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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	NOTES	**2021** ***RMB'000***	2020 *RMB'000*
Revenue	*3*	**4,378,017**	5,424,827
Cost of sales		**(2,189,617)**	(2,759,122)
Gross profit		**2,188,400**	2,665,705
Other income	*4*	**98,391**	148,901
Other gains and losses	*5*	**(48,111)**	(111,454)
Gain on deemed disposal of an associate		**–**	3,893,561
Selling expenses		**(164,279)**	(127,165)
Administrative expenses		**(564,824)**	(474,547)
Recognition of change in fair value of properties under development for sale/properties held for sale upon transfer to investment properties		**2,787,454**	606,333
Fair value changes on investment properties		**(220,021)**	(845,655)
Fair value changes on derivative component of convertible bonds		**83,674**	93,506
Finance costs	*6*	**(1,710,896)**	(1,533,101)
Share of results of a joint venture		**(2)**	(2)
Profit before tax	*7*	**2,449,786**	4,316,082
Income tax expense	*8*	**(1,114,869)**	(865,007)
Profit for the year		**1,334,917**	3,451,075
Profit for the year attributable to:			
Owners of the Company		**1,152,576**	3,453,380
Non-controlling interests		**182,341**	(2,305)
		1,334,917	3,451,075
		RMB cents	*RMB cents*
Earnings per share attributable to the owners of the Company during the year	*10*		
– Basic		**22.61**	68.03
– Diluted		**13.37**	38.47

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
	RMB'000	*RMB'000*
Profit for the year	**1,334,917**	3,451,075
Other comprehensive income (expense)		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation	**92,430**	169,268
Item that will not be reclassified to profit or loss:		
Fair value changes on investment in equity instruments at fair value through other comprehensive income, net of tax	**(38,128)**	(65,929)
Other comprehensive income for the year	**54,302**	103,339
Total comprehensive income for the year	**1,389,219**	3,554,414
Total comprehensive income (expense) attributable to:		
Owners of the Company	**1,204,334**	3,560,599
Non-controlling interests	**184,885**	(6,185)
	1,389,219	3,554,414

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	**2021** **RMB'000**	2020 *RMB'000*
Non-current assets			
Investment properties		**29,190,354**	23,167,159
Property, plant and equipment		**856,628**	931,581
Goodwill		**231,602**	231,602
Interest in a joint venture		**6,054**	6,056
Amount due from a joint venture		**522,318**	522,318
Equity instruments at fair value through other comprehensive income		**450,423**	501,261
Restricted bank deposits		**540,000**	–
Deferred tax assets		**551,812**	537,869
		32,349,191	25,897,846
Current assets			
Properties under development for sale		**40,057,708**	32,132,185
Properties held for sale		**3,087,656**	4,844,053
Other inventories		**777**	674
Accounts receivable	*11*	**39,489**	68,105
Deposits paid, prepayments and other receivables		**2,598,909**	1,862,033
Tax recoverable		**61,255**	52,452
Restricted bank deposits		**2,840,020**	3,979,537
Bank balances and cash		**3,907,048**	5,430,113
		52,592,862	48,369,152
Current liabilities			
Accounts payable	*12*	**3,642,441**	1,262,086
Accruals, deposits received and other payables		**1,925,344**	762,404
Contract liabilities		**1,358,938**	1,348,932
Lease liabilities		**17,196**	17,239
Tax liabilities		**2,349,916**	2,375,586
Borrowings		**6,994,506**	8,007,353
Senior notes and bond		**1,394,867**	2,129,522
Debt component of convertible bonds		**1,462,252**	–
Derivative component of convertible bonds		**26,251**	–
		19,171,711	15,903,122
Net current assets		**33,421,151**	32,466,030
Total assets less current liabilities		**65,770,342**	58,363,876
Non-current liabilities			
Borrowings		**17,999,225**	15,857,136
Senior notes and bond		**3,336,853**	3,236,529
Debt component of convertible bonds		**–**	1,419,974
Derivative component of convertible bonds		**–**	111,612
Lease liabilities		**147,279**	85,134
Deferred tax liabilities		**3,558,552**	2,818,217
Other non-current liabilities		**11,287,644**	6,949,651
		36,329,553	30,478,253
Net assets		**29,440,789**	27,885,623
Capital and reserves			
Share capital		**42,465**	42,458
Reserves		**25,886,797**	24,681,258
Equity attributable to owners of the Company		**25,929,262**	24,723,716
Non-controlling interests		**3,511,527**	3,161,907
Total equity		**29,440,789**	27,885,623

Notes:

1. GENERAL

The Company was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the Company's registered office and principal place of business are Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and Unit 2501, NEO, 123 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong respectively. Its ultimate controlling party is Mr. WONG Hong King, father of Ms. HUANG Jingshu, the Chairman of the Company, and Mr. HUANG Hao Yuan, the Executive Director of the Company.

The Company acts as an investment holding company and its subsidiaries are principally engaged in real estate development and property investment business in the People's Republic of China (excludes Hong Kong. Macau and Taiwan) ("**Mainland China**" or the "**PRC**").

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

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

The Group has borrowings of RMB6,995 million, and convertible bonds of RMB498 million approaching maturity and due for repayment or renewal in 2022 and convertible bonds of RMB964 million and domestic corporate bonds of RMB1,395 million with the early redemption options and retractable options respectively in 2022. In addition, the Group has public senior notes with carrying amount of RMB3,138 million which will be matured on 10 March 2023. The Group might not have sufficient working capital to operate if such borrowings, convertible bonds and public senior notes are required to be repaid or redeemed and all other alternative operating and financing plans as described below cannot be implemented as planned. These conditions indicate that the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Directors have reviewed the Group's cash flow forecasts which cover a period of not less than twelve months from 31 December 2021.

Cash flow forecasts, which assume the continuity of normal business activity, indicate that the Group will have sufficient liquidity to meet its operational, existing contractual debt obligation and capital expenditure requirements for the 15-month period from the date of the end of the reporting period. Such cash flow forecasts include the following assumptions:

– The Group has positive relationships with its external financiers who are expected to continue to provide strong support to the Group in the following aspects:

  (1) One of the convertible bonds of approximately RMB498 million which will be matured in first half of 2022 is assumed to be renewed while the remaining of approximately RMB964 million, embedded with early redemption options, which shall be matured after twelve months from the end of the reporting period in accordance with the scheduled repayment dates as set out in the respective convertible bonds subscription agreements, are assumed not to be redeemed by the convertible bondholders within twelve months from the end of the reporting period;

  (2) The RMB denominated domestic corporate bonds with an aggregate principal amount of RMB1,400 million, embedded with retractable options, which shall be matured after twelve months from the end of the reporting period in accordance with the scheduled repayment dates as set out in the offering memorandum, are assumed not to be retraced by the corporate bondholders within twelve months from the end of the reporting period;

  (3) The United States Dollar ("**US$**") denominated public senior notes with an aggregate principal amount of US$470 million (equivalent to approximate RMB3,138 million) is assumed to be renewed upon or before the maturity date after considering the coupon rate and the past experience in launching the issuance and exchange offer of senior notes; and

  (4) The existing outbound guarantee facility arrangement with the banks in relation to the fund transmission from the Mainland China to Hong Kong is assumed to be feasible and effective, based on the past historical records.

– At 31 December 2021, the amount of properties under development for sale and properties held for sale are approximately RMB40,058 million and RMB3,088 million, respectively which are substantially located in the Greater Bay Area in Mainland China which can contribute a stable source of cash inflow by realising those assets.

1. GENERAL *(Continued)*

The Directors also note the following considerations, relevant to the Group's ability to continue as a going concern:

– At 31 December 2021, total bank balances and cash of approximately RMB3,907 million were held by the Group.

– At 31 December 2021, the Group had available undrawn debt facilities of approximately RMB23,001 million relating to projects related loans and approximately RMB80 million relating to remaining bank and other borrowings, respectively. The maturities of these facilities range from July 2023 to June 2032.

In the event forecast cash flow is not achieved or the renewal of borrowings, convertible bonds and public senior notes do not undergo as planned, the Directors have also evaluated other plans that could be undertaken to improve their liquidity position as follow:

1. The Group is currently considering the loan financing offers provided by two equity fund investors with amounts not less than RMB3,000 million and US$500 million each and the loan periods are not less than 3 years;

2. The Group could adjust their original sale plan for some residential properties and commercial buildings to earlier stage (i.e. second half year of 2022) in order to generate additional funds not less than approximately RMB3,000 million;

3. The Group could consider to sell partial equity interest of Group's subsidiaries which have urban renewal development projects in the Greater Bay Area after second half of 2022.

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

Notwithstanding the above, uncertainty exists as to whether the renewal of borrowings, convertible bonds and public senior notes can be renewed and all other alternative operating and financing plans as the Group is still negotiating with its external financiers on the financing to the Group and the sales of properties depend on the market condition. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, if applicable. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The Group will 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 application of amendments to HKFRSs in the current year has had no material impact on the Group's financial position and performance for the current and prior years and on the disclosures set out in these consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the income from property development, property leasing and provision of comprehensive services, net of business tax and other sales related taxes and after deduction of any discounts.

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

	2021	2020
	RMB'000	*RMB'000*
Sales of properties	**3,392,354**	4,512,643
Revenue from hotel operation, property management service and other services	**343,030**	292,017
Revenue from contracts with customers	**3,735,384**	4,804,660
Rental income	**642,633**	620,167
	4,378,017	5,424,827
Timing of revenue recognition from contracts with customers		
At a point in time	**3,392,354**	4,512,643
Over time	**343,030**	292,017

– **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 RMB10,000 to RMB500,000 (2020: RMB10,000 to RMB500,000) 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.

For contracts entered into with customers on sales of properties, the expected duration of satisfying the performance obligation of which is within one year. The transaction price allocated to these unsatisfied contracts is not disclosed as permitted under HKFRS 15.

The Group considers the advance payment contains no significant financing component and accordingly no adjustments of the amount of consideration would be made.

– **Rental income**

Revenue, include both fixed and variable rents, generated from leasing of commercial properties, office premises, apartments and car parks is accounted for in accordance with HKFRS 16.

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

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

All hotel operation service is for periods less than one year. 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.

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:

For the year ended 31 December 2021

	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	**3,392,354**	**642,633**	**343,030**	**4,378,017**
Inter-segment revenue	**–**	**23,469**	**112,836**	**136,305**
Total segment revenue	**3,392,354**	**666,102**	**455,866**	**4,514,322**
Reportable segment profit	**1,498,882**	**581,983**	**107,535**	**2,188,400**

For the year ended 31 December 2020

	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	4,512,643	620,167	292,017	5,424,827
Inter-segment revenue	–	22,635	103,363	125,998
Total segment revenue	4,512,643	642,802	395,380	5,550,825
Reportable segment profit	2,025,264	565,977	74,464	2,665,705

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, gain on deemed disposal of an associate, 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.

	2021	2020
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**4,514,322**	5,550,825
Elimination of inter-segment revenue	**(136,305)**	(125,998)
Consolidated revenue	**4,378,017**	5,424,827
Profit		
Reportable segment profit	**2,188,400**	2,665,705
Recognition of change in fair value of properties under development for sales/properties held for sale upon transfer to investment properties	**2,787,454**	606,333
Fair value changes on investment properties	**(220,021)**	(845,655)
Other income	**98,391**	148,901
Other gains and losses	**(48,111)**	(111,454)
Gain on deemed disposal of an associate	**–**	3,893,561
Depreciation	**(73,438)**	(66,915)
Finance costs	**(1,710,896)**	(1,533,101)
Share of results of a joint venture	**(2)**	(2)
Fair value changes on derivative component of convertible bonds	**83,674**	93,506
Corporate expenses	**(655,665)**	(534,797)
Consolidated profit before tax	**2,449,786**	4,316,082

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

	2021	2020
	RMB'000	*RMB'000*
Assets		
Real estate development and sales	**43,209,976**	37,433,525
Commercial property investment and operations	**29,212,394**	23,259,775
Comprehensive services	**314,205**	325,788
Reportable segment assets	**72,736,575**	61,019,088
Goodwill	**231,602**	231,602
Equity instruments at fair value through other comprehensive income	**450,423**	501,261
Bank balances and cash (including restricted bank deposits)	**7,287,068**	9,409,650
Deferred tax assets	**551,812**	537,869
Interests in a joint venture and amount due from a joint venture	**528,372**	528,374
Corporate assets	**3,156,201**	2,039,154
Consolidated total assets	**84,942,053**	74,266,998

For the purposes 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.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located on the Mainland China, Hong Kong, the United States of America (the "**USA**") and the Kingdom of Cambodia ("**Cambodia**"). Revenue from external customers are mainly generated from the Mainland China for the years ended 31 December 2021 and 2020. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	2021	2020
	RMB'000	*RMB'000*
PRC	**21,291,253**	14,895,956
Hong Kong	**8,407,011**	8,823,452
USA	**175,216**	189,304
Cambodia	**701,874**	718,402
	30,575,354	24,627,114

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

Information about major customers

Revenue customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2021	2020
	RMB'000	*RMB'000*
Customer A	**N/A***	960,258

* The corresponding revenue did not contribute over 10% of the total revenue of the Group in respective year.

No other major customers contributed over 10% of the total sales of the Group for the years ended 31 December 2021 and 2020.

4. OTHER INCOME

	2021	2020
	RMB'000	*RMB'000*
Interest income	**69,217**	113,884
Investment income	**22,800**	22,800
Government grants *(Note)*	**6,374**	12,217
	98,391	148,901

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

5. OTHER GAINS AND LOSSES

	2021	2020
	RMB'000	*RMB'000*
Impairment loss recognised for accounts receivable, net	**(68,873)**	(40,617)
Foreign exchange gain, net	**6,396**	71,976
Loss on disposal of property, plant and equipment	**(8)**	(9)
Loss on non-substantial modification of domestic corporate bond	**–**	(1,810)
Loss on substantial modification of convertible bonds	**–**	(20,105)
Loss on non-substantial modification of senior notes	**–**	(129,571)
Gain on disposal of a subsidiary	**3,569**	–
Others	**10,805**	8,682
	(48,111)	(111,454)

6. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interests on:		
Bank and other borrowings	**1,498,182**	1,263,397
Convertible bonds	**193,594**	285,303
Senior notes and bonds	**481,490**	519,199
Lease liabilities	**11,281**	10,544
Less: Amount capitalised in investment properties under development and properties under development for sale*	**(473,651)**	(545,342)
	1,710,896	1,533,101

* The finance costs have been capitalised at rates ranging from 1.30% to 13.75% (2020: 1.61% to 13.75%) per annum.

7. PROFIT BEFORE TAX

	2021	2020
	RMB'000	*RMB'000*
Profit before tax is arrived at after charging (crediting):		
Cost of properties held for sale recognised as expense	**1,893,472**	2,487,379
Depreciation of property, plant and equipment	**73,873**	67,137
Less: Amount capitalised in investment properties under development and properties under development for sale	**(435)**	(222)
	73,438	66,915
Gross rental income from investment properties	**642,633**	620,167
Outgoings in respect of investment properties that generated rental income during the year	**(60,650)**	(54,190)
	581,983	565,977
Expense relating to short-term leases	**2,025**	2,276
Auditor's remuneration	**2,558**	3,026
Staff costs		
– Directors' emoluments	**10,466**	11,099
– Salaries and other benefits in kind	**391,886**	401,660
– Amount recognised as expense for retirement benefit costs	**35,004**	7,727
Less: Amount capitalised in investment properties under development and properties under development for sale	**(113,538)**	(84,826)
	323,818	335,660

8. INCOME TAX EXPENSE

	Notes	2021 RMB'000	2020 RMB'000
Current tax			
Mainland China Enterprise Income Tax ("**EIT**")			
– Current year	*(a)*	**175,401**	266,957
– Under (over) provision in prior year		**58**	(11,567)
		175,459	255,390
Mainland China Land Appreciation Tax ("**LAT**")			
– Current year	*(b)*	**200,309**	385,992
– Underprovision in prior year		**–**	1,419
		200,309	387,411
Deferred taxation			
– Current year		**739,101**	222,561
– Overprovision in prior year		**–**	(355)
		739,101	222,206
Total income tax expense		**1,114,869**	865,007

Notes:

(a) Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25% from 1 January 2008 onwards.

(b) Under the Provisional Rules on LAT Implementation Rules of the Mainland China implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

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 1 April 2019 to 31 March 2022.

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

9. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Dividends recognised as distribution during the year:		
2019 Final dividend – HK6.1 cents (equivalent to approximately RMB5.46 cents)	**–**	282,672

The directors do not recommend the payment of any dividend for the year ended 31 December 2021 and 2020.

10. 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:

	2021 *RMB'000*	2020 *RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share	**1,152,576**	3,453,380
Effect of dilutive potential earnings in respect of – Convertible bonds	**3,543**	(58,376)
Earnings for the purpose of diluted earnings per share	**1,156,119**	3,395,004

	2021	2020
Number of shares		
Weighted average number of ordinary shares of the Company for the purpose of basic earnings per share	**5,097,557,126**	5,076,112,582
Effect of dilutive potential ordinary shares in respect of		
– Share options	**13,429,053**	64,451,495
– Convertible bonds	**133,685,286**	264,778,879
– Convertible preference shares	**3,404,575,241**	3,419,952,290
Weighted average number of ordinary shares of the Company for the purpose of diluted earnings per share	**8,649,246,706**	8,825,295,246

The computation of diluted earnings per share for the year ended 31 December 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.

11. ACCOUNTS RECEIVABLE

	2021 *RMB'000*	2020 *RMB'000*
Accounts receivable from:		
– Contracts with customers	**25,089**	16,719
– Lease receivables	**124,503**	92,616
Accounts receivable	**149,592**	109,335
Less: Allowance for credit losses	**(110,103)**	(41,230)
	39,489	68,105

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 (2020:30 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:

	2021 *RMB'000*	2020 *RMB'000*
Within 1 month	**27,183**	27,690
1 to 12 months	**8,397**	30,678
13 to 24 months	**3,909**	9,737
	39,489	68,105

12. ACCOUNTS PAYABLE

Accounts payable mainly represent amounts due to contractors and government authorities. Payment to contractors is made by reference of progress of the respective construction work and agreed millstones. Payment to government authorities is made by reference to the agreed milestones for payment of land premium.

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

	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**2,680,964**	1,097,921
1 to 12 months	**770,407**	55,986
13 to 24 months	**113,386**	63,512
Over 24 months	**77,684**	44,667
	3,642,441	1,262,086

The average credit period for purchase of construction materials ranged from six months to one year.

CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to report to all shareholders the consolidated business performance of the Group for the year ended 31 December 2021.

Looking back to 2021, the global economy navigated through tough challenges as the COVID-19 pandemic remained severe, inflation stayed high and geopolitical conflicts continued. In the face of the complex external environment, the PRC government pursued stability by stepping up the cross-cyclical adjustments of macro-policies rather than pumping liquidity to stabilize inflation, which helped ensure healthy economic growth. According to the data of the National Bureau of Statistics, China's economic aggregate exceeded RMB114 trillion during the year, representing a growth of 8.1% and surpassing the target of 6%. As a result, China has become the major pillar for global economic recovery.

Given the long-term positive economic outlook, the property sector was "exuberant at first but cooled off later" during the year. Following the sales and investment booms in the first half of the year, intensive control policies were implemented in the second half of the year. Under the general tenor of "no speculation on housing", the PRC government adopted control measures at different levels to address both the supply and demand sides. The tightening of financing conditions and liquidity put an end to the period of aggressive economic development driven by "high leverage, turnover and growth" in the last decade. Standing at the cross-section of emerging and traditional growth drivers, the real estate sector faces opportunities and challenges. Property developers with well-established and solid business models will enter into a new growth phase.

Centering on the strategy of "Focusing on Core Cities and Cities' Core Areas", LVGEM (China) has concentrated on the development of high-value residential and commercial projects in core areas of major cities in the Guangdong-Hong Kong-Macao Greater Bay Area over the years. Capitalizing on its experience and expertise from more than 30 years in urban renewal, it has transformed from a first mover to a leader in regenerating cities in the Greater Bay Area and maintained sustainable growth with extensive land resources and long-term development strategies. Starting as a construction company, LVGEM (China) has gradually expanded into areas such as urban renewal, commercial and office buildings, and community shopping centres. It stays true to its original mission and cuts through difficulties as it undertakes construction projects with craftsmanship and dedication, which allows it to establish an unrivalled reputation and brand premium in the Guangdong-Hong Kong-Macao Greater Bay Area. At the same time, LVGEM (China) moves with the times by empowering real estate projects with technology and enhancing the intrinsic value of cities. During the year, the Group proposed to "focus on urban renewal in the Greater Bay Area and develop a brand new smart city". Apart from setting up a smart city benchmark with major urban renewal projects, it cooperated with leading internet technology companies and achieved remarkable progress in incorporating smart technology into high-end living environments to upgrade the living standards in cities.

The promulgation and implementation of 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》) represents a new stage of economic and social integration of the Pearl River Delta. In particular, the opening of the Hong Kong–Zhuhai–Macau Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link have facilitated the interconnection and integration of the Greater Bay Area, which has become one of the most economically vibrant regions in the PRC. Coupled with increasing population, this continuously creates prospective development opportunities for the real estate sector. Located at the core of the Greater Bay Area, Shenzhen is especially benefited from favourable policies designed for the Pilot Demonstration Area of Socialism and gains competitiveness by tapping into the potential of the innovation and technology industry. As LVGEM (China) is rooted in the Greater Bay Area for the past 30 years, it is aligned with the local economy and sets to profit from its rapid growth.

Being the core business of the Group, our real estate development and sales projects are mainly located in the core areas of major cities in the Greater Bay Area. During the year, these projects achieved encouraging results. Throughout the year, the real estate development and sales of the Group generated revenue of approximately RMB3,392.4 million, which was primarily attributable to the projects of LVGEM Amazing Plaza, LVGEM Joyful Town in Zhuhai and LVGEM International Garden in Huazhou. In the near term, LVGEM Joyful Town and LVGEM Royal Bay in Zhuhai and LVGEM International Garden in Huazhou, which are all in hot sales currently, will provide solid support to the business growth of the Group.

In terms of urban renewal projects, the Group's major projects in this aspect included the Shenzhen Baishizhou Project, Shenzhen LVGEM Liguang Project, Zhuhai Dongqiao Urban Renewal Project, LVGEM International Garden Project and Phase II of Shenzhen LVGEM Mangrove Bay No. 1 Project. Amongst which, one of the major urban renewal projects, namely the Baishizhou Urban Renewal Project, attracted public attention and achieved substantial progress in the year, and was renamed as LVGEM Baishizhou Jade Courtyard. Based on the construction schedule, the pre-sale of the project is expected to commence in 2023, which will rapidly realize the value of the land reserve, deliver a leaping business growth of the Group and boost brand value. In addition, the Shenzhen LVGEM Liguang Project made satisfactory headway in contracting and the Zhuhai Dongqiao Urban Renewal Project, which was officially renamed as LVGEM Royal Bay, made good advancement and commenced pre-sale during the year.

During the year, the Group continued to adopt the "two-pronged" business model of "residential + commercial" for commercial property investment and operations. Following the completion and delivery of urban renewal projects, the area of the Group's commercial properties increased steadily. The Group held over 25 quality commercial property projects, comprising a total gross floor area of approximately 1,094,130 square meters. The portfolio was mainly represented by two commercial brands called "NEO" and "Zoll", which included Shenzhen NEO Urban Commercial Complex, Hong Kong LVGEM NEO, LVGEM Zoll Chanson Shopping Mall and LVGEM 1866 Zoll Shopping Mall. These properties maintained an occupancy rate higher than the industry level and contributed to the stable rental income and growth in asset value of the Group. For the year ended 31 December 2021, the revenue from commercial property investment and operations of the Group amounted to approximately RMB642.6 million, representing an increase of approximately 3.6% year-on-year.

Regarding the comprehensive services segment, the Group was dedicated to offering all-round services to customers and tenants of its residential and commercial properties, which included property management services, hotel operations and others. For the year ended 31 December 2021, the comprehensive services of the Group generated revenue of RMB343.0 million, representing an increase of approximately 17.5% year-on-year. During the year, the Group offered comprehensive property management services and the gross floor area of service coverage amounted to approximately 3.07 million square meters. As to hotel operation, the hotels in Shenzhen have largely resumed operation and the hotel business in the United States has been gradually recovering after the pandemic was brought under control during the period.

With respect to financing, the Group gave full play to the diverse domestic and overseas financing means and proactively prepared for refinancing schemes to secure capital for its development and ensure sufficient liquidity. Meanwhile, it took initiatives to improve the financial structure and adapted to the national regulatory requirements of "three red lines" for real estate enterprises in the PRC. After excluding receipts in advance, the Group's liabilities to assets ratio and net gearing ratio met the legal requirements during the year. Through effective and active debt management, the Group maintained a healthy level of overall finance costs for the year.

Looking forward to 2022, the Group will press ahead with urban renewal projects that are milestones in urban development, including the projects in Baishizhou, Shazui Village, Liguang Village, Royal Bay and Nanxi. Through this, LVGEM (China) will engage in the future development of cities in the Greater Bay Area and take advantage of the growth of core cities in the Area. As an important engine for the national economy, the Group will strive to be a new smart city developer and operator that is dedicated to the construction of the Greater Bay Area by seizing the tremendous opportunity in its construction and development. The Group will stay in line with the national policy and combine its distinctive strengths and market position to develop "unique properties, resources-linked properties and smart properties" from a new perspective. It will also expand its business scale and enhance its economic benefits for it to evolve into an industry leader.

The Group will seize every day rather than procrastinate. It will stay innovative and motivated for the corporate mission of "continuously enhancing the value of cities" and make efforts towards the vision and goal of "being the most respected city value-creator in the PRC", so as to boost the living standards of China's urban residents and reward investors in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In 2021, with the globally recurring COVID-19 pandemic, the economic recovery momentum of various countries slowed down. In China, as the COVID-19 pandemic was generally under control, the pandemic prevention and control tended to be regular, which effectively supported the continued and steady recovery of the Chinese economy. The annual GDP reached RMB114.4 trillion, representing an increase of 8.1% over the previous year, and marking a good start of the "14th Five-Year Plan". In the meantime, the economic and social structural reform and development has entered a critical period. Adhering to the general principle of seeking progress while maintaining stability, the Central Committee of the CPC accelerated the establishment of a new development pattern, enhanced the cross-cyclical adjustments of macro policies and maintained economic operation within a reasonable range throughout the year under the "two-pronged" approach of proactive fiscal policy and prudent monetary policy.

During the year, China's real estate industry showed a trend of "higher in the beginning and lower subsequently". Following a boom in property transactions with excess demand in the first half of the year, the industry ushered in intensive policy regulation in the second half of the year. To facilitate changes, measures such as "centralized land supply", "three red lines" and "centralized loan management" were successively introduced to further consolidate the long-term management system of the real estate industry. Under the keynote of "no speculation on residential properties", policy regulation and control aimed at ensuring stability. Municipal governments launched policies based on the local conditions, and efforts were made in manipulating both supply and demand to actively implement the "three stability" goals of "stabilizing land prices, property prices and expectations", thereby promoting a virtuous cycle for the real estate industry. According to data from the National Bureau of Statistics, the investment in real estate development throughout China in 2021 amounted to RMB14,760.2 billion, representing an increase of 4.4% over the previous year, of which, residential investment amounted to RMB11,117.3 billion, representing an increase of 6.4% over the previous year. The sales area and sales amount of commodity housing were 1,794.33 million square meters and RMB18,193 billion, up 1.9% and 4.8% year-on-year respectively.

As the pilot zone demonstration for socialism, Shenzhen firmly seized the new opportunities arising from the scientific and technological reform and industrial innovation, showed economic resilience and improved quality while maintaining stability during the year. In 2021, Shenzhen's GDP exceeded RMB3 trillion for the first time. The urban development momentum was further upgraded with more development potential released. However, a phenomenon of "overheated real estate speculation" arose in the Shenzhen real estate market. In order to curb the "overheating" sectors and maintain the stable operation of the Shenzhen real estate market, the Housing Construction Bureau of Shenzhen Municipality successively promulgated certain policies and measures such as the "Letter on Certain Issues Concerning the Notice on Further Promoting the Steady and Healthy Development of the Real Estate Market in Shenzhen" to provide guidance for the restoration of the rational market. Eight measures were introduced to precisely control the property market; the "Urban Renewal Ordinance of Shenzhen Special Economic Zone" was officially launched, marking that the urban renewal tasks have stepped into a stage of refinement, thereby releasing and revitalizing the existing land resources and promoting the transition of urban renewal from high-speed development to high-quality development. Benefiting from a solid economic foundation and a huge inflow of permanent residents, the advantage of the growth of the city was unleashed continuously. As such, Shenzhen has gradually become one of the most economically dynamic core cities in the Guangdong-Hong Kong-Macao Greater Bay Area.

Focusing on the market capacity and growth potential of the Guangdong-Hong Kong-Macao Greater Bay Area, LVGEM (China) adhered to regional development and actively participated in the residential and commercial development of urban renewal in the Greater Bay Area based on the planning and layout of "Focusing on Core Cities and Cities' Core Areas". Leveraging its rich experience and resources, the Group has laid a solid moat and grown into a unique real estate developer and regional leading enterprise among the core cities in the Greater Bay Area. During the year, the Group continued to actively promote projects in major cities in the Greater Bay Area such as Shenzhen, Zhuhai, Hong Kong and Dongguan with frequent good news. It is worth mentioning that 深圳市綠景天盛實業有限公司 (Shenzhen LVGEM Tiansheng Industry Company Limited*), a subsidiary of the Group, was confirmed as the operating entity of Phase I of the Baishizhou Urban Renewal Project in April 2021, and obtained the Planning Permit for Construction Site and the construction commencement permit in July 2021, which signifies that the Baishizhou Urban Renewal Project has successfully commenced and entered the stage of substantive development.

In 2021, the Group actively implemented the development strategy of "technology + property" focusing on "technology" to empower the intrinsic value of real estate projects. The Group successively established long-term strategic partnerships with companies such as Huawei and China Unicom, and was committed to developing new urban areas with integration of smart technology and high-end residential lifestyle, so as to enhance the brand competitiveness of the Group. In the future, the Group will persistently adhere to the development strategy of region-focused development, forge ahead with determination to help urban residents upgrade their living standards, and enhance urban vitality and human value. In addition, it will boost the promotion of a high-end and unique "industrial brand" to maintain steady and sustainable development of the Group, while creating social and economic benefits.

Results

For the year ended 31 December 2021, the Group achieved total revenue of approximately RMB4,378.0 million (2020: RMB5,424.8 million), representing a decrease of approximately 19.3% year-on-year. Gross profit was approximately RMB2,188.4 million (2020: RMB2,665.7 million), representing a decrease of approximately 17.9% year-on-year. Gross profit margin remained at a relatively high level of 50.0% (2020: 49.1%).

During the reporting period, profit was approximately RMB1,334.9 million (2020: RMB3,451.1 million), representing a decrease of approximately 61.3% year-on-year. Profit attributable to owners of the Company was approximately RMB1,152.6 million (2020: RMB3,453.4 million), representing a decrease of approximately 66.6% year-on-year. Basic earnings per share was RMB22.61 cents (2020: RMB68.03 cents), representing a decrease of approximately 66.8% year-on-year.

The Board does not recommend the payment of any dividend for the year ended 31 December 2021.

The Group's key financial indicators for the year ended 31 December 2021 were as follows:

	2021 ***(RMB million)***	2020 *(RMB million)*	**Change**
Revenue	**4,378.0**	5,424.8	-19.3%
Gross profit	**2,188.4**	2,665.7	-17.9%
Profit attributable to owners of the Company	**1,152.6**	3,453.4	-66.6%
Basic earnings per share (RMB cents)	**22.61**	68.03	-66.8%
Gross profit margin (%)	**50.0%**	49.1%	+0.9 percentage points

	As at 31 December 2021	As at 31 December 2020
Bank balances and cash (including restricted bank deposits) (RMB million)	**7,287.1**	9,409.7
Average finance costs (%)*	**6.4**	7.1
Liabilities to assets ratio (%)	**65.3**	62.5
Rate of equity return (%)	**4.4**	14.0

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

Business Review

In 2021, amidst the changes and pandemic unprecedented in a century, the development of the real estate industry showed a trend of "higher in the beginning and lower subsequently" throughout the year. In the face of frequent control policy adjustments, tightening liquidity, stagnant land market and other difficulties in the second half of the year, the Group stayed committed to its original mission, made steady progress prudently, and established its business layout by adhering to the "dual-core" strategy of "Focusing on Core Cities and Cities' Core Areas". Identifying land resources of low cost but high value through urban renewal, the Group developed 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. The Group focused on improving the quality of properties.

During the reporting period, the urban renewal projects that the Group participated in included: Shenzhen Baishizhou Urban Renewal Project, Shenzhen Liguang Urban Renewal Project, Zhuhai Dongqiao Urban Renewal Project and Shazui Project, etc. Among them, Shenzhen Baishizhou Urban Renewal Project, the so-called "Grand Urban Renewal Project in Shenzhen", was anticipated by various sectors of the community. 深圳市綠景天盛實業有限公司 (Shenzhen LVGEM Tiansheng Industry Company Limited*) was confirmed as the operating entity of Phase I of the Shenzhen Baishizhou Urban Renewal Project in April 2021. In July 2021, the Shenzhen Baishizhou Urban Renewal Project has successfully obtained the construction commencement permit and commenced the earthwork and foundation pit support works. The Shenzhen Baishizhou Urban Renewal Project is located in Nanshan District, the core area of Shenzhen, with a total capacity area of approximately 3.58 million square meters. The launch of the Shenzhen Baishizhou Urban Renewal Project signifies that it will bring substantial stable income and cash flow to the Group in the future, and LVGEM (China) will enter a stage of rapid growth. In addition, Shazui Mangrove Bay No. 1 Phase II has commenced the demolition works, while the Liguang Project has completed the publicity of the refurbishment plan. All the urban renewal projects of the Group were in progress smoothly.

Being forward-looking with the visionary development strategy of "focusing on urban renewal in the Greater Bay Area and developing a brand new smart city", the Group collaborated with information technology giants to build a new real estate ecosystem. During the year, the Group successively established long-term strategic partnership with companies such as Huawei and China Unicom sincerely in terms of building smart cities. Specifically, regarding the Baishizhou Smart City Project, the Group commenced the detailed design for five themes including transportation, parking, logistics, environmental sanitation and 5G network, which have been realized in the architectural space. Empowering the property with "technology", it actively pursued a diverse balance of values in a bid to build an innovative future city of smart technology. In addition, LVGEM (China) continued to improve management and operation efficiency, and commenced the research and development of the urban operation management platform. Focusing on urban management scenarios, the Group integrated "management, operation and service" as a trilogy to achieve cross-sector synergy for management. During the year, the Group and Huawei, the technology giant, renewed the strategic cooperation agreement, comprehensively pushed forward the implementation of the all optical networks, and actively explored the possibility of building zero-carbon urban areas, with a view to promoting and replicating the experience and standards of zero-carbon urban construction while facilitating the national grand vision of carbon neutrality.

During this year, adhering to the "two-pronged" model of "residential + commercial", the Group held and operated the commercial properties located in the core areas of core cities of the Greater Bay Area, which contributed diversified rental income and considerable income to the Group. Currently, the Group has established the commercial property presence represented by NEO Urban Commercial Complex and Zoll Shopping Centre. Staying committed to excellence, perfection and upgrade in both quality and quantity, it will increase the number of commercial properties and further develop its capabilities in high-quality commercial operation. With further urbanization and accelerated development in the Greater Bay Area, the fair value growth in the core commercial properties is expected to bring long-term and significant benefits to the Group.

In terms of financial structure, the Group sized up the situation and proactively faced the macro environment of tightening liquidity during the year. It optimized the debt structure actively and continued to improve its financial positions by expanding domestic and overseas financing channels. In 2021, the Group completed the issuance of LVGEM Zoll Commercial Real Estate Mortgage-Backed Securities (CMBS), the first commercial asset securitization project, with an issue size of RMB1.45 billion; it also successfully issued two Hong Kong dollar bills with an issue size of approximately HK$500 million despite the sluggish capital market. The Group continued to expand the sources of income to further improve its liquidity. In addition, pursuing prudent and flexible financial policy, the Group maintained a healthy debt structure and stable cash flow through early redemption of older bonds and expansion of various financing channels, which safeguarded the release of the long-term value of the Group.

In terms of land reserve, as at 31 December 2021, the Group has land reserves of approximately 7.377 million square meters, approximately 78% 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 reserves under the controlling shareholder's control was approximately 7.70 million square meters, including projects in Shenzhen, Zhuhai and Zhang Mu Tou, Dongguan, all of which are located at core locations in the Guangdong-Hong Kong-Macao Greater Bay Area. The Group has ample land reserves which will lay a solid foundation for the robust expansion and long-term development of the Group.

In terms of project delivery, LVGEM Joyful Town was delivered at the end of 2020, with the considerate "one-stop mode of whole-process companionship" adopted, winning good reputation among owners for its high-efficiency and high-quality professional services. Focusing on the operation model of "asset operation + content innovation", the Group actively created a quality urban ecosystem, thereby adding value to the city. In May 2021, LVGEM Suzhou Joyful Garden was successfully delivered, achieving the rate of completion of delivery and occupancy of 100% and property owner satisfaction of 100%. In September 2021, LVGEM Royal Bay Garden was launched for the first time. In November 2021, the D2 zone of Phase II of LVGEM Bolin Mansion was delivered with full occupancy, and Zoll Mangrove Shopping Centre commenced trial operation. During the year under review, a number of projects of the Group were successively delivered. With high-quality products and services, these projects have helped the Group to continuously improve its core competitiveness in the market and consolidate its brand value.

During the year, LVGEM (China)'s development results were widely recognized by various sectors of the community, and accredited as the "Top 10 Enterprises in Shenzhen's Real Estate Development Industry in terms of Comprehensive Strength ", "Integrity (Quality) Enterprise in Shenzhen Real Estate Development Industry", and "Socially Responsible Enterprise in Shenzhen Real Estate Development Industry" in 2021. Besides, Shenzhen LVGEM NEO won the "Top 100 Property Projects" and "Top 100 Property Builders" awards; LVGEM Property won the honor of "Top 100 Chinese Property Service Enterprises for 2021"; LVGEM Hotel won the Chinese and Foreign Hotel (16th) Platinum Award, China's Most Popular Business Hotel, "The Most Influential Brand in the Central District" awarded by Futian District Enterprise Association of Shenzhen Municipality and others.

Real Estate Development and Sales

Being the core business of the Group, 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 year ended 31 December 2021, the real estate development and sales of the Group generated revenue of approximately RMB3,392.4 million (2020: RMB4,512.6 million), representing a decrease of approximately 24.8% year-on-year. The decrease in revenue was primarily attributable to the decrease in the booked area of the projects from Shenzhen, and the difference between the unit price per square meter of urban projects in other parts of the PRC and that of Shenzhen was significant. Total contracted sales amounted to approximately RMB3,668.0 million for the year (2020: RMB4,479.0 million), representing a decrease of approximately 18.1% year-on-year.

During the reporting period, the Group continued to develop urban renewal projects with great potential, including: Shenzhen Baishizhou Project, Shenzhen LVGEM Liguang Project, Phase II of Zhuhai Dongqiao Urban Renewal Project, LVGEM International Garden Project and Phase II of Shenzhen LVGEM Mangrove Bay No.1 Project, all of which have made good progress. The Group was selected as the operating entity of Phase I of Shenzhen Baishizhou Urban Renewal Project and Phase II of Shenzhen LVGEM Mangrove Bay No. 1 Project. The signing of contract for Shenzhen LVGEM Liguang Project was in progress satisfactorily. Zhuhai Dongqiao Urban Renewal Project, officially renamed as LVGEM Royal Bay, was launched for the first time on 24 September 2021. The D3 zone of Bolin Mansion launched in February 2021 and the Block 3 in C1 zone of Yuehu Mansion launched during the May 1st Golden Week in 2021 by LVGEM International Garden in Huazhou were very popular in the market. D2 zone of Phase II of LVGEM Bolin Mansion has been delivered with full occupancy on 25 November 2021, which acted as the market pricing benchmark in Huazhou continuously. Looking ahead, the Group will continue to target market expansion in the Greater Bay Area, focus on urban renewal projects, and build new benchmark smart cities with the "technology + property" model, with a view to increasing the intrinsic value of the brand and promoting the long-term growth of the Group's cost-effectiveness and business scale.

Baishizhou Urban Renewal Project, the so-called "Grand Urban Renewal Project in Shenzhen", is located on Shennan Avenue, Nanshan District, Shenzhen, adjacent to the Science and Technology Park and the Overseas Chinese Town, which is the core area of Shenzhen under rapid development. The planned total gross floor area of the project was approximately 4.4 million square meters, and the planned capacity area was approximately 3.58 million square meters, of which the Phase I had gross floor area of 675,780 square meters. It is a super-large complex development project that is extremely scarce in the core area. The project is planned to be developed in four phases, and to be completed over the next eight to ten years. On 28 October 2019 and 25 August 2020, the Group indirectly acquired in aggregate approximately 80% equity interests 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, was confirmed to be the operating entity of Phase I of the Project. In July, the Project obtained the construction commencement permit and commenced the earthwork and foundation pit support works. It is believed that, with the launch of the "Grand Urban Renewal Project", it will add a new driver of the strong growth of the Company's revenue and business scale.

LVGEM Mangrove Bay No. 1 Project is the most iconic urban renewal project of the Group in recent years. The Phase I Project of LVGEM Mangrove Bay No. 1 comprises three quality residential buildings and a quality complex of Grade A offices, hotels and apartments. The project is located at 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 project was launched for sale for the first time in October 2018 and brought considerable revenue to the Company, contributing contracted sales of approximately RMB157.0 million and recognized sales revenue of approximately RMB186.7 million during the reporting period.

In June 2021, the Group officially became the operating entity of Phase II of Mangrove Bay No. 1. The Phase II includes five quality sea-view residential buildings with a site area of approximately 22,000 square meters and a planned total gross floor area of 139,666 square meters. In July 2021, Phase II of Mangrove Bay No. 1 commenced the demolition works. Phase II of Mangrove Bay No. 1 will aim at creating an ideal residential living environment that integrates the community commercial clusters and various public supporting resources.

LVGEM Amazing Plaza is another urban upgrade and redevelopment project of the Group in Shenzhen City, which is mainly targeted at high-income new middle-class groups in Shenzhen. As an integrated modelling zone for new mixed-use industrial towns, this project will be mainly used for industrial research and development and industrial support, supplemented by apartments, commercial buildings, 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. The project was launched for the first time in September 2019, and then sought after by white-collar workers and gold-collar workers in Shenzhen, with the first batch of flats occupied in June. The project contributed contracted sales of approximately RMB806.9 million and recognized sales revenue of approximately RMB911.4 million during the reporting period.

LVGEM Liguang Project is a residential, commercial and industrial high-end industrial park complex. 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 located in a well-established residential district in Liguang Village, Guanlan Town, Baoan District, Shenzhen City, adjacent to the Mid Valley Clubhouse of the Mission Hills Golf Club. It possesses a prestigious scenic view of the natural environment and enjoys a comfortable climate. 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 on the grassland at the east side. During the reporting period, the project planning and pre-construction preparations were in progress smoothly, and the signing progress was satisfactory.

Zhuhai Dongqiao Urban Renewal Project, officially renamed as LVGEM Royal Bay, is a strategic project of urban renewal in Zhuhai City and among the first batch of projects that have officially commenced construction. In 2019, the Group has officially become the operating entity of the renewal project for the old village in Dongqiao and obtained all necessary administrative approvals. This project marks an important milestone of the Group in terms of the urban renewal development and operation in Zhuhai. Located in the sub-district of Nanwan, Zhuhai City, the project comprises high-end residences, featured hotels, street-level cultural regions and other industrial functions with well-established ancillary facilities. 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 application scenarios. It will provide overall solutions and services for multi-scenario and multi-dimensional, safe and intelligent urban management under the project. At present, the progress of the project is satisfactory, and it is expected to contribute revenue and cash flow to the Company in the near future.

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 planned 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 2021. For the year ended 31 December 2021, contracted sales of the project amounted to approximately RMB783.0 million, and recognized sales revenue was approximately RMB899.4 million.

LVGEM International Garden is located in Huazhou, Maoming, Guangdong Province. Situated in a well-developed residential area, it is in proximity to the Juzhou Park. It is well-served by public transport network and is only approximately 10-minute drive from the city center, and 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 the advantages such as excellent geographical location, good ecological environment and established ancillary educational facilities, the D3 zone of Bolin Mansion Zone launched in February 2021 and the Block 3 in C1 zone of Yuehu Mansion launched during the May 1st Golden Week in 2021 were both popular in the market. D2 zone of LVGEM Bolin Mansion Phase II was delivered with full occupancy on 25 November 2021, becoming the market pricing benchmark in Huazhou. For the year ended 31 December 2021, the total contracted sales of LVGEM International Garden amounted to RMB1,022.8 million and recognized sales revenue was approximately RMB1,005.1 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 the first move of the project 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 China. Further, it is located at the vicinity of Hung Shui Kiu development area.

Commercial Property Investment and Operations

The Group has been adopting the operation model of integrating property development and commercial property operation. The "two-pronged" business model of "residential + commercial" is an integral part of the Group's high-quality development. During the reporting period, the Group held property projects 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 will have a value-added effect of "1+1>2" compared to single property development business.

As of 31 December 2021, the Group held more than 25 quality commercial property projects comprising a total gross floor area of approximately 1,094,130 square meters, and the Group's revenue from the commercial property investments and operation was approximately RMB642.6 million (2020: RMB620.2 million), representing an increase of approximately 3.6% 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, a 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, Shenzhen LVGEM NEO team conducted in-depth communication to understand customer needs, made targeted adjustments to existing businesses, and introduced high-end and well-known brands after multiple rounds of negotiation to gradually improve its soft power and good reputation and stand out among the similar business complexes. As of 31 December 2021, the average occupancy rate of NEO Urban Commercial Complex was approximately 94% (2020: 87%).

Hong Kong LVGEM NEO Project is located in "Kowloon East CBD 2", the new central business district in Hong Kong, occupying a site area of approximately 4,500 square meters and a planned total gross floor area of approximately 55,390 square meters. The Group acquired 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 renamed it as the "NEO". This is the first project of LVGEM (China) in Hong Kong, marking the further expansion of the Group's influence in the Guangdong-Hong Kong-Macao Greater Bay Area to Hong Kong. In July 2019, the handover of Hong Kong LVGEM NEO was completed and the operation officially commenced on 8 November 2019. Due to its superior geographical location, beautiful coastal environment and well-established ancillary facilities, the project received overwhelming market responses since it was launched for leasing. As of 31 December 2021, the occupancy rate of the property was approximately 60% (2020: over 50%). Renowned tenants include China Ping An Insurance (Hong Kong), FTLife Insurance, and Farfetch. With the opening of the first phase of MTR Tuen Ma Line at the end of June 2021, it is expected that the fair value of the project assets will increase significantly in the future, while bringing steady rental income and long-term capital gains to the Group.

Zoll Shopping Mall is a famous fashion and comprehensive shopping centre. As of 31 December 2021, the Group owned and operated 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, LVGEM Zoll Yuexi Shopping Mall. On 22 April 2021, the opening ceremony and leasing promotion conference of the Leasing Centre of Zhuhai LVGEM Joyful Town Zoll Shopping Centre was held. On 26 December 2021, Zoll Mangrove Shopping Centre commenced trial operation, which is expected to introduce more high-quality resources and enhance the urban value of Zhuhai. As of 31 December 2021, the overall occupancy rate was approximately 94%.

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 2021, the comprehensive services of the Group generated revenue of RMB343.0 million (2020: RMB292.0 million), representing a growth of approximately 17.5% year-on-year. During the reporting period, the operating income of Shenzhen hotels has basically returned to normal, and the business of the hotels in the United States has gradually improved.

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 3.07 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 newly acquired in 2017. With the recovery of the economy, the average occupancy rate of LVGEM Hotel for the year ended 31 December 2021 was approximately 73% (2020: 61%), and the occupancy rate increased significantly. It is believed that, with the COVID-19 pandemic becoming under control, the occupancy rate will further rebound. On 24 June 2021, LVGEM Hotel and ATLAS (寰圖) entered into a strategic cooperation agreement to formulate customized renovation and operation solutions, with a view of effectively increasing the value per unit area and achieving upgrading and redevelopment through the flexible model of "office + life". The Vanllee Hotel covers a site area of 22,652 square meters. The renovation of the hotel was completed in 2019. The operation of Vanllee Hotel is a milestone project of LVGEM (China), marking the further expansion of the Group's international business and planning to bring stable hotel operating income to the Group.

Financing

During the reporting period, intensive policy regulations on the real estate industry in the PRC resulted in tightened financing and liquidity risk across the industry. However, despite the difficulties and challenges, the Group proactively responded with the changes in macro policies and took initiative to manage its current debt structure during the year by diversifying the financing channels at home and abroad. The Group consolidated its financing resources and safeguarded healthy cash flow for its development by taking advantage of the financing strategy through cross-border facility platform between Hong Kong and the PRC. The Group also actively improved its financial structure and strived to meet the national regulatory requirements of "three red lines" for real estate enterprises in the PRC. The liabilities to assets ratio after excluding receipts in advance and net gearing ratio was 64.8% and 81.2%, respectively. The Group has met two targets among the "three red lines". Under the effective and active financial control, the Group maintained its comprehensive finance cost at a healthy level in 2021 which was slightly down by 0.7 percentage points to 6.4% from 7.1% in 2020.

Future Prospect

In 2021, with the recurring COVID-19 pandemic in various local areas, the domestic pandemic prevention and control tended to be regular. Under the joint efforts of multiple macro policies, China's high-quality economic development has made new progress, resulting in improving the domestic economy amidst stability in the long run. While the real estate industry pursued stability as top priority, the intensive policy control gradually promoted the restoration of a virtuous circle for the domestic property market. In the meantime, the further development of the Guangdong-Hong Kong-Macao Greater Bay Area continued its pace and construction of large-scale infrastructure was completed one after another, fostering enhanced synergies among regions. As such, the market capacity continued to expand and the economy of the Bay Area was booming. The Guangdong-Hong Kong-Macao Greater Bay Area has gradually become the forerunner of China's modern urban agglomeration. As a leader in urban renewal, the Group insisted on the focused development in the Greater Bay Area in line with the national development strategy.

During the year under review, the Group made concerted efforts to overcome difficulties. A number of urban renewal projects have achieved substantial progress. In particular, Shenzhen Baishizhou Urban Renewal Project, the so-called "Grand Urban Renewal Project", has successfully commenced operation with historical significance. LVGEM (China) will usher in a new stage of rapid development accordingly. Looking forward, 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. Capitalising on the huge benefits and rigid demands arising from the development of the Guangdong-Hong Kong-Macao Greater Bay Area, the Group will focus on promoting a number of large-scale urban renewal projects, continue to enhance its operational capabilities and brand competitiveness and create a property brand that is highly recognized by the "Greater Bay Area people". In the meantime, the Group will continue to size up the situation and leverage the new formats and new opportunities in the property industry, aiming at the goal of "creating a brand new smart city" to jointly develop a livable and cultural bay area with technology empowerment.

Continuing the research on the projects to be introduced by the controlling shareholder in the future which include the planning of industrial parks and centralised commercial clusters, the Group intends to develop a business model integrating industries and cities, so as to achieve the strategic objectives of "unique properties, resources-linked properties and smart properties". The Group will actively respond to the national strategy of carbon peak and carbon neutrality, explore the construction standards of low-carbon and zero-carbon urban areas with our partners, and incorporate the "green" concept into the cities, thereby contributing sustainable social and economic benefits.

Looking ahead, as the regulatory policies on the real estate market in the PRC have shown signs of marginal improvement in the fourth quarter of 2021, the pressure on sales and capital of real estate enterprises is expected to gradually ease, and the relaxing macro policies are expected to continue throughout 2022. At the same time, the Guangdong-Hong Kong-Macao Greater Bay Area is one of the most open and economically robust regions in China. With the gradually evolving advantages arising from the strategic vision and planning of the Guangdong-Hong Kong-Macao Greater Bay Area and the continuous inflow of permanent residents, there will be great upside potential of market prospects. Despite all challenges and headwinds, the Group will continue to march forward positively. In the future, the Group will seize the huge opportunities brought by the construction and development of the Greater Bay Area, pursuing the grand vision of "being the most respected city value-creator in the PRC". Sticking to the flexible and prudent financial policies, the Group will put emphasis on creating high-quality living environment and people-oriented development and innovation, fulfilling the expectations of all sectors of the community.

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 2021 was approximately RMB4,378.0 million (2020: RMB5,424.8 million), representing a decrease of approximately 19.3% as compared to the last year, which was mainly due to the decrease in revenue from sales of properties held for sale.

	2021	2020	**Increase/ (decrease)**	
	RMB'000	*RMB'000*	*RMB'000*	%
Real estate development and sales	**3,392,354**	4,512,643	(1,120,289)	-24.8
Commercial property investment and operations	**642,633**	620,167	22,466	+3.6
Comprehensive services	**343,030**	292,017	51,013	+17.5
Total	**4,378,017**	5,424,827	(1,046,810)	-19.3

For the year ended 31 December 2021, the revenue from sales of properties held for sale was approximately RMB3,392.4 million (2020: RMB4,512.6 million), representing a decrease of approximately 24.8% as compared to the last year, which mainly includes the sales of LVGEM Amazing Plaza, LVGEM Joyful Town and LVGEM International Garden. The Group's total gross floor area of properties held for sale recognised as revenue during the year ended 31 December 2021 was approximately 228,527 square meters (2020: approximately 231,100 square meters).

Revenue from leasing of investment properties for the year ended 31 December 2021 was approximately RMB642.6 million (2020: RMB620.2 million). The Group's commercial properties are all located in core areas. The properties are mainly operated under the brands of "Zoll" and "NEO". Disregarding the occupancy rate of Hong Kong LVGEM NEO, which only commenced operation in second half of 2019, the occupancy rate of other investment properties as at 31 December 2021 maintained at a high level at 94% (2020: 91%). The occupancy rate of Hong Kong LVGEM NEO as at 31 December 2021 was over 60%.

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 2021, comprehensive services of the Group generated revenue of approximately RMB343.0 million (2020: RMB292.0 million), representing an increase of approximately 17.5% 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 during the year ended 31 December 2021.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2021, the Group's integrated gross profit was approximately RMB2,188.4 million (2020: RMB2,665.7 million), representing a decrease of approximately 17.9% as compared to the last year, and the integrated gross profit margin for the year ended 31 December 2021 was 50.0% (2020: 49.1%). The fluctuation of gross profit was mainly caused by the revenue recognised under different project portfolio. In 2020, approximately 53.0% of the revenue was derived from the projects in Shenzhen, with a higher selling prices as compared to that of Zhuhai and Huazhou while only approximately 32.7% of the revenue in 2021 was derived from the projects in Shenzhen. The income from sales of LVGEM Joyful Town and LVGEM International Garden accounted for approximately 26.5% and 29.6% of the total revenue in 2021 respectively.

Gain on deemed disposal of an associate

During the year ended 31 December 2020, when the Group obtained the control of Baishizhou Urban Renewal Project through the subscription of new shares in Affluent Trade Investments Limited, Victor Success Investments Limited and Multiple Ally Limited, the Group revaluated its 25% equity interests (acquired in 2019) in Baishizhou Urban Renewal Project at fair value and recognised a gain of approximately RMB3,893.6 million. No similar transaction occurred in the current year under review.

Selling Expenses

For the year ended 31 December 2021, selling expenses of the Group amounted to approximately RMB164.3 million (2020: RMB127.2 million), representing an increase of approximately 29.2% as compared to the last year due to higher sales commissions paid for Zhuhai projects. The selling expenses mainly included advertising expenses and sales commissions for LVGEM Amazing Plaza and LVGEM Joyful Town.

Administrative Expenses

For the year ended 31 December 2021, administrative expenses of the Group amounted to approximately RMB564.8 million (2020: RMB474.5 million), representing an increase of approximately 19.0% as compared to the last year. The increase was mainly attributable to the legal and professional fee incurred in relation to the onshore and offshore financing activities in the current year under review.

Fair Value Changes on Investment Properties

The valuation on the Group's investment properties as at 31 December 2021 was conducted by an independent property valuer which resulted in a fair value gain on investment properties of approximately RMB2,567.4 million for the year ended 31 December 2021 (2020: fair value loss on investment properties of approximately RMB239.3 million).

Finance Costs

For the year ended 31 December 2021, finance costs of the Group amounted to approximately RMB1,710.9 million (2020: RMB1,533.1 million), representing an increase of approximately 11.6% as compared to the 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 6.4% for the year ended 31 December 2021 (2020: 7.1%).

Income Tax Expense

For the year ended 31 December 2021, income tax expense of the Group amounted to approximately RMB1,114.9 million (2020: RMB865.0 million). The Group's income tax expense included payments and provisions made for EIT, LAT and deferred tax during the year. The increase of income tax expenses was mainly attributable to the positive fair value changes on investment properties in the current year under review, resulting in a provision of deferred tax, which is offset by the decrease in the provision of EIT and LAT.

Operating Results

For the year ended 31 December 2021, the profit attributable to owners of the Company was approximately RMB1,152.6 million (2020: RMB3,453.4 million), representing a decrease of approximately 66.6% as compared to the last year.

Liquidity, Financial Resources and Gearing

Bank balances and cash (including restricted bank deposits) as at 31 December 2021 amounted to approximately RMB7,287.1 million (2020: RMB9,409.7 million). The Group's bank balances and cash are denominated in RMB, Hong Kong Dollar ("**HK$**") and US$.

The Group had total borrowings of approximately RMB31,187.7 million as at 31 December 2021 (2020: RMB30,650.5 million). Borrowings classified as current liabilities were approximately RMB9,851.6 million (2020: RMB10,136.9 million).

Breakdown of total borrowings

By currency denomination

	2021	2020
	RMB'000	*RMB'000*
Denominated in RMB	**15,259,886**	14,615,752
Denominated in HK$	**8,532,416**	8,501,172
Denominated in US$	**7,395,401**	7,533,591
	31,187,703	30,650,515

By fixed or variable interest rates

	2021	2020
	RMB'000	*RMB'000*
Fixed interest rates	**11,511,120**	10,355,858
Variable interest rates	**19,676,583**	20,294,657
	31,187,703	30,650,515

The Group's gearing ratio as at 31 December 2021 was approximately 81.2% (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.

Current, Total and Net Assets

As at 31 December 2021, the Group had current assets of approximately RMB52,592.9 million (2020: RMB48,369.2 million) and current liabilities of approximately RMB19,171.7 million (2020: RMB15,903.1 million), which represented an increase in net current assets from approximately RMB32,466.1 million as at 31 December 2020 to approximately RMB33,421.2 million as at 31 December 2021. The increase in net current assets as at 31 December 2021 was mainly attributable to the increase in properties under development for sale and the decrease in the current liabilities portion of senior notes and bonds and borrowings, which was partially offset by the decrease in properties held for sales and bank balances and cash and the increase in accounts payable and accruals, deposits and other payables.

As at 31 December 2021, the Group recorded total assets of approximately RMB84,942.1 million (2020: RMB74,267.0 million) and total liabilities of approximately RMB55,501.3 million (2020: RMB46,381.4 million), representing a liabilities to assets ratio of approximately 65.3% (2020: 62.5%). Net assets of the Group were approximately RMB29,440.8 million as at 31 December 2021 (2020: RMB27,885.6 million).

For the year ended 31 December 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 year ended 31 December 2021, loans of approximately RMB23,541.3 million (2020: RMB15,731.6 million) were secured by properties under development for sale, properties held for sale, investment properties, properties, plant and equipment, equity instruments at fair value through other comprehensive income and pledged deposits of the Group respectively in the total amount of approximately RMB28,536.2 million (2020: RMB22,114.8 million).

Contingent Liabilities

For the year ended 31 December 2021, the Group had financial guarantee contracts relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB1,814.4 million (2020: RMB2,128.8 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.

As at 31 December 2021, the Group did not issue any financial guarantee to banks in respect of banking facility granted to an independent third party (2020: RMB89,200,000).

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 Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign currency risk arising from the exposure of Hong Kong dollars and United States dollars against Renminbi as a result of certain cash balances and loans in Hong Kong dollars or United States dollars.

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

Treasury Policies and Capital Structure

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

Employees

As at 31 December 2021, the Group had a staff roster of 2,281 (2020: 2,097), of which 2,254 (2020: 2,065) employees were based in the Mainland China and 27 (2020: 32) 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 June 2022 to 29 June 2022, 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 23 June 2022.

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 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. The Corporate Governance Code and code provisions specified above refer to the Corporate Governance Code and code provisions prior to their amendments effective on 1 January 2022.

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 2021.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2021.

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 2021 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.

AUDIT OPINION

The consolidated financial statements have been audited by the Group's auditor, Messrs. Deloitte Touche Tohmatsu. The independent auditor has issued an unmodified audit opinion with a Material Uncertainty Related to Going Concern section in the auditor's report on the Group's consolidated financial statements for the year ended 31 December 2021. An extract of the independent auditor's report is set out in the section headed "**EXTRACT OF THE AUDITOR'S REPORT** " below.

EXTRACT OF THE AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 3.1 to the consolidated financial statements, which indicates that the Group has borrowings of RMB6,995 million, and convertible bonds of RMB498 million approaching maturity and due for repayment or renewal in 2022 and convertible bonds of RMB964 million and domestic corporate bonds of RMB1,395 million with the early redemption options and retractable options respectively in 2022. In addition, the Group has public senior notes with carrying amount of RMB3,138 million which will be matured on 10 March 2023. The Group might not have sufficient working capital to operate if such borrowings, convertible bonds and public senior notes are required to be repaid or redeemed and all other alternative operating and financing plans as described in note 3.1 to the consolidated financial statements cannot be implemented as planned. The directors of the Company are of the opinion that based on the assumptions that the borrowings, convertible bonds and public senior notes can be renewed and those plans can be successfully executed, the Group will have sufficient working capital to maintain its operations and to pay its financial obligations as and when they fall due for at least twelve months from the end of the reporting period. However, the likelihood of successful renewal of borrowings, convertible bonds and public senior notes and implementation of those plans as set forth in note 3.1 to the consolidated financial statements indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

The aforesaid "note 3.1 to the consolidated financial statements" in the extract from the Auditor's Report is disclosed as note 1 to this announcement.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2021, 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

Except for the matters disclosed under the "Management Discussion and Analysis" section of this announcement, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2021 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 2021 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 and Mr. HUANG Hao Yuan as executive directors; Mr. CHEN Wei Shing 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 2022

* *For identification purpose only*