THE LEBANESE COMPANY FOR THE DEVELOPMENT AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION AND REVIEW REPORT SIX-MONTH PERIOD ENDED JUNE 30, 2017

THE LEBANESE COMPANY FOR THE DEVELOPMENT
AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION AND REVIEW REPORT
SIX-MONTH PERIOD ENDED JUNE 30, 2017

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REVIEW REPORT

To the Board of Directors
The Lebanese Company for the Development
And Reconstruction of Beirut Central District S.A.L.
Beirut, Lebanon

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of the Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. and its Subsidiaries (the Group), as at June 30, 2017 and the related interim consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory information. Management is responsible for the preparation and fair presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information is not prepared in all material respects in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Beirut, Lebanon
October 2, 2017

Deloitte & Touche

Ernst & Young

THE LEBANESE COMPANY FOR THE DEVELOPMENT AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	(Unaudited) June 30, 2017 US$	December 31, 2016 US$
Cash and banks balances		59,836,231	111,806,517
Prepayments and other debit balances		51,555,931	40,074,145
Accounts and notes receivables, net	6	500,544,217	509,328,764
Investment in asset-backed securities		45,363,975	45,363,975
Inventory of land and projects in progress		1,116,774,057	1,091,875,392
Investment properties, net		602,207,478	606,421,737
Investment in associates and joint ventures	7	408,631,969	418,029,589
Fixed assets, net		53,235,654	55,303,592
Total assets		2,838,149,512	2,878,203,711
LIABILITIES			
Bank overdrafts and short term facilities		244,210,793	309,762,330
Accounts payable and other liabilities		129,222,565	129,138,710
Dividends payable	8	61,507,130	64,458,148
Deferred revenue and other credit balances		63,696,578	60,302,664
Loans from banks and financial institutions		342,158,148	298,608,456
Total liabilities		840,795,214	862,270,308
EQUITY			
Issued capital at par value US$10 per share:			
100,000,000 clase (A) shares		1,000,000,000	1,000,000,000
65,000,000 clase (B) shares		650,000,000	650,000,000
		1,650,000,000	1,650,000,000
Legal reserve		170,436,971	170,435,346
Retained earnings		176,945,447	195,870,766
Cumulative foreign currency translation reserve		(28,120)	(372,709)
Total equity		1,997,354,298	2,015,933,403
Total liabilities and equity		2,838,149,512	2,878,203,711

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THE LEBANESE COMPANY FOR THE DEVELOPMENT AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	(Unaudited) Six-Month Period Ended June 30, 2017 US$	2016 US$
Revenues from land sales		94,500	128,904,453
Revenues from rented properties		30,720,023	27,943,901
Revenues from rendered services		3,310,929	3,620,143
Revenues from hospitality		169,852	204,121
Total revenues		34,295,304	160,672,618
Cost of land sales		(17,487)	(25,128,312)
Depreciation of and charges on rented properties		(12,666,962)	(13,434,170)
Cost of rendered services		(1,980,388)	(2,315,491)
Cost of hospitality		(209,734)	(239,876)
Total cost of revenues		(14,874,571)	(41,117,849)
Gain on sale and disposal of investment properties		3,929,149	659,584
Net revenues from operations		23,349,882	120,214,353
Share of results of associates and joint ventures	7	(10,248,209)	(5,696,160)
General and administrative expenses		(19,291,145)	(18,185,852)
Depreciation of fixed assets		(1,852,799)	(2,251,089)
Write off of receivables	6	(901,528)	(17,426)
Loss on rescheduled receivables		(151,501)	(541,099)
Provision for contingencies	12	(5,000,000)	(500,000)
Provision for impairment	6(d)	(1,077,748)	-
Other expenses		(350)	(49,147)
Other income		279,068	247,071
Taxes, fees and stamps		(145,967)	(333,953)
Interest income		12,646,729	11,167,039
Interest expense		(17,694,782)	(18,230,238)
Loss on exchange		(372,766)	(467,639)
(Loss)/profit before tax		(20,461,116)	85,355,860
Income tax benefit/(expense)		1,537,422	(13,253,012)
(Loss)/profit for the period		(18,923,694)	72,102,848
Basic/diluted earnings per share	9	(0.1147)	0.4421
Attributable to:			
Equity owners of the Company - (loss)/profit		(18,923,694)	72,102,848
(Loss)/profit for the period		(18,923,694)	72,102,848

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THE LEBANESE COMPANY FOR THE DEVELOPMENT AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	(Unaudited) Six-Month Period Ended June 30, 2017 US$	2016 US$
(Loss)/profit for the period		(18,923,694)	72,102,848
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation reserve	7	344,589	512,303
Other comprehensive income for the period		344,589	512,303
Total comprehensive (loss)/income for the period		(18,579,105)	72,615,151
Attributable to:			
Equity holders of the Company – (loss)/profit		(18,579,105)	72,615,151
		(18,579,105)	72,615,151

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THE LEBANESE COMPANY FOR THE DEVELOPMENT AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital US$	Legal Reserve US$	Retained Earnings US$	Cumulative Foreign Currency Translation Reserve US$	Treasury Shares US$	Total US$
Balance January 1, 2016	1,650,000,000	164,070,347	176,026,472	(440,731)	(32,165,728)	1,957,490,360
Allocation to legal reserve from 2015 profit	-	2,654	(2,654)	-	-	-
Distribution of dividends (Note 8)	-	-	(49,046,157)	-	30,816,884	(18,229,273)
Total comprehensive income	-	-	72,102,848	512,303	-	72,615,151
Balance June 30, 2016 (Unaudited)	1,650,000,000	164,073,001	199,080,509	71,572	(1,348,844)	2,011,876,238
Balance January 1, 2017	1,650,000,000	170,435,346	195,870,766	(372,709)	-	2,015,933,403
Allocation to legal reserve from 2016 profit	-	1,625	(1,625)	-	-	-
Total comprehensive income	-	-	(18,923,694)	344,589	-	(18,579,105)
Balance as at June 30, 2017 (Unaudited)	1,650,000,000	170,436,971	176,945,447	(28,120)	-	1,997,354,298

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THE LEBANESE COMPANY FOR THE DEVELOPMENT AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	(Unaudited) Six-Month Period Ended June 30, 2017 US$	2016 US$
Cash flows provided by operating activities:			
(Loss)/profit for the period before income tax		(20,461,116)	85,355,860
Adjustments to reconcile profit to net cash (used in)/provided by operating activities:			
Depreciation	10(a)	8,323,993	11,819,714
Gain on sale of investment properties		(3,929,149)	(659,584)
Gain/(loss) on sale of fixed assets		(7,500)	47,524
Provision for end-of-service net indemnity, (net)		960,620	1,626,551
Provision for contingencies		5,000,000	500,000
Provision for impairment	6(d)	1,077,748	-
Write-off of receivables	6	901,528	17,426
Loss on rescheduled receivables		151,501	541,099
Share of result of associates and joint ventures	7	10,248,209	5,696,160
Interest income		(12,646,729)	(11,167,039)
Interest expense	10(b)	18,154,598	18,336,914
Changes in working capital:			
Prepayments and other debit balances	10(e)	(6,995,875)	2,578,651
Accounts and notes receivable		6,653,770	(45,236,406)
Inventory of land and projects in progress	10(c)	(24,898,665)	7,386,164
Accounts payable and other liabilities		8,949,149	(20,529,120)
Deferred revenues and other credit balances	10(e)	1,758,260	(22,788,538)
Interest received		11,396,472	13,337,551
Income tax paid		(16,207,885)	(4,807,936)
Net cash (used in)/provided by operating activities		(11,571,071)	42,054,991
Cash flows provided by investing activities:			
Acquisition of fixed assets		(524,583)	(809,717)
Acquisition of investment properties		(2,976,078)	(839,499)
Proceeds from sale of investment properties		4,648,292	1,950,219
Proceeds from sale of fixed assets		747,222	488,808
Investment in associates and joint ventures	10(d)	(464,249)	5,216,009
Net cash provided by investing activities		1,430,604	6,005,820
Cash flows used in financing activities:			
Loans from banks and financial institutions		43,549,692	(1,549,323)
Dividends paid		(2,951,018)	(1,516,385)
Interest paid		(16,876,956)	(18,697,052)
Short term facilities		(75,000,000)	(34,998,960)
Net cash used in financing activities		(51,278,282)	(56,761,720)
Net change in cash and cash equivalents		(61,418,749)	(8,700,909)
Cash and cash equivalents - Beginning of the year	10(f)	49,044,187	(108,836,510)
Cash and cash equivalents - End of the period	10(f)	(12,374,562)	(117,537,419)

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. FORMATION AND OBJECTIVE OF THE COMPANY

The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. (SOLIDERE) (the Company) was established as a Lebanese joint stock company on May 5, 1994 based on Law No. 117/91, and was registered on May 10, 1994 under Commercial Registration No. 67000. The articles of incorporation of the Company were approved by Decree No. 2537 dated July 22, 1992.

The objective of the Company, is to acquire real estate properties, to finance and ensure the execution of all infrastructure works in the Beirut Central District (BCD) area, to prepare and reconstruct the BCD area, to reconstruct or restore the existing buildings, to erect buildings and sell, lease or exploit such buildings and lots and to develop the landfill on the seaside.

The duration of the Company is 25 years, beginning from the date of establishment. An extraordinary general assembly dated June 29, 1998 resolved to amend the duration of the Company to be 75 years beginning from the date of establishment. During 2005, the Council of Ministers approved the extension of the duration of the Company for 10 years.

The Company, based on law No.117/91 mentioned above, was exempt from income tax for a period of ten years beginning on the date of formation. As such beginning May 10, 2004, the Company became subject to income tax.

An extraordinary general assembly dated November 13, 2006 resolved to amend the objective of the Company to include providing services and consultancy in real estate development for projects outside the BCD area and all over the world.

During 2007, the Company granted Solidere International Limited (an associate) the right to use the "Solidere" brand in the execution of real estate projects outside the Beirut Central District area of Lebanon.

The Company's shares are listed on the Beirut stock exchange. In its meeting held on December 1, 2016, the Board of Directors approved the delisting of the Company's GDRs from the London Stock Exchange. As at June 30, 2017, the delisting process was not finalized. On August 14, 2017, the holders of the GDRs were notified by the Depositary that the existing GDR facility will be terminated effective on August 25, 2017.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

The accounting policies adopted in the current period are consistent with those of the previous year's financial year, except of the following new and revised standards and interpretations that have been applied in the current period with no material impact on the disclosures and amounts reported for the current and prior periods, but may affect the accounting for future transactions or arrangements:

- Amendments to IAS 7 and IAS 12.
- Annual Improvements to IFRSs 2014 - 2016 Cycle.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed interim consolidated financial information for the six-month period ended June 30, 2017 has been prepared in accordance with IAS 34 "Interim Financial Reporting".

The condensed interim consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2016.

The accounting policies adopted in the preparation of the condensed interim consolidated financial information are consistent with the accounting policies adopted in the preparation of the annual consolidated financial statements for the year ended December 31, 2016, except for the adoption of new standards and interpretations described in note 2, as applicable.

The condensed interim consolidated financial information is presented in U.S. Dollars.

The condensed interim consolidated financial information is prepared under the historical cost convention as modified for the measurement at fair value, as applicable.

Basis of consolidation

The condensed interim consolidated financial information incorporates the financial statements of The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. and its controlled subsidiaries drawn up to June 30, 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),

- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements, and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Group entities comprise the following:

Company	Ownership Share	Date of Establishment	Activity
	%		
Solidere Management Services S.A.L.	100	June 2006	Real Estate Management
Solidere Management Services (Offshore) S.A.L.	100	March 2007	Real Estate Management
Solidere International Holdings S.A.L.	100	May 2007	Holding
BHC Holding S.A.L. and its Subsidiaries	100	March 2010	Hospitality

4. CRITICAL ACCOUNTING JUDGMENTS AND USE OF ESTIMATES

In the application of the accounting policies described in Note 3 above, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and underlying assumptions made by the Group's management for the preparation of the condensed interim consolidated financial information are consistent with those used in the preparation of the consolidated financial statements as at and for the year ended December 31, 2016

5. OPERATING SEGMENTS

For management purposes, the Group is organized into business units according to their operations. The Group has two reportable segments as follows:

- Real estate sales
- Real estate rental and rendered services

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit and loss and is measured consistently with operating profit or loss in the condensed interim consolidated financial information.

	(Unaudited) June 30, 2017			
	Real Estate Sales	Real Estate Rental and Other Services	Eliminations	Total
	US$	US$	US$	US$
Total assets	2,282,607,278	654,831,426	(99,289,192)	2,838,149,512
Total liabilities	689,173,916	193,069,393	(41,448,095)	840,795,214

	(Unaudited) June 30, 2017			
	Real Estate Sales	Real Estate Rental and Other Services	Eliminations	Total
	US$	US$	US$	US$
Revenues	94,500	34,850,804	(650,000)	34,295,304
Cost of revenues	(17,487)	(16,157,084)	1,300,000	(14,874,571)
Gain on sale and disposal of investment properties	-	3,929,149	-	3,929,149
Net revenues from operations	77,013	22,622,869	650,000	23,349,882
Share results of associates and joint ventures	(10,248,209)	-	-	(10,248,209)
General and administrative expenses	(16,698,434)	(1,942,711)	(650,000)	(19,291,145)
Depreciation of fixed assets	(1,457,336)	(395,463)	-	(1,852,799)
Write-off of receivables	(901,528)	-	-	(901,528)
Loss on rescheduled balance	(151,501)	-	-	(151,501)
Provision for contingencies	(4,662,313)	(337,687)	-	(5,000,000)
Provision for impairment	-	(1,077,748)	-	(1,077,748)
Other expenses	(223)	(127)	-	(350)
Other income	149,817	129,251	-	279,068
Taxes, fees and stamps	(139,804)	(6,163)	-	(145,967)
Interest income	12,599,933	46,796	-	12,646,729
Interest expense	(17,620,959)	(73,823)	-	(17,694,782)
Loss on exchange	(371,676)	(1,090)	-	(372,766)
Loss before tax	(39,425,220)	18,964,104	-	(20,461,116)
Income tax benefit	1,537,422	-	-	1,537,422
Loss for the period	37,887,798	18,964,104	-	(18,923,694)

	(Unaudited) June 30, 2016			
	Real Estate Sales	Real Estate Rental and Rendered Services	Eliminations	Total
	US$	US$	US$	US$
Total assets	2,353,692,868	674,467,608	(103,789,636)	2,924,370,840
Total liabilities	707,053,078	243,141,809	(37,700,285)	912,494,602

	(Unaudited) June 30, 2016			
	Real Estate Sales	Real Estate Rental and Other Services	Eliminations	Total
	US$	US$	US$	US$
Revenues	128,904,453	32,468,165	(700,000)	160,672,618
Cost of revenues	(25,728,312)	(17,389,569)	1,400,032	(41,717,849)
Gain on sale and disposal of investment properties	659,584	-	-	659,584
Net revenues from operations	103,835,725	15,078,596	700,032	119,614,353
Share results of associates and joint ventures	(5,696,160)	-	-	(5,696,160)
General and administrative expenses	(15,114,207)	(1,771,645)	(700,000)	(17,585,852)
Depreciation of fixed assets	(1,712,805)	(538,284)	-	(2,251,089)
Write-off of receivables	(17,426)	-	-	(17,426)
Loss on rescheduled balance	(541,099)	-	-	(541,099)
Provision for contingencies	(500,000)	-	-	(500,000)
Provision for impairment	(2,344,320)	-	2,344,320	-
Other expenses	-	(49,147)	-	(49,147)
Other income	94,285	152,786	-	247,071
Taxes, fees and stamps	(326,506)	(7,447)	-	(333,953)
Interest income	11,094,388	72,651	-	11,167,039
Interest expense	(18,055,552)	(174,686)	-	(18,230,238)
Loss on exchange	(467,901)	262	-	(467,639)
Profit before tax	70,248,422	12,763,086	2,344,352	85,355,860
Income tax expense	(13,253,012)	-	-	(13,253,012)
Profit for the period	56,995,410	12,763,086	2,344,352	72,102,848

6. ACCOUNTS AND NOTES RECEIVABLE, NET

	(Unaudited) June 30, 2017	December 31, 2016
	US$	US$
Notes receivable (a)	629,372,485	646,481,645
Accounts receivable (b)	4,495,438	4,538,917
Reserve account receivable from BCD 1 Fund	3,175,715	3,175,715
Deffered charges from securitization of notes	9,279,831	9,279,831
Receivables from tenants (c)	55,853,831	55,511,817
Less: Unearned interest	(111,962,321)	(119,467,402)
Less: Provision for problematic receivables (d)	(68,670,762)	(69,191,759)
Less: Provision for collectively assessed receivables	(21,000,000)	(21,000,000)
	500,544,217	509,328,764

During the six-month period ending June 30, 2017, the Group wrote-off long outstanding receivables of US$901,528 (US$17,426 during the six-month period ending June 30, 2016) recorded under "Write-off of receivables" in the interim consolidated statement of profit or loss.

The Group's credit risk exposure in notes and accounts receivable is spread over 31 counter-parties; 16 customers constitute 91% of the total exposure and 15 customers constitute the remaining 9% as of June 30, 2017 (as of December 31, 2016, 31 counter-parties; 16 customers constitute 90% of the total exposure and 15 customers constitute the remaining 10%).

The Group's credit exposure in receivables from tenants is spread over a large number of counter-parties; 3 tenants constitute 66% of the total exposure as of June 30, 2017 (3 tenants constitute 61% of the total exposure as of December 31, 2016).

(a) Notes receivable, which resulted mainly from sales carry the following maturities:

	(Unaudited) June 30, 2017	December 31, 2016
	US$	US$
Doubtful balances	56,775,831	56,775,831
Overdue but not impaired	35,218,875	49,720,273
2017	64,032,246	89,476,563
2018	94,502,391	93,197,764
2019 and above	378,843,142	357,311,214
	629,372,485	646,481,645

(b) Accounts receivable carry the following maturities:

	(Unaudited) June 30, 2017 US$	December 31, 2016 US$
Overdue but not impaired	1,708,441	1,751,920
2017	2,786,997	2,786,997
	4,495,438	4,538,917

(c) On January 5, 2015, the final result of the arbitration between the Company and the Lebanese Ministry of Foreign Affairs and Immigrants regarding the rent of property 1134 Zokak Blat for the use of the Economic and Social Commission for Western Asia ESCWA was concluded. As a result, the Company was awarded an indemnity in the amount of US$3,278,868 for the period from August 31, 2008 to August 31, 2013 in addition to a monthly indemnity in the amount of US$703,292 for the entire period of usage of the plot by the Ministry of Foreign Affairs and Immigrants until final evacuation as per the final arbitration decision.

The outstanding balance as of June 30, 2017 amounted to US$34,127,611 (US$29,485,884 as of 31 December 2016).

(d) The movement of provision for problematic receivables is as follows:

	(Unaudited) June 30, 2017 US$	December 31, 2016 US$
Balance at the beginning of the year	69,191,759	100,659,973
Transfer from provision for contingencies	-	5,670,000
Transfer to prepayments and other debit balances	-	(804,710)
Additions	1,077,748	-
Write-off	(1,598,745)	(36,333,504)
Balance at the end of the period/year	68,670,762	69,191,759

During the six-month period ended June 30, 2016, the Group cancelled a land sales contract with one client amounting to US$ 37,800,000 resulting in a loss of US$ 33,385,406 that was previously provided for in 2015.

7. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	(Unaudited) June 30, 2017	December 31, 2016
	US$	US$
Investment in Solidere International Limited (Associate)	375,127,364	381,961,406
Investment in BCD Cinemas S.A.L. (Associate)	934,524	778,172
Investment in Beirut Waterfront Development S.A.L. (Joint Venture)	(4,735,014)	(1,388,511)
Investment in Beirut Real Estate Management and Services S.A.L. (Joint Venture)	14,067	15,325
Investment in ASB - Downtown S.A.L. (Associate)	245,028	123,197
	371,585,969	381,489,589
Long term loan to Beirut Waterfront Development S.A.L. (Joint Venture)	36,540,000	36,540,000
	408,125,969	418,029,589
Investment in Stow Waterfront Holding S.A.L.	506,000	-
	408,631,969	418,029,589

The movement in investment in associates and joint ventures is as follows:

	(Unaudited) Six-Month Period Ended June 30, 2017	2016
	US$	US$
Balance at the beginning of the year	418,029,589	407,632,317
Share of the results of associates and joint ventures	(10,248,209)	(5,696,160)
Foreign currency translation reserve	344,589	512,303
Balance at the end of the period	408,125,969	402,448,460

Details of the Group's investment in associates and joint ventures are as follows:

	Country of Incorporation	Ownership Interest	June 30, 2017 (Unaudited) At Cost	Group's Share of Equity	December 31, 2016 At Cost	Group's Share of Equity
		%	US$	US$	US$	US$
Solidere International Limited (Associate)	UAE	39.11	238,530,173	375,127,364	238,530,173	381,961,406
BCD Cinemas S.A.L (Associate)	Lebanon	40.00	8,000	934,524	8,000	778,172
Beirut Waterfront Development S.A.L. (Joint Venture)	Lebanon	50.00	11,385,075	(4,735,014)	11,385,075	(1,388,511)
Beirut Real Estate Management and Services (Joint Venture)	Lebanon	45.00	9,000	14,067	9,000	15,325
ASB - Downtown S.A.L. (Associate)	Lebanon	24.50	4,877	245,028	4,877	123,197
			249,937,125	371,585,969	249,937,125	381,489,589

Summarized financial information in respect of the Group's associates and joint ventures is set out below:

	Six-Month Period Ended June 30, 2017 (unaudited)			
	Solidere International Limited	Beirut Waterfront Development SAL	Other associates and joint ventures	Total
	US$	US$	US$	US$
Total revenue	2,186,428	4,576,082	8,527,030	15,289,540
Total cost of revenue	(1,430,718)	(4,814,488)	(7,305,106)	(13,550,312)
Profit/(loss) for the period	(17,646,676)	(6,693,010)	1,221,920	(23,117,766)
Group's share of results-profit/(loss)	(7,136,878)	(3,346,503)	235,172	(10,248,209)

	Six-Month Period Ended June 30, 2016 (unaudited)			
	Solidere International Limited	Beirut Waterfront Development SAL	Other associates and joint ventures	Total
	US$	US$	US$	US$
Total revenue	4,002,404	3,578,607	4,134,451	11,715,462
Total cost of revenue	(2,158,820)	(4,275,101)	(2,240,111)	(8,674,032)
Profit/(loss) for the period	(6,945,949)	(6,491,397)	418,668	(13,018,678)
Group's share of results-profit/(loss)	(2,582,078)	(3,245,699)	131,617	(5,696,160)

During the six-month period ended June 30, 2017, the Group acquired 22 shares in Stow Waterfront Holding SAL representing a 1.68% equity stake for a total consideration of US$ 506,000.

8. DIVIDEND DISTRIBUTION

The General Assembly held on June 27, 2016 decided to distribute dividends on the basis of US$ 0.1 per share and to distribute Class (A) and Class (B) shares from its treasury shares on the basis of 1 share for every 80 shares for a total consideration of US$35 million and issued the related share certificates. As a result, the Group recorded cash dividends payable in the amount of US$16.3million. Stock dividends with an aggregate weighted average cost of US$33 million were distributed at an average market price of US$9.35 resulting in a loss of US$14 million recorded under "Retained earnings" under equity. The total distribution tax amounted to US$1.7 million. An amount of approximately US$10.5 million was settled up to December 31, 2016.

9. BASIC/DILUTED EARNINGS PER SHARE

The computation of earnings per share is based on net income for the period and the weighted average number of outstanding class (A) and (B) shares during each period net of treasury shares held by the Group.

The weighted average number of shares to compute basic and diluted earnings per share is 165,000,000 shares for the six-month period ended June 30, 2017 (163,055,264 shares for the six-month period ended June 30, 2016).

10. NOTES TO THE CASH FLOW STATEMENT

(a) Depreciation was applied as follows:

	(Unaudited) June 30,	
	2017	2016
	US$	US$
Depreciation of fixed assets	1,852,799	2,251,089
Depreciation of investment properties	6,471,194	9,568,625
Depreciation charge for the year	8,323,993	11,819,714

(b) Interest expense consists of the following:

	(Unaudited) June 30,	
	2017	2016
	US$	US$
Interest charged as period cost	17,694,782	18,230,238
Interest expense allocated to inventory of land and projects in progress	459,816	106,676
Total interest expense	18,154,598	18,336,914

(c) Non-cash transactions in operating and investing activities include transfers from inventory of land and projects in progress to investment properties in the amount of nil for the six-month period ended June 30, 2017 (US$31,286,074 for the six-month period ended June 30, 2016).

(d) Non-cash transactions in investing activities for the six-month period ended June 30, 2017, include cumulative foreign currency translation reserve in the amount of US$302,838 (US$512,303 for the six-month period ended June 30, 2016) which was excluded from investment in associates and joint ventures against cumulative foreign currency translation reserve under equity.

(e) Non-cash transactions in operating activities for the six-month period ended June 30, 2017, include accrued interest income on long term loan to a joint venture in the amount of US$1,635,654 (US$1,616,133 for the six-month period ended June 30, 2016) which was excluded from "Prepayments and other debit balances" against "deferred revenues and other credit balances".

(f) Cash and cash equivalents comprise of the following:

	(Unaudited) June 30, 2017 US$	(Unaudited) June 30, 2016 US$
Cash on hand	62,272	42,656
Checks under collection	1,257	34,978
Current accounts	10,320,015	11,030,270
Short term deposits	49,452,687	121,826,964
Bank overdrafts	(72,210,793)	(250,472,287)
	(12,374,562)	(117,537,419)

	December 31, 2016 US$	December 31, 2015 US$
Cash on hand	64,467	54,098
Checks under collection	7,622,104	6,197,926
Current accounts	11,197,032	11,896,267
Short term deposits	92,922,914	118,061,067
Bank overdrafts	(62,762,330)	(245,045,868)
	49,044,187	(108,836,510)

11. RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

The following table provides the outstanding balances and the aggregate amount of the transactions that were entered into with related parties for the relevant financial period:

	(Unaudited) June 30, 2017	
	Due From	**Due To**
	US$	**US$**
Solidere International Limited (Associate)	32,561	-
City Makers S.A.R.L (Related party)	72,738	-
Beirut Real Estate Management and Services S.A.L (Joint Venture)	3,394	-
BCD Cinemas S.A.L. (Associate)	1,465,878	-
Beirut Waterfront Development S.A.L. (Joint Venture)	-	20,140
ASB - Downtown S.A.L. (Associate)	241,693	-
	1,816,264	20,140

	December 31, 2016	
	Due From	**Due To**
	US$	**US$**
Solidere International Limited (Associate)	23,325	-
City Makers S.A.R.L (Related party)	84,731	-
Beirut Real Estate Management and Services S.A.L (Joint Venture)	3,394	-
BCD Cinemas S.A.L. (Associate)	2,084,187	-
Beirut Waterfront Development S.A.L. (Joint Venture)	-	21,720
ASB - Downtown S.A.L. (Associate)	127,902	-
	2,323,539	21,720

Cash and bank balances include US$38,432,025 as of June 30, 2017 (US$70,586,587 as of December 31, 2016) representing current bank accounts with a local bank who is a significant but minority shareholder of the Group.

Certain directors are members of the boards of directors of banks with whom the Group has various banking activities.

Bank overdrafts, short and medium term facilities include US$120,932,768 as of June 30, 2017 (US$110,729,713 as of December 31, 2016) representing short term facilities with a local bank who is a significant but minority shareholder of the Group.

Included under "Interest expense" in the interim consolidated statement of profit or loss is an amount of US$3,152,144 for the period ended June 30, 2017 (US$2,782,536 for the period ended June 30, 2016) representing interest expense on short term facilities with a local bank who is a significant but minority shareholder of the Group.

Accrued interest income on a long term loan of US$36.54million granted by the Group to Beirut Waterfront Development S.A.L., a joint venture, amounted to US$19,731,600 as of June 30, 2017 (US$18,087,300 as of December 31, 2016) recorded under "Prepayments and other debit balances".

During the six-month period ended June 30, 2017, the Group charged Solidere International Limited, an associate, administrative expenses amounting to nil (US$400,000 for the six-month period ended June 30, 2016).

Total benefits of executives and members of the Board of Directors (including salary, bonus and others) for the period ended June 30, 2017 included within "General and administrative expenses" amounted to US$1,353,200 (US$1,467,258 for the six-month period ended June 30, 2016 included within "General and administrative expenses").

Income arising and expenses incurred from the Group's transactions with other related parties, other than those disclosed in the financial statements, do not form a significant portion of the Group's operations.

12. COMMITMENTS AND CONTINGENCIES

(a) An agreement between the Group and the Council for Development and Reconstruction ("CDR") was promulgated through Decree No. 5665 dated September 21, 1994, duly approved by the Council of Ministers. By virtue of this agreement, the Group was granted 291,800m² of the reclaimed land surface (totaling 608,000 sqm) against the execution by the Group of the sea landfill and infrastructure works.

(b) The total projected cost for completion of the BCD project has been estimated by management to be approximately US$2billion at inception. This remaining estimate of cost to complete at period end is used as a base for the determination of cost of sales.

(c) Commitments for contracted works not executed as of June 30, 2017 amounted to approximately US$154million (US$100milliom as of December 31, 2016).

(d) The Group has submitted to the "CDR" claims aggregating US$13.6million representing mainly change orders to infrastructure works in the traditional BCD which were incurred by the Group on behalf of the Government. These claims were neither approved nor confirmed by the concerned party nor recorded as receivables in the accompanying condensed interim consolidated financial statements.

(e) The Group is a defendant in various legal proceedings and has litigations pending before the courts and faces several claims raised by contractors. On the basis of advice received from the external legal counsel and the Group's technical department, the directors are of the opinion that any negative outcome thereof, if any, would not have a material adverse effect on the financial condition of the Group.

(f) Management initiated a comprehensive exercise during the period ended 30 June 2017 to address some discrepancies and ensure the accuracy of the share register and other commitments and contingent liabilities. As the exercise is still on going and requires more time to be completed, management setup a provision of US$4million to cover for probable liabilities in this regard.

(g) On June 7, 1997, the Group signed an exchange agreement with the Lebanese Government. By virtue of this agreement, the Group acquired additional built up area of approximately 58,000m² and 556,340 Class A shares in exchange for approximately 15,000m² and the payment of US$38.7million to restore governmental buildings. US$25million has already been paid and accounted for and the balance of US$13.8million continues to be included under accounts payable. According to the terms of the agreement, the Group undertook to build a governmental building and to conclude ten finance leases over seven years for certain buildings belonging to the Lebanese Government. In 1999, the Government canceled the exchange and finance lease agreement. The implementation and the effect of cancellation is not yet determined and has not been reflected in the accompanying condensed interim consolidated financial information.

(h) In prior periods, the Group submitted to the Ministry of Culture and Higher Education claims totaling US$17.7million representing compensation for delays that resulted from excavation works. These claims were not yet approved nor confirmed by the concerned authorities nor recorded as receivables in the accompanying condensed interim consolidated financial information.

(i) For the purpose of enhancing and improving land value in Zokak Al Blat area and to settle the recuperation of a lot in that area, the Group signed in 2002 an agreement with the Armenian Orthodox prelacy to demolish the building on the recuperated lot and to transfer corresponding building rights to another adjacent lot with minimum building rights of 4,900m² against ceding of owners' shares from both lots. Additionally, a built up area of 5,335m² (US$2,700,000) remains as a contingent loss to the Group in case the prelacy decides to build this area within the next 10 years following this agreement. During November 2010, an agreement was signed by both parties in which it was agreed that November 2010 would be the start date for the 10 years period as it represents the date of finalization of parcellation and massing of plots number 1137 and 1138 of Zokak Al Blat area subject to the said agreements.

(j) The Group is defendant in a lawsuit raised by a group of jewelers and the jewelers syndicate. The Group appealed the court's decision in which the Group was required to register certain commercial shops in Beirut Souks. The case was deferred until April 4, 2016 and then deferred to June 13, 2016. On October 25, 2016, the Group lost the appeal. The court's decision was to force the Group to register specific commercial shops and offices in Beirut Souks against a consideration to be paid by the plaintiffs. The Group has filed a repeal in 2016 before the Cassation Court. During 2017, some of the plaintiffs started the execution procedures of the court sentence, to which the Group is filing objections over the delivery measures. However, the Group started the delivery procedures of some of the units. Furthermore, the Group has provided for rental revenues that could become the entitlement of the plaintiffs should the Group's objection be rejected. The provision amounted to US$337,687 recorded under "provision for contingencies" in the interim consolidated profit or loss.

(k) The Group is a party in a claim of a delay penalty estimated at around US$300,000 for not executing a judgement. The Group has appealed the case in front of the civil court to cancel this judgement. The case was postponed to February 12, 2016 when the judge ruled that the Group pay the plaintiff a fine of LBP150million. The Group challenged this judgment before the court of appeal on February 19, 2016 and obtained from the latter a stay of execution on March 10, 2016 which shall remain in force until the case is ruled upon by the court of appeal. The case is currently pending before this Court and no hearing has been fixed yet.

(l) The Group has commitments and contingencies in the form of letters of guarantee in the amount of US$ 10,536,966 as at June 30, 2017 (as at December 31, 2016 commitments and contingencies in the form of letters of guarantee in the amount of US$10,536,966).

13. CLASSIFICATION OF STATEMENT OF FINANCIAL POSITION ITEMS

ASSETS	(Unaudited) June 30, 2017 US$	December 31, 2016 US$
Current Assets		
Cash and banks balances	59,836,231	111,806,517
Prepayments and other debit balances - Current portion	46,640,958	36,138,106
Accounts and notes receivables, net - Current portion	148,379,879	186,831,642
Investment in assets-backed securities	45,363,975	45,363,975
Total Current Assets	300,221,043	380,140,240
Non Current Assets		
Prepayments and other debit balances - Non-current portion	4,914,973	3,936,039
Accounts and notes receivables, net - Non-current portion	352,164,338	322,497,122
Inventory of land and projects in progress	1,116,774,057	1,091,875,392
Investment properties, net	602,207,478	606,421,737
Investment in joint ventures and associates	408,631,969	418,029,589
Fixed assets, net	53,235,654	55,303,592
Total Non-Current Assets	2,537,928,469	2,498,063,471
TOTAL ASSETS	2,838,149,512	2,878,203,711
LIABILITIES		
Current Liabilities		
Bank overdrafts and short term facilities	244,210,793	309,762,330
Accounts payable and other liabilities - Current portion	87,968,967	89,229,207
Dividends payable	61,507,130	64,458,148
Deferred revenue and other credit balances - Current portion	21,874,978	20,125,364
Loans from banks and financial institutions- Current portion	96,509,579	93,474,203
Total Current Liabilities	512,071,447	577,049,252
Non-Current Liabilities		
Accounts payable and other liabilities – Non-current portion	41,253,598	39,909,503
Deferred revenue and other credit balances – Non-current portion	41,821,600	40,177,300
Loans from banks and financial institutions – Non-current portion	245,648,569	205,134,253
Total Non-Current Liabilities	328,723,767	285,221,056
TOTAL LIABILITIES	840,795,214	862,270,308
EQUITY		
Issued capital at par value US$10 per share:		
100,000,000 class (A) shares	1,000,000,000	1,000,000,000
65,000,000 class (B) shares	650,000,000	650,000,000
	1,650,000,000	1,650,000,000
Legal reserve	170,436,971	170,435,346
Retained earnings	176,945,447	195,870,766
Cumulative foreign translation reserve	(28,120)	(372,709)
Total Equity	1,997,354,298	2,015,933,403
TOTAL LIABILITIES AND EQUITY	2,838,149,512	2,878,203,711

14. FAIR VALUE MEASUREMENT

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in Note 3.

The summary of the Group's classification of each class of assets and liabilities and their fair values are as follows:

	(Unaudited) June 30, 2017				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$	US$
Financial Assets measured at amortized cost:					
Cash and bank balances	59,836,231	63,529	59,772,702	-	59,836,231
Other debit balances	43,050,909	-	43,050,909	-	43,050,909
Accounts and notes receivable	500,544,217	-	500,544,217	-	500,544,217
Investment in asset-backed securities	45,363,975	-	59,361,448	-	59,361,448
	648,795,332	63,529	662,729,276	-	662,792,805
Financial Liabilities measured at amortized cost:					
Bank overdrafts and short term facilities	244,210,793	-	244,210,793	-	244,210,793
Accounts payable and other liabilities	45,219,970	-	45,219,970	-	45,219,970
Dividends payable	61,507,130	-	61,507,130	-	61,507,130
Deferred revenues and other credit balances	52,946,578	-	52,946,578	-	52,946,578
Loans from banks and financial institutions	342,158,148	-	342,910,375	-	342,910,375
	746,042,619	-	746,794,846	-	746,794,846
Non-financial Assets measured at Cost:					
Investment properties	602,207,478	-	1,334,877,006	-	1,334,877,006
	602,207,478	-	1,334,877,006	-	1,334,877,006

	December 31, 2016				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$	US$
Financial Assets measured at amortized cost:					
Cash and bank balances	111,806,517	7,686,571	104,119,946	-	111,806,517
Other debit balances	31,250,270	-	31,250,270	-	31,250,270
Accounts and notes receivable	509,328,764	-	509,328,764	-	509,328,764
Investment in asset-backed securities	45,363,975	-	59,172,459	-	59,172,459
	697,749,526	7,686,571	703,871,439	-	711,558,010
Financial Liabilities measured at amortized cost:					
Bank overdrafts and short term facilities	309,762,330	-	309,762,330	-	309,762,330
Accounts payable and other liabilities	35,957,866	-	35,957,866	-	35,957,866
Dividends payable	64,458,148	-	64,458,148	-	64,458,148
Deferred revenues and other credit balances	49,552,664	-	49,552,664	-	49,552,664
Loans from banks and financial institutions	298,608,456	-	299,475,161	-	299,475,161
	758,339,464	-	759,206,169	-	759,206,169
Non-financial Assets measured at cost:					
Investment properties	606,421,737	-	1,334,877,006	-	1,334,877,006
	606,421,737	-	1,334,877,006	-	1,334,877,006

The fair value of financial assets and financial liabilities was determined using the discounted cash flow method based on a discount rate equivalent to the market interest rate.

The fair value of the investment properties was estimated by management based on market comparability approach.

There have been no transfers between Level 1 and Level 2 during the period.

15. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved the condensed interim consolidated financial information for the six-month period ended June 30, 2017 on October 2, 2017.