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DEXIN CHINA HOLDINGS COMPANY LIMITED

德信中国控股有限公司

(A company incorporated in the Cayman Islands with limited liability)

(Stock Code: 2019)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Contracted sales amounted to approximately RMB63,530 million for the year ended 31 December 2020 with a total sales area of approximately 3,114,000 sq.m., representing a year-on-year increase of approximately 40.9% and 26.5%, respectively.
- Revenue for the year ended 31 December 2020 amounted to approximately RMB15,668.8 million, representing a year-on-year increase of approximately 64.7% as compared to the year ended 31 December 2019.
- For the year ended 31 December 2020, the gross profit amounted to approximately RMB3,902.3 million, representing a year-on-year increase of approximately 27.6% as compared to the year ended 31 December 2019.
- For the year ended 31 December 2020, the core profit amounted to approximately RMB2,809.3 million, representing a year-on-year increase of 7.0% as compared to the year ended 31 December 2019.
- As of 31 December 2020, cash and cash equivalents (included restricted cash) amounted to approximately RMB15,648.2 million (31 December 2019: approximately RMB9,570.1 million), representing a year-on-year increase of approximately 63.5% as compared to the year ended 31 December 2019.
- The declaration and payment of a final dividend of RMB0.11 per share is recommended for the year ended 31 December 2020.

The board (the “**Board**”) of directors (the “**Director(s)**”) of Dexin China Holdings Company Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 (the “**Reporting Period**”) with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2020	2019
	Note	RMB'000	RMB'000
Revenue	3	15,668,775	9,512,995
Cost of sales		(11,766,517)	(6,453,672)
Gross profit		3,902,258	3,059,323
Other income	5	331,048	81,583
Other (losses)/gains – net	6	(8,264)	88,992
Selling and marketing expenses	4	(457,854)	(457,555)
Administrative expenses	4	(746,665)	(720,650)
Fair value (losses)/gains on investment properties		(26,666)	186,153
Operating profit		2,993,857	2,237,846
Finance income	7	69,502	95,382
Finance costs	7	(550,787)	(527,320)
Finance costs – net		(481,285)	(431,938)
Share of results of joint ventures and associates		592,888	1,175,306
Profit before income tax		3,105,460	2,981,214
Income tax expenses	8	(844,965)	(724,587)
Profit for the year		2,260,495	2,256,627
Profit attributable to:			
Owners of the Company		1,192,502	1,556,514
Non-controlling interests		1,067,993	700,113
		2,260,495	2,256,627
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
– Basic and diluted	10	0.44	0.60

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	2,260,495	2,256,627
Other comprehensive income	—	—
Total comprehensive income for the year	<u>2,260,495</u>	<u>2,256,627</u>
Attributable to:		
Owners of the Company	1,192,502	1,556,514
Non-controlling interests	<u>1,067,993</u>	<u>700,113</u>
	<u>2,260,495</u>	<u>2,256,627</u>

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 31 December	
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		511,369	378,821
Investment properties		3,478,381	2,924,115
Intangible assets		956	1,445
Investments accounted for using the equity method		5,402,191	3,792,338
Financial assets at fair value through profit or loss		93,157	170,726
Deferred income tax assets		772,325	748,400
Trade and other receivables and prepayments	11	79,301	75,179
		10,337,680	8,091,024
Current assets			
Properties under development		49,429,752	36,657,831
Completed properties held for sale		1,524,348	591,370
Trade and other receivables and prepayments	11	4,637,845	3,512,629
Amounts due from non-controlling interests		8,695,353	4,951,599
Amounts due from related parties		5,033,402	2,918,668
Contract acquisition costs		190,517	13,705
Prepaid income taxes		996,416	879,318
Financial assets at fair value through profit or loss		109,768	100,743
Restricted cash		928,980	5,797
Cash and cash equivalents		14,719,240	9,564,316
		86,265,621	59,195,976
Total assets		96,603,301	67,287,000
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	13	9,200	9,200
Reserves		5,836,082	5,004,285
		5,845,282	5,013,485
Non-controlling interests		10,765,522	5,721,243
Total equity		16,610,804	10,734,728

	<i>Note</i>	As at 31 December	
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings from bank and other financial institutions		16,949,610	9,307,915
Trade and other payables	12	–	247,498
Amounts due to non-controlling interests		26,318	228,598
Amounts due to related parties		–	500,000
Deferred income tax liabilities		208,528	210,650
Lease liabilities		471,566	156,063
		17,656,022	10,650,724
Current liabilities			
Borrowings from bank and other financial institutions		8,738,454	5,540,160
Trade and other payables	12	7,182,058	4,323,513
Amounts due to non-controlling interests		5,748,068	3,681,099
Amounts due to related parties		7,082,019	3,485,010
Contract liabilities		32,309,337	27,628,013
Current income tax liabilities		1,269,148	1,242,359
Lease liabilities		7,391	1,394
		62,336,475	45,901,548
Total liabilities		79,992,497	56,552,272
Total equity and liabilities		96,603,301	67,287,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Dexin China Holdings Company Limited (the “**Company**”) was incorporated in the Cayman Islands on 16 January 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company is an investment holding company. The Company and its subsidiaries (the “**Group**”) are principally engaged in the property development and construction services, property investment and hotel operations in the People’s Republic of China (the “**PRC**”).

The Company’s shares were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 26 February 2019.

These consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

These consolidated financial statements have been approved for issued by the Board on 25 March 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(i) *Compliance with HKFRSs and HKCO*

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) *Historical cost convention*

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

(iii) *New and amended standards and interpretations adopted by the Group*

The Group has applied the following new standards, amendments to standards and interpretations for the first time for their annual reporting period commencing 1 January 2020.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards, amendments to standards and interpretations not yet adopted by the Group

The following new standards, amendments, interpretation to standards and accounting guideline have been published that are not mandatory for the year ended 31 December 2020 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 9 and HKAS 39, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of Assets between an investor and its associate or joint venture	To be determined

The adoption of the new and amended standards and interpretation did not have a material impact on the consolidated financial statements of the Group.

3. SEGMENT INFORMATION

The executive directors have been identified as the chief operating decision-makers (“CODM”). Management has determined the operating segments based on the reports reviewed by the executive directors, which are used to allocate resources and assess performance. The Group is organised into three business segments: property development and construction, property investment, and other businesses. Other businesses mainly include hotel operations. As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market in the PRC, and only an immaterial part (less than 10%) of the Group’s assets are located outside the PRC, no geographical segment information is presented.

The directors of the Company assess the performance of the operating segments based on a measure of segment results, which is a measure of revenue and gross profit of each operating segment.

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2020 is as follows:

	Property development and construction <i>RMB'000</i>	Property investment <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers	15,550,355	–	18,003	–	15,568,358
Revenue from other sources: Rental income	–	100,417	–	–	100,417
Segment revenue	15,550,355	100,417	18,003	–	15,668,775
Inter-segment revenue	–	–	–	–	–
Revenue from external customers	15,550,355	100,417	18,003	–	15,668,775
Gross profit	3,811,752	79,825	10,681	–	3,902,258
Other income					331,048
Other losses – net					(8,264)
Selling and marketing expenses					(457,854)
Administrative expenses					(746,665)
Fair value losses on investment properties	–	(26,666)	–	–	(26,666)
Finance costs – net					(481,285)
Share of results of joint ventures and associates	592,888	–	–	–	592,888
Profit before income tax					3,105,460
Income tax expenses					(844,965)
Profit for the year					2,260,495
Depreciation and amortisation	20,776	–	6,909	–	27,685
Segment assets	90,808,155	4,219,263	600,633	975,250	96,603,301
Segment liabilities	50,073,185	2,441,150	312,422	27,165,740	79,992,497
Additions to non-current assets (other than financial instruments and deferred income tax assets)	3,354,637	580,932	173,341	–	4,108,910

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2019 is as follows:

	Property development and construction <i>RMB'000</i>	Property investment <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers	9,446,177	–	12,109	–	9,458,286
Revenue from other sources: Rental income	–	54,709	–	–	54,709
Segment revenue	9,446,177	54,709	12,109	–	9,512,995
Inter-segment revenue	–	–	–	–	–
Revenue from external customers	9,446,177	54,709	12,109	–	9,512,995
Gross profit	3,003,997	49,055	6,271	–	3,059,323
Other income					81,583
Other gains – net					88,992
Selling and marketing expenses					(457,555)
Administrative expenses					(720,650)
Fair value gains on investment properties	–	186,153	–	–	186,153
Finance costs – net					(431,938)
Share of results of joint ventures and associates	1,175,306	–	–	–	1,175,306
Profit before income tax					2,981,214
Income tax expenses					(724,587)
Profit for the year					2,256,627
Depreciation and amortisation	12,716	–	6,914	–	19,630
Segment assets	62,520,223	3,270,645	476,263	1,019,869	67,287,000
Segment liabilities	38,093,491	1,806,484	351,213	16,301,084	56,552,272
Additions to non-current assets (other than financial instruments and deferred income tax assets)	2,062,851	969,542	137,116	–	3,169,509

Reportable segments' assets are reconciled to total assets as follows:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets	95,628,051	66,267,131
Unallocated:		
Financial assets at fair value through profit or loss	202,925	271,469
Deferred income tax assets	772,325	748,400
Total assets per consolidated balance sheet	<u>96,603,301</u>	<u>67,287,000</u>

Reportable segments' liabilities are reconciled to total liabilities as follows:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Segment liabilities	52,826,757	40,251,188
Unallocated:		
Deferred income tax liabilities	208,528	210,650
Current income tax liabilities	1,269,148	1,242,359
Borrowings and other liabilities	25,688,064	14,848,075
Total liabilities per consolidated balance sheet	<u>79,992,497</u>	<u>56,552,272</u>

4. EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of properties sold – including construction cost, land cost, capitalised interest expenses	11,657,537	6,403,025
Cost of construction services and others	22,655	7,146
Staff costs (including directors' emoluments)	534,248	422,700
Marketing and advertising costs	179,331	213,573
Consulting and project management fees	132,050	176,890
Other tax expenses	109,191	76,238
Property management fees	58,797	44,367
Office lease payments	24,040	23,849
Entertainment expenses	35,826	28,133
Office and travelling expenses	50,484	42,274
Depreciation	26,959	18,796
Amortisation of intangible assets	726	834
Auditor's remuneration	6,900	6,550
– Audit services	5,450	5,050
– Non-audit services	1,450	1,500
Listing expenses	–	16,906

5. OTHER INCOME

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Management and consulting service income (<i>Note a</i>)	205,349	67,178
Interest income from related parties and third parties	97,745	—
Others	27,954	14,405
	331,048	81,583

- (a) The amount mainly represents the management and consulting services provided to the Group's joint ventures and associates in relation to the property development projects.

6. OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Disposal gains of subsidiaries	24,451	5,067
Gains on financial assets at fair value through profit or loss	17,948	34,343
Exchange (losses)/gains	(56,380)	25,490
Others	5,717	24,092
	(8,264)	88,992

7. FINANCE COSTS – NET

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Finance costs		
– Borrowings from bank and other financial institutions	1,630,676	1,059,795
– Amounts due to non-controlling interests and related parties	265,344	227,617
– Interest for lease liabilities	32,080	10,588
– Net exchange gains on financing activities	(206,223)	—
– Less: capitalised interest	(1,171,090)	(770,680)
	550,787	527,320
Finance income		
Interest income from		
– Bank deposits	(69,502)	(44,724)
– Others	—	(50,658)
	(69,502)	(95,382)
Finance costs – net	481,285	431,938

8. INCOME TAX EXPENSES

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax:		
– PRC corporate income tax	702,987	627,033
– PRC land appreciation tax	180,654	372,836
	<u>883,641</u>	<u>999,869</u>
Deferred income tax:		
– PRC corporate income tax	(38,676)	(210,435)
– PRC land appreciation tax	–	(64,847)
	<u>(38,676)</u>	<u>(275,282)</u>
	<u>844,965</u>	<u>724,587</u>

PRC corporate income tax

The income tax provision of the Group in respect of operations in PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in mainland China is 25% according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") effective on 1 January 2008.

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the BVI was incorporated under the BVI Business Companies Act of the British Virgin Islands and is exempted from British Virgin Islands income tax. The Group's subsidiaries in Hong Kong are subject to profits tax at the rate of 16.5%.

PRC dividend withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for these undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings out of the PRC.

9. DIVIDEND

At the board of directors meeting held on 25 March 2021, the directors of the Company proposed a final dividend for the year ended 31 December 2020 of RMB0.11 per ordinary share amounting to approximately RMB297,148,000 out of share premium account of the Company. These proposed dividends have not been reflected as dividends payable in this consolidated financial statements for the year ended 31 December 2020, but will be reflected as dividends distribution in 2021.

At the board of directors meeting held on 19 March 2020, the directors of the Company proposed a final dividend for the year ended 31 December 2019 of RMB0.08 per ordinary share amounting to approximately RMB216,107,000 out of share premium account of the Company. The final dividends were paid in September 2020.

10. EARNINGS PER SHARE

	Year ended 31 December	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	1,192,502	1,556,514
Weighted average number of ordinary shares in issue (in thousand)	2,701,341	2,605,091
Basic earnings per share (RMB per share)	0.44	0.60

The Company had no dilutive potential shares in issue, thus the diluted earnings per share equals the basic earnings per share.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables, net of provision (<i>Note</i>)	113,753	196,868
Other receivables	1,623,282	979,040
Prepayments	2,980,111	2,411,900
Total trade and other receivables and prepayments	4,717,146	3,587,808
Less: non-current portion of trade and other receivables and prepayments	(79,301)	(75,179)
Current portion of trade and other receivables and prepayments	4,637,845	3,512,629

Note: Trade receivables mainly arise from sales of properties and construction services. Proceeds from sales of properties and construction services are generally received in accordance with the terms stipulated in the sale and purchase agreements. There is generally no credit period granted to the property purchasers.

- (a) The ageing analysis of the gross trade receivables based on invoice dates or contractual terms is as follows:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	42,945	42,803
Over 90 days and within 365 days	14,743	9,176
Over 365 days and within 2 years	24,896	12,424
Over 2 years	33,813	134,262
	116,397	198,665

Trade receivables with ageing over 365 days mainly included receivables of management and consulting services fees from joint ventures and associates, and receivables of construction service fees for a resettlement community project.

12. TRADE AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (<i>Note (a)</i>)	2,186,111	1,594,530
Note payables	572,500	6,030
Other payables	4,423,447	2,970,451
Total trade and other payables	7,182,058	4,571,011
Less: non-current portion of trade and other payables	—	(247,498)
Current portion of trade and other payables	7,182,058	4,323,513

- (a) The ageing analysis of the trade payables based on invoice dates or contractual terms is as follows:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	1,306,681	939,377
Over 90 days and within 365 days	809,537	584,524
Over 365 days	69,893	70,629
	2,186,111	1,594,530

13. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares <i>USD</i>	Equivalent nominal value of ordinary shares <i>RMB'000</i>
Authorised:			
As at 1 January 2020 and 31 December 2020	<u>5,000,000,000</u>	<u>2,500,000</u>	
Issued:			
As at 1 January 2020 and 31 December 2020	<u>2,701,341,000</u>	<u>1,350,671</u>	<u>9,200</u>

14. EVENTS AFTER THE BALANCE SHEET DATE

The Company has issued US\$150 million senior notes bearing an interest rate of 9.95% per annum due in December 2022 at an issue price of 100.827% on 13 January 2021. The senior notes were listed on the Stock Exchange on 14 January 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL OVERVIEW

In 2020, the spread of the COVID-19 pandemic around the world and the intensifying international trade frictions brought about tough risks and challenges to the economic development of China. In general, China started the year with an economic decline, followed by a rebound with steady recovery. According to the statistics from the National Bureau of Statistics of the PRC, for the year ended 31 December 2020, China's Gross Domestic Product ("GDP") grew by 2.3% to RMB101,598.6 billion compared to the previous year, showing the economy of China has gradually recovered amid a global slowdown. It made China as one of the few economies whose GDP growth did not shrink in the year 2020 mired in COVID-19.

At the beginning of 2020, the overall sales in the real estate market declined as affected by the pandemic. With the pandemic gradually under control, the market demand incrementally released and recovered more than expected. Demonstrating very strong resilience, the real estate industry has seen a rapid recovery of overall sales since the second quarter of the year, which has driven the annual sales growth. For the year ended 31 December 2020, as shown by statistics from the National Bureau of Statistics of the PRC, total floor area of commercial housing sold increased by 2.6% year-on-year to 1,760.86 million sq.m.; average selling price of commercial housing increased by 5.9% year-on-year to approximately RMB9,860 per sq.m.; and total sales amounted to approximately RMB17.36 trillion, hitting another record high. Generally speaking, the real estate industry of China has overcome the impact of the pandemic and is going back on track.

In respect of real estate policies, in 2020, the central government continued to adhere to the keynotes of policy that "houses are for living in and not for speculative investment" and "varied policies for different cities". In the first half of the year, for the purpose of mitigating the effects of the pandemic, supporting policies for both the supply and demand sides were issued at various places. In the second half of the year, however, with the accelerated recovery of the real estate market in many cities, in particular, given the surging housing price and land price in some "hot" cities, the central government reaffirmed that "houses are for living in and not for speculative investment", followed by the issuance of the "Three Red Lines" in the third quarter of 2020 in a bid to tighten the real estate financing. In the fourth quarter of 2020, the central bank and the China Banking and Insurance Regulatory Commission released the new requirements of real estate loans, requiring the outstanding real estate loans and personal housing loans of banking institutions not to exceed the prescribed caps. The housing market control policies were tightened in many cities from various aspects, including restrictions on purchase, loans and sales, and strengthened supervision of pre-sale funds. As a result, the real estate control policy showed a tightening tendency while maintaining stable, enabling the real estate enterprises to deleverage, reduce debts and develop from an expansion-based manner to a quality-oriented one.

From a macro perspective, real estate is still an important cornerstone of domestic economic growth, and the overall industry volume will remain stable. In terms of housing demand, with the development of urbanization and the implementation of policies for attracting talents in various cities, the current housing demand still has great potential and is expected to have great potential for development in the future.

The year 2020 is the second year since the Group's listing. Notwithstanding the outbreak of the COVID-19 pandemic and the tightened regulatory policies in the real estate industry, the Group focused on high-efficiency operation and the establishment and improvement of business strategies. Positioned as "Your Life Companion", and with its high-quality and diversified "three product lines and six product series", the Group rapidly occupied the market share and maintained the continuous high growth of sales, revenue and profitability since listing. As of 31 December 2020, the Group achieved total revenue of approximately RMB15.67 billion and gross profit of approximately RMB3.90 billion, representing a year-on-year increase of 64.7% and 27.6% respectively. It recorded core profit of RMB2,809.3 million, representing a year-on-year increase of 7.0%. Along with profit growth, the Group also recorded strong sales performance. As the pandemic becomes recurrent, the Group focuses on the coordination of planning, sales and channels to explore an innovative "online + offline" marketing model, which has been proved to be effective. Throughout 2020, the Group realized total contracted sales of RMB63.53 billion, representing a significant year-on-year increase of approximately 40.9%, which exceeded its annual sales target and made its ranking in the TOP 200 Sales of Chinese Real Estate Enterprises from January to December 2020 (《2020年1-12月中國房地產企業銷售TOP200排行榜》) prepared by the China Index Academy move up 7 places from 2019 and 11 places from 2018 respectively to No. 60. During the Reporting Period, the Group's business optimization strategy had significant achievements, realizing high-quality improvement in business size, profit and brand, and reflecting the products and services of the Group have been highly recognized in the market.

In terms of land reserves, the Group adheres to the strategic guidance of "being rooted in Zhejiang, focusing on the Yangtze River Delta, and extending to key hub cities of China" and continues to expand into cities and quality land resources with the potential for development across four core metropolitan areas, namely, the Yangtze River Delta, Pearl River Delta, Chengdu-Chongqing and Central China. In 2020, the Group acquired 40 parcels of quality land with an increased total GFA of approximately 5,395,033 sq.m., 75.6% of which was located in the first- and second-tier cities and 84.4% in the Yangtze River Delta, demonstrating the Group's continuous efforts in deepened regional development to consolidate its leading position therein. In addition, the Group's national layout has progressed in a stable manner, for example, it expanded into the northwest region for the first time by acquiring a parcel of quality residential land of 49 mu in Huyi, Xi'an. As of 31 December 2020, the Group operated 166 projects in 26 core cities, with land reserves amounting to approximately 16,256,313 sq.m. as at the end of the Reporting Period. The moderate land reserves, rationalised urban layout and optimizing structure provides a solid foundation to the Group for further growth.

While expanding its business scale, the Group also insists on a robust financial strategy and continues to optimize the financing and debt structure. In 2020, the Group continued to optimize and expand both domestic and overseas financing channels, and obtained the first batch of supply chain financing in China and also the credit facilities from overseas commercial banks, making its total facilities from various financial institutions up by approximately RMB13.71 billion for the whole year. The USD notes offered overseas have been widely recognized and recommended by financial institutions for the lowering costs. In respect of debt structure, as of 31 December 2020, each continuously improved credit indicator and higher solvency has demonstrated the Group's strong ability of sustainable development.

BUSINESS REVIEW

The Group derives its revenue primarily from sales of properties and, to a lesser extent, property construction and project management services, lease of commercial properties and hotel operations. For the year ended 31 December 2020, the Group recorded a total revenue of approximately RMB15,668.8 million, representing a year-on-year increase of approximately 64.7%.

Contracted sales

For the year ended 31 December 2020, including those of joint ventures and associates, the Group recorded contracted sales of approximately RMB63,530 million, representing a year-on-year increase of approximately 40.9%, and contracted gross floor area (“GFA”) sales of approximately 3,114,000 sq.m., representing a year-on-year increase of approximately 26.5%. The average selling price (“ASP”) of our contracted sales for the year ended 31 December 2020 was approximately RMB20,401.4 per sq.m., representing a year-on-year increase of approximately 11.4%.

Sales of properties

For the year ended 31 December 2020, the revenue from sales of properties increased by approximately 64.5% year-on-year to approximately RMB15,513 million, accounting for approximately 99.0% of the total revenue of the Group. For the year ended 31 December 2020, the Group recognised total GFA of approximately 1,056,576 sq.m., representing an increase of approximately 49.3% as compared to the year ended 31 December 2019. The ASP of the properties recognised as property sales was approximately RMB14,683 per sq.m., representing an increase of approximately 10.2% year-on-year. The increase of ASP was mainly due to the significant increase in the recognised GFA of areas with higher ASP.

Based in Zhejiang Province, the Group continued to intensify its preserve in the Yangtze River Delta Region and key hub cities of China.

The following table sets out the recognised sales and GFA sold of each city for the year ended 31 December 2020:

City	Recognised GFA <i>sq.m.</i>	Recognised ASP <i>RMB/sq.m.</i>	Recognised revenue <i>RMB'000</i>
Wenzhou	285,937	16,244	4,644,842
Huzhou	231,560	18,327	4,243,904
Hangzhou	99,367	20,499	2,036,917
Zhoushan	95,075	15,630	1,485,986
Xuzhou	206,963	6,235	1,290,374
Ningbo	98,774	12,571	1,241,710
Taizhou	38,900	14,646	569,724
Total	<u>1,056,576</u>	<u>14,683</u>	<u>15,513,457</u>

Note:

Recognised revenue in the above table includes the revenue from residences, commercial spaces, car parks and storage spaces, and recognised GFA does not include the GFA of car parks and storage spaces.

Property construction and project management services

For the year ended 31 December 2020, the revenue from property construction and project management services increased by approximately 181.7% year-on-year to approximately RMB36.9 million, accounting for approximately 0.2% of the total revenue of the Group. The increase was primarily attributable to an increase in the volume of our construction and project management services.

Lease of commercial properties

For the year ended 31 December 2020, the revenue from rental income increased by approximately 83.5% year-on-year to approximately RMB100.4 million, accounting for approximately 0.6% of the total revenue of the Group. The increase was primarily attributable to the increased numbers of investment properties (including Hangzhou Wings (杭州之翼) and Binhai Commercial Plaza (濱海商業廣場), etc.) and an increase in occupancy rate of our investment properties such as Artificial Intelligence Industrial Park (AI產業園) in Hangzhou during the year.

Hotel operations

For the year ended 31 December 2020, the revenue from hotel operations increased by approximately 48.7% year-on-year to approximately RMB18.0 million, accounting for approximately 0.1% of the total revenue of the Group. The increase was primarily attributable to an increased number of hotel projects.

Investment properties

The following table sets out a summary of the Group's investment properties as at 31 December 2020:

City	Project	Total GFA Held for Investment (sq.m.)	Leased GFA (sq.m.)	Total Rental Income for the year ended December 31,	
				2020 (RMB'000)	2019 (RMB'000)
Hangzhou					
1	Artificial Intelligence Industrial Park	75,634	55,658	64,375	44,117
2	Elegant Mansion (Note 1)	33,210	–	–	–
3	Sky City Phase I	41,422	14,263	–	–
4	Hangzhou ONE	17,536	–	–	–
5	Dexin Digital Industrial Building	19,030	17,930	13,676	–
6	Hangzhou Wings	19,125	19,125	6,242	–
7	Xianlinbu	33,773	3,596	653	–
Huzhou					
8	Delan Square	13,082	8,999	3,871	3,816
Xuzhou					
9	Sky Scraper A	21,417	16,972	379	947
10	Sky Scraper B	51,274	7,866	2,789	2,137
Taizhou					
11	Shenxian Garden (Note 2)	51,663	3,313	264	–
Shanghai					
12	Dexin•Zhizao 368 Project	58,176	5,744	2,982	653
Nanjing					
13	Nanjing Xianlinzhigu Industrial Park	60,510	–	–	–
Jiaxing					
14	Binhai Commercial Plaza	13,928	12,487	1,793	–
		509,780	165,953	97,024	51,670
	Other rental income			3,393	3,039
Total				100,417	54,709

Note 1: As at 31 December 2020, the property was under development.

Note 2: As at 31 December 2020, part of the property was under development.

The Group will further improve the efficiency in development and operation of our investment properties to ensure stable rental income growth, and to strengthen earnings sustainability.

Land reserves

Leveraging on the Group's deep understanding of the property markets in our key development areas and intensive studies on its target cities, the Group continued to strategically select and acquire parcels of land at strategic and advantageous locations in those regions and cities in order to further develop the Group's presence in those markets. As of 31 December 2020, the Group (together with its joint ventures and associates) had 166 projects with land reserves amounting to approximately 16,256,313 sq.m., of which 150 projects were located in the Yangtze River Delta Region, and the remaining 16 projects were located in 26 cities in the Pearl River Delta, Chengdu-Chongqing economic areas, the economic belt of middle reaches of Yangtze River and other regions.

The following table sets out the GFA of the Group's land reserves (together with its joint ventures and associates) by geographical locations as of 31 December 2020:

City	Total land reserves GFA (sq.m.)	Percentage of total land bank (%)
Hangzhou	4,715,984	29.0%
Wenzhou	2,421,849	14.9%
Ningbo	1,184,037	7.3%
Nanjing	1,117,896	6.9%
Xuzhou	1,037,045	6.4%
Chengdu	1,009,514	6.2%
Jiujiang	946,275	5.8%
Huzhou	718,659	4.4%
Taizhou	593,807	3.6%
Wuhan	453,477	2.8%
Zhoushan	368,095	2.3%
Guangzhou	337,606	2.1%
Shangrao	283,103	1.7%
Shanghai	210,063	1.3%
Foshan	166,600	1.0%
Jingjiang	156,441	1.0%
Kunshan	155,393	1.0%
Xian	124,221	0.7%
Suzhou	100,012	0.6%
Wuxi	87,390	0.5%
Jinhua	27,685	0.2%
New Jersey, U.S.	18,329	0.1%
Changzhou	10,790	0.1%
Quzhou	10,629	0.1%
Lishui	1,413	0.0%
Total	16,256,313	100.0%

For the year ended 31 December 2020, the Group (together with its joint ventures and associates) acquired 40 parcels of quality land primarily in Hangzhou, Wenzhou, Huzhou, Ningbo, Xuzhou, Nanjing, Wuhan, Shanghai, Chengdu, Guangzhou, Taizhou, Zhoushan, Xian and New Jersey, U.S., providing a total saleable GFA of new land reserves of 5,395,033 sq.m., at an average land cost of approximately RMB6,936.7 per sq.m..

Particulars of the land parcels are set out in the following table:

	Name of Project	City	The Group's Equity Interest	GFA (sq.m.)	Total Consideration (RMB'000)	Attributable Consideration (RMB'000)	Land Cost (RMB/sq.m.)
1	Heping Dexin Center	Hangzhou	70.0%	75,045	581,650	407,155	7,750.7
2	East Fame	Wenzhou	54.6%	85,129	363,400	198,525	4,268.8
3	River Sparkle	Wenzhou	49.0%	601,684	2,527,000	1,237,219	4,199.9
4	Eastern Mansion	Wenzhou	64.0%	323,424	1,064,000	681,386	3,289.8
5	Mountain Mansion	Ningbo	80.4%	54,312	431,165	346,743	7,938.7
6	Zheda Inigma (Yinhu) Innovation R&D Park (Phase II)	Hangzhou	28.0%	136,348	671,391	187,990	4,924.1
7	Starry Park	Wuhan	48.9%	145,961	947,360	463,259	6,490.5
8	Lake View Mansion	Hangzhou	38.4%	126,649	1,769,590	679,169	13,972.4
9	Hangzhou Digital Trade City Unit 05 Land Parcel	Hangzhou	55.0%	85,084	1,185,870	652,229	13,937.6
10	Oriental Lake Mansion	Hangzhou	24.0%	76,987	262,090	62,902	3,404.3
11	Center Mansion	Ningbo	17.3%	140,957	2,252,690	390,391	15,981.4
12	Yangxi New Town Expressway Exit Block S-4-3 Land Parcel (No.26)	Hangzhou	50.0%	93,763	393,750	196,875	4,199.4
13	River Mansion	Hangzhou	50.0%	79,915	376,750	188,375	4,714.4
14	Kings Lake	Chengdu	38.9%	102,460	1,228,000	477,815	11,985.2
15	Corniche	Hangzhou	36.7%	182,682	1,418,250	519,930	7,763.5
16	Chinoiserie Mansion	Xuzhou	27.0%	131,386	725,000	195,750	5,518.1
17	Cloud Villa	Chengdu	58.7%	111,767	1,055,080	619,648	9,440.0
18	Central One Mansion	Wenzhou	40.0%	210,254	3,600,000	1,440,000	17,122.1
19	Jingfang Triangle Land Parcel	Hangzhou	19.6%	70,652	502,360	98,463	7,110.3
20	One Park	U.S.	49.0%	38,867	125,288	61,391	3,225.5
21	Xingchen Jingyuan	Nanjing	42.8%	307,688	2,700,000	1,155,060	8,775.1
22	City Garden Phase I	Huzhou	37.6%	126,163	558,530	209,728	4,427.1
23	City Garden Phase II	Huzhou	37.6%	125,077	556,230	208,864	4,447.1
24	Xichen Mansion	Xi'an	57.3%	124,221	366,170	209,706	2,947.7
25	Yinxu Yunlu	Shanghai	51.7%	77,702	1,364,820	705,885	17,564.9

Name of Project	City	The Group's Equity Interest	GFA (sq.m.)	Total	Attributable	Land Cost (RMB/sq.m.)
				Consideration (RMB'000)	Consideration (RMB'000)	
26 Online City	Xuzhou	42.6%	113,358	421,200	179,473	3,715.7
27 Jiang Yu Tian Jing Phase I	Jingjiang	41.0%	103,584	265,182	108,725	2,560.1
28 Jiang Yu Tian Jing Phase II	Jingjiang	41.0%	52,857	135,318	55,480	2,560.1
29 Oriental Mansion	Ningbo	44.0%	165,047	1,416,476	623,249	8,582.3
30 New Lanyue	Hangzhou	49.0%	41,727	150,000	73,500	3,594.8
31 Qingmanli	Hangzhou	10.2%	97,878	1,133,610	115,628	11,581.9
32 Nansha Wanqingsha Town Land Parcel	Guangzhou	24.5%	150,832	1,100,200	269,549	7,294.2
33 2020NO.G49 Land Parcel	Nanjing	70.0%	54,492	350,000	245,000	6,423.0
34 Center Mansion	Hangzhou	40.8%	105,558	1,096,400	447,331	10,386.7
35 Peace Mansion	Xuzhou	37.6%	214,903	708,400	266,429	3,296.4
36 Yunxi Elegant Courtyard	Xuzhou	40.2%	141,877	273,618	109,994	1,928.6
37 Digital Trade City Unit JG1804-01 Land Parcel	Hangzhou	40.2%	79,547	1,073,770	431,441	13,498.6
38 Putuo Donggang Project	Zhoushan	51.0%	92,633	572,124	291,783	6,176.2
39 Feilonghu Project	Taizhou	85.0%	177,588	1,592,000	1,353,200	8,964.6
40 Meishan Dongpo Project	Chengdu	100.0%	168,975	109,000	109,000	645.1
			<u>5,395,033</u>	<u>37,423,732</u>	<u>16,274,240</u>	<u>6,936.7</u>

HONORS

In 2020, thanks to its robust operation, the Group won many honors and rewards, including “China’s Top 10 Listed Real Estate Enterprises in Solvency 2020” (2020中國上市房企償債能力TOP10), “Top 50 Real Estate Enterprises in Yangtze River Delta 2020” (2020長三角區域房地產50強企業), No. 2 of “Wenzhou Resident Satisfaction Index” (溫州市居民滿意度指數), No. 4 of “Hangzhou Resident Loyalty Index” (杭州市居民忠誠度指數), “Top 10 Financial Role Models of Listed Real Estate Enterprises 2020” (2020年上市房企十大財務健康榜樣), “The 5th Golden Hong Kong Stocks Awards – Best Real Estate Company” (第五屆金港股-最佳地產公司), No. 22 of “Comprehensive Strength Ranking of Listed Real Estate Companies”(地產上市公司綜合實力排行榜), “Most Valuable Real Estate Company for Investment of the Year” (年度最具投資價值地產公司), and No. 2 of “Top 10 Listed Real Estate Enterprises in Wealth Creation” (中國上市房企財富創造能力10強). The Group has won the title of “China’s Top 100 Real Estate Enterprises” (中國房地產百強企業) for eight consecutive years, ranking the 56th in 2020. These honors and awards highlight the Group’s market position and indicate that the Group’s business development and performance have been widely recognized by the market.

FINANCIAL REVIEW

Overall performance

During the year ended 31 December 2020, total revenue of the Group was approximately RMB15,668.8 million, representing a year-on-year increase of approximately 64.7%. Gross profit was approximately RMB3,902.3 million, representing a year-on-year increase of approximately 27.6%. Gross profit margin was approximately 24.9%, representing a year-on-year decrease of approximately 7.3 percentage points. Net profit of the Group increased by approximately 0.17% year-on-year to approximately RMB2,260.5 million for the year ended 31 December 2020. Profit attributable to owners of the Company decreased by approximately 23.4% year-on-year to approximately RMB1,192.5 million for the year ended 31 December 2020.

Revenue

For the year ended 31 December 2020, the Group recorded a total revenue of approximately RMB15,668.8 million, representing a year-on-year increase of approximately 64.7%. The increase was primarily attributable to the growth in recognised sales of properties, driven by an increase of the total GFA delivered to the buyers during the year. Specifically, revenue from the sales of properties was approximately RMB15,513.5 million, representing a year-on-year increase of approximately 64.5%, accounting for approximately 99.0% of the total revenue of the Group; revenue from property construction and project management services was approximately RMB36.9 million, representing a year-on-year increase of approximately 181.7%, accounting for approximately 0.2% of the total revenue of the Group; rental income from the lease of commercial properties was approximately RMB100.4 million, representing a year-on-year increase of approximately 83.5%, accounting for approximately 0.6% of the total revenue of the Group; and revenue from hotel operations was approximately RMB18.0 million, representing a year-on-year increase of approximately 48.7%, accounting for approximately 0.1% of the total revenue of the Group.

Cost of sales

The cost of sales of the Group primarily consists of the costs incurred directly in relation to the property development and sales activities, property construction and project management services, lease of commercial properties and hotel operations.

For the year ended 31 December 2020, the cost of sales of the Group was approximately RMB11,766.5 million, representing a year-on-year increase of approximately 82.3%.

Gross profit

For the year ended 31 December 2020, the gross profit of the Group was approximately RMB3,902.3 million, representing a year-on-year increase of approximately 27.6%. The increase was primarily attributable to the significant increase in revenue from sales of properties while overall gross profit margin decreased from approximately 32.2% for the year ended 31 December 2019 to 24.9% for the year ended 31 December 2020. The decrease in overall gross profit margin by approximately 7.3 percentage points was mainly due to the lower land and construction cost incurred for projects delivered in 2019.

Other income

The Group had other income of approximately RMB331.0 million for the year ended 31 December 2020, as compared to approximately RMB81.6 million for the year ended 31 December 2019. The other income mainly derived from the management and consulting services provided to the Group's joint ventures and associates in relation to the property development projects was approximately RMB205.3 million (for the year ended 31 December 2019: approximately RMB67.2 million). The increase was primarily attributable to i) an increased number of joint ventures and associates to which the services were provided in 2020 as compared to 2019; and ii) the larger scale of certain projects of joint ventures and associates served in 2020 as compared to 2019.

Other (losses)/gains – net

The Group recorded net other losses of approximately RMB8.3 million for the year ended 31 December 2020 (for the year ended 31 December 2019: net other gains of approximately RMB89.0 million). The Group's net other losses for the year ended 31 December 2020 mainly included gains on financial assets at fair value through profit or loss of approximately RMB17.9 million, disposal gains of subsidiaries approximately RMB24.5 million and exchange losses of approximately RMB56.4 million. The Group's net other gains for the year ended 31 December 2019 mainly represented gains on financial assets at fair value through profit or loss of approximately RMB34.3 million and exchange gains of approximately RMB25.5 million.

Fair value (losses)/gains on investment properties

The Group develops and holds certain of its commercial properties such as commercial centres, office buildings, shopping malls, serviced apartments and car parks for rental income or capital appreciation, or both. Any increase or decrease in the Group's investment property value is recognised as fair value gains or losses in the Group's consolidated financial statements.

For the year ended 31 December 2020, the Group recorded fair value losses on investment properties of approximately RMB26.7 million (for the year ended 31 December 2019: fair value gains on investment properties of approximately RMB186.2 million), which was primarily attributable to the fair value losses of Sky City Phase I (天空之翼一期) and Shenxian Garden (神仙居) of approximately RMB46.0 million and RMB26.8 million respectively while offsetted by the fair value gains of Nanjing Xianlinzhigu Industrial Park (南京仙林智谷產業園) of approximately RMB60.1 million.

Selling and marketing expenses

The Group's selling and marketing expenses slightly increased by approximately 0.1% year-on-year from approximately RMB457.6 million for the year ended 31 December 2019 to approximately RMB457.9 million for the year ended 31 December 2020. Taking the selling and marketing expenses that was capitalized in contract acquisition costs into account, total selling and marketing expenses for the year ended 31 December 2020 increased, compared to the year ended 31 December 2019. The increase was primarily attributable to rapid growth in the Group's contracted sales during the year.

Administrative expenses

The Group's administrative expenses increased by approximately 3.6% year-on-year from approximately RMB720.7 million for the year ended 31 December 2019 to approximately RMB746.7 million for the year ended 31 December 2020. The aforesaid expenses remained stable during the year and was primarily attributable to (i) strict cost control on administrative expenses

and (ii) no expenses and professional fees incurred in connection with the global offering during the year (for the year ended 31 December 2019: approximately RMB16.9 million).

Finance costs – net

Finance costs of the Group increased by approximately 11.4% year-on-year from approximately RMB431.9 million for the year ended 31 December 2019 to approximately RMB481.3 million for the year ended 31 December 2020. The increase was primarily attributable to the increase in interest-bearing borrowings for the purposes of land acquisition and properties development business, and issuance of senior notes with a principal amount of US\$300 million and US\$400 million during the second half of 2019 and in 2020 respectively.

Share of results of joint ventures and associates

The Group accounts for the results of joint ventures and associates using the equity method, which mainly represent the share of profits related to the projects delivered during the relevant period that have been offset by losses incurred by other joint ventures and associates.

Share of profits of joint ventures and associates decreased by approximately 49.6% year-on-year from approximately RMB1,175.3 million for the year ended 31 December 2019 to approximately RMB592.9 million for the year ended 31 December 2020. The decrease was primarily attributable to (i) the decrease of average gross profit margin of the properties delivered by the joint ventures and associates during the year ended 31 December 2020 compared to the corresponding year in 2019 and hence the decrease of total net profits recognised by the joint ventures and associates and (ii) the decrease in average percentage of the Group's interests held in the joint ventures and associates which delivered properties during the year ended 31 December 2020 compared to the corresponding year in 2019.

Income tax expenses

Income tax expenses of the Group increased by approximately 16.6% year-on-year from approximately RMB724.6 million for the year ended 31 December 2019 to approximately RMB845.0 million for the year ended 31 December 2020, which was primarily attributable to the increase in the profit before tax (after excluding share of results of joint ventures and associates) during the year ended 31 December 2020.

Profit and total comprehensive income for the year

As a result of the foregoing reasons, the Group's profit and total comprehensive income slightly increased by approximately 0.17% from approximately RMB2,256.6 million for the year ended 31 December 2019 to approximately RMB2,260.5 million for the year ended 31 December 2020. The profit attributable to owners of the Company decreased by approximately 23.4% from approximately RMB1,556.5 million for the year ended 31 December 2019 to approximately RMB1,192.5 million for the year ended 31 December 2020.

The basic and diluted earnings per share of the Company is RMB0.44 per share for the year ended 31 December 2020, representing a decrease of approximately 26.7% from RMB0.60 per share for the year ended 31 December 2019.

Liquidity and financial resources

The Group has always pursued a prudent treasury management policy and actively manages its liquidity position with sufficient standby banking facilities to cope with daily operation and any demands for capital for future development.

During the year ended 31 December 2020, the Group funded its operations, working capital, capital expenditure and other capital requirements primarily from cash generated from its operations, mainly including proceeds from the pre-sales and sales of properties, receipt of rental income, income generated from investment properties, as well as bank loans and borrowings from other financial institutions.

As of 31 December 2020, the Group had a total cash and cash equivalents (including restricted cash) of approximately RMB15,648.2 million as compared to approximately RMB9,570.1 million as of 31 December 2019. The increase was primarily due to the increase in proceeds from sales of properties. Substantially all of the Group's cash and cash equivalents are denominated in RMB, USD and HKD.

During the year ended 31 December 2020, addition of borrowings from bank and other financial institutions obtained by the Group amounted to approximately RMB29,329.4 million and reduction of borrowings from bank and other financial institutions was approximately RMB18,489.4 million. As of 31 December 2020, the Group's total borrowings from bank and other financial institutions amounted to approximately RMB25,688.1 million, representing an increase of approximately 73.0% compared to approximately RMB14,848.1 million as of 31 December 2019. Amongst the borrowings from bank and other financial institutions, approximately RMB8,738.5 million (as at 31 December 2019: approximately RMB5,540.2 million) will be repayable within one year and approximately RMB16,949.6 million (as at 31 December 2019: approximately RMB9,307.9 million) will be repayable after one year.

As of 31 December 2020, the Group had total facilities from bank and other financial institutions of approximately RMB28,719 million and unused facilities from bank and other financial institutions of approximately RMB3,030.9 million.

Credit rating

Our international credit rating agencies endorsed the efforts of the Company in sales execution, satisfactory cash collection record and disciplined land acquisition. During the year ended 31 December 2020, Standard & Poor's, Moody's and Lianhe Ratings Global assigned the Company's issuer credit rating at "B" (with "Stable" outlook), "B2" (with "Stable" outlook) and "BB-" (with "Stable" outlook) respectively.

Senior notes

In January 2020, the Company issued senior notes with a principal amount of US\$200 million due in April 2022 (the **"2022 Senior Notes"**) which were listed on the Stock Exchange (Stock Code: 40136) on 24 January 2020. The 2022 Senior Notes, bearing interest at a fixed rate of 11.875% per annum with interest payable semi-annually in arrears, will mature in April 2022.

In December 2020, the Company issued senior notes with a principal amount of US\$200 million due in December 2022 (the **"2022 Senior Notes II"**) which were listed on the Stock Exchange (Stock Code: 40497) on 4 December 2020. The 2022 Senior Notes II, bearing interest at a fixed rate of 9.95% per annum with interest payable semi-annually in arrears, will mature in December 2022.

The issuance of the abovementioned senior notes was for the purpose of supplementing existing onshore indebtedness, refinancing working capital purposes and repayment of existing offshore indebtedness.

Key financial ratios

As of 31 December 2020, the Group's net gearing ratio (calculated as the total interest-bearing debts net of restricted cash, cash and cash equivalents divided by total equity) was approximately 75.0%, an increase of 6.3 percentage points as compared with approximately 68.7% as of 31 December 2019. The increase was primarily attributable to the increase in borrowings for land acquisition and property development. The financial leverage of the Group is currently at a stable and healthy level.

The Group's current ratio was calculated based on its total current assets divided by its total current liabilities as of the respective dates. The Group's current ratio had increased from approximately 1.29 times as of 31 December 2019 to approximately 1.38 times as of 31 December 2020. The improvement of current ratio was mainly due to the significant increase of cash and bank balance and current receivables balances while the current liabilities increased by a lower percentage compared to the increase of current assets as of the end of the Reporting Period.

Foreign exchange risk

The Group mainly operates its business in China. Other than the foreign currency denominated bank deposits and senior notes, the Group did not have any other material direct exposure to foreign exchange fluctuations for the year ended 31 December 2020. Although RMB depreciated against U.S. dollar and Hong Kong dollar in 2020, the Directors expect that such fluctuation of RMB's exchange rate would not have material adverse effect on the operation of the Group.

The Group will closely monitor the exchange rate risk regularly and make foreign exchange hedging arrangement when necessary. The Group considers that no foreign exchange hedging arrangement is needed currently.

Pledge of assets

As of 31 December 2020, certain of the Group's borrowings from bank and other financial institutions were secured by its properties held for sale, properties under development, land use rights and investment properties, with carrying value of approximately RMB30,662.4 million as of 31 December 2020 (31 December 2019: approximately RMB21,237.1 million). The Group's equity interests in certain subsidiaries were pledged as security for borrowing as at 31 December 2020.

Commitments

As of 31 December 2020, the Group had commitments that are contracted but not provided as follows:

	December 31, 2020 (RMB'000)	December 31, 2019 (RMB'000)
Property development activities	12,320,814	10,690,499
Property, plant and equipment	11,029	12,630
Investments in joint ventures and associates	1,313,398	370,239
Investment properties	198,992	345,320
Total	<u>13,844,233</u>	<u>11,418,688</u>

Financial guarantees and contingent liabilities

As of 31 December 2020, the Group's total financial guarantees are as follows:

	December 31, 2020 (RMB'000)	December 31, 2019 (RMB'000)
Guarantee in respect of mortgage facilities for certain purchasers	14,605,341	12,603,058
Guarantee provided for the borrowings of joint ventures and associates	3,181,893	2,469,100
Guarantee provided for the borrowings of third parties	–	193,300
Total	<u>17,787,234</u>	<u>15,265,458</u>

The Group has arranged bank mortgage financing for certain purchasers of the Group's property units and provided guarantees to the relevant banks to secure repayment obligations of such purchasers. As of 31 December 2020, the maximum amount of guarantees provided by the Group to the relevant banks for the mortgage arrangements of the Group's purchasers amounted to approximately RMB14,605.3 million (31 December 2019: approximately RMB12,603.1 million). These include guarantees which will be terminated upon the earlier of the following two dates: (i) the date when the property ownership rights are transferred to the purchasers, and the related building ownership certificates to which banks are beneficiaries are registered, or (ii) the date when mortgage loans are settled between the mortgagee banks and the purchasers, under the circumstance that the purchasers pay off the purchase price in advance.

Pursuant to the terms of these guarantees, if any of the Group's property purchasers default in their repayment obligations to the banks, the Group is responsible for repaying the outstanding mortgage principal together with accrued interest and penalty owed by the defaulting purchasers to the banks and thereupon the Group is entitled to take over the legal title and possession of the relevant property units. The Group's guarantee period starts from the dates of grant of the mortgage facilities to its purchasers by the relevant banks.

The Group provided guarantees for borrowings of its joint ventures and associates, which amounted to approximately RMB3,181.9 million as of 31 December 2020 (31 December 2019: approximately RMB2,469.1 million). The relevant borrowings were primarily from banks to finance property development projects of these joint ventures and associates, whereby the land use rights of the joint ventures and associates were pledged to the banks and the Group's guarantee was provided in addition to the pledges. As the fair value of the relevant land use rights pledged by the relevant joint ventures and associates are generally higher than the borrowing amounts, the Group's credit risk exposure associated with such guarantee is contained.

The Group did not provide guarantee for borrowings of third parties as of 31 December 2020 (31 December 2019: approximately RMB193.3 million). The amount represented the maximum exposure of the guarantees provided for the borrowings of the independent third parties as of the respective balance sheet dates.

As of 31 December 2020, the Group had no other material contingent liabilities.

Significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures

For the year ended 31 December 2020, the Group had entered into the following material acquisitions and disposals:

On 24 June 2020, Createrich Investments LLC (a company established under the laws of the state of Delaware, U.S. with limited liability and a wholly-owned subsidiary of the Company) entered into the purchase agreement with DMG Investments LLC (a company established under the laws of the state of Delaware, U.S. with limited liability) in relation to the acquisition of 49% of the limited liability company interests of DMG Park Mezz LLC (a company established under the laws of the state of Delaware, U.S. with limited liability and a wholly-owned subsidiary of DMG Investments LLC) at a consideration of US\$26,120,000 (equivalent to approximately HK\$204,453,600). The primary asset of DMG Park Mezz LLC is a property, comprising 152 condominium units located at 320 Adolphus Avenue, Cliffside Park, Bergen County, New Jersey, U.S. Save as aforesaid, the Group did not make other material acquisition and disposal of subsidiaries, associates or joint ventures by the Group during the Reporting Period.

The Group did not make any significant investments during the Reporting Period.

Future plans for material investments

The Group will continue to invest in its property development projects and acquire suitable land parcels, if it thinks fit. These investments will be funded by internal resources and external borrowings. Save as disclosed above, the Group did not have any future plans for material investments as of the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

The Group firmly believes that talent is the most important corporate resource and always adheres to a people-oriented human resources development strategy, creating a sound working environment featuring harmonious development and positive interaction between the Group and its staff. As of 31 December 2020, the Group had a total of 2,147 (31 December 2019: 1,617) employees, 60% of which have a bachelor's degree or above, forming a team of young, highly educated and high-quality personnel. Total expenditure on salary and welfare of the Group's employees for the year ended 31 December 2020 amounted to approximately RMB636.2 million (for the year ended 31 December 2019: approximately RMB521.7 million).

Besides, the Group endeavors to establish an incentive system aligned to the corporate development objective to improve employee engagement. Meanwhile, with an aim to establish an open-ended organization, the Group keeps optimizing the organizational structure, empowers the base-level employees and improves efficiency.

The Group has adopted a system of determining the remuneration of employees based on the performance of employees. In general, the Group provides competitive remuneration packages to employees, which include basic salaries, performance-based rewards and year-end bonus. The Group also pays social security insurance for the Group's employees, including medical insurance, work-related injury insurance, endowment insurance, maternity insurance, unemployment insurance and housing funds. In addition, the Group has formulated a project co-investment scheme and has adopted a share option scheme on 11 January 2019 to fully enhance the enthusiasm of the Group's employees.

In respect of employee trainings, the Group provides consistent and systematic trainings to employees according to their positions and expertise in order to improve their expertise in the real estate industry and related sectors. As of 31 December 2020, the Group provided 204 in-class trainings or professional lectures, to a total of approximately 1,956 employees.

Future Outlook

The year 2021 marks the start of China's "14th Five-Year Plan". By then, the effect of the pandemic on domestic economy may be mitigated and the economic and social activities may return to normal. As the investment rebounds are led by the fast growth of infrastructures and real estate investment, the contribution of consumption will be improved significantly and the supply side will further speed up growth. It is expected the growth of China's economy will pick up significantly by 2021.

Real estate is the cornerstone and stabilizer of the development of China's economy. In 2021, as the economy indicators turn positive, the confidence and market demand in the real estate industry will also recover soon. However, "houses are for living in and not for speculative investment" remains the keynote of the development of the industry. Given the government's implementation of a system encouraging both housing purchases and rentals, varied policies for different cities and the "Three Red Lines", the land market may be subject to a tightened financing environment and intensified policies. By 2021, it is expected that the real estate enterprises will continue to accelerate the launch of properties for the return of funds and the real estate industry will start a rational and high-quality development stage. Against this backdrop, the Group will also keep strictly controlling financial risk, improving its structure of capital and debts and diversifying financing channels while expanding scales, in order to realize sustainable high-quality development.

As the largest economic circle in China, the Yangtze River Delta region has 8 cities with GDP exceeding RMB1 trillion each, including Shanghai, Suzhou and Hangzhou, etc., accounting for approximately one-third of all RMB1 trillion GDP cities in China. Currently, the implementation of the national strategy to facilitate the integrated development of the Yangtze River Delta region is accelerating in full, as reflected by the rapid development of traffic, economy and industry. The introduction of a large number of high-quality talents is expected to provide more solid support on the demand side to the real estate market in the region, hence a positive market prospect. Engaged in the real estate industry in the Yangtze River Delta region for years, the Group has distinctive leading position in the region for its localized brand, which provides strong support to operation and marketing. The Group also continues to be engaged in its long-term development and identifies potential land acquisition opportunities in the Yangtze River Delta region, as a core metropolitan area with frequent inter-city population flows and extensive housing demands. Against the new background, the Group is expected to seize the opportunity from the high-speed development of this region, continuously explore premium land resources and further enhance its position in the real estate industry.

Looking forward, although the prosperity of the real estate industry has gone, in view of the current downward pressure on the macroeconomy and people's changing attitude toward residence, consumption and culture, the role of the real estate industry in supporting the development of the economy as a whole in a steady manner cannot be ignored.

In the post-pandemic era, the real estate industry comes to another stage of development characterized by bigger disparities and rising competition in a more refined manner. In the future, the Group will continue to uphold the management concept of “doing a good job internally, developing steadily, focusing on customer needs and creating value for customers”, adhere to the quality image of “Hangzhou workmanship” to enhance fundamental management, reduce cost, improve quality, increase efficiency and optimize resources allocation. Sticking to the strategic layout of “being rooted in Zhejiang, focusing on the Yangtze River Delta, and extending to key hub cities of China” and leveraging its extensive experience of real estate development in the Yangtze River Delta region, the Group will forge ahead to improve its brand competitive edge and market position in the four core metropolitan areas and further rely on its advantage of being an integrated investment and development operator in order to create better living spaces in cities and support the sustainable high-quality development of cities. Meanwhile, the Group will review the situation and grasp investment opportunities to maximize profitability, realize “high-quality development” and provide satisfiable investment returns to investors in a sustainable manner.

EVENTS AFTER REPORTING PERIOD

The Company has issued US\$150 million senior notes bearing an interest rate of 9.95% per annum due in December 2022 at an issue price of 100.827% on 13 January 2021. The senior notes were listed on the Stock Exchange on 14 January 2021.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company, or the laws of Cayman Islands, which would oblige the Company to offer new shares of the Company on a pro-rata basis to its existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries have purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2020.

DIVIDEND

The Board recommended the declaration and payment of a final dividend of RMB0.11 per ordinary share (the “**Final Dividend**”) amounting to approximately RMB297,148,000 out of the share premium account of the Company, which is subject to, among other things, the shareholders' approval at the forthcoming annual general meeting of the Company and compliance with the Companies Law of the Cayman Islands. The Final Dividend will be paid within three months from such shareholders' approval and is expected to be paid on or before 30 September 2021. A notice convening the annual general meeting will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in due course.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this announcement, the Company has maintained the public float as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Company has adopted the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Listing Rules as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company had complied with the relevant code provisions contained in the CG Code for the year ended 31 December 2020.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its code of conduct regarding dealings in the securities of the Company by the Directors and the Company’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company’s securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the year ended 31 December 2020. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company for the year ended 31 December 2020.

REVIEW OF FINANCIAL STATEMENTS

Audit Committee

The audit committee of the Company had reviewed together with the management of the Company the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters, including a review of the annual results of the Group, for the year ended 31 December 2020.

Auditor

The figures in respect of this announcement for the Group’s consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereon for the year ended 31 December 2020 have been agreed by the Company’s external auditor, PricewaterhouseCoopers (“**PwC**”), to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2020. The work performed by PwC 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 PwC on this announcement.

PwC shall retire at the forthcoming annual general meeting at which a resolution will be proposed for the re-appointment of PwC as the auditor of the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.dothinkgroup.com). The annual report of the Company for the year ended 31 December 2020 will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

By Order of the Board
DEXIN CHINA HOLDINGS COMPANY LIMITED
Hu Yiping
Chairman

Hangzhou, the PRC, 25 March 2021

As of the date of this announcement, the Board of the Company comprises Mr. Hu Yiping, Mr. Fei Zhongmin and Ms. Shan Bei as executive Directors, Mr. Hu Shihao as a non-executive Director, and Dr. Wong Wing Kuen Albert, Mr. Ding Jiangang and Mr. Chen Hengliu as independent non-executive Directors.