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 2023

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 2023 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

		2023	2022
	NOTES	***RMB'000***	*RMB'000*
Revenue	*3*	**6,117,628**	2,340,921
Cost of sales		**(4,541,374)**	(1,308,270)
Gross profit		**1,576,254**	1,032,651
Other income	*4*	**61,795**	97,372
Other gains and losses	*5*	**124,167**	(58,001)
Selling expenses		**(256,400)**	(106,860)
Administrative expenses		**(454,252)**	(553,196)
Recognition of change in fair value of properties held for sale upon transfer to investment properties		**60,586**	2,355,969
Fair value changes on investment properties		**(1,212,128)**	(301,833)
Finance costs	*6*	**(1,744,114)**	(1,786,564)
Share of results of a joint venture		**(1)**	(2)
(Loss) profit before tax	*7*	**(1,844,093)**	679,536
Income tax expenses	*8*	**(288,294)**	(976,061)
Loss for the year		**(2,132,387)**	(296,525)
(Loss) profit for the year attributable to:			
Owners of the Company		**(2,126,475)**	(730,147)
Non-controlling interests		**(5,912)**	433,622
		(2,132,387)	(296,525)
		RMB cents	*RMB cents*
Loss per share attributable to the owners of the Company during the year	*10*		
– Basic		**(41.71)**	(14.32)
– Diluted		**(41.71)**	(14.32)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
Loss for the year	**(2,132,387)**	(296,525)
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation	**(95,762)**	(383,604)
Gain on revaluation of properties, net of tax	**–**	3,393
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, net of tax	**(1,417)**	(58,845)
Other comprehensive expense for the year	**(97,179)**	(439,056)
Total comprehensive expense for the year	**(2,229,566)**	(735,581)
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(2,224,180)**	(1,169,232)
Non-controlling interests	**(5,386)**	433,651
	(2,229,566)	(735,581)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current assets			
Investment properties		**40,827,347**	40,679,017
Property, plant and equipment		**816,941**	872,378
Goodwill		**231,602**	231,602
Interest in a joint venture		**6,051**	6,052
Amount due from a joint venture		**522,318**	522,318
Equity instruments at fair value through other comprehensive income		**370,074**	371,963
Restricted bank deposits and pledged bank deposits		**2,286,517**	363,338
Deferred tax assets		**493,963**	617,557
		45,554,813	43,664,225
Current assets			
Properties under development for sale		**46,947,897**	45,274,263
Properties held for sale		**4,756,369**	3,388,369
Other inventories		**1,231**	851
Accounts receivable	*11*	**54,537**	60,691
Deposits paid, prepayments and other receivables		**6,411,542**	3,985,306
Tax recoverable		**56,048**	89,221
Restricted bank deposits and pledged bank deposits		**1,243,776**	1,671,732
Bank balances and cash		**486,345**	1,569,935
		59,957,745	56,040,368
Current liabilities			
Accounts payable	*12*	**5,020,886**	5,449,855
Accruals, deposits received and other payables		**8,121,633**	2,393,632
Contract liabilities		**4,186,927**	2,887,286
Lease liabilities		**19,178**	13,269
Tax liabilities		**2,436,286**	2,310,880
Borrowings		**18,041,658**	8,177,876
Senior notes and bonds		**844,575**	3,597,768
Debt component of convertible bonds		**119,898**	993,189
Derivative component of convertible bonds		**2,479**	22,760
Other current liabilities		**585,960**	926,179
		39,379,480	26,772,694
Net current assets		**20,578,265**	29,267,674
Total assets less current liabilities		**66,133,078**	72,931,899
Non-current liabilities			
Borrowings		**16,214,154**	20,694,072
Senior notes and bonds		**129,716**	888,808
Lease liabilities		**182,265**	134,010
Deferred tax liabilities		**3,984,379**	4,344,172
Other non-current liabilities		**16,233,540**	15,894,325
		36,744,054	41,955,387
Net assets		**29,389,024**	30,976,512
Capital and reserves			
Share capital		**42,465**	42,465
Reserves		**23,135,963**	24,717,565
Equity attributable to owners of the Company		**23,178,428**	24,760,030
Non-controlling interests		**6,210,596**	6,216,482
Total equity		**29,389,024**	30,976,512

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.

Due to the slowing down of the People's Republic of China (excludes Hong Kong, Macau and Taiwan) property market since second half of 2023, the Group's operations had experienced a decline in the business of property development and pre-sales volume, resulting in lower collection of pre-sale proceeds during 2023 than management's previous expectation. For the year ended 31 December 2023, the Group incurred a net loss of RMB2,132 million and reported a net operating cash outflow of RMB3,628 million. As at 31 December 2023, the Group has borrowings of RMB18,042 million and domestic corporate bonds of RMB845 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 RMB486 million. The Group might not have sufficient working capital to operate if such borrowings and domestic corporate 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 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.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern for at least 12 months from 31 December 2023, taking into account the following plans and measures:

(i) The Group will actively resolve its phased liquidity pressure by adopting various debt management measures, including:

- Certain portions of the RMB denominated domestic corporate bonds with an aggregate principal amount of RMB845 million, embedded with retractable options, 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. Subsequent to 31 December 2023 and up to the date of this consolidated financial statements, the Group has commenced negotiations with the bondholders of certain domestic corporate bonds to seek their agreement not to exercise the retractable options by the corporate bondholders within twelve months from the end of the reporting period;

- In March 2024, the Group successfully refinanced its syndicated loans and other borrowings of RMB935 million in total with a repayment term of 12 months;

- 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. The Group has been conducting negotiations with relevant banks, lenders and financial institutions on renewal and extension of existing bank and other borrowings with scheduled repayment dates due within one year, with amounts not less than RMB5,024 million for replacing borrowings that are repayable within one year at the end of reporting period. The relevant loan facility is currently undergoing the internal approval procedures of the banks, based on the best estimation of the directors of the Company, the approval for the loan agreements is highly probable to be obtained from the banks in near future. The directors of the Company believe that, given the Group's long-term relationships with the relevant banks and financial institutions and the availability of the Group's assets as collateral for the borrowings, the Group will be able to draw down from existing loan facilities and renew or extend existing borrowings;

(ii) 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 and complete the remaining construction work for property delivery. The Group will also continuously enhance collection progress from customers and banks in respect of the property sales and pre-sales;

(iii) 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;

(iv) The related parties of the Group have agreed not to demand for repayment for non-trade amounts of RMB7,035 million as of 31 December 2023 until the Group has the financial ability to do so;

1. GENERAL *(Continued)*

(v) The Group is currently considering the loan financing offers provided by an equity fund investor with amounts not less than United States Dollars ("**US$**") 500 million with the loan periods of not less than 3 years, which is subject to satisfaction of the investor's due diligence requirements, due and valid execution of all loan documents and provision of documents and information that the investor may require; and

(vi) The Group will consider to dispose of its investments in property development projects to generate more cash inflows if needed. Subsequent to the reporting period, the Group entered into a disposal agreement with a third-party purchaser, pursuant to which, the Group agreed to sell, and the purchaser agreed to purchase the Group's investment properties, at a total consideration of approximately RMB814 million. The disposal transaction is expected to be completed in the second quarter of 2024.

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 obtain agreement from bondholders of certain domestic corporate bonds or lenders to extend the respective maturity dates or not to exercise the right to demand for immediate repayment and replace existing loan;

(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, domestic corporate bonds, etc.;

(iv) 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 complete the remaining construction work for property delivery, and timely collect the relevant sales proceeds;

(v) timely collect the relevant sales proceeds from sales of its investment properties; and

(vi) successfully entered into the borrowing facility with the equity fund investors.

In the event that the forecast cash flow is not achieved or the timing of repayment for borrowings and domestic corporate bonds do not undergo as planned, the directors of the Company will implement other plans that could improve their liquidity position as follows:

(i) The Group is in process of negotiation on the refinancing facilities with banks by increasing the loan-to-value ratio of their pledged investment properties and will draw down the facilities when necessary; and

(ii) The Group is in process of negotiation with vendors and will dispose certain investment properties and properties of the Group when necessary.

One of the project loans amounted to RMB15,322 million with RMB3,831 million due within one year has subsequently rearranged its repayment schedule with supplemental agreement signed in March 2024. Minimum repayment within one year from the end of reporting period would be the higher of 1) RMB250 million, or 2) certain percentage of sales proceeds after deducting regulated fund.

Taking into account all assumptions, plans and subsequent rearrangement of repayment schedule of the project loan 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 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 these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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 1 January 2023 for the preparation of the 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 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

2.2 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies to the 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:

	2023	2022
	RMB'000	*RMB'000*
Sales of properties	**5,010,846**	1,211,312
Revenue from hotel operation, property management service and other services	**405,928**	427,567
Revenue from contracts with customers	**5,416,774**	1,638,879
Rental income	**700,854**	702,042
	6,117,628	2,340,921
Timing of revenue recognition from contracts with customers		
At a point in time	**5,010,846**	1,211,312
Over time	**405,928**	427,567

– **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 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 around one to two years.

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 and for the 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 *Operating Segments*:

- 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 2023

	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	**5,010,846**	**700,854**	**405,928**	**6,117,628**
Inter-segment revenue	**–**	**12,774**	**165,972**	**178,746**
Total segment revenue	**5,010,846**	**713,628**	**571,900**	**6,296,374**
Reportable segment profit	**818,476**	**648,257**	**109,521**	**1,576,254**

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

Inter-segment sales are at mutually agreed terms.

Reconciliations of reportable segment results

The Group does not allocate fair value changes on properties held for sale upon transfer to investment properties, fair value changes on investment properties, other income, other gains and losses, depreciation of property, plant and equipment, 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 results *(Continued)*

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

	2023	2022
	RMB'000	*RMB'000*
Reportable segment results	**1,576,254**	1,032,651
Recognition of change in fair value of properties held for sale upon transfer to investment properties	**60,586**	2,355,969
Fair value changes on investment properties	**(1,212,128)**	(301,833)
Other income	**61,795**	97,372
Other gains and losses	**124,167**	(58,001)
Depreciation of property, plant and equipment	**(60,313)**	(77,949)
Finance costs	**(1,744,114)**	(1,786,564)
Share of results of a joint venture	**(1)**	(2)
Corporate expenses	**(650,339)**	(582,107)
Consolidated (loss) profit before tax	**(1,844,093)**	679,536

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:

	2023	2022
	RMB'000	*RMB'000*
Assets		
Real estate development and sales	**60,546,892**	52,053,306
Commercial property investment and operations	**41,743,579**	42,240,138
Comprehensive services	**385,757**	412,540
Reportable segment assets	**102,676,228**	94,705,984
Goodwill	**231,602**	231,602
Equity instruments at fair value through other comprehensive income ("**FVTOCI**")	**370,074**	371,963
Bank balances and cash	**129,760**	889,074
Restricted bank deposits and pledged bank deposits	**594,447**	585,736
Deferred tax assets	**493,963**	617,557
Interest in a joint venture and amount due from a joint venture	**528,369**	528,370
Deposits paid, prepayments and other receivables	**27,815**	191,663
Amounts due from related parties	**187,804**	203,789
Amounts due from non-controlling interests	**12,881**	1,148,533
Corporate assets	**259,615**	230,322
Consolidated total assets	**105,512,558**	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, certain bank balances and cash, certain restricted bank deposits and pledged bank deposits, deferred tax assets, interest in a joint venture and amount due from a joint venture, certain deposits paid, prepayments and other receivables, amounts due from related parties, amounts due from non-controlling interests 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 2023 and 2022. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	2023	2022
	RMB'000	*RMB'000*
Mainland China	**33,041,829**	32,780,583
Hong Kong	**8,390,452**	8,518,727
USA	**173,378**	180,812
Cambodia	**566,998**	599,643
	42,172,657	42,079,765

Note: Non-current assets excluded goodwill, restricted bank deposits and pledged bank deposits, equity instruments at FVTOCI 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 2023 and 2022.

4. OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Interest income	**32,983**	65,425
Investment income	**22,808**	22,808
Government grants *(Note)*	**6,004**	9,139
	61,795	97,372

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

5. OTHER GAINS AND LOSSES

	2023	2022
	RMB'000	*RMB'000*
Impairment loss recognised for accounts receivable, net	**(3)**	(36,385)
Net foreign exchange gains (losses)	**61,116**	(31,204)
Fair value changes on derivative component of convertible bonds	**52,050**	(7,357)
Gain (loss) on non-substantial modification of domestic corporate bonds	**311**	(2,394)
Gain (loss) on disposal of property, plant and equipment	**2**	(23)
Write-off of deposits paid for acquisition of equity fund investment	**–**	(27,840)
Gain on non-substantial modification of convertible bond	**–**	23,252
Gain on early redemption of convertible bonds	**–**	12,613
Others	**10,691**	11,337
	124,167	(58,001)

6. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interests on:		
Bank and other borrowings	**2,723,515**	1,754,571
Convertible bonds	**79,625**	165,526
Senior notes and bonds	**162,041**	474,529
Lease liabilities	**15,966**	13,849
Less: Amount capitalised in investment properties under development and properties under development for sale*	**(1,237,033)**	(621,911)
	1,744,114	1,786,564

* The finance costs have been capitalised at rates ranging from 4.50% to 24.00% (2022: 1.00% to 19.90%) per annum.

7. (LOSS) PROFIT BEFORE TAX

	2023	2022
	RMB'000	*RMB'000*
(Loss) profit before tax is arrived at after charging (crediting):		
Cost of properties held for sale recognised as expense	**4,192,370**	940,305
Depreciation of property, plant and equipment	**60,465**	78,709
Less: Amount capitalised in investment properties under development and properties under development for sale	**(152)**	(760)
	60,313	77,949
Gross rental income from investment properties	**700,854**	702,042
Direct operating expenses incurred in respect of investment properties that generated rental income during the year	**(52,597)**	(61,995)
	648,257	640,047
Expense relating to short-term leases	**4,510**	4,365
Auditor's remuneration	**3,312**	3,546
Staff costs		
– Directors' emoluments	**7,778**	8,453
– Salaries and other benefits in kind	**446,980**	453,500
– Amount recognised as expense for retirement benefit costs	**29,861**	33,294
Less: Amount capitalised in investment properties under development and properties under development for sale	**(114,795)**	(119,809)
	369,824	375,438

8. INCOME TAX EXPENSES

	Notes	**2023** **RMB'000**	2022 RMB'000
Current tax			
– PRC Enterprise income Tax ("**EIT**")	(a)	**296,151**	27,990
– PRC withholding tax on dividends distribution		**112,317**	120,163
		408,468	148,153
PRC Land Appreciation Tax ("**LAT**")	(b)	**115,553**	89,551
Deferred taxation		**(235,727)**	738,357
Total income tax expense		**288,294**	976,061

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 year ended 31 December 2023 and 2022 and therefore no Cambodia Corporate Income Tax has been provided.

Under the U.S. Tax Cuts and Jobs Act, the U.S. corporate income tax rate has charged at flat rate of 21% during both years. In addition, under the relevant rules of state tax in California of the U.S., the state tax rate is charged at 8.84% during the year ended 31 December 2023 and 2022.

No Hong Kong Profits Tax and U.S. corporate income tax have been provided for as the Group had no estimated assessable profits for both years.

9. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2023 and 2022.

10. LOSS PER SHARE

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

	2023	2022
	RMB'000	*RMB'000*
Loss		
Loss for the purpose of basic loss per share	**(2,126,475)**	(730,147)

	2023	2022
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares of the Company for the purpose of basic loss per share	**5,097,704**	5,097,704
Effect of dilutive potential ordinary shares in respect of		
– Share options	**–**	–
– Convertible bonds	**–**	–
– Convertible preference shares	**–**	–
Weighted average number of ordinary shares of the Company for the purpose of diluted loss per share	**5,097,704**	5,097,704

The computation of diluted loss per share for the year ended 31 December 2023 and 2022 does not assume the conversion of outstanding convertible bonds and convertible preference shares of the Group as the conversion would result in a decrease in loss per share. Moreover, the computation of diluted loss 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 shares for the years ended 31 December 2023 and 2022.

11. ACCOUNTS RECEIVABLE

	2023	2022
	RMB'000	*RMB'000*
Accounts receivable from:		
– Contracts with customers	**36,317**	41,360
– Lease receivables	**18,845**	165,819
Accounts receivable	**55,162**	207,179
Less: Allowance for credit losses	**(625)**	(146,488)
	54,537	60,691

As at 1 January 2022, trade receivables from contracts with customers amounted to RMB25,089,000.

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 (2022:30 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:

	2023	2022
	RMB'000	*RMB'000*
Within 1 month	**22,115**	41,367
1 to 12 months	**28,811**	18,734
13 to 24 months	**3,611**	590
	54,537	60,691

12. ACCOUNTS PAYABLE

Accounts payable mainly represents 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:

	2023	2022
	RMB'000	*RMB'000*
Within 1 month	**2,660,639**	4,233,541
1 to 12 months	**1,761,681**	1,021,957
13 to 24 months	**460,595**	122,773
Over 24 months	**137,971**	71,584
	5,020,886	5,449,855

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 2023.

The year 2023 marked the beginning of the full implementation of the spirit of the 20th National Congress of the Communist Party of China (CPC), as well as the year of economic recovery and development after three years of prevention and control of the COVID-19 pandemic. The world economy recovered weakly, global trade and investment slowed down, and geopolitical risks continued to rise. In the face of the complex internal and external macro environment, the Party Central Committee and the State Council overcame the difficulties and strengthened macro-controls, which contributed to the stabilization and recovery of China's economy. The economy moved on like a vessel braving the winds and waves. After all, China achieved a breakthrough in annual gross domestic product ("**GDP**") exceeding RMB126 trillion, showing an upward curve of turnaround out of the consistent stress. Making her solid strides to comprehensively build a modern socialist country, China has become an important driver of global economic growth.

During the year under review, the supply and demand in the real estate industry had significant changes with sluggish overall performance. The scale of commodity residential transactions in 100 cities across the country further shrank at a low level. The industry is at the stage of bottoming out and stabilizing with marginal improvement. Recovery in market confidence and home buying expectations is underway. To address the new problems in the real estate industry, the Central Government has frequently optimized the property market policies to promote stable operation of the real estate market. In July, the meeting of the Political Bureau emphasized that "the real estate industry has undergone significant changes in supply and demand", which is regarded as a watershed such that the policy efforts have gradually shifted to "supporting and lifting" the market with a more speedy relaxation policy. Applying in a reverse order from tier 3-4 cities to tier 1-2 cities, almost all restrictive administrative measures have been withdrawn to further stabilize confidence in the real estate market and promote the healthy and stable development of properties.

Against the backdrop of a sluggish property and real estate market, LVGEM (China) persisted in pursuing stability as the top priority, planning according to the situation and operating along with the trend during the year. It pushed forward the development and construction of various urban renewal projects in an orderly manner as planned, striding forward to become a leader of high-quality development. In particular, the Baishizhou Urban Renewal Project (hereinafter referred to as the "**Baishizhou Project**"), a hallmark urban renewal project which has attracted much attention from the community, has made a breakthrough progress and entered the harvesting stage after devoted efforts during the year, providing a strong support for the Group's long-term and stable development. During the year under review, the Group, in accordance with the established development strategy, continued to refine and further focus on its urban renewal business, constantly improve its strategic industrial layout to proactively build a new high horizon of quality development.

LVGEM (China) believes it is known as the first mover in the urban renewal in the Guangdong-Hong Kong-Macao Greater Bay Area (the "**GBA**"). Focusing on the urban renewal segment for nearly thirty years, the Group has been adhering to the strategic layout approach of "Focusing on Core Cities and Cities' Core Areas" at all times. With its unique business vision, the Group has acquired a number of high-value urban renewal and land bank projects in the core cities and core districts of the GBA, and accumulated rich experience and extensive resources in the urban renewal segment. With an abundant land reserve and outstanding profitability, the Group has built solid industrial barriers, thereby growing into a leading enterprise in the field of urban renewal in the GBA and a reputable provider of quality living for GBA residents.

The year 2023 is the fifth year since the official promulgation of the "Outline Development Plan for the GBA". Over the past few years, the GBA has achieved eye-catching results in infrastructure construction, technological innovation, financial development and social and livelihood development. It has gradually developed into a strategic pivot of China's new development pattern, a demonstration area of high-quality development, and a place with a leading position for Chinese-style modernization. Benefiting from the encouraging policies and support favoring China's regional economic development, the Group will seize the major and historical opportunities brought by the market capacity expansion of the GBA, and utilize its own talents and advantages to fully participate in the construction of the GBA and demonstrate the "ice-breaking" spirit of "seeking changes amidst adversities and moving forward amidst challenges" with concrete actions, driving the Group's comprehensive strength to a new horizon.

During the year, the Group continued to focus on its core business of real estate development and sales, and carefully monitored the trends and changes in the macro environment. It continued to optimize the business layout, actively explore home sales strategies and enhance our sustainable operation capability. The results for the year were in line with expectations. For the year ended 31 December 2023, the revenue generated from the real estate development and sales of the Group amounted to approximately RMB5,010.8 million, representing an increase of approximately 313.7% as compared to last year. In 2023, the real estate industry continued its market restructuring with a declining scale. According to market data, the sales of commodity housing in China amounted to RMB11,662.2 billion in 2023, representing a year-on-year decrease of approximately 6.5%; the sales area of commodity housing was 1,117.35 million square meters, representing a year-on-year decrease of approximately 8.5%, and the overall contracted sales remained sluggish. Benefited from the market launch of the Baishizhou Project in the second half of the year, the Group's contracted sales remained stable despite the unfavorable market conditions. During the year, apart from the Baishizhou Project, contracted sales were mainly generated from the projects such as LVGEM Royal Bay in Zhuhai, Phase II Shangyuefu Mansion (尚悅府) of Mangrove Bay No. 1 and International Garden Project in Huazhou. Among these projects, LVGEM Royal Bay in Zhuhai and International Garden Project in Huazhou were on the region's hot-sale list for many times since its market launch and were well received by the market.

In terms of urban renewal projects currently underway, the Group is pleased to announce that significant progress was made during the year on the highly anticipated Baishizhou Project. In 2023, Phase I of the Baishizhou project was officially launched for sale in the second half of the year, while Phase II of Shenzhen Shazui Project (Phase II Shangyuefu Mansion (尚悅府) of Mangrove Bay No. 1) was launched in August 2023. The contract rate of Shenzhen Liguang Project has reached 100%. 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 area, and is accredited as the "Grand Urban Renewal Project" in Shenzhen. It is expected that the construction of Phase IV of the Baishizhou Project will be completed in the next eight to ten years. The official market launch of the Baishizhou Project signifies that the beginning of the project's harvesting stage officially for the Group, and it will further enhance the LVGEM brand in the field of urban renewal in the GBA with undeniable significance to the Group.

During the year, the Group continued to adopt the "two-pronged" business model of "residential and commercial" for its commercial property investment and operations, further improving its commercial property presence, which was mainly represented by two major commercial brands "NEO" and "Zoll". 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. These properties contributed to the stable rental income and growth in asset value of the Group. During the reporting period, the Wanda Plaza of International Garden in Huazhou, a collaboration project between the Group and Wanda Group, opened on 10 August 2023. The opening of the Wanda Plaza, a key and devoted 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. Meanwhile, the Group has been adhering to its original vision and forging ahead over the years, proactively planning its business expansion strategy and blueprint and steadily expanding the number and size of its commercial properties. The Group currently holds more than 30 quality commercial property projects comprising a total gross floor area of approximately 1,655,737 square meters. For the year ended 31 December 2023, the Group's revenue from investment in and operation of commercial properties amounted to approximately RMB700.9 million, representing a slight year-on-year decrease of approximately 0.2%, which effectively replenished the Group's cash flow and comprehensively enhanced the Group's overall competitiveness.

In respect of comprehensive services segment, the Group was dedicated to offering all-round services to customers and tenants of its residential and commercial properties, including property management services, hotel operations and others. For the year ended 31 December 2023, the Group's revenue generated from comprehensive services amounted to approximately RMB405.9 million, representing a year-on-year decrease of approximately 5.1%, which contributed stable cash inflows and diversified cash sources to the Group.

In terms of financing, the Group continuously optimized its financial structure based on a high level of security, continued to expand diversified financing channels in Mainland China and abroad, and managed its debts proactively and effectively. During the year, the Group fully repaid the US$ senior notes of US$470 million falling due and RMB1.6 billion of domestic CMBS notes. New drawdown of borrowings exceeded RMB13.09 billion, which provided adequate capital for construction of various urban renewal projects of the Group.

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. In December 2023, the Central Economic Work Conference proposed to accelerate implementation of the "three major projects", namely, affordable housing construction, "common-emergency dual-use" public infrastructure construction and urban village renovation, and implement urban renewal initiatives, to create livable, resilient and smart cities. The launch of these policies marks a new milestone for urban renewal. As one of the important means of urbanization, urban renewal is a livelihood project as well as a development project. The implementation of urban renewal action is inevitable to adapt to the new situation of urban development and promote high-quality urban development. It has become an important strategic measure and lever to improve the quality of living environment and promote the transformation of urban development and construction modes in the new era. Real estate enterprises that have been rooted in the urban renewal segment for a long time will have unparalleled first-mover advantages.

By being well-prepared and well-positioned, the Group will give full play to its resources and talents in the future. By further implementing the strategy of China's modern urban renewal and construction, and seizing market opportunities from regional economic recovery, we will intensively participate in the prospective construction of the cities in the GBA. We will continuously expand the economy of scale of the businesses to drive the overall value of the Group. In addition, we will strive for a prudent operation to secure sustainability on the track of high-quality development, and stay committed to being the most respected creator of urban values, leading for a better life-style with upgraded scenarios continuously.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

After three years of prevention and control of the COVID-19 pandemic in transition, China's economy commenced its marginal recovery gradually in a "wave-front development and zigzag movement" trend in 2023, and remained to have a positive outlook amidst chilly macro environment. In the face of complex international situations such as the aftermath of the pandemic, inflationary pressure, geopolitical conflicts, food security, energy crisis and green transformation, the Chinese government withstood external pressure, overcame internal difficulties, and adhered to the principle of seeking progress while maintaining stability. It continued to strengthen macroeconomic regulation, actively expanded the domestic demand, optimized economic structure, and solidly pushed forward high-quality development through the overlapping effects of scientific and technological innovation and further promotion of the reform. It made a solid progress from a good start in the first quarter, continued recovery in the second quarter, stabilized and rebounded major economic indicators in the third quarter, to notable effectiveness resulting from integrated macroeconomic regulation policies in the fourth quarter. The endogenous impetus of "seeking for newness and changes" has become stronger, further realizing the effective improvement of quality and reasonable growth of quantity. According to the National Bureau of Statistics, in 2023, the annual GDP amounted to RMB126,058.2 billion, representing an increase of 5.2% over last year on the basis of constant prices. The fundamental trend of recovery remained unchanged.

Looking back in the industry, the real estate market encountered multiple challenges and opportunities in 2023. With significant changes in supply and demand, the government departments at all levels frequently optimized property market policies to promote stable operation of the real estate market. The policy environment was close to the most relaxed stage since 2014, but factors such as the weak expectation of residents' incomes and the continued anticipation of falling housing prices still limited the pace of market recovery. The trend of the new housing market restructuring remained unchanged, with insufficient sustainability of policy effects in core cities. The annual sales volume was low and stable, and the policy stimulus showed a trend of "strong in the beginning, weak in the middle and stable in the end". According to the National Bureau of Statistics, in 2023, the national investment in real estate development amounted to RMB11,091.3 billion, representing a decrease of 9.6% from last year; of which RMB8,382.0 billion was invested in residential housing with a decrease of 9.3% and all major indicators declined. In respect of commodity housing sales and properties held for sale, the sales area of commodity housing throughout China in 2023 amounted to 1,117.35 million square meters, down 8.5% from last year, of which the area of residential properties decreased by 8.2%. The sales amount of commodity housing amounted to RMB11,662.2 billion, down 6.5%, of which residential sales decreased by 6.0% and remained sluggish. We believe that with the improvement of the macro-economy and the continuous introduction of favorable policies, the confidence in the real estate market will continue to recover in 2024, presenting some new opportunities.

Urban renewal is an inevitable choice to satisfy the people's growing needs for a better life. Being inseparable from the sustainable development of cities, urban renewal is a neccessity for the ongoing urban modernization, with a great strategic significance for expanding domestic demand and promoting the high-quality urban development. At present, the development of urbanization in China has entered the mid-to-late stage, the construction of innovative urbanization is steadily implemented with development of "new outlook". Urban renewal initiatives are making cities a carrier of good life, introducing new momentum and vitality into urban modernization. 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 approved 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. On October 16, Ni Hong, Party Secretary and Minister of the Ministry of Housing and Urban-Rural Development, published a signed article titled "Creating a New Landscape of High-Quality Urban Development" in "QIUSHI" magazine. The article indicated that, at present, the urban development of China has entered an important period of urban renewal. It has shifted from large-scale incremental construction to focusing on both quality improvement and upgrade of existing buildings and structural adjustment of new buildings, or a shift from "have it or not" to "good or not", which also faced many conflicts and challenges. In this new journey, the strategic position and role of cities have become more prominent, and urban renewal should be steadily promoted. In December 2023, the Central Economic Work Conference proposed to accelerate the "three major projects", namely, affordable housing construction, "common-emergency dual-use" public infrastructure construction and urban village renovation, improve the relevant basic systems, accelerate the establishment of a new model for real estate development, and implement urban renewal initiatives, to create livable, resilient and smart cities. This implies that there is great potential of growth and vast room for development of the urban renewal business in the future.

With blowing winds and crashing waves in the Greater Bay Area, it is the right time to set sail. In 2023, benefits to the GBA continued to increase. A series of policies and measures to support the construction in the GBA were released one after another. Travel among Mainland, Hong Kong and Macao fully resumed after the pandemic. The "hardware" connectivity such as the GBA infrastructure is speeding up, while the "software" connectivity such as the rules and mechanisms is deepening, resulting in a notable tendency of "connectivity promotion" of major platforms. According to "Data from the Development and Reform Commission of Guangdong Province" (《廣東省發展改革委資料》) and data from the Office of the Leading Group for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area of Guangdong Province, the total annual GDP of the 11 cities in the GBA exceeded RMB13.6 trillion, of which 9 cities in Guangdong Province exceeded RMB11 trillion, and the GDP of Hong Kong and Macao exceeded RMB2.6 trillion. This figure is not only at the top of the lists in various major economic zones of China, but also plays a crucial role in the bay areas across the world. As one of the most open and economically dynamic regions in China, the GBA is becoming an important and powerful driver to lead the high-quality development of China.

As the saying goes, "Despite a long way to go, it's filled with scenic spots and vigour, like the sunrise at a new dawn". LVGEM (China), which is rooted in the fertile land of the GBA, has kept abreast of the times and the trend of urban development, and shouldered the key responsibility of urban construction and operation. With almost four decades of experience and devoted efforts, we have maintained a stable operation and continued to rejuvenate the urban and regional value, fostering the strengths of a pioneer as well as a deserved first mover in the urban renewal of the GBA. Strictly in line with the strategy of the GBA with its vision and foresight, the Group has focused on the urban core assets in constant pursuit of and adhering to core cities, core areas and quality products. Based on our Shenzhen headquarter, it has established a forward-looking business presence in the GBA. 90% of the projects developed by the Group are located in the core areas of the core cities in the GBA. Represented by LVGEM Baishizhou in Shenzhen, LVGEM Royal Bay in Zhuhai, and LVGEM International Garden in Huazhou and others, each project is a core asset of the city, enabling the Group to continue to navigate through the economic cycles, and consolidate its barrier moat as the foundation, thereby radiating more eye-catching honors and achievements of the Group on the way of urban renewal.

In 2023, the Group proactively seized the opportunities arising from the domestic economic recovery, further pressed ahead with the various urban renewal projects in the core cities and core areas in the GBA, and practically converted the policy dividends into development advantages. It made substantial breakthroughs in the operation of various projects, particularly the Baishizhou Urban Renewal Project, which was accredited as the "Grand Urban Renewal Project" in Shenzhen. The construction of Phase I of the Baishizhou Project progressed smoothly during the period, and was officially launched for sale in the second half of 2023. There is a time for us to set sail braving the winds and waves. The official launch of Phase I of Baishizhou Project will strengthen the Group's development capacity and market competitiveness, and at the same time implying that LVGEM (China) is looking into new heights on the wilderness of hope to depict a new blueprint.

Looking forward, the Group will continue to ride on the strategic layout of "focusing on core cities and cities' core areas", persist in penetrating the GBA market and spare no efforts in developing the Baishizhou Urban Renewal Project. It will actively explore other urban renewal projects in the GBA to expand its existing land reserve. In empowering major cities in the Pearl River Delta to undergo renewal and upgrade, and giving more connotations to the relevant urban development, the Group will strive to realise the proprietary, high-quality and sustainable development, and become a widely-reputable city value-creator in the GBA.

Results

For the year ended 31 December 2023, the Group achieved total revenue of approximately RMB6,117.6 million (2022: RMB2,340.9 million), representing an increase of approximately 161.3% year-on-year. Gross profit amounted to approximately RMB1,576.3 million (2022: RMB1,032.7 million), representing an increase of approximately 52.6% year-on-year. The gross profit margin for the year ended 31 December 2023 was 25.8% (2022: 44.1%).

During the reporting period, loss amounted to approximately RMB2,132.4 million (2022: RMB296.5 million), representing an increase of approximately 619.1% year-on-year. Loss attributable to owners of the Company amounted to approximately RMB2,126.5 million (2022: RMB730.1 million), representing an increase of approximately 191.2% year-on-year. Basic loss per share amounted to RMB41.71 cents (2022: RMB14.32 cents), representing an increase of approximately 191.2% year-on-year.

The Board does not recommend the payment of any dividend for the year ended 31 December 2023.

The Group's key financial indicators for the year ended 31 December 2023 were as follows:

	2023 *(RMB million)*	2022 *(RMB million)*	**Change**
Revenue	6,117.6	2,340.9	161.3%
Gross profit	1,576.3	1,032.7	52.6%
Loss attributable to owners of the Company	(2,126.5)	(730.1)	191.2%
Basic loss per share *(RMB cents)*	(41.71)	(14.32)	191.2%
Gross profit margin *(%)*	25.8%	44.1%	-18.3 percentage points

	2023	2022
Bank balances and cash (including restricted bank deposits and pledged bank deposits) *(RMB million)*	4,016.6	3,605.0
Average finance costs *(%)**	8.2%	6.9%
Liabilities to assets ratio *(%)*	72.2%	68.9%
Rate of equity return *(%)*	-9.2%	-3.0%

* 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.

The Board does not recommend the payment of any dividend for the year ended 31 December 2023.

Business Review

In 2023, the real estate market showed a trend of "high in the beginning and low afterwards". Although it started the year with "a temporary boom", this trend could not be sustained and decline began in the second quarter and lasted until the end of the year. In order to further boost market confidence and increase the enthusiasm of the home buyers, governments at all levels in China launched more relaxation policies in the second half of the year to boost the property market and promote the steady and healthy development of the real estate market. These policies had a positive impact on the market development, leading to the recovery of confidence in the industry and the market.

During the year, the Group followed the current trend of industry development, adapted itself to market changes and act according to situation by focusing on high-value residential and commercial development projects in the core cities and core areas of the GBA. The Group continued to promote the deepening of existing land reserve projects, including: Shenzhen Baishizhou Urban Renewal Project, Shenzhen Liguang Project, 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, Shangyue Mansion). These projects progressed with frequent good news. The successive launch of urban renewal projects in two core districts, namely Nanshan and Futian, Shenzhen, in the second half of 2023 will drive a leaping quality growth in cash inflow and consolidated strength of the Group, implying that the Group has officially entered the harvesting stage of the construction 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 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 2023, Phase I of the Baishizhou Project was officially launched for sale in the second half of the year, which 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. As of 31 December 2023, the outstanding sales figures of the Baishizhou Project signified the high recognition of home buyers for not only the location, ancillary facilities and building designs of the project, but also for the Group's brand.

The contract 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. Like a trickle of water becoming a river, the successive commencement of the pre-sale of the Baishizhou Projects is of milestone significance to the Group's development. Thanks to its grand scale, the large-scale urban renewal project, on the one hand, has brought considerable profitability to the Group and promoted leapfrog development. On the other hand, its numerous outstanding products have brightened up the "golden brand" of LVGEM, enhanced the Group's reputation, and further expanded its influence and core competitiveness in the industry.

The Baishizhou Urban Renewal 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. Based on the planning of Phase I of the project, 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 increase by hundreds of thousands of square meters, which will further consolidate the Group's development model of commercial and residential development, and continue to enhance the quality of the Group's assets and consolidate its strengths.

As for other urban renewal projects in Shenzhen, Phase II of the Shenzhen Shazui Project (Phase II of Mangrove Bay No. 1 Project, Shangyue Mansion) launched for sale in August 2023 and had been fully sold out by the end of the year. Shangyue Mansion is located at the intersection of Shazui Road and Jindi 1st Road in Futian District, Shenzhen, which is in close proximity to 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 contract rate of the Shenzhen Liguang Project has reached 100%. Subsequently, the Group will continue to push forward the project progress and 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 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 was well-received by the market. As of 31 December 2023, the market value of the remaining saleable inventory of the Northern District of LVGEM Royal Bay in Zhuhai, including car parking spaces and shops, amounted to approximately RMB2.31 billion, which will continue to contribute contracted sales revenue and enrich the sources of cash flow of the Group.

During the year, 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, to achieve steady rental inflows and grow tenaciously through sedimentation and deep cultivation. In 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 Huazhou International Garden Wanda Plaza, jointly developed by the Group and the Wanda Group, opened on 10 August 2023. Wanda Plaza is a crucial commercial project in Western Guangdong, its opening will add significant local commercial support to the International Garden Project in Huazhou, and continuously enhance the Group's brand value.

In 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 will be approximately 1,655,737 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, the Group's core commercial properties are expected to continue to generate revenue at an even higher level, with a constant stream of glittering and colorful highlights.

In terms of finance, the Group focused on strengthening financial control and budget management in accordance with the changes in the internal and external environment as well as the investment needs, reducing the risk of capital recovery, flexibly applying diversified fund-raising strategies, effectively controlling the operating costs, maintaining an adequate level of cash flow, promoting the continuous optimization of the financial structure, and enhancing the Group's economic and social benefits. In 2023, the Group, with the spirit and determination of "Trustworthy and Responsible", paid off US$470 million of US$ bonds due for maturity and RMB1.6 billion of domestic CMBS notes. After the payment, the Group did not have any US$ bonds, and the safety coefficient has been significantly improved. In addition, the Group continued to focus on bank loans and other secured loans with a simple and clear debt structure. In 2023, the Group's new drawdown of borrowings amounted to over RMB13.09 billion, which provided strong support for the Group's smooth and orderly development and construction of its various urban renewal projects.

In terms of land reserve, as at 31 December 2023, the Group had a land reserve of approximately 6.86 million square meters, of which approximately 79% was located in the core locations of the core cities in the GBA, such as Shenzhen, Hong Kong, Zhuhai and Dongguan, etc. It can be predicted that the quality land reserve will hold huge profits. In addition, while with the progressing maturity of other urban renewal projects, the Group will closely scrutinize the changes in the market and the industry environment, and actively expand urban renewal projects by adopting a multi-channel approach, in order to obtain quality, low-cost land reserve and to create a solid foundation for the Group.

With solid operating fundamentals and good brand reputation, the Group was again widely recognized by the industry and the market. In 2023, the Group was awarded the honorary titles of "Top 10 Enterprises in Shenzhen's Real Estate Industry in terms of Comprehensive Strength 2023", "Benchmark Enterprise for Social Responsibility in Shenzhen's Real Estate Development Industry 2023", "China Value Real Estate Ranking – Value City Operator 2023", "Healthy Real Estate Enterprises in China 2023", "The 13th Shenzhen Top 10 Real Estate Credit Rating", "Outstanding Social Responsibility Enterprise in 2023", "50th of Top 100 Commercial Real Estate Enterprises Performance in 2023 by Performance Index Enterprise", "Top 100 Commercial Real Estate Enterprises in Comprehensive Strength", "Top 100 Enterprises in Guangdong, Hong Kong and Macao Greater Bay Area in Property Service", "45th Anniversary of the Reform and Opening of China Contribution Award – Benchmarking Properties in Terms of Value", "The Most Trustworthy Brand of Internet Users in Shenzhen in 2023", "2023 Contribution to the Innovation of the Bay Area's Real Estate Cities and Urban Development Award", and "2023 Excellence List of Community Shopping Centers in Shopping Center Industry by China Shopping Mall Association", etc. In the future, the Group will continue to serve the development of the GBA, adhere to the sustainable development, be responsive and innovative, and create high-quality products with an international vision to provide consumers with diversified and high-quality products and services.

Real Estate Development and Sales

During the reporting period, 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 year ended 31 December 2023, the real estate development and sales of the Group generated revenue of approximately RMB5,010.8 million (2022: RMB1,211.3 million), representing a year-on-year increase of approximately 313.7%, which was mainly attributable to the sales from LVGEM Royal Bay in Zhuhai and G Zone of International Garden in Huazhou carried forward. In 2023, the Group's contracted sales based on the commodity housing purchase agreements amounted to approximately RMB9,152.0 million, representing a year-on-year increase of approximately 128.5%, mainly due to the sales of Phase I of the Baishizhou Project, Phase II of Mangrove Bay No. 1 Project, H Zone of International Garden in Huazhou and the Northern District of LVGEM Royal Bay in Zhuhai. According to the data published by CRIC, an authoritative organization, the Group was ranked in the "Top 20 Real Estate Enterprises Sales in Shenzhen 2023" and was ranked 135th in the "China Real Estate Enterprises Sales Ranking 2023". 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. When the real estate industry is still facing uncertain cyclical changes in 2023, the Group's upward and diversified healthy development against the prevailing trend proves that the Group's good reputation for high quality products is well recognized by the market, and it is becoming a model for real estate enterprises to go through the industry cycle and setting a benchmark for the industry.

Baishizhou Urban Renewal Project is the benchmark project of the Group's urban renewal project, which is situated at the core of Shennan Avenue, the main axis of Shenzhen's urban development, and occupies the intersection point of the dual axes of Shennan Avenue and Dashahe Technological Innovation Corridor, which can be regarded as the Group's "top stream" of core assets. The project is located in the area of Overseas Chinese Town, the core area of Nanshan, Shenzhen. From a vertical view, along the Dashahe Technological Innovation axis, it connects the four headquarters bases that continue to create the miracle of Shenzhen's science and innovation – Liuxiandong Headquarters Base, Nanshan Hi-Tech Park, Houhai Financial Headquarters and the Shenzhen Bay Super Headquarters Base. There are many leading listed companies in the intelligent manufacturing industry in the area. The horizontal Shennan Avenue is the city's golden road with a multi-centered cluster, occupying the top resources of the city, and is also the line of luxury residences where the high-end wealthy groups gather. The all-new Baishizhou, about 5 million square meters of boundless city, integrates a diverse range of business formats, including flagship commercial clusters, top office groups, star-class hotel clusters, high-end residential groups, and large-scale public facilities. In terms of product development, it follows the principles of higher standard, better conditions and more stringent requirements. The project display area is the standard of delivery, what you see is what you get, and high-quality is the guarantee of project price. The project scale is huge, and it is planned to be developed in four phases on a rolling basis. Currently, Phase I of the project has been launched for pre-sale in the third quarter of 2023, which has become a new driver for the growth in the Group's results.

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 out within the first day. The pre-sale of the residential properties of Phase II of the project was launched 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 increasingly released in the market. Phase II Shangyuefu Mansion (尚悅府) of Mangrove Bay No. 1 was launched for sale in August 2023, and had been fully sold out by the end of the year.

Shenzhen 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 reporting period, the contract rate of Liguang Project reached 100%.

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, was well-recognised and received by the market since its launch, and ranked no. 1 in terms of online executed sales among properties in Zhuhai during 2023. During the reporting period, the project contributed contracted sales of approximately RMB3.43 billion 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. As of 31 December 2023, the contracted sales generated from LVGEM International Garden amounted to RMB761.0 million. The project achieved a remarkable sales performance that ranked no. 1 in terms of both online executed sales and sales areas among properties in Huazhou during 2023. Meanwhile, 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, further extending the Group's business reach.

Future Prospect

In 2023, China's real estate market continued to restructure at the trough, with the industry policy level stabilizing before loosening, while accelerating the local policy relaxation. According to data from the CRIC research report, as at the end of December 2023, at least 273 provinces and cities across the country had introduced over 600 relaxation policies. With its launch in a reverse order from tier 3-4 cities to tier 1-2 cities, almost all restrictive administrative measures have been withdrawn. Looking into 2024, local real estate regulation and control policies are expected to be further optimized, and there is still room for relaxation of regulation and control policies in tier 1 and some relatively strong tier 2 cities.

Looking back at the development path of China's urbanization, major supercities and megacities have entered 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, demonstrating new development opportunities for the urban renewal model that focuses on core regions of core cities. Following the "Implementation of Urban Renewal Actions" emphasized 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". Leveraging its forward-looking development strategy and nearly 30 years of experience in urban renewal projects, the Group has continued to promote a number of high-quality projects in the field of urban renewal in Shenzhen as well as in the GBA, which have gained a lot of applause and good reputation. The Group is currently the founding member and president unit of the Professional Committee on Urban Renewal of Shenzhen. The Group insists on synchronizing with the development of the country, resonating with the progress of the times and serving to offer a better life. Closely integrating high-quality development with the satisfaction of the people's better life through urban renewal, the Group 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". Further pursuing the "dual-core" development strategy as strategic layout and relying on its own resources and professional strengths, the Group will share the dividends of the growth of the core cities in the GBA, and capture new development opportunities. Echoing with these dividends and opportunities in all dimensions, magnitudes and enthusiasm, the Group will continue to improve the urban functions and quality, optimize the urban spatial and functional layout, bring people a better and more fortunate life, and make the cities fit for "living, working, learning, doing business, traveling and caring", thereby effectively putting its goal of being the most respected city value-creator into practice.

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 2023 was approximately RMB6,117.6 million (2022: RMB2,340.9 million), representing an increase of approximately 161.3% as compared to the last year, which was mainly due to the increase in revenue from sales of properties held for sale recognised during the reporting period.

	2023	2022	**Increase/ (decrease)**	
	RMB'000	*RMB'000*	*RMB'000*	*%*
Real estate development and sales	**5,010,846**	1,211,312	**3,799,534**	**313.7**
Commercial property investment and operations	**700,854**	702,042	**(1,188)**	**-0.2**
Comprehensive services	**405,928**	427,567	**(21,639)**	**-5.1**
Total	**6,117,628**	2,340,921	**3,776,707**	**161.3**

For the year ended 31 December 2023, the revenue from sales of properties held for sale was approximately RMB5,010.8 million (2022: RMB1,211.3 million), representing an increase of approximately 313.7% as compared to last year, which was mainly attributable to the sales of LVGEM Royal Bay 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 2023 was approximately 252,857 square meters (2022: approximately 115,323 square meters).

Revenue from leasing of investment properties for the year ended 31 December 2023 was approximately RMB700.9 million (2022: RMB702.0 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 2023 and 2022 maintained at a high level of over 80%. The occupancy rate of Hong Kong LVGEM NEO as at 31 December 2023 was 71% (2022: 71%).

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 2023, comprehensive services of the Group generated revenue of approximately RMB405.9 million (2022: RMB427.6 million), representing a decrease of approximately 5.1% as compared to the last year. The decrease was mainly attributable to the decrease of revenue of LVGEM Hotel in 2023 as compared with that in 2022 which was requisitioned as a government centre for epidemiological investigation.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2023, the Group's integrated gross profit was approximately RMB1,576.3 million (2022: RMB1,032.7 million), representing an increase of approximately 52.6% as compared to last year, and the integrated gross profit margin for the year ended 31 December 2023 was approximately 25.8% (2022: 44.1%). The fluctuation of gross profit was mainly caused by the increase of revenue recognition from sales of properties and the revenue recognised under different project portfolio. In 2022, approximately 52.8% of the revenue was derived from the projects in Huazhou, with a lower cost of properties sold as compared to that of Zhuhai while only approximately 15.4% of the revenue in 2023 was derived from the projects in Huazhou. The income from sales of Zhuhai projects (LVGEM Royal Bay and LVGEM Joyful Town) and LVGEM International Garden accounted for approximately 84.2% (2022: 22.9%) and 15.4% (2022: 52.8%) of the total revenue in 2023 respectively.

Selling Expenses

For the year ended 31 December 2023, selling expenses of the Group amounted to approximately RMB256.4 million (2022: RMB106.9 million), representing an increase of approximately 139.9% as compared to the year due to the increase of property sales recognised in 2023. The selling expenses mainly included advertising expenses and sales commissions for sales of properties.

Administrative Expenses

For the year ended 31 December 2023, administrative expenses of the Group amounted to approximately RMB454.3 million (2022: RMB553.2 million), representing a decrease of approximately 17.9% 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 2023 was conducted by an independent property valuer and the directors of the Company which resulted in a fair value loss on investment properties of approximately RMB1,151.5 million (2022: fair value gain of RMB2,054.1 million) for the year ended 31 December 2023.

Finance Costs

For the year ended 31 December 2023, finance costs of the Group amounted to approximately RMB1,744.1 million (2022: RMB1,786.6 million), representing a decrease of approximately 2.4% as compared to last year due to increase of interest capitalisation in Baishizhou Project during the year. The Group's average finance cost of interest-bearing loans was 8.2% (2022: 6.9%) for the year ended 31 December 2023.

Income Tax Expenses

For the year ended 31 December 2023, income tax expenses of the Group amounted to approximately RMB288.3 million (2022: RMB976.1 million). The Group's income tax expenses 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 deferred tax credit of fair value loss of investment properties and offset by the increase of provision of EIT and LAT in current year.

Operating Results

For the year ended 31 December 2023, the loss attributable to owners of the Company was approximately RMB2,126.5 million (2022: RMB730.1 million), representing an increase of approximately 191.2% as compared to the last year.

Liquidity, Financial Resources and Gearing

Bank balances and cash (including restricted bank deposits and pledged bank deposits) as at 31 December 2023 amounted to approximately RMB4,016.6 million (2022: RMB3,605.0 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 RMB35,350.0 million as at 31 December 2023 (2022: RMB34,351.7 million). Borrowings classified as current liabilities were approximately RMB19,006.1 million (2022: RMB12,768.8 million).

Breakdown of total borrowings

By currency denomination

	2023	2022
	RMB'000	*RMB'000*
Denominated in RMB	**24,556,203**	18,492,139
Denominated in HK$	**7,367,788**	8,542,239
Denominated in US$	**3,426,010**	7,317,335
	35,350,001	34,351,713

By fixed or variable interest rates

	2023	2022
	RMB'000	*RMB'000*
Fixed interest rates	**6,578,834**	11,592,202
Variable interest rates	**28,771,167**	22,759,511
	35,350,001	34,351,713

The Group's gearing ratio as at 31 December 2023 was approximately 106.6% (2022: 99.3%), 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 2023, the Group had current assets of approximately RMB59,957.7 million (2022: RMB56,040.4 million) and current liabilities of approximately RMB39,379.5 million (2022: RMB26,772.7 million), which represented a decrease in net current assets from approximately RMB29,267.7 million as at 31 December 2022 to approximately RMB20,578.3 million as at 31 December 2023. The decrease in net current assets as at 31 December 2023 was mainly attributable to the decrease of bank balances, the increase of contracted liabilities, accruals, deposits received and other payables and current portion of borrowings, which was partially offset by the increase of properties under development for sale, properties held for sale, deposits paid, prepayments and other receivables and the decrease of current portion of senior notes and bonds.

As at 31 December 2023, the Group recorded total assets of approximately RMB105,512.6 million (2022: RMB99,704.6 million) and total liabilities of approximately RMB76,123.5 million (2022: RMB68,728.1 million), representing a liabilities to assets ratio of approximately 72.2% (2022: 68.9%). Net assets of the Group were approximately RMB29,389.0 million (2022: RMB30,976.5 million) as at 31 December 2023.

For the year ended 31 December 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

As at 31 December 2023, loans of approximately RMB30,524.2 million (2022: RMB24,235.6 million) were secured by properties under development for sale, properties held for sale, investment properties, property, plant and equipment, equity instruments at FVTOCI and pledged bank deposits, dividend receivables on equity instrument at FVTOCI and other pledged deposits of the Group respectively in the total amount of approximately RMB26,868.7 million (2022: RMB33,540.6 million).

Contingent Liabilities

As at 31 December 2023, the Group had financial guarantee contracts relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB4,879.7 million (2022: RMB2,525.9 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 of the Company 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 of the Company. The directors of the Company 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 2023, the Group had a staff roster of 2,209 (2022: 2,379), of which 2,177 (2022: 2,354) employees were based in the Mainland China and 32 (2022: 25) 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 28 May 2024 to 31 May 2024, 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 27 May 2024.

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 2023, the Group complied with all the code provisions of the Corporate Governance Code as set out in Appendix C1 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 C3 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 2023.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2023.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2023, and the 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 2023 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 28 March 2024. 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 2023. 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 2023, 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 2023, the Group has borrowings of RMB18,042 million and domestic corporate bonds of RMB845 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 RMB486 million. The Group might not have sufficient working capital to operate if such borrowings and domestic corporate 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 domestic corporate 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 domestic corporate 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

During the year ended 31 December 2023, 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

On 7 March 2024, the Group entered a disposal agreement with a third-party purchaser, pursuant to which, the Group agreed to sell and the purchaser agreed to purchase the Group's investment properties, at a total consideration of approximately RMB814 million. The disposal transaction is expected to be completed in the second quarter of 2024.

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 2023 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 2023 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, 28 March 2024

* *For identification purpose only*