073	5,010
Earnings per share	*10*		
From continuing and discontinued operations			
– Basic		**HK$0.611**	HK$0.334
– Diluted		**HK$0.394**	HK$0.254
From continuing operations			
– Basic		**HK$0.611**	HK$0.327
– Diluted		**HK$0.394**	HK$0.250

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	**30.6.2017** ***HK$'000*** **(unaudited)**	31.12.2016 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**16,542**	18,244
Investment properties	*11*	**5,482,751**	5,167,218
Other long term assets		**76,479**	14,189
		5,575,772	5,199,651
Current assets			
Properties under development for sale	*12*	**1,290,529**	2,093,097
Completed properties held for sale and other inventories		**967,416**	403,325
Trade receivables	*13*	**6,416**	4,631
Other receivables, deposits and prepayments		**973,735**	992,411
Restricted bank deposits		**2,050**	3,589
Other current assets		**656,954**	462,238
Bank balances and cash		**2,184,665**	1,042,268
		6,081,765	5,001,559
Current liabilities			
Trade and other payables and accruals	*14*	**665,349**	917,685
Amounts due to related parties		**917,418**	199,129
Tax payable		**41,610**	1,841
Bank and other borrowings – due within one year		**1,075,433**	1,218,040
		2,699,810	2,336,695

	Notes	30.6.2017	31.12.2016
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Net current assets		**3,381,955**	2,664,864
Total assets less current liabilities		**8,957,727**	7,864,515
Non-current liabilities			
Deferred tax liabilities		**366,171**	351,193
Bank and other borrowings – due after one year		**3,509,491**	2,768,771
Convertible bonds and bonds		**2,019,799**	1,932,313
		5,895,461	5,052,277
NET ASSETS		**3,062,266**	2,812,238
Equity			
Share capital		**26,322**	26,222
Reserves		**2,967,386**	2,723,531
Equity attributable to owners of the Company		**2,993,708**	2,749,753
Non-controlling interests		**68,558**	62,485
TOTAL EQUITY		**3,062,266**	2,812,238

Notes:

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company is a limited liability company incorporated in Bermuda. The principal activities of the Company and its subsidiaries (together the "Group") are involved in the provision of property development and leasing and investment in financial instruments. In prior years, the Group were also involved in the provision of elderly care services and medical equipment distribution. During the second half of 2016, the Group disposed of certain subsidiaries that were engaged in the business of provision of elderly care services and medical equipment distribution in Hong Kong. The results of these operations have been presented as discontinued operations in these condensed consolidated financial statements (see note 9 for details).

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants 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 condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016.

The functional currency of the Company is Renminbi ("RMB"), and for the purpose of more convenience to the readers of the condensed consolidated financial statements, the condensed consolidated financial statements are presented in Hong Kong dollars ("HK$").

The English name of the Company has been changed from SkyOcean International Holdings Limited to DreamEast Group Limited and the Chinese name of the Company has been changed to 夢東方集團有限公司 effective on 8 June 2017.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties, which are measured at fair values.

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016. The adoption of amendments to standards that are mandatorily effective for the current interim period does not have any material impact on the accounting policy adopted, financial position or performance of the Group and/or disclosures set out in the condensed consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the Group's executive directors, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performance focused on the types of goods or services delivered or provided.

The Group's reportable and operating segments under Hong Kong Financial Reporting Standard 8 Operating Segments are (i) property development and leasing and (ii) investment in financial instruments.

As the elderly care services and medical equipment distribution operations were discontinued upon disposal of certain subsidiaries in the second half of 2016, the comparatives of segment information have been re-presented. Details of the discontinued operations were disclosed in note 9.

The directors of the Company (the "Directors") are of the view that the Group intends to continue to engage in the investment in financial instruments in the future upon available resources allocated.

Segment revenue and results

The following is an analysis of the Group's revenue and results by the two segments for the period under review.

Six months ended 30 June 2017 (unaudited)

	Property development and leasing *HK$'000*	Investment in financial instruments *HK$'000*	Consolidated *HK$'000*
Continuing operations			
Revenue from external customer	**1,042,617**	**–**	**1,042,617**
Reportable segment revenue	**1,042,617**	**–**	**1,042,617**
Reportable segment results	**295,810**	**(4,107)**	**291,703**
Unallocated items:			
Other gains and losses			**14,403**
Other income			**3,235**
Administrative expenses			**(10,195)**
Finance costs			**(68,541)**
Profit before tax			**230,605**

3. **SEGMENT INFORMATION (Continued)**

Segment revenue and results (Continued)

Six months ended 30 June 2016 (unaudited) (Re-presented)

	Property development and leasing *HK$'000*	Investment in financial instruments *HK$'000*	Consolidated *HK$'000*
Continuing operations			
Revenue from external customer	9,795	100	9,895
Reportable segment revenue	9,795	100	9,895
Reportable segment results	185,010	(2,082)	182,928
Unallocated items:			
Other gains and losses			3,474
Other income			182
Administrative expenses			(4,764)
Finance costs			(30,929)
Profit before tax			150,891

3. **SEGMENT INFORMATION (Continued)**

Segment assets and liabilities

As at 30 June 2017 (unaudited)

	Property development and leasing	Investment in financial instruments	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations			
Reportable segment assets	**11,468,015**	**8,036**	**11,476,051**
Unallocated assets *(note)*			**181,486**
Total assets			**11,657,537**
Reportable segment liabilities	**6,208,091**	**1,135**	**6,209,226**
Unallocated liabilities *(note)*			**2,386,045**
Total liabilities			**8,595,271**

Note: Other corporate assets (including certain property, plant and equipment, bank balances and cash, certain prepayments, deposits and other receivables) and liabilities (including certain other payables and accruals, convertible bonds and bonds, tax payable and deferred tax liabilities) are unallocated.

3. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

As at 31 December 2016 (audited)

	Property development and leasing *HK$'000*	Investment in financial instruments *HK$'000*	Consolidated *HK$'000*
Continuing operations			
Reportable segment assets	10,052,865	7,733	10,060,598
Unallocated assets *(note)*			140,612
Total assets			10,201,210
Reportable segment liabilities	5,097,414	577	5,097,991
Unallocated liabilities *(note)*			2,290,981
Total liabilities			7,388,972

Note: Other corporate assets (including certain property, plant and equipment, bank balances and cash, certain prepayments, deposits and other receivables) and liabilities (including certain other payables and accruals, convertible bonds and bonds, tax payable and deferred tax liabilities) are unallocated.

4. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Net foreign exchange gains	**11,557**	3,307
Impairment loss of other receivables	**(3,040)**	–
Others	**2,846**	167
	11,363	3,474

5. FINANCE COSTS

	Six months ended	
	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Interest expenses on:		
– Bank and other borrowings	**131,207**	109,650
– Convertible bonds and bonds	**91,774**	63,996
Less: amounts capitalised in properties under development for sale and investment properties	**(150,296)**	(132,889)
	72,685	40,757

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

	Six months ended	
	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(Re-presented)
Continuing operations		
Profit for the period from continuing operations has been arrived at after charging (crediting):		
Investment income from liquidity funds	**2,893**	182
Operating lease rental expenses	**3,517**	2,938
Depreciation of property, plant and equipment	**3,301**	1,457
Rental income from investment properties	**(5,285)**	(3,307)
Less: direct operating expense	**829**	3,767
	(4,456)	460

7. INCOME TAX EXPENSE

	Six months ended	
	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(Re-presented)
Continuing operations		
PRC Enterprises Income Tax:		
Current	**4**	15
Deferred	**4,120**	60,628
	4,124	60,643
Land appreciation tax:	**59,775**	95
	63,899	60,738

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. PRC subsidiaries are subject to PRC Enterprises Income Tax at 25% for both periods.

The provision of land appreciation tax ("LAT") is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

During both interim periods, deferred tax charge represented deferred tax liability provided for fair value change of investment properties.

No deferred tax liabilities for undistributed earnings of the PRC subsidiaries have been recognised as there is no plan of the dividends distribution out of the PRC in the foreseeable future by these PRC subsidiaries. As at 30 June 2017 and 31 December 2016, the aggregate undistributed profit of the PRC subsidiaries were HK$976,702,000 and HK$722,072,000 respectively. The corresponding unrecognised deferred tax liabilities as at 30 June 2017 and 31 December 2016 were HK$97,670,000 and HK$72,207,000 respectively.

8. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period. The Directors have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2016: nil).

9. DISCONTINUED OPERATIONS

On 11 July 2016, the Group entered into a sale and purchase agreement with an independent individual (the "Purchaser"), pursuant to which the Group conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of Cautious Base Limited ("Cautious Base", a then subsidiary of the Company) and its subsidiaries (collectively known as "Cautious Base Group"), which carried out all of the Group's elderly care services and medical equipment distribution operations. The disposal was completed on 26 August 2016, on which date the control of Cautious Base Group was passed to the Purchaser.

The profit from the discontinued operations for the preceding period is set out below. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been re-presented to re-classify performance of the elderly care services and medical equipment distribution operations as discontinued operations.

	Six months ended 30.6.2016 *HK$'000* (unaudited)
Profit from the discontinued operations for the preceding period	1,985

The results of the discontinued operations for the preceding period were as follows:

	Six months ended 30.6.2016 *HK$'000* (unaudited)
Revenue	40,301
Cost of sales and services	(37,314)
Gross profit	2,987
Other income	2,562
Administrative expenses	(3,567)
Profit before tax	1,982
Income tax credit	3
Profit for the period from discontinued operations	1,985

9. DISCONTINUED OPERATIONS (Continued)

Profit for the preceding period from discontinued operations has been arrived at after charging:

	Six months ended 30.6.2016
	HK$'000
	(unaudited)
Depreciation of property, plant and equipment	269
Operating lease payments in respect of	
Rented premises	12,356
Equipment	25
	12,381

10. BASIC AND DILUTED EARNINGS PER SHARE

	Six months ended	
	30.6.2017	30.6.2016
	'000	*'000*
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**262,808**	260,705
Effect of dilutive potential ordinary shares in respect of:		
Warrants	**–**	2,344
Convertible Bonds I and II (six months ended 30 June 2016: Convertible Bonds II)	**280,889**	278,485
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**543,697**	541,534

10. BASIC AND DILUTED EARNINGS PER SHARE (Continued)

From continuing and discontinued operations

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

	Six months ended	
	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period for the purpose of basic earnings per share	**160,633**	87,128
Effect of dilutive potential ordinary shares:		
Interest on the Convertible Bonds I and II (six months ended 30 June 2016: Interest on the Convertible Bonds II)	**53,332**	50,170
Profit for the period for the purpose of diluted earnings per share	**213,965**	137,298

10. BASIC AND DILUTED EARNINGS PER SHARE (Continued)

From continuing operations

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

	Six months ended	
	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(Re-presented)
Earnings		
Profit for the period attributable to owners of the Company	**160,633**	87,128
Less: profit for the period from discontinued operations *(note 9)*	**–**	(1,985)
Profit for the period for the purpose of basic earnings per share from continuing operations	**160,633**	85,143
Effect of dilutive potential ordinary shares:		
Interest on the Convertible Bonds I and II (six months ended 30 June 2016: Interest on the Convertible Bonds II)	**53,332**	50,170
Profit for the period for the purpose of diluted earnings per share from continuing operations	**213,965**	135,313

The denominators used are the same as those detailed above for calculating the basic and diluted earnings per share.

From discontinued operations

During the six months ended 30 June 2016, basic and diluted earnings per share from discontinued operations were HK$0.008 and HK$0.004 per share respectively, and were calculated based on the profit for the period from discontinued operations of approximately HK$1,985,000 and the denominators detailed above for calculating basic and diluted earnings per share.

The computation of diluted earnings per share for the six months ended 30 June 2016 does not assume the conversion of the Company's outstanding Convertible Bonds I since the assumed exercise of Convertible Bonds I would result in an increase in earnings per share.

11. INVESTMENT PROPERTIES

	HK$'000
Fair value	
At 1 January 2017 (audited)	5,167,218
Additions	245,273
Transferred from completed properties held for sale	70,179
Gain on fair value change of investment properties	16,478
Reclassified as held for sale	(169,922)
Exchange realignment	153,525
At 30 June 2017 (unaudited)	5,482,751
At 1 January 2016 (audited)	4,014,180
Additions	143,711
Transferred from completed properties held for sale	108,538
Gain on fair value change of investment properties	242,509
Exchange realignment	(87,348)
At 30 June 2016 (unaudited)	4,421,590

The fair values of the Group's investment properties as at 30 June 2017 were arrived at on the basis of valuation carried out by Crowe Horwath First Trust Appraisal Pte Limited and CBRE Group Inc. (30 June 2016: Crowe Horwath (HK) Consulting & Valuation Limited). Both of these independent qualified professional valuers are not connected with the Group.

The Group engaged the third party qualified valuers to perform the valuation. The Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The fair values of completed investment properties are determined based on the income capitalisation method whereby the rental income of contractual tenancies are capitalised for the unexpired term of tenancies. The reversionary market rent after the expiry of tenancies is also taken into account.

Fair value of the investment properties under development were derived using the multiple valuation techniques, including residual method and direct comparison method. Residual method is essentially a means of valuing the project by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed in accordance with the existing development plans as at the date of valuation, which duly reflected the risks associated with the development. Direct comparison method is by reference to market comparable with adjustments to reflect the conditions and locations of the subject properties.

11. INVESTMENT PROPERTIES (Continued)

In measuring the fair value of the properties, the highest and best use of the properties is their current use.

As at 30 June 2017, the Group pledged certain of its investment properties with an aggregate fair value approximately of HK$5,233,201,000 (31 December 2016: HK$4,808,942,000) to certain bank and other financial institutions to secure borrowings obtained from the aforesaid bank and other financial institutions.

12. PROPERTIES UNDER DEVELOPMENT FOR SALE

As at 30 June 2017, the Group pledged certain of its properties under development for sale with an aggregate carrying amount of approximately HK$170,002,000 (31 December 2016: HK$1,482,481,000) to certain bank and other financial institutions to secure borrowings obtained from the aforesaid bank and other financial institutions.

13. TRADE RECEIVABLES

	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**6,416**	4,631

In respect of revenue arising from sales of properties and property leasing, the Group normally does not grant any credit term to its customers.

The following is an analysis of trade receivables by age, presented based on invoice date at the end of the reporting period:

	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Current to 90 days	**6,416**	4,631

14. TRADE AND OTHER PAYABLES AND ACCRUALS

	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables	**341,484**	326,350
Other payables, accruals and deposits received	**105,395**	81,492
Deposits from customers for properties developed for sale	**218,470**	509,843
	665,349	917,685

The ageing of trade payables based on invoice date is 0 to 90 days. The average credit period on purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 30 June 2017, the equity attributable to owners of the Company amounted to HK$2,993.7 million, representing an increase of approximately HK$243.9 million from that of 31 December 2016.

On 12 November 2015, the Company issued a 2-year term RMB 8.5% secured convertible bonds due 2017 in an aggregate principal amount of RMB29.5 million (the "Convertible Bonds I") to an independent third party. In addition to which, on the same date, the Company also issued a 2-year term HK$ 8.5% secured guaranteed bonds due 2017 in an aggregate principal amount of HK$270.0 million (the "Bonds I") to the same holder of the Convertible Bonds I.

On 24 December 2015, the Company issued a 5-year term RMB zero coupon convertible bonds due 2020 in an aggregate principal amount of RMB1,500.0 million (the "Convertible Bonds II") to SkyOcean Investment Holdings Limited, the immediate holding company of the Company which is beneficially owned as to 80% by Mr. Zhou Zheng.

On 28 June 2016, the Company entered into a subscription agreement with the same holder of the Convertible Bonds I and the Bonds I, for the purpose of issuing 3-year term HK$ 8% secured guaranteed bond due in 2019 in an aggregate principal amount of HK$470.0 million (the "Bonds II"). The Company issued the first tranche of the Bonds II amounting to HK$70.0 million on 30 June 2016. The second tranche of the Bonds II amounting to HK$400.0 million was issued on 5 July 2016.

On 28 June 2016, SkyOcean Investment Holdings Limited, the holder of the Convertible Bonds II entered into a deed of charge with the holder of the Bonds II, and charged over certain part of Convertible Bonds II amounting to RMB450.0 million in favour of the holder of the Bonds II.

On 28 June 2016, the Company reached an agreement with the holder of the Convertible Bonds I and the Bonds I to extend the maturity date of Convertible Bonds I and the Bonds I from 12 November 2017 to 30 June 2019.

On 15 March 2017, the holder of Convertible Bonds I converted part of the Convertible Bonds I with principal amount of RMB9.8 million into 1,000,000 ordinary shares of the Company at the specific conversion exchange rate and conversion price.

During the current interim period, there was no change of any terms and conditions of the Convertible Bonds I, Convertible Bonds II, Bonds I and Bonds II, details of which are disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2016.

On 1 August 2017, the Company reached an agreement with the holder of the Convertible Bonds I, Bonds I and Bonds II to amend certain terms and conditions of the Convertible Bonds I, Bonds I and Bonds II. Further details are set out in the announcement of the Company on 1 August 2017.

As at 30 June 2017, approximately 280,000,000 (31 December 2016: 281,000,000) conversion shares remained outstanding and have not been converted.

The Group normally provides its business with the operating fund that comes from internal cash flow and the credit provided by principal correspondent banks in Hong Kong and the PRC. As at 30 June 2017, the Group's cash and bank balances amounted to approximately HK$2,184.7 million, the majority of which were held in Hong Kong dollars ("HK$") and Renminbi ("RMB"). As at 30 June 2017, the Group's bank and other borrowings amounted to approximately HK$4,584.9 million and were principally settled in RMB carrying interest at fixed and floating lending rates.

As at 30 June 2017, the Group's liability component of Bonds and Convertible Bonds with carrying amounts of approximately HK$2,019.8 million comprised of 4 portions, including bonds in the amounts of HK$270.0 million and HK$470.0 million respectively and convertible bonds in the amounts of RMB1,500.0 million and RMB19.7 million respectively. For the six months ended 30 June 2017, the interest expenses incurred were approximately HK$91.8 million.

As at 30 June 2017, the Group's current ratio was 2.25, based on the current assets of approximately HK$6,081.8 million and current liabilities of approximately HK$2,699.8 million. As at 30 June 2017, the Group's gearing ratio was approximately 2.81 based on total liabilities of approximately HK$8,595.3 million and total equity of approximately HK$3,062.3 million.

Currency and Financial Risk Management

With the majority of the Group's businesses transacted in RMB and HK$, the aforesaid currencies are defined as the functional currency of the Company and some subsidiaries respectively. Apart from certain bank balances and cash and bonds denominated in foreign currencies, the Group is not subject to any significant risk from fluctuations in exchange rates. No currency hedging arrangement had been made by the Group during the reporting period. The Group will closely monitor and manage its exposure to fluctuation in foreign exchange rates.

Pledge of Assets

As at 30 June 2017, deposits of RMB762.0 million (equivalent to HK$878.0 million) (31 December 2016: RMB862.0 million (equivalent to HK$963.7 million)) were pledged to an independent third party to secure the loans amounting to HK$875.9 million (31 December 2016: HK$959.5 million) granted to the Group by a financial institution in the PRC.

As at 30 June 2017, the Group pledged certain of its investment properties with an aggregate fair value approximately of HK$5,233.2 million (31 December 2016: HK$4,808.9 million) to certain bank and other financial institutions to secure borrowings obtained from the aforesaid bank and other financial institutions.

As at 30 June 2017, the Group pledged certain of its properties under development for sale with an aggregate carrying amount of approximately HK$170.0 million (31 December 2016: HK$1,482.5 million) and completed properties held for sale with an aggregate carrying amount of approximately HK$891.9 million (31 December 2016: nil) to certain bank and other financial institutions to secure borrowings obtained from the aforesaid bank and other financial institutions.

Contingent Liabilities and Corporate Guarantees

As set out in prior year's consolidated financial statements of the Group, the Group disposed of the entire interest of the Quality HealthCare Limited, Quality HealthCare Medical Holdings Limited, Quality HealthCare Medical Services Limited, Quality HealthCare Services Limited and Portex Limited ("Disposal Group") in 2010. The Group has signed a tax deed to indemnify the purchaser for tax liabilities of the Disposal Group prior to the completion of the disposal which has not been provided for in the closing account of the Disposal Group as at 30 November 2010. The valid period for claims under the tax deed shall be 7 years from completion. The Group currently considers it is not likely that any liabilities will arise therefrom.

Significant Investment Held

During the six months ended 30 June 2017, the Group did not hold any significant investment in equity interest in any other company.

Material Acquisition and Disposal of Subsidiaries and Associates

During the six months ended 30 June 2017, there were no material acquisitions or disposals of subsidiaries and associates by the Group.

Management and Staff

As at 30 June 2017, the total number of employees (including both full time and part time) was approximately 259. Total staff costs amounted to approximately HK$33.6 million (six months ended 30 June 2016: HK$32.7 million). The Group offers competitive remuneration packages, together with discretionary bonuses to its staff, based on industry practices and individual and Group's performances. The Group also offers training courses and continuous education sessions as part of the Group's emphasis on staff training and development.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2017, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for certain deviations which are summarised below:

Code Provisions B.1.2 and C.3.3

Code Provisions B.1.2 and C.3.3 of the CG Code stipulate that the terms of reference of the remuneration committee and audit committee should include, as a minimum, those specific duties as set out in the respective code provisions.

The terms of reference of the remuneration committee ("Remuneration Committee") adopted by the Company are in compliance with Code Provision B.1.2 of the CG Code except that the Remuneration Committee shall make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to Executive Directors and senior management under the code provision).

The terms of reference of the Audit Committee adopted by the Company are in compliance with Code Provision C.3.3 of the CG Code except that the Audit Committee (i) shall recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditors to supply non-audit services; (ii) only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has performed its duty to have an effective internal control system; and (iii) can promote (as opposed to ensure under the code provision) the co-ordination between the internal and external auditors, and check (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced.

Further details of the reasons for relevant deviations of the terms of reference were set out in the Corporate Governance Report contained in the Company's Annual Report for the financial year ended 31 December 2016. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the relevant terms of reference as adopted and amended by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

There has been a deviation from this code provision since the appointment of Mr. Zhou Zheng, the Chairman of the Board, as the Chief Executive Officer of the Company with effect from 27 January 2014. The Board considers this arrangement to be appropriate for the Company in view of Mr. Zhou Zheng's extensive experience in the property development industry in the PRC and his in-depth knowledge of the Group's property development operation and business. The Board believes that a balance of power and authority is adequately ensured by the operation of the Board which comprises experienced and high calibre individuals including four independent non-executive directors. Nevertheless, the Board will identify an appropriate person to take up the role of chief executive when necessary.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed financial reporting matters including a general review of the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditor 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 and representations from management. The Audit Committee has not undertaken detailed independent audit checks.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company on the Stock Exchange during the six months ended 30 June 2017.

On behalf of the Board
DreamEast Group Limited
Zhou Zheng
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 31 August 2017

As at the date of this announcement, the Board comprises Mr. Zhou Zheng (Chairman and Chief Executive Officer), Mr. Lam Yu Yee, Benjamin (Vice Chairman), Mr. Yang Lei and Mr. Chan Tak Kwong, being the Executive Directors, and Mr. Li Chak Hung, Dr. Meng Xiaosu, Mr. Yang Buting and Mr. Zhao Daxin being the Independent Non-Executive Directors.