L.gem 綠景(中國)地產投資有限公司

LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(HKSE Stock Code: 95)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of LVGEM (China) Real Estate Investment Company Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**2,030,313**	2,462,206
Cost of sales		**(1,066,846)**	(859,214)
Gross profit		**963,467**	1,602,992
Other income		**56,955**	54,455
Other gains and losses		**(1,687)**	(106,982)
Selling expenses		**(72,226)**	(26,862)
Administrative expenses		**(227,546)**	(198,573)
Fair value changes on investment properties		**1,249,408**	(174,081)
Fair value changes on derivative component of convertible bonds		**55,177**	53,849
Finance costs	*4*	**(833,704)**	(686,243)
Profit before tax	*5*	**1,189,844**	518,555
Income tax expense	*6*	**(568,229)**	(480,196)
Profit for the period		**621,615**	38,359
Profit (loss) for the period attributable to:			
Owners of the Company		**638,040**	37,556
Non-controlling interests		**(16,425)**	803
		621,615	38,359
		RMB cents	*RMB cents*
		(Unaudited)	(Unaudited)
Earnings per share	*8*		
– Basic		**12.52**	0.74
– Diluted		**7.14**	0.33

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**621,615**	38,359
Other comprehensive income (expense)		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation	**47,257**	(37,703)
Item that will not be reclassified to profit or loss:		
Fair value changes on investments in equity instruments at fair value through other comprehensive income, net of tax	**14,240**	(50,891)
Other comprehensive income (expense) for the period	**61,497**	(88,594)
Total comprehensive income (expense) for the period	**683,112**	(50,235)
Total comprehensive income (expense) attributable to:		
Owners of the Company	**696,994**	(51,032)
Non-controlling interests	**(13,882)**	797
	683,112	(50,235)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	**At 30 June 2021** *RMB'000* **(Unaudited)**	At 31 December 2020 *RMB'000* (Audited)
Non-current assets			
Investment properties		**24,967,130**	23,167,159
Property, plant and equipment		**888,351**	931,581
Goodwill		**231,602**	231,602
Interest in a joint venture		**6,056**	6,056
Amount due from a joint venture		**522,318**	522,318
Equity instruments at fair value through other comprehensive income		**520,247**	501,261
Restricted bank deposits		**310,000**	–
Deferred tax assets		**567,445**	537,869
		28,013,149	25,897,846
Current assets			
Properties under development for sale		**36,011,874**	32,132,185
Properties held for sale		**3,516,384**	4,844,053
Other inventories		**776**	674
Accounts receivable	*9*	**87,382**	68,105
Deposits paid, prepayments and other receivables		**2,440,403**	1,862,033
Tax recoverable		**43,154**	52,452
Restricted bank deposits		**2,994,680**	3,979,537
Bank balances and cash		**5,033,922**	5,430,113
		50,128,575	48,369,152
Current liabilities			
Accounts payable	*10*	**1,714,943**	1,262,086
Contract liabilities		**1,711,405**	1,348,932
Accruals, deposits received and other payables		**945,025**	762,404
Lease liabilities		**18,302**	17,239
Borrowings		**6,592,661**	8,007,353
Senior notes and bond		**2,116,696**	2,129,522
Debt component of convertible bonds		**1,421,617**	–
Derivative component of convertible bonds		**55,369**	–
Tax liabilities		**2,267,669**	2,375,586
		16,843,687	15,903,122
Net current assets		**33,284,888**	32,466,030
Total assets less current liabilities		**61,298,037**	58,363,876
Non-current liabilities			
Borrowings		**17,310,325**	15,857,136
Senior notes and bond		**3,191,368**	3,236,529
Debt component of convertible bonds		**–**	1,419,974
Derivative component of convertible bonds		**–**	111,612
Lease liabilities		**81,637**	85,134
Deferred tax liabilities		**3,205,078**	2,818,217
Other non-current liabilities		**8,774,251**	6,949,651
		32,562,659	30,478,253
Net assets		**28,735,378**	27,885,623
Capital and reserves			
Share capital		**42,465**	42,458
Reserves		**25,379,457**	24,681,258
Equity attributable to owners of the Company		**25,421,922**	24,723,716
Non-controlling interests		**3,313,456**	3,161,907
Total equity		**28,735,378**	27,885,623

Notes:

1. BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the Group's contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending 31 December 2021.

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of properties	**1,555,986**	2,030,652
Revenue from hotel operation, property management service and other services	**143,148**	114,199
Revenue from contracts with customers	**1,699,134**	2,144,851
Rental income	**331,179**	317,355
	2,030,313	2,462,206
Timing of revenue recognition from contracts with customers		
At a point in time	**1,555,986**	2,030,652
Over time	**143,148**	114,199

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

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

Segment revenue and results

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

Six months ended 30 June 2021

	Real estate development and sales *RMB'000* **(Unaudited)**	**Commercial property investment and operations** *RMB'000* **(Unaudited)**	**Comprehensive services** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Revenue:				
From external customers	**1,555,986**	**331,179**	**143,148**	**2,030,313**
Inter-segment revenue	**–**	**12,549**	**46,750**	**59,299**
Total segment revenue	**1,555,986**	**343,728**	**189,898**	**2,089,612**
Reportable segment profit	**609,793**	**309,330**	**44,344**	**963,467**

Six months ended 30 June 2020

	Real estate development and sales *RMB'000* (Unaudited)	Commercial property investment and operations *RMB'000* (Unaudited)	Comprehensive services *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Revenue:				
From external customers	2,030,652	317,355	114,199	2,462,206
Inter-segment revenue	–	11,453	33,438	44,891
Total segment revenue	2,030,652	328,808	147,637	2,507,097
Reportable segment profit	1,275,573	304,147	23,272	1,602,992

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 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.

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	**2,089,612**	2,507,097
Elimination of inter-segment revenue	**(59,299)**	(44,891)
Consolidated revenue	**2,030,313**	2,462,206
Profit		
Reportable segment profit	**963,467**	1,602,992
Fair value changes on investment properties	**1,249,408**	(174,081)
Other income	**56,955**	54,455
Other gains and losses	**(1,687)**	(106,982)
Depreciation	**(38,084)**	(30,846)
Finance costs	**(833,704)**	(686,243)
Fair value changes on derivative component of convertible bonds	**55,177**	53,849
Corporate expenses	**(261,688)**	(194,589)
Consolidated profit before tax	**1,189,844**	518,555

Segment assets

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

Segment assets

	At 30 June	At 31 December
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Real estate development and sales	**39,576,788**	37,433,525
Commercial property investment and operations	**25,036,850**	23,259,775
Comprehensive services	**324,829**	325,788
Reportable segment assets	**64,938,467**	61,019,088
Goodwill	**231,602**	231,602
Equity instruments at fair value through other comprehensive income	**520,247**	501,261
Bank balances and cash (including restricted bank deposits)	**8,338,602**	9,409,650
Deferred tax assets	**567,445**	537,869
Interest in a joint venture and amount due from a joint venture	**528,374**	528,374
Corporate assets	**3,016,987**	2,039,154
Consolidated total assets	**78,141,724**	74,266,998

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

4. FINANCE COSTS

	Six months ended 30 June 2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on:		
Bank and other borrowings	**693,075**	582,976
Convertible bonds	**95,118**	147,518
Senior notes and bonds	**239,812**	263,083
Lease liabilities	**4,792**	5,457
Less: Amount capitalised in investment properties under development and properties under development for sale*	**(199,093)**	(312,791)
	833,704	686,243

* The finance costs have been capitalised at rates ranging from 1.30% to 13.75% (six months ended 30 June 2020: 1.61% to 12.00%) per annum.

5. PROFIT BEFORE TAX

	Six months ended 30 June 2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before tax is arrived at after charging (crediting):		
Cost of properties held for sale recognised as expense	**946,193**	755,079
Depreciation of property, plant and equipment	**38,110**	30,873
Less: Amount capitalised in investment properties under development and properties under development for sale	**(26)**	(27)
	38,084	30,846
Gross rental income from investment properties	**331,179**	317,355
Outgoings in respect of investment properties that generated rental income during the period	**(21,849)**	(13,208)
	309,330	304,147
Expense relating to short-term leases	**1,871**	1,150
Covid-19-related rent concessions	**–**	935

6. INCOME TAX EXPENSE

	Six months ended 30 June 2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
Mainland China Enterprise Income Tax ("**EIT**")		
– Current period	**83,388**	54,434
– Overprovision in prior period	**(97)**	(8,365)
	83,291	46,069
Mainland China Land Appreciation Tax ("**LAT**")		
– Current period	**128,270**	288,933
– Underprovision in prior period	**4,130**	–
	132,400	288,933
Deferred taxation	**352,538**	145,194
Total income tax expense	**568,229**	480,196

7. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period:		
2019 Final dividend – HK6.1 cents (equivalent to approximately RMB5.46 cents)	**–**	282,672

No dividend for the six months ended 30 June 2021 and 30 June 2020 had been proposed by the directors of the Company.

8. 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:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	**638,040**	37,556
Effect of dilutive potential earnings in respect of – Convertible bonds	**(2,863)**	(8,901)
Earnings for the purpose of diluted earnings per share	**635,177**	28,655

	Number of shares	
	2021	2020
Number of shares		
Weighted average number of ordinary shares of the Company for the purpose of basic earnings per share	**5,097,407,842**	5,062,873,832
Effect of dilutive potential ordinary shares in respect of:		
– Share options	**38,430,981**	58,022,113
– Convertible bonds	**350,531,593**	271,328,671
– Convertible preference shares	**3,404,575,241**	3,297,658,924
Weighted average number of ordinary shares of the Company for the purpose of diluted earnings per share	**8,890,945,657**	8,689,883,540

The computation of diluted earnings per share for the periods ended 30 June 2021 and 2020 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.

9. ACCOUNTS RECEIVABLE

Accounts receivable represents receivable 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 ranging from 30 to 60 days.

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

	At 30 June 2021	At 31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**46,727**	27,690
1 to 12 months	**30,527**	30,678
13 to 24 months	**10,128**	9,737
	87,382	68,105

10. ACCOUNTS PAYABLE

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

	At 30 June 2021	At 31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**1,078,079**	1,097,921
1 to 12 months	**582,666**	55,986
13 to 24 months	**23,446**	63,512
Over 24 months	**30,752**	44,667
	1,714,943	1,262,086

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

During the first half of 2021, the prevention and control situation of the COVID-19 pandemic remained severe globally. Whilst the number of local COVID-19 cases in certain regions fluctuated, the pandemic was generally under control in mainland China. Amidst the global trend of economic recovery, the Chinese economy continued to resume its growth with many other promising indicators in general under the driving policy of "Six stability and six guarantees". During January to June 2021, the operational revenue of the industrial enterprises above the designated size in China increased by 27.9% year-on-year and their total profits increased by 66.9% and 45.5% over the corresponding period of 2020 and 2019 respectively. During January to June 2021, fixed asset investment throughout China (exclusive of farmers) increased by 12.6% and 9.1% over the corresponding period of 2020 and 2019 respectively. Following the progressive efforts in COVID-19 vaccination and continued implementation of the relevant policies or initiatives such as taxes and charges reduction, encouraging innovation, promoting consumption and supporting the finance sector, the trend of the Chinese economic turnaround is expected to remain positive.

During the first half of 2021, the sales of newly built commodity housing in China maintained a relatively high growth rate. In particular, the eastern region was the principal growing area. The sales area of commodity housing in China during the first half of 2021 amounted to 886.35 million square meters, up by 27.7% year-on-year, among which sales areas of residential units, office buildings and housing for commercial and operation use increased by 29.4%, 10.0% and 5.7% respectively. The sales amount of commodity housing amounted to RMB9,293.1 billion, up by 38.9%, among which sales amount of residential units, office buildings and housing for commercial and operation use increased by 41.9%, 10.7% and 8.8% respectively. The investment in real estate development amounted to RMB7,217.9 billion in the first half of 2021, representing an increase of 15.0% and 17.2% over the corresponding period of 2020 and 2019 respectively. During the first half of 2021, continuing to pursue the keynote of "no speculation on residential properties, and one strategy for one city" in relation to real estate policy, the regulating authority adopted various measures to stabilize the market. Following the transfer of land premium to the tax authority for taxation purpose, the leverage ratio of local government was lowered and is expected to be under control in the long term. Through curbing operating loans stringently and increasing mortgage rates, the management and control on the credit funds in the real estate market tended to be tightened in general. Meanwhile, centralized land supply policy was launched in 22 cities, thereby facilitating the control on the scale of land supply and maintaining the stable operation of the real estate market.

On 15 July 2020, Shenzhen government promulgated the eight measures of precise adjustment and control on the property market. Since the beginning of this year, Shenzhen government has launched a number of measures successively to strengthen such adjustment and control, adhering to the keynote of "no speculation on residential properties" and "maintaining stability" for the property market. On 19 January 2021, Shenzhen Housing and Construction Bureau published the "Circular Regarding Confirmation on Certain Issues about the Notice in relation to Further Promoting the Stable and Healthy Development of the Real Estate Market of Our City (《關於明確關於進一步促進我市房地產市場平穩健康發展的通知若干問題的函》)" to strengthen regulation of the market, with a view to steering it back to rational operation. On 8 February 2021, Shenzhen Housing and Construction Bureau published the "Notice Regarding the Mechanism of Announcement of Reference Trading Prices of Second-hand Residential Units (《關於建立二手住房成交參考價格發佈機制的通知》)" in a bid to promote transparency of information on second-hand residential property market and rational trades. In the meantime, the Urban Renewal Ordinance of Shenzhen Special Economic Zone (the "**Ordinance**") was officially promulgated on 1 March this year. The Ordinance focuses on land reserve, change in the status-quo of land use, making highly efficient use of the land reserve resources, unleashing and expanding the potential of land reserve so as to facilitate the progress of urban renewal projects and solve the residential housing problems of Shenzhen.

Over 30 years, based on the strategic planning and layout of "Focusing on Core Cities and Cities' Core Areas", the Group has actively participated in the residential and commercial development projects for urban renewal of the Pearl River Delta Region, in particular Shenzhen and Zhuhai. Leveraging its extensive urban renewal experiences of more than three decades, and with the distinctive way of acquisition of land reserve resources and the valuable strategic layout of project locations, the Group has secured its industrial position in the urban renewal segment. During the first half of this year, the Group continued to actively push forward various projects in Shenzhen, Zhuhai, Hong Kong, Dongguan and other cities in the Greater Bay Area. During the reporting period, the Baishizhou Urban Renewal Project located in Nanshan District, Shenzhen City has made substantial progress. The Group received the "Notice in relation to the Confirmation of the Operating Entity of the Nanshan District Urban Renewal Project" (《關於南山區城市更新項目實施主體確認的通知》) issued by The Shenzhen Nanshan District Urban Renewal and Land Development Bureau (深圳市南山區城市更新和土地整備局), which confirmed the Group as the operating entity of Phase I of the Baishizhou Urban Renewal Project; In July, the Group has obtained the Planning Permit for Construction Land issued by Shenzhen Municipal Planning and Natural Resources Bureau (深圳市規劃和自然資源局) and the Permit for Commencement of Construction Works (Earth-and-Stone, Foundation Pit Support Works) issued by Shenzhen Nanshan District Housing and Construction Bureau (深圳市南山區住房和建設局), confirming that Phase I of the Baishizhou Urban Renewal Project has obtained the construction commencement permit for earth-and-stone and foundation pit support works. In addition, The Shenzhen Futian District Urban Renewal and Land Development Bureau (深圳市福田區城市更新和土地整備局) has also served the circular notice to the Group to confirm the related project company as the operating entity of Phase II of LVGEM Mangrove Bay No.1. Projects on sale, namely LVGEM Amazing Plaza in Shenzhen, LVGEM Joyful Town (formerly known as "Kaiwei" Project) in Zhuhai and LVGEM International Garden in Huazhou, also registered satisfactory performances.

During the reporting period, the Group continued to pursue the "technology + property" development strategy to cater for the development trend of the industry. The technology sector acts as the "lubricant" for the development of the Group, while the property sector is the "engine" for the same. Focusing on urban renewal in the Greater Bay Area, the Group has established long-term strategic partnerships with companies including Huawei and China Unicom respectively to incorporate the "technology + property" strategy into its urban renewal projects, thereby developing new cities with integration of smart technologies and high-end residential lifestyle. During the period, the Group commenced detailed design for 5 themes, namely traffic, carpark, logistics, environmental sanitation, and 5G network in the construction of the Baishizhou smart city, which were already in place within the architecture. Strongly supporting the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" (《粵港澳大灣區發展規劃綱要》), the Group adopted the strategy of conserving resources and environmental protection in project development. As such, the Baishizhou Urban Renewal Project has incorporated the specific design aiming for a habitable environment, conservation of resources and healthy product quality. Looking forward, the Group will make use of its own strengths in strategic layout and resources and strive to become a new smart city developer and operator, thereby enhancing urban value and creating sound social, environmental and economic benefits.

Results

For the six months ended 30 June 2021, the Group recorded a total revenue of approximately RMB2,030.3 million (six months ended 30 June 2020: RMB2,462.2 million), representing a decrease of approximately17.5% year-on-year. Gross profit was RMB963.5 million (six months ended 30 June 2020: RMB1,603.0 million), representing a decrease of approximately 39.9% year-on-year. Gross profit margin for the six months ended 30 June 2021 was 47.5% (six months ended 30 June 2020: 65.1%).

During the reporting period, the Group achieved a profit of RMB621.6 million (six months ended 30 June 2020: RMB38.4 million), representing a growth of approximately 1,518.8% year-on-year. Profit attributable to owners of the Company was RMB638.0 million (six months ended 30 June 2020: RMB37.6 million), representing a growth of approximately 1,596.8% year-on-year. Basic earnings per share was RMB12.52 cents (six months ended 30 June 2020: RMB0.74 cents), representing a growth of approximately 1,591.9% year-on-year.

The Group's key financial indicators for the six months ended 30 June 2021 were as follows:

	2021	2020	**Change**
Revenue *(RMB million)*	**2,030.3**	2,462.2	–17.5%
Gross profit *(RMB million)*	**963.5**	1,603.0	–39.9%
Profit attributable to owners of the Company *(RMB million)*	**638.0**	37.6	+1,596.8%
Basic earnings per share (RMB cents)	**12.52**	0.74	+1,591.9%
Gross profit margin (%)	**47.5**	65.1	–17.6 percentage points

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Bank balances and cash (including restricted bank deposits) (RMB million)	**8,338.6**	9,409.7
Average finance costs (%)*	**6.5**	7.1
Liabilities to assets ratio (%)	**63.2**	62.5
Rate of equity return (%)	**5.0**	14.0

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

Business Review

Supported by various adjustment and control measures, the real estate market continued to maintain steady growth during the first half of 2021. The Guangdong-Hong Kong-Macao Greater Bay Area has gained increasing strategic importance in the economic development of the PRC. The Group continued to implement the "dual-core" strategy of "Focusing on Core Cities and Cities' Core Areas" for the purpose of its project layout. It identified land resources of low cost but high value through urban renewal to develop its real estate projects that were deployed mainly in the core cities and core districts of the Greater Bay Area such as Shenzhen, Zhuhai and Hong Kong, with an anticipation of opportunities and growth potential.

During the reporting period, the urban renewal projects participated by the Group included, among others, Shenzhen Baishizhou Urban Renewal Project, Shenzhen Liguang Urban Renewal Project and Zhuhai Dongqiao Urban Renewal Project. Among them, the Shenzhen Baishizhou Urban Renewal Project, the so-called "Grand Urban Renewal Project", achieved significant progress. 深圳市綠景天盛實業有限公司(Shenzhen LVGEM Tiansheng Industry Company Limited*) has been confirmed as the operating entity of Phase I of the Shenzhen Baishizhou Urban Renewal Project and has obtained the construction commencement permit for earth-and-stone and foundation pit support works. The Project is located in Nanshan District, Shenzhen City, with a total capacity area of approximately 3.58 million square meters. Following the historical commencement of this Grand Urban Renewal Project, it signifies that LVGEM (China) will step into a new stage of rapid growth.

The Group adheres to the strategy of "focusing on urban renewal in the Greater Bay Area and developing a brand new smart city" persistently to cater for the future development trend of the industry. The Group has established long-term strategic partnerships with companies including Huawei and China Unicom respectively to seek more development opportunities in smart city segment and incorporate the "technology + property" strategy into the urban renewal projects, with a view to fostering the smart city benchmark, thereby developing itself into an industry leader. In particular, the Group commenced the detailed design for the 5 themes this year, namely traffic, carpark, logistics, environmental sanitation, and 5G network, which were already in place within the architecture in the Baishizhou smart city. It highlighted the Group's pursuit of diversified and balanced value and creation of the brand-new cities of tomorrow with smart technology. Besides, LVGEM (China) has commenced its R&D efforts in the operation and management platform of the smart cities. Centering on the management scenarios of smart city and integrating "management, operation and services" as a trilogy, it achieved cross-industry synergy for management, lessened onerous business operations and disturbances arising from data silos, and achieved an in-depth collaboration with Tuya Smart in respect of the IOT platform. In August 2021, the Group and Huawei have renewed the strategic cooperation agreement and continued their relationship of long-term strategic partners in the smart city segment. The renewed strategic cooperation agreement has added two cooperation frameworks: pushing forward the implementation of the optical network in the projects comprehensively to facilitate the digital transformation of LVGEM; and joint exploration of the standard for the construction of low to zero carbon smart cities as well as the replication and promotion for other subsequent projects. Looking ahead, pursuing the strategic direction of "focusing on urban renewal in the Greater Bay Area and developing a brand new smart city", the Group will continue to make use of its own strengths in strategic layout and resources and establish itself as a benchmark developer and operator of new smart cities that facilitates the development of the Guangdong-Hong Kong-Macao Greater Bay Area.

While pushing forward the urban renewal projects, the Group continued to adhere to the "two-pronged" model of "residence + business". Through holding and operating the commercial properties located in the core cities and core districts of the Greater Bay Area represented by NEO Urban Commercial complex and Zoll Shopping Centre, the Group gradually expanded the area of the commercial properties, contributing stable rental income and significant revenue for itself. With further urbanisation and accelerated development in the Greater Bay Area, the value growth in core commercial properties is expected to bring long-term and significant benefits to the Group. In addition, during the period, the Group actively explored financing channels, took the initiative to manage due debts and continuously optimised 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 and capital advantage of urban renewal in the Greater Bay Area and gradually unleash long-term value following the launch of various urban renewal projects.

In terms of land reserve resources, as at 30 June 2021, the Group had land reserves of approximately 8.68 million square meters, approximately 80% of which are located in major cities in the Greater Bay Area such as Shenzhen, Hong Kong, Zhuhai and Dongguan. Moreover, the scale of land reserve resources under the controlling shareholder's control was approximately 7.7 million square meters, including projects in Shenzhen, Zhuhai and Zhangmutou, Dongguan, all of which are located at core locations in Guangdong-Hong Kong-Macao Greater Bay Area. 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.

In terms of project delivery, the products and services of the Group ensured very high customer satisfaction by their high quality. LVGEM Joyful Town completed delivery at the end of 2020. Adopting "one-stop mode of whole-process companionship", the delivery focused on the points of contact with property owners and earned unanimous recognition from property owners with efficient and customized professional services. On 28 April 2021, LVGEM Joyful Town had its grand opening and was available for leasing. Following the official commencement of leasing, it is expected more quality resources will be introduced into LVGEM Joyful Town Project, thereby adding value to Zhuhai City. On 21 May 2021, LVGEM Suzhou Joyful Garden (綠景蘇州喜悦花園) was delivered successfully, achieving the rate of completion of delivery and occupancy of 100% and property owner satisfaction of 100% on the same day. High quality products and services will further enhance the market competitiveness and fuel the long-term development of the Group constantly.

Real Estate Development and Sales

Being the core business, the real estate development and sales projects of the Group are mainly located in the core areas of core cities of the Greater Bay Area. For the six months ended 30 June 2021, the real estate development and sales of the Group generated revenue of approximately RMB1,556.0 million (six months ended 30 June 2020: RMB2,030.7 million), representing a decrease of approximately 23.4% year-on-year. During the reporting period, the carried-forward revenue was mainly generated from the projects of LVGEM Amazing Plaza, Joyful Town in Zhuhai and LVGEM International Garden, while the launch of new property projects this year will mostly take place in the second half of the year. Contracted sales amounted to approximately RMB2,141.4 million (six months ended 30 June 2020: RMB2,463.0 million), representing a decrease of approximately 13.1% year-on-year.

During the reporting period, the Group continued to develop urban renewal projects with high potential, including Baishizhou Project in Shenzhen, LVGEM Liguang Project in Shenzhen, Zhuhai Dongqiao Urban Renewal Project, LVGEM International Garden Project and Phase II Project of Shenzhen LVGEM Mangrove Bay No. 1. Such projects have all been progressing smoothly. Among which, 深圳市綠景天盛實業有限公司(Shenzhen LVGEM Tiansheng Industry Company Limited*) has been confirmed to be the operating entity of the Phase I of Shenzhen Baishizhou Urban Renewal Project and Phase II of Shenzhen LVGEM Mangrove Bay No. 1. The progress for the contracting of the LVGEM Liguang Project in Shenzhen was satisfactory. The pre-sale of Zhuhai Dongqiao Urban Renewal Project, which has officially been renamed as LVGEM Royal Bay, is expected to commence in the fourth quarter of this year following its satisfactory progress. LVGEM International Garden in Huazhou has launched D3 zone of Bolin Mansion and Block 3 in C1 zone of Yuehu Mansion in February and during Labor Day Golden Week, respectively. Both were exceptionally welcomed by the market, which was indicated by the fact that they have continuously been the benchmark in the local market of Huazhou. In the future, the Group will continue to focus on the development in the Greater Bay Area and strive for excellence in developing new benchmark smart cities by implementing the "technology + property" strategy, in order to empower and add values to cities and develop 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 of the Group.

Baishizhou Urban Renewal Project, the so-called "Grand Urban Renewal Project" in the industry 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. With an area of approximately 3.58 million square meters, among which the gross floor area of Phase I reached 675,780 square meters, the project is a mega-large complex development project in the core areas of Shenzhen as a fast-growing city with scarce land resources. Its development is in 4 phases according to the project plan. The project development is scheduled to complete in the coming 8 to 10 years. On 28 October 2019 and 25 August 2020, the Group indirectly acquired approximately 80% equity interests in total in Baishizhou Urban Renewal Project. On 15 April 2021, 深圳市綠景天盛實業有限公司(Shenzhen LVGEM Tiansheng Industry Company Limited*), a subsidiary of the Group, has been confirmed to be the operating entity of Phase I of the project and has obtained the construction commencement permit for earth-and-stone and foundation pit support works in July. The Group has commenced and has been making every effort to prepare for its construction. The commencement of project will undoubtedly become a huge growth driver for boosting the results of the Group.

LVGEM Mangrove Bay No. 1 Project is the most iconic urban renewal project of the Group in recent years. Phase I Project of LVGEM Mangrove Bay No. 1 is a high-quality complex comprising three quality residential buildings and a Grade A office, hotels and apartments, which 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 convenient access to public transport and strategically located in the proximity to Futian Port, Huanggang Port, Beijing-Hong Kong-Macao Expressway and Metro Lines 3, 4 and 7, 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 Phase I Project of LVGEM Mangrove Bay No. 1 was launched for sale for the first time in October 2018 and had generated a tremendous revenue for the Company, contributing contracted sales of approximately RMB65 million and recognised sales of approximately RMB130 million during the period. In June 2021, the Group officially became the operating entity of Phase II of Mangrove Bay No. 1, which comprises 5 quality seaview residential buildings that occupy a site area of approximately 22,000 square meters and a planned total gross floor area of 139,666 square meters. The Phase II Project of Mangrove Bay No. 1 will integrate the community and commercial clusters with various ancillary public resources, in a bid to create an ideal living environment.

LVGEM Amazing Plaza is another urban upgrade and redevelopment project of the Group in Shenzhen City, which is strategically located in the sub-district of Overseas Chinese Town with rich scenic resources. As an integrated modelling zone for new mixed-use industrial towns, this project will be mainly used for industrial research and development, as well as apartments and commercial purposes. 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. The project was launched for the first time in September 2019. The brand-new show-flats were further launched with hot sale in April 2020 and the first batch of flats was occupied in June. The project contributed contracted sales of approximately RMB670 million and recognised sales revenue of approximately RMB663 million during the period.

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 a prestigious scenic view of the natural environment. This project occupies a site area of 85,333 square meters and a total gross floor area of 382,139 square meters. Taking into consideration the surrounding environment and the living needs of the community, the project plan includes the development of a special commercial district at the west side of the region, as well as the Liguang Ecological Park at the east side which is covered with grassland. In January 2020, the Group and Liguang Company (黎光股份公司) entered into the Cooperation Agreement regarding the Guanlan Liguang Land Development Project in Lunghua District, Shenzhen City (《深圳市龍華區觀瀾黎光土地開發項目合作協定書》) for the redevelopment project of old villages in Liguang and the land consolidation project in Liguang in joint efforts. During the reporting period, due to the satisfactory contracting progress, the project is also currently at the preparation stage ahead of construction.

Zhuhai Dongqiao Urban Renewal Project, officially renamed as LVGEM Royal Bay, is a strategic project of urban renewal in Zhuhai City for this round and among the first batch of projects that have officially commenced construction. On 12 July 2019, the Group has officially become the operating entity of the renewal project for the old village in Dongqiao and obtained all necessary administrative approvals. This project marks an important milestone of the Group in terms of the urban renewal development and operation in Zhuhai. On 12 January 2020, the groundbreaking ceremony for the commencement of construction of the project was held in Dongqiao Village, Zhuhai. Located in the sub-district of Nanwan, Zhuhai City, the project is in a well-established area where traditional luxury residences and street-level commercial region are located. 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 industrial functions. The project occupies a total site area of approximately 207,550 square meters with a planned total gross floor area of approximately 764,920 square meters, which is intended to be developed into Dongqiao Smart City and District adopting 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 scenarios. It will provide overall solutions and services for multi-scenario and multi-dimensional, safe and intelligent urban management under the Dongqiao Project. As the current progress of the project is satisfactory, it is expected that the pre-sale will commence in the fourth quarter of 2021.

LVGEM Joyful Town Project is located in the former Dongda Kaiwei Science Park, which is west of Mingzhu Station of the urban railway on Mingzhu North Road 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 was launched for sale for the first time in September 2019. The online sales department was established in early February 2020, while several rounds of re-launch were held during the year with hot sale. The concentrated delivery of the southern part of the project was completed in December. For the six months ended 30 June 2021, the project contributed contracted sales of approximately RMB506 million and recognised sales of approximately RMB423 million during the period.

LVGEM International Garden is located in Huazhou, Maoming, 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 public transport network and is only an approximately 20-minute drive from Yuexi International Airport. The project occupies a site area of approximately 835,800 square meters and a planned total gross floor area of approximately 2,248,298 square meters. Leveraging on the advantages such as excellent geographical location, ecological environment, established brand reputation and ancillary educational facilities, D3 zone of Bolin Mansion and Block 3 in C1 zone of Yuehu Mansion were launched in February and during Labor Day Golden Week in 2021, respectively. Both were exceptionally welcomed by the market, which was indicated by the fact that they have continuously been the benchmark in the local market of Huazhou. For the six months ended 30 June 2021, the total contracted sales of LVGEM International Garden amounted to RMB654 million and recognised sales revenue was approximately RMB172 million. The gross floor area pending development of the project remained approximately 1.25 million square meters and it is estimated that the project will be launched at a value of approximately RMB1 billion annually in the future.

Hong Kong Lau Fau Shan Project is the Group's first real estate development project in Hong Kong, which marks a new milestone of the internationalisation of the "LVGEM" brand. 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. Further, it is located at the vicinity of Hung Shui Kiu development area.

Commercial Property Investment and Operations

The "two-pronged" business model of "residential + commercial" is an integral part of the Group's development pattern. As at 30 June 2021, the Group held over 25 quality commercial property projects comprising a total gross floor area of approximately 831,326 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.

For the six months ended 30 June 2021, the Group's revenue from the commercial properties investments and operation was approximately RMB331.2 million (six months ended 30 June 2020: RMB317.4 million), representing an increase of approximately 4.4% year-on-year.

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. During the reporting period, LVGEM NEO team in Shenzhen has conducted in-depth point-to-point communication on the customers' needs, aiming at making targeted adjustment to the original business. With reference to the feedback and demands received from some of the customers, the team has introduced high-end and well-known brands to our customers following several rounds of negotiation. Leveraging the best operational soft power out of the commercial renewal, the complex can remain in an advantageous position and even make a breakthrough amid the fierce market competition.

For the six months ended 30 June 2021, the average occupancy rate of NEO Urban Commercial Complex was about 87% (as of June 2020: 83%).

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 scenarios. In July 2019, the handover of Hong Kong LVGEM NEO was completed and the operation officially commenced on 8 November 2019. The project received overwhelming responses since its launch for leasing. As at 30 June 2021, the occupancy rate of the property was close to 60%. Anchor tenants include insurance groups, financial or innovation and technological enterprises and virtual bank, thereby aligning with its positioning as a "full seaview smart financial centre in Kowloon East". Following the commencement of Tuen Ma Line Phase 1 in late June 2021, leveraging the support of various ancillary facilities, it is expected that the growth in asset value of the projects will significantly increase in the future, thus bringing stable rental income and long-term return on capital for the Group at the same time. Highlighted by 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 LVGEM (China) 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 at 30 June 2021, 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. For the six months ended 30 June 2021, the overall occupancy rate was about 92%.

Comprehensive Services

The Group provided comprehensive services to customers and tenants of its residential and commercial properties, including property management services, hotel operations and others. For the six months ended 30 June 2021, the comprehensive services of the Group generated revenue of RMB143.1 million (six months ended 30 June 2020: RMB114.2 million), representing an increase of approximately 25.3% year-on-year. The hotel industry was directly impacted by the knock-on effect brought by the pandemic in the corresponding period last year, however, the operating revenue of the hotels in Shenzhen basically returned to normal and the hotel business in the United States has been gradually improving during the period.

The Group provided comprehensive property management services for most of its property development projects, including security services, property maintenance and management of ancillary facilities, which comprised a total gross floor area of approximately 3.23 million square meters. 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. Attributable to the recovery of the economy, the average occupancy rate of LVGEM Hotel was approximately 67% as at 30 June 2021 (as at 30 June 2020: 45%). On 24 June 2021, LVGEM Hotel and ATLAS (寰圖) entered into a strategic cooperation agreement to formulate customized redevelopment and operation solution in order to effectively increase the value of sales per unit area with a flexible mode of "Work + Life", thereby achieving the goal of upgrade and redevelopment. Vanllee Hotel occupies a site area of 22,652 square meters and its renovation was completed in 2019. Due to further economic revival in the United States thanks to the increase of COVID-19 vaccination rate, the occupancy rate of Vanllee Hotel was approximately 13% as at 30 June 2021. The operation of Vanllee Hotel is the milestone project of LVGEM (China), which marks the further expansion of the international business of the Group and plans to bring a stable hotel operating revenue to the Group.

Financing

During the reporting period, attributable to the effective pandemic prevention and control and satisfactory progress in terms of COVID-19 vaccination rate in the PRC, the economy has remained at a stage of continued recovery. Despite this, the macro-economy continued to face challenges, while the real estate industry tended to be under more strict adjustment and control. The Group adopted diverse domestic and overseas financing means in their highest and best use and actively prepared for the refinancing schemes to secure sufficient capital for the Group's development. The Group actively improved its financial structure and adapted itself to the national regulatory requirements of the "three red lines" for real estate enterprises. The liabilities to assets ratio after excluding receipts in advance and net gearing ratio was 62.4% and 77.6%, respectively, which were within the target levels. Under the effective and active debt management, the overall finance cost maintained at a healthy level of 6.5% in the first half of 2021, representing a slight decrease of 0.4 percentage point from 6.9% for the six months ended 30 June 2020.

Future Prospects

During the first half of 2021, the global COVID-19 pandemic situation was diverse. Contrary to the more severe viral spread overseas, China saw its continued and steady economic recovery and continued the turnaround of the real estate industry due to its outstanding containment measures and boosted rate of vaccination against COVID-19. At the macro level, China adopted proactive and flexible quantitative easing policy on the real economy on one hand, and continued to tighten the adjustment and control policy for the real estate market on the other hand. The real estate financing has tended to be strained accordingly. Under the strong adjustment and control policy, it represents a valuable opportunity to the Group which has high capital adequacy and focuses on the development of the Guangdong-Hong Kong-Macao Greater Bay Area. During the reporting period, the construction of the Guangdong-Hong Kong-Macao Greater Bay Area continued its progress. On 20 February 2021, the Shenzhen government has formulated the "2021 Key Tasks of Shenzhen City on Promoting the Construction of the Guangdong-Hong Kong-Macao Greater Bay Area" (《深圳市推進粵港澳大灣區建設2021年工作要點》) to push forward the construction of the Guangdong-Hong Kong-Macao Greater Bay Area. As a pioneer in the field of urban renewal, the Group has focused on the development of key areas in core cites of the Greater Bay Area for years. It is expected that the Group will continue to benefit from the construction and development of the Greater Bay Area in the future.

During the first half of 2021, on the back of dedicated efforts of all employees of the Group, we remained resilient to attempt to beat all challenges despite the hard-time. Looking forward to the second half of the year, the Group will continue to adopt a prudent approach by closely monitoring the changes in the macro environment and adjusting its specific business development strategies. Adhering to the strategic guideline of "focusing on urban renewal in the Greater Bay Area and developing a brand new smart city", the Group will focus on its development in the key areas of core cities of the Greater Bay Area. In terms of facilitating the urban renewal projects in the Greater Bay Area, the Group will continue to follow the national strategic plans, with a focus on facilitating various large-scale urban renewal projects held by the Group and its controlling shareholder. In particular, the Group will put more resources into the priority Shenzhen Baishizhou Urban Renewal Project to ensure the orderly progress of the project. While devoting committed efforts in urban renewal, the Group will step up its endeavors in creating an outstanding business operation model, aiming to create higher brand 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.

In the future, the Group will continue to develop quality projects in the key areas of core cities, develop industrial properties 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". To develop the smart city benchmark, the Group will push ahead the collaboration with Huawei, China Unicom and Tuya Smart in the area of smart technology in full swing. In September last year, China has set its steadfast goal to strive to reach the peak of carbon dioxide emissions by 2030 and achieve caron neutral by 2060. It implies that China has already accelerated the progress of the carbon reduction plan on the foundation of making continuous contributions for mitigating the impacts of climate change. In view of the national strategy of reaching carbon peak and carbon neutral, the Group has partnered with Huawei to jointly explore the standard for the construction of low to zero carbon smart cities as well as the replication, promotion and introduction of sustainability concept for other subsequent projects, thus making contributions for the people and environment. At the same time, the Group will also enhance the collaboration with Wanda Group to develop commercial complexes in joint efforts, increase the operational efficiency of the joint projects and accelerate its pace of upgrade by creation of city value.

Looking forward, the Guangdong-Hong Kong-Macao Greater Bay Area will act as the key driver of the economic development of the nation. The Group will seize the tremendous opportunities arising from the construction and development of the Greater Bay Area, striving to develop the Company into a new smart city developer and operator dedicated to the construction of the Guangdong-Hong Kong-Macao Greater Bay Area. During the second half of 2021, upholding the spirit of remaining creative and motivated and adhering to the corporate mission of "continuously enhancing the value of cities", the Group will put efforts in striving for the vision and goal of "being the most respected city value-creator in the PRC".

Financial Review

Revenue

The Group's revenue mainly comprised revenue from sales of properties held for sale, leasing of investment properties and comprehensive services. The Group's revenue for the six months ended 30 June 2021 was approximately RMB2,030.3 million (six months ended 30 June 2020: RMB2,462.2 million), representing a decrease of approximately 17.5% as compared to the corresponding period last year, which was mainly attributable to the decrease in revenue from sales of properties held for sale.

	Six months ended 30 June		**Increase/**	
	2021	2020	**(decrease)**	
	RMB'000	*RMB'000*	*RMB'000*	%
Real estate development and sales	**1,555,986**	2,030,652	(474,666)	-23.4
Commercial property investment and operations	**331,179**	317,355	13,824	+4.4
Comprehensive services	**143,148**	114,199	28,949	+25.3
Total	**2,030,313**	2,462,206	(431,893)	-17.5

For the six months ended 30 June 2021, the revenue from sales of properties held for sale was approximately RMB1,556.0 million (six months ended 30 June 2020: RMB2,030.7 million), representing a decrease of approximately 23.4% as compared to the corresponding period last year, which mainly includes the sales of LVGEM Amazing Plaza and LVGEM Joyful Town. The Group's total gross floor area of properties held for sale sold during the six months ended 30 June 2021 was approximately 55,700 square meters (six months ended 30 June 2020: approximately 45,539 square meters).

Revenue from leasing of investment properties for the six months ended 30 June 2021 was approximately RMB331.2 million (six months ended 30 June 2020: RMB317.4 million). The Group's commercial properties are all located in core areas. The increase was mainly due to the increase in occupancy rate Hong Kong LVGEM NEO as compared to the corresponding period last year. The properties are mainly operated under the brands of "Zoll" and "NEO". The occupancy rate of investment properties for the six months ended 30 June 2021 remained at a high level at 90% (six months ended 30 June 2020: 89%). The occupancy rate of Hong Kong LVGEM NEO as at 30 June 2021 was close to 60% (six months ended 30 June 2020: 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. During the six months ended 30 June 2021, comprehensive services of the Group generated revenue of RMB143.1 million (six months ended 30 June 2020: RMB114.2 million), representing an increase of approximately 25.3% as compared to the corresponding period last year. The increase was mainly driven by the recovery of hotel operations as a result of the pandemic in the PRC becoming generally under control by the PRC government.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2021, the Group's integrated gross profit was approximately RMB963.5 million (six months ended 30 June 2020: RMB1,603.0 million), representing a decrease of approximately 39.9% as compared to corresponding period last year, and the integrated gross profit margin for the six months ended 30 June 2021 was 47.5% (six months ended 30 June 2020: 65.1%). The fluctuation of gross profit margin was mainly caused by the revenue recognised under different project portfolio. In 2020, 93% of revenue for the six months ended 30 June 2020 was contributed by the projects located in Shenzhen, with a gross profit margin over 60% while only 51% of revenue for the six months ended 30 June 2021 was derived from the projects in Shenzhen. The remaining portion of revenue for the six months ended 30 June 2021 was generated from other projects located in Zhuhai, Suzhou and Huazhou, with a lower margin than those projects in Shenzhen.

Selling Expenses

For the six months ended 30 June 2021, selling expenses of the Group amounted to approximately RMB72.2 million (six months ended 30 June 2020: RMB26.9 million), representing an increase of approximately 168.9% as compared to the corresponding period last year. The increase was mainly attributable to the increase in sales commissions paid for LVGEM Joyful Town.

Administrative Expenses

For the six months ended 30 June 2021, administrative expenses of the Group amounted to approximately RMB227.5 million (six months ended 30 June 2020: RMB198.6 million), representing an increase of approximately 14.6% as compared to the that of corresponding period last year. The increase was mainly attributable to the legal and professional fee incurred in relation to the onshore and offshore financing activities during the current interim period.

Fair Value Changes on Investment Properties

The valuation on the Group's investment properties as at 30 June 2021 was conducted by an independent property valuer. A positive fair value changes on investment properties of RMB1,249.4 million was recorded for the six months ended 30 June 2021 (six months ended 30 June 2020: negative fair value changes on investment properties of RMB174.1 million).

Finance Costs

For the six months ended 30 June 2021, finance costs of the Group amounted to approximately RMB833.7 million (six months ended 30 June 2020: RMB686.2 million), representing an increase of approximately 21.5% as compared to that of the corresponding period last year.

The increase in finance costs was mainly due to the cessation of interest capitalisation in relation to LVGEM Joyful Town South Zone upon its completion last year. The Group's average finance cost of interest-bearing loans was 6.5% for the six months ended 30 June 2021 (six months ended 30 June 2020: 6.9%).

Income Tax Expenses

For the six months ended 30 June 2021, income tax expenses of the Group amounted to approximately RMB568.2 million (six months ended 30 June 2020: RMB480.2 million). The Group's income tax expenses included payments and provisions made for EIT and LAT and the deferred tax provided for the change in fair value of investment properties during the period under review. The increase of income tax expenses was mainly attributable to the positive fair value changes on investment properties during the current interim period, resulting a provision of deferred tax, offset by the decrease in the provision of LAT.

Operating Results

For the six months ended 30 June 2021, the profit attributable to owners of the Company was approximately RMB638.0 million (six months ended 30 June 2020: RMB37.6 million), representing an increase of approximately 1,596.8% as compared to the corresponding period last year.

Liquidity, Financial Resources and Gearing

Bank balances and cash as at 30 June 2021 amounted to approximately RMB8,338.6 million (including restricted bank deposits) (31 December 2020: RMB9,409.7 million).

The Group had total interest-bearing loans of approximately RMB30,632.7 million as at 30 June 2021 (31 December 2020: RMB30,650.5 million). Interest-bearing loans classified as current liabilities were approximately RMB10,131.0 million (31 December 2020: RMB10,136.9 million) and the Group's gearing ratio as at 30 June 2021 was approximately 77.6% (31 December 2020: 76.2%), which was based on net debt (total interest-bearing loans net of bank balances and cash (including restricted bank deposits)) over total equity.

As at 30 June 2021, out of the total interest-bearing loans of approximately RMB30,632.7 million (31 December 2020: RMB30,650.5 million), RMB10,131.0 million (31 December 2020: RMB10,136.9 million) would be due within one year or repayable on demand and RMB20,501.7 million (31 December 2020: RMB20,513.6 million) would be due between two and twenty years.

Current, Total and Net Assets

As at 30 June 2021, the Group had current assets of approximately RMB50,128.6 million (31 December 2020: RMB48,369.1 million) and current liabilities of approximately RMB16,843.7 million (31 December 2020: RMB15,903.1 million), which represented an increase in net current assets from approximately RMB32,466.0 million as at 31 December 2020 to approximately RMB33,284.9 million as at 30 June 2021. Such increase was mainly due to the increase in properties under development for sale during the current interim period.

As at 30 June 2021, the Group recorded total assets of approximately RMB78,141.7 million (31 December 2020: RMB74,267.0 million) and total liabilities of approximately RMB49,406.3 million (31 December 2020: RMB46,381.4 million), representing a liabilities to assets ratio of approximately 63.2% (31 December 2020: 62.5%). Net assets of the Group were approximately RMB28,735.4 million as at 30 June 2021 (31 December 2020: RMB27,885.6 million).

For the six months ended 30 June 2021, the Group was able to utilise its internal resources and debt and equity financing to meet the funding requirements for the development of real estate projects.

Charge on Assets

For the six months ended 30 June 2021, loans of approximately RMB22,166.6 million (31 December 2020: RMB15,731.6 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 RMB27,767.1 million (31 December 2020: RMB22,114.8 million).

Material Acquisition and Disposal

During the six months ended 30 June 2021, the Group did not enter into any material acquisition or disposal of subsidiaries, associates or joint ventures.

Contingent Liabilities

As at 30 June 2021, the Group had financial guarantee contracts relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB1,301.5 million (31 December 2020: RMB2,128.8 million). Pursuant to the terms of the guarantees, if there is default on the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks.

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

As at 30 June 2021, the Group issued financial guarantee to a bank in respect of banking facility granted to an independent third party with an amount of RMB89,100,000 (31 December 2020: RMB89,200,000).

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

Exposure to Fluctuations in Exchange Rates and Related Hedges

Almost all of the Group's operating activities are carried out in the 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 30 June 2021, the Group had a staff roster of 2,286 (30 June 2020: 1,856), of which 2,258 (30 June 2020: 1,825) employees were based in the Mainland China and 28 (30 June 2020: 31) employees were based in Hong Kong. The remuneration of employees was in line with the market trends and commensurate to the levels of remuneration in the industry. Remuneration of the Group's employees includes basic salaries, bonuses, retirement scheme and long-term incentives such as share options within an approved scheme. In addition, training and development programmes are provided to the Group's employees on an on-going basis throughout the Group.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

Throughout the six months ended 30 June 2021, 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 to the Listing Rules as its own code of conduct regarding directors' securities transactions. The Directors confirmed that they have complied with the required standard as set out in the Model Code for the six months ended 30 June 2021.

REVIEW OF INTERIM FINANCIAL INFORMATION

The auditor of the Company, Deloitte Touche Tohmatsu, has performed an independent review on the interim financial report for the six months ended 30 June 2021 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. On the basis of the auditor's review, which does not constitute an audit, Deloitte Touche Tohmatsu confirmed in writing that nothing has come to the auditor's attention that causes the auditor to believe that the interim financial report is not prepared, in all material respects, in accordance with HKAS 34. The interim results of the Group for the six months ended 30 June 2021 have also been reviewed by the members of the audit committee of the Company before submission to the Board for approval. The audit committee of the Company was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

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

The Company has not redeemed any of the Company's listed securities during the period. Other than the issue of 800,000 ordinary shares by the Company pursuant to the exercise of share options under the share option scheme of the Company during the period, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 June 2021.

EVENTS AFTER THE REPORTING PERIOD

China Securities Regulatory Commission has approved the issue of 2021 domestic corporate bonds with a nominal value of not more than RMB2.1 billion by 正興隆房地產（深圳）有限公司 (Zhengxinglong Real Estate (Shenzhen) Co., Ltd.*) ("**Zhengxinglong**") (a wholly-owned subsidiary of the Group). On 17 August 2021, Zhengxinglong has completed the public issue of the first tranche of the domestic bonds to professional investors with a principal amount of RMB1.6 billion (the "**First Tranche Domestic Bonds**"). The First Tranche Domestic Bonds were classified into two types, both with a term of 5 years. The issue size of type 1 is RMB1.4 billion with a coupon rate of 8.50%, and the issue size of type 2 is RMB0.2 billion with a coupon rate of 8.80%. The First Tranche Domestic Bonds are listed on the Shenzhen Stock Exchange. The proceeds from the issuance of the First Tranche Domestic Bonds would be used for repayment of corporate bonds that were due or sold back.

Save as disclosed above, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2021 and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The contents of results announcement are published on the websites of the Company (www.lvgem-china.com) and the Stock Exchange (www.hkex.com.hk). The 2021 Interim Report will be dispatched to shareholders in due course.

GENERAL INFORMATION

As at the date of this announcement, the Board comprises Ms. HUANG Jingshu (Chairman), Mr. TANG Shouchun (Chief Executive Officer), Mr. YE Xingan, Mr. HUANG Hao Yuan and 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 August 2021

* *For identification purposes only*