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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 2020

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2020 RMB'000	2019 RMB'000	Change %
Revenue	16,321,682	11,710,186	+ 39
Gross profit	6,588,263	6,205,854	+ 6
Other income and gains	1,548,236	896,036	+ 73
Share of results of joint ventures and associates	1,948,559	2,338,267	— 17
Profit after tax	4,834,849	4,503,651	+ 7
Profit attributable to owners of the Company	4,354,548	3,799,628	+ 15
Core profit attributable to owners of the Company ⁽¹⁾	4,678,412	4,100,825	+ 14
Earnings per share attributable to owners of the Company:			
- Basic (RMB)	0.2679	0.2392	+ 12
- Diluted (RMB)	0.2637	0.2346	+ 13
	31 December 2020 RMB'000	31 December 2019 RMB'000	Change %
Deposits, bank and cash balances	7,151,758	4,974,648	+ 44
Total assets	64,407,140	63,169,647	+ 2
Net assets	21,099,052	17,897,446	+ 18

⁽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, right-of-use assets and financial assets at fair value, and impairment on receivables and stock of properties.

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 2020 together with the relevant comparative figures.

* For identification purpose only

Consolidated Statement of Profit or Loss

Year ended 31 December 2020

		2020 RMB'000	2019 RMB'000
	<i>Notes</i>		
Revenue	3	16,321,682	11,710,186
Cost		(9,733,419)	(5,504,332)
Gross profit		6,588,263	6,205,854
Direct operating expenses		(1,916,302)	(1,458,719)
Other income and gains	3	1,548,236	896,036
Changes in fair values of investment properties		85,680	109,268
Changes in fair values of financial assets at fair value		(140,925)	-
Administrative expenses		(195,966)	(169,745)
Finance costs	4	(651,398)	(491,996)
Share of profits and losses of:			
Joint ventures		1,843,208	1,880,612
Associates		105,351	457,655
Profit before tax	5	7,266,147	7,428,965
Tax	6	(2,431,298)	(2,925,314)
Profit for the year		4,834,849	4,503,651
Attributable to:			
Owners of the Company		4,354,548	3,799,628
Non-controlling interests		480,301	704,023
		4,834,849	4,503,651
Earnings per share attributable to owners of the Company:			
- Basic (RMB)	7	0.2679	0.2392
- Diluted (RMB)	7	0.2637	0.2346

Condensed Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
Profit for the year	4,834,849	4,503,651
Other comprehensive income/(loss)		
- Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange fluctuation reserves:		
Exchange differences on translation of foreign operations	886,238	(190,047)
Share of exchange differences on translation of foreign operations of joint ventures	(178,471)	36,012
Release upon deregistration of subsidiaries	(5,868)	-
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	701,899	(154,035)
- Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Exchange fluctuation reserves:		
Exchange differences on translation of foreign operations	(457,916)	151,951
Equity investments at fair value through other comprehensive income:		
Changes in fair value, net of tax	(307)	-
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	(458,223)	151,951
Other comprehensive income/(loss) for the year, net of tax	243,676	(2,084)
Total comprehensive income for the year	5,078,525	4,501,567
Attributable to:		
Owners of the Company	4,610,085	3,796,115
Non-controlling interests	468,440	705,452
	5,078,525	4,501,567

Condensed Consolidated Statement of Financial Position

31 December 2020

		2020 RMB'000	2019 RMB'000
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		62,032	74,709
Investment properties		11,887,090	10,798,378
Intangible assets		23,392	31,620
Right-of-use assets		120,657	58,385
Prepayments, deposits and other receivables		2,343,615	1,726,771
Investments in joint ventures		17,268,686	11,042,332
Investments in associates		3,639,731	4,090,422
Loans to related companies		1,554,394	2,456,491
Financial assets at fair value		391,445	494,980
Deferred tax assets		922,755	839,782
Total non-current assets		38,213,797	31,613,870
CURRENT ASSETS			
Properties held for sale		1,693,259	3,679,328
Properties under development		7,196,151	13,753,930
Trade receivables	9	73,407	32,799
Prepayments, deposits and other receivables		4,662,121	2,772,741
Loans to joint ventures		740,235	1,453,881
Loan to an associate		-	27,930
Loans to non-controlling shareholders		120,697	65,506
Due from fellow subsidiaries		16,499	12,200
Due from joint ventures		3,268,443	2,539,554
Due from associates		92,663	237,407
Due from non-controlling shareholders		834,146	599,464
Due from related companies		2,256	3,565
Prepaid tax		209,645	760,587
Restricted cash		132,063	642,237
Deposits, bank and cash balances		7,151,758	4,974,648
Total current assets		26,193,343	31,555,777

Condensed Consolidated Statement of Financial Position (continued)

31 December 2020

		2020 RMB'000	2019 RMB'000
	<i>Note</i>		
CURRENT LIABILITIES			
Trade and bills payables	10	3,341,423	2,863,772
Advanced receipts, accruals and other payables		5,845,640	19,790,316
Interest-bearing bank and other borrowings		2,015,629	1,992,127
Lease liabilities		117,167	61,016
Loans from the ultimate holding company		-	108,567
Loans from a fellow subsidiary		-	358,577
Loans from joint ventures		-	14,000
Loans from an associate		-	992,139
Loan from a non-controlling shareholder		1,629	-
Due to the ultimate holding company		1,492,803	96,206
Due to fellow subsidiaries		668,946	356,496
Due to joint ventures		6,191,625	5,132,545
Due to associates		1,743,837	304,248
Due to non-controlling shareholders		230,368	241,567
Due to a related company		2,984	2,256
Tax payable		2,607,625	3,626,773
Total current liabilities		24,259,676	35,940,605
NET CURRENT ASSETS/(LIABILITIES)		1,933,667	(4,384,828)
TOTAL ASSETS LESS CURRENT LIABILITIES		40,147,464	27,229,042
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		2,679,904	1,579,595
Lease liabilities		1,352,026	1,155,701
Loans from the ultimate holding company		7,137,184	-
Loans from fellow subsidiaries		6,343,089	5,221,633
Loans from joint ventures		144,000	-
Deferred tax liabilities		1,392,209	1,374,667
Total non-current liabilities		19,048,412	9,331,596
NET ASSETS		21,099,052	17,897,446
EQUITY			
Equity attributable to owners of the Company			
Issued capital		1,495,908	1,441,285
Reserves		17,392,274	13,605,956
		18,888,182	15,047,241
Non-controlling interests		2,210,870	2,850,205
TOTAL EQUITY		21,099,052	17,897,446

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.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3

Amendments to HKFRS 9, HKAS 39 and HKFRS 7

Amendments to HKAS 1 and HKAS 8

Definition of a Business

Interest Rate Benchmark Reform

Definition of Material

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The Group has applied the concentration test to the acquisition of Chengdushi Keluzhou Electronic Company Limited. The fair value of the gross assets acquired was substantially concentrated in a property. Therefore, this subsidiary was determined not to be a business and accordingly, the Group did not apply the acquisition method to the acquisition of this subsidiary.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and 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% (2019: over 90%) of the Group's revenue is derived from customers based in Mainland China, and over 90% (2019: 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.

	Property development RMB'000	Property investment and management RMB'000	Mirco- finance RMB'000	Corporate RMB'000	Total RMB'000
Year ended 31 December 2020					
Segment revenue:					
Sales to external customers	<u>15,201,517</u>	<u>794,960</u>	<u>325,205</u>	<u>-</u>	<u>16,321,682</u>
Segment cost	(9,100,146)	(620,810)	(12,463)	-	(9,733,419)
Segment gross profit	<u>6,101,371</u>	<u>174,150</u>	<u>312,742</u>	<u>-</u>	<u>6,588,263</u>
Segment results:	7,729,623	51,300	209,317	(163,713)	7,826,527
<i>Reconciliation</i>					
Bank interest income					26,278
Finance costs (other than interest on lease liabilities)					(586,658)
Profit before tax					<u>7,266,147</u>
Segment assets:	39,871,295	19,935,691	3,306,164	54,894	63,168,044
<i>Reconciliation</i>					
Other unallocated assets					<u>1,239,096</u>
Total assets					<u>64,407,140</u>
Segment liabilities:	18,526,727	10,084,014	1,131,022	335,368	30,077,131
<i>Reconciliation</i>					
Other unallocated liabilities					<u>13,230,957</u>
Total liabilities					<u>43,308,088</u>
Other segment information:					
Share of profits and losses of joint ventures	(1,800,774)	(42,434)	-	-	(1,843,208)
Share of profits and losses of associates	(99,197)	(6,154)	-	-	(105,351)
Changes in fair value of investment properties	-	(85,680)	-	-	(85,680)
Changes in fair values of investment properties – right-of-use assets	-	308,218	-	-	308,218
Changes in fair values of financial assets at fair value	138,212	2,713	-	-	140,925
Net gains on disposal of investment properties	-	(1,512)	-	-	(1,512)
Gains on disposal/deemed disposal of subsidiaries	(40,340)	(53,834)	-	-	(94,174)
Gains on bargain purchase	(29,663)	-	-	-	(29,663)
Government grants	(10,121)	(23,912)	(3)	(768)	(34,804)
Depreciation of property, plant and equipment	12,309	4,244	724	4,577	21,854
Depreciation of right-of-use assets	12,471	2,202	-	10,504	25,177
Amortisation	-	8,228	-	-	8,228
Release of exchange reserves upon deregistration of subsidiaries	(5,868)	-	-	-	(5,868)
Impairment/(reversal of impairment) of receivables, net	(14,229)	(933)	65,436	(11)	50,263
Capital expenditure*	111,625	2,640,296	1,446	4,050	2,757,417
Investment in joint ventures	15,660,954	1,607,732	-	-	17,268,686
Investment in associates	<u>3,626,064</u>	<u>13,667</u>	<u>-</u>	<u>-</u>	<u>3,639,731</u>

	Property development RMB'000	Property investment and management RMB'000	Micro- finance RMB'000	Corporate RMB'000	Total RMB'000
Year ended 31 December 2019					
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
<i>Reconciliation</i>					
Bank interest income					31,369
Finance costs (other than interest on lease liabilities)					(440,961)
Profit before tax					<u>7,428,965</u>
Segment assets:	43,700,098	16,184,886	1,561,345	72,438	61,518,767
<i>Reconciliation</i>					
Other unallocated assets					<u>1,650,880</u>
Total assets					<u>63,169,647</u>
Segment liabilities:	30,244,014	4,037,560	60,560	313,552	34,655,686
<i>Reconciliation</i>					
Other unallocated liabilities					<u>10,616,515</u>
Total liabilities					<u>45,272,201</u>
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 investment properties	-	(109,268)	-	-	(109,268)
Changes in fair values 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
Investment in joint ventures	9,973,637	1,068,695	-	-	11,042,332
Investment in associates	4,070,490	19,932	-	-	4,090,422

* Capital expenditure consists of additions to property, plant and equipment, investment properties and right-of-use assets

3. REVENUE, OTHER INCOME AND GAINS

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

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers		
Sale of properties	15,201,517	10,703,227
Property management fee income from:		
- fellow subsidiaries	1,440	1,243
- third parties	208,162	158,639
Utility income	17,656	21,361
Entrusted management fee income from a fellow subsidiary	24,906	24,906
Revenue from other sources		
Gross rental income from:		
- fellow subsidiaries	10,775	9,558
- third parties	532,021	455,688
Interest income on loans receivable	325,205	335,564
	16,321,682	11,710,186
Other income and gains		
Bank interest income	26,278	31,369
Interest income on loans to related companies	88,494	106,712
Interest income on loans to joint ventures	311,377	260,081
Interest income on loans to an associate	2,414	16,930
Interest income on loans to non-controlling shareholders	912	1,208
Interest income on loans to third parties	25,878	4,586
Interest income from financial assets at fair value	3,676	-
Gain on disposal of financial assets at fair value	7,497	-
Consulting service income from:		
- joint ventures	174,015	94,186
- an associate	51,042	40,859
- third parties	54,854	72,776
Fitting-out works income from:		
- fellow subsidiaries	146,307	52,875
- joint ventures	234	24,685
- an associate	20,116	-
- third parties	395,996	112,006
Net gain on disposal of investment properties	1,512	-
Gains on disposal and deemed disposal of subsidiaries (<i>Note 13</i>)	94,174	-
Gains on bargain purchase	29,663	-
Government grants [#]	34,804	-
Release of exchange reserves upon deregistration of subsidiaries	5,868	-
Others	73,125	77,763
	1,548,236	896,036

[#] Various government grants have been received from local government. They mainly represented financial assistance for sub-leasing business in the Mainland China. As at 31 December 2020, there was no unfulfilled conditions and other contingencies attaching to the government grants that had been recognised by the Group.

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on borrowings:		
- bank borrowings	73,065	72,806
- loans from the ultimate holding company	85,278	44,910
- loans from fellow subsidiaries	316,758	239,544
- loans from joint ventures	1,611	1,482
- loans from an associate	43,837	26,672
- other borrowings and other payables	76,388	74,289
	<hr/>	
	596,937	459,703
Interest on lease liabilities	64,740	51,035
Other finance costs	12,664	10,497
	<hr/>	
Total finance costs incurred	674,341	521,235
Less: Interest capitalised in		
- investment properties	(3,706)	-
- properties under development	(19,237)	(29,239)
	<hr/>	
	651,398	491,996
	<hr/>	

5. PROFIT BEFORE TAX

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

	2020 RMB'000	2019 RMB'000
Cost of properties sold	9,100,146	5,047,808
Depreciation of property, plant and equipment	22,116	33,455
Less: Amounts capitalised in property development projects	(262)	(867)
	21,854	32,588
Depreciation of right-of-use assets	191,767	242,568
Less: Amounts capitalised in property development projects	(166,590)	(223,361)
	25,177	19,207
Amortisation of intangible assets*	8,228	8,228
Outgoings (including repairs and maintenance) arising on rental-earning investment properties	57,339	52,483
Net losses on disposal of items of property, plant and equipment	232	498
Gains on lease termination	(613)	-
Net gain on disposal of investment properties	(1,512)	-
Gains on disposal/deemed disposal of subsidiaries (<i>Note 13</i>)	(94,174)	-
Changes in fair values of investment properties	(85,680)	(109,268)
Changes in fair values of investment properties - right-of-use assets**	308,218	121,113
Changes in fair values of financial assets at fair value	140,925	-
Gains on bargain purchase	(29,663)	-
Impairment of receivables, net	50,263	70,645
Lease payment not included in the measurement of lease liabilities	55	949
Employees benefits expenses (including directors' emoluments):		
Wages and salaries	814,852	696,755
Pension schemes contributions	19,806	30,791
Total employees benefits expenses	834,658	727,546
Auditor's remuneration	4,885	4,451
Release of exchange reserves upon deregistration of subsidiaries	(5,868)	-
Foreign exchange differences, net	15,591	(6,371)

* The amortisation of intangible assets is included in "Direct operating 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 (2019: 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 charged to the consolidated statement of profit or loss represented:

	2020 RMB'000	2019 RMB'000
Current – Hong Kong	-	-
Current – Mainland China		
Charge for the year	1,495,755	840,649
(Over)/under provision in prior years	(21,589)	1,644
LAT in Mainland China	937,936	1,615,539
Deferred	19,196	467,482
	<u>2,431,298</u>	<u>2,925,314</u>

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 16,254,392,988 (2019: 15,884,324,467) 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 calculation of basic and diluted earnings per share is based on:

	2020	2019
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	4,354,548	3,799,628
	4,354,548	3,799,628
	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	16,254,392,988	15,884,324,467
Effect of dilution – weighted average number of ordinary shares:		
Share options	259,268,802	311,076,264
	16,513,661,790	16,195,400,731

8. DIVIDENDS

	2020	2019
	RMB'000	RMB'000
Proposed final dividend – RMB0.08 (2019: RMB0.0718) per ordinary share	1,320,223	1,141,804

At the Board meeting held on 22 March 2021, the Board resolved to recommend the payment of a final dividend of RMB0.08 per share for the year ended 31 December 2020. 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

	2020 RMB'000	2019 RMB'000
Trade receivables	73,407	32,799

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, is as follows:

	2020 RMB'000	2019 RMB'000
Within 1 month	53,529	13,191
1 to 3 months	8,939	16,337
Over 3 months	10,939	3,271
	73,407	32,799

10. TRADE AND BILLS PAYABLES

	2020 RMB'000	2019 RMB'000
Trade and bills payables	3,341,423	2,863,772

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

	2020 RMB'000	2019 RMB'000
Within 1 month	1,288,931	862,408
1 to 3 months	708,252	863,388
Over 3 months	1,344,240	1,137,976
	3,341,423	2,863,772

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

11. BUSINESS COMBINATION

In January 2020, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with a joint venture partner to acquire a 51% equity interest in the joint venture, 蘇州津鑫共創置業有限公司 (Suzhou Jinxin Gongchuang Real Estate Company Limited*) ("Jinxin"), at a cash consideration of RMB62,220,000. Jinxin is engaged in property development in Mainland China. After completion of the acquisition in February 2020, the wholly-owned subsidiary holds 99.95% equity interests in Jinxin and has control over Jinxin. The acquisition was accounted for as business combination.

In the prior 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 as business combination.

The fair values of the identifiable assets and liabilities of the acquired company as at the date of acquisition are as follows:

	Fair value recognised on acquisition	
	2020 Jinxin RMB'000	2019 Jinanze RMB'000
Property, plant and equipment	20	166
Deferred tax assets	-	196
Properties held for sale	148,160	27,866
Properties under development	-	68,971
Deposit, prepayment and other receivables	14,162	128,113
Due from shareholders	27,850	761,788
Prepaid taxes	-	32,978
Bank balances	13,621	52,034
Trade payables	(40,547)	(7,804)
Advanced receipts, accruals and other payables	(15,655)	(202,912)
Tax payables	(876)	(191,567)
Deferred tax liabilities	(24,717)	-
Total identifiable net assets at fair value	122,018	669,829
Non-controlling interests	(42)	(328,216)
	121,976	341,613
Transferred from investment in a joint venture	(41,756)	(341,613)
Gain on bargain purchase	(18,000)	-
Total consideration:	62,220	-
Satisfied by:		
Cash	62,220	-

The fair values and gross contractual amounts of deposits and other receivables of Jinxin as at the date of acquisition amounted to RMB1,353,000. No receivables are expected to be uncollectible.

The fair values and gross contractual amounts of deposits and other receivables of Jinanze as at the date of acquisition amounted to RMB47,582,000. No receivables are expected to be uncollectible.

* For identification purpose only

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

	2020 Jinxin RMB'000	2019 Jinanze RMB'000
Cash consideration	(62,220)	-
Bank balances acquired	13,621	52,034
Net (outflow)/inflow of cash and cash equivalents included in cash flow from investing activities	(48,599)	52,034

Since the acquisition, Jinxin contributed RMB6,087,000 to the Group's revenue for the year ended 31 December 2020 and loss of RMB606,000 to the Group's consolidated profit for the year ended 31 December 2020. 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 RMB16,321,682,000 and RMB4,834,849,000 respectively.

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 prior year, the revenue and the consolidated profit of the Group for prior year would have been RMB12,850,314,000 and RMB4,628,445,000, respectively.

12. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 1 September 2020, a wholly-owned subsidiary of the Company acquired 100% equity interest in 成都市科陸洲電子有限公司(Chengdushi Keluzhou Electronic Company Limited*) ("Chengdu Keluzhou"), from three independent third parties, at an aggregate cash consideration of RMB492,418,000. Chengdu Keluzhou is engaged in property investment in Mainland China.

The above transaction was accounted for as acquisition of assets rather than business combination because the acquired subsidiary had not carried out any significant business transactions prior to the date of acquisition. The net outflow of cash and cash equivalents from the acquisition has been reflected in the consolidated statement of cash flows as part of the cash flow movement of the individual assets and liabilities acquired.

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

	2020 Chengdu Keluzhou RMB'000
Property, plant and equipment	16
Deferred tax assets	428
Investment property	486,350
Deposit, prepayment and other receivables	3,091
Bank balances	6,920
Other payables	<u>(4,387)</u>
Net assets	<u>492,418</u>
Satisfied by:	
Cash	<u>492,418</u>

An analysis of the cash flows in respect of the acquisition of assets through acquisition of a subsidiary is as follows:

	2020 Chengdu Keluzhou RMB'000
Cash consideration	(492,418)
Bank balances acquired	<u>6,920</u>
Net outflow of cash and cash equivalents	<u>(485,498)</u>

** For identification purpose only*

13. DISPOSAL AND DEEMED DISPOSAL OF SUBSIDIARIES

The Group entered into a co-operative agreement with two independent third parties. Pursuant to the agreement, the two independent third parties agreed to participate in capital injection in a wholly-owned subsidiary of the Company, 杭州金耀房地產開發有限公司 (Hangzhou Jinyi Real Estate Development Co. Ltd*) ("Jinyi"). The equity interest held by the Group was reduced from 100% to 5% accordingly. Jinyi is engaged in property development. The Group and the two independent third parties agreed to exercise joint control over Jinyi after the capital injection. The transaction was accounted for as deemed disposal of a subsidiary and the Group had lost control over Jinyi after the completion of registration of the capital injection with the relevant government authorities in January 2020. The equity investment in Jinyi was accounted for as an investment in a joint venture.

The Group entered into an agreement with a joint venture partner in March 2020. Pursuant to the agreement, the joint venture partner agreed to participate in capital injection in a non-wholly-owned subsidiary of the Company, Gemdale 2035 Blake Street, LLC. ("Gemdale 2035"). The equity interest held by the Group was reduced from 93.8% to 92.6% accordingly. Gemdale 2035 is engaged in property development. The Group and the joint venture partner agreed to exercise joint control over Gemdale 2035 after completion of the transaction. The Group had lost control over Gemdale 2035 in March 2020 and the equity investment in Gemdale 2035 was accounted for as an investment in a joint venture.

The Group disposed of its 40% equity interest in a wholly-owned subsidiary, 上海尚騁企業管理有限公司 (Shanghai Shangcheng Business Management Co., Ltd.*) ("Shangcheng"), to an independent third party for a cash consideration of RMB8,839,400. Shangcheng is engaged in property leasing. The Group has lost control over Shangcheng after completion of the disposal in February 2020. The remaining equity interest in Shangcheng was accounted for as an investment in a joint venture.

A non-controlling shareholder of a subsidiary of the Group entered into a sale and purchase agreement ("S&P Agreement") with a joint venture of the Group in July 2020. Pursuant to the S&P Agreement, the non-controlling shareholder disposed of its 40% equity interest in a subsidiary of the Group, 威新華清(北京)置業發展有限公司 (Vision Huaqing (Beijing) Development Co., Limited) ("Huaqing") where the Group and the non-controlling shareholder held 60% and 40% equity interests respectively before the disposal. Huaqing is engaged in property investment. The Group and the joint venture agreed to exercise joint control over Huaqing after the disposal. The Group has lost control over Huaqing after the completion of the disposal in September 2020. The transaction was accounted for as a deemed disposal of a subsidiary and the 60% equity interest in Huaqing was accounted as an investment in a joint venture.

The Group entered into an agreement with an independent third party in December 2020. Pursuant to the agreement, the Group disposed of its 20% equity interest in a non-wholly-owned subsidiary, 深圳市金地佳創投資諮詢有限公司 (Shenzhen Jincheng Investment Consultation Limited*) ("Jiachuang"), to the independent third party for a cash consideration of RMB41,164,000. Jiachuang is an investment holding company. The two parties agreed to exercise joint control over Jiachuang after the disposal. The Group has lost control over Jiachuang after completion of the disposal in December 2020. The remaining equity interest in Jiachuang was accounted for as an investment in a joint venture.

In prior 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. 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.

In prior year, 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. 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:

	2020					2019	
	Jinyi RMB'000	Gemdale 2035 RMB'000	Shangcheng RMB'000	Huaqing RMB'000	Jiachuang RMB'000	Yuxin RMB'000	Lier RMB'000
Property, plant and equipment	-	-	14,546	38	-	-	135
Investment properties	-	-	-	575,095	-	238,630	227,333
Deferred tax assets	13,447	-	9	-	-	1,642	4,019
Investments in a joint venture	-	-	-	-	90,791	-	-
Properties under development	2,361,312	132,610	-	-	-	-	-
Due from fellow subsidiaries	-	-	-	-	-	-	2,410
Due from shareholders	-	-	-	60,000	7,800	-	-
Trade receivables	-	-	-	919	-	649	430
Prepayments, deposits and other receivables	909	166	3,257	539	-	14,043	12,098
Bank balances	2,233	7,684	2,385	78,604	1,246	522	129
Trade and bills payables	(3,240)	(7,203)	(3)	(4)	-	(23,518)	(20,885)
Advanced receipts, accruals and other payables	(2,883)	-	(340)	(26,377)	-	(4,973)	(2,489)
Due to an intermediate holding company	(2,412,118)	-	-	-	-	(120,300)	(111,016)
Due to fellow subsidiaries	-	-	-	-	(9,001)	(2,010)	(15)
Tax payable	-	-	-	(2,878)	-	-	-
Deferred tax liabilities	-	-	-	(115,741)	-	(6,929)	(9,378)
Net assets/(liabilities)	(40,340)	133,257	19,854	570,195	90,836	97,756	102,771
Non-controlling interests	-	(9,783)	-	(223,690)	(3,806)	-	-
	(40,340)	123,474	19,854	346,505	87,030	97,756	102,771
Fair value of investments retained as investment in joint ventures upon disposal/deemed disposal	-	(123,474)	(11,912)	(346,505)	(98,802)	-	-
Gain on disposal/deemed disposal of subsidiaries	40,340	-	898	-	52,936	-	-
Total consideration	-	-	8,840	-	41,164	97,756	102,771
Satisfied by:							
Cash	-	-	8,840	-	41,164	97,756	102,771

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

	2020					2019	
	Jinyi RMB'000	Gemdale 2035 RMB'000	Shangcheng RMB'000	Huaqing RMB'000	Jiachuang RMB'000	Yuxin RMB'000	Lier RMB'000
Cash consideration	-	-	8,840	-	41,164	97,756	102,771
Bank balances disposed of	(2,233)	(7,684)	(2,385)	(78,604)	(1,246)	(522)	(129)
Net (outflow)/inflow of cash and cash equivalents in respect of the disposal and deemed disposal of subsidiaries	(2,233)	(7,684)	6,455	(78,604)	39,918	97,234	102,642

FINANCIAL REVIEW

The accounting policies and methods of computation used in the preparation of the financial statements for the year ended 31 December 2020 were consistent with those used in the last financial year ended 31 December 2019, except that the Group has applied the *Conceptual Framework for Financial Reporting 2018* and, for the first time, the 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 2020.

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The revenue of the Group for the year ended 31 December 2020 increased to RMB16,321.7 million from RMB11,710.2 million for the year ended 31 December 2019. The increase was primarily due to the significant increase in revenue recognised from sales of properties by RMB4,498.3 million.

Other income and gains increased to RMB1,548.2 million for the year ended 31 December 2020 from RMB896.0 million for the year ended 31 December 2019. The increase was mainly due to rise in income from fitting out works by RMB373.1 million, increase in consulting services income and interest income by RMB72.1 million and RMB38.1 million respectively. Further, the Group disposed of certain subsidiaries with disposal gain of RMB94.2 million during the year.

The fair value gain of investment properties of RMB85.7 million was reported for the year ended 31 December 2020, against RMB109.3 million for the year ended 31 December 2019. Furthermore, the Group’s financial assets at fair value recorded a fair value loss of RMB140.9 million during the year.

The Group’s direct operating expenses for the year ended 31 December 2020 increased to RMB1,916.3 million from RMB1,458.7 million for the year ended 31 December 2019. As the fitting-out works income, included in other income and gains, has had significant growth during the year, the related direct operating expenses also increased by approximately RMB360.1 million. Further, 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 2020 increased to RMB196.0 million from RMB169.7 million for the year ended 31 December 2019, increased by RMB26.3 million.

The finance costs went up to RMB651.4 million for the current year from RMB492.0 million for the year ended 31 December 2019, increased by RMB159.4 million. Due to the successful bidding of a number of PRC property projects and acquisitions this year, resulted in increasing loans from related parties and led to higher interest expenses paid to the related parties by RMB144.9 million (net of capitalised interest).

Share of results of joint ventures and associates of the Group reported an aggregate profit of RMB1,948.6 million for the year ended 31 December 2020, against RMB2,338.3 million for the last year. The decrease was mainly due to reduction in revenue recognition from sales of properties of joint ventures and associates in the PRC.

Overall, the Group’s profit attributable to owners of the Company increased from RMB3,799.6 million for the year ended 31 December 2019 to RMB4,354.5 million for the year ended 31 December 2020. 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, right-of-use assets and financial assets at fair value, and impairment on receivables and stock of properties, amounted to RMB4,678.4 million for the year ended 31 December 2020, against RMB4,100.8 million for the corresponding period of last year, an increase of 14%.

The Group recorded basic earnings per share of RMB0.2679 for the year ended 31 December 2020, against basic earnings per share of RMB0.2392 for the year ended 31 December 2019, representing an increase of 12%. The diluted earnings per share for the current year and prior year were RMB0.2637 and RMB0.2346 respectively.

BUSINESS SEGMENTS

Property development

For the year ended 31 December 2020, the revenue of property development segment substantially increased to RMB15,201.5 million, representing 93% of the total revenue, compared with RMB10,703.2 million, representing 91% of the total revenue for the year ended 31 December 2019. Revenue for the current year was mainly contributed by the sales of properties of Beijing Jindi Yuefenghua, Hangzhou Dayunchenfu, Shanghai Jindi Zizaicheng, Shenyang Yijing and Xi'an Yihua Nian. Due to the decrease in profit contribution from joint ventures and associates in the year, the profit of the property development segment during the current year slightly increased to RMB7,729.6 million, against RMB7,551.4 million for the previous year.

Property investment and management

The revenue earned by the property investment and management segment for the year ended 31 December 2020 increased from RMB671.4 million, representing 6% of the total revenue for the year ended 31 December 2019, to RMB795.0 million representing 5% of the total revenue. With the expansion of property sub-lease business, rent and property management fee income was increased by RMB101.0 million. During the year under review, the property investment and management segment recorded a profit of RMB51.3 million, compared with the segment profit of RMB239.7 million for the corresponding period of last year. The decrease was mainly due to decrease in fair value of right-of-use assets (for subleasing) with fair value loss of RMB308.2 million for the current year, against fair value loss of RMB121.1 million for last year as a result of the weaken economic conditions due to the outbreak of Coronavirus Disease 2019 (“COVID-19”).

Microfinance

During the current year, the revenue earned by the microfinance segment decreased from RMB335.6 million, representing 3% of the total revenue for the year ended 31 December 2019, to RMB325.2 million, representing 2% of the total revenue for the year ended 31 December 2020. The microfinance segment recorded a profit of RMB209.3 million for the current year, against segment profit of RMB191.5 million for the last year. Due to the economy of Mainland China affected by the outbreak of COVID-19 in end of 2019, the microfinance segment performance for the first half of the year declined as compared with the corresponding period of last year. Following the gradual relief of epidemic in China in the second quarter of the year, the segment revenue and profit for the year maintained the level of last year.

SHAREHOLDERS' EQUITY

The Group's total shareholders' equity increased from RMB15,047.2 million as at 31 December 2019 to RMB18,888.2 million as at 31 December 2020. The increase was contributed by profit attributable to owners of the Company for the current year of RMB4,354.5 million which was partially offset by the final dividend of RMB1,182.1 million declared for the year ended 31 December 2019.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

Liquidity and capital resources

The Group's deposits, bank and cash balances increased by 44% to RMB7,151.8 million as at 31 December 2020 from RMB4,974.6 million as at 31 December 2019. The increase was mainly due to proceeds from properties sales, new bank and other borrowings and increased loans from group companies, netting off against payments of 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

During the year, the Group has arranged several bank and other borrowings amounting to RMB2,169.5 million in total for general working capital purpose. Meanwhile, the Group has also repaid bank and other borrowings amounting to RMB918.8 million. As at 31 December 2020, total bank and other borrowings of the Group amounted to RMB4,695.5 million with interest rates ranging from 1.50% to 5.00% per annum.

The net debt (measured by total borrowings minus cash and bank deposits (including restricted cash) increased by RMB6,387.8 million to RMB11,037.6 million as at 31 December 2020 from RMB4,649.8 million as at 31 December 2019. The increase of net debt was mainly due to payments of development cost of PRC projects, cash applied to land acquisitions, 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 52% as at 31 December 2020, from 26% as at 31 December 2019.

The maturity profiles of the Group's outstanding borrowings as at 31 December 2020 and 31 December 2019 are summarised as below:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Short-term and long-term bank and other borrowings:		
Within the first year or on demand	2,015,629	1,992,127
In the second year	1,135,756	211,457
In the third to fifth years, inclusive	539,781	900,090
Over five years	1,004,367	468,048
	4,695,533	3,571,722
Loans from related parties:		
Within the first year or on demand	1,629	1,473,283
In second year	13,624,273	5,221,633
	13,625,902	6,694,916
Total borrowings	18,321,435	10,266,638

FINANCIAL MANAGEMENT

Foreign exchange risk

As at 31 December 2020, borrowings were denominated in United States dollar (“US\$”), Renminbi (“RMB”) and Hong Kong dollars (“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 2020 and 31 December 2019 are summarised below:

	31 December 2020	31 December 2019
	RMB'000	RMB'000
HK\$	2,329,633	1,899,083
RMB	8,880,808	2,460,706
US\$	7,110,994	5,906,849
Total	18,321,435	10,266,638

Interest rate risk

As at 31 December 2020, 57% (2019: 31%) of borrowings of the Group were on a floating rate basis. 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 2020, investment properties of the Group with an aggregate carrying value of RMB352,345,000 (2019: RMB586,698,000) were pledged to secure other borrowings granted to the Group.

CONTINGENT LIABILITIES

- (a) As at 31 December 2020, 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 real estate ownership certificates. As at 31 December 2020, the Group's outstanding guarantees amounted to RMB3,308,134,000 (31 December 2019: RMB1,623,164,000).

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 2020 (2019: 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 RMB466,530,000) (2019: US\$71,500,000 (equivalent to RMB498,798,000)) to two groups of financial institutions for facilities granted to joint ventures of the Group. As at 31 December 2020, the facilities guaranteed by the Group to the joint ventures were utilised to the extent of approximately RMB466,530,000 (2019: RMB440,207,000).

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 2020, the Group's land bank totalled 18.63 million square meters, under which approximately 21% were located in the four first-tier cities, which were Beijing, Shanghai, Guangzhou and Shenzhen; 60% were located in the second-tier cities, including Nanjing, Suzhou, Hangzhou, Qingdao, Wuhan, Changsha, Xi'an, Chengdu, Kunming, Jinan, Kunshan, Taiyuan, Nanchang, Wenzhou, etc.; the remaining 19% were located in the third-tier and other cities.

Land acquisitions in 2020

During 2020, the Group acquired 34 land projects in the PRC, with total planned GFA of approximately 5,576,800 square meters at total consideration of RMB44.16 billion. The attributable consideration paid by the Group amounted to approximately RMB24.1 billion. The average land acquisition cost in 2020 was approximately RMB8,300 per square meter.

Segment Information

Properties sales and development

Although the property market in the PRC was affected by the outbreak of COVID-19 pandemic in 2020, the Group still achieved an aggregated contracted sales of RMB75.17 billion in 2020, representing an increase of 18% as compared to 2019. In the meantime, its aggregated contracted sales area totalled 3,387,600 square meters, representing an increase of 8% as compared to 2019. Its average selling price was approximately RMB22,200 per square meter in 2020, representing a year-on-year increase of 9% as compared to 2019.

Property leasing

As at December 2020, the occupancy rate of Vision Shenzhen Business Park in Nanshan District, Shenzhen was approximately 92%. Its major tenants include Intel, Amazon, Nvidia and DJI. In addition, Beijing Sohu.com Internet Plaza was 93% occupied, Hangzhou Gemdale Plaza was 99% occupied and Shanghai Jiuting Gemdale Plaza was 94% occupied.

During the year, benefiting from the increase in the rental rate as well as more new commercial projects were opened, the Group recorded total rental/management fees revenue of approximately RMB795 million in 2020, representing a remarkable increase of 18% as compared to 2019.

At the end of 2020, commercial projects including Nanjing Xinyao Gemdale Plaza and Shanghai Gemdale Oopcity have commenced business. Currently, the major commercial projects under development includes Vision Shenzhen Business Park Phase 3 in Nanshan District, Shenzhen; various mixed use commercial complex situated at Nanjing, Beijing, Xuzhou and Huai'an as well as several Shanghai commercial projects. In the meantime, the Group's industrial park segment experienced exponential growth. Its rental and property management fees has surged from RMB285 million in 2019 to RMB353 million in 2020 which represents an increase of 24%.

OUTLOOK

Looking forward to 2021, as more people would receive COVID-19 vaccine and people's daily life would resume back to normal, the Chinese economy should record a substantial boost. The real estate market in first- and second-tier cities should remain robust as demand from first home buyers and upgraders are still rigid. Large players in real estate market would keep their competitive edge over smaller players as they have more diversified channels to acquire lands, lower finance costs and better management efficiency.

The real estate market would adapt to the regulatory measures of “differentiated policies for different cities”. The “Three Red Lines” financing measures would pose an immense pressure over high-debt real estate companies and would cause them to be conservative in land acquisitions. Under this environment, it should provide a good environment for the Group to accumulate quality land bank and increase our market share.

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 2020, 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, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Due to the outbreak of COVID-19 pandemic, Mr. Loh Lian Huat, Ms. Zhang Feiyun and Mr. Xia Xinping were not able to attend the annual general meeting of the Company on 2 June 2020.
2. Under CG Code E.1.2, the chairman of the board should attend the annual general meeting. Due to the outbreak of COVID-19 pandemic, Mr. Huang Juncan, the chairman of the board, was not able to attend the annual general meeting of the Company on 2 June 2020.
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 2020, the Group had approximately 3,100 (2019: 3,100) 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 100,350,000, 184,570,000 and 319,300,000 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 604,220,000 new ordinary shares of the Company at a nominal value of HK\$0.1 each for a total cash consideration, before expenses, of HK\$341,863,940. 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 28,890,000 and 280,938,000, 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 2020.

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 2020 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 announcement.

PROPOSED FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of RMB0.08 per share (2019: RMB0.0718 per share) for the year ended 31 December 2020, 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 2 July 2021 to shareholders whose names appear on the register of members of the Company on 8 June 2021. The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB at the average middle rate of RMB to Hong Kong dollars as announced by the People's Bank of China for the period from 21 May 2021 to 27 May 2021.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the "AGM") is to be held on 27 May 2021 and the notice of AGM is expected to be published and despatched to the Shareholders on or about 26 April 2021.

For determining the entitlement to attend and vote at the annual general meeting of the Company to be held on 27 May 2021, the register of members of the Company will be closed from 24 May 2021 to 27 May 2021, 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 21 May 2021.

For determining the entitlement to the proposed final dividend for the year ended 31 December 2020 (subject to approval by the shareholders of the Company at the AGM), the register of members of the Company will be closed from 7 June 2021 to 8 June 2021, 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 4 June 2021.

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 2020 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, 22 March 2021

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 Xinpeng.