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 2019

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 2019 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019

		2019	2018
	NOTES	***RMB'000***	*RMB'000*
Revenue	*3*	**6,902,448**	4,515,685
Cost of sales		**(2,472,093)**	(1,829,515)
Gross profit		**4,430,355**	2,686,170
Other income, other gains and losses	*4*	**112,292**	155,095
Selling expenses		**(134,059)**	(132,982)
Administrative expenses		**(461,498)**	(390,433)
Fair value changes on investment properties		**696,378**	323,461
Fair value changes on derivative component of convertible bonds		**(20,170)**	172,192
Finance costs	*5*	**(1,256,165)**	(657,995)
Share of results of a joint venture		**(2)**	(8)
Profit before tax	*6*	**3,367,131**	2,155,500
Income tax expense	*7*	**(1,617,168)**	(925,097)
Profit for the year		**1,749,963**	1,230,403
Profit (loss) for the year attributable to:			
Owners of the Company		**1,749,884**	1,237,167
Non-controlling interests		**79**	(6,764)
		1,749,963	1,230,403
		RMB cents	*RMB cents*
Earnings per share attributable to the owners of the Company during the year	*9*		
– Basic		**35.12**	25.21
– Diluted		**20.73**	13.60

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**1,749,963**	1,230,403
Other comprehensive (expense) income		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation	**(31,311)**	(59,930)
Item that will not be reclassified to profit or loss:		
Fair value changes on investment in equity instrument at fair value through other comprehensive income, net of tax	**37,732**	34,917
Other comprehensive income (expense) for the year	**6,421**	(25,013)
Total comprehensive income for the year	**1,756,384**	1,205,390
Total comprehensive income (expense) attributable to:		
Owners of the Company	**1,756,905**	1,211,876
Non-controlling interests	**(521)**	(6,486)
	1,756,384	1,205,390

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current assets			
Investment properties		**23,567,529**	22,117,251
Property, plant and equipment		**996,014**	458,393
Goodwill		**231,602**	231,602
Interest in a joint venture		**6,058**	6,060
Interest in an associate		**–**	–
Amount due from a joint venture		**522,318**	522,318
Equity instrument at fair value through other comprehensive income		**541,125**	490,816
Deferred tax assets		**565,713**	345,030
Deposit paid		**29,410**	–
		26,459,769	24,171,470
Current assets			
Properties under development for sale		**8,165,855**	7,407,278
Properties held for sale		**2,467,237**	3,302,382
Other inventories		**738**	629
Accounts receivable	*10*	**31,212**	11,576
Deposits paid, prepayments and other receivables		**3,230,928**	890,294
Financial assets at fair value through profit or loss		**–**	10,559
Debt instrument at fair value through other comprehensive income		**–**	20,000
Tax recoverable		**33,562**	8,048
Restricted bank deposits		**2,804,061**	3,915,826
Bank balances and cash		**5,542,921**	3,674,042
		22,276,514	19,240,634
Current liabilities			
Accounts payable	*11*	**1,111,831**	1,383,514
Accruals, deposits received and other payables		**673,358**	744,814
Contract liabilities		**2,505,265**	2,268,288
Lease liabilities		**22,674**	–
Tax liabilities		**2,398,675**	1,468,779
Borrowings		**4,306,274**	3,232,448
Senior notes and bond		**5,027,123**	2,591,909
Debt component of convertible bonds		**1,493,257**	–
Derivative component of convertible bonds		**222,207**	–
		17,760,664	11,689,752
Net current assets		**4,515,850**	7,550,882
Total assets less current liabilities		**30,975,619**	31,722,352
Non-current liabilities			
Borrowings		**15,149,805**	13,309,348
Senior notes and bond		**–**	2,809,060
Debt component of convertible bonds		**–**	1,381,645
Derivative component of convertible bonds		**–**	198,105
Lease liabilities		**95,380**	–
Deferred tax liabilities		**2,695,601**	2,585,251
		17,940,786	20,283,409
Net assets		**13,034,833**	11,438,943
Capital and reserves			
Share capital		**42,060**	41,141
Reserves		**12,885,799**	11,290,307
Equity attributable to owners of the Company		**12,927,859**	11,331,448
Non-controlling interests		**106,974**	107,495
Total equity		**13,034,833**	11,438,943

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 in Hong Kong are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Level 5, NEO, 123 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong respectively. Its ultimate controlling party is Mr. WONG Hong King, the father of Ms. HUANG Jingshu, the Chairman of the Company, and Mr. HUANG Hao Yuan, an 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 PRC.

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

2. PRINCIPAL ACCOUNTING POLICIES

New and Amendments to HKFRSs that are mandatorily effective for 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 in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except for HKFRS 16 "Leases" as described below, the application of the new and amendments to HKFRSs and an interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

Impacts on application of HKFRS 16 Leases

The Group recognised lease liabilities of RMB131,723,000, the related right-of-use assets classified as investment properties of RMB220,423,000 and additional deferred tax liabilities of RMB22,175,000 at 1 January 2019 by applying HKFRS 16.C8(b)(ii) transition. When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the Group is 9.5%. The Group recognised lease liabilities of RMB118,054,000 at 31 December 2019 which also included the leases previously classified as operating leases at 1 January 2019.

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:

	2019	2018
	RMB'000	*RMB'000*
Sales of properties	**5,962,446**	3,664,328
Rental income	**618,674**	543,176
Revenue from hotel operation, property management service and other services	**321,328**	308,181
	6,902,448	4,515,685
Timing of revenue recognition from contracts with customers		
At a point in time	**5,962,446**	3,664,328
Over time	**321,328**	308,181

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

– Sales of properties

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

The Group receives an upfront payment, ranging from RMB20,000 to RMB2,000,000 (2018: RMB20,000 to RMB2,000,000) for different properties from customers for the subscription of properties and such amount will be treated as the deposits from customers after signing the sale and purchase agreement. However, depending on the market conditions, the Group may offer customers a discount compared to the listed sale price, provided that the customers agree to pay the rest of the consideration earlier.

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 from leasing of commercial properties, office premises and car parks is accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16).

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

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

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

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

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

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

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

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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 2019

	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	**5,962,446**	**618,674**	**321,328**	**6,902,448**
Inter-segment revenue	**–**	**16,212**	**37,685**	**53,897**
Total segment revenue	**5,962,446**	**634,886**	**359,013**	**6,956,345**
Reportable segment profit	**3,784,827**	**550,378**	**95,150**	**4,430,355**

For the year ended 31 December 2018

	Real estate development and sales *RMB'000*	Commercial property investment and operations *RMB'000*	Comprehensive services *RMB'000*	Total *RMB'000*
Revenue:				
From external customers	3,664,328	543,176	308,181	4,515,685
Inter-segment revenue	–	9,895	45,819	55,714
Total segment revenue	3,664,328	553,071	354,000	4,571,399
Reportable segment profit	2,119,707	457,685	108,778	2,686,170

Inter-segment sales are at mutually agreed terms.

Reconciliations of reportable segment revenue, profit or loss

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

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

	2019	2018
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**6,956,345**	4,571,399
Elimination of inter-segment revenue	**(53,897)**	(55,714)
Consolidated revenue	**6,902,448**	4,515,685
Profit		
Reportable segment profit	**4,430,355**	2,686,170
Fair value changes on investment properties	**696,378**	323,461
Other income, other gains and losses	**112,292**	155,095
Depreciation	**(37,399)**	(40,529)
Finance costs	**(1,256,165)**	(657,995)
Share of results of a joint venture	**(2)**	(8)
Fair value changes on derivative component of convertible bonds	**(20,170)**	172,192
Corporate expenses	**(558,158)**	(482,886)
Consolidated profit before tax	**3,367,131**	2,155,500

Segment assets and liabilities

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

Segment assets

	2019	2018
	RMB'000	*RMB'000*
Assets		
Real estate development and sales	**12,452,128**	10,720,169
Commercial property investment and operations	**23,591,289**	22,119,061
Comprehensive services	**362,963**	365,004
Reportable segment assets	**36,406,380**	33,204,234
Goodwill	**231,602**	231,602
Equity instrument at fair value through other comprehensive income	**541,125**	490,816
Financial assets at fair value through profit or loss	**–**	10,559
Debt instrument at fair value through other comprehensive income	**–**	20,000
Bank balances and cash (including restricted bank deposits)	**8,346,982**	7,589,868
Deferred tax assets	**565,713**	345,030
Interest in a joint venture and amount due from a joint venture	**528,376**	528,378
Interest in an associate	**–**	–
Corporate assets	**2,116,105**	991,617
Consolidated total assets	**48,736,283**	43,412,104

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

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located on the PRC, Hong Kong, the United States of America (the "USA") and the Kingdom of Cambodia ("Cambodia"). Revenue from external customers are mainly generated from the PRC for the years ended 31 December 2019 and 2018. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	2019	2018
	RMB'000	*RMB'000*
PRC	**14,309,782**	13,638,238
Hong Kong	**9,732,606**	8,458,137
USA	**213,074**	203,765
Cambodia	**865,867**	803,882
	25,121,329	23,104,022

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

No major customers contributed over 10% of the total sales of the Group for the years ended 31 December 2019 and 2018.

4. OTHER INCOME, OTHER GAINS AND LOSSES

	2019	2018
	RMB'000	*RMB'000*
Interest income	**93,570**	103,905
Investment income from other financial assets	**418**	5,816
Dividend received from equity instrument at fair value through other comprehensive income	**19,745**	15,665
Foreign exchange gain, net	**12,356**	24,349
Gain on disposal of a subsidiary	**33,300**	–
Loss on early redemption of financial liabilities at amortised cost	**(1,099)**	–
Loss on non-substantial modification of financial liabilities at amortised cost	**(57,287)**	–
Loss on disposal of property, plant and equipment	**(925)**	(2)
Loss on disposal of investment properties	**–**	(3,299)
Recovery of other receivables previously written-off	**–**	1,500
Fair value changes on financial assets at fair value through profit or loss	**–**	(47)
Government grant *(Note)*	**9,743**	–
Others	**2,471**	7,208
	112,292	155,095

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

5. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interests on:		
Bank and other borrowings	**1,186,817**	820,891
Convertible bonds	**172,237**	131,969
Senior notes and bonds	**411,241**	410,200
Lease liabilities	**11,929**	–
Less: Amount capitalised in investment properties under development and properties under development for sale*	**(526,059)**	(705,065)
	1,256,165	657,995

* The finance costs have been capitalised at rates ranging from 3.73% to 9.41% (2018: 3.67% to 9.00%) per annum.

6. PROFIT BEFORE TAX

	2019	2018
	RMB'000	*RMB'000*
Profit before tax is arrived at after charging (crediting):		
Cost of properties held for sale recognised as expense	**2,177,619**	1,544,621
Depreciation of property, plant and equipment	**37,448**	40,652
Less: Amount capitalised in investment properties under development and properties under development for sale	**(49)**	(123)
	37,399	40,529
Gross rental income from investment properties	**618,674**	543,176
Outgoings in respect of investment properties that generated rental income during the year *(Note 1)*	**(68,296)**	(85,491)
	550,378	457,685
Operating lease charges in respect of land and buildings	**–**	29,178
Expense relating to short-term lease and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16 *(Note 2)*	**4,886**	–
Reversal on impairment loss on accounts receivable	**(59)**	(39)
Auditor's remuneration	**2,490**	2,341
Staff costs		
Directors' emoluments	**11,851**	13,722
Salaries and other benefits in kind	**333,279**	285,753
Equity-settled share-based payments	**–**	18,008
Amount recognised as expense for retirement benefit costs	**27,946**	22,007
Less: Amount capitalised in investment properties under development and properties under development for sale	**(60,571)**	(56,556)
	312,505	282,934

Note 1: For the year ended 31 December 2018, the amount included rental expense paid for properties that are under sublease arrangement of RMB23,282,000.

Note 2: For the year ended 31 December 2019, total cash outflows for such leases amounted to RMB4,886,000

7. INCOME TAX EXPENSE

	Notes	2019	2018
		RMB'000	*RMB'000*
Current tax			
PRC Enterprise Income Tax ("EIT")			
– Current year	*(a)*	**765,661**	467,249
– (Overprovision) underprovision in prior year		**(19,250)**	13,330
		746,411	480,579
PRC Land Appreciation Tax ("LAT")			
– Current year	*(b)*	**1,023,621**	685,180
– Overprovision in prior year	*(c)*	**(7,778)**	(161,781)
		1,015,843	523,399
Deferred taxation			
– Current year		**(147,030)**	(119,326)
– Underprovision in prior year		**1,944**	40,445
		(145,086)	(78,881)
Total income tax expense		**1,617,168**	925,097

7. INCOME TAX EXPENSE *(Continued)*

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 PRC subsidiaries is 25% from 1 January 2008 onwards.

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

(b) Under the Provisional Rules on LAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC 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.

(c) The amount for the year ended 31 December 2018 included an overprovision of LAT of RMB161,781,000 in relation to an urban redevelopment project in Shenzhen, the PRC. The Group had recomputed the LAT provision based on the actual relocation compensation to original inhabitants finalised during the year ended 31 December 2018.

(d) No Cambodia Corporate Income Tax has been provided for both years. 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 14 June 2018 to 13 June 2021.

8. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2018 Final dividend – HK5.3 cents (equivalent to approximately RMB4.65cents)	**234,207**	–
2017 Final dividend – HK5 cents (equivalent to approximately RMB4.40cents)	**–**	201,740

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of HK6.1 cents (equivalent to approximately RMB5.46 cents) (2018: HK5.3 cents) per ordinary share of the Company has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

9. EARNINGS PER SHARE

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

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share	**1,749,884**	1,237,167
Effect of dilutive potential earnings in respect of – Convertible bonds	**23,891**	(18,803)
Earnings for the purpose of diluted earnings	**1,773,775**	1,218,364

9. EARNINGS PER SHARE *(Continued)*

	2019	2018
Number of shares		
Weighted average number of ordinary shares of the Company for the purpose of basic earnings per share	**4,982,703,643**	4,906,539,369
Effect of dilutive potential ordinary shares in respect of		
– Share options	**74,021,926**	94,740,027
– Convertible bonds	**127,022,653**	431,840,962
– Convertible preference shares	**3,374,231,808**	3,527,514,957
Weighted average number of ordinary shares of the Company for the purpose of diluted earnings per share	**8,557,980,030**	8,960,635,315

The computation of diluted earnings per share for the year ended 31 December 2019 does not assume the conversion of certain outstanding convertible bonds of the Group as the conversion would result in an increase in earnings per share.

10. ACCOUNTS RECEIVABLE

	2019	2018
	RMB'000	*RMB'000*
Accounts receivable	**31,825**	12,248
Less: Allowance for credit losses	**(613)**	(672)
	31,212	11,576

Accounts receivable represent receivables arising from sales of properties, 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 (2018: 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:

	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**22,333**	6,853
1 to 12 months	**6,873**	2,079
13 to 24 months	**919**	1,881
Over 24 months	**1,087**	763
	31,212	11,576

11. ACCOUNTS PAYABLE

Accounts payable mainly represents amounts due to contractors. Payment to contractors is made by reference of progress of the respective construction work and agreed millstones.

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

	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**513,386**	1,220,394
1 to 12 months	**436,676**	109,626
13 to 24 months	**137,934**	11,029
Over 24 months	**23,835**	42,465
	1,111,831	1,383,514

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 the shareholders the consolidated business performance of the Group for the year ended 31 December 2019.

Looking back at 2019, the global economy was exposed to far more challenges. Progress was slow for the Sino-US trade disputes while Brexit clarity grew gradually. Against this backdrop, the Chinese government continued its supply-side structural reform, reinforced the proactive fiscal policy to improve effective and moderately relaxed monetary policy for a quality growth with time. During the year, the Chinese economy continued its steady growth and achieved a GDP of approximately RMB9,900 billion, representing a year-on-year growth of 6.1%. Being the significant pillar industry in the Chinese economy, the real estate industry has seen its steady and healthy growth with flexible adjustments on various regulatory and supporting policies by the Chinese government such as the long-term adjustment mechanism for a stable land price, and market expectations under the principle of "one strategy for one city" which was implemented in full swing.

LVGEM (China) has focused on the development of key districts in core cites of the Greater Bay Area for more than three decades. Started as a construction company, LVGEM (China) has turned into the urban renewal field, and engages in commercial office and community shopping mall segments, garnering extensive land resources and developing a highly efficient operating team. Given the development to date, the Group has gained unique and huge advantages in the Greater Bay Area, which enables it to emerge as a distinctive real estate developer and operator in core cities of the bay area and a leading regional enterprise.

Rapid urbanisation and construction in the Greater Bay Area has led to a shortage of available land resources in highly-developed cities and, thus, urban renewal plays an increasingly important role in urban and modernised construction. Leveraging on its almost 30 years of experience in urban renewal, the Group has adopted the two-way expansion model comprising urban renewal and, to a lesser extent, market auction to garner significantly higher cost advantages over land auctions as well as quality and highly profitable land reserve resources. By owning and operating commercial properties at supreme geographical locations, the Group has generated stable cash inflow and laid a solid foundation for its future growth. In the future, the Group will, as always, maintain its own advantages and actively explore new directions for empowering the industry on a continuous basis.

In particular, it is worth noting that the Group actively responded to the national plan of developing the Greater Bay Area into an international innovation and technology hub. Among the projects in progress and proposed projects implementing the development strategy of "Focus on urban renewal in the Greater Bay Area, develop a brand new smart city", the Group has entered into strategic cooperation with leading technology enterprises such as Huawei Technologies Co., Ltd. ("Huawei") to establish an ecological industry chain of "Technology + Real Estate" with interconnected, real-time sensing, efficient and convenient smart cities through the application of the Internet of Things, cloud computing and 5G technologies. In March 2020, the Group entered into a strategic cooperation agreement with China Unicom, one of the three major telecommunication operators in the PRC, to pioneer new achievements with its infrastructure projects, thereby establishing itself as a new smart city developer that is dedicated to the construction of the Greater Bay Area by leveraging the strong alliance and efficient industry application of 5G commercial technology. Looking forward, the Group will continue to focus on the planning of "construction of vibrant world-class city clusters" as proposed in the Greater Bay Area development strategy by leveraging on its advantages of quality land resources and commercial property projects of high value. By introducing the transformation and development model that integrates "Technology + Real Estate" through strategic upgrade, the Group has empowered its real estate business with technology by exercising smart management over the entire lifecycle throughout the development and operation process, through which it has enhanced the construction and operation efficiency, reduced costs and improved benefits, and hence broadened the rooms for quality enhancement and profit growth of its living, office and commercial products. As an enterprise, the Group is committed to establishing benchmarks for smart city development and rise as an industry leader in the urban renewal segment by actively supporting the government's guidance for interconnection of smart cities, so as to fuel the long-term and sustainable growth with high quality of LVGEM (China). The Group will continue to review the situation in a timely manner to facilitate its development positioning with the "Finance + Real Estate + Technology" strategy and redefine the value of smart city developers and operators with a view to enhancing its competitiveness, reputation and brand recognition. The future has come for building joyful and smart cities through urban renewal to foster better urban lives.

For the segment of "real estate development and sales", the Group focused on its project planning for the core districts in core cities of the Greater Bay Area, such as Shenzhen, Hong Kong, Zhuhai and Dongguan. During the year, we launched various projects that are widely acclaimed and supported by industry peers and consumers. In 2019, Shenzhen LVGEM Mangrove Bay No. 1, located in the commercial community of Shang Sha and Xia Sha, Futian District, Shenzhen City, was re-launched with hot sale and the project recorded an overall sell-through rate of approximately 80%. LVGEM International Garden, locating at Huazhou City, Maoming, Guangdong Province, has an area of over 1.3 million square meters to be developed, which is planned to be developed into a smart community and is expected to be launched for sale with a saleable value of RMB1billion to RMB1.5 billion annually in the coming 8 to 10 years. LVGEM Amazing Plaza which is located in the commercial community of Overseas Chinese Town, Qiaoxiang Road, Nanshan District, Shenzhen City, and the LVGEM Joyful Town which is adjacent to the Ming Zhu Light Rail Station, Xiangzhou District, Zhuhai City were successively launched for sale on their debut in September 2019 and recorded a hot sale respectively. As LVGEM (China)'s urban renewal projects in the core districts of the Greater Bay Area have gradually reached the maturity stage, it is expected that they will deliver significant benefits for the contract sale and brand influence of the Group.

As an integral part of LVGEM (China)'s "two-pronged" business model, the segment of "Commercial Property Investment and Operations" continued to bring a steady growth of rental income and cash flows for the Group during the year. In 2019, two major commercial and real estate brands, namely "NEO" commercial office complex and "Zoll" community shopping centre, both expanded their market presence satisfactorily. Benefited from the prime district location and market positioning of tenants, Shenzhen NEO Urban Commercial Complex still maintained an overall occupancy rate of more than 80% despite the fast changing economy. Hong Kong LVGEM NEO is a grade A commercial building with sea view located in Kowloon East CBD 2, Hong Kong. It had its grand opening on 8 November 2019 and has contracted with tenants of prestigious enterprises from industries such as insurance, finance, technology and innovation and virtual banking. It recorded an occupancy rate of nearly 50% the during the year despite various social incidents. If fully occupied, it might contribute an annual rental income of HK$300 million to the Group. During the year, the construction of LVGEM Zoll Mangrove Bay No. 1 Shopping Mall and Dongguan LVGEM Zoll Shopping Mall was completed for lease for smart businesses respectively. They will be open for business respectively at appropriate time during 2020 to 2021 and are expected to foster rental income growth and more robust cash inflow for the Group.

For the segment of "Comprehensive Services", the Group was dedicated to offering excellent smart property management services and hotel operation services to customers and tenants of the Group's residential and commercial properties, which contributed RMB321.3 million to the Group's revenue in 2019. With its prestigious geographical location and the provision of attentive services, the LVGEM Hotel of the Group recorded an average occupancy rate of 75% and is planned to be upgraded and renovated into a smart business hotel with an aim to further enhance its market competitiveness. As to the Vanllee Hotel in Covina, California, the United States acquired in 2017, it has brought stable income from hotel operation for the Group following its renovation completed in 2019.

Regarding corporate governance, the Group is committed to the goal of "being the most respected city value-creator" and has made sustained efforts in the systemized management, development under three-orientation strategy and closed-end management of the Company internally. In 2019, in order to continuously increase the core competitiveness and brand strength, LVGEM (China) has centralized the general management at the headquarters of the Group and established four major business divisions, namely finance, real estate, assets and renewal expansion. The Group's headquarter has issued 52 sets of management document, 158 sets of standards for the development under three-orientation strategy, 18 manuals for delegation, and formulated work log of hierarchical business administration for project management. Through a year of standardized management, the operating performance targets were accomplished more than expected and the real estate projects were smoothly progressing. The administrative licensing and relocation processes relating to certain urban renewal projects are orderly underway, thereby managing to fulfill the goal of enhancing quality and efficiency. This allows the Group to be well prepared for the next growth stage in terms of system management accordingly.

Going into 2020, or the final year for the planned development into a moderately prosperous society in all respects and the "13th 5-year Plan", it is essential for China to put into efforts for economic success in order to lay a solid foundation for achieving the first and further, the second centenary striving goals and the "14th 5-year Plan" development. Currently, China is at the critical stage of changing development mode, economic structural optimization and growth momentum transformation. Currently, structural, system-wise and cyclical issues interact with one another, resulting in a constantly profound impact on the economy. Against the macro backdrop of ongoing global economic slowdown, the Central Economic Work Conference adheres to the main theme of seeking improvement amidst stability. However, affected by the novel coronavirus epidemic, work suspension or production shut-down of different extents once occurred throughout China. To overcome the shortcomings arising from the epidemic, various provincial governments have, one after another, launched further batches of infrastructural development plans to follow the direction of stabilizing the economy urged by the Central Government. Despite the fact that the epidemic could cause a temporary interruption with a slight decline in economic growth rate and other development indicators, it is believed that the one-off impact would not affect the supply of materials for production or production output in the long run or weaken the potential growth of the economy in China. The stable growth in the Chinese economy will remain unchanged in the long term. The Company is confident that all risks and challenges will be overcome.

The Group also adopted proactive responsive measures and formulated policies for successfully accomplishing its performance targets by means of internet such as online marketing. It will also seize this opportunity to actively strive for policy benefits from the government regarding the resumption of operation and production after the epidemic, including reduction and exemption of tax, subsidies for employment, reduction of interest rates of loans, etc.. The Group will continue to actively study and utilize the latest technologies such as smart sterilization, contactless prevention and control measures, cutting-edge new bacteria filtration ventilation system technology, thereby increasing the safety precaution of properties, enhancing the confidence in retaining lease of office, commercial and hotel properties as well as the resumption of their operations, as well as improving the confidence in market consumption in confined space after the epidemic.

Looking forward, as a distinctive property developer pioneer in urban renewal, the Group will continue to consolidate its own strengths, further upgrade its operation capability, actively support the strategic planning of the Greater Bay Area in its capacity of a smart new city developer and operator and fulfill the historic mission of the planned development into a moderately prosperous society in all respects. LVGEM (China) will continue to well equip itself and adhere to the system management, development under three-orientation strategy and closed-end management so as to strengthen the cohesion, execution and resilience of our team. As to the internal management, the four business divisions have proposed to demand more from service of staff, optimize the internal system management, develop an excellent and highly efficient operation and business mode towards high quality development constantly. Going forward, the Group will continue to timely expand the Company's business scale and cost effectiveness by constantly adhering to the national policies and integrating its unique advantages and market positioning. With the experiences of years in focused development and its various strengths and resources, LVGEM (China) will develop benchmark and practical modelling projects of new smart city construction, becoming the creator, operator and service provider of new smart cities and the leader of the industry. With the strategic guidance of "Focus on urban renewal in the Greater Bay Area, develop a brand new smart city", the Group will continue to strengthen its overall operation capability and brand reputation. The Group will give full play to our extensive experience and pioneer status in urban renewal and implement the new smart city benchmarking strategy for introducing innovation and vitality into urban construction so as to bring more convenience to owner's lives, at the same time preserving and adding values to the properties, thereby establishing the brand image of "LVGEM" for high quality, smart communities and safe properties in the industry. On behalf of the Board, I hereby express sincere gratitude to all shareholders, investors, customers, partners and employees of LVGEM (China) for their unwavering support. The Group will make sustained efforts towards the vision and goal of "being the most respected city value-creator" and deliver return of long-term value to you all.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In 2019, the Chinese economy remained a stable trend and momentum. On 30 July, the government launched the "will not include the real estate sector in the economic stimulation measures in the short run" on its debut, adhered to the policy positioning of "No speculation on residential properties which are solely for the self-occupying purpose" and implemented the long-term management mechanism for the real estate industry to further strengthen the resilience of the industrial development and drive its high-quality and sustainable growth. As shown in the statistics of the National Bureau of Statistics, during the year, the sales amount of commodity housing was RMB15,972.5 billion, representing a year-on-year growth of 6.5%, while the investment in real estate development amounted to RMB13,219.4 billion, representing a year-on-year increase of 9.9%. The newly commenced housing area was 2,271.54 million square meters, up by 8.5%. During the year, despite the sophisticated macroeconomic environment domestically and overseas, the overall industrial scale still recorded a year-on-year growth, showing strong resilience of China's real estate industry.

During the year, the real estate industry entered a new stage of development and differentiated across various cities and projects. With the series of favorable policy support such as the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area", "support the development of Shenzhen as the pilot modelling zone under the socialism with Chinese characteristics" and the adjustment on the criteria for non-ordinary residences in Shenzhen, the overall annual property trade activeness in Shenzhen significantly increased while average trading prices remained a relatively stable trend. According to the property information websites for Shenzhen, in 2019, the annual pre-sale area of new residential properties in Shenzhen was 4.5346 million square meters, representing a year-on-year increase of 16.6% with 45,686 pre-sold units, representing a year-on-year increase of 17.3%. Under the keynote of "no speculation on residential properties" for the general property market throughout China, Shenzhen government pursued the goal of "stable price of land and properties and market expectation" to promote the steady and healthy growth of the real estate market in Shenzhen. Looking forward, following the respective launch of the policies for the Greater Bay Area and pilot modelling zones, the value and potential of the real estates in Shenzhen will be unleashed gradually. The market is expected to maintain its pace of steady development accordingly.

In February 2019, the Central Committee of the Communist Party of China and the State Council published the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" which expressly proposes the priority mission of "developing an international innovation and technology hub with global influence", indicating that the development and construction of the Greater Bay Area has become a decision of the Central Government and a national strategic plan on significant development. In July, Guangdong provincial government promulgated the implementation opinion on pushing forward the construction of the Guangdong-Hong Kong-Macao Greater Bay Area and the three years' action plan, in which 9 aspects and 100 strategic approaches were described, implying that the "working drawings" and "mission statement" have been officially published for the construction of the Guangdong-Hong Kong-Macao Greater Bay Area. Given its unlimited growth potential, the Greater Bay Area is expected to become a strong growth driver of the Chinese economy in the future.

During the past year, LVGEM (China) continued to focus on the development of key districts in core cites of the Greater Bay Area, With experience of more than two decades in urban renewal, the distinctive way of acquisition of land reserve resources and the valuable strategic layout of project locations, the Group has further secured its leadership position in the real estate industry in terms of the urban renewal segment. During the year, LVGEM (China) further pushed forward the urban renewal projects in, among others, Shenzhen, Zhuhai, Hong Kong and Dongguan with successful results one after another. Shenzhen LVGEM Mangrove Bay No. 1 was re-launched and received overwhelming market responses. LVGEM Amazing Plaza in Shenzhen and the LVGEM Joyful Town in Zhuhai were launched and recorded hot sale respectively. The Baishizhou Urban Renewal Project and Liguang Project in Shenzhen have entered another critical stage of development. Meanwhile, based on the urban renewal mode that has been successful over the years, the Group established strategic cooperation and relationship with smart technology operators and telecommunication service providers to develop new smart cities or districts. In particular, the Group incorporated the "technology + property" strategy into the planning design and implementation of urban renewal projects so as to serve the communities and enhance urban value, with the aim of creating social, environmental and economic benefits. In the future, the Group will continue to make use of its own strengths in strategic layout and resources to pursue the strategic direction of "Focus on urban renewal in the Greater Bay Area, develop a brand new smart city", in a bid to develop itself into a benchmark for new smart city developers and operators that are dedicated to the construction of the Guangdong-Hong Kong-Macao Greater Bay Area.

Going into 2020, although the global economy has become more difficult, the long-term positive fundamental of the Chinese economy remains unchanged. Overall, fulfilment of the vision of development into a moderately prosperous society in all respects is not supposed to be delayed. Upon temporary work suspension and ceased operation after the Chinese New Year holidays, the Chinese government took prompt action to timely adjust the public health policy. Currently, general operation and production is gradually resuming and social order resumes normal. At the same time, various ministries and commissions of China have launched a series of stimulation plans for infrastructure development such as downward adjustment of the project funds for certain sectors, loan relief and increasing the proportion of special debts in local debts so as to further drive the launch of strategies of urbanisation and regional balanced development across China. Also, definitive and responsive policies have been formulated throughout China to seek a stable development of economy. With the keynote of pursuing stability, the policies ensure a reasonable growth in terms of quantities and an upgrade in terms of quality for the economy in order to secure the development into a moderately prosperous society in all respects. As to the financial policies, to substantially improve the quality and effectiveness, they put more emphasis on the structural adjustment and make best efforts in the protection of strategic areas. Regarding the monetary policies, flexible, moderate and stable monetary policies are advocated to reduce the financing cost of the society and facilitate the mutual accommodation of the growth of monetary credits and social financing scale with the economic development. With the support of all the above policies, the Chinese real estate industry is expected to maintain the keynote of a stable development.

Results

The Group achieved relatively satisfactory results in all segments for the year ended 31 December 2019 ("During the year"). All of its key financial indicators were in line with the expectations of the management and the overall performance result was satisfactory.

For the year ended 31 December 2019, the Group achieved total revenue of approximately RMB6,902.4 million (2018: RMB4,515.7 million), representing an increase of approximately 52.9% year-on-year. Gross profit was RMB4,430.4 million (2018: RMB2,686.2 million), representing an increase of approximately 64.9% year-on-year. Gross profit margin remained at a relatively high level of 64.2% (2018: 59.5%).

Profit for the year was RMB1,750.0 million (2018: RMB1,230.4 million), representing a growth of approximately 42.2% year-on-year. Profit attributable to owners of the Company was RMB1,749.9 million (2018: RMB1,237.2 million), representing a growth of approximately 41.4% year-on-year. Basic earnings per share was RMB35.12 cents (2018: RMB25.21 cents), representing a growth of approximately 39.3% year-on-year

The Board recommended the payment of a final dividend of HK6.1 cents (equivalent to approximately RMB5.46 cents) per ordinary share for the year ended 31 December 2019.

The Group's key financial indicators for the year ended 31 December 2019 were as follows:

	2019 *(RMB million)*	2018 *(RMB million)*	**Change**
Revenue	**6,902.4**	4,515.7	52.9%
Gross profit	**4,430.4**	2,686.2	64.9%
Profit from core business*	**1,102.6**	765.3	44.1%
Profit attributable to owners of the Company	**1,749.9**	1,237.2	41.4%
Basic earnings per share *(RMB cents)*	**35.12**	25.21	39.3%
Gross profit margin *(%)*	**64.2**	59.5	

* Profit from core business represents profit attributable to owners of the Group less fair value changes on investment properties and related deferred tax, exchange gain or loss and fair value changes on derivative component of convertible bonds.

	As at 31 December 2019	As at 31 December 2018
Bank balances and cash (including restricted bank deposits) *(RMB million)*	**8,347.0**	7,589.9
Average finance costs *(%)***	**6.3**	6.2
Debt ratio *(%)*	**73.3**	73.7
Rate of equity return *(%)*	**13.5**	10.9

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

Business Review

In 2019, under various regulatory measures, the real estate market remained its stable growth, while the strategic position of the Greater Bay Area was playing an increasingly important role in the economic development of China. As a developer and operator dedicated to the development of new smart cities in the Greater Bay Area, the Group continued to adhere to the "dual-core" strategy of "Focusing on Core Cities and Cities' Core Areas" and develop its real estate projects that were deployed mainly in the core cities of the Greater Bay Area such as Shenzhen, Zhuhai and Hong Kong, anticipating opportunities and potential room for growth.

Leveraging on its urban renewal experiences of nearly three decades and well-established operation team, LVGEM (China) has gained recognition from the market and industry peers on its projects launched during the year, further consolidating the industrial position of the Group in the urban renewal field. In June, the Group was honored with "Best Growth Award for Hong Kong Listed Company in Greater China Region 2019" as further recognition from the capital market. In August, the Group ranked as the "Top 10 Shenzhen Real Estate Development Enterprises in terms of Comprehensive Strength" for the ninth consecutive year and was awarded the honor of the "Top 10 Trustworthy (Quality) Enterprises in Shenzhen's Real Estate Development Industry. In December, "sznews.com" granted "Top 10 Most Popular Industry Brands Among Netizens" to the Group, while "www.toutiao.com" granted the honor of "2019 City Hallmark: Urban Value Creative Creator" to the Group.

As a benchmarking new smart city developer and operator that is dedicated to the urban renewal field, LVGEM (China) performed the "dual-core strategy" (Core Cities – Cities' Core Areas) and deployed its projects during the year and accordingly, identified land resources of low cost but high value through the two-way expansion model which comprised urban renewal and, to a lesser extent, market auctions. In view of the limited new supply of land in the Greater Bay Area, in particular for those land resources in the core areas, the Group concluded that urban renewal is going to be the main source of acquisition of quality land in the Greater Bay Area in the future. During the year, the urban renewal projects participated by the Group included: Shenzhen Baishizhou Urban Renewal Project, Liguang Urban Renewal Project, Shazui Phase II and Zhuhai Dongqiao Urban Renewal Project. Among them, the Shenzhen Baishizhou Urban Renewal Project, the so-called "Grand Urban Renewal Project in Shenzhen", is located at a prestigious geographical location with a scale of development in terms of a capacity area of 3.58 million square meters. On 28 October 2019, LVGEM (China) officially acquired 25% equity interests in Shenzhen Baishizhou Urban Renewal Project owned by a controlling shareholder at a consideration of US$10,000. Injection plan of the remaining equity interests is now ready to be launched. Gradual injection of the "Grand Urban Renewal Project" will foster a revaluation of the Group. Leveraging on its operating experiences for years and strong financial foundation, the Group is confident to complete the development of the Baishizhou Urban Renewal Project on schedule, thereby leading LVGEM (China) to enter a new stage of fast growth.

In order to eliminate the uncertainties in the preliminary stage of urban renewal, the Group acquired projects mainly by the mode of collaboration with the controlling shareholder and at the same time, distributed the profit sharing with shareholders and investors. The controlling shareholder was mainly responsible for the efforts in primary development such as negotiations with the suburban people and resource integration. Project injection into the listed company was only being made until the uncertainties were eliminated subject to satisfaction of all the conditions. As of 31 December 2019, the Group has land reserves of approximately 4.5 million square meters, more than 60% of which are located in the Greater Bay Area with strategic layout in Shenzhen, Hong Kong, Guangzhou, Zhuhai and Dongguan. Moreover, the scale of land reserves in which the controlling shareholders have control exceeds 10.0 million square meters, including projects in Shenzhen, Zhuhai and Zhang Mu Tou, Dongguan, all of which are located at core locations in Guangdong-Hong Kong-Macao Greater Bay Area. In 2019, Zhuhai Dongqiao Urban Renewal Project, which is the strategic urban renewal project in Zhuhai City for this round, has been officially secured by LVGEM (China). The Group has ample and valuable land reserves which will be able to satisfy the Company's needs for steady expansion and long-term development.

While continuously pushing forward its urban renewal projects, the Group will gradually expand the area of the commercial properties, aiming to create stable rental income and growth of asset value for the Group with the "two-pronged" model of "residence + business". The commercial properties of the Group are mainly located in the core areas of core cities, among which, commercial projects represented by NEO Urban Commercial complex and Zoll Shopping Centre have driven a healthy growth in cash flow so that the Group could operate with a solid financial position during the year. During the year, the Hong Kong LVGEM NEO was delivered and had its grand opening; constructions of Dongguan LVGEM Zoll Shopping Mall and LVGEM Zoll Mangrove Bay No. 1 Shopping Mall have completed respectively, which are expected to be delivered for operation during 2020 to 2021. Following the urbanization and accelerated development of the Greater Bay Area, the value growth of the core commercial properties will bring sustainable and significant advantages to the Group. In addition, the Group has been actively exploring various financing channels and continued to optimize capital and shareholder structure through cross-border facility platform between Hong Kong and the PRC. As the pioneer in Shenzhen's urban renewal, LVGEM (China) will continue to benefit from the rising trend of urban renewal in the Greater Bay Area.

In order to increase the core competitiveness, the Group further consolidated and centralised its management, implemented internal system optimisation and made sustained efforts in the systemised management, development under three-orientation strategy and closed-end management. Having the general management centralized at the headquarter of the Group, the Group established four major business divisions, namely finance, real estate, assets and renewal expansion, and further set up its own business management department for operation respectively. Through standardized management, the operating performance targets were accomplished more than expected during the year and the real estate projects were smoothly progressing. The administrative licensing and relocation processes relating to the urban renewal projects were orderly underway.

Real Estate Development and Sales

As the core business, the real estate development and sales projects of the Group have been expanding their presence in the core areas of core cities of the Greater Bay Area. As of 31 December 2019, the real estate development and sales of the Group generated revenue of approximately RMB5,962.4 million (2018: RMB3,664.3 million), representing an increase of approximately 62.7% year-on-year. Total contracted sales amounted to approximately RMB6,279.9 million (2018: RMB4,240.0 million), representing an increase of approximately 48.1% year-on-year. During the period under review, the quality real estate projects of the Group received overwhelming market response once again. In April, LVGEM Mangrove Bay No. 1 was re-launched for hot sales and contributed RMB4,463.9 million to contracted sales. In addition, the Group has launched the LVGEM International Garden Bolin Mansion D1 Zone, LVGEM Amazing Plaza and LVGEM Joyful Town on their debut respectively. Benefited from the good product strength and brand influence, the projects received hot subscriptions and market response and were in good sale.

During the year, the Group continued to develop projects with high potential, including: Zhuhai Dongqiao Urban Renewal Project, LVGEM Amazing Plaza, LVGEM Liguang Project, LVGEM Mangrove Bay No. 1, LVGEM Joyful Town (formerly known as "Kaiwei" Project), LVGEM International Garden and Hong Kong Lau Fau Shan Project. In the future, the Group will continue to focus on the development in the Greater Bay Area, strive for excellence and developing those urban renewal projects with very low supply in market and an upgraded and excellent residential and living community with unique and quality design, thereby driving the continued steady growth of cost-effectiveness and business scale.

LVGEM (China) has been focusing on core areas in Shenzhen for years and built a brand image of guaranteed construction quality and user's trustworthiness. The **Baishizhou Urban Renewal Project**, the so-called "Grand Urban Renewal Project in Shenzhen", is located in Shennan Avenue, Nanshan District, Shenzhen City and in proximity to Science Park and the sub-district of Overseas Chinese Town, which is a prestigious geographical location. On 28 October 2019, the Group directly acquired equity interests of approximately 25% in Baishizhou Urban Renewal Project. With a planned total gross floor area of approximately 4.4 million square meters and a capacity area of approximately 3.58 million square meters, the above Project is a mega-large complex development project in the core areas of Shenzhen. Its development is in 3 phases according to the project plan. The overall project development and sale is scheduled to complete in coming 8 to 10 years. In view of the scarcity of land resources in fast growing Shenzhen, the value and growth potential of our projects are immeasurable.

LVGEM Mangrove Bay No. 1 is the most iconic urban renewal project of the Group. The project comprises three quality residential buildings and a high quality complex of Grade A offices, hotels and apartments. The project is located in the southeast corner of the intersection of Shazui Road and Jindiyi Road in the central business district of Futian District, Shenzhen. Having easy access to public transport and strategically located in the proximity to Futian Port, Huanggang Port, Beijing-Hong Kong-Macao Expressway and Metro Lines 3, 4 and 7, the project occupies a site area of 24,424 square meters and a planned total gross floor area of 305,450 square meters, among which, the residential portion has a gross floor area of approximately 119,400 square meters. The Project was launched for sale on 13 October 2018 and re-launched in April 2019. As of 31 December 2019, the contracted sales of the project amounted to RMB4,463.9 million. During 2019, the recognised sales revenue amounted to RMB4,487.0 million.

LVGEM Amazing Plaza is another urban upgrade and redevelopment project positioned to serve the high-income class ranging from white-collar to golden-collar in Shenzhen. This project has an integrated modelling zone for new mixed-use industrial town which will be mainly used for industrial research and development and industrial ancillary services, complemented by other functions such as apartments, commerce and offices. The project is located at the north of Qiaoxiang Road, south of Beihuan Road, east of the intersection of Qiaoxiang Road and Beihuan Road as well as west of Qiaochengfang in Shenzhen. The project occupies a site area of 10,862 square meters and a total gross floor area of 97,214 square meters. Strategically located in the sub-district of Overseas Chinese Town, the project possesses rich scenic resources. It commenced construction at end of 2016 and was on presale in 2019.

LVGEM Liguang Project is a residential, commercial and industrial high-end industrial park complex. The project is located in Liguang Village, Guanlan Town, Lunghua District, Shenzhen City and adjacent to the Mid Valley Clubhouse of the Mission Hills Golf Club, and possesses prestigious scenic view. The project occupies a site area of 85,333 square meters and a total gross floor area of 382,139 square meters. The project is currently in progress on schedule and at the preliminary stage of preparation ahead of construction. Taking into consideration the surrounding environment and the living needs of the community, the project plan includes the development of a special commercial district at the south side of the region, as well as the Liguang Ecological Park at the east side which is covered with grassland.

Zhuhai Dongqiao Urban Renewal Project is a strategic project of urban renewal for this round among the first batch of projects that have officially commenced construction in Zhuhai City. On 12 July 2019, the Group has officially become the operating entity of the renewal project for the old village in Dongqiaocheng and obtained all necessary administrative approvals. Securing the capacity of the operating entity marks an important milestone of the Group in terms of the urban renewal development and operation in Zhuhai. Currently, the relocation and development process of the project is at a stage of acceleration. Dongqiao Village is one of the three pilot urban renewal villages in Zhuhai City and has been listed as various annual municipal or district strategic focus tasks. Accomplishing the commencement of construction within four some years, Dongqiao Urban Project has become one of the Group's first batch of old village projects in Zhuhai that have commenced construction. Locating at a well-established area, the project is in proximity to certain luxury residences and street-level commercial region. It is positioned as the No. 1 bay-area cultural and arts community in Zhuhai, comprising high-end residences, featured hotels, street-level cultural regions and other multiple industrial functions. In the future, Dongqiao Smart City and District will be developed into an IOC (Integrated operation and control centre) to real-time manage and control all the dynamic situations of the entire district. The development involves 27 construction projects of up to level 3 standard, comprising a total of 106 applied scenes. It will provide overall solutions and services for multi-scene and multi-dimension, safe and intelligent urban management under the Dongqiao Project.

LVGEM Joyful Town (formerly known as "Kaiwei" Project) is located in the former Zhuhai Dongda Kaiwei Science Park in Xiangzhou District, Zhuhai City. With a total gross floor area of 445,292 square meters, the project is positioned to comprise an international grade A office building, apartment (hotel-serviced offices), residential and commercial complex. The project will become a major contributor to the Group's results in the next two years. The project was launched for sale on 14 September 2019. As of 31 December 2019, contracted sales of the project amounted to RMB345.2 million.

LVGEM International Garden is located in Huazhou, Guangdong Province. Situated in a well-developed core district's residential area with rich natural resources, it is in proximity to the Juzhou Park and embraced by Xihu of 232 mu. It is well-served by a public transport network and is only approximately 20-minutes' drive from Yuexi International Airport. The project occupies a site area of approximately 815,000 square meters and the entire project has a planned total gross floor area of approximately 2,449,300 square meters, involving a total investment of over RMB8 billion. The D1 zone of LVGEM International Garden Bolin Mansion was launched in the market during the first half of 2019. Leveraging on the advantages such as excellent geographical location, transportation, ecological environment, established brand reputation and ancillary educational facilities, the launch of residential units of D1 and D2 zones in the region garnered enthusiastic market responses on two occasions. As of 31 December 2019, the total contracted sales of LVGEM International Garden amounted to RMB1,156.0 million and recognized sales income was approximately RMB1,259.2 million. The area pending development of the project remained approximately 1.354 million square meters and it is estimated that the project will be launched at a value of approximately RMB1 to 1.5 billion each year in the future.

Hong Kong Lau Fau Shan Project is the Group's first real estate development project in Hong Kong. The project is located at Deep Bay Road, Lau Fau Shan, Hong Kong. It occupies a site area of approximately 82,400 square meters, comprising approximately 116 low density waterfront villas, each of which has a gross floor area of approximately 2,000 to 3,000 square feet. Embracing prime sea view and overlooking Deep Bay, the project is geographically prestigious and adjacent to Shenzhen with easy access to and from mainland China. Further, it is located at the vicinity of Hung Shui Kiu development area.

Commercial Property Investment and Operations

The "two-pronged" business model of "development+business" is an integral part of the Group's development pattern. During the year, the Group holds 26 quality commercial property projects comprising a total gross floor area of approximately 612,700 square meters, mainly represented by two commercial brands, namely "NEO" and "Zoll", including Shenzhen NEO Urban Commercial Complex, Hong Kong LVGEM NEO, LVGEM Zoll Chanson Shopping Mall, LVGEM 1866 Zoll Shopping Mall, LVGEM Zoll Hongwan Shopping Mall, LVGEM Zoll Mangrove Bay No.1, Shopping Mall, LVGEM Zoll International Garden Shopping Mall, LVGEM Zoll Jinhua Shopping Mall, LVGEM Zoll Yuexi Shopping Mall, Dongguan LVGEM Zoll Shopping Mall and other shops and investment properties. The Group's commercial property development projects are mainly independent commercial projects as well as complex projects that comprise commercial features. Among them, the ancillary services of commercial properties under complex projects significantly increase the overall value of individual residential projects among the real estate development business.

As at 31 December 2019, the Group's revenue from the investments and operations of commercial properties was approximately RMB618.7 million (2018: RMB543.2 million), representing an increase of approximately 13.9% year-on-year.

Shenzhen NEO Urban Commercial Complex is elected as one of the ten major landmarks of Shenzhen. It is strategically located in the western region of central Futian District of the core central business district in Shenzhen. It is a key urban and commercial landmark in Shenzhen. It has easy access to public transport locating at the intersection of four Metro Lines 1, 7, 9 and 11. NEO Urban Commercial complex has a total gross floor area of approximately 252,539 square meters and a total lettable area of approximately 121,236 square meters. The high-quality corporate tenants of Grade A office building comprise offices and branches of various Fortune Global 500 companies, banks, telecommunication corporations and other state-owned enterprises. As at 31 December 2019, the overall occupancy rate of NEO Urban Commercial complex was about 83% (2018: 94%).

Hong Kong LVGEM NEO is located in "Kowloon East CBD 2", the new central business district in Hong Kong, occupying a site area of approximately 4,500 square meters and a planned total gross floor area of approximately 55,390 square meters. As a new smart city operator proactively developing the business layout over the Greater Bay Area, the Group acquired 8 Bay East, the full seaview grade-A commercial building located in 123 Hoi Bun Road, Kwun Tong for HK$9 billion at the end of 2017, and renaming it as the "NEO". It is positioned as a financial and technological centre which integrates health, green, humanity and scenes. In July 2019, the handover of Hong Kong LVGEM NEO was completed. Apart from being LVGEM (China)'s headquarters in Hong Kong, the project received overwhelming responses since it was launched for leasing. As of the end of 2019, the occupancy rate of the project was close to 50%. Tenants were mainly insurance groups, financial or innovation and technological enterprises and virtual banks, thereby aligning with its positioning as a "full seaview smart financial centre in Kowloon East". Following the commencement of operation of Shatin to Central Link in the 1st quarter of 2020, leveraging the support of government policy, strategic geographic location and increasingly easy access, it is expected that the growth in asset value will significantly increase, thus bringing stable rental income and long-term return on capital for the Group at the same time. Highlighted the strategic significance of the Project to tapping into Hong Kong property market by the Group, the Project will facilitate consolidation of the leading position of the Group in commercial property market as well as its market position and brand influence in the Greater Bay Area.

Zoll Shopping Mall is a famous fashion and comprehensive shopping centre. As of the end of 2019, the Group owns and operates LVGEM Zoll Chanson Shopping Mall, LVGEM 1866 Zoll Shopping Mall, LVGEM Zoll Hongwan Shopping Mall, LVGEM Zoll International Garden Shopping Mall, LVGEM Zoll Jinhua Shopping Mall and LVGEM Zoll Yuexi Shopping Mall. As at 31 December 2019, the overall occupancy rate was about 97%. On 21 May 2019, the Group acquired a site located in Zhang Mu Tou Town, Dongguan for commercial use at a total consideration of RMB8 million. Occupying a total area of approximately 20,137 square meters, the site is being developed into Dongguan LVGEM Zoll Shopping Mall, with a total gross floor area of approximately 58,928 square meters. Subject to the necessary government approvals, the project is planned to launch its full-scale opening in 2020, which is expected to contribute increasing rental revenue to the Group in the future.

Comprehensive Services

The Group provided comprehensive services to customers and tenants of its residential and commercial properties, including property management services, hotel operations and others. For the year ended 31 December 2019, the comprehensive services of the Group generated revenue of RMB321.3 million (2018: RMB308.2 million), representing an increase of 4.3% year-on-year.

The Group provided comprehensive property management services for most of its property development projects, including security services, property maintenance and management of ancillary facilities, property brokerage business, online platform and e-shops for lifestyle services, which comprised a total gross floor area of 2.42 million square meters. "Meilin flagship shop", the real estate agency business, provided new property agency, entrusted property management, property banking and other businesses. "Ordinary living" app, our online platform for lifestyle services, launched cleaning of air-conditioners and other businesses and gained wide recognition from property owners, achieving a value growth of 1.19 times year-on-year in 2019. Shenzhen LVGEM Property Management Co., Ltd. obtained the ISO9001: 2008 certification for its quality system of property management services and the level A property management qualification. As the property management services and value-added services become more mature, it is expected that the property management company will contribute sustainable revenue growth for the Group in the future.

In respect of hotel operations, the Group operates and manages two hotels in Shenzhen and the United States. These hotels are the LVGEM Hotel which is located in the central business district of Futian district, Shenzhen, and the Vanllee Hotel in Covina, California, the United States which was acquired in 2017. As at 31 December 2019, the average occupancy rate of LVGEM Hotel was approximately 75% (2018: 75%). Vanllee Hotel occupies a site area of 22,652 square meters and has completed its renovation in 2019. With its satisfactory service standard, it has been maintaining an occupancy rate of approximately over 46% during renovation. The operation of Vanllee Hotel is a milestone project of LVGEM (China), marking the further expansion of the Group's international business, which is expected to contribute stable hotel operation income to the Group.

Financing

With the support of Hong Kong's globalized capital operating platform, the Group adopted diverse financing channels at home and abroad in their highest and best use during the year. Under the challenging macroeconomic environment, the financing team actively prepared the refinancing options. In 2019, the overall finance cost was approximately 6.3% (2018: 6.2%). In August 2019, the Group completed the renewal of domestic corporate bond. Under the demanding global capital market environment, the Group seized the market opportunities to prudently launch the US dollar bond exchange and issuance scheme in the beginning of 2020 as a preparation for refinancing the US$400 million public bond due to expire in August 2020.

The Group expected to further consolidate its financial strength, enrich its cash flow and improve the operational efficiency of the Company through domestic and overseas financing, establish domestic and overseas financing platforms, improve the efficiency in use of funds to further support the rapid expansion and development and achieve stable business growth of the Group.

Future Prospect

In early 2020, all Chinese people were dedicated to fighting against the epidemic with mutual support. The Central Government took highly effective measures to safeguard public health and safety, in a bid to push forward the resumption of corporate operations and production gradually. At the same time, launch or construction of major projects was announced. Various ministries and commissions of China have launched a series of stimulation plans for infrastructure development such as downward adjustment of the project funds for certain sectors, loan relief and increasing the proportion of special debts in local debts so as to further drive the launch of strategies of urbanisation and regional balanced development across China. The Guangdong-Hong Kong-Macao Greater Bay Area is the significant strategic plan in the national development blueprint. Following the launch of the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" and formulation of pilot modelling zones, the Greater Bay Area has entered a new historic stage of development. Under the keynote of "no speculation on residential properties" and with the strengths of a regulated market, the Greater Bay Area has the potential to become the pilot of the economy of city clusters in China and to shoulder the historic mission on coordination between the domestic economic development and the Greater Bay Area as a world-class network hub.

In 2019, all staff strived to fight for the success of the Group and delivered various encouraging results. Looking towards 2020, the Group will continue to be dedicated to a general strategic upgrade and focusing on the business presence in the core cities and areas in the Greater Bay Area under the strategic guidance of "Focus on urban renewal in the Greater Bay Area, develop a brand new smart city". As to the promotion of urban renewal in the Greater Bay Area, the Group will be aligned with the strategic planning on the Greater Bay Area and strategically push forward various existing major urban renewal projects of the Group and the controlling shareholder. By constantly adhering to the national policies and integrating its unique advantages and market positioning, the Group will continue to expand the Company's business scale and position of a pioneer. The Group will continue to push forward the acquisition of land resources, establish long-term and effective collaboration with the controlling shareholder and constantly optimize the capital contribution to projects and commercial operations, thereby strengthening the ability in highly effective operation and brand competitiveness of the Company. While putting committed efforts in urban renewal, the Group will step up its endeavors in creating an outstanding business operation model, aiming to create higher brand-added value for the Group, bring better life experience to the residents, infuse vitality to the city's renewal and development and deliver substantial returns to the investors..

By studying the projects introduced by the controlling shareholder in the future that include the planning of industrial parks and centralised commercial clusters, the Group intends to develop a model integrating industrial, city and commerce, continue to develop quality projects in the core areas of core cities, develop industrial properties (industrial park operation and industrial investment) and operate smart commercial cities. With the unique positioning and brand-new perspective, the Group will develop "unique properties, resources-linked properties and smart properties".

Meanwhile, the Group will continue to optimise the business structure and consolidate the standardised management. In 2020, the Group will adhere to the system management, development under three-orientation strategy and closed-end management and continue to put more efforts in the three major business divisions, namely finance, real estate, and assets so as to drive the corporate development. Also, we will promote the cooperation with Huawei and China Unicom in full swing in the area of smart technology and strive to develop the smart city benchmark by integrating with the Baishizhou urban construction platform. In particular, Finance Business Division will put in best efforts to maintain an effective domestic and overseas capital operation; financial management and investor relations; Real Estate Business Division will, according to the 2020 work schedule, undertake the design planning, construction management, brand sales and marketing, cost management, administrative licensing, financial and tax management and operation plan. Each of the seven core department is responsible for its respective roles and duties, aiming to promote the completion of various tasks with high quality and efficiency; Asset Business Division will ensure to complete its tasks according to the targets of 2020 budget plan.

Looking forward, the development of the Greater Bay Area is necessarily irreversible and will become an essential growth driver of the national economic development. With years of focus on the development of key regions in the Guangdong-Hong Kong-Macao Greater Bay Area, the Group will seize the tremendous opportunities of the current era and strive to develop the Company into a new smart city developer and operator that is dedicated to the construction of the Guangdong-Hong Kong-Macao Greater Bay Area. In 2020, the Company will come to a new starting point and partner with various parties from the society in a creative and aggressive manner. Adhering to the corporate mission of "continuously enhancing the urban value", the Group will make sustained efforts towards the vision and goal of "being the most respected city value-creator in the PRC".

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 2019 was approximately RMB6,902.4 million (2018: RMB4,515.7 million), representing an increase of approximately 52.9% as compared to the last year, which was mainly attributable to the increase in revenue from sales of properties held for sale.

	2019	2018	**Increase**	
	RMB'000	*RMB'000*	*RMB'000*	*%*
Real estate development and sales	**5,962,446**	3,664,328	2,298,118	62.7
Commercial property investment and operations	**618,674**	543,176	75,498	13.9
Comprehensive services	**321,328**	308,181	13,147	4.3
Total	**6,902,448**	4,515,685	2,386,763	52.9

For the year ended 31 December 2019, the revenue from sales of properties held for sale was approximately RMB5,962.4 million (2018: RMB3,664.3 million), representing an increase of approximately 62.7% as compared to the last year, which mainly contributed by the sales of the high-rise residential buildings, LVGEM Mangrove Bay No. 1. The Group's total gross floor area of properties held for sale sold during the year ended 31 December 2019 was approximately 271,500 square meters (2018: approximately 296,300 square meters).

Revenue from leasing of investment properties for the year ended 31 December 2019 was approximately RMB618.7 million (2018: RMB543.2 million), representing an increase of approximately 13.9% as compared to last year. The increase was primarily due to the commencement of offshore operations in 2019. 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, which was completed in second half of 2019, the occupancy rate of other investment properties during the year ended 31 December 2019 maintained at a high level at 91% (2018: 95%). The occupancy rate of Hong Kong LVGEM NEO as at 31 December 2019 was approximately 50%.

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 2019, comprehensive services of the Group generated revenue of approximately RMB321.3 million (2018: RMB308.2 million).

Gross Profit and Gross Profit Margin

For the year ended 31 December 2019, the Group's integrated gross profit increased to approximately RMB4,430.4 million (2018: RMB2,686.2 million), representing an increase of approximately 64.9% as compared to the last year; while the integrated gross profit margin for the year ended 31 December 2019 was 64.2% (2018: 59.5%). The increase in gross profit margin was primarily because approximately 75% of the revenue for the year ended 31 December 2019 was derived from LVGEM Mangrove Bay No.1, with a higher gross profit margin over 70%.

Selling Expenses

For the year ended 31 December 2019, selling expenses of the Group amounted to approximately RMB134.1 million (2018: RMB133.0 million). The selling expenses mainly included sales commission and advertising expenses for LVGEM Mangrove Bay No. 1.

Administrative Expenses

For the year ended 31 December 2019, administrative expenses of the Group amounted to approximately RMB461.5 million (2018: RMB390.4 million), representing an increase of approximately 18.2% as compared to the last year. The increase was mainly attributable to the donation to the Huazhou Municipal Government.

Fair Value Changes on Investment Properties

The valuation on the Group's investment properties as at 31 December 2019 was conducted by an independent property valuer which resulted in a fair value gain on investment properties of RMB696.4 million for the year ended 31 December 2019 (2018: RMB323.5 million).

Finance Costs

For the year ended 31 December 2019, finance costs of the Group amounted to approximately RMB1,256.2 million (2018: RMB658.0 million), representing an increase of approximately 90.9% as compared to the last year.

The increase in finance costs was primarily due to (i) the increase of the Group's total interest-bearing loans to RMB25,976.5 million as at 31 December 2019 from RMB23,324.4 million as at 31 December 2018; and (ii) the cessation of interest capitalisation in relation to Hong Kong LVGEM NEO upon its completion during the year ended 31 December 2019. The Group's average finance cost of interest-bearing loans was 6.3% for the year ended 31 December 2019 (2018: 6.2%).

Income Tax Expense

For the year ended 31 December 2019, income tax expense of the Group amounted to approximately RMB1,617.2 million (2018: RMB925.1 million). The Group's income tax expense included payments and provisions made for EIT and LAT during the year. The increase of income tax expense during the year was mainly attributable to the increase in both EIT and LAT provision due to the sales of LVGEM Mangrove Bay No. 1.

Operating Results

For the year ended 31 December 2019, the profit attributable to owners of the Company was approximately RMB1,749.9 million (2018: RMB1,237.2 million), representing an increase of approximately 41.4% as compared to the last year.

Liquidity, Financial Resources and Gearing

Bank balances and cash as at 31 December 2019 amounted to approximately RMB8,347.0 million (including restricted bank deposits) (2018: RMB7,589.9 million).

The Group had total borrowings of approximately RMB25,976.5 million as at 31 December 2019 (2018: RMB23,324.4 million). Borrowings classified as current liabilities were approximately RMB10,826.7 million (2018: RMB5,824.4 million) and the Group's gearing ratio as at 31 December 2019 was approximately 135.3% (2018: 137.6%), 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 2019, the Group had current assets of approximately RMB22,276.5 million (2018: RMB19,240.6 million) and current liabilities of approximately RMB17,760.7 million (2018: RMB11,689.8 million), which represented a decrease in net current assets from approximately RMB7,550.9 million as at 31 December 2018 to approximately RMB4,515.9 million as at 31 December 2019. The decrease in net current assets as at 31 December 2019 was mainly attributable to the reclassification of US$ denominated senior notes with principal amount of US$400 million, which will be matured in August 2020, from non-current liabilities to current liabilities.

As at 31 December 2019, the Group recorded total assets of approximately RMB48,736.3 million (2018: RMB43,412.1 million) and total liabilities of approximately RMB35,701.5 million (2018: RMB31,973.2 million), representing a debt ratio (total liabilities over total assets) of approximately 73.3% (2018: 73.7%). Net assets of the Group were approximately RMB13,034.8 million as at 31 December 2019 (2018: RMB11,438.9 million).

For the year ended 31 December 2019, 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 year ended 31 December 2019, loans of approximately RMB18,642.0 million (2018: RMB16,085.5 million) were secured by properties under development for sale, properties held for sale, investment properties, properties, plant and equipment and pledged deposits of the Group respectively in the total amount of approximately RMB26,344.1 million (2018: RMB18,878.2 million).

Contingent Liabilities

For the year ended 31 December 2019, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB2,132.4 million (2018: RMB1,163.0 million). Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks.

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

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

Exposure to Fluctuations in Exchange Rates and Related Hedges

Almost all of the Group's operating activities are carried out in the PRC 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 2019, the Group had a staff roster of 1,821 (2018: 1,612), of which 1,794 (2018: 1,589) employees were based in the mainland China and 27 (2018: 23) 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.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK6.1 cents (equivalent to approximately RMB5.46 cents) per ordinary share in cash for the year ended 31 December 2019 to shareholders whose names appear on the register of members of the Company on 19 June 2020. Subject to shareholders' approval at the Annual General Meeting, the dividend is expected to be paid on or around 31 July 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 June 2020 to 10 June 2020, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 4 June 2020.

The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is 19 June 2020. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 17 June 2020 to 19 June 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 16 June 2020.

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 2019, the Group complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. The Directors confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 December 2019.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2019.

The consolidated financial statements have been audited by the Group's auditor, Messrs. Deloitte Touche Tohmatsu. The unqualified auditor's report will be included in the 2019 Annual Report to shareholders.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 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 Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

During the year, the Company issued an aggregate of 103,826,087 ordinary shares. Details are as follows:

(a) On 24 April 2019, the Company received a conversion notice for the conversion of aggregate 50,000,000 convertible preference shares in the capital of the Company into 50,000,000 ordinary shares of the Company.

(b) On 20 and 26 November 2019, the Company received two conversion notices for the conversion of aggregate 53,826,087 convertible preference shares in the capital of the Company into 53,826,087 ordinary shares of the Company.

The Company has not redeemed any of the Company's listed securities during the year. Save as disclosed above and the issue of 4,392,000 shares by the Company pursuant to the exercise of share options under the share option scheme of the Company during the year, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 21 May 2019, an indirect wholly-owned subsidiary of the Company entered into an equity transfer agreement to acquire 100% equity interest in Dongguan LVGEM Real Estate Development Co., Ltd., which is engaged in the development and holding of a commercial development located in Zhangmutou Town in Dongguan. Details of the acquisition are set out in the announcement of the Company dated 21 May 2019.

On 28 October 2019, a direct wholly owned subsidiary of the Company entered into a subscription agreement with Affluent Bright Investments Limited and Mr. Wong Hong King to subscribe for 9,999 shares of Affluent Bright Investments Limited at the consideration of US$10,000 (equivalent to HK$78,000), representing 99.99% equity interests in Affluent Bright Investments Limited. Details of the subscription are set out in the announcement of the Company dated 28 October 2019.

Save as disclosed above, 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.

EVENTS AFTER THE REPORTING PERIOD

On 20 February 2020, the Group commenced an exchange offer (the "Exchange Offer") for the existing USD denominated senior notes with principal amount of USD400,000,000 (equivalent to RMB2,801,040,000). The Exchange Offer extends the due date of the existing senior notes to 2023 with an increased coupon rate of 12% per annum. Upon the expiry of the Exchange Offer on 2 March 2020, senior note holders holding notes with an aggregated amount of USD227,390,000 (equivalent to RMB1,942,451,000) had validly tendered their notes for exchange pursuant to the Exchange Offer. On the following day, the Group announced the issuance of a new series of USD denominated senior notes with principal amount of USD222,610,000 (equivalent to RMB1,558,849,000) for cash to the same amount at an interest rate of 12% per annum due 2023. (the "New Issuance"). The Exchange Offer and the New Issuance were completed on 10 March 2020. The Exchange Offer is a non-cash transaction and would be accounted for as a debt extinguishment of the existing USD denominated senior notes as the terms associate with the Exchange Offer are substantially different from the existing USD denominated senior notes. For details of the transactions, please refer to the announcements of the Company dated 20 February 2020, 25 February 2020, 3 March 2020, 4 March 2020 and 11 March 2020.

On 15 March 2020, the Company entered into a strategic cooperation agreement with China United Network Communications Co., Ltd. Shenzhen Branch and Shenzhen GenJoy Technology Co., Ltd. in relation to the establishment of a long-term strategic cooperation relationship for the joint development of informatisation and smart urban areas. Details of the strategic cooperation is disclosed in the announcement of the Company dated 16 March 2020.

The outbreak of a respiratory illness caused by a novel coronavirus, or known as the COVID-19, in China, has affected many businesses to different extent. As the Group's business are all in various locations in the mainland where different precautious measures were imposed by local governments, all at once or implemented at different stages depending on the latest development, the Group's ability to serve its customers is largely dependent on various government measures and the availability of workforce, which may be affected by the travel restrictions and home quarantine requirements. Due to the inherent unpredictable nature and rapid development relating to the novel coronavirus and its pervasive impact, the Group has taken action to negotiate with its major subcontractors and employees to confirm continuous and adequate supply of manpower. The Group will closely monitor the situation in this regard and seek alternative subcontractors and manpower if necessary.

Given the dynamic nature of these circumstances and unpredictability of future development, the directors of the Company consider that the financial effects on the Group's consolidated financial statements cannot be reasonably estimated as at the date of this announcement.

Save as disclosed above, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2019 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 2019 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 Mr. SIU Chi Hung as executive directors; Ms. LI Lihong as non-executive director and Mr. WANG Jing, Ms. HU Gin Ing and Mr. MO Fan as independent non-executive directors.

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

Hong Kong, 30 March 2020

* *For identification purposes only*