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 2020

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 2020 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	NOTES	**2020** *RMB'000*	2019 *RMB'000*
Revenue	*3*	**5,424,827**	6,902,448
Cost of sales		**(2,759,122)**	(2,472,093)
Gross profit		**2,665,705**	4,430,355
Other income	*4*	**148,901**	123,476
Other gains and losses	*5*	**(111,454)**	(11,184)
Gain on deemed disposal of an associate	*13*	**3,893,561**	–
Selling expenses		**(127,165)**	(134,059)
Administrative expenses		**(474,547)**	(461,498)
Fair value changes on investment properties		**(239,322)**	696,378
Fair value changes on derivative component of convertible bonds		**93,506**	(20,170)
Finance costs	*6*	**(1,533,101)**	(1,256,165)
Share of results of a joint venture		**(2)**	(2)
Profit before tax	*7*	**4,316,082**	3,367,131
Income tax expense	*8*	**(865,007)**	(1,617,168)
Profit for the year		**3,451,075**	1,749,963
Profit (loss) for the year attributable to:			
Owners of the Company		**3,453,380**	1,749,884
Non-controlling interests		**(2,305)**	79
		3,451,075	1,749,963
		RMB cents	*RMB cents*
Earnings per share attributable to the owners of the Company during the year	*10*		
– Basic		**68.03**	35.12
– Diluted		**38.47**	20.73

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
Profit for the year	**3,451,075**	1,749,963
Other comprehensive income (expense)		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation	**169,268**	(31,311)
Item that will not be reclassified to profit or loss:		
Fair value changes on investments in equity instruments at fair value through other comprehensive income, net of tax	**(65,929)**	37,732
Other comprehensive income for the year	**103,339**	6,421
Total comprehensive income for the year	**3,554,414**	1,756,384
Total comprehensive income (expense) attributable to:		
Owners of the Company	**3,560,599**	1,756,905
Non-controlling interests	**(6,185)**	(521)
	3,554,414	1,756,384

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	**2020** ***RMB'000***	2019 *RMB'000*
Non-current assets			
Investment properties		**23,167,159**	23,567,529
Property, plant and equipment		**931,581**	996,014
Goodwill		**231,602**	231,602
Interest in a joint venture		**6,056**	6,058
Interest in an associate		**–**	–
Amount due from a joint venture		**522,318**	522,318
Equity instruments at fair value through other comprehensive income		**501,261**	541,125
Deferred tax assets		**537,869**	565,713
Deposit paid		**–**	29,410
		25,897,846	26,459,769
Current assets			
Properties under development for sale		**32,132,185**	8,165,855
Properties held for sale		**4,844,053**	2,467,237
Other inventories		**674**	738
Accounts receivable	*11*	**68,105**	31,212
Deposits paid, prepayments and other receivables		**1,862,033**	3,230,928
Tax recoverable		**52,452**	33,562
Restricted bank deposits		**3,979,537**	2,804,061
Bank balances and cash		**5,430,113**	5,542,921
		48,369,152	22,276,514
Current liabilities			
Accounts payable	*12*	**1,262,086**	1,111,831
Accruals, deposits received and other payables		**762,404**	673,358
Contract liabilities		**1,348,932**	2,505,265
Lease liabilities		**17,239**	22,674
Tax liabilities		**2,375,586**	2,398,675
Borrowings		**8,007,353**	4,306,274
Senior notes and bond		**2,129,522**	5,027,123
Debt component of convertible bonds		**–**	1,493,257
Derivative component of convertible bonds		**–**	222,207
		15,903,122	17,760,664
Net current assets		**32,466,030**	4,515,850
Total assets less current liabilities		**58,363,876**	30,975,619
Non-current liabilities			
Borrowings		**15,857,136**	15,149,805
Senior notes and bond		**3,236,529**	–
Debt component of convertible bonds		**1,419,974**	–
Derivative component of convertible bonds		**111,612**	–
Lease liabilities		**85,134**	95,380
Deferred tax liabilities		**2,818,217**	2,695,601
Other non-current liabilities		**6,949,651**	–
		30,478,253	17,940,786
Net assets		**27,885,623**	13,034,833
Capital and reserves			
Share capital		**42,458**	42,060
Reserves		**24,681,258**	12,885,799
Equity attributable to owners of the Company		**24,723,716**	12,927,859
Non-controlling interests		**3,161,907**	106,974
Total equity		**27,885,623**	13,034,833

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 ("**Mr. Wong**"), father of Ms. HUANG Jingshu, the Chairman of the Company, and Mr. HUANG Hao Yuan, an Executive Director of the Company.

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

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

2. APPLICATION OF HONG KONG FIANCIAL REPORTING STANDARES ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the "Amendments to References to the Conceptual Framework in HKFRSs Standards" and 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 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the "Amendment to HKFRS 16 Covid-19-Related Rent Concessions".

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:

	2020 ***RMB'000***	2019 *RMB'000*
Sales of properties	**4,512,643**	5,962,446
Revenue from hotel operation, property management service and other services	**292,017**	321,328
Revenue from contracts with customers	**4,804,660**	6,283,774
Rental income	**620,167**	618,674
	5,424,827	6,902,448
Timing of revenue recognition from contracts with customers		
At a point in time	**4,512,643**	5,962,446
Over time	**292,017**	321,328

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

– Sales of properties

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

The Group receives an upfront payment, ranging from RMB10,000 to RMB500,000 (2019: RMB20,000 to RMB2,000,000) for different properties from customers for the subscription of properties and such amount will be treated as the deposits from customers after signing the sale and purchase agreement. However, depending on the market conditions, the Group may offer customers a discount compared to the listed sale price, provided that the customers agree to pay the rest of the consideration earlier.

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.

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

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

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

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

For the year ended 31 December 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**

For the year ended 31 December 2019

	Real estate development and sales *RMB'000*	Commercial property investment and operations *RMB'000*	Comprehensive services *RMB'000*	Total *RMB'000*
Revenue:				
From external customers	5,962,446	618,674	321,328	6,902,448
Inter-segment revenue	–	16,212	37,685	53,897
Total segment revenue	5,962,446	634,886	359,013	6,956,345
Reportable segment profit	3,784,827	550,378	95,150	4,430,355

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.

	2020	2019
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**5,550,825**	6,956,345
Elimination of inter-segment revenue	**(125,998)**	(53,897)
Consolidated revenue	**5,424,827**	6,902,448
Profit		
Reportable segment profit	**2,665,705**	4,430,355
Fair value changes on investment properties	**(239,322)**	696,378
Other income	**148,901**	123,476
Other gains and losses	**(111,454)**	(11,184)
Gain on deemed disposal of an associate	**3,893,561**	–
Depreciation	**(66,915)**	(37,399)
Finance costs	**(1,533,101)**	(1,256,165)
Share of results of a joint venture	**(2)**	(2)
Fair value changes on derivative component of convertible bonds	**93,506**	(20,170)
Corporate expenses	**(534,797)**	(558,158)
Consolidated profit before tax	**4,316,082**	3,367,131

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

	2020	2019
	RMB'000	*RMB'000*
Assets		
Real estate development and sales	**37,433,525**	12,452,128
Commercial property investment and operations	**23,259,775**	23,591,289
Comprehensive services	**325,788**	362,963
Reportable segment assets	**61,019,088**	36,406,380
Goodwill	**231,602**	231,602
Equity instruments at fair value through other comprehensive income	**501,261**	541,125
Bank balances and cash (including restricted bank deposits)	**9,409,650**	8,346,982
Deferred tax assets	**537,869**	565,713
Interest in a joint venture and amount due from a joint venture	**528,374**	528,376
Interest in an associate	**–**	–
Corporate assets	**2,039,154**	2,116,105
Consolidated total assets	**74,266,998**	48,736,283

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, interest in an associate 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 2020 and 2019. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	2020	2019
	RMB'000	*RMB'000*
Mainland China	**14,895,956**	14,309,782
Hong Kong	**8,823,452**	9,732,606
USA	**189,304**	213,074
Cambodia	**718,402**	865,867
	24,627,114	25,121,329

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

No major customers contributed over 10% of the total sales of the Group for the years ended 31 December 2020 and 2019.

4. OTHER INCOME

	2020	2019
	RMB'000	*RMB'000*
Interest income	**113,884**	93,570
Investment income	**22,800**	20,163
Government grants	**12,217**	9,743
	148,901	123,476

5. OTHER GAINS AND LOSSES

	2020	2019
	RMB'000	*RMB'000*
Gain on disposal of a subsidiary	**–**	33,300
Impairment loss (recognised) reversal for accounts receivable, net	**(40,617)**	59
Foreign exchange gain, net	**71,976**	12,356
Loss on disposal of property, plant and equipment	**(9)**	(925)
Loss on early redemption of domestic corporate bond	**–**	(1,099)
Loss on non-substantial modification of domestic corporate bond	**(1,810)**	(57,287)
Loss on substantial modification of convertible bonds	**(20,105)**	–
Loss on non-substantial modification of senior notes	**(129,571)**	–
Others	**8,682**	2,412
	(111,454)	(11,184)

6. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interests on:		
Bank and other borrowings	**1,263,397**	1,186,817
Convertible bonds	**285,303**	172,237
Senior notes and bond	**519,199**	411,241
Lease liabilities	**10,544**	11,929
Less: Amount capitalised in investment properties under development and properties under development for sale*	**(545,342)**	(526,059)
	1,533,101	1,256,165

* The finance costs have been capitalised at rates ranging from 1.61% to 13.75% (2019: 3.73% to 9.41%) per annum.

7. PROFIT BEFORE TAX

	2020	2019
	RMB'000	*RMB'000*
Profit before tax is arrived at after charging (crediting):		
Cost of properties held for sale recognised as expense	**2,487,379**	2,177,619
Depreciation of property, plant and equipment	**67,137**	37,448
Less: Amount capitalised in investment properties under development and properties under development for sale	**(222)**	(49)
	66,915	37,399
Gross rental income from investment properties	**620,167**	618,674
Outgoings in respect of investment properties that generated rental income during the year	**(54,190)**	(68,296)
	565,977	550,378
Expense relating to short-term lease	**2,276**	4,886
Auditor's remuneration	**3,026**	2,490
Staff costs		
Directors' emoluments	**11,099**	11,851
Salaries and other benefits in kind	**401,660**	333,279
Amount recognised as expense for retirement benefit costs	**7,727**	27,946
Less: Amount capitalised in investment properties under development and properties under development for sale	**(84,826)**	(60,571)
	335,660	312,505

8. INCOME TAX EXPENSE

	Notes	2020 RMB'000	2019 RMB'000
Current tax			
Mainland China Enterprise Income Tax ("**EIT**")			
– Current year	*(a)*	**266,957**	765,660
– Overprovision in prior year		**(11,567)**	(19,250)
		255,390	746,410
Mainland China Land Appreciation Tax ("**LAT**")			
– Current year	*(b)*	**385,992**	1,023,621
– Under(over)provision in prior year		**1,419**	(7,778)
		387,411	1,015,843
Deferred taxation			
– Current year		**222,561**	(147,029)
– (Over)underprovision in prior year		**(355)**	1,944
		222,206	(145,085)
Total income tax expense		**865,007**	1,617,168

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.

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

(b) Under the Provisional Rules on LAT Implementation Rules of the 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 14 June 2018 to 13 June 2021.

9. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Dividends recognised as distribution during the year:		
2019 Final dividend – HK6.1 cents (equivalent to approximately RMB5.46 cents)	**282,672**	–
2018 Final dividend – HK5.3 cents (equivalent to approximately RMB4.65 cents)	**–**	234,207

The Directors do not recommend the payment of any dividend for the year ended 31 December 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:

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share	**3,453,380**	1,749,884
Effect of dilutive potential earnings in respect of – Convertible bonds	**(58,376)**	23,891
Earnings for the purpose of diluted earnings per share	**3,395,004**	1,773,775

	2020	2019
Number of shares		
Weighted average number of ordinary shares of the Company for the purpose of basic earnings per share	**5,076,112,582**	4,982,703,643
Effect of dilutive potential ordinary shares in respect of		
– Share options	**64,451,495**	74,021,926
– Convertible bonds	**264,778,879**	127,022,653
– Convertible preference shares	**3,419,952,290**	3,374,231,808
Weighted average number of ordinary shares of the Company for the purpose of diluted earnings per share	**8,825,295,246**	8,557,980,030

The computation of diluted earnings per share for both the years ended 31 December 2020 and 2019 does not assume the conversion of certain outstanding convertible bonds of the Group as the conversion would result in an increase in earnings per share.

11. ACCOUNTS RECEIVABLE

	2020	2019
	RMB'000	*RMB'000*
Accounts receivable from:		
– Contracts with customers	**16,719**	8,065
– Lease receivables	**92,616**	23,760
Accounts receivable	**109,335**	31,825
Less: Allowance for credit losses	**(41,230)**	(613)
	68,105	31,212

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 (2019: 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:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**27,690**	22,333
1 to 12 months	**30,678**	6,873
13 to 24 months	**9,737**	919
Over 24 months	**–**	1,087
	68,105	31,212

12. ACCOUNTS PAYABLE

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

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

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**1,097,921**	513,386
1 to 12 months	**55,986**	436,676
13 to 24 months	**63,512**	137,934
Over 24 months	**44,667**	23,835
	1,262,086	1,111,831

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

13. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

As detailed in the announcement of the Company dated 25 August 2020, Greater Bay Area Intelligent City Limited (the "**Subscriber**"), a direct wholly-owned subsidiary of the Company, Affluent Trade Investments Limited ("**Affluent Trade**"), Multiple Ally Limited ("**Multiple Ally**"), Victor Success Investments Limited ("**Victor Success**") and Mr. Wong, entered into subscription agreements ("**Subscription Agreements**") .

Before the transaction, each of Affluent Trade, Victor Success and Multiple Ally was wholly owned by Mr. Wong and indirectly held 25%, 24% and 26% equity interests in Intelligent City Development Limited ("**ICDL**"), respectively.

Pursuant to the Subscription Agreements, the Subscriber agreed to subscribe for, and each of Affluent Trade, Victor Success and Multiple Ally agreed to issue its their shares in accordance with the terms and conditions of the Subscription Agreements.

Pursuant to the Subscription Agreements, the consideration for the share subscription of Affluent Trade, Victor Success, and Multiple Ally were RMB1,200,000, RMB1,380,000 and RMB1,490,000, respectively, which shall be payable by the Subscriber to each of Affluent Trade, Victor Success and Multiple Ally in cash at completion, respectively.

Upon completion of the transaction, Affluent Trade is owned as to 70% and 30% by the Subscriber and Mr. Wong respectively, Victor Success is owned as to 75% and 25% by the Subscriber and Mr. Wong respectively, and Multiple Ally is owned as to 75% and 25% by the Subscriber and Mr. Wong respectively. Each of Affluent Trade, Victor Success and Multiple Ally becomes a non-wholly owned subsidiary of the Company. Prior to the transaction, ICDL was indirectly owned as to 25% by the Company and 25%, 24% and 26% by Affluent Trade, Victor Success and Multiple Ally, respectively. After the completion, ICDL becomes a subsidiary of the Company.

As it is an asset acquisition achieved in stages, the 25% equity interests of ICDL, which previously accounted as an interest in an associate by the Group, is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), resulting gain in connection with the deemed disposal of the then associate of RMB3,893,561,000 was recognised in the consolidated statement of profit or loss of the year.

As there is no actual cash outflow by the Group arising from the abovementioned transaction, the attributable identifiable fair value of the net asset acquired, representing additional 55% equity interests of ICDL, of RMB8,496,395,000, were included in other reserves as capital contribution by Mr. Wong.

ICDL and its subsidiaries are principally engaged in urban renewal development project in Baishizhou which is located on Shennan Avenue, Nanshan District, Shenzhen City and in proximity to Science Park and the sub-district of Overseas Chinese Town, and is regarded as a megasized urban renewal project in Shenzhen. According to the approved specific project development plan endorsed by relevant government authority, the project has a capacity area of 3.58 million square meters and will be developed in four phases.

The acquisition was completed on 25 August 2020.

13. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES *(Continued)*

Assets and liabilities recognised at the date of acquisition at fair value:

	RMB'000
Assets	
Investment properties	**16,200**
Property, plant and equipment	**427**
Property under development for sale	**22,104,534**
Equity instruments at fair value through other comprehensive income	**48,042**
Deferred tax asset	**49,767**
Accounts receivable	**8,079**
Deposits paid, prepayments and other receivables	**949,871**
Restricted bank deposits	**923,110**
Bank balances and cash	**114,618**
	24,214,648
Liabilities	
Accounts payable	**115,668**
Accruals, deposits received and other payables	**947,301**
Borrowings	**2,733,000**
Other non-current liabilities	**4,931,234**
	8,727,203
Net assets	**15,487,445**

Capital contribution from controlling shareholder arising on acquisition:

	RMB'000
Consideration transferred	**–**
Plus: interest in an associate	
– previously held interest at fair value	**3,871,861**
– share of net liabilities previously held	**21,700**
Plus: non-controlling interests at proportionate share of net assets acquired	**3,097,489**
Less: net assets acquired	**(15,487,445)**
	8,496,395

	RMB'000
Net cash inflows arising on acquisition and cash and cash equivalent balances acquired	**114,618**

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 2020.

In 2020, the COVID-19 pandemic has spread across the globe and caused an unprecedented impact on the global economy. With the committed efforts of medical research institutions of various countries, the vaccines have been developed and successively put into use, leading to clearer signs of economic recovery. Compared with other countries in the world, the PRC was among the fastest countries to effectively control the pandemic within the country in the first quarter of 2020. Following the full resumption of work and production in the second quarter, social, economic and production activities of the PRC resumed normal gradually. The construction and sales of the real estate industry of the PRC also saw rapid recovery and showed strong resilience. Steady and healthy market growth was maintained in general.

"No speculation on residential properties" and "accelerating urban renewal" were the keynote of the two main industry policies during the year. To promote steady and healthy growth of the real estate market, prohibition of illegal money inflow into the real estate sector was introduced by China Banking and Insurance Regulatory Commission and the rules of the "new eight regulations" regarding adjustment and control of the real estate industry in Shenzhen were promulgated. The industry has resumed its rational, diverse and gradually improving regulatory system, which will promote sound and long-term development of the industry. Against the backdrop of urbanisation, urban renewal, as supported and promoted by the government, has become the essential path of industry development. Leveraging 30 years of presence in Shenzhen with a focus on urban renewal in the Greater Bay Area, the Group has seen unlimited opportunities in the industry.

LVGEM (China) has focused on the development of key districts in core cities of the Greater Bay Area for more than three decades. Started as a construction company, LVGEM (China) has established as a pioneer in the urban renewal field by upholding the strategic vision of dual-core business layout and leveraging the two-way expansion model for acquiring land reserve resources, accumulating asset advantage of extra high value in the Greater Bay Area for years. With technological and industry development, the Group has introduced the strategy of "focusing on urban renewal in the Greater Bay Area and developing a brand new smart city", with a view to driving long-term development of the Company on an ongoing basis by developing the smart city benchmark in large-scale urban renewal projects, thereby creating new value for cities and generating fruitful results for investors.

Real estate development and sales segment is the most important among the three main business segments of the Group. The progress of project development and contracted sales of prime locations in core cities such as Shenzhen and Zhuhai achieved satisfactory results during the year. In 2020, LVGEM Amazing Plaza in Shenzhen and the southern part of LVGEM Joyful Town in Zhuhai were completed and delivered. D1 zone of LVGEM International Garden in Huazhou was completed and delivered ahead of schedule, while LVGEM Mansion 1898 in Suzhou was accepted and launched for sale ahead of schedule. New projects under construction included the Dongqiao Project in Zhuhai, the northern part of LVGEM Joyful Town in Zhuhai, G1 zone of LVGEM International Garden in Huazhou and others. In terms of sales, LVGEM Amazing Plaza in Shenzhen, LVGEM Joyful Town in Zhuhai and LVGEM International Garden in Huazhou recorded leading sales by region for the year.

For the promotion of urban renewal projects, the Group continued to push forward the urban renewal projects in, among others, Shenzhen, Zhuhai, Hong Kong and Dongguan during the year. The Dongqiao Urban Renewal Project in Zhuhai was the first to commence construction. Shenzhen Baishizhou Urban Renewal Project, Liguang Urban Renewal Project and Phase II of LVGEM Mangrove Bay No. 1 were all in the final signing phase before construction with steady progress. Among which, Shenzhen Baishizhou Urban Renewal Project achieved great breakthrough, including the acquisition of 80% of equity interest in the project through capital injection of controlling shareholders and 100% of signing rate of phase 1, which accelerated the progress of becoming the operating entity for construction, thus the value of quality land reserve of the Group located in prime location of Nanshan District, Shenzhen City will be maximised. Moreover, other projects located in key districts in core cites of the Greater Bay Area progressed as scheduled, which laid the foundation for the continued and ample provision of quality land reserve.

The Group maintained the "two-pronged" model of "residence + business" for the commercial property investment and operations segment during the year. Following the completion and delivery of urban renewal projects, the area of the commercial properties of the Group steadily increased. During the year, the Group held over 25 quality commercial property projects, as represented by projects under our two commercial brands, namely "NEO" and "Zoll". The total gross floor area was approximately 799,888 square meters and the occupancy rate remained higher than the industry level, contributing stable rental income and growth in asset value for the Group. As at 31 December 2020, the revenue from commercial property investment and operations of the Group amounted to approximately RMB620.2 million, representing an increase of approximately 0.2% year-on-year against the adverse market condition.

For the comprehensive services segment, the Group was dedicated to offering excellent property management services and hotel operation services to customers and tenants of the Group's residential and commercial properties, which contributed approximately RMB292.0 million to the Group's revenue during the year. The comprehensive property management services provided by the Group included security services, property maintenance and management of ancillary facilities, property brokerage business, online platform and e-shops for lifestyle services, which comprised a total gross floor area of approximately 2.97 million square meters. In respect of hotel operations, the LVGEM Hotel actively explored new direction of marketing under the critical economic environment. It was positioned as a smart business hotel and aimed to focus on the development of both room quality and catering service, which made it the first among competing hotels in the same zone with an average occupancy rate of approximately 61%.

In terms of financing, the Group continued to improve its financial structure actively during the year and adapted itself to the national regulatory requirements of "three red lines" for real estate enterprises. Both the liabilities to assets ratio after excluding receipts in advance and net gearing ratio have reached the target levels to allow sufficient fund for sustainable development of the Group.

Looking forward to 2021, the Group is expected to achieve substantial business growth. A number of urban renewal projects in Shenzhen represented by the Baishizhou Urban Renewal Project will enter the stage of large-scale development, while projects under construction and sale and property operating activities will be accelerated in full swing. Following the 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》)", "Opinions for Supporting the Development of Shenzhen as the Pilot Modelling Zone under the Socialism with Chinese Characteristics (《關於支持深圳建設中國特色社會主義先行示範區的意見》)" and a series of policies regarding the "three old" transformation supported by Shenzhen, it is expected that such favourable policies would lay the groundwork for historic opportunities to the Group. Looking ahead, the Group will seize the tremendous opportunities arising from the development of the Greater Bay Area and capitalise on favourable policies and benefits of population inflow, with a view to developing the smart city benchmark and striving to establish the Company as a new smart city developer and operator that is dedicated to the construction of the Guangdong-Hong Kong-Macao Greater Bay Area with its own ample land reserve resources, thereby bringing better life experience to the residents, infusing vitality to urban renewal and development as well as delivering long-term and sustainable returns to shareholders, investors and society. On behalf of the Board, I hereby express my sincere gratitude to all shareholders, investors, customers, partners and employees of the Group for their unwavering support. Adhering to the corporate mission of "continuously enhancing the value of cities", the Group will make sustained efforts towards the vision and goal of "being the most respected city value-creator in the PRC"!

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In 2020, the global economy was under profound and lasting influence due to the COVID-19 pandemic. With strong and decisive measures for prevention and control of the pandemic, the PRC has taken the lead in fully returning to work. According to the data of the National Bureau of Statistics, the PRC realised a GDP of RMB101.6 trillion in 2020, representing a growth of 2.3% year-on-year. This was the first time that the PRC realised a GDP of over RMB100 trillion, which enabled it to become the only major economy in the world with positive economic growth.

With the impact of the pandemic, activities of the real estate industry in China were temporarily suspended at the beginning of the year. A lot of real estate enterprises promptly launched or upgraded their online marketing systems. Since the pandemic was basically under control in the second quarter and prevention and control of the pandemic has been effective, every industry resumed work and production and economic and production activities resumed normal operation. The real estate industry therefore accelerated the launch of new property projects, which led to fast recovery of sales since the second quarter. Under the loose monetary policy, the growth rate of investment in the real estate industry started to turn positive in the second quarter. According to the data of the National Bureau of Statistics, the investment in real estate development in the PRC amounted to RMB14,144.3 billion in 2020, representing a year-on-year increase of 7.0%. Among which, the investment in residential projects amounted to RMB10,444.6 billion, representing a year-on-year increase of 7.6%. During the year, both the sales area and amount of commodity housing saw another historical high at 1,760.86 million square meters and RMB17,361.3 billion, representing an accumulated year-on-year growth of 2.6% and 8.7%, respectively.

With the pent-up demand for housing and relaxed financing and capital requirement after the pandemic, the sales of commodity housing recorded rapid growth, while market segregation between first and second-tier core cities and some third and fourth-tier cities continued to intensify. Under the keynote of "no speculation on residential properties", a new round of adjustment and control from the financing side commenced in the fourth quarter, which has made stabilising market investment and sales expectations the key direction of the industry.

With the support from favorable policies such as the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" and "Opinions for Supporting the Development of Shenzhen as the Pilot Modelling Zone under the Socialism with Chinese Characteristics (《關於支持深圳建設中國特色社會主義先行示範區的意見》)", the real estate industry in Shenzhen remained on a growing trend during the year and once showed signs of overheating. To effectively curb speculation of properties and maintain the sound and healthy development of the real estate market, Shenzhen promulgated the "new eight measures" on adjustment and control successively starting from 15 July, with a view to steering the real estate industry in Shenzhen back to rational and stable growth. Meanwhile, urban renewal, which has become the main source of property supply in Shenzhen, also gained milestone policy support during the year. On 30 December, the Urban Renewal Ordinance of Shenzhen Special Economic Zone was passed by way of poll at the second meeting of the 46th meeting of the 6th Municipal Standing Committee of the National People's Congress, pursuant to which, old residential areas can be acquired if both contracted area and number of people signing contracts reach 95%. The new measure has been effective since 1 March 2021. It is expected that the measure will greatly facilitate the solving of deep-rooted problems in urban renewal, so as to promote quality development of urban renewal.

Results

For the year ended 31 December 2020, the Group achieved total revenue of approximately RMB5,424.8 million (2019: RMB6,902.4 million), representing a decrease of approximately 21.4% year-on-year. Gross profit was approximately RMB2,665.7 million (2019: RMB4,430.4 million), representing a decrease of approximately 39.8% year-on-year. Gross profit margin remained at 49.1%, which is a high level in the industry (2019: 64.2%).

Profit for the year was approximately RMB3,451.1 million (2019: RMB1,750.0 million), representing a growth of approximately 97.2% year-on-year. Profit attributable to owners of the Company was approximately RMB3,453.4 million (2019: RMB1,750.0 million), representing a growth of approximately 97.3% year-on-year. Basic earnings per share was RMB68.03 cents (2019: RMB35.12 cents), representing a growth of approximately 93.7% year-on-year.

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

The Group's key financial indicators for the year ended 31 December 2020 were as follows:

	2020 *(RMB million)*	2019 *(RMB million)*	**Change**
Revenue	**5,424.8**	6,902.4	-21.4%
Gross profit	**2,665.7**	4,430.4	-39.8%
Profit attributable to owners of the Company	**3,453.4**	1,749.9	+97.3%
Basic earnings per share (RMB cents)	**68.03**	35.12	+93.7%
Gross profit margin (%)	**49.1**	64.2	-15.1 percentage points

	As at 31 December 2020	As at 31 December 2019
Bank balances and cash (including restricted bank deposits) (RMB million)	**9,409.7**	8,347.0
Average finance costs (%)*	**7.1**	6.3
Liabilities to assets ratio (%)	**62.5**	73.3
Rate of equity return (%)	**14.0**	13.5

* 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 2020, the real estate market realised steady growth backed by various adjustment and control measures. The Greater Bay Area has gained more and more strategic importance in the economic development of the PRC. With over 30 years of experience in the development of the Greater Bay Area, the Group established its business layout by adhering to the "dual-core" strategy of "Focusing on Core Cities and Cities' Core Areas" and the "two-pronged" strategy of "residence + business". The Group identified land resources of low cost but high value through urban renewal to develop its real estate projects and commercial 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 has gained recognition and awards from the market and the industry in terms of development of urban renewal projects and operation of commercial properties. During the year, the Group was ranked as the "Top 10 Shenzhen Real Estate Development Enterprises in terms of Comprehensive Strength" for the 10th consecutive year and "Top 10 of the 11th Shenzhen Real Estate Enterprises with High Credit (2020) (第十一屆（2020年度）深圳地產資信10強)". For operation of commercial properties, the Group was awarded the "2020 Excellent Management Team of the PRC Shopping Mall Industry (中購聯中國購物中心行業2020年度優秀管理團隊)" and the honorary title of "Enterprise with Excellent Contract Performance and Credit Standing (守合同重信用企業榮譽)" of Guangdong Province for two consecutive years, while the LVGEM Hotel was granted the Excellent Award of the Most Influential Hotel at the 40th anniversary of Shenzhen Special Economic Zone.

Leveraging on its years of experience in urban renewal and acquisition of land reserve resources with high value, the Group has established itself as a pioneer in urban renewal. During the year, the Group continued to push forward the urban renewal projects in, among others, Shenzhen, Zhuhai, Hong Kong and Dongguan and achieved significant results. In January 2020, the Group attained the qualification for the Guanlan Liguang Land Development Project in Lunghua District, Shenzhen City, and initiated the contracting process in June. In August 2020, 55% of equity interest in the Shenzhen Baishizhou Urban Renew3al Project, the so-called "Grand Urban Renewal Project in Shenzhen", was injected into the Group following the injection of 25% of equity interest on 28 October 2019. As at the date of this announcement, the Group has a total of 80% of equity interest in the project. Moreover, the Dongqiao Project in Zhuhai also commenced construction during the year.

The Group is renowned for its high-quality land reserve resources. In order to eliminate the uncertainties in the preliminary stage of urban renewal projects, the Group's unique way for acquisition of land reserve resources was to acquire projects mainly by the collaboration with controlling shareholder, which in turn would allow better profit sharing with shareholders and investors. The controlling shareholder was mainly responsible for primary development such as negotiations with the suburban people and resource integration. Project injection into the listed company was only being made until the uncertainties were eliminated and a more mature stage of the project was attained. As at 31 December 2020, the Group has land reserves of approximately 6.48 million square meters, approximately 80% of which are located in major cities in the Greater Bay Area such as Shenzhen, Hong Kong, Zhuhai and Dongguan. Moreover, the scale of land reserves in which the controlling shareholders have control was approximately 6.80 million square meters, including projects in Nanxi, Zhuhai and Zhang Mu Tou, Dongguan, all of which are located at core locations in Guangdong-Hong Kong-Macao Greater Bay Area. The Group has ample and valuable land reserves which will be able to satisfy the Company's needs for steady expansion and long-term development.

While pushing forward urban renewal projects, the Group adhered to the "two-pronged" model of "residence + business" to build a solid moat to secure its cash flow and safety margins with stable and sufficient rental income and growth in asset value. The Group held and operated commercial properties located in the core areas of core cities of the Greater Bay Area represented by NEO Urban Commercial complex and Zoll Shopping Centre. Following completion and delivery of urban renewal projects, the Group gradually expanded the area of the commercial properties. With further urbanisation and accelerated integrated development in the Greater Bay Area, the value growth in core commercial properties is expected to bring long-term and significant benefits to the Group.

Upholding the historical mission of urban renewal to "promote urban upgrade and redevelopment", the Group, as an industry pioneer, continued to lead market development of the industry by adhering to the strategy of "focus on urban renewal in the Greater Bay Area, develop a brand new smart city". Following the strategic cooperation agreement in relation to the joint development of smart urban regions entered into with Huawei on 23 July 2018, the Group continued to strengthen cooperation with third-party enterprises during the year by implementing the "technology + property" strategy for urban renewal with the integration of smart technology, with a view to developing the smart city benchmark, thereby developing itself into an industry leader. On 15 March 2020, the Group established strategic partnerships regarding building smart cities with China Unicom and Shenzhen Jingyue Technology (深圳景悅科技) on the basis of the Baishizhou Urban Renewal Project in Nanshan District, Shenzhen. On 18 December 2020, the smart community of the LVGEM Joyful Town was launched as the first Huawei smart community in Zhuhai. Leveraging its own strong capabilities, the LVGEM Joyful Town was granted the "2020 Smart Community Modelling Project Award (2020智慧社區示範項目獎)" at the 11th China Internet of Things Industry and Smart City Development Annual Conference, after outperforming other branded projects in various comprehensive weighted evaluation. On 28 December 2020, the Group built Wanda Plaza in G1 zone of LVGEM International Garden in Huazhou in joint efforts with Wanda Group. Looking forward, the Group will make use of its own strengths in strategic layout and resources to accelerate the continued growth of the Group by pushing forward the development of smart cities and creation of city value.

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. As at 31 December 2020, the real estate development and sales of the Group generated revenue of approximately RMB4,512.6 million (2019: RMB5,962.4 million), representing a decrease of approximately 24.3% year-on-year, which was primarily attributable to the suspended launch of Block A of LVGEM Mangrove Bay No. 1 in consideration of profit maximisation. Total contracted sales amounted to approximately RMB4,479.0 million for the year. During the year under review, the quality real estate projects of the Group received overwhelming market response once again. Benefitting from the good product strength and brand influence, the projects, including LVGEM Amazing Plaza in Shenzhen, LVGEM Joyful Town in Zhuhai and LVGEM International Garden in Huazhou, received overwhelming subscriptions and market response with good sales results.

During the year, the Group continued to push forward urban renewal projects with high potential, including LVGEM Liguang Project in Shenzhen, Baishizhou Project in Shenzhen, Phase II of Shenzhen LVGEM Mangrove Bay No. 1 and Zhuhai Dongqiao Urban Renewal Project. In the future, the Group will continue to focus on the development in the Greater Bay Area and strive for excellence in developing new benchmark smart cities by implementing the "technology + property" strategy, in order to empower and add values to cities and develop an upgraded and excellent residential and living community with unique and quality design, thereby driving the continued steady growth of cost-effectiveness and business scale of the Group.

As one of the pioneers in Shenzhen's urban redevelopment sector, the Group have prepared and planned for Baishizhou Urban Renewal Project for years. Baishizhou Urban Renewal Project, the so-called "Grand Urban Renewal Project" in the industry in Shenzhen, is located in Shennan Avenue, Nanshan District, Shenzhen City and in proximity to Science Park and the sub-district of Overseas Chinese Town, which is a prestigious geographical location. With an area of approximately 3.58 million square meters, the project is a mega-large complex development project in the core areas of Shenzhen as a fast-growing city with scarce land resources. Its development is in 4 phases according to the project plan. The entire project development is scheduled to complete in the coming 8 to 10 years. On 28 October 2019 and 25 August 2020, the Group indirectly acquired approximately 80% equity interests in total in Baishizhou Urban Renewal Project. Phase I of the project was 100% contracted and it is expected that the Group will complete the confirmation of the operating entity of Phase I and commence its construction within 2021. The commencement of construction and sales of the project will be a huge growth driver for the Group.

LVGEM Mangrove Bay No. 1 is the most iconic urban renewal project of the Group in recent years. The project comprises three quality residential buildings and a high-quality complex of Grade A offices, hotels and apartments. The project is located in the southeast corner of the intersection of Shazui Road and Jindiyi Road in the central business district of Futian District, Shenzhen. Having 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 had several further launch with hot sale in 2019, contributing contracted sales of RMB248 million and recognised sales revenue of RMB625 million in 2020.

LVGEM Amazing Plaza is another urban upgrade and redevelopment project of the Group in Shenzhen City, which is strategically located in the sub-district of Overseas Chinese Town with rich scenic resources. As an integrated modelling zone for new mixed-use industrial towns, this project will be mainly used for industrial research and development, as well as dormitory and commercial purposes. The project is located at the north of Qiaoxiang Road, south of Beihuan Road, east of the intersection of Qiaoxiang Road and Beihuan Road as well as west of Qiaochengfang in Shenzhen. The project occupies a site area of 10,862 square meters and a total gross floor area of 97,214 square meters. The project was launched for the first time in September 2019. The brand-new show-flats were further launched with hot sale in April 2020 and the first batch of flats was occupied in June 2020. The project contributed contracted sales of approximately RMB1,962 million and recognised sales revenue of approximately RMB1,729 million during the year.

LVGEM Liguang Project is a residential, commercial and industrial high-end industrial park complex. The project is located in Liguang Village, Guanlan Town, Lunghua District, Shenzhen City and adjacent to the Mid Valley Clubhouse of the Mission Hills Golf Club, and possesses a prestigious scenic view of the natural environment. This project occupies a site area of 85,333 square meters and a total gross floor area of 382,139 square meters. Taking into consideration the surrounding environment and the living needs of the community, the project plan includes the development of a special commercial district at the west side of the region, as well as the Liguang Ecological Park at the east side which is covered with grassland. In January 2020, the Group and Liguang Company (黎光股份公司) entered into the Cooperation Agreement regarding the Guanlan Liguang Land Development Project in Lunghua District, Shenzhen City (《深圳市龍華區觀瀾黎光土地開發項目合作協定書》) for the redevelopment project of old villages in Liguang and the land consolidation project in Liguang in joint efforts. The project is currently at the contracting stage ahead of construction.

Zhuhai Dongqiao Urban Renewal Project is a strategic project of urban renewal in Zhuhai City for this round and among the first batch of projects that have officially commenced construction. Located in the sub-district of Nanwan, Zhuhai City, the project is in a well-established area where traditional luxury residences and street-level commercial region are located. It is positioned as the No. 1 bay-area cultural and arts community in Zhuhai, comprising high-end residences, featured hotels, street-level cultural regions and other industrial functions. The project occupies a total site area of approximately 207,550 square meters with a planned total gross floor area of approximately 764,920 square meters, which is intended to be developed into Dongqiao Smart City and District adopting an IOC (integrated operation and control centre) to real-time manage and control all the dynamic situations of the entire district. The development involves 27 construction projects of up to level 3 standard, comprising a total of 106 applied scenarios. It will provide overall solutions and services for multi-scenario and multi-dimensional, safe and intelligent urban management under the Dongqiao Project. On 12 July 2019, the Group has officially become the operating entity of the renewal project for the old village in Dongqiao and obtained all necessary administrative approvals. This project marks an important milestone of the Group in terms of the urban renewal development and operation in Zhuhai. On 12 January 2020, the groundbreaking ceremony for the commencement of construction of the project was held in Dongqiao Village, Zhuhai. The project is currently under construction and is expected to be launched in the second half of 2021.

LVGEM Joyful Town Project is located in the former Dongda Kaiwei Science Park, which is west of Mingzhu Station of the urban railway on Mingzhu North Road in Xiangzhou District, Zhuhai City. With a total gross floor area of 445,292 square meters, the project is positioned to comprise an international Grade A office building, apartment (hotel-serviced offices), residential and commercial complex. The project was launched for sale for the first time in September 2019. The online sales department was established in early February 2020, while several rounds of re-launch were held during the year with hot sale. The concentrated delivery of the southern part of the project was completed in December. For the year ended 31 December 2020, contracted sales of the project amounted to RMB1,106 million.

LVGEM International Garden is located in Huazhou, Maoming, Guangdong Province. Situated in a well-developed core district's residential area with rich natural resources, it is in proximity to the Juzhou Park and embraced by Xihu of 232 mu. It is well-served by public transport network and is only an approximately 20-minute drive from Yuexi International Airport. The project occupies a site area of approximately 835,800 square meters and a planned total gross floor area of approximately 2,248,298 square meters. Leveraging on the advantages such as excellent geographical location, ecological environment, established brand reputation and ancillary educational facilities, phase 4 of Lakeview Mansion in B4 zone of LVGEM International Garden Bolin Mansion was launched in the market in June 2020 for the first time, while Blocks 10 and 12 in D2 zone, A units of Block 17 in B4 zone and B units of Block 17 in B4 zone were re-launched for several rounds subsequently. For the year ended 31 December 2020, the total contracted sales of LVGEM International Garden amounted to RMB1,062 million and recognised sales revenue was approximately RMB885 million. The gross floor area pending development of the project remained approximately 1.075 million square meters and it is estimated that the project will be launched at a value of approximately RMB1 billion annually in the future.

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

Commercial Property Investment and Operations

The "two-pronged" business model of "residential + commercial" is an integral part of the Group's development pattern. During the year, the Group holds over 25 quality commercial property projects comprising a total gross floor area of approximately 799,888 square meters, mainly represented by two commercial brands, namely "NEO" and "Zoll", including Shenzhen NEO Urban Commercial Complex, Hong Kong LVGEM NEO, LVGEM Zoll Chanson Shopping Mall, LVGEM 1866 Zoll Shopping Mall, LVGEM Zoll Hongwan Shopping Mall, LVGEM Zoll Mangrove Bay No.1 Shopping Mall, LVGEM Zoll International Garden Shopping Mall, LVGEM Zoll Jinhua Shopping Mall, LVGEM Zoll Yuexi Shopping Mall, Dongguan LVGEM Zoll Shopping Mall and other shops and investment properties. The Group's commercial property development projects are mainly independent commercial projects as well as complex projects that comprise commercial features. Among them, the ancillary services of commercial properties under complex projects significantly increase the overall value of individual residential projects among the real estate development business.

For the year ended 31 December 2020, the Group's revenue from the commercial properties investments and operation was approximately RMB620.2 million (2019: RMB618.7 million), representing an increase of approximately 0.2% year-on-year.

NEO Urban Commercial Complex is elected as "one of the ten major landmarks of Shenzhen". It is strategically located in the western region of central Futian District of the core central business district in Shenzhen. It is a key urban and commercial landmark in Shenzhen. It has easy access to public transport locating at the intersection of four Metro Lines 1, 7, 9 and 11. NEO Urban Commercial Complex has a total gross floor area of approximately 252,539 square meters and a total lettable area of approximately 121,236 square meters. The high-quality corporate tenants of Grade A office building comprise offices and branches of various Fortune Global 500 companies, banks, telecommunication corporations and other state-owned enterprises. During the year, the industry adjustment of 7,200 square meters of the podium of Tower A was completed and 100% of which was contracted for delivery. For the year ended 31 December 2020, the average occupancy rate of NEO Urban Commercial Complex was about 87% (2019: 83%).

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. As a new smart city operator proactively developing the business layout over the Greater Bay Area, the Group acquired 8 Bay East, the full seaview Grade-A commercial building located in 123 Hoi Bun Road, Kwun Tong for HK$9 billion at the end of 2017, and renaming it as the "NEO". It is positioned as a financial and technological centre which integrates health, green, humanity and scenarios. In July 2019, the handover of Hong Kong LVGEM NEO was completed and the operation officially commenced on 8 November 2019. The project received overwhelming responses since it was launched for leasing. As at 31 December 2020, the occupancy rate of the property was over 50%. Anchor tenants include insurance groups, financial or innovation and technological enterprises and a virtual bank, thereby aligning with its positioning as a "full seaview smart financial centre in Kowloon East". Highlighted by the strategic significance of the project to tapping into Hong Kong property market by the Group, the project will facilitate consolidation of the leading position of LVGEM (China) in the commercial property market as well as its market position and brand influence in the Greater Bay Area.

Zoll Shopping Mall is a famous fashion and comprehensive shopping centre. As of 31 December 2020, the Group owns and operates LVGEM Zoll Chanson Shopping Mall, LVGEM 1866 Zoll Shopping Mall, LVGEM Zoll Hongwan Shopping Mall, LVGEM Zoll International Garden Shopping Mall, LVGEM Zoll Jinhua Shopping Mall and LVGEM Zoll Yuexi Shopping Mall. For the year ended 31 December 2020, the overall occupancy rate was about 93% (2019: 97%). B4 zone of LVGEM Zoll International Garden Shopping Mall launched its opening during the year as scheduled, while Dongguan LVGEM Zoll Shopping Mall is currently available for leasing.

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 2020, the comprehensive services of the Group generated revenue of approximately RMB292.0 million (2019: RMB321.3 million), mainly attributed to the significant decrease of revenue from hotel operations in the first to third quarters of the year due to the pandemic. The situation basically returned to normal in the fourth quarter.

The Group provided comprehensive property management services for most of its property development projects, including security services, property maintenance and management of ancillary facilities, property brokerage business, online platform and e-shops for lifestyle services, which comprised a total gross floor area of approximately 2.97 million square meters during the year (2019: 2.42 million square meters). Shenzhen LVGEM Property Management Co., Ltd. obtained the ISO9001:2008 certification for its quality system of property management services and the Level A property management qualification. As the property management services and value-added services become more mature, it is expected that the property management company will contribute sustainable revenue growth for the Group in the future.

In respect of hotel operations, the Group operates and manages two hotels in Shenzhen and the United States. These hotels are the LVGEM Hotel which is located in the central business district of Futian District, Shenzhen, and the Vanllee Hotel in Covina, California, the United States which was acquired in 2017. With the effect of suspension and reduction in business trips due to the COVID-19 pandemic, the average occupancy rate of LVGEM Hotel was approximately 61% as at 31 December 2020 (2019: 75%).

In the post-pandemic era, the living style and lifestyle of people as well as urban development will experience dramatic changes driven by technological advancement. The real estate industry in the PRC saw rapid development in the last 20 years, during which, the delivery of property construction changed from simple manual management to automatic management, and subsequently smart management. At present, the architectural forms such as smart community, smart park and smart city featured people-oriented service, smart operation and refined management have become the best scenarios for testing the application of advanced technologies, such as artificial intelligence, big data, cloud computing, 5G communication technology, platform structuring and digital technology. In particular, urban renewal projects of super large scale have problems like long development cycle, large range of necessary technologies, high capacity and density and heavy traffic volume. A single-pronged approach is not sufficient to tackle these key problems and a two-pronged approach of "space + technology" is essential.

Driven by technological innovation and based on information network, smart city is able to address the demand of high-quality development and provides services like digital transformation, smart upgrade and integrated innovation, thereby offering huge room for integration in three aspects, namely information infrastructure (represented by 5G communication technology, big data centre, artificial intelligence, industrial internet, Internet of Things, satellite internet, cloud computing, block chain and other sectors), integrated infrastructure and innovative infrastructure. The development strategy of smart city features the use of the new generation of information technology to build a digital city system mirroring the real city, with an aim to achieve interconnection and intercommunication of data through the full spatial perception of the real space, analysis and decision-making. The system will therefore be able to actively provide customised and people-oriented services, thereby achieving revenue growth through digital operation methods. LVGEM Smart City will start with smart security system to provide contactless solutions for living in the city. In particular, the city will be covered by digital HD cameras without blind spot to achieve connection of systems such as videos, fire safety, boundary patrolling, pedestrian gates, aerial monitoring and gate entry. Integrated smart analysis will be carried out through facial monitoring, regulated connection, scenario analysis, pedestrian flow statistics, regional security, lost and found and people assembly, which will eventually be applied with facial recognition and AI technology to achieve contactless access of the community, unit, elevator and flat. Leveraging the large-scale LVGEM Baishizhou Urban Renewal Project as the carrier, the Group will achieve smart management of the whole chain of people, vehicle and freight yard with intelligent technology to solve the management problems of property personnel and vehicles and create a new operation and management model of logistics for super large urban complex located in prime location of core cities, thereby providing logistics service of better quality for residents, tenants, officers, hotel customers and staff in the city.

Financing

Facing the challenging macro environment, the Group adopted diverse domestic and overseas financing means in their highest and best use during the year and actively prepared for the refinancing schemes to secure sufficient capital for the Group's development. The Group has completed the refinancing of its US dollar bonds and public bonds successively during the year: in February and March 2020, the Group launched and completed the complex and well-structured US dollar bond exchange and issuance scheme to replace the US$50 million private bond due in June 2020 and the US$400 million public bond due in August 2020; and in August 2020, the Group completed the renewal of domestic corporate bond. Meanwhile, the Group also actively managed the terms of the convertible bonds in issue: in June 2020, the Group entered into a supplemental agreement with the bondholder of the guaranteed convertible bonds due in 2023 with a principal amount of US$100 million and an interest rate of 4.00% per annum to extend the put option date to 17 May 2022 or a later date (originally on 17 May 2020); in November 2020, the Group entered into a deed of extension with the bondholder of the convertible bonds due in 2020 with a principal amount of US$70 million and an interest rate of 5.50% per annum to further extend the maturity to 18 May 2022; and in December 2020, the Group entered into a supplemental agreement with the bondholder of the guaranteed convertible bonds due in 2023 with a principal amount of US$50 million and an interest rate of 5.00% per annum to extend the put option date to 31 January 2022 or a later date (originally on 28 September 2020).

During the year, the Group actively improved its financial structure and adapted itself to the national regulatory requirements of "three red lines" for real estate enterprises. The liabilities to assets ratio after excluding receipts in advance and net gearing ratio was 61.8% and 76.2%, respectively, which were within the target levels. The Group will continue to further explore financing channels, consolidate its financial strengths, enrich its cash flow and improve its operational efficiency through domestic and overseas financing, while making use of domestic and overseas financing platforms flexibly and improving the efficiency in the use of funds, thereby further supporting the rapid business expansion and development and achieving stable growth in operating results.

Future Prospect

In 2020, the COVID-19 pandemic has spread across the globe and caused great impact on the global economy. The PRC has adopted strong prevention and control measures to contain the spread of the COVID-19 pandemic, leading to rapid economic recovery and gradual resumption of normal order. From a macro perspective, the PRC has adopted active, flexible and loose monetary policy, leading to rapid recovery of the real estate market. Following the implementation of specific measures under 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》), especially the promulgation of favourable policies regarding the promotion of urban renewal projects, the Group, focusing on its development in the key areas of core cities of the Greater Bay Area, has been provided with great historical opportunity. As a pioneer in the field of urban renewal, the Group has focused on the development of key areas in core cites of the Greater Bay Area for years. It is expected that the Group will continue to benefit from the national strategic planning and continued promotion of the development of the Greater Bay Area.

Looking forward to 2021, the Group will continue to adopt a prudent approach by closely monitoring the changes in the macro environment and adjusting its specific business development strategies. Adhering to the strategic guideline of "focusing on urban renewal in the Greater Bay Area and developing a brand new smart city", the Group will focus on its development in the key areas of core cities of the Greater Bay Area. In terms of facilitating the urban renewal projects in the Greater Bay Area, the Group will continue to follow the national strategic plans, with a focus on facilitating various large-scale urban renewal projects held by the Group and its controlling shareholder, commencing the construction of various large-scale urban renewal projects in Shenzhen and releasing the value of quality land resources. While putting committed efforts in urban renewal, the Group will use its best endeavors in establishing an outstanding business operation model, aiming to create higher brand value for the Group, bring better life experience to the residents, infuse vitality to the city's renewal and development and deliver substantial returns to the investors.

By continued research on the projects 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, continue to develop quality projects in the key areas of core cities, develop industrial properties (industrial park operation and industrial investment) and operate smart commercial cities. With the unique positioning and brand-new perspective, the Group will develop "unique properties, resources-linked properties and smart properties". The Group will also facilitate the collaboration with Huawei Company, China Unicom and other intelligent technology companies in full efforts, and strive to develop the smart city benchmark by integrating with the Baishizhou urban construction platform.

Looking ahead, the Greater Bay Area will definitely become an important driver for national economic development. The Group will seize the tremendous opportunities arising from the development of the Greater Bay Area, striving to develop the Company into a new smart city developer and operator that is dedicated to the construction of the Guangdong-Hong Kong-Macao Greater Bay Area. Upholding the spirit of remaining creative and motivated and adhering to the corporate mission of "continuously enhancing the value of cities", the Group will make sustained efforts towards the vision and goal of "being the most respected city value-creator in the PRC" in 2021.

As COVID-19 is largely under control in the PRC by the second quarter of 2020, it is expected that the pandemic will not have material impact on our business operations and financial performance in 2021. However, as most countries around the globe are still largely affected by the pandemic, the Group's future financial performance might be subject to risks caused by the global economic environment.

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 2020 was approximately RMB5,424.8 million (2019: RMB6,902.4 million), representing a decrease of approximately 21.4% as compared to the last year, which was mainly due to the decrease in revenue from sales of properties held for sale.

	2020	2019	**Increase/ (decrease)**	
	RMB'000	*RMB'000*	*RMB'000*	*%*
Real estate development and sales	**4,512,643**	5,962,446	(1,449,803)	-24.3
Commercial property investment and operations	**620,167**	618,674	1,493	+0.2
Comprehensive services	**292,017**	321,328	(29,311)	-9.1
Total	**5,424,827**	6,902,448	(1,477,621)	-21.4

For the year ended 31 December 2020, the revenue from sales of properties held for sale was approximately RMB4,512.6 million (2019: RMB5,962.4 million), representing a decrease of approximately 24.3% as compared to the last year, which was primarily due to the suspended launch of Block A of LVGEM Mangrove Bay No. 1 in consideration of profit maximisation. As a result of this change in sales plan, there was a reduction in sales volumes of residential units in the current year. The Group's total gross floor area of properties held for sale sold during the year ended 31 December 2020 was approximately 231,100 square meters (2019: approximately 271,500 square meters).

Revenue from leasing of investment properties for the year ended 31 December 2020 was approximately RMB620.2 million (2019: RMB618.7 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 commenced operation in second half of 2019, the occupancy rate of other investment properties during the year ended 31 December 2020 maintained at a high level at 91% (2019: 91%). The occupancy rate of Hong Kong LVGEM NEO as at 31 December 2020 was over 50%.

The Group provides comprehensive services to customers and tenants of its residential and commercial properties. These comprehensive services include property management services, hotel operations, renovations and others. For the year ended 31 December 2020, comprehensive services of the Group generated revenue of approximately RMB292.0 million (2019: RMB321.3 million).

Gross Profit and Gross Profit Margin

For the year ended 31 December 2020, the Group's integrated gross profit was approximately RMB2,665.7 million (2019: RMB4,430.4 million), representing a decrease of approximately 39.8% as compared to the last year, and the integrated gross profit margin for the year ended 31 December 2020 was 49.1% (2019: 64.2%). The fluctuation of gross profit margin was mainly caused by the revenue recognised under different project portfolio. In 2019, approximately 75.3% of the revenue was derived from LVGEM Mangrove Bay No.1, with a higher gross profit margin over 70% while only approximately 13.9% of the revenue in 2020 was derived from LVGEM Mangrove Bay No.1. The income from sales of LVGEM Joyful Town and LVGEM Amazing Plaza accounted for approximately 26.0% and 38.3% of the revenue in 2020 respectively.

Gain on deemed disposal of an associate

For 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, Victor Success and Multiple Ally, 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.

Selling Expenses

For the year ended 31 December 2020, selling expenses of the Group amounted to approximately RMB127.2 million (2019: RMB134.1 million), representing a decrease of approximately 5.1% as compared to the last year. 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 2020, administrative expenses of the Group amounted to approximately RMB474.5 million (2019: RMB461.5 million), representing an increase of approximately 2.8% as compared to the last year. The increase was mainly attributable to the depreciation expenses incurred for new office in Hong Kong LVGEM NEO.

Fair Value Changes on Investment Properties

The valuation on the Group's investment properties as at 31 December 2020 was conducted by an independent property valuer which resulted in a fair value loss on investment properties of approximately RMB239.3 million for the year ended 31 December 2020 (2019: fair value gain of approximately RMB696.4 million).

Finance Costs

For the year ended 31 December 2020, finance costs of the Group amounted to approximately RMB1,533.1 million (2019: RMB1,256.2 million), representing an increase of approximately 22.0% as compared to the last year.

The increase in finance costs was mainly due to the increase of the Group's total interest-bearing loans to RMB30,650.5 million as at 31 December 2020 from RMB25,976.5 million as at 31 December 2019. The Group's average finance cost of interest-bearing loans was 7.1% for the year ended 31 December 2020 (2019: 6.3%).

Income Tax Expense

For the year ended 31 December 2020, income tax expense of the Group amounted to approximately RMB865.0 million (2019: RMB1,617.2 million). The Group's income tax expense included payments and provisions made for EIT and LAT during the year. The decrease of income tax expense during the year was mainly attributable to the decrease in LAT provision due to the decrease in sales volumes in the current year.

Operating Results

For the year ended 31 December 2020, the profit attributable to owners of the Company was approximately RMB3,453.4 million (2019: RMB1,750.0 million), representing an increase of approximately 97.3% as compared to the last year.

Liquidity, Financial Resources and Gearing

Bank balances and cash as at 31 December 2020 amounted to approximately RMB9,409.7 million (including restricted bank deposits) (2019: RMB8,347.0 million).

The Group had total borrowings of approximately RMB30,650.5 million as at 31 December 2020 (2019: RMB25,976.5 million). Borrowings classified as current liabilities were approximately RMB10,136.9 million (2019: RMB10,826.7 million) and the Group's net gearing ratio as at 31 December 2020 was approximately 76.2% (2019: 135.3%), which was based on net debt (total interest-bearing loans net of bank balances and cash (including restricted bank deposits)) over total equity.

Current, Total and Net Assets

As at 31 December 2020, the Group had current assets of approximately RMB48,369.2 million (2019: RMB22,276.5 million) and current liabilities of approximately RMB15,903.1 million (2019: RMB17,760.7 million), which represented an increase in net current assets from approximately RMB4,515.9 million as at 31 December 2019 to approximately RMB32,466.1 million as at 31 December 2020. The increase in net current assets as at 31 December 2020 was mainly attributable to (i) the increase in properties under development for sale upon injection of Baishizhou Urban Renewal Project, and (ii) the reclassification of the outstanding convertible bonds from current liabilities to non-current liabilities upon the effective of certain supplemental agreements and/or supplemental trust deeds in the current year.

As at 31 December 2020, the Group recorded total assets of approximately RMB74,267.0 million (2019: RMB48,736.3 million) and total liabilities of approximately RMB46,381.4 million (2019: RMB35,701.5 million), representing a liabilities to assets ratio of approximately 62.5% (2019: 73.3%). Net assets of the Group were approximately RMB27,885.6 million as at 31 December 2020 (2019: RMB13,034.8 million).

For the year ended 31 December 2020, 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 2020, loans of approximately RMB15,731.6 million (2019: RMB18,642.0 million) were secured by properties under development for sale, properties held for sale, investment properties, properties, plant and equipment and pledged deposits of the Group respectively in the total amount of approximately RMB22,114.8 million (2019: RMB26,344.1 million).

Contingent Liabilities

For the year ended 31 December 2020, the Group had financial guarantee contracts relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB2,128.8 million (2019: RMB2,132.4 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 2020, the Group issued financial guarantee to certain banks with a total amount of RMB289,200,000.

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 2020, the Group had a staff roster of 2,097 (2019: 1,821), of which 2,065 (2019: 1,794) employees were based in the Mainland China and 32 (2019: 27) 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 22 June 2021 to 25 June 2021, both days inclusive, during which 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 21 June 2021.

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 2020, the Group complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. The Directors confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 December 2020.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2020.

The consolidated financial statements have been audited by the Group's auditor, Messrs. Deloitte Touche Tohmatsu. The unqualified auditor's report will be included in the 2020 Annual Report to shareholders.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

During the year, the Company issued an aggregate of 37,636,364 ordinary shares. Details of which are as follows:

(a) on 14 January 2020, the Company received a conversion notice for the conversion of aggregate 13,636,364 convertible preference shares in the capital of the Company into 13,636,364 ordinary shares of the Company; and

(b) on 4 August 2020, the Company received a conversion notice for the conversion of aggregate 24,000,000 convertible preference shares in the capital of the Company into 24,000,000 ordinary shares of the Company.

The Company has not redeemed any of the Company's listed securities during the year. Save as disclosed above and the issue of 8,808,000 shares by the Company pursuant to the exercise of share options under the share option scheme of the Company during the year, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 25 August 2020:

(1) a direct wholly-owned subsidiary of the Company entered into a subscription agreement with Affluent Trade Investments Limited and Mr. Wong Hong King to subscribe for new ordinary shares of Affluent Trade Investments Limited at the consideration of RMB1,200,000 (equivalent to HK$1,364,000), representing 70% of the enlarged issued share capital in Affluent Trade Investments Limited;

(2) a direct wholly-owned subsidiary of the Company entered into a subscription agreement with Victor Success Investments Limited and Mr. Wong Hong King to subscribe for new ordinary shares of Victor Success Investments Limited at the consideration of RMB1,380,000 (equivalent to HK$1,568,000), representing 75% of the enlarged issued share capital in Victor Success Investments Limited; and

(3) a direct wholly-owned subsidiary of the Company entered into a subscription agreement with Multiple Ally Limited and Mr. Wong Hong King to subscribe for new ordinary shares of Multiple Ally Limited at the consideration of RMB1,490,000 (equivalent to HK$1,693,000), representing 75% of the enlarged issued share capital in Multiple Ally Limited.

Details of the above subscriptions are set out in the announcement of the Company dated 25 August 2020.

Save as disclosed above, the Group did not make any other significant investments, acquisitions or disposal during the year which 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 2020 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 2020 Annual Report and a circular containing the notice of Annual General Meeting will be dispatched to shareholders in due course.

GENERAL INFORMATION

As at the date of this announcement, the Board comprises Ms. HUANG Jingshu (Chairman), Mr. TANG Shouchun (Chief Executive Officer), Mr. YE Xingan, Mr. HUANG Hao Yuan and Mr. SIU Chi Hung as executive directors; Ms. LI Lihong as non-executive director and Mr. WANG Jing, Ms. HU Gin Ing and Mr. MO Fan as independent non-executive directors.

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

Hong Kong, 30 March 2021

* *For identification purposes only*