Gemdale Properties and Investment Corporation Limited
金地商置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 535)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2019	2018	Change
	RMB'000	RMB'000	%
Revenue	**11,710,186**	7,079,136	+ 65
Gross profit	**6,205,854**	4,108,955	+ 51
Other income and gains	**896,036**	588,247	+ 52
Share of results of joint ventures and associates	**2,338,267**	1,341,392	+ 74
Profit after tax	**4,503,651**	2,752,139	+ 64
Profit attributable to owners of the Company	**3,799,628**	2,252,622	+ 69
Core profit attributable to owners of the Company [(1)]	**4,009,991**	2,273,003	+ 76
Earnings per share attributable to owners of the Company			
- Basic (RMB)	**0.2392**	0.1419	+ 69
- Diluted (RMB)	**0.2346**	0.1396	+ 68

	31 December	31 December	
	2019	2018	Change
	RMB'000	RMB'000	%
Deposits, bank and cash balances	**4,974,648**	3,237,920	+ 54
Total assets	**63,169,647**	51,987,757	+ 22
Net assets	**17,897,446**	13,870,385	+ 29
Cash and bank deposits over total current portion borrowings	**1.4**	1.2	+ 17
Net borrowings over total equity	**26%**	14%	

[(1)] Core profit attributable to owners of the Company represents profit attributable to owners of the Company excluding changes in fair values of investment properties, and impairment on receivables and stock of properties.

* *For identification purpose only*

ANNUAL RESULTS

The board of directors (the "Directors") of Gemdale Properties and Investment Corporation Limited (the "Company") announces the consolidated results of the Company and its subsidiaries ("the Group") for the year ended 31 December 2019 together with the relevant comparative figures.

Consolidated Statement of Profit or Loss

Year ended 31 December 2019

	Notes	**2019 RMB'000**	2018 RMB'000 (Restated)
Revenue	*3*	**11,710,186**	7,079,136
Cost		**(5,504,332)**	(2,970,181)
Gross profit		**6,205,854**	4,108,955
Direct operating expenses		**(1,458,719)**	(1,162,078)
Other income and gains	*3*	**896,036**	588,247
Changes in fair values of investment properties		**109,268**	324,144
Administrative expenses		**(169,745)**	(163,190)
Finance costs	*4*	**(491,996)**	(249,776)
Share of profits and losses of:			
Joint ventures		**1,880,612**	1,347,197
Associates		**457,655**	(5,805)
Profit before tax	*5*	**7,428,965**	4,787,694
Tax	*6*	**(2,925,314)**	(2,035,555)
Profit for the year		**4,503,651**	2,752,139
Attributable to:			
Owners of the Company		**3,799,628**	2,252,622
Non-controlling interests		**704,023**	499,517
		4,503,651	2,752,139
Earnings per share attributable to owners of the Company:			
- Basic (RMB)	*7*	**0.2392**	0.1419
- Diluted (RMB)	*7*	**0.2346**	0.1396

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Profit for the year	**4,503,651**	2,752,139
Other comprehensive (loss)/income		
- Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		
Exchange differences:		
Exchange differences on translation of foreign operations	**(190,047)**	(512,540)
Share of exchange differences on translation of foreign operations of joint ventures	**36,012**	86,022
Release upon disposal of subsidiaries	**-**	59,590
Debt investment at fair value through other comprehensive income:		
Change in fair value, net of tax	**-**	691
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(154,035)**	(366,237)
- Other comprehensive income that will not to be reclassified to profit or loss in subsequent periods		
Exchange differences:		
Exchange differences on translation of foreign operations	**151,951**	307,537
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value, net of tax	**-**	8,292
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**151,951**	315,829
Other comprehensive loss for the year, net of tax	**(2,084)**	(50,408)
Total comprehensive income for the year	**4,501,567**	2,701,731
Attributable to:		
Owners of the Company	**3,796,115**	2,182,779
Non-controlling interests	**705,452**	518,952
	4,501,567	2,701,731

Consolidated Statement of Financial Position

31 December 2019

	Note	**2019** **RMB'000**	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**74,709**	126,963
Investment properties		**10,798,378**	8,839,014
Intangible assets		**31,620**	39,848
Right-of-use assets		**58,385**	-
Prepayments, deposits and other receivables		**1,726,771**	1,869,398
Investments in joint ventures		**11,042,332**	7,803,183
Investments in associates		**4,090,422**	2,620,385
Loans to related companies		**2,456,491**	-
Financial assets at fair value		**494,980**	162,556
Deferred tax assets		**839,782**	965,358
Total non-current assets		**31,613,870**	22,426,705
CURRENT ASSETS			
Properties held for sale		**3,679,328**	3,935,273
Properties under development		**13,753,930**	12,410,071
Trade receivables	9	**32,799**	18,061
Prepayments, deposits and other receivables		**2,772,741**	3,278,784
Loans to joint ventures		**1,453,881**	1,084,622
Loan to an associate		**27,930**	-
Loans to related companies		**-**	2,261,200
Loans to non-controlling shareholders		**65,506**	57,155
Due from the ultimate holding company		**-**	21,072
Due from fellow subsidiaries		**12,200**	8,493
Due from joint ventures		**2,539,554**	1,313,421
Due from associates		**237,407**	145,662
Due from non-controlling shareholders		**599,464**	247,490
Due from related companies		**3,565**	3,006
Prepaid tax		**760,587**	675,920
Restricted cash		**642,237**	862,902
Deposits, bank and cash balances		**4,974,648**	3,237,920
Total current assets		**31,555,777**	29,561,052

Consolidated Statement of Financial Position (continued)

31 December 2019

	Note	**2019 RMB'000**	2018 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	10	**2,863,772**	2,010,954
Advanced receipts, accruals and other payables		**19,790,316**	20,025,204
Interest-bearing bank and other borrowings		**1,992,127**	1,310,181
Lease liabilities		**61,016**	-
Loans from the ultimate holding company		**108,567**	948,641
Loans from a fellow subsidiary		**358,577**	132,460
Loans from joint ventures		**14,000**	23,175
Loans from an associate		**992,139**	292,040
Due to the ultimate holding company		**96,206**	71,051
Due to fellow subsidiaries		**356,496**	104,010
Due to joint ventures		**5,132,545**	4,010,559
Due to associates		**304,248**	1,195,574
Due to non-controlling shareholders		**241,567**	203,357
Due to a related company		**2,256**	1,818
Tax payable		**3,626,773**	3,393,054
Total current liabilities		**35,940,605**	33,722,078
NET CURRENT LIABILITIES		**(4,384,828)**	(4,161,026)
TOTAL ASSETS LESS CURRENT LIABILITIES		**27,229,042**	18,265,679
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**1,579,595**	750,331
Lease liabilities		**1,155,701**	-
Loans from a fellow subsidiary		**5,221,633**	2,604,478
Deferred tax liabilities		**1,374,667**	1,040,485
Total non-current liabilities		**9,331,596**	4,395,294
NET ASSETS		**17,897,446**	13,870,385
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**1,441,285**	1,439,211
Reserves		**13,605,956**	10,395,950
		15,047,241	11,835,161
Non-controlling interests		**2,850,205**	2,035,224
TOTAL EQUITY		**17,897,446**	13,870,385

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group recorded net current liabilities of RMB4,384,828,000 which included sales deposit received from customers of RMB18,540,156,000 as at 31 December 2019. In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Having considered the cash inflow from the operations, the Directors are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs, are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases-Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the comparative information for 2018 was not restated and continued to be reported under HKAS 17.

The Group reassessed a sublease arrangement at 1 January 2019 that was previously classified as an operating lease applying HKAS 17 based on the remaining contractual terms and conditions of the head lease and sublease at 1 January 2019.

<u>New definition of a lease</u>

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

<u>As a lessee – Leases previously classified as operating leases</u>

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leases previously accounted for as operating leases and entered into for earning sublease rental income, the related right-of-use assets of the head leases amounting to RMB798,809,000 were measured at fair value at 1 January 2019, and have been accounted for and classified as investment properties applying HKAS 40 from that date.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 January 2019

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 is as follows:

	RMB'000
Assets	
Increase in right-of-use assets	78,982
Increase in investment properties	798,809
Increase in total assets	877,791
Liabilities	
Increase in current lease liabilities	77,767
Increase in non-current lease liabilities	800,024
Increase in total liabilities	877,791

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	1,208,600
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(1,610)
Add: Payments for optional extension periods not recognised as at 31 December 2018	30,015
	1,237,005
Weighted average incremental borrowing rate as at 1 January 2019	4.81%
Discounted operating lease commitments as at 1 January 2019	877,791
Lease liabilities as at 1 January 2019	877,791

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the property development segment – development and sale of residential and commercial properties;

(b) the property investment and management segment – investment and management of business parks and commercial properties;

(c) the micro-finance segment – provision of financial services to property buyers and small businesses; and

(d) the corporate segment – the Group's corporate management services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that bank interest income, non-lease-related finance costs, fair value gains/losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. No geographical segment information is presented as over 90% (2018: over 90%) of the Group's revenue is derived from customers based in Mainland China, and over 90% (2018: over 90%) of the Group's assets are located in Mainland China.

Segment assets exclude deferred tax assets, certain deposits, bank and cash balances, and prepaid tax as these assets are managed on a group basis. Segment liabilities exclude certain interest-bearing bank and other borrowings, tax payable, deferred tax liabilities, amounts due to the ultimate holding company, non-controlling shareholders, fellow subsidiaries and a related company, and certain loans from a fellow subsidiary as these liabilities are managed on a group basis.

During the current and prior years, there were no intersegment transactions.

Year ended 31 December 2019	Property development RMB'000	Property investment and management RMB'000	Micro-finance RMB'000	Corporate RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	**10,703,227**	**671,395**	**335,564**	**-**	**11,710,186**
Segment cost	**(5,047,808)**	**(411,229)**	**(45,295)**	**-**	**(5,504,332)**
Segment gross profit	**5,655,419**	**260,166**	**290,269**	**-**	**6,205,854**
Segment results:	**7,551,446**	**239,683**	**191,479**	**(144,051)**	**7,838,557**
Reconciliation					
Bank interest income					**31,369**
Finance costs (other than interest on lease liabilities)					**(440,961)**
Profit before tax					**7,428,965**
Segment assets:	**43,700,098**	**16,184,886**	**1,561,345**	**72,438**	**61,518,767**
Reconciliation					
Other unallocated assets					**1,650,880**
Total assets					**63,169,647**
Segment liabilities:	**30,244,014**	**4,037,560**	**60,560**	**313,552**	**34,655,686**
Reconciliation					
Other unallocated liabilities					**10,616,515**
Total liabilities					**45,272,201**
Other segment information:					
Share of profits and losses of joint ventures	**(1,816,893)**	**(63,719)**	**-**	**-**	**(1,880,612)**
Share of profits and losses of associates	**(457,655)**	**-**	**-**	**-**	**(457,655)**
Changes in fair value of investment properties	**-**	**(109,268)**	**-**	**-**	**(109,268)**
Changes in fair value of investment properties – right-of-use assets	**-**	**121,113**	**-**	**-**	**121,113**
Depreciation of property, plant and equipment	**24,032**	**6,131**	**510**	**1,915**	**32,588**
Depreciation of right-of-use assets	**9,577**	**-**	**-**	**9,630**	**19,207**
Amortisation	**-**	**8,228**	**-**	**-**	**8,228**
Impairment/(reversal of impairment) of receivables, net	**19,832**	**(3,690)**	**54,689**	**(186)**	**70,645**
Capital expenditure*	**20,108**	**1,013,237**	**1,677**	**63**	**1,035,085**
Investments in joint ventures	**9,973,637**	**1,068,695**	**-**	**-**	**11,042,332**
Investments in associates	**4,070,490**	**19,932**	**-**	**-**	**4,090,422**

	Property development RMB'000	Property investment and management RMB'000 (Restated)	Micro-finance RMB'000	Corporate RMB'000 (Restated)	Total RMB'000
Year ended 31 December 2018					
Segment revenue:					
Sales to external customers	6,184,335	507,260	387,541	-	7,079,136
Segment cost	(2,633,233)	(251,398)	(85,550)	-	(2,970,181)
Segment gross profit	3,551,102	255,862	301,991	-	4,108,955
Segment results:	4,261,913	702,113	149,296	(115,907)	4,997,415
Reconciliation					
Bank interest income					40,055
Finance costs					(249,776)
Profit before tax					4,787,694
Segment assets:	34,958,839	13,183,193	2,085,938	36,463	50,264,433
Reconciliation					
Other unallocated assets					1,723,324
Total assets					51,987,757
Segment liabilities:	28,793,323	951,239	22,809	23,377	29,790,748
Reconciliation					
Other unallocated liabilities					8,326,624
Total liabilities					38,117,372
Other segment information:					
Share of profits and losses of joint ventures	(1,061,723)	(285,474)	-	-	(1,347,197)
Share of profits and losses of associates	5,805	-	-	-	5,805
Net (gain)/loss on disposal/deemed disposal of subsidiaries	(23,863)	22,824	-	-	(1,039)
Changes in fair values of investment properties	-	(324,144)	-	-	(324,144)
Depreciation	16,944	23,394	681	399	41,418
Amortisation	-	8,228	-	-	8,228
(Impairment)/reversal of impairment of receivables, net	(1,120)	3,548	112,590	185	115,203
Impairment of goodwill arising on acquisition of a subsidiary	-	29,702	-	-	29,702
Impairment of properties under development	83,286	-	-	-	83,286
Capital expenditure*	25,048	2,547,644	657	5,560	2,578,909
Investments in joint ventures	6,338,226	1,464,957	-	-	7,803,183
Investments in associates	2,620,385	-	-	-	2,620,385

* *Capital expenditure consists of additions to property, plant and equipment and investment properties.*

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains recognised during the year is as follows:

	2019 **RMB'000**	2018 RMB'000
Revenue from contracts with customers		
Sales of properties	**10,703,227**	6,184,335
Property management fee income from:		
- fellow subsidiaries	**1,243**	1,210
- third parties	**158,639**	148,872
Utility income	**21,361**	16,569
Entrusted management fee income from a fellow subsidiary	**24,906**	24,906
Revenue from other sources		
Gross rental income from:		
- fellow subsidiaries	**9,558**	8,504
- third parties	**455,688**	307,199
Interest income on loans receivable	**335,564**	387,541
	11,710,186	7,079,136
Other income and gains		
Bank interest income	**31,369**	40,055
Interest income on loans to related companies	**106,712**	73,783
Interest income on loans to joint ventures	**260,081**	74,951
Interest income on loans to associates	**16,930**	-
Interest income on loans to non-controlling shareholders	**1,208**	1,609
Interest income on loans to third parties	**4,586**	27,546
Consulting services income from:		
- fellow subsidiaries	**-**	1,102
- joint ventures	**94,186**	46,869
- an associate	**40,859**	2,594
- third parties	**72,776**	116,506
Fitting and decoration income from:		
- fellow subsidiaries	**52,875**	49,790
- joint ventures	**24,685**	7,401
- third parties	**112,006**	57,892
Net gains on disposal/deemed disposal of subsidiaries *(Note13)*	**-**	1,039
Others	**77,763**	87,110
	896,036	588,247

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	RMB'000
Interest on borrowings		
- bank borrowings	**72,806**	57,514
- loans from the ultimate holding company	**44,910**	63,260
- loans from fellow subsidiaries	**239,544**	136,186
- loans from joint ventures	**1,482**	2,914
- loans from an associate	**26,672**	1,168
- other borrowings and other payables	**74,289**	13,496
	459,703	274,538
Interest on lease liabilities	**51,035**	-
Other finance costs	**10,497**	7,630
Total finance costs incurred	**521,235**	282,168
Less: Interest capitalised in		
- investment properties	**-**	(2,875)
- properties under development	**(29,239)**	(29,517)
	491,996	249,776

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2019 RMB'000	2018 RMB'000
Cost of properties sold	**5,047,808**	2,633,233
Depreciation of property, plant and equipment	**33,455**	42,115
Less: Amounts capitalised in property development projects	**(867)**	(697)
	32,588	41,418
Depreciation of right-of-use assets (2018: Amortisation of land use rights)	**242,568**	236,255
Less: Amounts capitalised in property development projects	**(223,361)**	(236,255)
	19,207	-
Amortisation of intangible assets*	**8,228**	8,228
Outgoings (including repairs and maintenance) arising on rental-earning investment properties	**52,483**	52,990
Net loss/(gain) on disposal of items of property, plant and equipment	**498**	(346)
Net gains on disposal/deemed disposal of subsidiaries *(Note 13)*	**-**	(1,039)
Changes in fair values of investment properties	**(109,268)**	(324,144)
Changes in fair values of investment properties – right-of-use assets***	**121,113**	-
Impairment of receivables, net	**70,645**	115,203
Impairment of properties under development	**-**	83,286
Minimum lease payments under operating leases	**-**	85,629
Lease payments not included in the measurement of lease liabilities	**949**	-
Employee benefit expense (including directors' emoluments):		
Wages and salaries	**696,755**	400,024
Pension schemes contributions	**30,791**	36,399
Total employee benefit expense	**727,546**	436,423
Auditor's remuneration	**4,451**	3,873
Foreign exchange differences, net	**(6,371)**	(5,813)
Impairment of goodwill arising on acquisition of a subsidiary** *(Note 11)*	**-**	29,702

* The amortisation of intangible assets is included in "Direct operating expenses" in the consolidated statement of profit or loss.

** The impairment of goodwill is included in "Administrative expenses" in the consolidated statement of profit or loss.

*** The changes in fair values investment properties– right-of-use assets is included in "Cost" in the consolidated statement of profit or loss.

6. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2018: Nil). Taxation on Mainland China profits was calculated on the estimated assessable profits for the year at the rates of tax prevailing in the jurisdiction in which the Group operates.

The provision for land appreciation tax ("LAT") has been estimated according to the requirements set forth in the relevant PRC laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

The amount of tax charge in the consolidated statement of profit or loss represents:

	2019	2018
	RMB'000	RMB'000
Current – Hong Kong	**-**	-
Current – Mainland China		
Charge for the year	**840,649**	1,027,390
Underprovision in prior years	**1,644**	13,774
LAT in Mainland China	**1,615,539**	1,301,818
Deferred	**467,482**	(307,427)
	2,925,314	2,035,555

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) **Basic earnings per share**

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 15,884,324,467 (2018: 15,870,817,771) in issue during the year.

(b) **Diluted earnings per share**

The calculation of the diluted earnings per share is based on the profit for the year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2019	2018
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**3,799,628**	2,252,622

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**15,884,324,467**	15,870,817,771
Effect of dilution - weighted average number of ordinary shares:		
Share options	**311,076,264**	268,114,334
	16,195,400,731	16,138,932,105

8. DIVIDENDS

	2019	2018
	RMB'000	RMB'000
Proposed final dividend – RMB0.0718 (2018: RMB0.0275) per ordinary share	**1,141,804**	436,680

At the Board meeting held on 30 March 2020, the Board resolved to recommend the payment of a final dividend of RMB0.0718 per share for the year ended 31 December 2019. The proposed final dividend is not reflected as dividend payable in the consolidated financial statements until it is approved by the shareholders at the forthcoming annual general meeting of the Company.

9. TRADE RECEIVABLES

	2019	2018
	RMB'000	RMB'000
Trade receivables	**32,799**	18,061

Trade receivables represent rental and property management fee receivables. Rental and property management fee receivables are billed in advance and are payable by tenants/residents upon receipts of billings within an average credit term of one month.

Under normal circumstances, the Group does not grant credit terms to its customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are regularly reviewed by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing and unsecured.

An aging analysis of the trade receivables as at the reporting date, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	RMB'000	RMB'000
Within 1 month	**13,191**	16,641
1 to 3 months	**16,337**	116
Over 3 months	**3,271**	1,304
	32,799	18,061

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	RMB'000	RMB'000
At 1 January	**-**	920
Reversal of impairment loss, net	**-**	(920)
At 31 December	**-**	-

10. TRADE AND BILLS PAYABLES

An aging analysis of the trade and bills payable as at the reporting date, based on the invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 month	**862,408**	837,211
1 to 3 months	**863,388**	657,199
Over 3 months	**1,137,976**	516,544
	2,863,772	2,010,954

Trade and bills payables are non-interest-bearing and are normally settled within an average term of one month.

11. BUSINESS COMBINATIONS

During the year, the Group and a joint venture partner agreed to amend the Articles and Association of a joint venture, 蘇州金安澤房地產開發有限公司(Suzhou Jinanze Real Estate Development Company Limited*) ("Jinanze") in which the Group and the joint venture partner hold 51% and 49% interests respectively. Jinanze is engaged in property development in Mainland China. The amendment of the Articles and Association of Jinanze changed the approval requirement of shareholders' resolution from unanimous consent to more than 50% shareholders voting right. While the Group holds 51% voting right in Jinanze and accordingly have control over the board of Jinanze after the amendment of the Articles and Association. The registration of the amendment with the relevant government authority was completion in September 2019 and the change was accounted for business combination

For the expansion of property management business, two wholly-owned subsidiaries of the Company entered into several sale and purchase agreements in June 2018 with twelve independent third parties to acquire a 100% interests in the shares of 深圳市我們投資發展有限公司 (Shenzhen Shi Women Touzi Investment Development Limited*) and its five related companies (collectively "Women Touzi Group") at an aggregate cash consideration of RMB66,056,000. The acquisition was completed in July 2018. Women Touzi Group is engaged in property leasing in Mainland China.

* *For identification purpose only*

The fair values of the identifiable assets and liabilities of the acquired companies as at the dates of acquisitions are as follows:

	Fair value recognised on acquisition	
	2019	2018
	Jinanze	Women Touzi Group
	RMB'000	RMB'000
Property, plant and machinery	**166**	35,032
Deferred tax assets	**196**	2,579
Properties held for sale	**27,866**	-
Properties under development	**68,971**	-
Prepayments, deposits and other receivables	**128,113**	8,824
Due from shareholders	**761,788**	-
Prepaid taxes	**32,978**	-
Bank balances	**52,034**	5,089
Trade payables	**(7,804)**	(4,379)
Other payables	**(202,912)**	(533)
Loans from a shareholder	**-**	(10,258)
Tax payables	**(191,567)**	-
Total identifiable net assets at fair value	**669,829**	36,354
Non-controlling interests	**(328,216)**	-
	341,613	36,354
Goodwill on acquisition	**-**	29,702
Transferred from investment in a joint venture	**(341,613)**	-
Total consideration	**-**	66,056
Satisfied by:		
Cash	**-**	61,056
Other payables	**-**	5,000
	-	66,056

The fair values and gross contractual amounts of deposits and other receivables of Jinanze as at the date of acquisition amounted to RMB809,370,000. No receivables are expected to be uncollectible.

The fair values and gross contractual amounts of deposits and other receivables of Women Touzi Group as at the date of acquisition amounted to RMB6,627,000. No receivables were expected to be uncollectible.

An analysis of the cash flows in respect of the acquisitions of subsidiaries is as follows:

	2019	2018
	Jinanze	Women Touzi Group
	RMB'000	RMB'000
Cash consideration	**-**	(61,056)
Bank balances acquired	**52,034**	5,089
Net inflow/(outflow) of cash and cash equivalents included in cash flow from investing activities	**52,034**	(55,967)

Since the acquisition, Jinanze contributed RMB78,286,000 to the Group's revenue for the year ended 31 December 2019 and loss of RMB92,696,000 to the Group's consolidated profit for the year ended 31 December 2019. Had the combination taken place at the beginning of the year, the revenue and the consolidated profit of the Group for the year would have been RMB12,850,314,000 and RMB4,628,445,000, respectively.

Since the acquisition, Women Touzi Group contributed RMB24,268,000 to the Group's revenue for the year ended 31 December 2018 and loss of RMB2,773,000 to the Group's consolidated profit for the year ended 31 December 2018. Had the combination taken place at the beginning of prior year, the revenue and the consolidated profit of the Group for prior year would have been RMB7,093,408,000 and RMB2,752,466,000, respectively.

12. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 8 February 2018, a wholly-owned subsidiary of the Company acquired a 100% equity interest in 上海安洋木業有限公司 (Shanghai Anyang Muye Company Limited*) ("Anyang"), from three independent third parties, at an aggregate cash consideration of RMB37,049,000. Anyang is engaged in property development in Mainland China.

On 3 July 2018, a wholly-owned subsidiary of the Company acquired a 100% equity interest in 上海合樹置業有限公司 (Shanghai Heshu Development Company Limited*) ("Heshu"), from an independent third party, at a cash consideration of RMB147,968,000. Heshu is engaged in property development in Mainland China.

The above transactions were accounted for as purchase of assets and liabilities rather than business combinations because the acquired subsidiaries had not carried out any significant business transactions prior to the dates of acquisitions. The net outflow of cash and cash equivalents from the acquisitions has been reflected in the consolidated statement of cash flows as part of the cash flow movement of the individual assets and liabilities acquired.

* *For identification purpose only*

The net assets acquired in the above acquisitions are as follows:

	2018	
	Anyang RMB'000	Heshu RMB'000
Investment properties	251,129	-
Properties under development	-	764,271
Prepayments, deposits and other receivables	67,136	1,012
Bank balances	7,196	8
Loans from shareholders	(72,465)	-
Interest-bearing bank borrowing	(7,000)	-
Other payables	(208,947)	(617,323)
Net assets	37,049	147,968
Satisfied by:		
Cash	22,250	147,968
Other payables	14,799	-
	37,049	147,968

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2018	
	Anyang RMB'000	Heshu RMB'000
Cash consideration	(22,250)	(147,968)
Bank balances acquired	7,196	8
Net outflow of cash and cash equivalents	(15,054)	(147,960)

13. DISPOSAL AND DEEMED DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of its entire equity interest in a wholly-owned subsidiary, 裕新（上海）電子有限公司 (Yuxin Shanghai Electronic Company Limited*) ("Yuxin"), to a joint venture of the Group for a cash consideration of RMB97,756,000 during the year. The Group had lost control over Yuxin after the completion of disposal in September 2019. The equity interest in Yuxin acquired by the joint venture of the Group was accounted for as an investment in a joint venture of the Group.

The Group disposed of its entire equity interest in a wholly-owned subsidiary, 上海利爾新材料有限公司 (Shanghai Lier Modern Material Company Limited*) ("Lier"), to a joint venture of the Group for a cash consideration of RMB102,771,000 during the year. The Group had lost control over Lier after the completion of disposal in September 2019. The equity interest in Lier acquired by the joint venture of the Group was accounted for as an investment in a joint venture of the Group.

* *For identification purpose only*

Details of the net assets disposed of are as follows:

	2019	
	Yuxin RMB'000	**Lier RMB'000**
Property, plant and equipment	**-**	**135**
Investment property	**238,630**	**227,333**
Deferred tax assets	**1,642**	**4,019**
Due from fellow subsidiaries	**-**	**2,410**
Trade receivables	**649**	**430**
Prepayments, deposits and other receivables	**14,043**	**12,098**
Bank balances	**522**	**129**
Trade and bills payables	**(23,518)**	**(20,885)**
Advanced receipts, accruals and other payables	**(4,973)**	**(2,489)**
Due to an intermediate holding company	**(120,300)**	**(111,016)**
Due to fellow subsidiaries	**(2,010)**	**(15)**
Deferred tax liabilities	**(6,929)**	**(9,378)**
Net assets	**97,756**	**102,771**
Total consideration	**97,756**	**102,771**
Satisfied by:		
Cash	**97,756**	**102,771**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2019	
	Yuxin RMB'000	**Lier RMB'000**
Cash consideration	**97,756**	**102,771**
Bank balances disposed of	**(522)**	**(129)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**97,234**	**102,642**

In prior year, the Group disposed of its entire equity interest in a non-wholly owned subsidiary, 鄭州金合亨房地產開發有限公司 (Zhengzhou Jinheheng Real Estate Development Co., Ltd.*) ("Jinheheng"), to an independent third party, for a cash consideration of RMB26,000,000. The disposal was completed in February 2018.

The Group entered into a co-operative agreement with two independent third parties in prior year. Pursuant to the agreement, one of the independent third parties agreed to participate in capital increase of a wholly-owned subsidiary of the Company, Apex River Limited ("Apex River"), and the other independent third party agreed to participate in the capital injection in a subsidiary of Apex River, 徐州威新房地產開發有限公司 (Xuzhou Weixin Real Estate Development Co. Ltd*) ("Xuzhou Weixin"). Apex River and Xuzhou Weixin (together "Apex River Group") are engaged in property development in Mainland China. All parties agreed to exercise joint control over Apex River Group after the transaction. The transaction was accounted for as a deemed disposal of subsidiaries and the Group had lost control over Apex River Group after the completion of registration of the changes with the relevant government authorities in April 2018.

The Group disposed of its entire equity interest in a wholly-owned subsidiary, 上海志韜汽車零部件有限公司 (Shanghai Zhitao Motor Components Company Limited*) ("Zhitao"), to a joint venture of the Group for a cash consideration of RMB213,348,000 in prior year. The Group had lost control over Zhitao after the completion of disposal in June 2018. The equity interest in Zhitao acquired by the joint venture of the Group was accounted for as an investment in a joint venture of the Group.

The Group disposed of its 51% equity interest in a non-wholly owned subsidiary, 西安朔坤房地產開發有限公司 (Xi'an Shuokun Real Estate Development Co., Ltd.*) ("Shuokun"), to an independent third party for a cash consideration of RMB538,280,000 in prior year. The Group had lost control over Shuokun after the completion of disposal in June 2018. The remaining equity interest in Shuokun was accounted for as an investment in an associate.

The Group entered into a co-operative agreement with four independent third parties in prior year. Pursuant to the agreement, Two of the independent third parties agreed to participate in the capital increase of a wholly-owned subsidiary of the Group 南京吉慶豐企業管理諮詢有限公司 (Nanjing Jiqingfeng Corporation Management Consultation Limited) ("Jiqingfeng"). The Group holds 2% equity interest in Jiqingfeng and has lost control over Jiqingfeng after the completion of the capital increase of Jiqingfeng. One of the independent third parties agreed to participate in the capital increase in another wholly-owned subsidiary of the Company, Fainmark Limited ("Fainmark"). The Group holds 51% equity interest in Fainmark and the two parties agreed to exercise joint control over Fainmark after the completion of the capital increase of Fainmark. The another independent third party agreed to acquire 25% equity interest in 徐州威潤房地產開發有限公司 (Xuzhou Weirun Real Estate Development Co. Ltd*) ("Xuzhou Weirun") from Fainmark where Fainmark and Jiqingfeng hold 75% and 25% equity interest in Xuzhou Weirun respectively. Fainmark, Jiqingfeng and Xuzhou Weirun (together "Fainmark Group") are engaged in property development in Mainland China. The transaction was completed in October 2018 and was accounted for as a deemed disposal of subsidiaries. The equity interests in Fainmark and Jiqingfeng were accounted for as investments in joint ventures.

* *For identification purpose only*

Details of the net assets disposed of are as follows:

	2018				
	Jinheheng RMB'000	Apex River Group RMB'000	Zhitao RMB'000	Shuokun RMB'000	Fainmark Group RMB'000
Property, plant and equipment	-	31	27	82	27
Investment property	-	-	369,229	-	-
Deferred tax assets	7	-	-	2,931	342
Properties under development	-	245,296	-	1,170,389	1,121,921
Prepayments, deposits and other receivables	150,000	10,922	18,919	6,244	2,358
Bank balances	374	1,043	9,766	1,023	34,328
Trade and bills payables	-	-	(6)	(12,936)	-
Advanced receipts, accruals and other payables	(80,280)	(263)	(1,263)	(1,262)	(2,245)
Loans from the ultimate holding company	-	-	-	(151,052)	-
Due to immediate holding companies	-	(258,102)	(116,267)	-	(1,211,567)
Due to a fellow subsidiary	-	-	-	-	(4)
Due to a non-controlling shareholder	(25,183)	-	-	-	-
Deferred tax liabilities	-	-	(21,233)	-	-
Net assets	44,918	(1,073)	259,172	1,015,419	(54,840)
Non-controlling interests	(21,560)	-	-	(18,144)	-
	23,358	(1,073)	259,172	997,275	(54,840)
Release of exchange reserve	-	-	-	-	59,590
	23,358	(1,073)	259,172	997,275	4,750
Fair value of investments retained upon disposal/deemed disposal to investments in joint ventures/an associate	-	-	-	(479,412)	(4,838)
Stamp duties	-	-	-	269	-
Unrealised loss on disposal	-	-	(22,912)	-	-
Gain/(loss) on disposal/deemed disposal of subsidiaries	2,642	1,073	(22,912)	20,148	88
Total consideration	26,000	-	213,348	538,280	-
Satisfied by:					
Cash	26,000	-	98,348	538,280	-
Other receivables	-	-	115,000	-	-
	26,000	-	213,348	538,280	-

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal and deemed disposal of subsidiaries is as follows:

	2018				
	Jinheheng RMB'000	Apex River Group RMB'000	Zhitao RMB'000	Shuokun RMB'000	Fainmark Group RMB'000
Cash consideration	26,000	-	98,348	538,280	-
Bank balances disposed of	(374)	(1,043)	(9,766)	(1,023)	(34,328)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal/deemed disposal of subsidiaries	25,626	(1,043)	88,582	537,257	(34,328)

14. COMPARATIVE AMOUNTS

Comparative amounts of certain direct operating expenses have been re-presented as administrative expenses in the statement of profit or loss to conform with the current year's presentation, as in the opinion of the directors the reclassification better reflects the financial performance of the Group.

15. EVENT AFTER THE REPORTING DATE

Since the outbreak of Coronavirus Disease 2019 ("COVID-19") in early of 2020, China has implemented a series of precautionary and control measures which have certain impact on China's business and economic activities.

The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group.

FINANCIAL REVIEW

The accounting policies and methods of computation used in the preparation of the financial statements for the year ended 31 December 2019 were consistent with those used in the last financial year ended 31 December 2018, except that the Group has applied, for the first time, the new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which included all HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by Hong Kong Institute Certified Public Accountants which are effective for the Group's financial year beginning on or after 1 January 2019.

HKFRS 16 "Leases" is effective for the financial year beginning or after 1 January 2019. The Group elected to apply the modified retrospective approach of adoption. Under this approach, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balances of assets and liabilities at 1 January, and prior period comparatives are not restated.

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The revenue of the Group for the year ended 31 December 2019 increased to RMB11,710.2 million from RMB7,079.1 million for the year ended 31 December 2018. The increase was primarily due to the significant increase in revenue recognised from sales of properties by RMB4,518.9 million.

Other income and gains increased to RMB896.0 million for the year ended 31 December 2019 from RMB588.2 million for the year ended 31 December 2018. The increase was mainly due to higher interest income of RMB202.9 million, and increased income from fitting out works and consulting services of RMB74.5 million and RMB40.8 million respectively.

The fair value gains of investment properties of RMB109.3 million was reported for the year ended in 31 December 2019, against RMB324.1 million for the year ended 31 December 2018. The fair value of the Group's investment properties continued to grow steadily. However, due to the slowdown in the global economic growth, the Group considered that a more conservative operating forecast for its investment properties was more appropriate and resulted in decreasing the fair value growth rate of the investment properties for the current year, as compared to the previous year.

The Group's direct operating expenses for the year ended 31 December 2019 increased to RMB1,458.7 million from RMB1,162.1 million for the year ended 31 December 2018. Due to continuing expansion of property investment and management business scale in PRC in the current year, higher operating expenses was incurred.

The Group's administrative expenses for the year ended 31 December 2019 increased to RMB169.7 million from RMB163.2 million for the year ended 31 December 2018, slightly increased by RMB6.5 million.

The finance costs went up to RMB492.0 million for the current year from RMB249.8 million for the year ended 31 December 2018, increased by RMB242.2 million. After excluding the effects of initial adopting HKFRS 16 of RMB51.0 million, the finance costs was increased by RMB191.2 million. Due to the successful bidding of a number of PRC property projects this year, resulted in increasing loans from related parties and led to higher interest expenses paid to the related parties by RMB112.2 million (net of capitalised interest). In addition, the Group issued a long-term note of RMB1.4 billion in May 2019 with interest expenses of RMB43.6 million for the year.

Share of results of joint ventures and associates of the Group reported an aggregate profit of RMB2,338.3 million for the year ended 31 December 2019, against RMB1,341.4 million for the last year. The increase was mainly due to increase in revenue recognition from sales of properties of joint ventures and associates in Shanghai, Beijing, Wuhan, Hangzhou and Tianjin, the PRC.

Overall, the Group's profit attributable to owners of the Company increased from RMB2,252.6 million for the year ended 31 December 2018 to RMB3,799.6 million for the year ended 31 December 2019. The increase was mainly due to increased sales recognition. The Group's core profit attributable to owners of the Company, excluding changes in fair values of investment properties, and impairment on receivables and stock of properties, amounted to RMB4,010.0 million for the year ended 31 December 2019, against RMB2,273.0 million for the year last year, an increase of 76%.

The Group recorded basic earnings per share of RMB0.2392 for the year ended 31 December 2019, against basic earnings per share of RMB0.1419 for the year ended 31 December 2018, representing an increase of 69%. The diluted earnings per share for the current year and prior year were RMB0.2346 and RMB0.1396 respectively.

BUSINESS SEGMENTS

Property development

For the year ended 31 December 2019, the revenue of property development segment substantially increased to RMB10,703.2 million, representing 91% of the total revenue, compared with RMB6,184.3 million, representing 87% of the total revenue for the year ended 31 December 2018. Revenue for the current year was mainly contributed by the sales of properties of Nanjing Weixin, Shanghai Shanshui Four Seasons, Ningbo Jinfeng, Xi'an Yihua Nian and Jiangsu Huai'an Project. The profit in the property development segment during the current year increased to RMB7,551.4 million, against RMB4,261.9 million for the previous year. The increase in the segment results was mainly due to the significant increase of the area delivered in property sales and increase in profit contribution from joint ventures and associates in the current year.

Property investment and management

The revenue earned by the property investment and management segment for the year ended 31 December 2019 increased from RMB507.3 million, representing 7% of the total revenue for the year ended 31 December 2018, to RMB671.4 million representing 6% of the total revenue. The increase in revenue was mainly come from higher rental rates of Vision Shenzhen Business Park ("VSBP") and Beijing Sohu.com internet Plaza as well as higher rental area of property sub-leasing business with rental and property management fee income increased by RMB72.4 million. During the year under review, the property investment and management segment recorded a profit of RMB239.7 million, including fair value gains of investment properties of RMB109.3 million, and share of profits from joint ventures of RMB63.7 million, compared with the segment profit of RMB702.1 million for the corresponding period, including fair value gains of investment properties of RMB324.1 million and share of profits from joint ventures of RMB285.5 million. The decrease in segment profit was mainly due to reduction in fair value gains of investment properties. Excluding the financial cost of initial adopting HKFRS 16 of RMB47.8 million, the fair value gains and the share of profits from joint ventures, the segment profit was increased by RMB22.0 million. Property investment and management segment is growing steadily.

Microfinance

During the current year, the revenue earned by the microfinance segment decreased from RMB387.5 million, representing 6% of the total revenue for the year ended 31 December 2018, to RMB335.6 million, representing 3% of the total revenue for the year ended 31 December 2019. The microfinance segment recorded a profit of RMB191.5 million during the current year, compared with the segment profit of RMB149.3 million for the last year, increased by RMB42.2 million. It was mainly due to the fact that part of the borrowing funds of microfinance segment of the year was provided by the Group internally and led to decrease in interest expenses incurred for the current year.

SHAREHOLDERS' FUNDS

The Group's total shareholders' funds increased from RMB11,835.2 million as at 31 December 2018 to RMB15,047.2 million as at 31 December 2019. The increase was contributed by profit attributable to owners of the Company for the current year of RMB3,799.6 million which was partially offset by the final dividend of RMB436.9 million declared for the year ended 31 December 2018.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

Liquidity and capital resources

The Group's deposits, bank and cash balances increased by 54% to RMB4,974.6 million as at 31 December 2019 from RMB3,237.9 million as at 31 December 2018. The increase was mainly due to proceeds from properties sales, new bank and other borrowings, and increased loans from group companies, netting off against development costs of PRC property projects, cash applied to land acquisitions, payments of final dividend, investments/advances to joint ventures and associates, and repayment of bank borrowings.

Borrowings

The Group arranged three short-term bank loans with aggregate amount of RMB799.4 million during the year for general working capital purpose. Meanwhile, the Group repaid short-term and long-term loans, totally RMB673.3 million. The Group arranged a 10-year Asset-Backed Notes ("ABN") of RMB1.4 billion in May 2019. The ABN will mature on 5 January 2029 with interest rate of 4.66% per annum and are repayable semi-annually. The ABN is secured by the next 10 years rental income of VSBP. The Group has repaid RMB54.0 million ABN due within the year. As at 31 December 2019, total bank and other borrowings of the Group was RMB3,571.7 million with interest rates ranging from 3.5% to 5.4% per annum.

The net debt (measured by total borrowings minus cash and bank deposits (including restricted cash) increased by RMB2,689.3 million to RMB4,649.8 million as at 31 December 2019 from RMB1,960.5 million as at 31 December 2018. The increase of net debt was mainly due to cash applied to development cost of PRC projects, dividend payment and investments/advances to joint ventures and associates. The Group's net debt ratio (defined as net debt over total equity, including non-controlling interests) increased to 26% as at 31 December 2019, from 14% as at 31 December 2018.

The maturity profiles of the Group's outstanding borrowings as at 31 December 2019 and 31 December 2018 are summarised below:

	As at	
	31 December 2019 RMB'000	31 December 2018 RMB'000
Short-term and long-term bank and other borrowings:		
Within the first year or on demand	**1,992,127**	1,310,181
In the second year	**211,457**	435,292
In the third to fifth years, inclusive	**900,090**	119,407
Over five years	**468,048**	195,632
	3,571,722	2,060,512
Loans from related parties:		
Within the first year or on demand	**1,473,283**	1,396,316
In second year	**5,221,633**	2,604,478
	6,694,916	4,000,794
Total borrowings	**10,266,638**	6,061,306

FINANCIAL MANAGEMENT

Foreign currency risk

As at 31 December 2019, borrowings were denominated in United States dollars ("US$"), RMB and HK$. The Group mainly operates in the Mainland China and most of the transactions, assets and liabilities are denominated in RMB, thus the Group is exposed to foreign currency risk. Moderate fluctuation of RMB against HK$ and US$ was expected, the Group considered the foreign currency risk exposure is acceptable. The Group will review and monitor its currency exposure from time to time and when appropriate hedge its currency risk.

The currency denominations of the Group's outstanding borrowings as at 31 December 2019 and 31 December 2018 are summarised below:

	As at	
	31 December 2019 RMB'000	31 December 2018 RMB'000
HK$	**1,899,083**	4,172,335
RMB	**2,460,706**	1,263,856
US$	**5,906,849**	625,115
Total	**10,266,638**	6,061,306

Interest rate risk

As at 31 December 2019, 31% of borrowings of the Group were on a floating rate basis (2018: 53%). However, the interest rate risk exposure was considered acceptable and no hedging was considered necessary. The Group will continue to monitor the suitability and cost efficiency of hedging instrument (including interest rates swaps) and consider a mix of fixed and floating rate borrowings in order to manage interest rate risk.

PLEDGE OF ASSETS

At 31 December 2019, investment properties of the Group with an aggregate carrying value of RMB586,698,000 (2018: RMB542,536,000) were pledged to secure other borrowings granted to the Group.

CONTINGENT LIABILITIES

(a) As at 31 December 2019, the Group provided guarantees to certain banks in respect of mortgage granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates. As at 31 December 2019, the Group's outstanding guarantees amounted to RMB1,623,164,000 (31 December 2018: RMB1,626,646,000).

The Directors consider that the fair value of the guarantees is not significant and in case of defaulting payments, the net realisable value of the related properties will be sufficient to cover the outstanding mortgage principals, the accrued interest and penalty. Therefore, no provision has been made in the financial statements for the year ended 31 December 2019 (2018: Nil) for these guarantees.

(b) At the end of the reporting period, the Group provided an aggregate maximum guarantees of US$71,500,000 (equivalent to RMB498,798,000) (2018: US$70,950,000 (equivalent to RMB486,944,000)) to financial institutions for facilities granted to joint ventures of the Group. As at 31 December 2019, the facilities guaranteed by the Group to the joint ventures were utilised to the extent of approximately RMB440,207,000 (2018: RMB486,944,000).

REVIEW OF OPERATIONS

Land Bank

Our management believes that a sizable and quality land bank is the key for a property developer to succeed in a competitive property market in the PRC. Our core competitive edge includes good timing for land acquisition at competitive pricing as well as professional projects cashflow management.

As at 31 December 2019, the Group's land bank totalled 15.26 million square meters, under which approximately 20% were located in the first tier cities, which were Beijing, Shanghai, Guangzhou and Shenzhen. The remaining 80% land bank were mainly located in Nanjing, Tianjin, Jinan, Suzhou, Hangzhou, Qingdao, Wuhan, Changsha, Xi'an, Chengdu and Xuzhou.

Land acquisitions in 2019

During 2019, the Group acquired 21 land projects in the PRC, with total planned GFA of approximately 4,936,000 square meters, under which 2,236,000 square meters were attributable to the Group's equity interests. Total consideration for these land acquisitions amounted to approximately RMB35 billion, out of which RMB15.4 billion were payable by the Group according to its equity interests in relevant projects. The average land acquisition cost in 2019 was approximately RMB6,900 per square meter.

Segment Information

Properties sales and development

In 2019, the Group achieved an aggregated contracted sales of RMB63.66 billion in 2019, representing a substantial increase of 30% as compared to 2018, due to the increase in projects sales launch as well as expansion of various sales channels. Its aggregated contracted sales area totalled 3,137,500 square meters in 2019, representing a significant increase of 39% as compared to 2018. Its average selling price was approximately RMB20,300 per square meter in 2019, representing a slightly decrease of 6% as compared to 2018.

Property leasing

As at 31 December 2019, the occupancy rate of Vision Shenzhen Business Park in Nanshan District, Shenzhen was nearly 100%. Its major tenants include Ant Financial, DJI, Amazon and Intel. In addition, both Beijing Sohu.com Internet Plaza and Shanghai Bridge 8 project were fully occupied. The occupancy rate of Hangzhou Gemdale Plaza was over 96% while Shanghai Jiuting Gemdale Plaza, which newly commenced business in late 2019, also reached 95%.

During the year, benefiting from the increase in the rental rate as well as more new commercial projects were opened, the Group recorded a total rental/management fee revenue of approximately RMB671 million in 2019, representing a remarkable increase of 32% as compared to 2018.

Currently, the commercial projects under development include Xuzhou, Nanjing, Jinan, Beijing and Huai'an commercial complex projects, several Shanghai commercial projects and Vision Shenzhen Business Park Phase 3 in Nanshan District, Shenzhen. Upon completion of these projects in the pipeline, our commercial properties portfolio is expected to generate an additional RMB1.5 billion rental income to the Group.

OUTLOOK

Looking forward to 2020, the Group would remain focus on expanding its business scale and land bank. 15% of the total investment would be in commercial properties investment to ensure the Group has stable cash flow and rental income in future.

CORPORATE GOVERNANCE

The Company has taken steps to adopt the principles and comply with the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Board has reviewed periodically the compliance of the CG Code and is of the view that throughout the year ended 31 December 2019, the Company has complied with all the applicable code provisions of the CG Code, except for the following deviations:

1. Under CG Code A.6.7, generally independent non-executive directors and other non-executive directors should also attend general meetings to gain and develop a balanced understanding of the views of shareholders. Due to other pre-arranged business commitments which must be attended by certain directors of the Company, Mr. Loh Lian Huat, Ms. Zhang Feiyun and Mr. Hu Chunyuan were not able to attend the annual general meeting of the Company on 21 May 2019.

2. Under CG Code E.1.2, the chairman of the board should attend the annual general meeting. Due to other pre-arranged business commitments which must be attended by Mr. Huang Juncan, the chairman of the board, he was not able to attend the annual general meeting of the Company on 21 May 2019.

3. Under CG Code A.1.1, board meetings should be held at least four times a year at approximately quarterly intervals. During the year, only two regular board meetings were held to review and approve the annual and interim results of the Company. The Company does not announce its quarterly results and hence does not consider the holding of quarterly meetings as necessary. Management supplied adequate and timely information to the board and the directors can make further enquiries to the senior management from time to time to ensure that they are provided with sufficient information to fulfill their directors' duties.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers, as amended from time to time, (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Following specific enquiries made by the Company, all Directors had complied with the required standards set out in the Model Code throughout the year. The Model Code also applies to other specified senior management of the Company.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had approximately 3,100 (2018: 2,900) employees. Salaries of employees are maintained at competitive levels while bonuses may be granted on a discretionary basis with reference to the Group's performance as well as the individual's performance. Other employee benefits include mandatory provident fund, insurance and medical cover, subsidised educational and training programmes as well as a share option scheme. The emoluments of the Directors are determined by the Remuneration Committee and the Board with reference to the Directors' duties and responsibilities as well as the Company's remuneration policy.

SHARE OPTION SCHEMES

A share option scheme was adopted by the Company on 20 May 2003 (the "Share Option Scheme 2003") which expired on 20 May 2013 and a new share option scheme was adopted by the Company on 15 May 2013 (the "Share Option Scheme 2013") for the purpose of continuing to give incentive to, rewarding, remunerating, compensating and/or providing benefits to the Qualifying Grantees (as defined in the Share Option Scheme 2013) of the Company. Any share options which were granted under the Share Option Scheme 2003 prior to its expiry shall continue to be valid and exercisable in accordance with the terms set out therein.

During the year, the subscription rights attaching to 3,490,000, 15,706,000 and 4,652,000 share options were exercised at an exercise price of HK$0.55, HK$0.792 and HK$0.44 per share, respectively. They involved the issuance of a total of 23,848,000 new shares of the Company at a nominal value of HK$0.1 each for a total cash consideration, before expenses, of HK$16,405,532. The proceeds from these exercises of share options would be applied for general working capital of the Group.

As at the date of this announcement, the total number of shares which may be issued upon exercise of all share options granted and yet to be exercised under the Share Option Scheme 2003 and the Share Option Scheme 2013 amounted to 129,240,000 and 780,808,000 respectively.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company and Ernst & Young, the Company's auditor, the accounting principles and practices adopted by the Group and has discussed auditing, risk management and internal control as well as financial reporting matters, including the review of the annual results and report of the Company for the year ended 31 December 2019.

SCOPE OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this preliminary announcement.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.0718 per share (2018: RMB0.0275 per share) for the year ended 31 December 2019, subject to shareholders' approval at the forthcoming annual general meeting of the Company.

The proposed final dividend, if approved, will be paid on or about 26 June 2020 to shareholders whose names appear on the register of members of the Company on 9 June 2020.

The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars ("HK$"). The final dividend payable in HK$ will be converted from RMB at the average middle rate of RMB to HK$ as announced by the People's Bank of China for the period from 27 May 2020 to 2 June 2020.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the "AGM") is to be held on Tuesday, 2 June 2020 and the notice of AGM is expected to be published and despatched to the Shareholders on or about 29 April 2020.

For determining the entitlement to attend and vote at the annual general meeting of the Company to be held on Tuesday, 2 June 2020, the register of members of the Company will be closed from 28 May 2020 to 2 June 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 27 May 2020.

For determining the entitlement to the proposed final dividend for the year ended 31 December 2019 (subject to approval by the shareholders of the Company at the AGM), the register of members of the Company will be closed from 8 June 2020 to 9 June 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible for the above proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with branch share registrar and transfer office of the Company in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 5 June 2020.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.gemdalepi.com). The 2019 annual report will be despatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board
Gemdale Properties and Investment Corporation Limited
Huang Juncan
Chairman and Executive Director

Hong Kong, 30 March 2020

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Ling Ke, Mr. Huang Juncan, Mr. Xu Jiajun and Mr. Wei Chuanjun; two non-executive Directors, namely Mr. Loh Lian Huat and Ms. Zhang Feiyun and three independent non-executive Directors, namely Mr. Hui Chiu Chung, Mr. Chiang Sheung Yee, Anthony and Mr. Xia Xinping.