L.gem 綠景（中國）地產投資有限公司

LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(HKSE Stock Code: 95)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of LVGEM (China) Real Estate Investment Company Limited (the "**Company**" or "**LVGEM (China)**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	**Six months ended 30 June 2023** *RMB'000* **(Unaudited)**	2022 *RMB'000* (Unaudited)
Revenue	*3*	**1,344,909**	1,045,034
Cost of sales		**(759,800)**	(610,638)
Gross profit		**585,109**	434,396
Other income		**49,200**	66,372
Other gains and losses		**176,015**	(114,745)
Selling expenses		**(54,934)**	(56,933)
Administrative expenses		**(202,476)**	(216,645)
Recognition of change in fair value of properties under development for sale/ properties held for sale upon transfer to investment properties		**–**	2,310,697
Fair value changes on investment properties		**(197,063)**	175,535
Finance costs	*4*	**(802,207)**	(787,605)
(Loss) profit before tax	*5*	**(446,356)**	1,811,072
Income tax expense	*6*	**(134,033)**	(784,310)
(Loss) profit for the period		**(580,389)**	1,026,762
(Loss) profit for the period attributable to:			
Owners of the Company		**(680,956)**	630,794
Non-controlling interests		**100,567**	395,968
		(580,389)	1,026,762
		RMB cents **(Unaudited)**	*RMB cents* (Unaudited)
(Loss) earnings per share	*8*		
– Basic		**(13.36)**	12.37
– Diluted		**(13.36)**	7.42

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss) profit for the period	**(580,389)**	1,026,762
Other comprehensive expense		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation	**(173,277)**	(191,015)
Item that will not be reclassified to profit or loss:		
Fair value changes on investments in equity instruments at fair value through other comprehensive income ("**FVTOCI**"), net of tax	**(6,843)**	(26,579)
Other comprehensive expense for the period	**(180,120)**	(217,594)
Total comprehensive (expense) income for the period	**(760,509)**	809,168
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(861,610)**	413,171
Non-controlling interests	**101,101**	395,997
	(760,509)	809,168

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Non-current assets			
Investment properties		**41,175,080**	40,679,017
Property, plant and equipment		**849,468**	872,378
Goodwill		**231,602**	231,602
Interest in a joint venture		**6,052**	6,052
Amount due from a joint venture		**522,318**	522,318
Equity instruments at fair value through other comprehensive income		**362,839**	371,963
Restricted bank deposits and pledged bank deposits		**56,729**	363,338
Deferred tax assets		**680,456**	617,557
		43,884,544	43,664,225
Current assets			
Properties under development for sale		**49,619,058**	45,274,263
Properties held for sale		**2,829,521**	3,388,369
Other inventories		**962**	851
Accounts receivable	9	**45,071**	60,691
Deposits paid, prepayments and other receivables		**5,030,887**	3,985,306
Tax recoverable		**124,031**	89,221
Restricted bank deposits and pledged bank deposits		**1,836,035**	1,671,732
Bank balances and cash		**1,175,448**	1,569,935
		60,661,013	56,040,368
Current liabilities			
Accounts payable	10	**3,981,972**	5,449,855
Accruals, deposits received and other payables		**5,088,799**	2,393,632
Contract liabilities		**4,201,302**	2,887,286
Lease liabilities		**6,326**	13,269
Borrowings		**10,628,223**	8,177,876
Senior notes and bond		**1,135,321**	3,597,768
Debt component of convertible bonds		**115,219**	993,189
Derivative component of convertible bonds		**28,657**	22,760
Other current liabilities		**1,525,742**	926,179
Tax liabilities		**2,383,645**	2,310,880
		29,095,206	26,772,694
Net current assets		**31,565,807**	29,267,674
Total assets less current liabilities		**75,450,351**	72,931,899
Non-current liabilities			
Borrowings		**23,842,798**	20,694,072
Senior notes and bond		**–**	888,808
Lease liabilities		**130,776**	134,010
Deferred tax liabilities		**4,328,440**	4,344,172
Other non-current liabilities		**16,289,756**	15,894,325
		44,591,770	41,955,387
Net assets		**30,858,581**	30,976,512
Capital and reserves			
Share capital		**42,465**	42,465
Reserves		**24,498,533**	24,717,565
Equity attributable to owners of the Company		**24,540,998**	24,760,030
Non-controlling interests		**6,317,583**	6,216,482
Total equity		**30,858,581**	30,976,512

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

The condensed consolidated financial statements have been prepared on the 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 30 June 2023, the Group has borrowings of RMB10,628 million, debt component of convertible bonds of RMB115 million, and domestic corporate bond of RMB1,135 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 RMB1,175 million. The Group might not have sufficient working capital to operate if such borrowings and domestic corporate bond 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 of the Company 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 presale 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 principal amount 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 other properties if required;

(iii) The RMB denominated domestic corporate bond with an aggregate principal amount of RMB1,135 million and certain other borrowings with an aggregate principal amount of RMB1,390 million, embedded with retractable options, certain portions are assumed not to be retracted by the corporate bondholders or lenders within twelve months from the end of the reporting period;

(iv) The existing outbound guarantee facility arrangement with the banks in relation to the fund transmission from the People's Republic of China (excludes Hong Kong, Macau and Taiwan) (the "**Mainland China**") to Hong Kong is assumed to be feasible and effective, based on the past historical records; and

(v) The related parties of the Group have agreed not to demand for repayment for non-trade balances of RMB4,050 million as of 30 June 2023 until the Group has the financial ability to do so.

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 operating and financing 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; and

(iii) successfully draw down necessary funding from the borrowing facility granted and renew existing borrowings.

Taking into account all assumptions and plans as described above, the directors of Company 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 of the Company are satisfied that it is appropriate to prepare these condensed consolidated financial statements on a going concern basis.

Should the Group fail to achieve a combination of the abovementioned 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 condensed consolidated financial statements.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In July 2023, the HKICPA issued the amendments to HKAS 12 *International Tax Reform – Pillar Two model Rules* to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments require that entities shall apply the amendments immediately upon issuance.

The application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of properties	**777,779**	496,668
Revenue from hotel operation, property management service and other services	**211,030**	210,096
Revenue from contracts with customers	**988,809**	706,764
Rental income	**356,100**	338,270
	1,344,909	1,045,034
Timing of revenue recognition from contracts with customers		
At a point in time	**777,779**	496,668
Over time	**211,030**	210,096
	988,809	706,764

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 *Operating Segments*:

– Real estate development and sales: sales of properties

– Commercial property investment and operations: lease of commercial properties, office premises, apartments and car parks

– Comprehensive services: hotel operation, property management service and other service income

3. **REVENUE AND SEGMENT INFORMATION** *(Continued)*

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

Segment revenue and results

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

Six months ended 30 June 2023

	Real estate development and sales *RMB'000* **(Unaudited)**	**Commercial property investment and operations** *RMB'000* **(Unaudited)**	**Comprehensive services** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Revenue:				
From external customers	**777,779**	**356,100**	**211,030**	**1,344,909**
Inter-segment revenue	**–**	**13,413**	**57,353**	**70,766**
Total segment revenue	**777,779**	**369,513**	**268,383**	**1,415,675**
Reportable segment profit	**164,559**	**341,009**	**79,541**	**585,109**

Six months ended 30 June 2022

	Real estate development and sales *RMB'000* (Unaudited)	Commercial property investment and operations *RMB'000* (Unaudited)	Comprehensive services *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Revenue:				
From external customers	496,668	338,270	210,096	1,045,034
Inter-segment revenue	–	11,908	48,023	59,931
Total segment revenue	496,668	350,178	258,119	1,104,965
Reportable segment profit	27,535	316,685	90,176	434,396

Inter-segment sales are at mutually agreed terms.

Reconciliations of reportable segment revenue and profit or loss

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

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	**1,415,675**	1,104,965
Elimination of inter-segment revenue	**(70,766)**	(59,931)
Consolidated revenue	**1,344,909**	1,045,034
Profit or loss		
Reportable segment profit	**585,109**	434,396
Recognition of change in fair value of properties under development for sale/ properties held for sale upon transfer to investment properties	**–**	2,310,697
Fair value changes on investment properties	**(197,063)**	175,535
Other income	**49,200**	66,372
Other gains and losses	**176,015**	(114,745)
Depreciation	**(27,786)**	(41,867)
Finance costs	**(802,207)**	(787,605)
Corporate expenses	**(229,624)**	(231,711)
Consolidated (loss) profit before tax	**(446,356)**	1,811,072

Segment assets

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

	At 30 June	At 31 December
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Reportable segment assets		
Real estate development and sales	**52,575,111**	48,754,245
Commercial property investment and operations	**41,194,957**	40,707,002
Comprehensive services	**322,678**	325,885
	94,092,746	89,787,132
Goodwill	**231,602**	231,602
Equity instruments at FVTOCI	**362,839**	371,963
Bank balances and cash	**1,175,448**	1,569,935
Restricted bank deposits and pledged bank deposits	**1,892,764**	2,035,070
Deferred tax assets	**680,456**	617,557
Interest in a joint venture and amount due from a joint venture	**528,370**	528,370
Deposits paid, prepayment and other receivables	**4,574,556**	2,453,972
Amounts due from related parties	**185,857**	203,789
Amounts due from non-controlling interests	**12,881**	1,148,533
Corporate assets	**808,038**	756,670
Consolidated total assets	**104,545,557**	99,704,593

For the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than goodwill, equity instruments at FVTOCI, bank balances and cash, restricted bank deposits and pledged bank deposits, deferred tax assets, interest in a joint venture and amount due from a joint venture, deposits paid, prepayments and other receivables, amounts due from related parties, amounts due from non-controlling interests and corporate assets.

4. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on:		
Bank and other borrowings	**1,254,657**	795,760
Convertible bonds	**68,283**	96,148
Senior notes and bond	**118,551**	238,352
Lease liabilities	**6,202**	7,125
Less: Amount capitalised in investment properties under development and properties under development for sale*	**(645,486)**	(349,780)
	802,207	787,605

* The finance costs have been capitalised at rates ranging from 4.25% to 17.00 % (six months ended 30 June 2022: 2.07% to 13.75%) per annum.

5. (LOSS) PROFIT BEFORE TAX

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss) profit before tax is arrived at after charging (crediting):		
Cost of properties held for sale recognised as expense	**613,220**	469,133
Depreciation of property, plant and equipment	**27,849**	41,977
Less: amount capitalised in investment properties under development and properties under development for sale	**(63)**	(110)
	27,786	41,867
Gross rental income from investment properties	**(356,100)**	(338,270)
Outgoings in respect of investment properties that generated rental income during the period	**15,091**	21,585
	(341,009)	(316,685)
Expense relating to short-term leases	**1,892**	466

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
– PRC Enterprise Income Tax ("**EIT**")	**68,354**	13,127
– PRC withholding tax on dividends distributed by subsidiaries	**77,660**	66,479
	146,014	79,606
Mainland China Land Appreciation Tax ("**LAT**")		
– Current period	**76,353**	24,955
– Overprovision in prior periods	**(11,984)**	–
	64,369	24,955
Deferred taxation	**(76,350)**	679,749
Total	**134,033**	784,310

7. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

8. (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:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	**(680,956)**	630,794

	Number of shares ('000)	
	2023	2022
Number of shares		
Weighted average number of ordinary shares of the Company for the purpose of basic (loss) earnings per share	**5,097,704**	5,097,704
Effect of dilutive potential ordinary shares in respect of		
– Convertible preference shares	**–**	3,404,575
Weighted average number of ordinary shares of the Company for the purpose of diluted (loss) earnings per share	**5,097,704**	8,502,279

The computation of diluted loss per share for the six months ended 30 June 2023 does not assume the conversion of the outstanding convertible bonds and convertible preference shares (six months ended 30 June 2022: certain outstanding convertible bonds) of the Group as the conversion would result in a decrease in loss per share (six months ended 30 June 2022: increase in earnings per share). Moreover, the computation of diluted (loss) earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for ordinary shares of the Company during the six months ended 30 June 2023 and 2022.

9. ACCOUNTS RECEIVABLE

	At 30 June	At 31 December
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Accounts receivable from:		
– Contracts with customers	**28,679**	41,360
– Lease receivables	**162,880**	165,819
Accounts receivable	**191,559**	207,179
Less: Allowance for credit losses	**(146,488)**	(146,488)
	45,071	60,691

Accounts receivable represent receivables arising from sales of properties, rental income from leasing properties and comprehensive services (including hotel operation and property management).

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, net of allowance of credit losses, is as follows:

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**29,183**	41,367
1 to 12 months	**13,785**	18,734
13 to 24 months	**2,103**	590
	45,071	60,691

10. ACCOUNTS PAYABLE

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

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**2,093,239**	4,233,541
1 to 12 months	**1,664,253**	1,021,957
13 to 24 months	**112,251**	122,773
Over 24 months	**112,229**	71,584
	3,981,972	5,449,855

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

The Chinese economy has made its way past the halfway point in 2023. During the period under review, the international situation remained complicated and grim. The Organisation for Economic Co-operation and Development lowered its forecast of global economic growth to approximately 2.7%, indicating a continued bleak outlook for robust global economic recovery. Turning the attention back to the domestic economy in China, as national production returned to normalcy with accelerated development of a new economic pattern, a general improvement can be seen in major indicators. Benefited from the Central Government's general principle of seeking progress while maintaining stability, and driven by the combined effects of the release of backlog demands from previous periods, support of favorable government policies and the low base effect, China's macro economy has shown a prominent trend of restorative growth. According to the data of the National Bureau of Statistics, the gross domestic product ("**GDP**") for the first half of 2023 reached approximately RMB59.3 trillion, representing a year-on-year increase of approximately 5.5% at constant prices. As such, China demonstrated sustained momentum for macro-economic recovery.

In the first half of 2023, the real estate industry, an important pillar of the national economy, continued to benefit from relaxed policies that have been implemented since the end of last year. Taking an obviously supportive yet restrained policy stance, the Central Government strived to foster synergistic development by "stimulating demands, preventing risks, safeguarding people's livelihood, transforming industry models and promoting standardization", with a view to facilitating the bottom out and stabilisation of the real estate industry. However, after a temporary boom in the first quarter, the industry suffered from a slump in growth momentum as no signs of significant improvement can be seen with respect to the weakening demand for housing loans from residents and the generally challenging financing environment for real estate enterprises. The industry was struggling with a sluggish and difficult recovery while real estate development, investment and scale of new construction projects faced continued pressure. According to the data of the National Bureau of Statistics, the investment in real estate development throughout China for the first half of 2023 amounted to approximately RMB5.86 trillion, representing a decrease of approximately 7.9% year-on-year, among which residential investment was approximately RMB4.44 trillion, representing a decrease of approximately 7.3%. All the major indicators have taken a downturn. In respect of commodity housing sales and properties held for sale, the sales area of commodity housing throughout China for the first half of the year amounted to approximately 595 million square meters, down approximately 5.3%. The sales amount of commodity housing was approximately RMB6.3 trillion, up approximately 1.1%, of which residential sales increased by approximately 3.7% but remained sluggish. It is believed that in the absence of strong policies to stimulate the industry, dynamic adjustment will become the main theme of development for the second half of the year.

Since the launch of the reform and opening policy, China has witnessed the world's largest and fastest urbanisation process. The urban development in China has shifted from large-scale incremental construction to focusing on both quality improvement and upgrade of existing buildings and structural adjustment of new buildings, which presented a new development direction of the times, that is, actively promoting urban renewal to satisfy the expectation of people for a livable urban environment. In response to this change of the times, the report of the 20th National Congress of the Party proposed that we should enhance the standard of urban planning, construction and governance, speed up the transformation of the development mode of supercities and megacities, implement urban renewal initiatives, strengthen the construction of urban infrastructure, and build livable, resilient and smart cities. On 21 July 2023, the "Guiding Opinions about Actively and Steadily Promoting Urban Village Renewal in Supercities and Megacities" was considered and passed at the executive meeting of the State Council, which suggested that it is essential to give full play to the decisive role of market in resource allocation and better leverage the role of the government. The government would scale up policy support for urban village renewal, actively pursue innovation in renewal model, encourage and support the participation of private capital so as to promote the development of various types of new businesses with diligent efforts and achieve sustainable operation. This marked the implementation of polices in relation to promotion of urban village renewal in supercities and megacities from the top-level design, and hence presented a historic opportunity for the development of urban renewal business.

Established in 1995 with the gene of "urban renewal", LVGEM (China) has entered the urban renewal segment in the Guangdong-Hong Kong-Macao Greater Bay Area (the "**GBA**") as a first mover, and successively developed a series of iconic urban boutique residential projects, including the LVGEM Lanwan Peninsula, LVGEM Chanson Garden and LVGEM Mansion 1866, in Shenzhen, Zhuhai and other core cities and core districts in the GBA. By establishing a uniquely distinctive real estate brand, it bolstered its solid reputation as a renowned comprehensive real estate developer in the urban renewal segment. Meanwhile, the Group adhered to the "two-pronged" development model of "residential and commercial" over the years and devoted focused efforts in developing two major commercial property series, namely "NEO" and "Zoll", in a bid to render commercial support for residential projects and in turn pursue synergistic development and mutual growth with the core areas of modern cities. Capitalising on the resources and experience accumulated over the past thirty years, the Group erected a high competition barrier and built up its core competitiveness in the urban renewal segment in major cities in the GBA, which laid a solid moat for the development of the Group. LVGEM (China) gradually established its position as not only a pioneer in urban renewal in Shenzhen, but also a leading player in the urban renewal segment in the GBA by taking the lead in the iterative upgrade of urban residential and commercial products and continuously enhancing intrinsic values of cities.

During the first half of 2023, the Group seized the opportunities arising from resumption of normal domestic economic and production activities, and actively pressed ahead with the various urban renewal projects in the core cities and core districts in the GBA. These projects, particularly the Baishizhou Urban Renewal Project (the "**Baishizhou Project**") which was accredited as the "Grand Urban Renewal Project" in Shenzhen, have transitioned through major business milestones as planned and progressed towards maturity. During the period, the construction progress of Phase I of the Baishizhou Project was satisfactory and was almost approaching the standards of pre-sale guidelines imposed by the government. It is expected to be officially launched for sale in the second half of 2023. As the old saying goes, "persistence is the key to success". The official commencement of sales of Phase I of the Baishizhou Project will lead to recovery of substantial amounts of funds, consistent expansion in scale of asset and improvement in asset quality, signifying that LVGEM (China) is poised to pursue large-scale development and will usher in a brand-new stage of full-speed growth.

Looking forward, the Group will spare no efforts in developing the Baishizhou Project and continue to ride on the strategic layout of "focusing on core cities and cities' core areas". Focusing on reinforcing its business presence in the GBA, the Group will persist in strengthening regional penetration and acquire other urban renewal projects in the GBA in due course to expand its existing land reserve. In helping major cities in the Pearl River Delta to transform into modern cities, the Group will strive to realise sustainable operation and development, and become a widely-reputable city value-creator in the GBA.

Results

For the six months ended 30 June 2023, the Group achieved a total revenue of approximately RMB1,344.9 million (six months ended 30 June 2022: RMB1,045.0 million), representing an increase of approximately 28.7% year-on-year. Gross profit was approximately RMB585.1 million (six months ended 30 June 2022: RMB434.4 million), representing an increase of approximately 34.7% year-on-year. Gross profit margin for the six months ended 30 June 2023 remained at a relatively high level of approximately 43.5% (six months ended 30 June 2022: 41.6%).

During the reporting period, the Group recorded a loss of approximately RMB580.4 million (six months ended 30 June 2022: profit of RMB1,026.8 million), representing a decrease of approximately 156.5% year-on-year. Loss attributable to owners of the Company was approximately RMB681.0 million (six months ended 30 June 2022: profit attributable to owners of the Company of RMB630.8 million), representing a decrease of approximately 208.0% year-on-year. Basic loss per share of the Company was approximately RMB13.36 cents (six months ended 30 June 2022: basic earnings per share of the Company of RMB12.37 cents), representing a decrease of approximately 208.0% year-on-year.

The Group's key financial indicators for the six months ended 30 June 2023 were as follows:

	2023 *(RMB million)*	2022 *(RMB million)*	Change
Revenue	**1,344.9**	1,045.0	28.7%
Gross profit	**585.1**	434.4	34.7%
(Loss) profit attributable to owners of the Company	**(681.0)**	630.8	-208.0%
Basic (loss) earnings per share *(RMB cents)*	**(13.36)**	12.37	-208.0%
Gross profit margin *(%)*	**43.5**	41.6	+1.9 percentage point

	As at 30 June 2023	As at 31 December 2022
Bank balances and cash (including restricted bank deposits and pledged bank deposits) *(RMB million)*	**3,068.2**	3,605.0
Average finance costs *(%)**	**7.4**	6.9
Liabilities to assets ratio *(%)*	**70.5**	68.9
Rate of equity return *(%)*	**(5.6)**	(3.0)

* Average finance costs are derived by dividing the total finance costs for the period (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.

The Board does not recommend the payment of any dividend for the six months ended 30 June 2023.

Business Review

In the first half of 2023, the overall real estate market initially showed an upward trend before a subsequent fall. Having benefited from the further roll-out of relaxation policies, restoration of home buyers' confidence and other favourable factors in the first quarter, the property market in some regions saw a temporary boom. However, in view of the general trend of rebound and stabilisation across the industry, the government adopted supportive yet restrained policies. Subsequently, problems in terms of shrinking housing demand and ineffective policies to support financing of homebuyers and real estate enterprises emerged, which weakened the recovery momentum. Discrepancies in market demand can also be found within the industry, mainly reflected by the fact that a more robust demand was seen in first- and second-tier cities as compared with third- and fourth-tier cities, and demand for improved homes were stronger than rigid housing demand. The industry exhibited apparent signs of point-based recovery.

During the period, staying committed to its original mission, the Group actively monitored the changing industry and policy environment and adopted a prudent development approach. With a focus on the high-value residential and commercial development projects in the core cities and core districts in the GBA, the Group continued to drive the current land reserve projects to maturity, including the Baishizhou Project, the Shenzhen Liguang Project, the Zhuhai Dongqiao Project (LVGEM Royal Bay in Zhuhai) and Phase II of the Shenzhen Shazui Project (Phase II of Mangrove Bay No. 1 Project in Shenzhen), and so on. These projects progressed with frequent good news during the period. The successive launch of urban renewal projects in two core districts, namely Nanshan and Futian, Shenzhen, in the second half of the year will drive a leaping quality growth in sales scale and cash inflow of the Group, thereby allowing the Group to officially usher in the harvesting stage of large-scale urban renewal projects.

Specifically, the Baishizhou Project, as the last grand scale urban renewal project located along the main road of Shennan Avenue in the core district of Shenzhen, has become the largest and most iconic urban renewal project for old villages in Shenzhen and received the most attention due to its distinctive scarcity and complexity. Adjacent to the Overseas Chinese Town and situated in a top-tier traditional luxurious residential area in Shenzhen, the project leverages the radiational advantages from the five major headquarters bases in Shenzhen and its ancillary industrial areas. Possessing both urban and scenic resources, this double-graded luxurious property has an extremely high commercial value. According to the development plan, the Baishizhou Project has a total site area of approximately 0.46 million square meters, a gross floor area of approximately 5.00 million square meters and a capacity gross floor area of approximately 3.58 million square meters. With an unrivalled amount of gross floor area, the project realised large-scale development and is expected to be completed in four phases on rolling basis in a time span of eight to ten years. In the first half of 2023, the fastest construction of the main structure under Phase I of the Baishizhou Project has already reached 27 storeys aboveground, and the overall construction progress was also approaching pre-sale standards. Meanwhile, the Group has begun the initial preparation for obtaining pre-sale certificates, and is expected to officially launch the project for sale in the second half of 2023. Phase I of the Baishizhou Project primarily comprises a total of 2,746 units of residential and apartment products with the main residential units ranging from 110 to 125 square meters, targeting to meet the demand for improved homes with three- to four-bedrooms that were gradually released in market. Currently, the marketing center and sample units of the Baishizhou Project have opened, and received more than 5,000 groups of visitors and customers. Such huge popularity signified the high recognition of home buyers for not only the location, ancillary facilities and building designs of the Baishizhou Project, but also for the Group's brand.

The signing rate of Phases I to IV of the Baishizhou Project, on an aggregated basis, exceeded 95%, reaching a major business milestone. To realise the rolling development of the project, the Group has successively begun dismantling old buildings for Phases II to IV of the project, which are expected to meet the conditions for commencing construction in full swing by 2024. As the old saying goes, "a roc will one day soar into the sky once the wind blows". The consecutive commencement of pre-sale of the Baishizhou Project marked a significant milestone in the development of the Group. Thanks to its grand scale and considerable profitability, this large-scale urban renewal project will spur leapfrog growth for the Group, enabling LVGEM(China) to open a new chapter in history and officially embark on a stage of high speed and high-quality development.

The Baishizhou Project will be developed with three types of business activities, namely residential, apartment and commercial, in accordance with the specifications, and the commercial portion will consist of a shopping mall and a superior Grade A office building. Located in the core area of Nanshan District, Shenzhen, the ancillary commercial facilities of the Baishizhou Project lie at the central axis for development in the GBA and are generally positioned as a top-tier landmark commercial building cluster in the GBA. The project is expected to become a core asset in the core area of Shenzhen and has long-term growth potential in terms of fair value, hence bringing sustainable rental yields to the Group. Phase I of the project is planned to have a commercial area of more than 50,000 square meters. The Group has gradually started the preparation for commercial operation and established strategic cooperation with over 300 brands. Following the successive completion of the commercial properties under the Baishizhou Project in the next eight to ten years, the commercial area of the Group will grow steadily, which will further consolidate the development model of the Group that focuses on both residential and commercial properties, continue to enhance the quantity and quality of the Group's assets, and secure sustainable growth for the Group.

For other urban renewal projects in Shenzhen, the signing rate of Phase II of the Shenzhen Shazui Project (Phase II of Mangrove Bay No. 1 Project) has now reached 100%, and the construction progress has met pre-sale standard. The project is expected to be launched for sale in the second half of 2023, with more than 80 units to be put up for pre-sale. This project is located at the intersection of Shazui Road and Jindi 1st Road in Futian District, Shenzhen, which is in close proximity with the core central business district in Futian District. Surrounded by spectacular scenery, the project provides a frontline forestry-and-sea view, and is therefore a scarce and high-value property. The project is expected to be delivered in mid-2024, which surpassed the competing properties in surrounding areas. Further, the signing rate of the Shenzhen Liguang Project has reached 100%, and the confirmation of the construction entity is expected to be completed in the second half of 2023. Subsequently, the Group will commence construction as and when appropriate according to the cash flow arrangements.

In respect of urban renewal projects in Zhuhai, as a high-end residential project in the core luxurious residence zone of Nanwan, Xiangzhou, Zhuhai, the Zhuhai Dongqiao Project (LVGEM Royal Bay in Zhuhai) has been on the region's hot-sale list for many times since its market launch in October 2021. In the first half of 2023, riding on its prime geographical location and high-quality design of the living environment, LVGEM Royal Bay in Zhuhai ranked top in sales volume (sales via online execution) among properties in Zhuhai. The project recorded satisfactory sales and was well-received by the market. As of 30 June 2023, the saleable inventory value of the Northern District of LVGEM Royal Bay in Zhuhai that has satisfied the conditions of pre-sale, including car parking spaces and shops, amounted to approximately RMB4 billion, which will continue to contribute contracted sales income and increase the capital available for the Group in the future.

During the first half of 2023, adhering to the "two-pronged" synergistic development model of "residential and commercial", the Group not only focused on developing residential properties, but also held and operated the commercial properties located in the core areas of core cities of the GBA, which contributed steady rental revenue to the Group and safeguarded its successful navigation throughout the industrial cycles. In the first half of 2023, LVGEM Zoll Xinyi Shopping Mall staged its grand opening, which marked another significant addition to the Group's commercial properties, the Zoll series, in Shenzhen. Meanwhile, the Group joined hands with the Wanda Group to establish the Huazhou Wanda Plaza in LVGEM International Garden, which opened on 10 August 2023. The opening of the Wanda Plaza, a crucial commercial project in Western Guangdong, will add significant local commercial support to the International Garden Project in Huazhou, and continuously enhance the Group's brand value.

During the first half of 2023, the Group continued to build its commercial property presence with the number of commercial properties over 30, and the gross floor area for commercial uses (if all the commercial areas of the Baishizhou Project will be held by the Group) will exceed 1.6 million square meters. With the continued progress of urbanisation and the rapid development of the GBA, coupled with the mutual empowerment between cities and commercial complexes with high-growth potentials, it is expected that the income-generating capabilities of the Group's core commercial properties will be improved effectively, which will be greatly beneficial to the development of the Group and enhance the core competitiveness of the Group significantly.

With respect to finance, strongly supported by its high-quality assets, the Group continuously optimised and expanded its diversified domestic and overseas financing channels. Taking cash flow management as its top priority, the Group took proactive measures to effectively manage its debts. Short-term debts were settled gradually by a combination of roll over and repayment, so that the debt level was steadily maintained at a reasonable level and smoothly sailed through market downturns. During the first half of 2023, upholding the spirit and determination to be "trustworthy and responsible", the Group fully repaid the US$ senior notes of US$470 million fall due, rendering great improvement in the Group's security level. Upon completion of the repayment, the Group has no other US$ senior notes and completely eliminated the risks of "credit crisis" in relation to US$ senior notes, which laid a sound foundation for the launch of the Baishizhou Project in the third quarter. In addition, the Group continued to maintain a simple and clear debt structure that mainly comprised bank and other loans. In the first half of 2023, the Group withdrew bank deposits of over RMB10 billion for the development and construction of the urban renewal project. As the main source of financing inflow of the Group, the bank loans used corporate projects as underlying assets, which reflected their high level of security and served as a solid foundation for the development and construction of the Group's various urban renewal projects in a smooth and orderly manner.

In terms of land reserve, as of 30 June 2023, the Group had land reserves of approximately 7.048 million square meters, approximately 79% of which are located in the core areas of major cities in the GBA such as Shenzhen, Hong Kong, Zhuhai and Dongguan, all of which are high-quality projects. With pushing forward the progress of key urban renewal projects as its primary goal, the Group will gradually promote the development of other urban renewal projects towards maturity. Meanwhile, the Group will closely monitor the changes in the market and industry environment and acquire other urban renewal projects in a timely manner with a view to enriching its existing land reserve to empower the Group's development in the long run.

With the Company's sound operation fundamentals and promising development prospects, the Group was further recognised by the industry and the market. In the first half of 2023, the Group was awarded the honorary titles of "Top 10 Enterprises in Shenzhen's Real Estate Industry in terms of Comprehensive Strength 2023" and "Benchmark Enterprise for Social Responsibility in Shenzhen's Real Estate Development Industry 2023". In the future, the Group will adhere to the concept of sustainable operation to constantly optimise its strategic development and unleash long-term values, striving to achieve long-term success in the urban renewal segment in the real estate industry.

Real Estate Development and Sales

Being the core business of the Group, the real estate development and sales projects were mainly located in the core areas of core cities of the GBA. For the six months ended 30 June 2023, the real estate development and sales of the Group generated revenue of approximately RMB777.8 million (six months ended 30 June 2022: RMB496.7 million), representing an increase of approximately 56.6% year-on-year. During the first half of 2023, the contracted sales based on the commodity housing purchase agreements amounted to approximately RMB2,953.1 million (six months ended 30 June 2022: RMB2,554.8 million), representing an increase of approximately 16% year-on-year, which was mainly attributable to the sales contribution from Zhuhai Dongqiao Project (LVGEM Royal Bay in Zhuhai). According to the data published by CRIC, an authoritative organization, the Group was ranked among the "Top 100 Real Estate Enterprises in China in terms of Sales in the First Quarter of 2023" (ranked 83rd in terms of attributable sales amount) and "Top 200 Real Estate Enterprises in China in terms of Sales in the First Half of 2023" (ranked 118th). It is worth noting that LVGEM Royal Bay in Zhuhai and International Garden in Huazhou, currently being the Group's key projects for sale, were well-received by the market and ranked no. 1 in Zhuhai and Huazhou in terms of sales, respectively. Against the backdrop of shrinking housing demand in the first half of the year, the Group's contracted sales recorded an increase despite the adversity, evidencing the appeal of the Group's brand and the good reputation for developing high-quality products with a craftsmanship spirit established over the years, and is therefore well-trusted by home buyers in the market.

Baishizhou Urban Renewal Project, a core asset of the Group, is a key urban renewal project for old villages in Shenzhen and has received much attention. Located in the core zone of Nanshan District, the area with the highest GDP in Shenzhen, and lies at the golden junction of Shennan Avenue, i.e. the central axis of the city's development, the project has become the center of the "super-cross" connecting four headquarters bases, namely the Houhai Headquarters Base, the Shenzhen Bay Super Headquarters Base, the Liuxiandong Headquarters Base and the Hi-Tech Park Headquarters Base, supported by the proximity to the Dashahe Innovation Corridor and Overseas Chinese Town. As the saying goes, "get a glimpse of China's development from Shenzhen; get a glimpse of Shenzhen's development from Nanshan". The Baishizhou Project sits on the core region in Nanshan District and is surrounded by four metro lines and six metro stations. With its easy access to public transport and superior geographical location, the project is highly resilient. This large-scale project is planned to be completed in four phases on rolling basis. Currently, the construction of Phase I of the project is progressing well and the pre-sale is expected to commence in the third quarter of 2023, which will become a new driver for the rapid and steady growth of the Group.

LVGEM Mangrove Bay No. 1 Project, another iconic urban renewal project of the Group, is a project located in Futian District, Shenzhen. Situated at the southeast corner of the intersection of Shazui Road and Jindi 1st Road, the project is strategically located in the proximity to Futian Port and Huanggang Port, and is well served by public transport with three metro lines in the surrounding area. Phase I of the LVGEM Mangrove Bay No. 1 Project comprises three quality residential buildings and a quality complex of Grade A offices, hotels and apartments. The residential properties of Phase I of the project were initially launched for sale in October 2018 and were well-received by the market that almost all properties were sold within the first day. The pre-sale of the residential properties of Phase II of the project will commence in the second half of 2023. The residential properties of Phase II of the project enjoy a frontline forestry-and-sea view that is permanently unobstructed, and are therefore scarce and high-value properties. Consisting mainly of units between 110 to 143 square meters, the project primarily targets the demand for improved homes, which were released in the market gradually. The pre-sale of Phase II was launched on 27 August 2023, the selling rate was about 80%, reflecting the high recognition from the market.

LVGEM Liguang Project is located in Liguang Village, Guanlan Town, Longhua District, Shenzhen City, adjacent to the Mid Valley Clubhouse of the Mission Hills Golf Club and is surrounded by a superior ecological environment. The project occupies a site area of approximately 80,000 square meters and a total gross floor area of approximately 400,000 square meters. Taking into consideration the surrounding environment and the living needs of the community, the project plan includes the development of a special commercial street at the south side of the region, as well as the Liguang Ecological Park on the grassland at the east side. During the first half of 2023, the signing rate of Liguang Project reached 100%. Currently, it is at the stage of confirming the construction entity. After the confirmation of the construction entity, the Group will commence construction as and when appropriate according to the cash flow arrangements.

Zhuhai Dongqiao Urban Renewal Project (LVGEM Royal Bay in Zhuhai) is one of the three pilot urban renewal villages in Zhuhai City and 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 the Group in terms of the urban renewal in Zhuhai. Located in the sub-district of Nanwan, Xiangzhou District, Zhuhai City, the project is the bridgehead for the Hong Kong-Zhuhai-Macao Bridge and situated in the traditional luxury residential area with a favourable geographical location along the central axis of the city's development. It has a planned total gross floor area of approximately 765,000 square meters, comprising high-end residences, featured hotels, street-level cultural regions and other industrial functions. The project (northern district) has been launched for sale in October 2021, and was well-recognised and received by the market since its launch. During the reporting period, the project contributed contracted sales of approximately RMB2.5 billion, ranked no. 1 in terms of online executed sales among properties in Zhuhai during the first half of 2013 and remained as a popular residential property.

LVGEM International Garden is located in Huazhou, Maoming, Guangdong Province. Situated in a well-developed residential area, it is in proximity to the Juzhou Park and surrounded by a sound natural environment. 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, LVGEM International Garden has become a benchmark project for the improvement of living environment in Huazhou. For the six months ended 30 June 2023, the contracted sales generated from LVGEM International Garden amounted to approximately RMB442 million, achieving a remarkable sales performance that ranked no.1 in terms of both online executed sales and sales areas among properties in Huazhou during the first half of 2023. Meanwhile, it is worth noting that Wanda Plaza in LVGEM International Garden was officially opened on 10 August 2023, which will enhance the commercial support for LVGEM International Garden and add values in the long term.

Hong Kong Lau Fau Shan Project is the Group's first real estate development project in Hong Kong, which marks a new milestone in the internationalization of the "LVGEM" brand. 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 and adjacent to Shenzhen. According to the development plan, the project is expected to be developed into a villa cluster comprising approximately 116 low-density waterfront villas.

Commercial Property Investment and Operations

During the period, the Group adhered to the "two-pronged" development model of "residential and commercial", which is deemed as an important element for the development of complex projects. As the ancillary services of commercial properties complement the residential projects, it will have a value-added effect of "1+1>2", hence injecting intrinsic momentum for urban development. During the reporting period, the Group continued to operate two major commercial property series, namely "NEO" and "Zoll", and held over 30 commercial property projects. The revenue generated from commercial property investment and operations amounted to approximately RMB356.1 million (six months ended 30 June 2022: RMB338.3 million), representing an increase of approximately 5.3% year-on-year.

Shenzhen NEO Urban Commercial Complex, being the first project of the Group in its expansion into the high-end commercial office market, is located in the core central business district in Chegongmiao, Futian District, Shenzhen. It was elected as "one of the ten major landmarks of Shenzhen". NEO Urban Commercial Complex combines Grade A office building, high-end business apartment, commercial units and star hotel, and is equipped with international intelligent devices and high-end commercial services. It has a total gross floor area of approximately 253,000 square meters and a total lettable area of approximately 121,000 square meters. Its high-quality tenants comprise offices and branches of various Fortune Global 500 companies, banks, telecommunication, technology corporations and other renowned enterprises. As of 30 June 2023, the average occupancy rate of NEO Urban Commercial Complex was approximately 80% (six months ended 30 June 2022: 91%). The decrease in occupancy rate was mainly due to the off-lease time between previous and new tenants.

Hong Kong LVGEM NEO Project is located in "Kowloon East CBD 2", the new central business district in Hong Kong, occupying a site area of approximately 4,500 square meters and a planned total gross floor area of approximately 55,390 square meters. In July 2019, the handover of Hong Kong LVGEM NEO was completed and the operation officially commenced on 8 October 2019. With its strategic significance for tapping into Hong Kong property market by the Group, the project will expand the Group's brand influence in the GBA as well as international markets. Since its launch for leasing, driven by the successive introduction of insurance and financial companies and famous fast-moving product brands, and so on, the occupancy rate of the project continued to climb. As of 30 June 2023, the occupancy rate of the property was approximately 71% (six months ended 30 June 2022: approximately 70%).

Zoll Shopping Mall is a famous fashion and comprehensive shopping centre. As of 30 June 2023, the Group owned and operated a number of shopping malls, including LVGEM Zoll Chanson Shopping Mall, LVGEM 1866 Zoll Shopping Mall, LVGEM Zoll Hongwan Shopping Mall, LVGEM Zoll International Garden Shopping Mall, LVGEM Zoll Jinhua Shopping Mall and LVGEM Zoll Yuexi Shopping Mall. As of 30 June 2023, the overall occupancy rate of Zoll Shopping Mall was approximately 85% (six months ended 30 June 2022: the overall occupancy rate was approximately 92%). In the first half of 2023, LVGEM Zoll Xinyi Shopping Centre staged its grand opening. As an upstart in Xinzhou Area, LVGEM Zoll Xinyi adds a natural and comfortable shopping environment to live in Xinzhou and brings a brand new lifestyle and shopping experience. It is worth noting that the Wanda Plaza of International Garden in Huazhou, a collaboration project between the Group and Wanda, opened on 10 August 2023, which is expected to become a benchmark commercial project in Western Guangdong, and mark another significant commercial property of the Group.

Comprehensive Services

The Group provided comprehensive services to customers and tenants of its residential and commercial properties, including property management services, hotel operations and others. For the six months ended 30 June 2023, the comprehensive services of the Group generated revenue of RMB211.0 million (six months ended 30 June 2022: RMB210.1 million), representing a growth of approximately 0.4% year-on-year, which contributed steady cash inflows and diversified cash resources to the Group.

Future Prospect

During the first half of 2023, China maintained the accommodative policies since the end of 2022 at the industry level. According to the statistics of the China Index Academy, over 100 provinces and cities (counties) issued more than 300 real estate-related policies in the first half of the year nationwide, including provident fund supporting policies, subsidies for home purchase and other polices based on the local conditions. Some cities promulgated policies involving the optimization of purchase restriction policies, lowering of the proportion of down payment and interest rates of mortgage loans, and optimization of regulations on capital for pre-sale of properties. However, with all the backlog of housing demand from the previous period basically released, market sentiment for home purchase has cooled down since the second quarter, and the first half of the year showed a “buoyant first, tapered off after” trend as a whole. More intensive supporting policies will be needed in the second half of the year in order to curb the downward trend of the market.

Looking back at the development path of China’s urbanisation, major supercities and megacities have entered into the in-depth urbanization process, and their real estate markets have also comprehensively shifted from the stage of rapid development to the stage of quality improvement of existing buildings, signifying new development opportunities for the urban renewal model that focuses on core regions of core cities. Following the “implementation of urban renewal actions” emphasised in the report of the 20th National Congress of the Party, in July 2023, the Ministry of Housing and Urban-Rural Development issued the “Circular on Promoting Urban Renewal in a Solid and Orderly Manner”, which further requires that urban renewal should be based on sustainable development and activate urban vitality, and that urban renewal should be promoted in a solid and orderly manner from the top-level design.

As a pilot demonstration area of socialism with Chinese characteristics and having underwent four decades of rapid development since the implementation of the reform and opening policy, Shenzhen has evolved into one of the world’s densely-populated “megacities”. The strong attraction of the population and industries makes the problem of “tightened land supply” an invisible “barrier” of the city’s development. In 2009, Shenzhen was the first city in China to introduce the concept of “urban renewal” and issued the “Urban Renewal Measures of Shenzhen Municipality”; in March 2021, Shenzhen also took the lead in officially implementing the first local legislation on urban renewal in China, namely the “Urban Renewal Ordinance of Shenzhen Special Economic Zone”, which completed the top-level design of urban renewal from the legislative level. The Shenzhen Municipal Government attaches great importance to the field of urban renewal, and unlike other regions, Shenzhen has adopted a market-oriented approach for urban renewal from the beginning to fully activate and mobilize all market factors, which is conducive to the effective participation of private enterprises and capital in urban renewal businesses, and helped Shenzhen to transform into a modern city.

LVGEM (China) entered the real estate industry as early as the 1990s with the golden spoon of “Shenzhen Urban Renewal and Redevelopment”, and is currently the founding member and president unit of the Professional Committee on Urban Renewal of Shenzhen. After nearly three decades of intensive development, the Group has accumulated extensive experience and established a good reputation in the field of urban renewal in Shenzhen and the GBA. Insisting on keeping pace with the national development plan and growing in tandem with the city’s development initiatives, Shenzhen forged ahead with unswerving persistence and has now become a leader in the field of urban renewal in the GBA.

Looking ahead, the Group will continue to adhere to its corporate mission of “continuously enhancing the value of cities”. Taking the “dual-core” development strategy as guidance and relying on its own resources and professional strengths, the Group will develop scarce and high-value residential and commercial projects in the core areas of core cities in an innovative and aggressive manner. Harnessing the huge benefits arising from the industry revolution and influx of population in the GBA, the Group will empower value creation of cities and create joyful lifestyles for people residing in the area, hence contributing to building a livable, green and resilient GBA and pursuing its vision of “being the most respected city value-creator”.

Financial Review

Revenue

The Group's revenue mainly comprised of revenue from sales of properties held for sale, leasing of investment properties and comprehensive services. The Group's revenue for the six months ended 30 June 2023 was approximately RMB1,344.9 million (six months ended 30 June 2022: RMB1,045.0 million), representing an increase of approximately 28.7% as compared to the corresponding period last year, which was mainly attributable to the increase in revenue from sales of properties held for sale.

	Six months ended 30 June			
	2023	2022	Increase	
	RMB'000	*RMB'000*	*RMB'000*	*%*
Real estate development and sales	**777,779**	496,668	**281,111**	**56.6**
Commercial property investment and operations	**356,100**	338,270	**17,830**	**5.3**
Comprehensive services	**211,030**	210,096	**934**	**0.4**
Total	**1,344,909**	1,045,034	**299,875**	**28.7**

For the six months ended 30 June 2023, the revenue from sales of properties held for sale was approximately RMB777.8 million (six months ended 30 June 2022: RMB496.7 million), representing an increase of approximately 56.6% as compared to the corresponding period last year. During the current review period, the sales of properties was mainly from the sales of LVGEM International Garden. The Group's total gross floor area of properties held for sale recognised during the six months ended 30 June 2023 was approximately 120,600 square meters (six months ended 30 June 2022: approximately 24,300 square meters).

Revenue from leasing of investment properties for the six months ended 30 June 2023 was approximately RMB356.1 million (six months ended 30 June 2022: RMB338.3 million). The Group's commercial properties are all located in core areas. The increase was mainly due to the higher occupancy rate of Hong Kong LVGEM NEO as compared to the corresponding period last year and the appreciation of HKD to RMB. The properties are mainly operated under the brands of "Zoll" and "NEO". The occupancy rate of investment properties for the six months ended 30 June 2023 remained at a high level at approximately 82% (six months ended 30 June 2022: 91%). The occupancy rate of Hong Kong LVGEM NEO as at 30 June 2023 was approximately 71% (six months ended 30 June 2022: over 70%).

The Group provides comprehensive services to customers and tenants of its residential and commercial properties. These comprehensive services include property management services, hotel operations, renovations and others. During the six months ended 30 June 2023, revenue of comprehensive services was approximately RMB211.0 million (six months ended 30 June 2022: RMB210.1 million), representing a minor increase of approximately 0.4% as compared to the corresponding period last year.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2023, the Group's integrated gross profit was approximately RMB585.1 million (six months ended 30 June 2022: RMB434.4 million), representing an increase of approximately 34.7% as compared to corresponding period last year, and the integrated gross profit margin for the six months ended 30 June 2023 was approximately 44% (six months ended 30 June 2022: 42%). The fluctuation of gross profit margin was mainly caused by the revenue recognised under different project portfolio.

Selling Expenses

For the six months ended 30 June 2023, selling expenses of the Group amounted to approximately RMB54.9 million (six months ended 30 June 2022: RMB56.9 million), representing a decrease of approximately 3.5% as compared to the corresponding period last year. The decrease was mainly due to the lower sales commission related to the sales of LVGEM International Garden recognised during the current review period.

Administrative Expenses

For the six months ended 30 June 2023, administrative expenses of the Group amounted to approximately RMB202.5 million (six months ended 30 June 2022: RMB216.6 million), representing a decrease of approximately 6.5% as compared to the corresponding period last year. The decrease was mainly due to the fact that the Group implemented effective cost control during the current review period.

Recognition of change in fair value of properties under development for sale/properties held for sale upon transfer to investment properties and Fair Value Changes on Investment Properties

The valuation on the Group's investment properties as at 30 June 2023 was conducted by an independent property valuer which resulted in negative fair value changes on investment properties of approximately RMB197.1 million for the six months ended 30 June 2023 (six months ended 30 June 2022: positive change in fair value of properties under development for sale/properties held for sale upon transfer to investment properties of RMB2,310.7 million and positive fair value changes on investment properties of RMB175.5 million, respectively).

Finance Costs

For the six months ended 30 June 2023, finance costs of the Group amounted to approximately RMB802.2 million (six months ended 30 June 2022: RMB787.6 million), representing an increase of approximately 1.9% as compared to the corresponding period last year.

The Group's average finance cost of interest-bearing loans was approximately 7.4% for the six months ended 30 June 2023 (six months ended 30 June 2022: 6.5%).

Income Tax Expense

For the six months ended 30 June 2023, income tax expense of the Group amounted to approximately RMB134.0 million (six months ended 30 June 2022: RMB784.3 million). The Group's income tax expense mainly included payments and provisions made for EIT, PRC withholding tax on dividends distributed by subsidiaries and LAT and the deferred tax provided for the change in fair value of investment properties during the period under review. The decrease of income tax expense was mainly attributable to the negative fair value changes on investment properties during the current period under review, resulting in a reversal of deferred tax.

Operating Results

For the six months ended 30 June 2023, the loss attributable to owners of the Company was approximately RMB681.0 million (six months ended 30 June 2022: profit attributable to owners of the Company of RMB630.8 million), representing a decrease of approximately 208.0% as compared to the corresponding period last year.

Liquidity, Financial Resources and Gearing

Bank balances and cash as at 30 June 2023 amounted to approximately RMB3,068.2 million (including restricted bank deposits and pledged bank deposits) (31 December 2022: RMB3,605.0 million). The Group's bank balances and cash are denominated in RMB, Hong Kong Dollar ("**HK$**") and United States Dollar ("**US$**").

The Group had total borrowings of approximately RMB35,721.6 million as at 30 June 2023 (31 December 2022: RMB34,351.7 million). Borrowings classified as current liabilities were approximately RMB11,878.8 million as at 30 June 2023 (31 December 2022: RMB12,768.8 million).

Breakdown of total borrowings

By currency denomination

	At 30 June 2023 *RMB'000* (Unaudited)	At 31 December 2022 *RMB'000* (Audited)
Denominated in RMB	**23,903,357**	18,492,139
Denominated in HK$	**8,173,991**	8,542,239
Denominated in US$	**3,644,213**	7,317,335
	35,721,561	34,351,713

By fixed or variable interest rates

	At 30 June 2023 *RMB'000* (Unaudited)	At 31 December 2022 *RMB'000* (Audited)
Fixed interest rates	**8,031,649**	11,592,202
Variable interest rates	**27,689,912**	22,759,511
	35,721,561	34,351,713

The Group's gearing ratio as at 30 June 2023 was 105.8% (31 December 2022: 99.3%), which was based on net debt (total interest-bearing loans net of bank balances and cash (including restricted bank deposits and pledged bank deposits)) over total equity.

Current, Total and Net Assets

As at 30 June 2023, the Group had current assets of approximately RMB60,661.0 million (31 December 2022: RMB56,040.4 million) and current liabilities of approximately RMB29,095.2 million (31 December 2022: RMB26,772.7 million), which represented an increase in net current assets from approximately RMB29,267.7 million as at 31 December 2022 to approximately RMB31,565.8 million as at 30 June 2023. Such increase was mainly due to the construction cost incurred in properties under development for sale.

As at 30 June 2023, the Group recorded total assets of approximately RMB104,545.6 million (31 December 2022: RMB99,704.6 million) and total liabilities of approximately RMB73,687.0 million (31 December 2022: RMB68,728.1 million), representing a liabilities to assets ratio of 70.5% (31 December 2022: 68.9%). Net assets of the Group were approximately RMB30,858.6 million as at 30 June 2023 (31 December 2022: RMB30,976.5 million).

For the six months ended 30 June 2023, 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

For the six months ended 30 June 2023, loans of approximately RMB29,681.8 million (31 December 2022: RMB24,235.6 million) were secured by properties under development for sale, properties held for sale, investment properties, properties, plant and equipment, equity instruments at fair value through other comprehensive income and pledged deposits of the Group respectively in the total amount of approximately RMB31,684.2 million (31 December 2022: RMB33,518.5 million).

Material Acquisition and Disposal

During the six months ended 30 June 2023, the Group did not enter into any material acquisition or disposal of subsidiaries, associates or joint ventures.

Contingent Liabilities

As at 30 June 2023, the Group had financial guarantee contracts relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB3,887.5 million (31 December 2022: RMB2,525.9 million). Pursuant to the terms of the guarantees, if there is default on 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 loan by the buyer.

The Directors consider that it is not probable for the Group to sustain a loss under these mortgage guarantees as during the periods under guarantees, the Group can take over the ownerships of the related properties and sell the properties under default to recover any amounts paid by the Group to the banks. The Group has not recognised these guarantees as their fair value at initial recognition is considered to be insignificant by the directors of the Company. 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. The director considers that it is not probable for the Group to sustain a loss under the guarantee for the independent third party as during the periods under guarantee due to its sound credit worthiness, financial position and historical repayment records.

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 RMB. The Group is exposed to foreign currency risk arising from the exposure of HK$ and US$ against RMB as a result of certain cash balances and loans in HK$ or US$.

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

Treasury Policies and Capital Structure

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

Employees

As at 30 June 2023 the Group had a staff roster of 2,368 (30 June 2022: 2,421), of which 2,340 (30 June 2022: 2,395) employees were based in the mainland China and 28 (30 June 2022: 26) 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

Throughout the six months ended 30 June 2023, 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 six months ended 30 June 2023.

REVIEW OF INTERIM FINANCIAL INFORMATION

The interim results of the Group for the six months ended 30 June 2023 have also been reviewed by the members of the audit committee of the Board before submission to the Board for approval. The audit committee of the Board was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

The auditor of the Company, Deloitte Touche Tohmatsu, has performed an independent review on the interim financial report for the six months ended 30 June 2023 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The following is an extract of the independent auditor's report ("**Auditor's Report**") on review of the Group's interim financial information for the six months ended 30 June 2023 which has included a material uncertainty related to going concern paragraph, but without qualification:

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with HKAS34.

Material Uncertainty Related to Going Concern

We draw attention to note 1 to the condensed consolidated financial statements, which indicates that as at 30 June 2023, the Group has borrowings of RMB10,628 million, debt component of convertible bonds of RMB115 million, and domestic corporate bond of RMB1,135 million that are repayable within one year at the end of the reporting period. At the same date, the Group has cash and cash equivalent amounted to RMB1,175 million. The Group might not have sufficient working capital to operate if such borrowings and domestic corporate bond are required to be repaid or redeemed and all other alternative operating and financing plans as described in note 1 to the condensed 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 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 implementation of those plans as set forth in note 1 to the condensed 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 1 to the condensed 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 six months ended 30 June 2023.

EVENTS AFTER THE REPORTING PERIOD

Except for the matters disclosed under the "Management Discussion and Analysis" section of this announcement, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2023 and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The contents of results announcement are published on the websites of the Company (www.lvgem-china.com) and the Stock Exchange (www.hkex.com.hk). The 2023 Interim Report will be dispatched to shareholders in due course.

GENERAL INFORMATION

As at the date of this announcement, the Board comprises Ms. HUANG Jingshu (Chairman), Mr. TANG Shouchun (Chief Executive Officer), Mr. YE Xingan, 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 August 2023