L.gem 綠景(中國)地產投資有限公司

LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(HKSE Stock Code: 95)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of LVGEM (China) Real Estate Investment Company Limited (the "**Company**" or "**LVGEM (China)**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2024, together with the comparative figures for the corresponding period in 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**1,942,823**	1,344,909
Cost of sales		**(1,505,091)**	(759,800)
Gross profit		**437,732**	585,109
Other income		**35,326**	49,200
Other gains and losses		**(21,905)**	176,015
Selling expenses		**(59,726)**	(54,934)
Administrative expenses		**(206,673)**	(202,476)
Fair value changes on investment properties		**(951,714)**	(197,063)
Finance costs	*4*	**(833,526)**	(802,207)
Loss before tax	*5*	**(1,600,486)**	(446,356)
Income tax expense	*6*	**(9,933)**	(134,033)
Loss for the period		**(1,610,419)**	(580,389)
Loss for the period attributable to:			
Owners of the Company		**(1,528,224)**	(680,956)
Non-controlling interests		**(82,195)**	100,567
		(1,610,419)	(580,389)
		RMB cents	*RMB cents*
		(Unaudited)	(Unaudited)
Loss per share attributable to owners of the Company during the period	*8*		
– Basic *(RMB cents)*		**(29.98)**	(13.36)
– Diluted *(RMB cents)*		**(29.98)**	(13.36)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(1,610,419)**	(580,389)
Other comprehensive (expense) income		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation	**(24,882)**	(173,277)
Item that will not be reclassified to profit or loss:		
Fair value changes on investments in equity instruments at fair value through other comprehensive income ("**FVTOCI**"), net of tax	**55,168**	(6,843)
Other comprehensive income (expense) for the period	**30,286**	(180,120)
Total comprehensive expense for the period	**(1,580,133)**	(760,509)
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(1,497,373)**	(861,610)
Non-controlling interests	**(82,760)**	101,101
	(1,580,133)	(760,509)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Notes	**At 30 June 2024** ***RMB'000*** **(Unaudited)**	At 31 December 2023 *RMB'000* (Audited)
Non-current assets			
Investment properties		**39,626,822**	40,827,347
Property, plant and equipment		**787,630**	816,941
Goodwill		**231,602**	231,602
Interest in a joint venture		**6,051**	6,051
Amount due from a joint venture		**522,318**	522,318
Equity instruments at FVTOCI		**443,631**	370,074
Restricted bank deposits and pledged bank deposits		**2,380,474**	2,286,517
Deferred tax assets		**503,466**	493,963
		44,501,994	45,554,813
Current assets			
Properties under development for sale		**47,535,201**	46,947,897
Properties held for sale		**5,292,175**	4,756,369
Other inventories		**898**	1,231
Accounts receivable	*9*	**66,924**	54,537
Deposits paid, prepayments and other receivables		**5,621,483**	6,411,542
Tax recoverable		**54,231**	56,048
Restricted bank deposits and pledged bank deposits		**1,077,647**	1,243,776
Bank balances and cash		**812,350**	486,345
		60,460,909	59,957,745
Current liabilities			
Accounts payable	*10*	**3,195,334**	5,020,886
Accruals, deposits received and other payables		**8,493,478**	8,121,633
Contract liabilities		**5,800,213**	4,186,927
Lease liabilities		**24,687**	19,178
Tax liabilities		**2,541,429**	2,436,286
Borrowings		**16,081,211**	18,041,658
Domestic corporate bonds		**844,913**	844,575
Debt component of convertible bonds		**126,794**	119,898
Derivative component of convertible bonds		**404**	2,479
Other current liabilities		**–**	585,960
		37,108,463	39,379,480
Net current assets		**23,352,446**	20,578,265
Total assets less current liabilities		**67,854,440**	66,133,078
Non-current liabilities			
Borrowings		**18,543,622**	16,214,154
Domestic corporate bonds		**129,767**	129,716
Lease liabilities		**351,866**	182,265
Deferred tax liabilities		**3,805,194**	3,984,379
Other non-current liabilities		**17,215,100**	16,233,540
		40,045,549	36,744,054
Net assets		**27,808,891**	29,389,024
Capital and reserves			
Share capital		**42,465**	42,465
Reserves		**21,638,590**	23,135,963
Equity attributable to owners of the Company		**21,681,055**	23,178,428
Non-controlling interests		**6,127,836**	6,210,596
Total equity		**27,808,891**	29,389,024

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

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

Due to the slowing down of the People's Republic of China (excludes Hong Kong, Macau and Taiwan) (the "**Mainland China**" or the "**PRC**") property market in recent years, the Group's operations had experienced a decline in the business of property development and pre-sales volume, resulting in lesser pre-sale proceeds received during six months ended 30 June 2024 than management's previous expectation. For the six months ended 30 June 2024, the Group incurred a net loss of RMB1,610 million. As at 30 June 2024, the total outstanding borrowings, debt component of convertible bond and domestic corporate bonds that are repayable within one year at the end of the reporting period is significantly exceeded the cash and cash equivalent held by the Group. The Group might not have sufficient working capital to operate if such borrowings, convertible bond 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 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 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 the date of the end of the reporting period, 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 30 June 2024 and up to the date of this condensed consolidated financial statements, no retractable options were exercised by bondholders;

- from 30 June 2024 to the date of these condensed consolidated financial statements, the Group successfully refinanced its syndicated loans and other borrowings of RMB7,730 million in total with a repayment term of 12 months to 36 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. The Directors 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 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 balances of RMB6,767 million as of 30 June 2024 until the Group has the financial ability to do so;

(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.

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;

(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 enter into the borrowing facility with the equity fund investor.

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 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 of certain investment properties and properties of the Group when necessary.

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

Should the Group fails 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 condensed consolidated financial statements.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2023.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of properties	**1,389,244**	777,779
Revenue from hotel operation, property management service and other services	**210,871**	211,030
Revenue from contracts with customers	**1,600,115**	988,809
Rental income	**342,708**	356,100
	1,942,823	1,344,909
Timing of revenue recognition from contracts with customers		
At a point in time	**1,389,244**	777,779
Over time	**210,871**	211,030
	1,600,115	988,809

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

– Real estate development and sales: sales of properties

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

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

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

Segment revenue and results

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

Six months ended 30 June 2024

	Real estate development and sales *RMB'000* (Unaudited)	**Commercial property investment and operations** *RMB'000* (Unaudited)	**Comprehensive services** *RMB'000* (Unaudited)	**Total** *RMB'000* (Unaudited)
Revenue:				
From external customers	**1,389,244**	**342,708**	**210,871**	**1,942,823**
Inter-segment revenue	**–**	**13,001**	**68,005**	**81,006**
Total segment revenue	**1,389,244**	**355,709**	**278,876**	**2,023,829**
Reportable segment profit	**24,474**	**334,946**	**78,312**	**437,732**

Six months ended 30 June 2023

	Real estate development and sales *RMB'000* (Unaudited)	Commercial property investment and operations *RMB'000* (Unaudited)	Comprehensive services *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Revenue:				
From external customers	777,779	356,100	211,030	1,344,909
Inter-segment revenue	–	13,413	57,353	70,766
Total segment revenue	777,779	369,513	268,383	1,415,675
Reportable segment profit	164,559	348,160	72,390	585,109

Inter-segment sales are at mutually agreed terms.

Reconciliations of reportable segment revenue and profit or loss

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

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	**2,023,829**	1,415,675
Elimination of inter-segment revenue	**(81,006)**	(70,766)
Consolidated revenue	**1,942,823**	1,344,909
Profit or loss		
Reportable segment profit	**437,732**	585,109
Fair value changes on investment properties	**(951,714)**	(197,063)
Other income	**35,326**	49,200
Other gains and losses	**(21,905)**	176,015
Depreciation of property, plant and equipment	**(30,540)**	(27,786)
Finance costs	**(833,526)**	(802,207)
Corporate expenses	**(235,859)**	(229,624)
Consolidated loss before tax	**(1,600,486)**	(446,356)

Segment assets

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

	At 30 June	At 31 December
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Reportable segment assets		
Real estate development and sales	**61,009,558**	60,546,892
Commercial property investment and operations	**40,611,160**	41,743,579
Comprehensive services	**402,444**	385,757
	102,023,162	102,676,228
Goodwill	**231,602**	231,602
Equity instruments at FVTOCI	**443,631**	370,074
Bank balances and cash	**202,979**	129,760
Restricted bank deposits and pledged bank deposits	**621,566**	594,447
Deferred tax assets	**503,466**	493,963
Interest in a joint venture and amount due from a joint venture	**528,369**	528,369
Deposits paid, prepayments and other receivables	**22,746**	27,815
Amounts due from related parties	**190,810**	187,804
Amounts due from non-controlling interests	**12,881**	12,881
Corporate assets	**181,691**	259,615
Consolidated total assets	**104,962,903**	105,512,558

For the purposes of 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.

4. FINANCE COSTS

	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interest on:		
Bank and other borrowings	**1,352,462**	1,243,315
Convertible bonds	**11,806**	79,625
Senior notes and bonds*	**41,532**	118,551
Lease liabilities	**11,625**	6,202
Contract liabilities	**154,712**	–
Less: Amount capitalised in investment properties under development and properties under development for sale**	**(583,899)**	(645,486)
Interest of contract liabilities capitalised	**(154,712)**	–
	833,526	802,207

* Senior notes has been fully settled during the period ended 30 June 2023.

** The finance costs have been capitalised at rates ranging from 4.50% to 7.50% (six months ended 30 June 2023: 4.25% to 17.00%) per annum.

5. LOSS BEFORE TAX

	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Loss before tax is arrived at after charging (crediting):		
Cost of properties held for sale recognised as expense	**1,364,770**	613,220
Depreciation of property, plant and equipment	**30,579**	27,849
Less: Amount capitalised in investment properties under development and properties under development for sale	**(39)**	(63)
	30,540	27,786
Gross rental income from investment properties	**(342,708)**	(356,100)
Direct operating expenses incurred in respect of investment properties that generated rental income during the period	**7,762**	7,940
	(334,946)	(348,160)
Expense relating to short-term leases	**1,927**	1,892

6. INCOME TAX EXPENSE

	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current tax		
– PRC Enterprise Income Tax ("**EIT**")	**117,625**	68,354
– PRC withholding tax on dividends distributed by subsidiaries	**–**	77,660
	117,625	146,014
Mainland China Land Appreciation Tax ("**LAT**")		
– Current period	**99,386**	76,353
– Overprovision in prior periods	**–**	(11,984)
	99,386	64,369
Deferred taxation	**(207,078)**	(76,350)
Total	**9,933**	134,033

7. DIVIDENDS

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

8. 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:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share	**(1,528,224)**	(680,956)

	Number of shares ('000)	
	2024	2023
Number of shares		
Weighted average number of ordinary shares of the Company for the purpose of basic and diluted loss per share	**5,097,704**	5,097,704

The computation of diluted loss per share for the six months ended 30 June 2024 and 2023 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 ordinary shares of the Company during the six months ended 30 June 2024 and 2023.

9. ACCOUNTS RECEIVABLE

	At 30 June	At 31 December
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Accounts receivable from:		
– Contracts with customers	**31,558**	36,317
– Lease receivables	**35,991**	18,845
Accounts receivable	**67,549**	55,162
Less: Allowance for credit losses	**(625)**	(625)
	66,924	54,537

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

The aging analysis of the Group's accounts receivable, based on invoice dates for rental income from leasing properties and comprehensive services and the terms of relevant sales and purchases agreements for sales of properties, net of allowance of credit losses, is as follows:

	At 30 June 2024	At 31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**27,055**	22,115
1 to 12 months	**35,838**	28,811
13 to 24 months	**4,031**	3,611
	66,924	54,537

10. ACCOUNTS PAYABLE

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

	At 30 June 2024	At 31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**1,407,362**	2,660,639
1 to 12 months	**1,286,671**	1,761,681
13 to 24 months	**438,641**	460,595
Over 24 months	**62,660**	137,971
	3,195,334	5,020,886

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

Being halfway into the year of 2024, the international situation became more complex and severe with uncertainties lingering during the period under review. The World Bank forecasted a global economic growth rate to be stabilized at 2.6% in 2024, which will be the first time of steady growth over these three years, but still sluggish compared with the recent historical level. Despite facing the dual challenges from a turbulent external environment and weak domestic demand, the Chinese economy has been cruising steadily like a giant vessel on a stormy sea. Supported by the effects continually generated from the macro-policies, the recovery of external demand and the accelerated development of new-quality productivity, the transformation and upgrade of the industrial structure were promoted in an orderly manner, with both quantitative growth and qualitative upgrading, exhibiting stronger resilience, potential and vitality. According to the National Bureau of Statistics, in the first half of 2024, the annual GDP of China amounted to RMB61.7 trillion, representing a year-on-year growth of 5.0%.

In respect of the industry, the main theme of easing became a consistent policy orientation for the real estate market, enabling the market to continue its momentum of a feeble recovery during the first half of 2024. On 30 April, the meeting of the Political Bureau designated the policy direction for the property market, and proposed "to organize research on policies and measures to reduce the existing inventory of properties and improve the quality of newly-added housing", gradually shifting the policy focus to the paradigm of "destocking". On 17 May, a bundle of new policies was rolled out for the real estate market to focus on stabilizing the market and curbing inventory of properties, and the residential credit policy received an epic boost in market confidence. On 7 June, the executive meeting of the State Council once again specified that "the tasks of, among others, reducing and revitalizing the existing inventory of housing and land should not be promoted only by emancipation of mind concepts and broadening the ways of thinking, but also by solid management and control and steadily pushing it forward," which has promoted the continual recovery of the real estate industry. Meanwhile, thanks to the short-term stimulation of new favorable policies launched by the central government and subsequently the local governments, sales of newly-built commodity housing continued to rebound from a low level, with a continued slowdown in the year-on-year decline in sales area and value, and the decline in new construction projects and completions coming to an end and recovering at a stable level during the period. According to the National Bureau of Statistics, in the first half of 2024, the national investment in real estate development amounted to RMB5.25 trillion, representing a year-on-year decrease of 10.1%; of which RMB3.99 trillion was invested in residential housing with a year-on-year decrease of 10.4%. In respect of commodity housing sales and properties held for sale, the sales area of newly built commodity housing throughout China during the first half of the year amounted to 479 million square meters, down 19.0% year-on-year; the sales amount of newly built commodity housing amounted to RMB4.71 trillion, down 25.0% year-on-year, of which residential housing sales decreased by 26.9% year-on-year. Although the real estate market is facing some pressure of adjustment, with the continuous introduction of policies and the gradual optimization of the market mechanism, the industry is expected to see some positive changes in the second half of the year.

Cities are the most wonderful, highest-class, most complex and profound products created by mankind. When urbanization has reached a relatively mature stage, urban renewal is the only way to further improve the quality of cities and achieve a higher level of development. Since urban renewal was first included in the Government Work Report 2021, the implementation of urban renewal action has been formally upgraded to a national strategy, and the comprehensive effectiveness it has delivered are gradually more apparent. The Government Work Report 2024 proposed to steadily implement urban renewal actions, push forward the construction of public infrastructure for "both common and emergency use" and urban village renewal, accelerate the improvement of underground pipeline networks, promote the solution of difficulties in retrofitting elevators and car parking in older communities, and strengthen the construction of barrier-free and elderly-friendly facilities to build livable, smart and resilient cities. According to the data disclosed by the Director-General, Department of Urban Construction of the Ministry of Housing and Urban-Rural Development (MOHURD), it has planned to commence the renovation of 54,000 old communities in cities and towns across the country in 2024. Under the support and promotion of the policy, during the first half of 2024, significant progress was made in urban renewal throughout the country, with continuous innovation in the modes of urban renewal, continuous growth in the number of projects and the investment scale, and increasingly enriched details and effectiveness of renovation, presenting new opportunities to the urban development and transformation among the popular trend of industrialization and urbanization, thus demonstrating sustainable vitality.

Growing along with the urban changes and the livelihood of Shenzhen people for forty years, LVGEM (China) focuses on wisdom and vision, and always shares the mutual growth and prosperity with Shenzhen through development with its high sense of social responsibilities, strong urban renewal strength and a steady pace of operation, setting off an upward growth journey in the interaction and resonance of the enterprise and the city. Based on the precise positioning of real estate development, the Group has adhered to the "dual-core" development strategy in the Guangdong-Hong Kong-Macao Greater Bay Area (the "GBA") and developed a number of high-quality urban projects in the core areas of core cities such as Shenzhen, Hong Kong and Zhuhai in the GBA with its extensive experience and devoted efforts in the long run. At the same time, the Group has been focusing on urban renewal with more than 20 years of successful experience in this segment. It has provided a large number of "Urban Renewal Solutions" for Shenzhen, explored the unique "Large City Model", fostered a better life in large cities at full speed, and created a vivid example of sustainable urban renewal. The Group was accordingly honored as an "expert in urban renewal and operation" by the market.

Entering 2024 at the crucial milestone of the 40th anniversary, LVGEM (China) continued to deliver more remarkable results with its "Large City Value". In the first half of the year, the completion of the main structure of Phase I apartments of the Baishizhou Project has been a solid answer sheet showcasing the delivery capability and product strength of LVGEM Baishizhou. The sample units for high-class regional market of LVGEM Baishizhou Jingting were officially opened to the public and were highly recognized by customers. LVGEM Shangyue Mansion was delivered ahead of schedule, demonstrating its delivery strength with excellent results. With the launch of Phase I of Shenzhen Metro Line 29 to fulfil the three-point-one-line linking Shenzhen Bay Super Headquarters Base, Baishizhou, and Xili High-speed Railway Station, LVGEM Baishizhou, accredited as the "Grand Urban Renewal Project" in Shenzhen and located at the designated route of Metro Line 29, is also well poised to contribute to the Group as a project of accomplishing the all-round upgrade of urban resources in terms of location, transportation and education.

Staying focused on one thing will result in paying tribute to one city. In the future, the Group will remain embracing its fabulous vision of "being the most respected creator of urban value", continue to develop and operate steadily as an urban operator. Adhering to long-term commitments and shouldering the corporate mission, the Group will navigate the future urban spatial landscape, development modes and lifestyle as a leader, so as to introduce resilience into the market, add glamour and splendor to urban residential habitat, and fulfill the promise of fostering a better lifestyle.

Results

For the six months ended 30 June 2024, the Group achieved a total revenue of approximately RMB1,942.8 million (six months ended 30 June 2023: RMB1,344.9 million), representing an increase of approximately 44.5% year-on-year. Gross profit was approximately RMB437.7 million (six months ended 30 June 2023: RMB585.1 million), representing a decrease of approximately 25.2% year-on-year. Gross profit margin for the six months ended 30 June 2024 was approximately 22.5% (six months ended 30 June 2023: 43.5%).

During the reporting period, the Group recorded a loss of approximately RMB1,610.4 million (six months ended 30 June 2023: RMB580.4 million), representing an increase of approximately 177.5% year-on-year. Loss attributable to owners of the Company was approximately RMB1,528.2 million (six months ended 30 June 2023: RMB681.0 million), representing an increase of approximately 124.4% year-on-year. Basic loss per share of the Company was approximately RMB29.98 cents (six months ended 30 June 2023: RMB13.36 cents), representing an increase of approximately 124.4%, year-on-year.

The Group's key financial indicators for the six months ended 30 June 2024 were as follows:

	2024 ***(RMB million)*** **(Unaudited)**	2023 *(RMB million)* (Unaudited)	Change
Revenue	**1,942.8**	1,344.9	+44.5%
Gross profit	**437.7**	585.1	-25.2%
Loss attributable to owners of the Company	**(1,528.2)**	(681.0)	+124.4%
Basic loss per share *(RMB cents)*	**(29.98)**	(13.36)	+124.4%
Gross profit margin *(%)*	**22.5**	43.5	-21 percentage point

	As at **30 June 2024** **(Unaudited)**	As at 31 December 2023 (Audited)
Bank balances and cash (including restricted bank deposits and pledged bank deposits) *(RMB million)*	**4,270.5**	4,016.6
Average finance costs *(%)**	**7.9**	8.2
Liabilities to assets ratio *(%)*	**73.5**	72.2
Rate of equity return *(%)*	**(7.1)**	(9.2)

* Average finance costs are derived by dividing the total finance costs for the period (including convertible bonds but excluding finance cost derived from lease liabilities and contract 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 period.

The Board does not recommend the payment of any dividend for the six months ended 30 June 2024.

Business Review

In the first half of 2024, various departments in different regions of China adapted to the new situation of significant changes in the supply and demand tie in the real estate market, adopted city-specific policies, actively adjusted and optimized real estate policies, effectively ensuring the delivery of properties to support rigid and improved housing demand. With effects gradually generated by the policies, market activities increased. Upon implementation of multiple policies, the second-hand housing market, driven by "price for volume" measure, maintained a certain scale of transactions, with some core cities taking the lead in improving second-hand housing transactions. Nonetheless, the new housing market as a whole continued its trend of adjustment, and real estate development and investment has yet to show signs of a notable turnaround. It will take time for the policies to become effective, and the overall downward pressure on the real estate sector is still relatively large.

During the period, the Group adopted a prudent and robust development strategy closely focusing on the presence in the GBA based on its keen insight into the industry and policies. The Group's business covers three major segments, namely real estate development and sales, commercial property investment and operations and comprehensive services. With its diversified land acquisition channels, excellent project resources, outstanding customer services and good brand image, the Group acts as a pioneer empowering the urban renewal sector of China. The Group's major projects include: Shenzhen Baishizhou Urban Renewal Project, Shenzhen Liguang Project, Zhuhai Dongqiao Project (LVGEM Royal Bay in Zhuhai), Phase II of Shenzhen Shazui Project (Phase II of Mangrove Bay No. 1 Project in Shenzhen, Shangyue Mansion) and others, which made a range of remarkable achievements and progress during the period. Whether it was the hot spring sales phenomenon in March, or April as the first "old for new" pilot-scheme new housing project in Shenzhen, the high popularity of LVGEM projects outperformed the Shenzhen property market almost every month, particularly in the first half of the year, the LVGEM Baishizhou project was more frequently promoted on the major media and highly recognized by the market.

Specifically, Shenzhen Baishizhou Urban Renewal Project ("**Baishizhou Project**") is located in the area of Overseas Chinese Town, the core area of Nanshan, and at the intersection of Shennan Avenue and Dashahe Technological Innovation Corridor, which is a high-end living support area linking the four major headquarters bases, namely Shenzhen Bay, Liuxiandong, Houhai Financial CBD and Hi-Tech Park, marking a core location of the city, and even a zone with confirmed value. Having more than 400,000 square meters of high-end premium resources and flagship business district in the area of Overseas Chinese Town, the Project is in the vicinity of the super park belt of Shenzhen composed of eight major ecological parks such as Central Park (under planning), Shahe Golf Club, Shenzhen Noble Merchant Golf Club, Overseas Chinese Town Wetland Park and Shenzhen Bay. In respect of the supporting resources, locating on top of the four metro lines and three stations and centering at the cluster of five major cutting-edge CBDs, it owns approximately 400,000 square meters of ultra-large commercial space capacity with the ancillary support of Nanshan Foreign Language Group Baishizhou School under the consistent nine-year academic system. The promising LVGEM Baishizhou is not only the core asset of the city, but also a large city itself with more supporting resources than expected. As a commercial giant in the prime core area of Shenzhen, Baishizhou Project adheres to the business concept of "hyperlink" and the core of the commercial business themed "ecology-technology-culture-sports", and will showcase a "Hyperlink Center of Future Life" with topnotch planning, thereby reshaping the possibilities of future lifestyles in Shenzhen.

2024 is a significant year for realizing the value of LVGEM Baishizhou as a large city. In the core districts of Shenzhen, the story of the realization of "Large City Value" has gradually begun. In March, the conceptual design plan of the ancillary Nanshan Foreign Language Group Baishizhou School to LVGEM Baishizhou was confirmed, with 63 classes (42 classes for primary school and 21 classes for junior high school), and planned enrollment of 2,940 students. Through devoted efforts of days and nights, the construction of main structure of the first batch of Phase I apartments of LVGEM Baishizhou Jingting was successfully completed. On 1 May, the sample units for high-class regional market of LVGEM Baishizhou Jingting was officially opened to the public. During the period, Metro Line 29 also became an important integral part of the realization of LVGEM Baishizhou in value. Metro Line 29, known as the "Super Central Line" of Shenzhen, is a high-speed line from the south to the north, which reshapes the central lines of Shenzhen. Its Phase I construction has already fulfilled the three-point-one-line linking Shenzhen Bay Super Headquarters Base, Baishizhou, and Xili High-speed Railway Station, passing through the Mangrove Bay and Dashahe Park, while the High-tech Park is within easy reach. It not only greatly improves the transportation network of Shenzhen Metro, but also will bring LVGEM Baishizhou a future of world-wide accessibility. Lying on the designated route of Metro Line 29, LVGEM Baishizhou is an extremely important and large international TOD lifestyle city with more than 5 million square meters among the spots connected to this Metro line. Taking advantage of the ongoing development of the area, it will foster an all-round upgrade of urban resources in terms of location, transport and education.

Amidst the industry trend that confidence is more important than gold, for tens of millions of homebuyers, what can be realized is the real value. In terms of property-held-for-sale projects, LVGEM Baishizhou is the "double champion" in Shenzhen property market in terms of the number of units sold and the transaction amount from January to June.

The commercial business of the Phase I of LVGEM Baishizhou has generally entered the preliminary phase, with global investment solicitation officially launched, and currently, more than 200 domestic and international brands have been initially engaged. The commercial exhibition hall will be opened in the second half of the year, and the commercial business blueprint of LVGEM Baishizhou will gradually unfold. Construction of Nanshan Foreign Language Group Baishizhou School and Phase II of LVGEM Baishizhou is scheduled to commence, and the completion of construction of the School is expected to coincide with the opening of Phase I, adding “new vitality” to the realization of LVGEM Baishizhou. LVGEM Baishizhou is allocating surplus high-quality education resources to empower the better lifestyle in Overseas Chinese Town as a landmark, enabling the complete growth of children from the beginning as well as the steady growth of owners. At the same time as the above realization, the Project has also given the market a timetable for the launch: progress of LVGEM Baishizhou Jingting Project is steady as expected, and is expected to be able to deliver by the end of 2025.

For other urban renewal projects in Shenzhen, the Mangrove Bay No. 1 Project, Shangyue Mansion completed its delivery from 29 April to 5 May, 2024 and achieved an occupancy of 939 residential units within 7 days of delivery, with the on-site delivery rate amounting to 98%. The maximum number of units delivered in a single day amounting to 219 units, and the delivery time was advanced by two months. Shangyue Mansion embraces an unobstructed prime panoramic sea view of Shenzhen Bay and Mangrove Nature Reserve to the south, links Chegongmiao Business District to the north, Futian CBD and Shenzhen-Hong Kong Innovation and Technology Co-operation Zone adjacent to the Loop to the east, and Shenzhen Bay Super Headquarters Base and Houhai Headquarters Base to the west, marking an excellent regional value with aesthetics and quality showcased at the same time.

In respect of urban renewal projects in Zhuhai, the Zhuhai Dongqiao Project (LVGEM Royal Bay in Zhuhai), locating in South Bay (known as the “luxurious zone” in Zhuhai), is the bridgehead of the Hong Kong-Zhuhai-Macao Bridge, and also the hub spot among the main urban area, Guangdong-Macao in-depth cooperation zone in Hengqin and the western central city area. With its unique and prestigious geographic location, the Project is able to fully capitalize on the double dividends arising from the integrated development of Hong Kong, Zhuhai and Macao.

During the period, the Group pursued the “two-pronged” synergistic development strategy of “residential and commercial”. It pushed forward the development of residential properties in an orderly manner on the one hand, and held and managed the commercial properties in the core areas of the core cities within the GBA on the other. This strategy not only ensured the balanced growth in both residential and commercial properties of the Group, but also provided the Group with stable financial support and a strategic buffer amidst the volatility of the economic cycle.

During the first half of 2024, under the real estate contraction cycle, the Group, on the basis of securing stable investment income and rental return from commercial properties, enhanced the asset value of its commercial properties through the input of high-quality assets into the market for trading and, at the same time, recovered capital to enhance its operation and development. As of 30 June 2024, the Group owned more than 30 commercial properties with a commercial area of approximately 1.60 million square meters. As the integration of the GBA accelerates its pace and a new chapter of integrated and open development begins, there will be increasing interactions between cities with high growth potential and commercial complexes, which will significantly enhance the value of its commercial property assets, provide a continuous impetus to the long-term development and further consolidate the market position of the Group.

In terms of finance, in the face of the intensive adjustment of the real estate industry, the Group, leveraging its solid business foundation and sound financial base, established a solid cash flow support mechanism through rational strategic adjustments and innovations as well as supportive and guiding policies in the ever-changing market, so as to seek opportunities amidst the challenges and fulfill sustainable development. Specifically, the Group adhered to “low leverage” operation, took advantage of strategic initiative, actively adopted measures such as strengthening financial management, optimizing debt structure, innovating financing channels to promote sooner sales return, in order to break through the situation and seek sustainable operation with diverse strategies, enhance liquidity, minimize operational risks and seize more opportunities to traverse the economic cycles and achieve high-quality development by virtue of its own strengths and policy support.

In terms of land reserve, the Group’s concept of land acquisition through urban renewal remains unchanged. It will continue to adopt diversified land acquisition methods as a way to making breakthrough, establish presence across cities or regions to expand the scale of its land reserve and enrich its own asset inventory. As at 30 June, 2024, the Group had a land reserve of approximately 6.7 million square meters, of which approximately 80% was located in the core locations of the core cities in the GBA such as Shenzhen, Hong Kong, Zhuhai and Dongguan, with outstanding quality of the projects. During the period, in addition to adopting urban renewal as an important land reserve strategy to secure market position, the Group continuously enhanced the commercial performance to foster the preservation and appreciation of assets accordingly. In addition, the Group timely captured new opportunities to expand the dimensions of its projects and seek profit growth points in new business segments.

The Group has again been highly recognized by the industry and the market for its good operating results and solid operational strength. In the first half of 2024, LVGEM Group was awarded the "Top 10 Real Estate Development Enterprises in Shenzhen in terms of Comprehensive Strength" in 2024. LVGEM Baishizhou Jingting Project in Shenzhen was awarded the International Pioneer Design Award for Landscape in the International Pioneer Design Award (IDPA AWARD) in Japan for its outstanding design concepts and innovation, which signifies the high recognition of LVGEM Baishizhou by the global design sector. In the future, the Group will continue to create high-standard and high-quality products through technological innovation and stringent quality control in order to satisfy customer needs and enhance brand value.

Real Estate Development and Sales

During the period, remaining as the core business of the Group, the real estate development and sales projects were mainly located in the core areas of core cities of the GBA. For the six months ended 30 June 2024, the real estate development and sales of the Group generated revenue of approximately RMB1,389.2 million (six months ended 30 June 2023: RMB777.8 million), representing a year-on-year increase of approximately 78.6%. In the first half of 2024, the Group's contracted sales based on the commodity housing purchase agreements amounted to approximately RMB5,389.7 million (six months ended 30 June 2023: RMB2,953.1 million), representing a year-on-year increase of approximately 82.5%, which was mainly attributable to the sales contribution from Phase I of the Baishizhou Project, LVGEM Royal Bay in Zhuhai and LVGEM International Garden. According to the data published by CRIC, an authoritative organization, the Group was ranked sixth in terms of sales amount of residential pre-sale projects in Shenzhen for the first half of 2024. It is particularly worth noting that "LVGEM Baishizhou", the largest urban renewal complex in China, secured leading positions in the sales ranking of luxury properties in Shenzhen in terms of number of units sold and areas sold, and topped the chart among ongoing sales projects in Shenzhen for the first half of the year. Against the backdrop of sluggish housing demand in the first half of the year, the Group managed to deliver sales growth despite the downturn trend, which not only affirmed the Group's capability in strategy execution, but also was a testament to the competitiveness of its products.

Baishizhou Urban Renewal Project is an exemplary urban renewal project developed by the Group through benchmarking against the ultra-high standards of first-tier metropolises around the globe. The project stands at the center of the city, i.e. the core area of Nanshan Overseas Chinese Town, and is in proximity to the four major headquarters bases, namely the Houhai Financial Headquarters Base, the Shenzhen Bay Super Headquarters Base, the Liuxiandong Headquarters Base and the Hi-Tech Park Headquarters Base. In addition, more premium enterprise projects will be ushered into the surrounding areas in the future. From innovation to incubation and from start-up to headquarters, a relatively all-round and closed-loop industrial cluster has been formed in the surrounding areas of LVGEM Baishizhou, which has also gradually fostered the advantages of enterprise and talent concentration. With a gross floor area of approximately 5.00 million square meters, LVGEM Baishizhou is a "Boundless and Shared City" integrating commercial, office, hotel, cultural tourism and residential developments and a "City Landmark" comprising a superior Grade A international office twin tower of approximately 400 meters in height, an international luxury hotel to be introduced with a gross floor area of approximately 70,000 square meters, boutique hotels and other premium properties, which have extensively filled the regional gap in the sub-district of Overseas Chinese Town. Furthermore, the project has witnessed further advancement on both the educational and commercial aspects, including confirmation of design plan for Phase I of the Nanshan Foreign Language Group Baishizhou School, a kick-off of the commercial launch, commencement of construction of the school and confirmation of the commercial brand and main type of businesses.

LVGEM Mangrove Bay No. 1 Project is a masterpiece of the Group. Located in Futian District, Shenzhen, the project is adjacent to a natural mangrove reserve to the south, enjoying an unobstructed panoramic sea view together with the scenery of Hong Kong Wetland Park across the sea. It also overlooks a golf course as well as the Futian CBD building cluster to the north and faces the 15-kilometer leisure promenade of Shenzhen Bay to the west, featuring abundant landscape resources. The project has been developed in two phases. Phase I of LVGEM Mangrove Bay No. 1 Project occupies a total gross floor area of approximately 310,000 square meters and integrates business apartments, a star hotel, a superior Grade A office building, three residential buildings and a high-end theme mall under the Zoll series. As a pioneering renewal project in the Dajinsha sub-district, it was launched for sale in October 2018. Phase II of the project comprises the LVGEM Shangyue Mansion, which occupies a total site area of approximately 24,000 square meters and a total gross floor area of approximately 300,000 square meters. The centralized delivery that lasted for 7 days was completed around 1 May 2024 with a thousand of high-quality homes being delivered ahead of schedule by 2 months. The Group accomplished outstanding results in terms of both quality and speed, and delivered ideal homes that fully catered to the needs of property owners.

LVGEM Liguang Project is located at the intersection of Shiyuan Street and Lixin Road, Guanlan Street, Longhua District, Shenzhen City, adjacent to the Guanlan Golf Club and commands a magnificent view. The project is an iconic urban renewal project in Liguang Village with a site area of 53,101 square meters for demolition and a site area of 39,584 square meters for development and construction, including 436.9 square meters of various separate parcels of land held for sale. The planned capacity and plot ratio of the project are 157,941 square meters and 4.0, respectively. In the future, the project will seamlessly link to "Liguang Station" of Metro Line 22. As an urban express line that sits on the central axis of Shenzhen's development, Metro Line 22 will undertake the functions of driving the connectivity radially between central Futian and other areas such as Longhua and Dongguan, as well as relieving the traffic pressure along the central corridor. It will help achieve the planned goal of realizing 45-minute access and 60-minute access from central Futian to the Guanlan cluster center and other sub-districts at the peripheral of Shenzhen, respectively.

Zhuhai Dongqiao Urban Renewal Project (LVGEM Royal Bay in Zhuhai) is located in Nanwan, the core area of the main district in Zhuhai. Occupying a gross floor area of approximately 800,000 square meters, it is a benchmark GBA cultural living project which the Group has spared no efforts and costs to build. This high-end and large-scale residential project is characterized by its healthy, smart and culturally-vibrant community, sophisticated products, fine decoration with international quality and high-standard service regime. The project occupies a total gross floor area of approximately 800,000 square meters and is divided into three sections, namely the northern district, central district and southern district, for development. Situated in a favourable geographical location, the project is marked by a variety of landscape resources with mountain, river and city views, and stands at the center of a superior transportation hub in the GBA, where it enjoys a multi-dimensional and stereoscopic transportation network with six major transportation systems including sea, land, air, rail, bridge and metro lines, together with well-established ancillary facilities.

LVGEM International Garden is located on the border of the old city center of Huazhou, Maoming, Guangdong Province, adjacent to the Juzhou Ecological Park, the largest ecological park in the city. The project boasts abundant landscape resources of mountain, lake and native plants with ranges of rolling hills to the southeast and southwest. In addition, the Lion's Ridge and West Lake (under planning) to the south of the project are the largest ecological parks in Huazhou with spectacular natural scenery. With a total gross floor area of approximately 2.40 million square meters, the project is planned to be developed into a large-scale ecological community as well as a superior commercial and residential complex in Western Guangdong with scenic mansions, lakeside houses, high-rise residences, boutique hotels, a charming commercial street and other ancillary living facilities, fostering a new quality urban lifestyle in Huazhou.

Commercial Property Investment and Operations

During the period, the Group persistently implemented the two-pronged business strategy of "residential and commercial", and simultaneously owned two major commercial complex brands "NEO" and "Zoll", which consisted of the NEO Urban Commercial Complex, Zoll Chanson Shopping Mall, Zoll Mangrove Shopping Mall, Zoll Yuexi Shopping Mall, Zoll Huazhou Shopping Mall, Zoll Jinhua Shopping Mall, Zoll 1866 Commercial Street, as well as other stores and investment properties. During the reporting period, the Group held over 30 commercial property projects with a total gross floor area of over 1.60 million square meters. The revenue generated from commercial property investment and operations amounted to approximately RMB342.7 million (six months ended 30 June 2023: RMB356.1 million), representing a decrease of approximately 3.8% year-on-year.

Shenzhen NEO Urban Commercial Complex, being the Group's first NEO project, was fully completed and put into operation in 2011. Located in the western central district of Futian, Shenzhen, the project is a prominent landmark building standing on Shennan Avenue with a total gross floor area of over 250,000 square meters. Consisted of three tower buildings, i.e. Tower A, B and C, and commercial podiums, it accommodates a diverse range of businesses such as international Grade A office building, business apartments, high-end catering and service businesses, and is committed to providing enterprises with a brand-new business, office and living experience. Leveraging its outstanding and comprehensive problem-solving capability, understanding of the city, leading operational management and innovative business concepts, the Group transformed NEO into an iconic landmark project and attracted various Fortune Global 500 companies and headquarters of enterprises. The project reported three major achievements, namely high customer satisfaction, high occupancy rate and high brand reputation, and made significant contributions to the urban development of Shenzhen. It has also achieved a leasing rate of up to 99.8% since commencement of project operation, setting two new records in terms of the occupancy rate and leasing pace of Grade A office building as compared to other similar properties in Shenzhen in the same period. The revenue from commercial property investment also registered steady growth in recent years. Besides, the project successively won various awards, such as the "Gold Medal Commercial Property of the Year in Guangdong" and "Model Urban Renewal Project in Guangdong Province". As of 30 June 2024, the occupancy rate of NEO Urban Commercial Complex was approximately 76% (as of 30 June 2023: 80%).

Hong Kong LVGEM NEO Project is located at the heart of Kowloon East and has a total gross floor area of approximately 56,000 square meters. Encompassing environmental protection, healthcare, smart technologies and scenario-based services, the project presents an all-new office experience and unlocks new vigour of commercial development to foster a high-quality business and living community. This international Grade A office building also represents a major milestone in the internationalization of the Group's NEO brand. Adjacent to the Energizing Kowloon East Office, the project is surrounded by a hundred-billion valued business district in Kowloon East and commands a permanent and unfettered view of the Victoria Harbour. It not only capitalizes on locating in a world-class economic hub with access to well-developed supporting infrastructures, advanced facilities and premium services, but also benefits from policy support and shares the dividends of the development of Kowloon East. These positive factors enable it to engage with the world economy in a higher position, jointly develop the world's best financial ecosystem and keep abreast with the development opportunities of the times. As the first commercial project in Hong Kong, the Hong Kong LVGEM NEO Project has a strategic significance for the Group's entry into Hong Kong property market and will reinforce the Group's leading position in the commercial property sector, as well as its market position and brand influence in the development of the GBA. Since its launch for leasing, the project received enthusiastic responses from the market and achieved fruitful results in attracting tenants. It also secured a number of multinational leading financial, real estate and technology enterprises as its tenants, truly in line with its positioning of "being a smart financial center with a panoramic sea view in Kowloon East". As of 30 June 2024, the occupancy rate of the property was approximately 73% (as of 30 June 2023: 71%).

Zoll Shopping Mall is the first shopping mall brand focusing on community-based neighborhood commerce, which was developed by the Group with committed efforts. It has expanded beyond the single-project operation model and established a strategic layout of series projects, scaled expansion and branding. This project and the NEO Urban Commercial Complex represent the two major product models under LVGEM's commercial property segment. Currently, there are eight shopping malls under the Zoll series. They have taken a refreshing and proactive approach of becoming "a business that serves the community", instead of the traditional and passive approach of being merely "a business in the community". By organically blending the community functions with supporting commercial facilities and incorporating convenience, efficiency, experience and fashion elements, the Group has created four major spaces focusing on family sharing, home entertainment, child development and community living room. They are designed to satisfy urban residents' needs for shopping, entertainment, socializing, healthcare and culture, and provide products and services that customers basically and genuinely need in their life in a truly necessary manner. Encompassing 19 basic and essential life functions, the shopping malls have been comprehensively developed as a new community shopping environment that is convenient, experiential, economical and fashionable to help improve the quality of life of urban community residents. As of 30 June 2024, the overall occupancy rate of Zoll Shopping Mall was approximately 79% (as of 30 June 2023: 85%).

Comprehensive Services

The Group provides comprehensive services to customers and tenants of its residential and commercial properties. These comprehensive services, including property management services, hotel operations and others, not only improved customer experiences, but also strengthened the market competitiveness of the Group. For the six months ended 30 June 2024, comprehensive services of the Group generated revenue of RMB210.9 million (six months ended 30 June 2023: RMB211.0 million), representing a year-on-year decrease of approximately 0.1%. The diversified operation has contributed a sustainable stream of cash flow and in turn supported the stable development of the Group in the long run.

Future Prospect

During the first half of 2024, relaxed policies and stimulus measures of China's real estate market boosted market sentiment to a certain extent with efforts made on both supply and demand sides, which unleashed demand for home purchase and facilitated stable recovery of the real estate market. According to preliminary statistics from CRIC, a total of 341 optimization policies for the property market were implemented across the country in the first half of the year with continued relaxation of restrictive policies on home purchase and numbers of home buyer incentive policies in terms of finance and taxation announced. However, there was a gap between the actual market performance and policy anticipation, and the improvement in the overall new housing market was insignificant, hence it will take some time for the effects of such policies to be generated. According to the prediction of the China Index Academy, in the second half of the year, under the policy support and the influence of weakened high base effect, the year-on-year decline in the sales of new housing nationwide will narrow gradually. However, the performance of investment and construction may maintain a sluggish trend, and the market will remain in the bottoming-out stage.

During the period, Shenzhen introduced a series of favorable policies to enhance the confidence of home buyers. The increasing number of relaxed policies helped stimulate the market vitality. On the one hand, these policies accelerated home buying decision of the previous pent-up demands, and on the other hand, generated new demand, which ultimately resulted in a significant increase in the transaction volume. In the first half of the year, a total of 25,565 second-hand properties were sold in Shenzhen, representing a year-on-year increase of 30.7% and a quarter-over-quarter increase of 25.5%. Among which, 21,394 second-hand residential properties were sold, representing a year-on-year increase of 31.8% and a quarter-over-quarter increase of 29.4%, reaching a new high since the second half of 2021.

In the face of the increasing shortage of land resources, urban renewal is not only a practical need for the sustainable development of Shenzhen, a megacity in China with the smallest administrative area, but also an important implementation path for responding to the needs of social development and realizing the goals of integrated development in economic, social and ecological aspects. It is also a comprehensive implementation project that integrates various multi-dimensional goals, such as guaranteeing the industry transformation and upgrade, preserving the historical and cultural heritage, improving the people's livelihood and promoting the economical and intensive use of land, and involves all aspects of urban development and governance in Shenzhen. The sustainable progress of urban renewal in a healthy and orderly manner will play an important role in supporting the development of Shenzhen as an exemplary city for building a great modern socialist country.

With the continuous acceleration of urbanization and the rapid development of Shenzhen, land resources in the city center became increasingly scarce. The Group has tapped into the urban renewal sector since 1988 with more than 90% of its land acquired through participation in urban renewal projects, which is relatively rare amongst mainstream developers, and has undoubtedly taken the lead in the development. Along the way, the Group has accumulated considerable experience in the renovation of old cities and urban renewal. 90% of its urban renewal projects are located in Shenzhen with established popularity in the region, including LVGEM Lanwan Peninsula, LVGEM Hongwan Garden, LVGEM Mangrove Bay No. 1 and LVGEM NEO, all of which are known as regional high-quality projects, underscoring the mutual development and achievement between the Group and Shenzhen. Being an expert in urban renewal, the Group strived to secure sustainable growth. Adhering to the steady development strategy over the past few decades, it has successfully developed a number of single large-scale urban renewal projects and established presence in the core districts in core cities of the GBA.

Looking ahead, with its strategic commitment to intensive development of the GBA, the Group will capture the benefits from the GBA and collaborative planning between Shenzhen and Hong Kong under the market environment where challenges meet opportunities. The Group will develop more high-quality projects from a forward-looking strategic perspective, and create highly immersive scenarios and in-depth experiential consumption, thereby continuing to improve the living environment and quality of life in cities and facilitating urban development. Staying committed to its original mission over the past four decades, the Group will strive to demonstrate its determination to deliver a large city by leveraging the experience in urban renewal. With the focus on quality, the Group will prove the market choice with its sales volume and promote the steady realization of "Large City Value" across different cycle as a recognition of its corporate strengths.

Financial Review

Revenue

The Group's revenue mainly comprised of revenue from sales of property held for sale, leasing of investment properties and comprehensive services. The Group's revenue for the six months ended 30 June 2024 was approximately RMB1,942.8 million (six months ended 30 June 2023: RMB1,344.9 million), representing an increase of approximately 44.5% as compared to the corresponding period last year, which was mainly attributable to the increase in revenue from sales of properties held for sale.

	Six months ended 30 June			
	2024	2023	Increase/ (decrease)	
	RMB'000	*RMB'000*	*RMB'000*	*%*
	(Unaudited)	(Unaudited)		
Real estate development and sales	**1,389,244**	777,779	**611,465**	**+78.6**
Commercial property investment and operations	**342,708**	356,100	**(13,392)**	**-3.8**
Comprehensive services	**210,871**	211,030	**(159)**	**-0.1**
Total	**1,942,823**	1,344,909	**597,914**	**+44.5**

For the six months ended 30 June 2024, the revenue from sales of properties held for sale was approximately RMB1,389.2 million (six months ended 30 June 2023: RMB777.8 million), representing an increase of approximately 78.6% as compared to the corresponding period last year. During the current review period, the sales of properties was mainly from the sales of LVGEM Royal Bay and LVGEM Mangrove Bay No. 1 project. The Group's total gross floor area of properties held for sale recognised during the six months ended 30 June 2024 was approximately 28,500 square meters (six months ended 30 June 2023: approximately 120,600 square meters).

Revenue from leasing of investment properties for the six months ended 30 June 2024 was approximately RMB342.7 million (six months ended 30 June 2023: RMB356.1 million). The Group's commercial properties are all located in core areas. The decrease was mainly due to the lower occupancy rate of Shenzhen NEO Urban Commercial Complex as compared to the corresponding period last year. The properties are mainly operated under the brands of "Zoll" and "NEO". The occupancy rate of investment properties for the six months ended 30 June 2024 remained at a high level at approximately 78% (six months ended 30 June 2023: 82%). The occupancy rate of Hong Kong LVGEM NEO as at 30 June 2024 was approximately 73% (six months ended 30 June 2023: 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. During the six months ended 30 June 2024, revenue of comprehensive services was approximately RMB210.9 million (six months ended 30 June 2023: RMB211.0 million), representing a minor decrease of approximately 0.1% as compared to the corresponding period last year.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2024, the Group's integrated gross profit was approximately RMB437.7 million (six months ended 30 June 2023: RMB585.1 million), representing a decrease of approximately 25.2% as compared to corresponding period last year, and the integrated gross profit margin for the six months ended 30 June 2024 was approximately 23% (six months ended 30 June 2023: 44%). The fluctuation of gross profit margin was mainly caused by the revenue recognised under different project portfolio.

Selling Expenses

For the six months ended 30 June 2024, selling expenses of the Group amounted to approximately RMB59.7 million (six months ended 30 June 2023: RMB54.9 million), representing an increase of approximately 8.7% as compared to the corresponding period last year. The increase was mainly due to the high sales volume of LVGEM Royal Bay and LVGEM Mangrove Bay No. 1 project recognised during the current review period.

Administrative Expenses

For the six months ended 30 June 2024, administrative expenses of the Group amounted to approximately RMB206.7 million (six months ended 30 June 2023: RMB202.5 million), representing an increase of approximately 2.1% as compared to the corresponding period last year.

Fair Value Changes on Investment Properties

The valuation on the Group's investment properties as at 30 June 2024 was conducted by an independent property valuer and the director of the Company which resulted in negative fair value changes on investment properties of approximately RMB951.7 million for the six months ended 30 June 2024 (six months ended 30 June 2023: RMB197.1 million).

Finance Costs

For the six months ended 30 June 2024, finance costs of the Group amounted to approximately RMB833.5 million (six months ended 30 June 2023: RMB802.2 million), representing an increase of approximately 3.9% as compared to the corresponding period last year.

The Group's average finance cost of interest-bearing loans was approximately 7.9% for the six months ended 30 June 2024 (six months ended 30 June 2023: 7.4%).

Income Tax Expense

For the six months ended 30 June 2024, income tax expense of the Group amounted to approximately RMB9.9 million (six months ended 30 June 2023: RMB134.0 million). The Group's income tax expense mainly included payments and provisions made for EIT, PRC withholding tax on dividends distributed by subsidiaries and LAT and the deferred tax provided for the change in fair value of investment properties during the period under review.

Operating Results

For the six months ended 30 June 2024, the loss attributable to owners of the Company was approximately RMB1,528.2 million (six months ended 30 June 2023: RMB681.0 million), representing an increase of approximately 124.4% as compared to the corresponding period last year.

Liquidity, Financial Resources and Gearing

Bank balances and cash as at 30 June 2024 amounted to approximately RMB4,270.5 million (including restricted bank deposits and pledged bank deposits) (31 December 2023: RMB4,016.6 million). The Group's bank balances and cash are denominated in RMB, Hong Kong Dollar ("**HK$**") and United States Dollar ("**US$**").

The Group had total borrowings of approximately RMB35,726.3 million as at 30 June 2024 (31 December 2023: RMB35,350.0 million). Borrowings classified as current liabilities were approximately RMB17,052.9 million as at 30 June 2024 (31 December 2023: RMB19,006.1 million).

Breakdown of total borrowings

By currency denomination

	At 30 June 2024 *RMB'000* **(Unaudited)**	At 31 December 2023 *RMB'000* (Audited)
Denominated in RMB	**25,411,785**	24,556,203
Denominated in HK$	**6,516,679**	7,367,788
Denominated in US$	**3,797,843**	3,426,010
	35,726,307	35,350,001

By fixed or variable interest rates

	At 30 June 2024 *RMB'000* **(Unaudited)**	At 31 December 2023 *RMB'000* (Audited)
Fixed interest rates	**7,581,354**	6,578,834
Variable interest rates	**28,144,953**	28,771,167
	35,726,307	35,350,001

The Group's gearing ratio as at 30 June 2024 was 113.1% (31 December 2023: 106.6%), which was based on net debt (total interest-bearing loans net of bank balances and cash (including restricted bank deposits and pledged bank deposits)) over total equity.

Current, Total and Net Assets

As at 30 June 2024, the Group had current assets of approximately RMB60,460.9 million (31 December 2023: RMB59,957.7 million) and current liabilities of approximately RMB37,108.5 million (31 December 2023: RMB39,379.5 million), which represented an increase in net current assets from approximately RMB20,578.3 million as at 31 December 2023 to approximately RMB23,352.4 million as at 30 June 2024. Such increase was mainly due to Group's re-arrangement of the repayment schedules with banks and related bank borrowings reallocated from certain current portion of bank borrowings to non-current portion of bank borrowings.

As at 30 June 2024, the Group recorded total assets of approximately RMB104,962.9 million (31 December 2023: RMB105,512.6 million) and total liabilities of approximately RMB77,154.0 million (31 December 2023: RMB76,123.5 million), representing a liabilities to assets ratio of 73.5% (31 December 2023: 72.2%). Net assets of the Group were approximately RMB27,808.9 million as at 30 June 2024 (31 December 2023: RMB29,389.0 million).

For the six months ended 30 June 2024, the Group was able to utilise its internal resources and debt and equity financing to meet the funding requirements for the development of real estate projects.

Charge on Assets

For the six months ended 30 June 2024, loans of approximately RMB30,596.7 million (31 December 2023: RMB30,524.2 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 of the Group respectively in the total amount of approximately RMB27,539.1 million (31 December 2023: RMB26,868.7 million).

Material Acquisition and Disposal

Shenzhen LVGEM Real Estate Development Co., Ltd.* (深圳市綠景房地產開發有限公司) ("**Shenzhen LVGEM**"), an indirect wholly-owned subsidiary of the Company, and Shenzhen Futian Industrial Investment Services Co., Ltd.*(深圳市福田產業投資服務有限公司) (the "**Purchaser**"), a company established under the laws of the PRC with limited liability, entered into an agreement on 7 March 2024 (as supplemented on 16 April 2024), whereby Shenzhen LVGEM agreed to sell, and the Purchaser agreed to purchase, certain commercial units, car parking spaces of Hongwan Shopping Mall and related property facilities (the "**Properties**") at a cash consideration of RMB813.87 million (the "**Disposal**"). In addition, Shenzhen LVGEM and the Purchaser further entered into the tenancy agreement on 13 March 2024 (as supplemented on 16 April 2024), pursuant to which the Purchaser agreed to let the Properties to Shenzhen LVGEM for a term of five years commencing from the handover of the Properties at the rent of RMB4,178,333.33 per calendar month for the first leasing year with an increment of 1.5% for each of the next four leasing years. The Disposal constituted a major transaction for the Company under Chapter 14 of the Listing Rules. For further details, please refer to the Company's announcement dated 6 June 2024 and the Company's circular dated 30 July 2024.

Save for the above, during the six months ended 30 June 2024, the Group did not enter into any material acquisition or disposal of subsidiaries, associates or joint ventures.

Contingent Liabilities

As at 30 June 2024, the Group had financial guarantee contracts relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB5,187.2 million (31 December 2023: RMB4,879.7 million).

Pursuant to the terms of the guarantees, if there is default on the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks.

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

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

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

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

Treasury Policies and Capital Structure

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

Employees

As at 30 June 2024 the Group had a staff roster of 2,073 (30 June 2023: 2,368), of which 2,042 (30 June 2023: 2,340) employees were based in the mainland China and 31 (30 June 2023: 28) employees were based in Hong Kong. The remuneration of employees was in line with the market trends and commensurate to the levels of remuneration in the industry. Remuneration of the Group's employees includes basic salaries, bonuses, retirement scheme and long-term incentives such as share options within an approved scheme. In addition, training and development programmes are provided to the Group's employees on an on-going basis throughout the Group.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

Throughout the six months ended 30 June 2024, 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 six months ended 30 June 2024.

REVIEW OF INTERIM FINANCIAL INFORMATION

The interim results of the Group for the six months ended 30 June 2024 have also been reviewed by the members of the audit committee of the Board before submission to the Board for approval. The audit committee of the Board was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

The auditor of the Company, Deloitte Touche Tohmatsu, has performed an independent review on the interim financial report for the six months ended 30 June 2024 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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

The following is an extract of the independent auditor's report ("**Auditor's Report**") on review of the Group's interim financial information for the six months ended 30 June 2024 which has included a material uncertainty related to going concern paragraph, but without qualification:

Conclusion

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

Material Uncertainty Related to Going Concern

We draw attention to note 1 to the condensed consolidated financial statements, which indicates that as at 30 June 2024, the total outstanding borrowings, debt component of convertible bond and domestic corporate bonds that are repayable within one year at the end of the reporting period is significantly exceeded the cash and cash equivalent held by the Group. The Group might not have sufficient working capital to operate if such borrowings, convertible bond and domestic corporate bonds are required to be repaid or redeemed and all other alternative operating and financing plans as described in note 1 to the condensed consolidated financial statements cannot be implemented as planned. The Directors are of the opinion that based on the assumptions that the borrowings, convertible bond and domestic corporate bonds can be renewed or not required to be redeemed 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 or no redemption of borrowings, convertible bond and domestic corporate bonds and implementation of those plans as set forth in note 1 to the condensed consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2024.

EVENTS AFTER THE REPORTING PERIOD

One of the borrowings amounted to RMB5,060 million that was due within one year was subsequently replaced by new borrowings with facility agreement signed in July 2024.

Except for the matters disclosed above and under the "Management Discussion and Analysis" section of this announcement, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2024 and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The contents of results announcement are published on the websites of the Company (www.lvgem-china.com) and the Stock Exchange (www.hkex.com.hk). The 2024 Interim Report will be dispatched to shareholders in due course.

GENERAL INFORMATION

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

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

Hong Kong, 30 August 2024

* *For identification purpose only*