綠景(中國)地產投資有限公司
LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)
(HKSE Stock Code: 95)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

RESULTS

The board of directors (the "**Directors**" or the "**Board**") of LVGEM (China) Real Estate Investment Company Limited (the "**Company**" or "**LVGEM (China)**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively known as the "**Group**") for the year ended 31 December 2022 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	NOTES	**2022** *RMB'000*	2021 *RMB'000*
Revenue	*3*	**2,340,921**	4,378,017
Cost of sales		**(1,308,270)**	(2,189,617)
Gross profit		**1,032,651**	2,188,400
Other income	*4*	**97,372**	98,391
Other gains and losses	*5*	**(50,644)**	(48,111)
Selling expenses		**(106,860)**	(164,279)
Administrative expenses		**(553,196)**	(564,824)
Recognition of change in fair value of properties under development for sale/properties held for sale upon transfer to investment properties		**2,355,969**	2,787,454
Fair value changes on investment properties		**(301,833)**	(220,021)
Fair value changes on derivative component of convertible bonds		**(7,357)**	83,674
Finance costs	*6*	**(1,786,564)**	(1,710,896)
Share of result of a joint venture		**(2)**	(2)
Profit before tax	*7*	**679,536**	2,449,786
Income tax expenses	*8*	**(976,061)**	(1,114,869)
(Loss) profit for the year		**(296,525)**	1,334,917
(Loss) profit for the year attributable to:			
Owners of the Company		**(730,147)**	1,152,576
Non-controlling interests		**433,622**	182,341
		(296,525)	1,334,917
		RMB cents	*RMB cents*
(Loss) earnings per share attributable to the owners of the Company during the year	*10*		
– Basic		**(14.32)**	22.61
– Diluted		**(14.32)**	13.37

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	RMB'000	*RMB'000*
(Loss) profit for the year	**(296,525)**	1,334,917
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation	**(383,604)**	92,430
Gain on revaluation of properties, net of tax	**3,393**	–
Item that will not be reclassified to profit or loss:		
Fair value changes on investment in equity instruments at fair value through other comprehensive income, net of tax	**(58,845)**	(38,128)
Other comprehensive (expense) income for the year	**(439,056)**	54,302
Total comprehensive (expense) income for the year	**(735,581)**	1,389,219
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(1,169,232)**	1,204,334
Non-controlling interests	**433,651**	184,885
	(735,581)	1,389,219

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
Non-current assets			
Investment properties		**40,679,017**	29,190,354
Property, plant and equipment		**872,378**	856,628
Goodwill		**231,602**	231,602
Interest in a joint venture		**6,052**	6,054
Amount due from a joint venture		**522,318**	522,318
Equity instruments at fair value through other comprehensive income		**371,963**	450,423
Restricted bank deposits		**363,338**	540,000
Deferred tax assets		**617,557**	551,812
		43,664,225	32,349,191
Current assets			
Properties under development for sale		**45,274,263**	40,057,708
Properties held for sale		**3,388,369**	3,087,656
Other inventories		**851**	777
Accounts receivable	*11*	**60,691**	39,489
Deposits paid, prepayments and other receivables		**3,985,306**	2,598,909
Tax recoverable		**89,221**	61,255
Restricted bank deposits		**1,671,732**	2,840,020
Bank balances and cash		**1,569,935**	3,907,048
		56,040,368	52,592,862
Current liabilities			
Accounts payable	*12*	**5,449,855**	3,642,441
Accruals, deposits received and other payables		**2,393,632**	1,925,344
Contract liabilities		**2,887,286**	1,358,938
Lease liabilities		**13,269**	17,196
Tax liabilities		**2,310,880**	2,349,916
Borrowings		**8,177,876**	6,994,506
Senior notes and bond		**3,597,768**	1,394,867
Debt component of convertible bonds		**993,189**	1,462,252
Derivative component of convertible bonds		**22,760**	26,251
Other current liabilities		**926,179**	–
		26,772,694	19,171,711
Net current assets		**29,267,674**	33,421,151
Total assets less current liabilities		**72,931,899**	65,770,342
Non-current liabilities			
Borrowings		**20,694,072**	17,999,225
Senior notes and bond		**888,808**	3,336,853
Lease liabilities		**134,010**	147,279
Deferred tax liabilities		**4,344,172**	3,558,552
Other non-current liabilities		**15,894,325**	11,287,644
		41,955,387	36,329,553
Net assets		**30,976,512**	29,440,789
Capital and reserves			
Share capital		**42,465**	42,465
Reserves		**24,717,565**	25,886,797
Equity attributable to owners of the Company		**24,760,030**	25,929,262
Non-controlling interests		**6,216,482**	3,511,527
Total equity		**30,976,512**	29,440,789

Notes:

1. GENERAL

The Company was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the Company's registered office and principal place of business are Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and Unit 2501, NEO, 123 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong respectively. Its ultimate controlling party is Mr. WONG Hong King, father of Ms. HUANG Jingshu, the Chairman of the Company, and Mr. HUANG Hao Yuan, the Executive Director of the Company.

The Company acts as an investment holding company and its subsidiaries are principally engaged in real estate development and property investment business in the People's Republic of China (excludes Hong Kong, Macau and Taiwan) ("**Mainland China**" or the "**PRC**").

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

The consolidated financial statements have been prepared on going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. Management continues to closely monitor the liquidity position of the Group, which includes the sensitivity analysis of forecast bank and cash balances for various factors (including the number and selling price of residential properties and commercial buildings sold) over the short and medium term to ensure adequate liquidity is maintained.

As at 31 December 2022, the Group has borrowings of RMB8,178 million, senior notes and bond of RMB3,598 million, and debt component of convertible bonds of RMB993 million that are repayable within one year at the end of reporting period. At the same date, the Group has cash and cash equivalent amounted to RMB1,570 million. Subsequent to the end of the reporting period, the Group repaid public senior notes with carrying amount of RMB3,398 million as at 31 December 2022. The Group might not have sufficient working capital to operate if such borrowings and convertible bonds are required to be repaid or redeemed and all other alternative operating and financing plans as described below cannot be implemented as planned. These conditions indicate that the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Directors have reviewed the Group's cash flow forecasts which cover a period of not less than twelve months from the date of the end of the reporting period.

Cash flow forecasts, which assume the continuity of normal business activity, indicate that the Group will have sufficient liquidity to meet its operation, existing contractual debt obligation and capital expenditure requirements for at least twelve month period from the date of the end of the reporting period. Such cash flow forecasts include the following assumptions:

(i) The Group will continue to actively adjust sales and pre-sale activities to better respond to market needs, and make efforts to achieve the latest budgeted sales and pre-sales volumes and amounts. The Group will maintain continuous communication with the major constructors and suppliers to arrange payments to these vendors and meet all of the necessary conditions to launch the pre-sale. The Group will also continuously enhance collection progress from customers and banks in respect of the property sales and pre-sales;

(ii) The Group will continuously comply with financial covenants and other terms and conditions of the borrowings, including timely repayment of principle and interests of the borrowings. In addition, the Group has been actively negotiating with certain financial institutions so that the Group can secure project development loans for qualified project development through pledge of equity interests in certain subsidiaries and assets of the relevant projects and secure working capital loans through pledge of the Group's properties if required;

(iii) The Group is currently considering the loan facility provided by bank with amounts not less than RMB1.5 billion. The relevant loan facility is currently undergoing the internal approval procedures of the bank, based on the best estimation of the directors of the Company, the approval for the loan agreement will be obtained from the bank in the near future;

(iv) One of the convertible bonds of approximately USD78 million, embedded with early redemption option, which will be matured in first half of 2023, is assumed to be renewed and such early redemption option is expected not to be exercised by the convertible bondholders within twelve months from the end of the reporting period;

(v) The RMB denominated domestic corporate bonds with an aggregate principal amount of RMB200 million, embedded with retractable options, which shall be matured after twelve months from the end of the reporting period in accordance with the scheduled repayment dates as set out in the offering memorandum, are assumed not to be retracted by the corporate bondholders within twelve months from the end of the reporting period;

(vi) The existing outbound guarantee facility arrangement with the banks in relation to the fund transmission from Mainland China to Hong Kong is assumed to be feasible and effective, based on the past historical records;

1. **GENERAL** *(Continued)*

(vii) The related parties of the Group have agreed not to demand for repayment for non-trade amounts of RMB1,571 million as of 31 December 2022 until the Group has the financial ability to do so; and

(viii) The Group is currently considering the loan financing offer provided by an equity fund investor with amount not less than US$500 million with the loan period not less than 3 years.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measure as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

(i) successfully adjust sales and pre-sales activities to achieve budgeted sales and pre-sales volumes, successfully arrange payments to constructors and suppliers on schedule and meet all of the necessary conditions to launch the pre-sale, and timely collect the relevant sales proceeds;

(ii) continuously comply with financial covenants and other terms and conditions of the borrowings, successfully and timely secure necessary loans from financial institutions;

(iii) successfully draw down necessary funding from the borrowing facility granted and renew existing borrowings and certain convertible bonds, etc.; and

(iv) successfully entered into the borrowing facility with the equity fund investor.

Taking into account all assumptions and plans as described above, the Directors are of the opinion that the Group will have sufficient working capital to maintain its operations and to pay its financial obligations as and when they fall due for at least twelve months from the end of the reporting period. The Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group fail to achieve a combination of the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their realisation amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, if applicable. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group's consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

In addition, the Group applied the agenda decision of the Committee of the International Accounting Standards Board, including *Lessor Forgiveness of Lease Payments (International Financial Reporting Standards ("IFRS") 9 Financial Instruments and IFRS 16 Leases),* which is relevant to the Group.

The application of the amendments to HKFRSs and the Committee's agenda decision in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on disclosures set out in these consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the income from property development, property leasing and provision of comprehensive services, net of business tax and other sales related taxes and after deduction of any discounts.

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

	2022	2021
	RMB'000	*RMB'000*
Sales of properties	**1,211,312**	3,392,354
Revenue from hotel operation, property management service and other services	**427,567**	343,030
Revenue from contracts with customers	**1,638,879**	3,735,384
Rental income	**702,042**	642,633
	2,340,921	4,378,017
Timing of revenue recognition from contracts with customers		
At a point in time	**1,211,312**	3,392,354
Over time	**427,567**	343,030

– **Sales of properties**

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customers' specifications with no alternative use. Taking into the consideration of relevant terms, the legal environment and relevant legal precedent, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of relevant properties to customers. Revenue from sales of residential properties and commercial buildings is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives an upfront payment, ranging from RMB10,000 to RMB924,000 (2021: RMB10,000 to RMB500,000) for different properties from customers for the subscription of properties and such amount will be treated as the deposits from customers after signing the sale and purchase agreement. However, depending on the market conditions, the Group may offer customers a discount compared to the listed sale price, provided that the customers agree to pay the rest of the consideration earlier.

For contracts entered into with customers on sales of properties, the expected duration of satisfying the performance obligation of which is within one year, the transaction price allocated to these unsatisfied contracts is not disclosed as permitted under HKFRS 15.

The Group considers the advance payment contains no significant financing component and accordingly no adjustments of the amount of consideration would be made.

– **Rental income**

Revenue, include both fixed and variable rents, generated from leasing of commercial properties, office premises, apartments and car parks is accounted for in accordance with HKFRS 16.

– **Revenue from hotel operation, property management service and other services**

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

All hotel operation service is for periods less than one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

For property management service, the Group elected to apply practical expedient by recognising revenue in the amount to which the Group has right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

In identifying its operating segments, the executive directors of the Company, being the chief operating decision makers, generally follow the Group's service lines, which represent the main products and services provided by the Group. The Group has identified the following reportable segments under HKFRS 8:

- Real estate development and sales: sales of properties
- Commercial property investment and operations: lease of commercial properties, office premises and car parks
- Comprehensive services: hotel operation, property management service and other service income

Each of these operating segments is managed separately as each of these products and service lines requires different resources as well as marketing approaches.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the year ended 31 December 2022

	Real estate development and sales *RMB'000*	**Commercial property investment and operations** *RMB'000*	**Comprehensive services** *RMB'000*	**Total** *RMB'000*
Revenue:				
From external customers	**1,211,312**	**702,042**	**427,567**	**2,340,921**
Inter-segment revenue	**–**	**17,452**	**135,256**	**152,708**
Total segment revenue	**1,211,312**	**719,494**	**562,823**	**2,493,629**
Reportable segment profit	**271,007**	**640,047**	**121,597**	**1,032,651**

For the year ended 31 December 2021

	Real estate development and sales *RMB'000*	Commercial property investment and operations *RMB'000*	Comprehensive services *RMB'000*	Total *RMB'000*
Revenue:				
From external customers	3,392,354	642,633	343,030	4,378,017
Inter-segment revenue	–	23,469	112,836	136,305
Total segment revenue	3,392,354	666,102	455,866	4,514,322
Reportable segment profit	1,498,882	581,983	107,535	2,188,400

Inter-segment sales are at mutually agreed terms.

Reconciliations of reportable segment revenue, profit or loss

The Group does not allocate fair value changes on properties under development for sale/properties held for sale upon transfer to investment properties, fair value changes on investment properties, fair value changes on derivative component of convertible bonds, other income, other gains and losses, depreciation, finance costs, share of result of a joint venture and corporate expenses to individual reportable segment profit or loss for the purposes of resource allocation and performance assessment by the chief operating decision makers while the investment properties are allocated to the segment of "commercial property investment and operations" for presenting segment assets.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Reconciliations of reportable segment revenue, profit or loss *(Continued)*

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

	2022	2021
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**2,493,629**	4,514,322
Elimination of inter-segment revenue	**(152,708)**	(136,305)
Consolidated revenue	**2,340,921**	4,378,017
Profit		
Reportable segment profit	**1,032,651**	2,188,400
Recognition of change in fair value of properties under development for sales/properties held for sale upon transfer to investment properties	**2,355,969**	2,787,454
Fair value changes on investment properties	**(301,833)**	(220,021)
Other income	**97,372**	98,391
Other gains and losses	**(50,644)**	(48,111)
Depreciation	**(77,949)**	(73,438)
Finance costs	**(1,786,564)**	(1,710,896)
Share of result of a joint venture	**(2)**	(2)
Fair value changes on derivative component of convertible bonds	**(7,357)**	83,674
Corporate expenses	**(582,107)**	(655,665)
Consolidated profit before tax	**679,536**	2,449,786

Segment assets and liabilities

The following is an analysis of the Group's assets by reportable and operating segment, no liabilities are presented as the information is not reportable to the chief operating decision makers in the resource allocation and assessment of performance:

Segment assets

	2022	2021
	RMB'000	*RMB'000*
Assets		
Real estate development and sales	**48,754,245**	43,209,976
Commercial property investment and operations	**40,707,002**	29,212,394
Comprehensive services	**325,885**	314,205
Reportable segment assets	**89,787,132**	72,736,575
Goodwill	**231,602**	231,602
Equity instruments at fair value through other comprehensive income	**371,963**	450,423
Bank balances and cash (including restricted bank deposits)	**3,605,005**	7,287,068
Deferred tax assets	**617,557**	551,812
Interest in a joint venture and amount due from a joint venture	**528,370**	528,372
Corporate assets	**4,562,964**	3,156,201
Consolidated total assets	**99,704,593**	84,942,053

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than goodwill, equity instruments at fair value through other comprehensive income, bank balances and cash (including restricted bank deposits), deferred tax assets, interest in a joint venture and amount due from a joint venture and corporate assets.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located on the Mainland China, Hong Kong, the United States of America (the "**USA**") and the Kingdom of Cambodia ("**Cambodia**"). Revenue from external customers are mainly generated from the Mainland China for the years ended 31 December 2022 and 2021. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**32,780,583**	21,291,253
Hong Kong	**8,518,727**	8,407,011
USA	**180,812**	175,216
Cambodia	**599,643**	701,874
	42,079,765	30,575,354

Note: Non-current assets excluded goodwill, restricted bank deposits, equity instruments at fair value through other comprehensive income and deferred tax assets.

Information about major customers

No major customers contributed over 10% of the total sales of the Group for the years ended 31 December 2022 and 2021.

4. OTHER INCOME

	2022	2021
	RMB'000	*RMB'000*
Interest income	**65,425**	69,217
Investment income	**22,808**	22,800
Government grants *(Note)*	**9,139**	6,374
	97,372	98,391

Note: It mainly represented cash received from unconditional grants by the local government to encourage the business operations in the Mainland China.

5. OTHER GAINS AND LOSSES

	2022	2021
	RMB'000	*RMB'000*
Impairment loss recognised for accounts receivable, net	**(36,385)**	(68,873)
Foreign exchange (loss) gain, net	**(31,204)**	6,396
Write-off of deposits paid for acquisition of equity fund investment	**(27,840)**	–
Loss on non-substantial modification of domestic corporate bonds	**(2,394)**	–
Loss on disposal of property, plant and equipment	**(23)**	(8)
Gain on non-substantial modification of convertible bond	**23,252**	–
Gain on early redemption of convertible bonds	**12,613**	–
Gain on disposal of a subsidiary	**–**	3,569
Others	**11,337**	10,805
	(50,644)	(48,111)

6. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interests on:		
Bank and other borrowings	**1,754,571**	1,498,182
Convertible bonds	**165,526**	193,594
Senior notes and bonds	**474,529**	481,490
Lease liabilities	**13,849**	11,281
Less: Amount capitalised in investment properties under development and properties under development for sale*	**(621,911)**	(473,651)
	1,786,564	1,710,896

* The finance costs have been capitalised at rates ranging from 1.00% to 19.90% (2021: 1.30% to 13.75%) per annum.

7. PROFIT BEFORE TAX

	2022	2021
	RMB'000	*RMB'000*
Profit before tax is arrived at after charging (crediting):		
Cost of properties held for sale recognised as expense	**940,305**	1,893,472
Depreciation of property, plant and equipment	**78,709**	73,873
Less: Amount capitalised in investment properties under development and properties under development for sale	**(760)**	(435)
	77,949	73,438
Gross rental income from investment properties	**702,042**	642,633
Outgoings in respect of investment properties that generated rental income during the year	**(61,995)**	(60,650)
	640,047	581,983
Expense relating to short-term leases	**4,365**	2,025
Auditor's remuneration	**3,546**	2,558
Staff costs		
– Directors' emoluments	**8,453**	10,466
– Salaries and other benefits in kind	**453,500**	391,886
– Amount recognised as expense for retirement benefit costs	**33,294**	35,004
Less: Amount capitalised in investment properties under development and properties under development for sale	**(119,809)**	(113,538)
	375,438	323,818

8. INCOME TAX EXPENSES

	Notes	2022 RMB'000	2021 RMB'000
Current tax			
Mainland China Enterprise Income Tax ("**EIT**")			
– Current year	*(a)*	**27,990**	175,401
– PRC withholding tax on dividends distributed by subsidiaries		**120,163**	–
– Underprovision in prior year		**–**	58
		148,153	175,459
Mainland China Land Appreciation Tax ("**LAT**")			
– Current year	*(b)*	**89,551**	200,309
Deferred taxation			
– Current year		**738,357**	739,101
Total income tax expenses		**976,061**	1,114,869

Notes:

(a) Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25% from 1 January 2008 onwards.

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

Pursuant to the Cambodia tax laws, a subsidiary of the Group is entitled to preferential tax treatment with full exemption from Cambodia Corporate Income Tax for three years from 1 April 2019 to 31 March 2022. No estimated assessable profits for the period from 1 April 2022 to 31 December 2022 and therefore no Cambodia Corporate Income Tax has been provided for both years.

No Hong Kong Profits Tax has been provided for as the Group had no estimated assessable profits for both years.

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2022 and 2021.

10. (LOSS) EARNINGS PER SHARE

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

	2022	2021
	RMB'000	*RMB'000*
Earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share	**(730,147)**	1,152,576
Effect of dilutive potential (loss) earnings in respect of – Convertible bonds	**–**	3,543
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(730,147)**	1,156,119

	2022	2021
Number of shares		
Weighted average number of ordinary shares of the Company for the purpose of basic (loss) earnings per share	**5,097,703,975**	5,097,557,126
Effect of dilutive potential ordinary shares in respect of		
– Share options	**–**	13,429,053
– Convertible bonds	**–**	133,685,286
– Convertible preference shares	**–**	3,404,575,241
Weighted average number of ordinary shares of the Company for the purpose of diluted (loss) earnings per share	**5,097,703,975**	8,649,246,706

The computation of diluted loss per share for the year ended 31 December 2022 does not assume the conversion of outstanding convertible bonds and convertible preference shares (2021: certain outstanding convertible bonds) of the Group as the conversion would result in a decrease in loss per share (2021: increase in earnings per share). Moreover, the computation of diluted loss per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for the year ended 31 December 2022.

11. ACCOUNTS RECEIVABLE

	2022	2021
	RMB'000	*RMB'000*
Accounts receivable from:		
– Contracts with customers	**41,360**	25,089
– Lease receivables	**165,819**	124,503
Accounts receivable	**207,179**	149,592
Less: Allowance for credit losses	**(146,488)**	(110,103)
	60,691	39,489

Accounts receivable represent receivables arising from sales of properties and rental income from leasing properties and comprehensive services (including hotel operation and property management). For the receivables arising from sales of properties, they are due for settlement in accordance with the terms of the relevant sales and purchase agreements. For the receivables arising from rental income from leasing properties, monthly rents are normally received in advance and sufficient rental deposits are held to minimise credit risk. For accounts receivable generated from hotel operation, the credit term is payable on demand. For accounts receivable generated from property management, receivable generally have credit terms of 30 to 60 days (2021:30 to 60 days). All accounts receivable are denominated in RMB. The ageing analysis of the Group's accounts receivable, based on invoice dates for rental income from leasing properties and comprehensive services and the terms of relevant sales and purchases agreements for sales of properties, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 1 month	**41,367**	27,183
1 to 12 months	**18,734**	8,397
13 to 24 months	**590**	3,909
	60,691	39,489

12. ACCOUNTS PAYABLE

Accounts payable mainly represent amounts due to contractors and government authorities. Payment to contractors is made by reference of progress of the respective construction work and agreed millstones. Payment to government authorities is made by reference to the agreed milestones for payment of land premium.

The following is an ageing analysis of accounts payable presented based on the invoice date:

	2022	2021
	RMB'000	*RMB'000*
Within 1 month	**4,233,541**	2,680,964
1 to 12 months	**1,021,957**	770,407
13 to 24 months	**122,773**	113,386
Over 24 months	**71,584**	77,684
	5,449,855	3,642,441

The average credit period for purchase of construction materials ranged from six months to one year.

CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to report to all shareholders of the Company the consolidated business performance of the Group for the year ended 31 December 2022.

2022 was a tumultuous year. With a century of changes, the once-a-century pandemic and geopolitical turmoil, the global economic momentum has been slowing down. The domestic reform and development have become a daunting mission as the triple pressure of shrinking demand, supply shocks and weakening expectations was evident. In light of such difficult macro environment internally and externally, the Party Central Committee and the State Council of the PRC have risen to the challenges and implemented precise measures. Focusing on the economic development in a high-quality way unswervingly, they firmly pushed forward a high level of opening-up and made every effort to maintain macroeconomic stability. After all, China achieved a breakthrough in annual gross domestic product ("**GDP**") exceeding RMB121 trillion with its overall social stability and comprehensive national power that has scaled new heights, demonstrating the characteristics of China's strong economic resilience, great potential and vitality. China has become an important stabilizer of global economic development.

During the year, the real estate industry continued to undergo in-depth adjustments and the long-term housing demand momentum continued to weaken. Meanwhile, with short-term negative factors such as the recurring COVID-19 pandemic and the suspension of construction work and loans for various projects across the country, real estate companies were confronted with unprecedented downward pressure, putting an end to the risky era of "high leverage and quick turnover". Now the industry was accordingly at the crossroads of a century of change. Facing with the new problems in the real estate sector, the Central Government reiterated that "real estate is currently the pillar industry of the national economy", and stressed the importance of "stabilising real estate" to "stabilise the economy". It continued to adopt policies favoring from the demand side to the credit side. In November 2022, the Central Government issued the "Notice of the People's Bank of China and China Banking and Insurance Regulatory Commission on Improving Financial Support for the Stable and Healthy Development of the Real Estate Market" (the "**16 Financial Regulations**") to greatly enrich the financial toolbox, open up the three channels of credit financing, debt financing and equity financing for real estate enterprises, actively support quality real estate enterprises, bolster the real estate market with financial means and further implement the long-term development mechanism for real estate, thereby promoting the formation of a virtuous cycle in the industry.

Against the backdrop of the accelerated industry clearance, LVGEM (China) has prepared for the worst and taken a prudent and forward-looking approach to review the risk exposure in advance during the year, striving to ensure the Group's capital was kept within a secured range and the development and construction of various urban renewal projects was carried out in an orderly manner as planned. In particular, the Baishizhou Urban Renewal Project (the "**Baishizhou Project**"), a hallmark urban renewal project which has attracted much attention from the community, made a breakthrough progress during the year and is expected to contribute considerable revenue and cash flow to the Group as the harvesting stage is approaching, providing an enhanced and sound safety cushion for the Group's development. During the year under review, in the midst of the industry changes with elimination of the weak players, the Group has been able to forge ahead by overcoming all challenges and operating conscientiously without any over-ambitious plans.

Starting as a construction company, LVGEM (China) has been focusing on the urban renewal segment for almost 30 years. We believe we are the first mover in the urban renewal segment in the Guangdong-Hong Kong-Macao Greater Bay Area (the "**GBA**"). Over the years, adhering to the "dual-core" strategic layout approach of "Focusing on Core Cities and Cities' Core Areas" at all times, the Group has early identified and acquired a number of high-value land bank projects in the core cities and core districts of the GBA at an early stage at low cost leveraging its unique business vision. It harnessed the huge demographic dividend and land bank appreciation arising from the process of urban expansion in the GBA, thereby proudly attaining the high gross profit level that outperformed the industry generally. The exceptional profitability has helped to safeguard the Group from the maze of industry changes. Over the past 30 years, the Group has accumulated rich experience and extensive resources in the urban renewal segment. Its strategy to focus on regional development has delivered satisfactory results as a solid moat laid in the urban renewal segment, which has further raised its barrier to competitors for the segment and consolidated the overall strength of the Group, enabling it to grow into a leading player in the urban renewal segment in the GBA and a reputable provider of quality living for the GBA residents.

2022 was a critical year for the GBA in formulating the framework for developing itself into a leading international bay area and a world-class city cluster. Over the past five years, ranging from "hard connection" of infrastructures to "soft connection" of systems and mechanisms, the comprehensive strength and regional competitiveness of the GBA have been significantly enhanced, equipping itself with the basic conditions for developing into a leading international bay area and a world-class city cluster. The GBA is currently one of the most open and economically dynamic regions in China, and has an important strategic position in the overall development of the country. The "Outline Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" (《粵港澳大灣區規劃綱要》) is a national-level socio-economic development plan. Benefiting from the encouraging policies and support favoring the China's regional economic development, the Group will seize the huge opportunities arising from the market capacity expansion of the GBA and leverage on its strong industrial base of the GBA and the continuous influx of high-end population to persistently drive its high-value land reserve projects to maturity. With the tailwind of the rapid economic growth on the Lingding Bay coast, the Group is well-poised to develop steadily and secure sustainable growth.

During the year, orienting with the real estate development and sales projects as its core business, the Group proactively monitored the macro environment and timely adopted diversified home sales strategies based on its quality property projects located in the core districts, thus delivering a business result that was in line with expectations. For the year ended 31 December 2022, the real estate development and sales of the Group generated revenue of approximately RMB1,211.3 million, representing a decrease of approximately 64.3% as compared to last year. During 2022, suffering from both demand and supply slowdown, the real estate industry registered increasingly sluggish sales generally. According to market statistics, total real estate sales throughout China in 2022 amounted to RMB13.33 trillion, representing a decrease of approximately 26.7% year-on-year; the sales area was approximately 1,358 million square meters, down approximately 24.3% year-on-year, which showed that the overall contract sales are not optimistic. Thanks to the Group's core location layout concept pursued for many years, which has made its property projects more resilient to risks during the winter's chill of the industry, the Group's contracted sales significantly outperformed the industry average in the difficult market environment. During the year, property contracted sales was mainly generated from projects such as LVGEM Royal Bay in Zhuhai, International Garden in Huazhou and Joyful Town in Zhuhai. Among them, LVGEM Royal Bay in Zhuhai, which is currently the Group's key project for sale and one of the pilot urban renewal projects in Zhuhai, has been included in the annual priorities of Zhuhai city for several times. Located in the sub-district of Nanwan, Xiangzhou District, Zhuhai City, the LVGEM Royal Bay project has the advantage of prestigious core district. With all-round ancillary facilities, it is a rare high-end residential project in Xiangzhou District, Zhuhai City. Since the market launched in October 2021, it ranked top ten for a long time on the contracted sales list of real estate enterprises in Xiangzhou District, Zhuhai and was recognized as one of the hot offers of regional luxurious properties in Xiangzhou District, Zhuhai City.

In terms of urban renewal projects currently underway, the Group was pleased to announce that significant progress was made during the year on the highly anticipated Baishizhou Project. In 2022, the Group settled the land premium for the land parcel of Phase I of the Baishizhou Project and obtained the land use right certificate, and the construction of the project is underway in full swing. In September 2022, the Baishizhou Project had officially entered the stage of main building construction when construction of the first tower of its Phase I formally progressed to the ground level. As at 31 December 2022, the progress of the Phase I construction of the Baishizhou Project was satisfactory, with both the pre-sale and land-parcel relocation having been rapidly brought up to the level of typical floors. The pre-sale of Phase I of the Baishizhou Project will be officially commenced in the third quarter of 2023 as scheduled. Meanwhile, in view of the scarcity and excellent quality of the project, China Vanke Co., Ltd ("**Vanke**") announced in mid-2022 to undertake equity participation in the Baishizhou Project as a strategic shareholder. The capital market widely considered that the equity participation showed Vanke's high recognition of the Baishizhou Project and vision of pursuing long-term investment in the Baishizhou Project exchanged with short-term cash flow, making the alliance a win-win move for the two strong enterprises. This has significantly enhanced the security of the Baishizhou Project. In October 2022, it was announced that the Baishizhou syndicate of banks, led by China Everbright Bank with five banks participating in the syndicate, has formed with a dedicated credit facility of RMB20.7 billion, which will fully meet the capital requirements for the demolition and relocation work relating to the Baishizhou Project and the development and construction of Phase I. The syndicate will provide a secure capital base for the Baishizhou Project and further boost the market's confidence in the successful development of the Baishizhou Project. It is understood that the successful development and construction of the Baishizhou Project is of great significance to the Group. With its planned capacity area of approximately 3.58 million square meters, the Baishizhou Project is accredited as the "Grand Urban Renewal Project" in Shenzhen. Located at the north of Shennan Avenue, Nanshan District, Shenzhen, adjacent to the Science and Technology Park and the Overseas Chinese Town, it is expected to complete the construction of four phases of the Baishizhou Project within next eight to ten years. After several years of focused development, the Baishizhou Project will be formally launched for pre-sale in 2023, marking the beginning of the project's harvesting stage officially. Once the Group is reputed with the success of the project, the Group will have embarked on an era of high speed and high-quality development, establishing its brand name in the area of urban renewal in the GBA and laying a solid foundation for the Group's long-term operation.

During the year, the Group continued to adopt the "two-pronged" business model of "residential and commercial" for its commercial property investment and operations, thereby gradually establishing its commercial property presence, which was mainly represented by two major commercial brands called "NEO" and "Zoll", including, among others, Shenzhen NEO Urban Commercial Complex, Hong Kong LVGEM NEO, LVGEM Zoll Chanson Shopping Mall and LVGEM 1866 Zoll Shopping Mall. These properties contributed to the stable rental income and growth in asset value of the Group. During the period under review, Zoll Mangrove Shopping Centre staged its grand opening, which marked another significant addition to the Zoll series. Huazhou Wanda Plaza has topped out in the first half of 2022 and is expected to open in 2023. The Huazhou Cultural Food Street Project is highly valued by the government and is expected to become an iconic landmark of Huazhou with local history and human culture and customs. Leasing promotion event was commenced during the year. Over the past few years, by looking forward with visions and dedicated actions, the Group has steadily expanded the number and size of its commercial properties and now holds more than 30 quality commercial property projects comprising a total gross floor area of approximately 1,658,308 square meters. For the year ended 31 December 2022, the Group's revenue generated from the commercial property investments and operation was approximately RMB702.0 million, representing an increase of approximately 9.2% year-on-year, effectively replenishing the Group's own capital and generally enhancing the Group's overall competitiveness.

Regarding the comprehensive services segment, the Group was dedicated to offering all-round services to customers and tenants of its residential and commercial properties, which included property management services, hotel operations and others. For the year ended 31 December 2022, the Group generated revenue of approximately RMB427.6 million from its comprehensive services, representing an increase of approximately 24.6% year-on-year. It is worth noting that the LVGEM Hotel of the Group is located in the central business district of Futian District, and was rented as a government control center for epidemiological investigation in 2022. The LVGEM Hotel recognized an annual revenue of approximately RMB119.9 million, which hit a record high among the recent years.

With respect to financing, strictly adopting the main theme of "Focused and Prudent Development to Secure Sustainable Growth", the Group insisted on a highly secure financial structure based on bank loans, took initiative to manage the size of its debt, actively deployed financing and refinancing arrangements by diversifying the financing channels during the period to ensure that our financial status remained stable within a secure range.

In 2022, the report of the 20th Party Congress indicated that "we should speed up the transformation of the development mode of mega cities, implement urban renewal initiatives, enhance the construction of urban infrastructure, and build livable, resilient and smart cities", specifically showing the way for the future modernisation and development of cities and marking the official emergence of the age of urban renewal. Becoming an inevitable requirement to promote high-quality urban development, the implementation of urban renewal is an important path to meet the growing needs of people for a better life and unleash the development potential of cities. Meanwhile, urban renewal is also a major project focused and specified in China's Vision 2035. Real estate enterprises that have been focusing on the urban renewal segment for many years will welcome these historic opportunities leveraging their solid moats ever laid.

As the old saying goes, "God will reward those who pay diligent efforts despite that time flies and leaves no trace". In the future, pursuing its grand vision of "being the most respected city value-creator in the PRC" and the corporate mission of "continuously enhancing the value of cities", the Group will continue to commit itself to the great task of China's renewal and development of modern cities, actively align with the deployment of the national policies relating to the GBA, seize the market opportunities arising from the rapid economic growth of the region and expand the scale of business and enhance cost effectiveness. Staying committed to its original mission, the Group will continue to develop quality properties for the cities and create joyful urban lifestyles for the people residing in the GBA, thereby making further contributions while developing prudently to secure sustainable growth.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

2022 has been a historically significant year for China. During the year, in parallel with the volatility in the global scene, domestic development has become a daunting mission. With a century of changes and the once-a-century COVID-19 pandemic, the complicated situation has given rise to various social uncertainties, including sluggish social supply, consumer price hikes and weakening expectations. The Party Central Committee and the State Council of the PRC have risen to the challenges and implemented proactive policies. With a focus on the economic development in a high-quality way, they adhered to the general principle of promoting advancement with stability and consolidating stability with advancement. The Chinese government efficiently coordinated various measures for pandemic prevention and control, and made every effort to maintain macroeconomic stability, striving to promote the revitalization of market entities proactively. In 2022, having withstood the economic downward pressure, China achieved a breakthrough in annual GDP exceeding RMB121 trillion with its total economic volume scaling new heights. During the year, the 20th National Congress of the Party was held successfully, during which high-quality development was confirmed as the top priority for the comprehensive development of a modern socialist country. The overall economic performance will be improved in terms of quality with reasonable growth in quantity. Therefore, China's economic outlook will remain positive and favourable in the long run.

In general, as the real estate sector continued its volatility and in-depth adjustments in 2022, various real estate indicators showed a downturn. The sales area and sales amount of commodity housing were approximately 1.358 billion square meters and approximately RMB13.33 trillion, down approximately 24.3% and 26.7% year-on-year respectively. The general trend of rapid growth in property sales over the past five years has come to a halt. During the year, the real estate market continued to be hit by contraction of both supply and demand. The investment in real estate development throughout China amounted to approximately RMB13.29 trillion, representing a decrease of approximately 10.0% as compared with the previous year, of which, residential investment amounted to approximately RMB10.06 trillion, representing a decrease of approximately 9.5%. This marked the beginning of the real estate industry's "Dark Iron Age". The Central Government has been highly concerned about the new issues in the real estate sector, and took the initiative to adopt favorable policies. In November, the Central Government issued the 16 Financial Regulations, with a view to bolstering the real estate market with financial means. Relevant financial institutions were required to provide a stronger and more comprehensive financial support to real estate enterprises, including commercial and policy-related bank loans, bond financing, merger and acquisition financing, trusts and other financing for asset management. In the meantime, the Central Government also provided support and guarantee for housing demand as well as rights and interests of individual consumers. Targeted policies for boosting both demand and supply were implemented to stabilise market sentiment and ensure the security of the capital chain of real estate enterprises, thereby facilitating the establishment and development of a long-term development mechanism for the real estate market.

With over 40 years of hard work and dedication throughout the regional economic development in China from the launch of the reform and opening policy to the promulgation of the Outline Development Plan for the GBA, the GBA has witnessed persistent inflow of population and robust development of industry innovation, and evolved from a remote fishing town into an emerging international modern city cluster. The local economy has also shifted from relying on labor-intensive lower-end manufacturing and assembly industry to focusing on manufacturing industry with an emphasis on high-tech innovation. The GBA lived up to the expectations of the market and gradually developed into a high standard demonstration area for integrated regional economic development and a pilot zone for institutional liberalization, making remarkable achievements in terms of economies of scale and social development. According to UBS, it is expected that the nominal GDP of the GBA will exceed approximately US$2.6 trillion by 2025, rendering it to become not only one of the most opened-up and economically vibrant regions in the PRC, but also a cluster for global production factors.

Building on the strong industrial economy and relying on the influx of high-end talents, LVGEM (China) focused on the urban renewal segment of the GBA with its visionary perspectives and participated in the exploration of residential and commercial development projects in the urban renewal segment at an early stage with its strategic insights, and has become a founding member and president unit of the Professional Committee on Urban Renewal of Shenzhen (深圳城市更新專業委員會), making it a worthy first mover in the urban renewal segment of the GBA. Adhering to its strategic layout of "Focusing on Core Cities and Cities' Core Areas", the Group secured high-value land reserve projects at low costs at an early stage, thereby harnessing the huge demographic dividend and land bank appreciation arising from the process of urban expansion. Over the past 30 years, the Group has accumulated rich experience and extensive resources in the urban renewal segment. Its strategy to focus on regional development has delivered satisfactory results, which served as a solid moat for the future operation of the Group in the long run, consolidated the core competitiveness of the brand and hence enabling the Group to gradually grow into a renowned unique real estate developer and operator and a regional leading enterprise in the GBA.

2022 was a year of turbulence for LVGEM (China) where crashes of real estate enterprises emerged one after another and the industry continued to experience fluctuations. However, as the saying goes, "Every cloud has a silver lining", the Group has set its sights on maintaining stability and promoting development amid the turbulences and upheavals of the industry. During the year, the Group actively innovated its working philosophy and took proactive measures to create a better development prospect by surmounting all challenges. Eventually, the Group managed to survive the predicament and maintained the financial position within a reasonable range with its all-out efforts. The Group's major urban renewal projects located in core cities of the GBA including Shenzhen, Zhuhai, Hong Kong and Dongguan were progressing in an orderly and steady manner. Amongst which, the Baishizhou Project which has earned wide public attention achieved a major breakthrough during the year and will usher in the harvest period soon. Upon the commencement of pre-sale of Phase I of the Baishizhou Project, it is expected that the Group will embark on a new journey of development with its overall operation scale reaching a new level. As only through the passing of time would one's strength be revealed, looking forward, LVGEM (China) will stay true to its original aspiration and undertake construction projects with craftsmanship and dedication, aiming to deliver new values by unleashing the potential of land reserves in the urban area and create joyful lifestyles for people residing in the GBA. Staying committed to the goal of being the most respected city value-creator in the GBA, the Group will stride forward steadily and take on all challenges with an undaunted spirit.

Results

For the year ended 31 December 2022, the Group achieved total revenue of approximately RMB2,340.9 million (2021: RMB4,378.0 million), representing a decrease of approximately 46.5% year-on-year. Gross profit was approximately RMB1,032.7 million (2021: RMB2,188.4 million), representing a decrease of approximately 52.8% year-on-year. Gross profit margin for the year ended 31 December 2022 was 44.1% (2021: 50.0%).

During the reporting period, loss during the year was approximately RMB296.5 million (2021: profit of RMB1,334.9 million), representing a decrease of approximately 122.2% year-on-year. Loss attributable to owners of the Company was approximately RMB730.1 million (2021: profit attributable to owners of the Company of RMB1,152.6 million), representing a decrease of approximately 163.3% year-on-year. Basic loss per share was RMB14.32 cents (2021: basic earnings per share of RMB22.61 cents), representing a decrease of approximately 163.3% year-on-year.

The Board does not recommend the payment of any dividend for the year ended 31 December 2022.

The Group's key financial indicators for the year ended 31 December 2022 were as follows:

	2022	2021	Change
	(RMB million)	*(RMB million)*	
Revenue	**2,340.9**	4,378.0	–46.5%
Gross profit	**1,032.7**	2,188.4	–52.8%
(Loss) profit attributable to owners of the Company	**(730.1)**	1,152.6	–163.3%
Basic (loss) earnings per share (RMB cents)	**(14.32)**	22.61	–163.3%
Gross profit margin (%)	**44.1**	50.0	–5.9 percentage points

	As at 31 December 2022	As at 31 December 2021
Bank balances and cash (including restricted bank deposits) (RMB million)	**3,605.0**	7,287.1
Average finance costs (%)*	**6.9**	6.4
Liabilities to assets ratio (%)	**68.9**	65.3
Rate of equity return (%)	**(3.0)**	4.4

* Average finance costs are derived by dividing the total finance costs for the year (including convertible bonds but excluding finance cost derived from lease liabilities) by average total borrowings which is calculated by adding up of average balances of total borrowings (including debt component of convertible bonds but excluding lease liabilities) for the year.

Business Review

In 2022, the real estate industry entered into a phase of in-depth adjustments, and mid-to long-term housing demand momentum remained sluggish. Unexpected short-term factors such as the recurring COVID-19 pandemic waves across China and the crisis of construction work and loan suspension, coupled with the operating pressure of real estate enterprises, have posed unprecedented challenges to the industry. In times of hardship, the Group geared itself up with the commitment to "never lie down" and the ambition to "reform the old and bring in the new". While holding onto the bottom line of capital security, the Group steadily pushed forward various core urban renewal projects in the GBA into the harvesting stage. During the year, it achieved major breakthroughs in its key projects.

Specifically, as a super-large urban complex development project with a gross floor area of over a million square meters, the Baishizhou Project was anticipated by various sectors of the community. The Baishizhou Project is currently the largest and most iconic urban renewal project for old villages in Shenzhen and has received the most attention. By virtue of its long construction cycle, enormous scale and complexity in renewal status, the project was accredited as the "Grand Urban Renewal Project" in Shenzhen. The Baishizhou Project is not only a hallmark project that the Group has been focusing on over the years, but it is also a major operation of the Group and a social and livelihood project development of Shenzhen City. Upon completion of construction, the renewed area will deliver new quality homes to about 80,000 residents in the future, thereby fulfilling people's aspirations for a better new life. Because of its livelihood characteristics, the Baishizhou Project was awarded the "Certificate of Material Project" by the Shenzhen Municipal Development and Reform Commission in 2022, demonstrating the high recognition from the local government. During the year, despite the recurring pandemic outbreaks in various districts of Shenzhen and other negative impacts, the Group overcame the difficulties and pressed ahead with the Baishizhou Project by maintaining high-standard management and operating capabilities. These efforts have led to its good performance with no loss of working days during the year and ensured that the progress of the project was in line with expectations. In 2022, the Group paid the land premium for Phase I of the Baishizhou Project and obtained the land use rights certificate successfully. In September 2022, Phase I of the Baishizhou Project had officially entered the stage of main body construction when construction was declared to have progressed to the ground level. All staff of the Group worked in solidarity to ensure the progress of the project for pre-sale. As of 31 December 2022, the construction of main building structures of Phase I of the Baishizhou Project has been rapidly brought up to the level of typical floors, and has progressed as scheduled. It is expected that the pre-sale of Phase I of the Baishizhou Project will be officially commenced in the third quarter of 2023, which by then the Group will recover substantial amounts of funds, which will drive a leaping growth in sales and profitability of the Group.

As such, the Baishizhou Project of the Group will usher in the harvesting stage officially. As the old saying goes, "A roc will one day soar into the sky once the wind blows". The launch of the Baishizhou Project will provide an enhanced and sound safety cushion for the Group's development in the long run and help establish the Group's strong brand name in the area of urban renewal in the GBA, thereby contributing to the Group's development into a leading urban renewal developer in the GBA that fosters both business growth and security.

For other urban renewal projects, the signing rate of Phase II of the Mangrove Bay No. 1 Project has reached 100% and the construction has commenced. As of 31 December 2022, the project entered into the stage of main body construction and development when its construction has progressed to the ground level. It is expected that the project will be able to meet the pre-sale conditions by mid-2023, and contribute operating cash flows to the Group. Furthermore, other urban renewal projects, such as the Shenzhen Liguang Project, the Zhuhai Nanxi Project, and the Hong Kong Lau Fau Shan Project, advanced progressively during the year. As a high-end residential project in the luxurious residence zone of Nanwan, Xiangzhou, Zhuhai, the Zhuhai Dongqiao Project continued to contribute contracted sales, which amounted to approximately RMB3,569.0 million, to the Group since its market launch in October 2021. Located in a core area with well-established ancillary facilities, the project ranked top ten for multiple times among the top-selling real estate enterprises in Xiangzhou District, Zhuhai in terms of contracted sales during the period. In 2023, the project is anticipated to maintain its prestigious position as the hot offers in the region and generate cash inflows for the Group, thereby enhancing the security of its operating cash flows.

During the period, adhering to the "two-pronged" development model of "residential and commercial", the Group developed a core commercial ecosystem and optimized the ancillary facilities for better living experience of residents, with a view to fostering synergistic value-added effects between the cities and residential areas. Meanwhile, by accumulating commercial properties located in the core areas of core cities of the GBA, the Group established two major commercial property brands represented by NEO Urban Commercial Complex and Zoll Shopping Centre. In recent years, the Group continued to enhance its commercial operation capabilities and increase the number of commercial properties, in a bid to expand its commercial property presence and achieve upgrade in both quality and quantity. During the year, Zoll Mangrove Shopping Centre staged its grand opening, which marked another significant addition to the Zoll series. Huazhou Wanda Plaza has topped out in the first half of 2022 and is expected to open in 2023. Recognised as a hallmark project in Huazhou, the Huazhou Cultural Food Street Project is highly valued by the Huazhou government and is expected to become an iconic landmark of Huazhou with local history and human culture and customs. Leasing promotion event of the project also commenced during the year. It is worth noting that the LVGEM Hotel of the Group is located in the central business district of Futian District, and was rented as a government control center for epidemiological investigation in 2022. The LVGEM Hotel recognized an annual revenue of approximately RMB119.9 million, which hit a record high among the recent years. Over the past few years, the Group has been looking forward with visions and dedicated actions. As a result, the total gross floor areas of commercial properties owned, managed and operated by LVGEM (China) have exceeded a million square meters as of 31 December 2022. Those properties contributed steady and diversified rental income to the Group annually. Blossoming in spring and bearing fruits in fall: The Group believes that it will be able to reap fruitful results with its tireless efforts throughout the year eventually.

With respect to financial management, strictly adopting the main theme of "Focused and Prudent Development to Secure Sustainable Growth", the Group insisted on a highly secure financial structure based on bank loans, took initiative to manage the size of its debt, actively deployed financing and refinancing arrangements by diversifying the financing channels during the period to ensure that our financial status remained stable within a secure range. During the year, against the backdrop of difficulties with collapsing confidence in the real estate sector, the Group completed the refinancing arrangements for the small public bonds due in August 2022 by a combination of repayment and roll over with a minimum of 60% roll over, backed by high-value quality assets. All Hong Kong dollar commercial notes falling due during the year has been fully rolled over, demonstrating investors' solid confidence in the Group's long-term development and at the same time, significantly reducing the short-term pressure on the cash flow of the Group. In 2022, the Group proactively reviewed the rapidly changing market conditions, prepared well for the macro risks, reduced risk exposures in advance and ensured security of the Group's operations, accomplishing various business milestones above expectations, which resulted in good news pouring in. In July 2022, the Group successfully introduced Vanke, the leading property enterprise, as a strategic shareholder of the Baishizhou Project. Vanke's vision of pursuing long-term investment in the Baishizhou Project marked its high recognition on the Group and the project. This has significantly enhanced the security of the project, and will further boost the capital market's confidence in the successful development of the Baishizhou Project by the Group. In October 2022, the Baishizhou syndicate of banks has successfully formed with total bank credit facility of approximately RMB20.7 billion, which will fully meet the capital requirements for the demolition and relocation work relating to the Baishizhou Project and the development and construction of its Phase I. The syndicate will further provide a secure capital base for the project, driving the Baishizhou Project to maturity persistently.

In terms of land reserve, as at 31 December 2022, the Group had land reserves of approximately 7.048 million square meters, approximately 79% of which are located in major cities in the GBA such as Shenzhen, Hong Kong, Zhuhai and Dongguan. It is planned that such projects will be further injected into the listed company in the future. As a leading real estate enterprise in the urban renewal segment in the GBA, the Group currently has abundant land reserves, which is expected to be sufficient for supporting the sustainable development of the Group in the next 10 years. Without having to obtain land reserves from the open market, the Group's profitability with high gross profit margin was further assured, which will safeguard the successful navigation of the Group throughout the industrial cycles.

During the year, the Group's highly certain growth path and the long-term prospect of sustainable development were further recognised by the industry and was honoured with a host of awards. We were accredited as the "Top 10 Enterprises in Shenzhen's Real Estate Development Industry in terms of Comprehensive Strength", "Integrity (Quality) Enterprise in Shenzhen Real Estate Development Industry", "Brand-value Enterprise among the Real Estate Development Enterprises in Shenzhen" and "Socially Responsible Enterprise in Shenzhen Real Estate Development Industry" by Shenzhen Real Estate Association in 2022. It is worth noting that the Group has won the "Top 10 Creditworthy Real Estate Enterprises in Shenzhen" consecutively since 2009 and the "Top 10 Real Estate Development Enterprises in Shenzhen in terms of Comprehensive Strength" consecutively since 2011. Meanwhile, the Group was also recognised for its performance in property management and received the "Outstanding Enterprise with 40 Years of Development in the Property Management Industry in Guangdong Province" during the year. Furthermore, leveraging the industry-leading green building concepts and the excellent performance in major urban renewal projects, the Group received the "Sustainable Development Award" at the 4th "Guru Club Greater China Best Listed Company Awards" of Gelonghui, which demonstrated the remarkable results achieved in respect of ESG and corporate governance. Staying focused on the urban renewal market of the GBA and insisted on adhering to the regional development strategy, the Group has continuously enhanced its ability to ensure efficient operation of high quality real estates and will keep up its effort to reach the ultimate goal despite the long and arduous journey.

Real Estate Development and Sales

During the reporting period, the Group took real estate development and sales as its core business with its projects mainly located in the core areas of core cities in the GBA. For the year ended 31 December 2022, the real estate development and sales of the Group generated revenue of approximately RMB1,211.3 million (2021: RMB3,392.4 million), representing a decrease of approximately 64.3% year-on-year.

During the reporting period, the residential property market in Mainland China continued to suffer from the market downturn. Short-term headwinds such as recurring pandemic outbreaks and suspension of works and loans further dampened market demand. The wait-and-see sentiment of home buyers was strong and thus there was an urgent need to rebuild market confidence. The sluggish market and slowdown of sales were common problems faced by the whole industry. According to the data of China Index Academy, the total sales recorded by the top 100 real estate enterprises in 2022 amounted to approximately RMB7.6 trillion, representing a year-on-year decrease of approximately 41.3%, while the attributable sales amount and the attributable sales areas of the top 100 real estate enterprises amounted to approximately RMB5.4 trillion and approximately 330 million square meters, representing year-on-year decreases of approximately 42.9% and 48.1%, respectively. The overall contracted sales of the residential property market in the PRC were far from optimistic. Nonetheless, the Group navigated through the mists of uncertainty of the industry and played to the advantages of its project layout in core areas of major cities under the "dual-core" strategy implemented over the years. Leveraging the excellent geographical location and well-served ancillary facilities, the Group's residential properties have demonstrated high anti-risk capability in terms of market pricing amid the tough market environment. For the year ended 31 December 2022, the total contracted sales amounted to approximately RMB4,004.8 million (2021: RMB4,233.8 million), outperforming the average sales of the industry significantly. The Group continued to push ahead with the urban renewal projects located in major cities in the GBA such as Shenzhen and Zhuhai during the period, including the Shenzhen Baishizhou Project, the Shenzhen Liguang Project, Phase II of Shenzhen Shazui Project (Phase II of Mangrove Bay No. 1) and the Zhuhai Dongqiao Project (LVGEM Royal Bay in Zhuhai), which added new driving forces for the Group's sales revenue in the short-term and the operation and development in the long run.

Baishizhou Urban Renewal Project (hereinafter referred to as "Baishizhou Project") is a super-large complex development and construction project in the core area of Shenzhen. The project proved its scarcity value and attracted wide public attention since obtaining the approval from the competent authorities. With a total planned gross floor area of approximately 5 million square meters and a capacity gross floor area of approximately 3.58 million square meters, the project is accredited as the "Grand Urban Renewal Project" in Shenzhen due to its million-level project scale. The Baishizhou Project is located at the north of Shennan Avenue, Nanshan District, Shenzhen City, adjacent to the Science and Technology Park and the Overseas Chinese Town, which is currently the largest and the most discussed and iconic urban renewal project in Shenzhen City. The Baishizhou Project can be divided into three industrial functions, i.e. residential properties, apartments and commercial properties. Adopting a scientific rolling development model, it is expected to be completed in four phases within the next eight to ten years. By collaborating with the top-notch architectural design and research institutions and contractors with substantial competitive edges in the PRC, the Group is confident and capable to develop the Baishizhou Project, a hidden gem waiting to be revealed, into a world-class renowned landmark complex, thereby building LVGEM's reputation as an urban renewal brand and actively giving back to the people residing in the GBA. During the period under review, the Baishizhou Project progressed with frequent good news. In 2022, the Group settled the land premium for the land parcel of Phase I of the Baishizhou Project and obtained the land use right certificate, and the construction of the project is underway in full swing. In September 2022, the first tower building of Phase I of the Baishizhou Project officially completed the construction works to the ground level and proceeded with the construction of the main structure aboveground. As of 31 December 2022, the construction progress of Phase I of the Baishizhou Project is satisfactory and the pre-sale, demolition and relocation of the standard floors have been kicked off. The pre-sale is expected to commence in the third quarter of 2023 as planned. Meanwhile, given the sound foundation of the project, the Group successfully introduced Vanke as a strategic shareholder of the Baishizhou Project in 2022, through which Vanke injected short-term cash inflow in exchange for long-term investment in the Baishizhou Project. The strong alliance has achieved a win-win situation for both parties, which has been widely recognized by the capital market. In October 2022, it was announced that the Baishizhou consortium led by China Everbright Bank along with five other investing banks was established with total special credit lines of approximately RMB20.7 billion, which will be able to satisfy the funding needs for the demolition and relocation of the Baishizhou Project and the development and construction of Phase I of the project, thereby further reinforcing the safety of the Baishizhou Project and hence enhancing the market's strong confidence in the successful development of the Baishizhou Project. Only by overcoming the most difficult trials can one achieve the most ambitious goals. After 10 years of relentless efforts, the Baishizhou Project will be ushering in the harvest time in 2023. The Group will certainly capture the opportunities stemming from the occasion to officially enter into a new stage of rapid growth of business scale and profits so as to live up to public expectations.

LVGEM Mangrove Bay No. 1 Project is the most iconic urban renewal project of the Group in recent years. The project is located at the southeast corner of the intersection of Shazui Road and Jindiyi Road in the central business district of Futian District, Shenzhen, having convenient access to public transport and strategically located in the proximity to Futian Port, Huanggang Port, Beijing-Hong Kong-Macao Expressway and Metro Lines 3, 4 and 7. Phase I of the LVGEM Mangrove Bay No. 1 Project was first launched for sale in October 2018 with a satisfactory sales performance, bringing considerable revenue to the Group. In June 2021, the Group officially confirmed the operating entity of Phase II of the Mangrove Bay No. 1 Project, which comprises five quality sea-view residential buildings with a site area of approximately 22,000 square meters and a planned total gross floor area of 140,000 square meters. In July 2021, Phase II of the Mangrove Bay No. 1 Project commenced the demolition works. Construction of the project progressed well during the year and the construction works have been completed up to the ground level at the end of 2022. Currently, it is carrying out the construction of the main structure aboveground. The pre-sale is expected to commence in 2023, which will contribute contracted sales and cash inflow to the Group.

Shenzhen Liguang Project is a comprehensive residential, commercial and industrial high-end industrial park project. The project occupies a site area of approximately 85,000 square meters and a total gross floor area of approximately 382,000 square meters. The project is located in a well-established residential district in Liguang Village, Guanlan Town, Longhua District, Shenzhen City, adjacent to the Mid Valley Clubhouse of the Mission Hills Golf Club. Being a rare quality large-scale ecological residential project in the urban area of Shenzhen City, the project plan includes the development of a special commercial district at the west side of the region, as well as the Liguang Ecological Park on the grassland at the east side, aiming to meet the needs of the surrounding environment and living needs of the community. During the reporting period, the project planning and pre-construction preparations were in progress smoothly with the contract rate reached 100%. The Group will continue to steadily push forward various tasks in relation to the project in the coming year.

Zhuhai Dongqiao Urban Renewal Project, officially renamed as LVGEM Royal Bay, is one of the three pilot urban renewal villages in Zhuhai City and among the first batch of projects that have officially commenced construction. It has been repeatedly listed as the annual key urban development task of Zhuhai City. In 2019, the Group has officially become the operating entity of the renewal project for the old village in Dongqiao and obtained all necessary administrative approvals. This project marks an important milestone of LVGEM (China) in terms of the urban renewal development and operation in Zhuhai. Located in the sub-district of Nanwan, Zhuhai City, the project occupies a total site area of approximately 207,000 square meters with a planned total gross floor area of approximately 765,000 square meters. The project comprises high-end residences, featured hotels, street-level cultural regions and other industrial functions. Currently, the pre-sale of the project has commenced in October 2021, which contributed a new source of revenue and cashflow to the Group on a continuous basis. For the year ended 31 December 2022, the project contributed contracted sales of approximately RMB2,632.6 million of the Group. With the successive introduction of favourable policies, the Group expects that the market will bottom out in 2023, and the contracted sales of Royal Bay will stage a decent recovery.

LVGEM International Garden is located in Huazhou, Maoming, Guangdong Province. Situated in a well-developed traditional residential area, it is in proximity to the Juzhou Park. It is well-served by public transport network and is only approximately 10-minute drive from the city center. The project occupies a site area of approximately 836,000 square meters and a planned total gross floor area of approximately 2.248 million square meters. Leveraging the advantages such as excellent geographical location, good ecological environment and established ancillary educational facilities, the project has become a benchmark real estate project in Huazhou. For the year ended 31 December 2022, the total contracted sales generated from LVGEM International Garden amounted to approximately RMB1,037.7 million and recognised sales revenue was approximately RMB639.5 million.

Hong Kong Lau Fau Shan Project is the Group's first real estate development project in Hong Kong, which marks the first move of the project internationalisation of the Group's brand and its successful expansion beyond the PRC market. The project is located at Deep Bay Road, Lau Fau Shan, Hong Kong. Embracing prime sea view and overlooking Deep Bay, the project is geographically prestigious in Shenzhen with a site area of approximately 80,000 square meters. The project plan comprises approximately 116 low-density waterfront villas, each of which has a gross floor area of approximately 2,000 to 3,000 square feet. The project has easy access to and from Mainland China. Further, benefited from the proximity to Hung Shui Kiu development area, the project is expected to see a further uptick in commercial value.

Future Prospect

Looking back over the past three years, the once-a-century pandemic has been recurring and lingering. After an arduous struggle, the Central Government has scientifically assessed the evolution of the pandemic and announced a transition into a new phase of prevention and control measures for the COVID-19 pandemic. China has released a clear signal to home and abroad that it will further open up to the world at a high level in 2023, which means that the order of production and life in the country will be restored at a faster pace and the endogenous economic growth momentum of China will be accumulated and strengthened. In this context, a number of international authorities, including the International Monetary Fund (IMF), have raised their expectations for China's economic growth in 2023. Goldman Sachs expects Chinese society to come gradually out of the pandemic's shadow in 2023, with a strong rebound in household consumption as the main economic highlight. As winter turns to spring, China's annual GDP growth rate in 2023 is expected to be approximately 5%, much higher than the estimated global economic growth rate of approximately 2.7% in 2023. China will be one of the key engines of global economic growth and an important force in improving the growth prospects of the world economy.

With the strong potential for economic recovery, the launch of various encouraging policies for the real estate industry, as a pillar industry of the national economy, has accelerated its pace. The demand side has rebuilt the confidence of home buyers through policies such as "procuring the delivery of properties and stabilizing people's livelihood", which will gradually release both rigid housing demand and demand for improved homes. On the supply side, financing of real estate enterprises has continued to recover, the three channels of credit financing, debt financing and equity financing for real estate enterprises have all been opened up so that quality real estate enterprises that are not out of risk have regained their vitality, and the industry has bottomed out and gradually changed from high-speed development to high-quality development. At the same time, according to the data of the Bureau of Statistics, property prices have officially entered a phase of K-shaped divergence, high-end residential properties in first-tier cities continued to increase in trading volume and price even in the midst of the winter's chill of the industry. The tide of downturn has faded. Residential properties in core areas are more resilient to risks across the historical cycles with their nature of high value and scarcity manifested. Conversely, due to small economies and weak development potential, residential property prices in third- and fourth-tier cities have fallen off a cliff and demand for homes has been deferred or vanished. Looking forward, the industry has reached a consensus that scarce projects in core districts will be more valuable to purchase, and real estate enterprises that have established exposure in core districts will be more competitive in the industry.

During the year under review, sticking to the strategic direction of "Focused and Prudent Development to Secure Sustainable Growth", LVGEM (China) looked forward with visions and operated conscientiously and aggressively. It ensured capital security on one hand, and strived to progress its projects as scheduled on the other hand, overcoming all difficulties to ensure the cash flow was above the threshold for security. A number of projects have achieved breakthrough results, in particular the construction progress of Phase I of the Baishizhou Project, being accredited as the "Grand Urban Renewal Project" in Shenzhen, was satisfactory. The pre-sale will soon be commenced in 2023. It will then contribute leaping growth of profit and cash inflows, further enhancing the security and brand competitiveness of the Group. The Group will further develop itself into a well-reputed urban renewal service provider and quality service operator in the GBA, making contributions for the development of an international, modern and livable bay area.

Looking ahead, continuing to pursue the "dual-core" strategy to proactively expand its presence in the core areas of core cities of the GBA, the Group will be committed to developing unique, high-value and scarce property projects. By harnessing the huge economic benefits arising from the marginal expansion of city clusters in the GBA and encouraging policies, the Group will develop prudently to secure sustainable growth in the alternating historical cycles of real estate market. Sturdy grass withstands high winds, while genuine gold stands the test of blaze. Further adhering to a moderate project scale, the Group will undergo focused development of its existing urban renewal projects to maintain considerable profitability. Meanwhile, it will be keenly aware of the key opportunities arising from the construction and development of the GBA to develop and innovate in an aggressive manner. Pursuing the grand vision of "being the most respected city value-creator in the PRC", the Group will develop quality properties for the cities and mutually create joyful urban lifestyles for and with the people residing in the GBA.

Financial Review

Revenue

The Group's revenue mainly comprised of revenue from sales of properties held for sale, leasing of investment properties and comprehensive services. The Group's revenue for the year ended 31 December 2022 was approximately RMB2,340.9 million (2021: RMB4,378.0 million), representing a decrease of approximately 46.5% as compared to the last year, which was mainly due to the decrease in revenue from sales of properties held for sale.

	2022	2021	**Increase/ (decrease)**	
	RMB'000	*RMB'000*	*RMB'000*	%
Real estate development and sales	**1,211,312**	3,392,354	(2,181,042)	–64.3
Commercial property investment and operations	**702,042**	642,633	59,409	9.2
Comprehensive services	**427,567**	343,030	84,537	24.6
Total	**2,340,921**	4,378,017	(2,037,096)	–46.5

For the year ended 31 December 2022, the revenue from sales of properties held for sale was approximately RMB1,211.3 million (2021: RMB3,392.4 million), representing a decrease of approximately 64.3% as compared to the last year, which mainly includes the sales of LVGEM Joyful Town and LVGEM International Garden. The Group's total gross floor area of properties held for sale recognised as revenue during the year ended 31 December 2022 was approximately 115,323 square meters (2021: approximately 228,527 square meters).

Revenue from leasing of investment properties for the year ended 31 December 2022 was approximately RMB702.0 million (2021: RMB642.6 million). The Group's commercial properties are all located in core areas. The properties are mainly operated under the brands of "Zoll" and "NEO". Disregarding the occupancy rate of Hong Kong LVGEM NEO, the occupancy rate of other investment properties as at 31 December 2022 and 2021 maintained at a high level of over 90%. The occupancy rate of Hong Kong LVGEM NEO as at 31 December 2022 was over 70% (2021: over 60%).

The Group provides comprehensive services to customers and tenants of its residential and commercial properties. These comprehensive services include property management services, hotel operations, renovations and others. For the year ended 31 December 2022, comprehensive services of the Group generated revenue of approximately RMB427.6 million (2021: RMB343.0 million), representing an increase of approximately 24.6% as compared to the last year. The increase was mainly attributable to the increase of the service area of the Group and revenue generated from the LVGEM Hotel being requisitioned as a government centre for epidemiological investigation during the year.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2022, the Group's integrated gross profit was approximately RMB1,032.7 million (2021: RMB2,188.4 million), representing a decrease of approximately 52.8% as compared to the last year, and the integrated gross profit margin for the year ended 31 December 2022 was 44.1% (2021: 50.0%). The fluctuation of gross profit was mainly caused by the revenue recognised under different project portfolio. In 2021, approximately 32.7% of the revenue was derived from the projects in Shenzhen, with a higher selling prices as compared to that of Zhuhai and Huazhou while only approximately 8.3% of the revenue in 2022 was derived from the projects in Shenzhen. The income from sales of LVGEM Joyful Town and LVGEM International Garden accounted for approximately 22.9% (2021: 26.5%) and 52.8% (2021: 29.6%) of the total revenue in 2022 respectively.

Selling Expenses

For the year ended 31 December 2022, selling expenses of the Group amounted to approximately RMB106.9 million (2021: RMB164.3 million), representing a decrease of approximately 35.0% as compared to the year due to the decrease of property sales recognised in 2022. The selling expenses mainly included advertising expenses and sales commissions for sales of properties.

Administrative Expenses

For the year ended 31 December 2022, administrative expenses of the Group amounted to approximately RMB553.2 million (2021: RMB564.8 million), representing a decrease of approximately 2.1% as compared to the last year. The administrative expenses mainly included the legal and professional fee incurred in relation to the onshore and offshore financing activities in the current year.

Fair Value Changes on Investment Properties

The valuation on the Group's investment properties as at 31 December 2022 was conducted by an independent property valuer which resulted in a fair value gain on investment properties of approximately RMB2,054.1 million (2021: RMB2,567.4 million) for the year ended 31 December 2022.

Finance Costs

For the year ended 31 December 2022, finance costs of the Group amounted to approximately RMB1,786.6 million (2021: RMB1,710.9 million), representing an increase of approximately 4.4% as compared to last year due to increase of total borrowings in 2022. The Group's average finance cost of interest-bearing loans was 6.9% (2021: 6.4%) for the year ended 31 December 2022.

Income Tax Expenses

For the year ended 31 December 2022, income tax expense of the Group amounted to approximately RMB976.1 million (2021: RMB1,114.9 million). The Group's income tax expense included payments and provisions made for EIT, LAT and deferred tax during the year. The decrease of income tax expenses was mainly the result from the increase in PRC withholding tax on dividends distributed by subsidiaries which was not incurred in 2021 and offset by the decrease of provision of EIT and LAT in current year.

Operating Results

For the year ended 31 December 2022, the loss attributable to owners of the Company was approximately RMB730.1 million (2021: profit attributable to owners of the Company RMB1,152.6 million), representing a decrease of approximately 163.3% as compared to the last year.

Liquidity, Financial Resources and Gearing

Bank balances and cash (including restricted bank deposits) as at 31 December 2022 amounted to approximately RMB3,605.0 million (2021: RMB7,287.1 million). The Group's bank balances and cash are denominated in RMB, Hong Kong Dollar ("**HK$**") and US$.

The Group had total borrowings of approximately RMB34,351.7 million as at 31 December 2022 (2021: RMB31,187.7 million). Borrowings classified as current liabilities were approximately RMB12,768.8 million (2021: RMB9,851.6 million).

Breakdown of total borrowings

By currency denomination

	2022	2021
	RMB'000	*RMB'000*
Denominated in RMB	**18,492,139**	15,259,886
Denominated in HK$	**8,542,239**	8,532,416
Denominated in US$	**7,317,335**	7,395,401
	34,351,713	31,187,703

By fixed or variable interest rates

	2022	2021
	RMB'000	*RMB'000*
Fixed interest rates	**11,592,202**	11,511,120
Variable interest rates	**22,759,511**	19,676,583
	34,351,713	31,187,703

The Group's gearing ratio as at 31 December 2022 was approximately 99.3% (2021: 81.2%), which was based on net debt (total interest-bearing loans net of bank balances and cash (including restricted bank deposits)) over total equity.

Current, Total and Net Assets

As at 31 December 2022, the Group had current assets of approximately RMB56,040.4 million (2021: RMB52,592.9 million) and current liabilities of approximately RMB26,772.7 million (2021: RMB19,171.7 million), which represented a decrease in net current assets from approximately RMB33,421.2 million as at 31 December 2021 to approximately RMB29,267.7 million as at 31 December 2022. The decrease in net current assets as at 31 December 2022 was mainly attributable to the decrease in bank balances and the increase in the current liabilities portion of senior notes and bonds, contract liabilities and borrowings, which was partially offset by the increase in deposits paid, prepayments and other receivables.

As at 31 December 2022, the Group recorded total assets of approximately RMB99,704.6 million (2021: RMB84,942.1 million) and total liabilities of approximately RMB68,728.1 million (2021: RMB55,501.3 million), representing a liabilities to assets ratio of approximately 68.9% (2021: 65.3%). Net assets of the Group were approximately RMB30,976.5 million (2021: RMB29,440.8 million) as at 31 December 2022.

For the year ended 31 December 2022, the Group was able to utilise its internal resources and debt and equity financing to meet the funding requirements for the development of real estate projects.

Charge on Assets

As at 31 December 2022, loans of approximately RMB24,235.6 million (2021: RMB23,541.3 million) were secured by properties under development for sale, properties held for sale, investment properties, property, plant and equipment, equity instruments at fair value through other comprehensive income, pledged deposits and other receivables of the Group respectively in the total amount of approximately RMB33,518.5 million (2021: RMB28,536.2 million).

Contingent Liabilities

As at 31 December 2022, the Group had financial guarantee contracts relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB2,525.9 million (2021: RMB1,814.4 million). Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks.

The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyer obtaining the individual property ownership certificate or the full settlement of mortgage loans by the buyer.

The Directors consider that it is not probable for the Group to sustain a loss under these guarantees as during the periods under guarantees, the Group can take over the ownerships of the related properties under default and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event that the purchasers default payments to the banks for their mortgage loans.

Exposure to Fluctuations in Exchange Rates and Related Hedges

Almost all of the Group's operating activities are carried out in the Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign currency risk arising from the exposure of Hong Kong dollars and United States dollars against Renminbi as a result of certain cash balances and loans in Hong Kong dollars or United States dollars.

The Group does not have a foreign currency hedging policy. However, the Directors monitor the Group's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currency, consider adopting appropriate foreign currency hedging policy in the future.

Treasury Policies and Capital Structure

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

Employees

As at 31 December 2022, the Group had a staff roster of 2,379 (2021: 2,281), of which 2,354 (2021: 2,254) employees were based in the Mainland China and 25 (2021: 27) employees were based in Hong Kong. The remuneration of employees was in line with the market trends and commensurate to the levels of remuneration in the industry. Remuneration of the Group's employees includes basic salaries, bonuses, retirement scheme and long-term incentives such as share options within an approved scheme. In addition, training and development programmes are provided to the Group's employees on an on-going basis throughout the Group.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 21 June 2023 to 27 June 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfers of shares accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 20 June 2023.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

Throughout the year ended 31 December 2022, the Group complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. The Directors confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 December 2022.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2022.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board on 30 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT OPINION

The consolidated financial statements have been audited by the Group's auditor, Messrs. Deloitte Touche Tohmatsu. The independent auditor has issued an unmodified audit opinion with a Material Uncertainty Related to Going Concern section in the auditor's report on the Group's consolidated financial statements for the year ended 31 December 2022. An extract of the independent auditor's report is set out in the section headed "**EXTRACT OF THE AUDITOR'S REPORT**" below.

EXTRACT OF THE AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 3.1 to the consolidated financial statements, which indicates that as at 31 December 2022, the Group has borrowings of RMB8,178 million, senior notes and bond of RMB3,598 million, and debt component of convertible bonds of RMB993 million that are repayable within one year at the end of reporting period. At the same date, the Group has cash and cash equivalent amounted to RMB1,570 million. The Group might not have sufficient working capital to operate if such borrowings, convertible bonds and public domestic bonds are required to be repaid or redeemed and all other alternative operating and financing plans as described in note 3.1 to the consolidated financial statements cannot be implemented as planned. The directors of the Company are of the opinion that based on the assumptions that the borrowings and convertible bonds can be renewed and those plans can be successfully executed, the Group will have sufficient working capital to maintain its operations and to pay its financial obligations as and when they fall due for at least twelve months from the end of the reporting period. However, the likelihood of successful renewal of borrowings and convertible bonds and implementation of those plans as set forth in note 3.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The aforesaid "note 3.1 to the consolidated financial statements" in the extract from the Auditor's Report is disclosed as note 1 to this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 7 June 2022, Intelligent City Development Limited, Shenzhen Sida Industrial Development Co., Ltd.* (深圳市四達實業發展有限公司) (an indirect non-wholly owned subsidiary of the Company) (the "**Target Company**") and Shenzhen Shenquan Real Estate Development Co., Ltd.* (深圳市深全房地產開發有限公司) (the "**Investor**") entered into a subscription agreement, pursuant to which the Investor agreed to inject approximately RMB2.3 billion into the Target Company. Immediately after completion of such subscription, the Investor will be interested in approximately 8% of the enlarged equity interest in the Target Company, and the Group's interest in the Target Company will be diluted from 100% to 92%. The relevant dilution is considered to be a deemed disposal of the Company's interest in a subsidiary according to Rule 14.29 of the Listing Rules. For details, please refer to the Company's announcement dated 7 June 2022 and the Company's circular dated 30 June 2022.

Other than the above deemed disposal, during the year ended 31 December 2022, the Group did not make any other significant investments, acquisitions or disposal that would constitute a discloseable transaction under Chapter 14 of the Listing Rules.

EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 December 2022, the Company has arranged the remittance of all necessary funds to the trustee of the 12% notes for the repayment of all outstanding principal amount and accrued interest before their maturity date on 10 March 2023. The date of remittance for such notes is 7 March 2023. For details, please refer to the Company's announcement dated 10 March 2023.

Save as disclosed above and the matters disclosed under the "Management Discussion and Analysis" section of this announcement, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2022 and up to the date of this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT, ANNUAL REPORT AND CIRCULAR

The contents of results announcement are published on the websites of the Company (www.lvgem-china.com) and the Stock Exchange (www.hkex.com.hk). The 2022 Annual Report and a circular containing the notice of Annual General Meeting will be dispatched to shareholders in due course.

GENERAL INFORMATION

As at the date of this announcement, the Board comprises Ms. HUANG Jingshu (Chairman), Mr. TANG Shouchun (Chief Executive Officer), Mr. YE Xingan, Mr. HUANG Hao Yuan and Ms. LI Yufei as executive directors; and Mr. WANG Jing, Ms. HU Gin Ing and Mr. MO Fan as independent non-executive directors.

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

Hong Kong, 30 March 2023

* *For identification purpose only*