L.gem 綠景(中國)地產投資有限公司

LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(HKSE Stock Code: 95)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

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 consolidated results of the Company and its subsidiaries (collectively known as the "**Group**") for the year ended 31 December 2024 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	NOTES	**2024** *RMB'000*	2023 *RMB'000*
Revenue	*3*	**3,713,887**	6,117,628
Cost of sales		**(3,562,953)**	(4,541,374)
Gross profit		**150,934**	1,576,254
Other income	*4*	**47,987**	61,795
Other gains and losses	*5*	**(335,155)**	124,167
Selling expenses		**(151,852)**	(256,400)
Administrative expenses		**(462,735)**	(454,252)
Recognition of change in fair value of properties held for sale upon transfer to investment properties		**–**	60,586
Fair value changes on investment properties		**(2,897,666)**	(1,212,128)
Finance costs	*6*	**(2,049,474)**	(1,744,114)
Share of results of a joint venture		**–**	(1)
Loss before tax	*7*	**(5,697,961)**	(1,844,093)
Income tax credit (expenses)	*8*	**264,307**	(288,294)
Loss for the year		**(5,433,654)**	(2,132,387)
Loss for the year attributable to:			
Owners of the Company		**(5,171,433)**	(2,126,475)
Non-controlling interests		**(262,221)**	(5,912)
		(5,433,654)	(2,132,387)
		RMB cents	*RMB cents*
Loss per share attributable to the owners of the Company during the year	*10*		
– Basic		**(100.69)**	(41.71)
– Diluted		**(100.69)**	(41.71)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024	2023
	RMB'000	*RMB'000*
Loss for the year	**(5,433,654)**	(2,132,387)
Other comprehensive income (expense)		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation	**(131,090)**	(95,762)
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	**156,923**	(1,417)
Other comprehensive income (expense) for the year	**25,833**	(97,179)
Total comprehensive expense for the year	**(5,407,821)**	(2,229,566)
Total comprehensive expense attributable to:		
Owners of the Company	**(5,138,814)**	(2,224,180)
Non-controlling interests	**(269,007)**	(5,386)
	(5,407,821)	(2,229,566)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2024

	NOTES	2024 RMB'000	2023 RMB'000
Non-current assets			
Investment properties		**38,258,781**	40,827,347
Property, plant and equipment		**799,449**	816,941
Goodwill		**–**	231,602
Interest in a joint venture		**6,051**	6,051
Amount due from a joint venture		**501,179**	522,318
Equity instruments at fair value through other comprehensive income		**524,303**	370,074
Restricted bank deposits and pledged bank deposits		**259,602**	2,286,517
Deferred tax assets		**612,893**	493,963
		40,962,258	45,554,813
Current assets			
Properties under development for sale		**49,071,485**	46,947,897
Properties held for sale		**4,594,435**	4,756,369
Other inventories		**733**	1,231
Accounts receivable	*11*	**68,174**	54,537
Deposits paid, prepayments and other receivables		**5,637,356**	6,411,542
Tax recoverable		**208,015**	56,048
Restricted bank deposits and pledged bank deposits		**2,446,765**	1,243,776
Bank balances and cash		**597,456**	486,345
		62,624,419	59,957,745
Current liabilities			
Accounts payable	*12*	**4,444,260**	5,020,886
Accruals, deposits received and other payables		**9,034,281**	8,121,633
Contract liabilities		**8,926,083**	4,186,927
Lease liabilities		**55,951**	19,178
Tax liabilities		**2,475,815**	2,436,286
Borrowings		**30,633,249**	18,041,658
Domestic corporate bonds		**129,821**	844,575
Debt component of convertible bond		**142,213**	119,898
Derivative component of convertible bond		**–**	2,479
Other current liabilities		**3,599,392**	585,960
		59,441,065	39,379,480
Net current assets		**3,183,354**	20,578,265
Total assets less current liabilities		**44,145,612**	66,133,078
Non-current liabilities			
Borrowings		**1,828,128**	16,214,154
Domestic corporate bonds		**845,265**	129,716
Lease liabilities		**317,414**	182,265
Deferred tax liabilities		**3,633,509**	3,984,379
Other non-current liabilities		**13,540,093**	16,233,540
		20,164,409	36,744,054
Net assets		**23,981,203**	29,389,024
Capital and reserves			
Share capital		**46,702**	42,465
Reserves		**17,992,912**	23,135,963
Equity attributable to owners of the Company		**18,039,614**	23,178,428
Non-controlling interests		**5,941,589**	6,210,596
Total equity		**23,981,203**	29,389,024

Notes:

1. GENERAL AND BASIS OF PREPARATION

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

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

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

During the year ended 31 December 2024, the Group incurred a net loss of RMB5,434 million and as at 31 December 2024, the Group has borrowings amounting to RMB30,905 million (including bank and other borrowings of RMB30,633 million, debt component of convertible bond of RMB142 million and domestic corporate bonds of RMB130 million) that are repayable within one year at the end of the reporting period, of which RMB30,485 million becoming immediately repayable on demand due to defaults or cross defaults triggered. At the same date, the Group has cash and cash equivalents amounted to RMB597 million. In addition, a winding-up petition was filed by a lender ("**A Lender**") at the High Court of the Hong Kong Special Administrative Region ("**High Court**") against the Company on 4 February 2025 due to default in certain notes issued by a subsidiary of the Company and certain financial obligation guaranteed in connection to the notes provided by the Company.

In view of such circumstances, the directors of the Company have undertaken a number of plans and measures to improve the Group's liquidity and financial position, to restructure the existing borrowings and to oppose the winding-up petition with the A Lender, including:

(i) The Group is seeking the legal advice from a legal advisor in respect of the winding-up petition as to resolutely oppose the winding-up petitions in order to avoid winding-up petition being confirmed by High Court with consequence of liquidation;

(ii) The Group has appointed a financial advisor and a legal advisor (the "**Advisors**") to assist it with a restructuring of its offshore bank and other borrowings, in order to reach a consensual solution with all the stakeholders (including "A Lender") as soon as practical;

(iii) The Group has been actively negotiating with existing lenders for renewal or extension for repayment of the Group's borrowings until the Group is able to secure sufficient funding to repay;

(iv) The Group will continue to draw down necessary funding from the loan facilities granted and actively negotiating with several financial institutions to obtain new loans for completing/starting of existing/new property development projects;

(v) The Group will continue to actively make efforts to achieve the latest budgeted sales and pre-sales volumes at current market price for its existing development projects;

(vi) The Group will maintain continuous communication with the major constructors and suppliers to arrange payments to these vendors; and

(vii) The Group will continue to seek opportunity to dispose of its properties to generate more cash inflows to improve the liquidity.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2024. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due within twelve months from 31 December 2024. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Group is able to implement the aforementioned plans and measures and continue as a going concern which depend upon the Group's ability to generate adequate cash flows through the following: (i) successfully obtaining the agreement from the lenders to resolutely oppose the winding-up petition and avoid winding up petition being confirmed by High Court with consequence of liquidation; (ii) successfully and timely completion of the debt restructuring of its offshore bank and other borrowings; (iii) successfully negotiating with the Group's existing lenders for the renewal or extension for repayment of the Group's borrowings; (iv) successfully securing project development loans for qualified project in a timely manner; (v) successfully carrying out the Group's business strategy plan including the acceleration of the sales of properties and timely payment to the vendors; and (vi) successfully disposing of the Group's properties.

Should the Group fail to achieve a combination of the above-mentioned plans and measures, or winding up petition being confirmed by High Court, it might not be appropriate for the directors of the Company to prepare the consolidated financial statements on a going concern basis. Potential adjustments would have to be made to the reported financial information including but not limited to reduce the carrying values of the Group's assets to their realisation amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, if applicable. The effects of these adjustments have not been reflected in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the Group's annual periods beginning on 1 January 2024 for the preparation of the consolidated financial statements:

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

Except as described below, the application of all other amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 Impacts on application of Amendments to HKFRS 16 Lease Liability in a Sale and Leaseback

The Group has applied the amendments for the first time in the current year. The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements of HKFRS 15 Revenue from Contracts with Customers ("**HKFRS 15**") to be accounted for as a sale. The amendments require a seller-lessee to determine "lease payments" or "revised lease payments" such that the seller-lessee would not recognise a gain or loss that relates to the right of use retained by the seller-lessee. The amendments also clarify that applying the requirements does not prevent the seller-lessee from recognising in profit or loss any gain or loss relating to subsequent partial or full termination of a lease.

According to the transitional provisions, the Group has applied the new accounting policy retrospectively to the sale and leaseback transactions entered into by the Group as the seller-lessee after the initial application of HKFRS 16 Leases ("**HKFRS 16**"). The application of the amendments has no material impact on the Group's financial position and performance.

2.2 Impacts on application of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the"2022 Amendments")

The Group has applied the amendments for the first time in the current year. The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or noncurrent, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

- clarify that the settlement of a liability can be a transfer of cash, goods or services, or the entity's own equity instruments to the counterparty. If a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the 2022 Amendments specifically clarify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date, even if compliance with the covenant is assessed only after the reporting date. The 2022 Amendments also specify that covenants with which an entity must comply after the reporting date (i.e. future covenants) do not affect the classification of a liability as current or non-current at the reporting date. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

In accordance with the transition provision, the Group has applied the new accounting policy to the classification of liability as current or non-current retrospectively. The application of the amendments in the current year had no material impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

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

	2024	2023
	RMB'000	*RMB'000*
Sales of properties	**2,627,934**	5,010,846
Revenue from hotel operation, property management service and other services	**419,543**	405,928
Revenue from contracts with customers	**3,047,477**	5,416,774
Rental income	**666,410**	700,854
	3,713,887	6,117,628
Timing of revenue recognition from contracts with customers		
At a point in time	**2,627,934**	5,010,846
Over time	**419,543**	405,928

– **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 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 around one to two years.

The Group considers the advance payment contains significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the Group. As this accrual increases the amount of the contract liability during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customer.

– **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 services are for periods less than one year and for the property management service, the Group elected to apply practical expedient by recognising revenue in the amount to which the Group has right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

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

Segment revenue and results

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

For the year ended 31 December 2024

	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	**2,627,934**	**666,410**	**419,543**	**3,713,887**
Inter-segment revenue	**–**	**11,583**	**176,117**	**187,700**
Total segment revenue	**2,627,934**	**677,993**	**595,660**	**3,901,587**
Reportable segment results	**(603,510)**	**624,089**	**130,355**	**150,934**

For the year ended 31 December 2023

	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	5,010,846	700,854	405,928	6,117,628
Inter-segment revenue	–	12,774	165,972	178,746
Total segment revenue	5,010,846	713,628	571,900	6,296,374
Reportable segment results	818,476	648,257	109,521	1,576,254

Inter-segment sales are at mutually agreed terms.

Reconciliations of reportable segment results

The Group does not allocate fair value changes of properties under development for sale/held for sale upon transfer to investment properties, fair value changes on investment properties, other income, other gains and losses, depreciation of property, plant and equipment, 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 results *(Continued)*

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

	2024	2023
	RMB'000	*RMB'000*
Reportable segment results	**150,934**	1,576,254
Recognition of change in fair value of properties held for sale upon transfer to investment properties	**–**	60,586
Fair value changes on investment properties	**(2,897,666)**	(1,212,128)
Other income	**47,987**	61,795
Other gains and losses	**(335,155)**	124,167
Depreciation of property, plant and equipment	**(61,313)**	(60,313)
Finance costs	**(2,049,474)**	(1,744,114)
Share of results of a joint venture	**–**	(1)
Corporate expenses	**(553,274)**	(650,339)
Consolidated loss before tax	**(5,697,961)**	(1,844,093)

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:

	2024	2023
	RMB'000	*RMB'000*
Assets		
Real estate development and sales	**61,215,269**	60,546,892
Commercial property investment and operations	**39,131,259**	41,743,579
Comprehensive services	**361,943**	385,757
Reportable segment assets	**100,708,471**	102,676,228
Goodwill	**–**	231,602
Equity instruments at fair value through other comprehensive income ("**FVTOCI**")	**524,303**	370,074
Bank balances and cash	**166,407**	129,760
Restricted bank deposits and pledged bank deposits	**705,415**	594,447
Deferred tax assets	**612,893**	493,963
Interest in a joint venture and amount due from a joint venture	**507,230**	528,369
Deposits paid, prepayments and other receivables	**17,871**	27,815
Amounts due from related parties	**95,780**	187,804
Amounts due from non-controlling interests	**10,006**	12,881
Corporate assets	**238,301**	259,615
Consolidated total assets	**103,586,677**	105,512,558

For the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than goodwill, equity instruments at FVTOCI, certain bank balances and cash, certain restricted bank deposits and pledged bank deposits, deferred tax assets, interest in a joint venture and amount due from a joint venture, certain deposits paid, prepayments and other receivables, amounts due from related parties, amounts due from non-controlling interests and corporate assets.

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 2024 and 2023. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	2024	2023
	RMB'000	*RMB'000*
Mainland China	**30,655,657**	32,513,460
Hong Kong	**7,698,205**	8,390,452
USA	**165,156**	173,378
Cambodia	**539,212**	566,998
	39,058,230	41,644,288

Note: Non-current assets excluded goodwill, interest in a joint venture, amount due from a joint venture, restricted bank deposits and pledged bank deposits, equity instruments at FVTOCI and deferred tax assets.

Information about major customers

No major customers contributed over 10% of the total sales of the Group for the years ended 31 December 2024 and 2023.

4. OTHER INCOME

	2024	2023
	RMB'000	*RMB'000*
Interest income	**19,599**	32,983
Dividend income	**26,248**	22,808
Government grants *(Note)*	**2,140**	6,004
	47,987	61,795

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

5. OTHER GAINS AND LOSSES

	2024	2023
	RMB'000	*RMB'000*
Impairment loss recognised for accounts receivable, net	**(4,990)**	(3)
Impairment loss recognised for amount due from a joint venture	**(21,139)**	–
Impairment loss recognised for amounts due from related parties	**(93,610)**	–
Impairment loss recognised for goodwill	**(231,602)**	–
Net foreign exchange gains	**13,118**	61,116
Fair value changes on derivative component of convertible bond	**2,488**	52,050
Gain on non-substantial modification of domestic corporate bonds	**–**	311
(Loss) gain on disposal of property, plant and equipment	**(4)**	2
Others	**584**	10,691
	(335,155)	124,167

6. FINANCE COSTS

	2024	2023
	RMB'000	*RMB'000*
Interest on:		
Bank and other borrowings	**3,007,178**	2,723,515
Convertible bonds	**24,561**	79,625
Domestic corporate bonds	**84,182**	162,041
Lease liabilities	**29,278**	15,966
Contract liabilities	**359,155**	–
Less: Amount capitalised in investment properties under development and properties under development for sale *(note)*	**(1,095,725)**	(1,237,033)
Interest of contract liabilities capitalised	**(359,155)**	–
	2,049,474	1,744,114

Note: The finance costs have been capitalised at rates ranging from 4.50% to 24.00% (2023: 4.50% to 24.00%) per annum.

7. LOSS BEFORE TAX

	2024	2023
	RMB'000	*RMB'000*
Loss before tax is arrived at after charging (crediting):		
Cost of properties held for sale recognised as expense	**2,564,323**	4,192,370
Write-down of properties under development for sale and properties held for sale (included in cost of sales)	**667,121**	–
Depreciation of property, plant and equipment	**61,364**	60,465
Less: Amount capitalised in investment properties under development and properties under development for sale	**(51)**	(152)
	61,313	60,313
Gross rental income from investment properties	**666,410**	700,854
Direct operating expenses incurred in respect of investment properties that generated rental income during the year	**(42,321)**	(52,597)
	624,089	648,257
Expense relating to short-term leases	**3,859**	4,510
Auditor's remuneration	**2,892**	3,312
Staff costs		
– Directors' emoluments	**5,608**	7,778
– Salaries and other benefits in kind	**402,761**	446,980
– Amount recognised as expense for retirement benefit costs	**29,160**	29,861
Less: Amount capitalised in investment properties under development and properties under development for sale	**(87,055)**	(114,795)
	350,474	369,824

8. INCOME TAX (CREDIT) EXPENSES

	Notes	2024 RMB'000	2023 RMB'000
Current tax			
– PRC Enterprise income Tax ("**EIT**")	*(a)*	**108,185**	296,151
– PRC withholding tax on dividends distribution		**870**	112,317
		109,055	408,468
PRC Land Appreciation Tax ("**LAT**")	*(b)*	**147,496**	115,553
Deferred taxation		**(520,858)**	(235,727)
Total income tax (credit) expenses		**(264,307)**	288,294

Notes:

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

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

Pursuant to the Cambodia tax laws, a subsidiary of the Group is entitled to preferential tax treatment with full exemption from Cambodia Corporate Income Tax for three years from 1 April 2019 to 31 March 2022. No estimated assessable profits for the year ended 31 December 2024 and 2023 and therefore no Cambodia Corporate Income Tax has been provided.

Under the U.S. Tax Cuts and Jobs Act, the U.S. corporate income tax rate has charged at flat rate of 21% during both years. In addition, under the relevant rules of state tax in California of the U.S., the state tax rate is charged at 8.84% (2023: 8.84%) during the year ended 31 December 2024.

No Hong Kong Profits Tax and U.S. corporate income tax have been provided for as the Group had no estimated assessable profits for both years.

9. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2024 and 2023.

10. LOSS PER SHARE

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

	2024 RMB'000	2023 RMB'000
Loss		
Loss for the purposes of basic and diluted loss per share	**(5,171,433)**	(2,126,475)

	2024 '000	2023 '000
Number of shares		
Weighted average number of ordinary shares of the Company for the purpose of basic loss per share	**5,136,060**	5,097,704
Effect of dilutive potential ordinary shares in respect of		
– Share options	**–**	–
– Convertible bonds	**–**	–
– Convertible preference shares	**–**	–
Weighted average number of ordinary shares of the Company for the purpose of diluted loss per share	**5,136,060**	5,097,704

The computation of diluted loss per share for the year ended 31 December 2024 and 2023 does not assume the conversion of outstanding convertible bonds and convertible preference shares of the Group as the conversion would result in a decrease in loss per share. Moreover, the computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for the years ended 31 December 2024 and 2023.

11. ACCOUNTS RECEIVABLE

	2024	2023
	RMB'000	*RMB'000*
Accounts receivable from:		
– Contracts with customers	**38,372**	36,317
– Lease receivables	**35,490**	18,845
Accounts receivable	**73,862**	55,162
Less: Allowance for credit losses	**(5,688)**	(625)
	68,174	54,537

As at 1 January 2023, trade receivable from contracts with customers amounted to RMB41,360,000.

Accounts receivable represent receivables arising from rental income from leasing properties and comprehensive services (including hotel operation and property management). 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 (2023:30 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, is as follows:

	2024	2023
	RMB'000	*RMB'000*
Within 1 month	**24,217**	22,115
1 to 12 months	**33,501**	28,811
13 to 24 months	**10,456**	3,611
	68,174	54,537

12. ACCOUNTS PAYABLE

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

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

	2024	2023
	RMB'000	*RMB'000*
Within 1 month	**1,903,996**	2,660,639
1 to 12 months	**1,872,320**	1,761,681
13 to 24 months	**530,660**	460,595
Over 24 months	**137,284**	137,971
	4,444,260	5,020,886

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

CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to report to all shareholders of the Company the business review and prospects of the Group for the year ended 31 December 2024.

I. 2024 REVIEW

The year 2024 marked a crucial year for achieving the planned goals and tasks of the "14th Five-Year Plan". It was also a very exceptional and extraordinary year in the course of China's economic development. Amid mounting external pressures and increasing internal difficulties, the Chinese government responded proactively and effectively to the risks and challenges, and timely launched a package of responsive macroeconomic policies to achieve significant results, which drove the Chinese economy to an overall stable condition with growth. The Gross Domestic Product ("**GDP**") amounted to RMB134.9 trillion, representing an increase of 5.0% from the previous year.

The real estate market remained in a cycle of adjustment, with a double-digit decline in the growth of real estate sales and investment. The Central Government rolled out a bundle of policies to focus on stabilizing the market and curbing inventory of properties, thereby "promoting stabilization of the real estate market from decline". As a result of these policies, a short-term recovery was seen in the fourth quarter with a notable turnaround of the residential demand for housing. The property market was once stabilized and improved in a phased manner, with the sales of new housing and second-hand property transactions rising steadily; the decline of property prices and land costs in first-tier cities came to an end, and the cycle for the destocking of commodity housing was shortened.

Under the severe conditions of the industry, pursuing its steadfast aspiration of "Persevere with Integrity, Stability with Sustainability", LVGEM (China) forged ahead to embrace the hardship, proactively responded to various challenges of the industry's downturn. In terms of real estate development, the total area of construction was approximately 1.8 million square meters, of which: there were 2 new projects under construction (with an area of 110,000 square meters), 3 completed projects (with an area of 390,000 square meters), and 2 delivered projects (with an area of 290,000 square meters).

In terms of commercial property investment and operations， the Group adhered to the two-pronged business model of "residential and commercial" development, with "NEO" and "Zoll" as its two major core commercial brands, which continued to bring steady rental income and asset appreciation to the Group. During the year, the Group further focused on its core resources and capital through the disposal of the LVGEM Zoll Hongwan Shopping Mall. The underlying revenue continues to strongly replenish the Group's cash flow, further strengthening the financial foundation and safeguarding the sustainable development of the Group.

In respect of comprehensive services segment, the Group continued to thoughtfully develop an all-round comprehensive service system covering property management services, hotel operation and other value-added services for customers and tenants of residential and commercial properties. By adopting a diversified, synergistic and mutual-development strategy, it further broadened its sources of revenue and consolidated the diversified foundations of the Group's business.

Nonetheless, as the fair value loss of investment properties increased and the provisions for impairment loss of properties under development and properties held for sale were made among the currently unfavorable real estate market conditions, and partly due to the fact that the Phase I of the LVGEM Baishizhou Project remained ahead of the timing of carrying forward any revenue, the Group recorded a greater loss in 2024. However, the so-called decline in results or even loss arising from the revaluation of investment properties are financial adjustments of non-cash nature which are only shown as book values and do not directly affect the core operating profit or operating cash flow of the business.

For the Group, its investment properties are mainly concentrated in the core areas of first-tier cities such as Shenzhen. Under the market adjustment in the previous year, its properties also suffered from the pressure on valuation and investment. Nonetheless, considering that these properties have higher value by their prime locations and appreciation potential in the long term, their potential value will remain unaffected in the long run even if they are prone to drastic fluctuations in fair value due to reduced liquidity of market in the short term.

II. CHALLENGES AND PROSPECTS

Challenges

With the uncertainties, the slowdown in the real estate sales, the mandatory regulation on the funds from pre-sale under the policy of "guaranteed delivery of properties", and the liquidity problem generally in the market, the Group is also faced with the increasing pressure on cash flow as one of its greater challenges. As such, the Group is required to carry out its fund management in a more sophisticated manner to ensure a secure position of funding. Therefore, the Group will continue to promote the disposal of inefficient assets to generate more cash in order to consolidate its barrier moat as a secured foundation.

Indebtedness problems will be highlighted when there is a shortage of funds. Turning passive into active, the Group has actively taken effective measures to resolve the short-term debt stress. The Group has engaged with its offshore creditors with a view to restructuring and optimizing its debts. The Group believes that, through the offshore debt restructuring, the offshore debt structure will be more rationalized and the business operations will be further robust, which will be more secure for the Group in fulfilling its responsibilities to investors, creditors, home buyers, returning relocated tenants and other parties in the society.

Overall, 2024 was a challenging year for the Group. LVGEM (China)'s current financial difficulties are merely the result of the combined effect of the long life-cycle of the urban renewal model, the inherent conflicts of heavy assets and the liquidity crisis in the industry, but the Group is well-poised for challenges with its strong risk response capability. The Group will respond positively and prudently to every issue and challenge in order to ensure the steady development of the Group in return for the trust and support of employees, relocated property owners, shareholders and the community.

Looking forward to 2025, the policy reinforcement is expected to drive the anticipated recovery, but the recovery of the real estate market is still posed with many challenges, and the overall market might remain in the trough stage. Nevertheless, under the impetus of positive changes such as the market transactions becoming active, gradually stabilizing property prices, and the improvement of the real estate related industries, the consistent policy support with synergy can overcome the hurdles, one after another, that are hindering the continuous recovery of the real estate industry, and promote the steady and sound development of the real estate market. By turning crisis into new opportunities, the real estate sector will continue to forge ahead through these tumultuous times.

In view of the development in 2025, the Group will proactively adjust its strategies, which mainly includes three areas: 1. narrowing down the strategic scope of business and focusing the Group's resources on the development of five high-quality projects; 2. strengthening its asset management capability and putting greater efforts in operating properties to shift the growth momentum across the segments; 3. Making focused efforts in the urban renewal sub-sectors to consolidate its market position.

According to the national policy outlook for 2025, the market status of urban renewal will be significantly enhanced. In the new round of stabilizing economic growth, urban renewal will play a greater role in providing guidance for the "expansion of domestic demand", which in turn will effectively further help accelerate the urban renewal actions across the country. With the support of policies, urban renewal will enter a golden phase of development, creating more market opportunities. Leveraging its 40 years of experience in urban renewal, the Group will proactively seize the urban renewal opportunities in the Greater Bay Area ("**GBA**") to further promote urban renewal, adopt the "Technology+ Real Estate" model to cater to the demands for the future iterative upgrade of urban functions in the GBA, and make full use of the latest technologies to enhance the efficiency of development and operation. The era of high profit margins of the real estate is over. We need to continuously contribute to the Group's results by capitalizing on the role of our operating properties as the stabilizer of its revenue. The Group will gradually achieve the shifting gears across the segments, and strengthen the role of the operating properties as a stabilizer of its performance to safeguard its recovery. In addition, with the advantage of holding a large number of core assets, the Group also has more room for asset transfer.

In response to the debt problems, the Group, together with its financial advisers and legal counsel team, is exploring and engaging closely with various creditors on debt restructuring options. In line with the current practice of many listed property enterprises in the real estate industry, the Group has been promoting offshore debt restructuring to ease liquidity stress and effectively focus its resources on the operation, development of five quality projects and "guaranteed delivery of properties" of the Group, so as to further effectively fulfill its social responsibilities.

The operation of the Group is under some pressure in the short term, however from the long term perspective, the unfavorable market factors have currently been exhausted. With the gradual stabilization of the industry and the continuous execution and enhancement of the Group's refined operational capabilities, coupled with the quality asset pipeline it held, the Group will certainly be empowered to continuously resonate with the development and upgrade of the core cities in the Greater Bay Area. As such, the potential for restoring the value of the Group is still worthy of anticipation.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

At present, Chinese economy is at a critical stage of shifting gears to foster a new development paradigm with accelerated efforts. During 2024, despite the intensifying external pressures and increasing internal difficulties, China promoted high-quality development in a solid manner. Thanks to the continuous optimization of the economic structure and consistent improvement in development quality, China eventually accomplished the economic growth targets set at the beginning of the year, which was definitely a hard-earned achievement. The economy generally demonstrated a "U-shaped" trend throughout the year. According to the statistics of the National Bureau of Statistics, in 2024, the annual GDP amounted to RMB134,908.4 billion, representing an increase of 5.0% over last year on the basis of constant prices. This is the first time that China's total economic output has surpassed RMB130 trillion, making it the second largest economy in the world and underscoring its ongoing significance as a driver for global economic growth.

The proportion of the real estate sector, a traditional driver bolstering the economic growth of China, in the national economy declined. In 2024, China's real estate market entered the third year of the downside cycle and continued to slump under multiple headwinds. As the overall market continued to undergo adjustments, the growth rates of both the real estate sales and investment declined by double digits. Confronted with this grim reality, the Central Government responded decisively and continued to launch more intensive policies addressing both the supply and demand sides, in a bid to stabilize the real estate market. According to the National Bureau of Statistics, in 2024, the national investment in real estate development amounted to RMB10,028.0 billion, representing a decrease of 10.6% from last year; of which RMB7,604.0 billion was invested in residential housing with a decrease of 10.5%. All major indicators simultaneously declined. The sales of newly built commodity housing and properties held for sale remained weak. The sales area of newly built commodity housing throughout the year amounted to 973.85 million square meters, down 12.9% year-on-year, of which the sales area of residential housing declined by 14.1%. The sales amount of newly built commodity housing amounted to RMB9,675.0 billion, down 17.1%, of which residential housing sales decreased by 17.6%. The overall land market contracted, with the area of residential land sold and land premiums in 300 cities declining by nearly 30% and 32% year-on-year, respectively. The proportion of land premium in first-tier cities increased, with real estate enterprises focusing more on core cities during their land acquisition. In 2025, the enhancing policies are expected to drive recovery, but the revival of the real estate market still encounters many challenges, and the overall market may remain in the trough stage. Nonetheless, on the back of positive changes such as the market turning more active, gradual stabilization of housing prices and the upswing in real estate-related sectors, the government may overcome the hurdles, one after another, that are hindering the continuous recovery of the real estate sector, and promote the steady and sound development of the real estate market by rolling out consistent policy support in a synergistic manner. By turning crisis into new opportunities, the real estate sector will continue to forge ahead through these tumultuous times.

Empowered with a higher positioning, urban renewal undertakes the dual mission of upgrading the cityscape and the quality of dwelling. In 2024, the need to vigorously promote urban renewal in 2025 was highlighted in a number of important meetings, including the Central Economic Work Conference, making it a key focus of government investment. This implied that the market would place a much greater emphasis on urban renewal. In the next wave of economic stabilization, urban renewal would play a larger part in guiding the "expansion of domestic demand", which would effectively propel the further acceleration of the urban renewal process across the country. It is anticipated that more policies supporting urban renewal will be introduced by the State to usher urban renewal into a golden phase of development with multi-model innovation, diverse support mechanisms, multiple key factor assurances and more market participants, thereby creating more market opportunities.

With its economic vibrance, the Guangdong-Hong Kong-Macao Greater Bay Area (the "GBA") ranked top among global bay areas and occupied an essential and strategic position in the overall development of China, playing an important role in leading and supporting the economy of the whole country. Benefited from the comprehensively integrated development of the economy and society in recent years, the GBA has become one of the regions with the highest degree of openness and the strongest economic vitality in China. As the economic "engine" of the whole country, the GBA has a role to play in driving the economic growth. The benefits of national policies, including real estate policies, will inevitably be implemented and realized in this most competitive and dynamic region. Therefore, it can be predicted that in 2025, the real estate market in GBA is expected to halt price falling and stabilize under the multiple impetus of policy support, economic vitality and population inflow, and show a trend of expanding scale of transactions, higher activities of the second-hand housing market, and the core-cities-driven market growth. Empowered with a higher positioning and missions, coupling with the urgent needs of urban renewal for the development of the GBA, urban renewal will certainly be promoted to a new level in the core cities of the Bay Area. The Guangdong-Hong Kong-Macao Greater Bay Area will continue to blossom into an internationally first-class Bay Area and a world-class city cluster with its boundless appeal, driven by high-quality economic development and consumption.

In 2024, the 40th anniversary of the incorporation of LVGEM (China), LVGEM Baishizhou has gradually been on the verge of fulfilling the plan of a city within a mega-city. In the face of the overall downward pressure in the real estate market and the challenges presented by the industrial restructure, the Group's development was also subject to greater pressure. Nonetheless, the Group kept abreast of the changes in market demand and flexibly adjusted its sales strategies, while strengthening project management and cost control to enhance its financial stability, demonstrating its profound development capabilities and superior operational abilities. During the year, the Company sped up the construction of its "Grand Urban Renewal Project" in Shenzhen, LVGEM Baishizhou, which was a popular property well received by the market and has dominated the sales charts for a number of times. Based on its outstanding urban renewal practices, LVGEM (China), with this project, has set a benchmark for many urban renewal projects, which represents: the integration of innovative concepts and technologies, impressing customers with the better life created by urban renewal in a new horizon.

Looking forward, the Group will continue to focus on the development of the GBA. It will also promote and push ahead urban renewal and introduce more renewal projects into the listed company by upgrading the "two-pronged" business strategy. At the same time, the Group will adopt the "Technology+ Real Estate" model to cater for the needs of future iterative upgrade of urban functions in the GBA, and make full use of the latest technologies to enhance the efficiency of development and operation, with a view to contributing to the high-quality development of the GBA, achieving sustainable and stable development, and delivering satisfactory returns to investors who have long supported the development of the Company.

Overall performance

2024 was a challenging year for the Group. LVGEM (China)'s current financial difficulties are merely the result of the combined effect of the long life-cycle of the urban renewal model, the inherent conflicts of heavy assets and the liquidity crisis in the industry, but the Group is well-poised for challenges with its strong risk response capability. The Group will respond positively and prudently to every issue and challenge in order to ensure the steady development of the Group in return for the trust and support of employees, relocated property owners, shareholders and the community.

For the year ended 31 December 2024, the Group achieved total revenue of approximately RMB3,713.9 million (2023: RMB6,117.6 million), representing a decrease of approximately 39.3% year-on-year. Gross profit amounted to approximately RMB150.9 million (2023: RMB1,576.3 million). The gross profit margin for the year ended 31 December 2024 was 4.1% (2023: 25.8%).

During the reporting period, loss amounted to approximately RMB5,433.7 million (2023: RMB2,132.4 million), representing an increase of approximately 154.8% year-on-year. Loss attributable to owners of the Company amounted to approximately RMB5,171.4 million (2023: RMB2,126.5 million), representing an increase of approximately 143.2% year-on-year. Basic loss per share amounted to RMB100.69 cents (2023: RMB41.71 cents), representing an increase of approximately 141.4% year-on-year.

The Board does not recommend the payment of any dividend for the year ended 31 December 2024.

The Group's key financial indicators for the year ended 31 December 2024 were as follows:

	2024 *(RMB million)*	2023 *(RMB million)*	**Change**
Revenue	3,713.9	6,117.6	-39.3%
Gross profit	150.9	1,576.3	-90.4%
Loss attributable to owners of the Company	(5,171.4)	(2,126.5)	143.2%
Basic loss per share *(RMB cents)*	(100.69)	(41.71)	141.4%
Gross profit margin *(%)*	4.1	25.8	-21.7 percentage points

	2024	2023
Bank balances and cash (including restricted bank deposits and pledged bank deposits) *(RMB million)*	3,303.8	4,016.6
Average finance costs *(%)**	8.0	8.2
Liabilities to assets ratio *(%)*	76.9	72.2
Rate of equity return *(%)*	-28.67	-9.2

* 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 and contract liabilities) by average total borrowings which is calculated by adding up of average balances of total borrowings (including debt component of convertible bonds but excluding lease liabilities) for the year.

Business Review

In 2024, the core concept of China's real estate policy was to "halt the decline and restore the stability". To this end, the policies have targeted both the supply and demand side at the same time, forming a responsive policy package of "four cancellations, four reductions, and two increases", but it took time for the policies to give play to its roles in the market and for market confidence to be restored.

Amidst a complex and volatile market environment, despite the ongoing downward pressure on the real estate industry, the Group always attaches great importance to quality and insists on developing high-quality products. Accordingly, it actively optimized the resource allocation, and stepped up its efforts in launching new sales strategies to ensure destocking on the sales side. Additionally, the Group maintained its competitiveness in the industry and delivered robust financial performance through its efforts to control costs and enhance efficiency while strictly controlling quality and exploring new growth points. All of the Group's iconic projects such as the Shenzhen Baishizhou Urban Renewal Project, Zhuhai Dongqiao Project (LVGEM Royal Bay in Zhuhai) and Phase II of the Shenzhen Shazui Project (Phase II of Mangrove Bay No. 1 Project in Shenzhen, Shangyue Mansion) have maintained good momentum with their resource values well-recognised by the market.

Situated in the core area and core zone of Shenzhen, Baishizhou Urban Renewal Project is also geographically located at the prime zone on Shennan Avenue, the golden development spindle of Shenzhen, amid the development of the avenue from west to east. Adjacent to the Overseas Chinese Town, a traditional luxury residential area, the Project links the four major headquarters bases, namely Shenzhen Bay, Liuxiandong, Houhai Financial CBD and Hi-Tech Park, marking a core location of the city, and even a zone with confirmed value. Baishizhou Urban Renewal Project is accredited as the "Grand Urban Renewal Project" in Shenzhen, and is currently the largest urban renewal project in Shenzhen as well as in China. As one of the largest urban renewal complex in Shenzhen as well as in China, the Group has consolidated global resources to jointly create an all-new Baishizhou, setting an ultra-high standard for first-tier cities around the world. For more than one decade since the inception of the project in 2011, the public has placed great hopes on the project from the preliminary planning, demolition and redevelopment to revitalization, and every step in Baishizhou has garnered Shenzhen's and even nationwide attention.

In the Shenzhen 2035 planning, the Central Park of 3.44 square kilometer is set to be developed. Baishizhou Project is located next to the Central Park, and in the future, it will be a super masterpiece with unlimited value adjacent to the world-class Central Park luxury residential zone. The area of Overseas Chinese Town, neighboring the Project, is a quality area recognized by all Shenzhen people. In addition to its proximity to the super park belt of Shenzhen composed of Shahe Golf Club, Overseas Chinese Town Wetland Park, Shenzhen Bay and the mangrove reserve, it is also adjacent to LOFT · Overseas Chinese Town Creative Industrial Park, O · POWER Culture & Arts Centre, He Xiangning Art Museum and other creative street-level cultural regions. At the same time, it has access to cultural tourism resources such as the Window of the World and the Splendid Chinese Folk Culture Village, which is an invaluable area with the best quality living in Shenzhen. With over 40 years of urbanization in Shenzhen, the area has become an icon of the city. In terms of supporting commercial facilities, the Project is surrounded by cutting-edge CBDs, namely the Mixc World, Yitian Holiday Plaza, OCT Harbour and Mixc Shenzhen Bay. It owns approximately 400,000 square meters of ultra-large commercial space capacity with a 1.1-kilometre central green axis connecting diversified commercial spaces, with a variety of commercial themes covering urban luxury, hipster art, high-end community consumption and cutting-edge fashion trends. In terms of ancillary public facilities, the project provides four kindergartens with 57 classes, three schools under the consistent nine-year academic system with 90 classes, and about 65,000 square meters of community healthcare, cultural and other ancillary public facilities, which satisfies the different needs of public lives from multiple dimensions. In the near future, the Baishizhou community will become a future model for residential living areas in the core areas of Shenzhen.

The brand-new Baishizhou represents a watershed between the past and future of the urban area of Shenzhen, which is shaping a model urban area and a city model for the future of Shenzhen. LVGEM Baishizhou is dedicated to creating a new urban living space that integrates modernity and innovation. With its unique design concept, architectural style and humanistic connotations, it is an ideal residence, a new highlight of urban development, and a landmark that sets a new model for urban renewal. Phase I of the project, LVGEM Baishizhou Jingting, consists of three 74-storey super high-rise residential buildings with a total of 1,257 units, marking a new record for the height of residential buildings in Shenzhen. It is particularly worth noting that LVGEM Baishizhou Jingting, the residential product of Phase I of the project, not only stands out as the highest building in Shenzhen, but also attracts wide attention due to its scare location, boundless view and international product design, which perfectly showcases the lifestyle of the top-tier cycle.

During the year, the construction progress of LVGEM Baishizhou Jingting exceeded expectations. Phase I of the project was fully topped out one month ahead of schedule, resulting in an outstanding cityscape amidst a mega-city. In May 2024, the sample units for high-class regional market of Baishizhou Jingting was officially opened to the public and was recognised by a large number of customers for its excellent quality. In September, a groundbreaking ceremony was held for Shenzhen Urban Rail Transit Line 29. Located on the development axis spanning from Nanshan to Guangming District, this so-called “Double Super Central Line” of Shenzhen metro is a high-speed line from the south to the north that reshapes the central lines of Shenzhen with two stations serving the Baishizhou area. In the fourth quarter, thanks to the national policy support for the property market to halt its decline and restore stability and the adjusted purchase restriction policy by Shenzhen government, the real estate market popularity was rekindled. As such, LVGEM Baishizhou ushered in a sales boom, topping the sales chart for many times during the year with its most remarkable transaction volume in Shenzhen’s high-end residential sector. In the future, LVGEM Baishizhou not only will serve as a one-stop connection point to the Shenzhen Bay Super Headquarters Base, but will also be connected to a wide range of high-net-worth areas, entering the period with “the shortest travelling time than ever across Shenzhen”.

As for other urban renewal projects in Shenzhen, LVGEM Mangrove Bay No. 1 · Shangyue Mansion (尚悅府) (Phase II of Shazui Project) completed its delivery from 29 April to 5 May 2024 and achieved an occupancy of 939 residential units within 7 days of delivery, with the on-site delivery rate amounting to 98%. The maximum number of units delivered in a single day amounting to 219 units, and the delivery time was advanced by two months. LVGEM Shangyue Mansion (尚悅府) represented the Phase II of the urban renewal project of Shazui Village, the Phase I of which was LVGEM Mangrove Bay No. 1 (already launched) and Phase II was Shangyue Mansion(尚悅府). Prestigiously located in the well-established area of Futian, the project has an accessible transportation network with extensive supporting commercial facilities and high-quality education resources, which is a new landmark, with seaview, of Futian Mangrove in Shenzhen Bay.

In respect of urban renewal projects in Zhuhai, the Zhuhai Dongqiao Project (LVGEM Royal Bay in Zhuhai) is located in a prime location of the core luxury residential area of Xiangzhou District, Zhuhai, with the most comprehensive and premium supporting urban facilities, including a full range of resources such as business districts and parks. Meanwhile, the project is in the vicinity of the exit of the Hong Kong-Zhuhai-Macao Bridge, giving it an international vision, and hence an excellent choice for the core luxurious residence zone in Nanwan. In 2024, LVGEM Royal Bay became the only best-selling project in Zhuhai in the improved housing market with 128 units contracted, remaining at the top of the market. This is not the first time that LVGEM Royal Bay has topped the sales chart, as the project has surprised the market with impressive results repeatedly since its launch.

In 2024, riding on the sustainable business model of "residential and commercial", the Group continued to focus on core cities and cities' core areas. The operations of real estate development and commercial properties were complementary to each other. In terms of commercial property investment and operations, the Group adhered to the "two-pronged" business model of "residential and commercial", with "NEO" and "Zoll" as its two major core commercial brands, which continued to bring steady rental income and asset appreciation to the Group, thereby serving the role as the stabilizer of the operating performance and revenue as well as safeguarding the robust development of the Group. During the year, the Group further focused on its core resources and capital through the disposal of the LVGEM Zoll Hongwan Shopping Mall. The underlying revenue from the disposal continues to strongly replenish the Group's cash flow, further strengthening the financial foundation and safeguarding the sustainable development of the Group.

In respect of comprehensive services segment, the Group continued to thoughtfully develop an all-round comprehensive service system covering property management services, hotel operation and other value-added services for customers and tenants of residential and commercial properties. By adopting a diversified, synergistic and mutual-development strategy, it further broadened its sources of revenue and consolidated the diversified foundations of the Group's business.

Meanwhile, the Group continued to promote the development of smart technology. On 23 May 2024, the Group entered into a strategic cooperation agreement with Shenzhen Unicom and GenJoy Technology to jointly focus on the research and development (R&D) and promotion of technological and intelligent solutions covering various fields in the residential and commercial sectors, such as "technology in real estate", "smart living", "smart community" and "smart industrial park", particularly the "Smart City" integrating intelligence and urban areas in the vehicle of Baishizhou. 2024 is the fulfilling year for the mega-city of Baishizhou. During the reporting period, we completed the top-level design of the Smart City area jointly with Huawei, our strategic partner, and commenced construction of the infrastructure of the 5G base stations in parallel, taking a large stride for the Smart City area.

In terms of finance, as the fair value loss of investment properties increased and the provisions for impairment loss of properties under development and properties held for sale were made among the currently unfavorable real estate market conditions, and partly due to the fact that the Phase I of the LVGEM Baishizhou Project remained ahead of the timing of carrying forward any revenue, the Group recorded a greater loss in 2024. However, the so-called decline in results or even loss arising from the revaluation of investment properties are financial adjustments of non-cash nature which are only shown as book values and do not directly affect the core operating profit or operating cash flow of the business.

For the Group, its investment properties are mainly concentrated in the core areas of first-tier cities such as Shenzhen. Under the market adjustment in the previous year, its properties also suffered from the pressure on valuation and investment. Nonetheless, considering that these properties have higher value by their prime locations and appreciation potential in the long term, their potential value will remain unaffected in the long run even if they are prone to drastic fluctuations in fair value due to reduced liquidity of market in the short term.

With the uncertainties, the slowdown in the real estate sales, the mandatory regulation on the funds from pre-sale under the policy of "guaranteed delivery of properties", and the liquidity problem generally in the market, the Group is also faced with the increasing pressure on cash flow as one of its greater challenges. To this end, the Group has tightened its cash flow management, so as to safeguard cash flow, i.e. the "lifeline" of real estate enterprises, by making use of more precise knowledge, leaner management and more meticulous actions. In June 2024, the Group disposed of part of the commercial units and car parking spaces in Shenzhen Hongwan Shopping Mall at a consideration of RMB814 million to alleviate the pressure on the liquidity. The Group will continue to promote the disposal of inefficient assets to generate more cash in order to consolidate its barrier moat as a secured foundation.

Indebtedness problems will be highlighted when there is a shortage of funds. Turning passive into active, the Group has actively taken effective measures to resolve the short-term debt stress. The Group engages with its offshore creditors with a view to restructuring and optimizing its debts, which not only can ensure the seamless daily operations, but also can reduce the financing costs, thus providing strong funding support for its future development. The Group believes that, through the offshore debt restructuring, the offshore debt structure will be more rationalized and its business operations will be further robust, which will be more secure for the Group in fulfilling its responsibilities to investors, creditors, home buyers, returning relocated tenants and other parties in the society.

In terms of land reserve, in 2024, in the face of market uncertainties and the impact of the macroeconomic environment, adhering to its bottom-line mindset and the cautious and prudent approach, and, on the premise of safeguarding safety, the Group proactively expanded its reserves to include high-quality land parcels in the core cities and core areas in the GBA, and maintained its investment at a certain level. As at 31 December 2024, the Group had a land reserve of approximately 6.4 million square meters, of which approximately 84% was located in the core locations of the core cities in the GBA such as Shenzhen, Hong Kong, Zhuhai and Dongguan, which are well served by public transport with enormous development potentials. With relatively huge room for appreciation in the future, these land reserves are expected to bring higher revenue to the Group and enhance the Group's competitiveness in the market.

By virtue of its great strength and resilience amidst market downturn, the Group were once again well-recognized by the industry for its outstanding operating performance, brand influence and comprehensive strength. In 2024, the Group was ranked among the "Top 10 Real Estate Developers in Shenzhen" for thirteen consecutive years. LVGEM Baishizhou Jingting was awarded the International Pioneer Design Award for Landscape in the International Pioneer Design Award (IDPA AWARD) in Japan for its innovative design concepts, landscape design integrating nature and art, and planning standards benchmarking against those of the world's first-tier cities, which is not only a recognition of the Group's design standards, but also sets a new benchmark for the urban renewal and high-end residential market of Shenzhen. LVGEM Baishizhou Smart City Project, which was developed by the Group in collaboration with other technology companies such as Huawei, Unicom and GenJoy, won the "Best Practices for Data Management Award" at 2024 DAMA, which signifies the high recognition of LVGEM Baishizhou by the data management and digitization industry across the country. In the future, adhering to the main development strategy of "establishing a foundation in Shenzhen, focusing on the Pearl River Delta while keeping close tap on the whole country" and taking digital intelligence as guidance, the Group will make precise deployment in the GBA and continue to create highly innovative, futuristic and high-quality products to set a benchmark for residential living, so as to make its core assets more rare, precious and durable, hence further promoting the appreciation in value.

Real Estate Development and Sales

During the reporting period, remaining as the core and main business of the Group, the real estate development and sales projects were mainly located in the core areas of core cities of the GBA. For the year ended 31 December 2024, the real estate development and sales of the Group generated revenue of approximately RMB2,627.9 million (2023: RMB5,010.8 million), representing a year-on-year decrease of approximately 47.6%, which was mainly attributable to recognition of sales of LVGEM Royal Bay, LVGEM Internation Garden and LVGEM Mangrove Bay No. 1 Project. In 2024, the Group's contracted sales based on the commodity housing purchase agreements amounted to approximately RMB11,074.8 million (2023: RMB9,152.0 million), representing a year-on-year increase of approximately 21.0%, which was mainly attributable to sales contribution from Phase I of the Baishizhou Project. According to the data published by CRIC, an authoritative organization, the Group was ranked in the "Top 20 Real Estate Enterprises Sales in Shenzhen 2024" and was ranked 99th in the "China Real Estate Enterprises Sales Ranking 2024". In 2024, the real estate market in China was still in the stage of "the decline coming to an end and recovering at a stable level" with the development of the industry encountering various difficulties. The Group proactively adjusted its strategies to seek breakthroughs and development amidst the hardship. Benefited from the refined cost control and improved operational efficiency, the principal businesses continued to operate steadily, which demonstrated the strength for sustainable development.

Commercial Property Investment and Operation

In 2024, in the area of commercial property investment and operations, the Group maintained steady operation of a series of commercial properties represented by the brands "Zoll" and "NEO", which provided sustainable cash flow and rental income to the Group. In particular, such properties include: NEO Urban Commercial Complex, Zoll Chanson Shopping Mall, Zoll Mangrove Shopping Mall, Zoll Hongwan Shopping Mall, Zoll Yuexi Shopping Mall, Zoll Huazhou Shopping Mall, Zoll Jinhua Shopping Mall, Zoll 1866 Commercial Street, as well as other stores and investment properties. During the reporting period, the Group held over 30 commercial property projects with a total gross floor area of over 1.6 million square meters. The revenue generated from commercial property investment and operations amounted to approximately RMB666.4 million (2023: RMB700.9 million), representing an increase of approximately 3.8% year-on-year.

Comprehensive Services

The Group provides comprehensive services to customers and tenants of its residential and commercial properties. These comprehensive services include property management services, hotel operations and others. Located in the central business district of Futian District, Shenzhen, LVGEM Hotel is situated in a prime location and has an average occupancy rate of over 72% in 2024. Shenzhen LVGEM Jiyuan Property Management Service Co., Ltd. and Shenzhen LVGEM Property Management Co., Ltd., both being subsidiaries of the Group, provide comprehensive and quality property management services for a number of properties developed by the Group, including security services, property maintenance and management of ancillary facilities. As at 31 December 2024, comprehensive services of the Group generated revenue of RMB419.5 million (2023: RMB405.9 million), representing a year-on-year increase of approximately 3.4%. The diversified operation model and strategy has reduced the risk of reliance on a single business, and broadened the sources of revenue for the Group on a continuous basis.

Future Prospect

In 2024, the real estate market remained in a cycle of adjustment with increasing support from stimulus policies. The two rounds of key supporting policies were introduced on 17 May and 26 September respectively with measures ranging from credit support to the relaxation of restrictions on property purchases, which have begun to bear fruit. As the year 2025 is the concluding year of China's "14th Five-Year Plan", with the demand for steady macroeconomic growth, it is expected that the policy environment for the real estate industry, as one of the pillar industries, will continue to be relaxed, and fiscal and financial policies that are conducive to the rebound of the real estate market will be launched continuously across the country, which will facilitate further release of residential home demand. Notwithstanding the decrease in population and the downward pressure on the economy, the real estate industry will adapt to the new market environment through a series of policy adjustments. Housing prices in core cities are expected to stabilize from decline, while the increased supply of "good homes" will drive the increase in improved housing demand, thus gradually realizing a stable and balanced market.

As China's real estate market enters an era where quality, resilience and prudent growth are of paramount significance, the importance of urban renewal is becoming increasingly prominent. In 2024, the central government as well as various provinces and municipalities continued to release various urban renewal policies a the scale of the policies remained at a high level, promoting the continuous improvement of China's urban renewal policy system.

Urban renewal is an important initiative to enhance the quality of life of residents, improve urban functions and restore the urban ecosystem, which is not only an inevitable requirement for the high-quality development of a new mode of urbanization, but also an important means to expand domestic demand, stabilize investment and promote consumption at this stage. The urban development in China has entered a stage where both construction of newly-added housing and renewal of existing properties are emphasized, and the mission of urban renewal will become increasingly focused in the coming period. On 3 January 2025, the State Council held its first executive meeting of the year to make deployment for "studying and promoting urban renewal". This implied that the market would place a much greater emphasis on urban renewal. In the next wave of economic growth stabilization, urban renewal would play a larger part in guiding the "expansion of domestic demand", which would effectively propel the further acceleration of the urban renewal process across the country. In the next stage, it is anticipated that more supportive policies will be further introduced by various departments and local governments to usher urban renewal into a golden phase of development with multi-model innovation, diverse support mechanisms, multiple key factor assurances and more market participants, thereby creating more market opportunities.

The progress of urban renewal will obviously enter the fast lane in 2025 with the overall objective of realizing a virtuous cycle of efficient economic development, high quality living environment for residents, creation of exquisite spaces and high standards of urban governance. At this stage, it is expected that urban renewal in Shenzhen as well as the whole GBA will play an important role in the redeployment of spatial structure of the city, redevelopment of land resources, redistribution of economic benefits and reshaping of regional functions.

2024 was a challenging year for the Group. LVGEM (China)'s current financial difficulties are merely the result of the combined effect of the long life-cycle of the urban renewal model, the inherent conflicts of heavy assets and the liquidity crisis in the industry. However, the Group is well-poised for challenges with its strong risk response capability. Looking forward into 2025, the Group will proactively adjust its strategies, which mainly includes three areas: 1. narrowing down the strategic scope of business and focusing the Group's resources on the development of five high-quality projects, particularly the Baishizhou Project, and concentrating all our efforts on ensuring the delivery of the Project in 2025; 2. strengthening its asset operation capability and putting greater efforts in operating properties to shift the growth momentum across the segments. The era of high profit margins of the real estate is over. We need to continuously contribute to the Group's results by capitalizing on the role of the operating properties as the stabilizer of its revenue. The Group will gradually achieve the shifting gears across the segments, and strengthening the role of the operating properties as a stabilizer of its performance to safeguard its recovery; 3. With the support of policies, urban renewal will enter a golden phase of development, creating more market opportunities. Leveraging its 40 years of experience in urban renewal, the Group will proactively seize the urban renewal opportunities in the GBA to further promote urban renewal, adopt the "Technology+ Real Estate" model to cater to the demands for the future iterative upgrade of urban functions in the GBA, and make full use of the latest technologies to enhance the efficiency of development and operation.

In respect of the indebtedness, The Group, together with its financial advisers and legal counsel team, is also exploring and closely engaging with various creditors on the debt restructuring plan. In line with the current practice of many listed real estate enterprises in the property industry, by promoting offshore debt restructuring, the Group will alleviate the liquidity stress and better focus its resources on the operations, the development of its five quality projects and the "guaranteed delivery of properties", so as to more effectively fulfil its social responsibilities.

The operation of the Group is under some pressure in the short term, however from the long-term perspective, the unfavorable market factors have currently been exhausted. With the gradual stabilization of the industry and the continuous execution and enhancement of the Group's refined operational capabilities, coupled with the quality asset pipeline it held, the Group's value will be restored and its development potential will be worth looking forward to. The Group will certainly be able to achieve sustainable development in return for the trust and support of employees, relocated property owners, shareholders and the community.

Financial Review

Revenue

The Group's revenue mainly comprised of revenue from sales of properties held for sale, leasing of investment properties and comprehensive services. The Group's revenue for the year ended 31 December 2024 was approximately RMB3,713.9 million (2023: RMB6,117.6 million), representing a decrease of approximately 39.3% as compared to the last year, which was mainly due to the decrease in revenue from sales of properties held for sale recognised during the reporting period.

	2024	2023	**Increase/ (decrease)**	
	RMB'000	*RMB'000*	*RMB'000*	*%*
Real estate development and sales	**2,627,934**	5,010,846	**(2,382,912)**	**-47.6**
Commercial property investment and operations	**666,410**	700,854	**(34,444)**	**-4.9**
Comprehensive services	**419,543**	405,928	**13,615**	**3.4**
Total	**3,713,887**	6,117,628	**(2,403,741)**	**-39.3**

For the year ended 31 December 2024, the revenue from sales of properties held for sale was approximately RMB2,627.9 million (2023: RMB5,010.8 million), representing a decrease of approximately 47.6% as compared to last year, which was mainly attributable to the sales of LVGEM Royal Bay and LVGEM International Garden and LVGEM Mangrove Bay No. 1 Project. The Group's total gross floor area of properties held for sale recognised as revenue during the year ended 31 December 2024 was approximately 106,149 square meters (2023: approximately 252,857 square meters).

Revenue from leasing of investment properties for the year ended 31 December 2024 was approximately RMB666.4 million (2023: RMB700.9 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, the occupancy rate of other investment properties as at 31 December 2024 and 2023 maintained at a high level of over 76%. The occupancy rate of Hong Kong LVGEM NEO as at 31 December 2024 was 70% (2023: 71%).

The Group provides comprehensive services to customers and tenants of its residential and commercial properties. These comprehensive services include property management services, hotel operations, renovations and others. For the year ended 31 December 2024, comprehensive services of the Group generated revenue of approximately RMB419.5 million (2023: RMB405.9 million), representing an increase of approximately 3.4% as compared to the last year. The increase was mainly attributable to the increase of revenue of Huazhou Wanda Plaza in 2024 as compared with that in 2023.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2024, the Group's integrated gross profit was approximately RMB150.9 million (2023: RMB1,576.3 million), representing a decrease of approximately 90.4% as compared to last year, and the integrated gross profit margin for the year ended 31 December 2024 was approximately 4.1% (2023: 25.8%). The fluctuation of gross profit was mainly caused by the write-down of properties under development for sale and properties held for sale of RMB667.1 million recognised in current year.

Selling Expenses

For the year ended 31 December 2024, selling expenses of the Group amounted to approximately RMB151.9 million (2023: RMB256.4 million), representing a decrease of approximately 40.8% as compared to the year due to the decrease of property sales recognised in 2024. The selling expenses mainly included advertising expenses and sales commissions for sales of properties.

Administrative Expenses

For the year ended 31 December 2024, administrative expenses of the Group amounted to approximately RMB462.7 million (2023: RMB454.3 million), representing an increase of approximately 1.9% as compared to the last year. The administrative expenses mainly included the legal and professional fee incurred in relation to the onshore and offshore financing activities in the current year.

Fair Value Changes on Investment Properties

The valuation on the Group's investment properties as at 31 December 2024 was conducted by an independent property valuer and the directors of the Company which resulted in a fair value loss on investment properties of approximately RMB2,897.7 million (2023: RMB1,151.5 million) for the year ended 31 December 2024.

Finance Costs

For the year ended 31 December 2024, finance costs of the Group amounted to approximately RMB2,049.5 million (2023: RMB1,744.1 million), representing an increase of approximately 17.5% as compared to last year due to less capitalised interest upon completion of development project during the year. The Group's average finance cost of interest-bearing loans was 8.0% (2023: 8.2%) for the year ended 31 December 2024.

Income Tax (Credit) Expenses

For the year ended 31 December 2024, income tax credit of the Group amounted to approximately RMB264.3 million (2023: income tax expenses of RMB288.3 million). The Group's income tax (credit) expenses included payments and provisions made for EIT, LAT and deferred tax during the year. The change from income tax expenses to income tax credit was mainly the result from deferred tax credit provided in the fair value loss of investment properties in current year.

Operating Results

For the year ended 31 December 2024, the loss attributable to owners of the Company was approximately RMB5,171.4 million (2023: RMB2,126.5 million), representing an increase of approximately 143.2% as compared to the last year.

Liquidity, Financial Resources and Gearing

Bank balances and cash (including restricted bank deposits and pledged bank deposits) as at 31 December 2024 amounted to approximately RMB3,303.8 million (2023: RMB4,016.6 million). The Group's bank balances and cash are denominated in RMB, Hong Kong Dollar ("**HK$**") and US$.

The Group had total borrowings of approximately RMB33,578.7 million as at 31 December 2024 (2023: RMB35,350.0 million). Borrowings classified as current liabilities were approximately RMB30,905.3 million (2023: RMB19,006.1 million).

Breakdown of total borrowings

By currency denomination

	2024	2023
	RMB'000	*RMB'000*
Denominated in RMB	**23,289,842**	24,556,203
Denominated in HK$	**6,502,835**	7,367,788
Denominated in US$	**3,785,999**	3,426,010
	33,578,676	35,350,001

By fixed or variable interest rates

	2024	2023
	RMB'000	*RMB'000*
Fixed interest rates	**7,966,080**	6,578,834
Variable interest rates	**25,612,596**	28,771,167
	33,578,676	35,350,001

The Group's gearing ratio as at 31 December 2024 was approximately 126.2% (2023: 106.6%), which was based on net debt (total interest-bearing loans net of bank balances and cash (including restricted bank deposits)) over total equity.

Current, Total and Net Assets

As at 31 December 2024, the Group had current assets of approximately RMB62,624.4 million (2023: RMB59,957.7 million) and current liabilities of approximately RMB59,441.1 million (2023: RMB39,379.5 million), which represented a decrease in net current assets from approximately RMB20,578.3 million as at 31 December 2023 to approximately RMB3,183.4 million as at 31 December 2024. The decrease in net current assets as at 31 December 2024 was mainly attributable to the decrease of deposits paid, prepayments and other receivables, the increase of contracted liabilities, accruals, deposits received and other payables, current portion of borrowings and other current liabilities, which was partially offset by the increase of bank balances, and the decrease of accounts payable and current portion of domestic corporate bonds.

As at 31 December 2024, the Group recorded total assets of approximately RMB103,586.7 million (2023: RMB105,512.6 million) and total liabilities of approximately RMB79,605.5 million (2023: RMB76,123.5 million), representing a liabilities to assets ratio of approximately 76.9% (2023: 72.2%). Net assets of the Group were approximately RMB23,981.2 million (2023: RMB29,389.0 million) as at 31 December 2024.

For the year ended 31 December 2024, the Group was able to utilise its internal resources and debt and equity financing to meet the funding requirements for the development of real estate projects.

Charge on Assets

As at 31 December 2024, loans of approximately RMB30,893.1 million (2023: RMB32,343.0 million) were secured by properties under development for sale, properties held for sale, investment properties, property, plant and equipment, equity instruments at FVTOCI and pledged bank deposits, dividend receivables on equity instrument at FVTOCI and other pledged deposits of the Group respectively in the total amount of approximately RMB22,858.1 million (2023: RMB26,912.9 million).

Material Acquisition and Disposal

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

Save for the above, during the year ended 31 December 2024, the Group did not enter into any material acquisition or disposal of subsidiaries, associates or joint ventures.

Contingent Liabilities

As at 31 December 2024, the Group had financial guarantee contracts relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB7,007.4 million (2023: RMB4,879.7 million). Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks.

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

The directors of the Company 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 of the Company. The directors of the Company 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 2024, the Group had a staff roster of 1,987 (2023: 2,209), of which 1,954 (2023: 2,177) employees were based in the Mainland China and 33 (2023: 32) employees were based in Hong Kong. The remuneration of employees was in line with the market trends and commensurate to the levels of remuneration in the industry. Remuneration of the Group's employees includes basic salaries, bonuses, retirement scheme and long-term incentives such as share options within an approved scheme. In addition, training and development programmes are provided to the Group's employees on an on-going basis throughout the Group.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 June 2025 to 16 June 2025, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfers of shares accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 10 June 2025.

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.

Ms. HUANG Jingshu was appointed as the chief executive officer of the Company following Mr. TANG Shouchun's retirement with effect from 31 March 2024. As Ms. HUANG Jingshu serves as both the Chairman and the chief executive officer, such practice deviates from the code provision C.2.1 of the Corporate Governance Code (the "**CG Code**") as set forth in Appendix C1 of the Listing Rules, which requires that the roles of chairman and the chief executive officer should be separate and should not be performed by the same individual. However, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company.

The Board believes that vesting the roles of both the Chairman and the chief executive officer in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision C.2.1 of the CG Code is appropriate in such circumstance. In addition, under the supervision of the Board which is comprised of four executive Directors and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and the Shareholders.

Following the resignation of Ms. HU Gin Ing and Mr. MO Fan on 14 February 2025, the Board comprises six executive Directors and two independent non-executive Directors. As a result of the foregoing, the Company is not in compliance with (i) Rule 3.10(1) of the Listing Rules, which stipulates that the Board must include at least three independent non-executive directors; (ii) Rule 3.21 of the Listing Rules, which stipulates that the audit committee must comprise a minimum of three members; and (iii) Rule 3.25 of the Listing Rules, which stipulates that the remuneration committee must be chaired by an independent non-executive director and comprise a majority of independent non-executive directors. The Company is in the process of identifying potential candidate(s) to fill the vacancy, and will use its best endeavors to ensure a suitable candidate to be appointed as soon as possible.

Throughout the year ended 31 December 2024, the Group complied with all the code provisions of the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 of the Listing Rules as its own code of conduct regarding directors' securities transactions. The Directors confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 December 2024.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2024.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2024, and the 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 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the consolidated financial statements of the Group for the year as approved by the Board on 31 March 2025. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT OPINION

The auditor of the Group does not express an opinion on the consolidated financial statements of the Group for the year ended 31 December 2024. An extract of the independent auditor's report is set out in the section headed "**EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT**" below.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

Disclaimer Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Disclaimer Opinion

Going concern

As described in note 3.1 to the consolidated financial statements, during the year ended 31 December 2024, the Group incurred a net loss of RMB5,434 million and as at 31 December 2024, the Group has borrowings amounting to RMB30,905 million (including bank and other borrowings of RMB30,633 million, debt component of convertible bond of RMB142 million and domestic corporate bonds of RMB130 million) that are repayable within one year at the end of the reporting period, of which RMB30,485 million becoming immediately repayable on demand due to defaults or cross defaults triggered. At the same date, the Group has cash and cash equivalents amounted to RMB597 million. In addition, a winding-up petition was filed by a lender at the High Court of the Hong Kong Special Administrative Region ("**High Court**") against the Company on 4 February 2025 due to default in certain notes issued by a subsidiary of the Company and certain financial obligation guaranteed in connection to the notes provided by the Company.

Management of the Company has been undertaking a number of plans and measures to improve its liquidity and financial position, to restructure the existing borrowings and to oppose the winding-up petition with the lender, including:

(i) seeking legal advices from a legal advisor to resolutely oppose the winding up petitions and avoid winding up petition being confirmed by High Court with consequence of liquidation;

(ii) completing the debt restructuring of its offshore bank and other borrowings;

(iii) negotiating with the Group's existing lenders for renewal or extension for repayment of the Group's borrowings until the Group is able to secure sufficient funding to repay;

(iv) drawing down necessary funding from the loan facilities granted and enter into new loans with financial institutions for completing/starting of existing/new property development projects;

(v) achieving budgeted sales and pre-sales volumes at current market price for its existing development projects;

(vi) arranging payments to constructors and suppliers on schedule; and

(vii) identifying buyer(s) for disposal of specific properties and timely collect the relevant sales proceeds from sales of its properties.

The directors of the Company have taken into account the likelihood of success of the plans and measures being implemented and are of the opinion that the Group will have sufficient working capital to maintain its operations and to pay its financial obligations as and when they fall due for at least twelve months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern. Notwithstanding the above, significant uncertainties exist as to whether the management of the Group is able to implement the aforementioned plan and measures with favourable outcome.

As at the date of approval for issuance of the consolidated financial statements of the Group, given the execution of the plans and measures are in preliminary stage or in progress and no written contractual agreements or other documentary supporting evidence from the relevant banks, lenders or other financial institutions and potential buyers are available to the Group for extending the going concern assessment, we are unable to obtain sufficient appropriate audit evidence we considered necessary to assess the likelihood of success of the plans and measures currently undertaken by the Group. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the appropriateness of the directors' use of the going concern basis of accounting and adequacy of the related disclosures in the consolidated financial statements of the Group.

Should the Group fail to achieve the above-mentioned plans and measures, or winding up petition being confirmed by High Court, it might not be appropriate for the directors of the Company to prepare the consolidated financial statements on a going concern basis. Potential adjustments would have to be made to the reported financial information including but not limited to reduce the carrying values of the Group's assets to their recoverable amounts, to reclassify non-current liabilities as current liabilities with consideration of the contractual terms or to recognise a liability for any contractual commitments that may have become onerous, where appropriate. The effects of these adjustments have not been reflected in the consolidated financial statements of the Group.

The possible effects on the consolidated financial statements of not preparing on a going concern basis could be both material and pervasive.

The information included in note 3.1 to the consolidated financial statements mentioned above is set out in note 1 above in this announcement.

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

The Audit Committee has reviewed the facts and circumstances leading to the Disclaimer of Opinion, discussed with the Auditor and the management of the Company on matters and the basis for the Disclaimer of Opinion, and taken into account the Directors' views thereto and the plans and measures undertaken (and continue to focus on) by the Group to support the going concern assumptions used in preparation of the consolidated financial statements, as extracted and set out above in the paragraphs headed "Extract of Independent Auditor's Report". After careful analysis and prudent assessment of the aforementioned plans and measures (if effectively implemented) in mitigating the liquidity burden, optimising the Group's operations and improving its financial position, the Audit Committee concurs with the Directors' assessment and the basis for forming such a view with respect to adopting going concern assumptions in the preparation of the Consolidated Financial Statements.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (as defined under the Listing Rules)) during the year. As at 31 December 2024, the Company did not hold any treasury shares (as defined under the Listing Rules).

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2024, the Group did not make any other significant investments, acquisitions or disposal that would constitute a discloseable transaction under Chapter 14 of the Listing Rules.

EVENT AFTER THE REPORTING PERIOD

(i) A winding-up petition (the "Petition") was filed against the Company

A petition dated 4 February 2025 was filed by a lender at the High Court against the Company, in connection with certain financial obligations guaranteed by the Company in the principal amount of approximately US$210,000 plus accrued interest.

The Company will seek legal advice and take all necessary actions to protect its legal rights. Furthermore, the Company will seek legal measures to resolutely oppose the Petition. The directors of the Company is of the view that the Petition has no material adverse impact on the business operation and financial position of the Company and its subsidiaries. For details, please refer to the announcement dated 4 February 2025.

(ii) Appointment of the Advisors and next steps

Subsequent to the reporting period, certain bank and other borrowings of the Group have been defaulted and the Company has appointed the Advisors to assist the Group in assessing the capital structure and financial position of the Group and to negotiate with creditors for offshore liabilities and deal with hostile actions. The Advisors are working closely with the Company to assess the situation, conduct due diligence and explore all possible pragmatic solutions. The Company is committed to dealing with all of its offshore liabilities in a fair and equitable manner.

(iii) Disposal of Hotel Property in Los Angeles

On 16 January 2025, LVGEM Hotel Corporation (an indirect wholly-owned subsidiary of the Company) entered into a sale and purchase agreement with a buyer pursuant to which LVGEM Hotel Corporation agreed to sell its entire interest in certain Hotel assets in Los Angeles to the buyer at a consideration of US$20 million. For details, please refer to the announcement of the Company dated 31 March 2025.

Save as disclosed above and 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 2024 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 2024 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 and Chief Executive Officer), Mr. YE Xingan, Mr. HUANG Hao Yuan and Ms. LI Yufei as executive directors; and Mr. CHAN Koon Fat and Ms. JIAO Jie as independent non-executive directors.

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

Hong Kong, 31 March 2025

* *For identification purpose only*