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金地商置
Gemdale Properties & Investment

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 2021

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2021 RMB'000	2020 RMB'000 (Restated)	Change %
Revenue	14,184,795	16,884,335	— 16
Gross profit	2,884,029	6,630,326	— 57
Other income and gains	2,402,813	985,583	+ 144
Share of results of joint ventures and associates	1,881,201	1,948,559	— 3
Profit after tax	4,328,934	4,834,849	— 10
Profit attributable to owners of the Company	4,014,231	4,354,548	— 8
Earnings per share attributable to owners of the Company:			
- Basic (RMB)	0.2425	0.2679	— 9
- Diluted (RMB)	0.2413	0.2637	— 8
	31 December 2021 RMB'000	31 December 2020 RMB'000	Change %
Deposits, bank and cash balances	8,771,882	7,151,758	+ 23
Total assets	77,078,635	64,407,140	+ 20
Net assets	24,589,608	21,099,052	+ 17

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 2021 together with the relevant comparative figures.

* For identification purpose only

Condensed Consolidated Statement of Profit or Loss

Year ended 31 December 2021

		2021 RMB'000	2020 RMB'000 (Restated)
	Notes		
Revenue	3	14,184,795	16,884,335
Cost		<u>(11,300,766)</u>	<u>(10,254,009)</u>
Gross profit		2,884,029	6,630,326
Direct operating expenses		(2,032,637)	(1,395,712)
Other income and gains	3	2,402,813	985,583
Changes in fair values of investment properties		1,464,248	85,680
Changes in fair values of financial assets at fair value		165,319	(140,925)
Administrative expenses		(172,938)	(195,966)
Finance costs	4	(868,578)	(651,398)
Share of profits and losses of:			
Joint ventures		1,197,829	1,843,208
Associates		<u>683,372</u>	<u>105,351</u>
Profit before tax	5	5,723,457	7,266,147
Tax	6	<u>(1,394,523)</u>	<u>(2,431,298)</u>
Profit for the year		<u>4,328,934</u>	<u>4,834,849</u>
Attributable to:			
Owners of the Company		4,014,231	4,354,548
Non-controlling interests		<u>314,703</u>	<u>480,301</u>
		<u>4,328,934</u>	<u>4,834,849</u>
Earnings per share attributable to owners of the Company:			
- Basic (RMB)	7	<u>0.2425</u>	<u>0.2679</u>
- Diluted (RMB)	7	<u>0.2413</u>	<u>0.2637</u>

Condensed Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Profit for the year	<u>4,328,934</u>	<u>4,834,849</u>
Other comprehensive income/(loss)		
- Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	369,363	886,238
Share of exchange differences on translation of foreign operations of joint ventures	(35,014)	(178,471)
Release upon deregistration of subsidiaries	-	(5,868)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>334,349</u>	<u>701,899</u>
- Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	(205,591)	(457,916)
Equity investments at fair value through other comprehensive income:		
Changes in fair value, net of tax	-	(307)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(205,591)</u>	<u>(458,223)</u>
Other comprehensive income for the year, net of tax	<u>128,758</u>	<u>243,676</u>
Total comprehensive income for the year	<u>4,457,692</u>	<u>5,078,525</u>
Attributable to:		
Owners of the Company	4,141,326	4,610,085
Non-controlling interests	<u>316,366</u>	<u>468,440</u>
	<u>4,457,692</u>	<u>5,078,525</u>

Condensed Consolidated Statement of Financial Position

31 December 2021

		2021 RMB'000	2020 RMB'000
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		61,803	62,032
Investment properties		14,096,568	11,887,090
Intangible assets		15,164	23,392
Right-of-use assets		21,168	120,657
Prepayments, deposits and other receivables		582,392	2,343,615
Investments in joint ventures		18,159,288	17,268,686
Investments in associates		4,901,001	3,639,731
Loans to a related company		-	1,554,394
Financial assets at fair value		1,050,847	391,445
Deferred tax assets		989,486	922,755
Total non-current assets		39,877,717	38,213,797
CURRENT ASSETS			
Properties held for sale		3,511,440	1,693,259
Properties under development		12,090,972	7,196,151
Trade receivables	9	36,022	73,407
Prepayments, deposits and other receivables		4,327,845	4,662,121
Loans to joint ventures		1,215,807	740,235
Loans to non-controlling shareholders		41,294	120,697
Due from fellow subsidiaries		30,562	16,499
Due from joint ventures		3,817,332	3,268,443
Due from associates		367,870	92,663
Due from non-controlling shareholders		1,558,622	834,146
Due from a related company		-	2,256
Prepaid tax		577,207	209,645
Restricted cash		854,063	132,063
Deposits, bank and cash balances		8,771,882	7,151,758
Total current assets		37,200,918	26,193,343

Condensed Consolidated Statement of Financial Position (continued)

31 December 2021

		2021 RMB'000	2020 RMB'000
	<i>Note</i>		
CURRENT LIABILITIES			
Trade and bills payables	10	4,567,428	3,341,423
Advanced receipts, accruals and other payables		9,233,526	5,845,640
Interest-bearing bank and other borrowings		4,902,939	2,015,629
Lease liabilities		85,949	117,167
Loan from a non-controlling shareholder		-	1,629
Due to the ultimate holding company		216,461	1,492,803
Due to fellow subsidiaries		350,469	668,946
Due to joint ventures		8,073,036	6,191,625
Due to associates		1,768,520	1,743,837
Due to non-controlling shareholders		308,487	230,368
Due to a related company		2,984	2,984
Tax payable		2,328,564	2,607,625
Total current liabilities		31,838,363	24,259,676
NET CURRENT ASSETS		5,362,555	1,933,667
TOTAL ASSETS LESS CURRENT LIABILITIES		45,240,272	40,147,464
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		284,387	2,679,904
Lease liabilities		920,908	1,352,026
Loans from the ultimate holding company		11,127,853	7,137,184
Loans from fellow subsidiaries		6,638,692	6,343,089
Loans from joint ventures		-	144,000
Deferred tax liabilities		1,678,824	1,392,209
Total non-current liabilities		20,650,664	19,048,412
NET ASSETS		24,589,608	21,099,052
EQUITY			
Equity attributable to owners of the Company			
Issued capital		1,502,930	1,495,908
Reserves		20,236,193	17,392,274
		21,739,123	18,888,182
Non-controlling interests		2,850,485	2,210,870
TOTAL EQUITY		24,589,608	21,099,052

Notes:

1.1 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 following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform-Phase 2</i>
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Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
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The nature and impact of the revised HKFRSs are described below:

Change in accounting policies

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) and United States dollars based on the London Interbank Offered Rate (“LIBOR”) as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s HIBOR-based borrowings. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. In April 2021, the HKICPA issued another amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 to extend the availability of the practical expedient for any reduction in lease payments that affects only payments originally due on or before 30 June 2022 (the “2021 Amendment”). The 2021 Amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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 and fitting-out works;
- (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.

Due to continuous expansion of fitting-out business, management of the Group considered the provision of fitting-out services is one of the Group's principal activities and decided that for financial reporting purposes, the income from fitting-out business shall be presented as revenue. The property development business and the fitting-out business shall be presented as a single reportable operating segment as the resources allocation, performance assessment and decision making of these business are assessed together. The impacts of the abovementioned change in the Group's reportable operating segments for the year ended 31 December 2020 is considered retrospectively and the Group's operating segment information for the prior year is restated.

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 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% (2020: over 90%) of the Group's revenue is derived from customers based in Mainland China, and over 90% (2020: 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	Micro- finance RMB'000	Corporate RMB'000	Total RMB'000
Year ended 31 December 2021					
Segment revenue:					
Sales to external customers	13,019,697	868,576	296,522	-	14,184,795
Segment cost	(10,867,345)	(410,810)	(22,611)	-	(11,300,766)
Segment gross profit	2,152,352	457,766	273,911	-	2,884,029
Segment results	4,255,248	2,210,670	195,729	(157,769)	6,503,878
<i>Reconciliation</i>					
Bank interest income					26,431
Finance costs (other than interest on lease liabilities)					(806,852)
Profit before tax					5,723,457
Segment assets:	50,937,894	21,694,271	2,683,497	36,567	75,352,229
<i>Reconciliation</i>					
Other unallocated assets					1,726,406
Total assets					77,078,635
Segment liabilities:	33,766,915	7,884,015	419,132	58,794	42,128,856
<i>Reconciliation</i>					
Other unallocated liabilities					10,360,171
Total liabilities					52,489,027
Other segment information:					
Share of profits and losses of joint ventures	(729,191)	(468,638)	-	-	(1,197,829)
Share of profits and losses of associates	(681,506)	(1,866)	-	-	(683,372)
Changes in fair value of investment properties	-	(1,464,248)	-	-	(1,464,248)
Changes in fair values of investment properties – right-of-use assets	-	78,696	-	-	78,696
Changes in fair values of financial assets at fair value	(166,133)	814	-	-	(165,319)
Net gains on disposal of investment properties	-	(42,493)	-	-	(42,493)
Gains on disposal/deemed disposal of subsidiaries	(123,904)	-	-	-	(123,904)
Gains on bargain purchase	(1,157,931)	-	-	-	(1,157,931)
Government grants	(86,934)	(7,829)	(101)	-	(94,864)
Depreciation of property, plant and equipment	19,105	4,321	662	3,336	27,424
Depreciation of right-of-use assets	21,999	252	-	9,188	31,439
Amortisation	-	8,228	-	-	8,228
Impairment of receivables, net	22,936	673	30,520	-	54,129
Capital expenditure*	57,964	1,400,793	1,958	2,514	1,463,229
Investment in joint ventures	16,155,985	2,003,303	-	-	18,159,288
Investment in associates	4,860,322	40,679	-	-	4,901,001

	Property development RMB'000 (Restated)	Property investment and management RMB'000	Micro- finance RMB'000	Corporate RMB'000	Total RMB'000 (Restated)
Year ended 31 December 2020					
Segment revenue:					
Sales to external customers	15,764,170	794,960	325,205	-	16,884,335
Segment cost	(9,620,736)	(620,810)	(12,463)	-	(10,254,009)
Segment gross profit	6,143,434	174,150	312,742	-	6,630,326
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					7,266,147
Segment assets:	39,871,295	19,935,691	3,306,164	54,894	63,168,044
<i>Reconciliation</i>					
Other unallocated assets					1,239,096
Total assets					64,407,140
Segment liabilities:	18,526,727	10,084,014	1,131,022	335,368	30,077,131
<i>Reconciliation</i>					
Other unallocated liabilities					13,230,957
Total liabilities					43,308,088
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	3,626,064	13,667	-	-	3,639,731

* 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:

	2021 RMB'000	2020 RMB'000 (Restated)
Revenue from contracts with customers		
Sale of properties	12,222,107	15,201,517
Property management fee income from:		
- fellow subsidiaries	1,800	1,440
- third parties	236,218	208,162
Utility income	12,878	17,656
Entrusted management fee income from a fellow subsidiary	24,906	24,906
Fitting-out works income from:		
- fellow subsidiaries	265,872	146,307
- joint ventures	27,539	234
- an associate	4,414	20,116
- third parties	499,765	395,996
Revenue from other sources		
Gross rental income from operating leases of of investment properties:		
- fellow subsidiaries	14,393	10,775
- third parties	578,381	532,021
Interest income on loans receivable	296,522	325,205
	14,184,795	16,884,335
Other income and gains		
Bank interest income	26,431	26,278
Interest income on loans to related companies	66,674	88,494
Interest income on loans to joint ventures	252,537	311,377
Interest income on loan to associates	3,186	2,414
Interest income on loan to a non-controlling shareholder	-	912
Interest income on loans to third parties	32,531	25,878
Interest income from financial assets at fair value	14,695	3,676
Gain on disposal of financial assets at fair value	6,705	7,497
Consulting services income from:		
- joint ventures	291,744	174,015
- associates	71,955	51,042
- third parties	54,419	54,854
Net gain on disposal of investment properties	42,493	1,512
Gain on disposal and deemed disposal of subsidiaries (Note 13)	123,904	94,174
Gains on disposal/deemed disposal of joint ventures	7,823	-
Fair value gain on properties held for sales transferred to investment properties	10,798	-
Gain on bargain purchase (Note 11)	1,157,931	29,663
Government grants*	94,864	34,804
Release of exchange reserves upon deregistration of subsidiaries	-	5,868
Others	144,123	73,125
	2,402,813	985,583

* Various government subsidies have been received from local government. They mainly represented financial assistance for public facilities (2020: for sub-leasing business) in the Mainland China. As at 31 December 2021 and 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:

	2021 RMB'000	2020 RMB'000
Interest on:		
- bank borrowings	68,228	73,065
- loans from the ultimate holding company	473,742	85,278
- loans from fellow subsidiaries	334,144	316,758
- loans from non-controlling shareholders	12,313	-
- loans from joint ventures	8,370	1,611
- loans from an associate	56,722	43,837
- other borrowings and other payables	74,338	76,388
	1,027,857	596,937
Interest on lease liabilities	61,726	64,740
Other finance costs	15,274	12,664
	1,104,857	674,341
Total finance costs incurred		
Less: Interest capitalised in		
- investment properties under construction	(4,968)	(3,706)
- properties under development	(231,311)	(19,237)
	868,578	651,398

5. PROFIT BEFORE TAX

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

	2021 RMB'000	2020 RMB'000
Cost of properties sold	10,200,301	9,100,146
Depreciation of property, plant and equipment	27,725	22,116
Less: Amounts capitalised in property development projects	(301)	(262)
	27,424	21,854
Depreciation of right-of-use assets	193,553	191,767
Less: Amounts capitalised in property development projects	(162,114)	(166,590)
	31,439	25,177
Amortisation of intangible assets*	8,228	8,228
Outgoings (including repairs and maintenance) arising on rental-earning investment properties	64,298	57,339
Net (gain)/loss on disposal of items of property, plant and equipment	(70)	232
Gains on lease termination	(2,835)	(613)
Net gain on disposal of investment properties	(42,493)	(1,512)
Gains on disposal/deemed disposal of subsidiaries (<i>Note 13</i>)	(123,904)	(94,174)
Changes in fair values of investment properties	(1,464,248)	(85,680)
Changes in fair values of investment properties - right-of-use assets**	78,696	308,218
Fair value gain on properties held for sale transferred to investment properties	(10,798)	-
Changes in fair values of financial assets at fair value	(165,319)	140,925
Gains on bargain purchase (<i>Note 11</i>)	(1,157,931)	(29,663)
Impairment of receivables, net	54,129	50,263
Lease payments not included in the measurement of lease liabilities	208	55
Employee benefit expenses (including directors' emoluments):		
Wages and salaries	1,192,643	814,852
Pension schemes contributions	51,719	19,806
Total employee benefit expenses	1,244,362	834,658
Auditor's remuneration	5,193	4,885
Release of exchange reserves upon deregistration of subsidiaries	-	(5,868)
Foreign exchange differences, net	45,723	15,591

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

** The changes in fair values of 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 (2020: Nil). Taxation on Mainland China profits was calculated on the estimated assessable profits for the period at the rates of tax prevailing in the jurisdiction in which the Group operates.

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

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

	2021 RMB'000	2020 RMB'000
Income tax in Hong Kong	-	-
Corporate income tax in Mainland China		
- Charge for the year	987,479	1,495,755
- Under/(over) provision in prior years	666	(21,589)
LAT in Mainland China	618,448	937,936
Deferred	(212,070)	19,196
	1,394,523	2,431,298

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 16,552,827,457 (2020: 16,254,392,988) 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 are based on:

	2021 RMB'000	2020 RMB'000
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	4,014,231	4,354,548
	<u>4,014,231</u>	<u>4,354,548</u>
	No. of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	16,552,827,457	16,254,392,988
Effect of dilution – weighted average number of ordinary shares:		
Share options	81,464,030	259,268,802
	<u>16,634,291,487</u>	<u>16,513,661,790</u>

8. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Proposed final dividend – RMB0.06 (2020: RMB0.08) per ordinary share	995,211	1,320,223

At the Board meeting held on 30 March 2022, the Board resolved to recommend the payment of a final dividend of RMB0.06 per share for the year ended 31 December 2021. 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

	2021 RMB'000	2020 RMB'000
Trade receivables	36,022	73,407

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

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

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

	2021 RMB'000	2020 RMB'000
Within 1 month	31,176	53,529
1 to 3 months	4,183	8,939
Over 3 months	663	10,939
	36,022	73,407

10. TRADE AND BILLS PAYABLES

	2021 RMB'000	2020 RMB'000
Trade and bills payables	<u>4,567,428</u>	<u>3,341,423</u>

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

	2021 RMB'000	2020 RMB'000
Within 1 month	2,799,293	1,288,931
1 to 3 months	670,617	708,252
Over 3 months	<u>1,097,518</u>	<u>1,344,240</u>
	<u>4,567,428</u>	<u>3,341,423</u>

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

11. BUSINESS COMBINATION

In April 2021, the Group and a joint venture partner agreed to amend the Articles and Association of 杭州龍合實業有限公司 (Hangzhou Longhe Real Estate Company Limited*) ("Longhe") in which the Group and the joint venture partner hold 60% and 40% interests respectively. Longhe is engaged in property development in Mainland China. The Group obtained control over Longhe after the amendment of the Articles and Association. The registration of the amendment with the relevant government authority was completion in April 2021 and the change was accounted as business combination.

In July 2021, a wholly-owned subsidiary of the Company acquired a 94.475% equity interest in a subsidiary of the joint venture, 太原穎沅房地產開發有限公司 (Taiyuan Yingyuan Property Development Company Limited*) ("Yingyuan") by capital injection of RMB188,950,000 in Yingyuan. Yingyuan is engaged in property development in Mainland China. The acquisition is accounted as business combination.

In August 2021, the Group and two joint venture partners agreed to amend the Articles and Association of 青島安培投資開發有限公司 (Qingdao Anpei Investment and Development Company Limited*) ("Anpei") in which the Group and the two joint venture partners hold 43.59% and 56.41% interests respectively. Anpei has a wholly-owned subsidiary 青島安海投資開發有限公司 (Qingdao Anhai Investment and Development Company Limited*). Anpei and its subsidiary ("Anpei Group") is engaged in property development in Mainland China. The Group has obtained control over Anpei after the amendment of the Articles and Association. The change was accounted as business combination.

In August 2021, a wholly-owned subsidiary of the Company acquired a 95% equity interest in a subsidiary of the joint venture, 武漢威子博房地產開發有限公司 (Wuhan Weizibo Property Development Company Limited*) ("Weizibo") by capital injection of RMB19,000,000 in Weizibo. Weizibo is engaged in property development in Mainland China. The acquisition is accounted as business combination.

In the prior year, 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 as business combination.

** For identification purpose only*

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

	2021			2020	
	Longhe RMB'000	Yingyuan RMB'000	Anpei Group RMB'000	Weizibo RMB'000	Jinxin RMB'000
Property, plant and equipment	96	2,203	321	188	20
Properties held for sale	2,876,109	-	-	3,111,625	148,160
Properties under development	-	2,147,252	1,837,900	-	-
Prepayments, deposits and other receivables	115,225	1,201,568	104,073	934,371	14,162
Due from shareholders	-	-	1,108,807	-	27,850
Prepaid taxes	89,404	122,913	108,370	-	-
Bank balances	50,259	26,620	269,128	609,678	13,621
Trade payables	(133,090)	-	-	-	(40,547)
Advanced receipts, accruals and other payables	(2,912,986)	(3,005,935)	(2,386,620)	(3,583,770)	(15,655)
Tax payables	-	-	-	(151,295)	(876)
Deferred tax liabilities	(21,547)	(114,713)	(45,687)	(182,324)	(24,717)
Total identifiable net assets at fair value	63,470	379,908	996,292	738,473	122,018
Capital contribution	-	188,950	-	19,000	-
Non-controlling interests	(25,388)	(31,429)	(561,970)	(37,874)	(42)
Transferred from investment in joint ventures	38,082	537,429	434,322	719,599	121,976
Capital contribution	-	(188,950)	-	(19,000)	-
Gains on bargain purchase	(38,082)	(348,479)	(70,771)	(700,599)	(18,000)
Total consideration	-	-	-	-	62,220
Satisfied by:					
Cash	-	-	-	-	62,220

The fair values and gross contractual amounts of deposits and other receivables of Longhe as at the date of acquisition amounted to RMB24,338,000. No receivables are expected to be uncollectible.

The fair values and gross contractual amounts of deposits and other receivables of Yingyuan as at the date of acquisition amounted to RMB1,040,734,000. No receivables are expected to be uncollectible.

The fair values and gross contractual amounts of deposits and other receivables of Anpei Group as at the date of acquisition amounted to RMB5,800,000. No receivables are expected to be uncollectible.

The fair values and gross contractual amounts of deposits and other receivables of Weizibo as at the date of acquisition amounted to RMB702,819,000. No receivables are expected to be uncollectible.

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 was expected to be uncollectible.

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

	2021				2020
	Longhe RMB'000	Yingyuan RMB'000	Anpei Group RMB'000	Weizibo RMB'000	Jinxin RMB'000
Cash consideration	-	-	-	-	(62,220)
Bank balances acquired	50,259	26,620	269,128	609,678	13,621
Net inflow/(outflow) of cash and cash equivalents included in cash flows from investing activities	50,259	26,620	269,128	609,678	(48,599)

Since the acquisition, Longhe contributed RMB2,656,655,000 to the Group's revenue and RMB190,242,000 to the consolidated profit for the year ended 31 December 2021. 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 RMB14,369,380,000 and RMB4,342,270,000 respectively.

Since the acquisition, Yingyuan contributed RMB1,886,670,000 to the Group's revenue and RMB372,907,000 to the consolidated profit for the year ended 31 December 2021. 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 RMB14,184,795,000 and RMB4,317,121,000 respectively.

Since the acquisition, Anpei Group contributed RMB1,567,577,000 to the Group's revenue and RMB147,345,000 to the consolidated profit for the year ended 31 December 2021. 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 RMB14,185,102,000 and RMB4,316,298,000 respectively.

Since the acquisition, Weizibo contributed RMB3,147,017,000 to the Group's revenue and RMB693,200,000 to the consolidated profit for the year ended 31 December 2021. 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 RMB14,741,548,000 and RMB4,406,508,000 respectively.

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 prior year, the revenue and the consolidated profit of the Group for the prior year would have been RMB16,321,682,000 and RMB4,834,849,000 respectively.

12. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 10 February 2021, a wholly-owned subsidiary of the Company acquired 96% equity interest in 深圳市和正瀾城投資發展有限公司(Shenzhen Hezheng Lancheng Investment Development Company Limited*) ("Hezheng Lancheng") from an independent third party at aggregate cash consideration of RMB4,800,000. Hezheng Lancheng has a wholly-owned subsidiary 深圳市華厚投資發展有限公司(Shenzhen Huahou Investment and Development Company Limited*). Hezheng Lancheng and its subsidiary ("Hezheng Lancheng Group") are engaged in property development in Mainland China.

In prior year, 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 transactions were accounted for as acquisition of assets rather than business combination because the acquired subsidiaries had not carried out any significant business transactions prior to the dates of acquisitions. The net inflow/(outflow) of cash and cash equivalents from the acquisitions have 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:

	2021 Hezheng Lancheng Group RMB'000	2020 Chengdu Keluzhou RMB'000
Property, plant and equipment	7	16
Deferred tax assets	-	428
Investment property	-	486,350
Property under development	406,551	-
Deposits, prepayments and other receivables	13,864	3,091
Bank balances	44	6,920
Other payables	(4)	(4,387)
Loan from a shareholder	(415,462)	-
Net assets	5,000	492,418
Non-controlling interests	(200)	-
Total consideration	4,800	492,418
Satisfied by:		
Cash	-	492,418
Other payables	4,800	-

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

	2021 Hezheng Lancheng Group RMB'000	2020 Chengdu Keluzhou RMB'000
Cash consideration	-	(492,418)
Bank balances acquired	44	6,920
Net inflow/(outflow) of cash and cash equivalents	44	(485,498)

* For identification purpose only

13. DISPOSAL AND DEEMED DISPOSAL OF SUBSIDIARIES

The Group entered into an agreement with a joint venture partner in September 2021. Pursuant to the agreement, the joint venture partner agreed to participate in capital injection in a non-wholly-owned subsidiary of the Company, 222 Dexter Ave North, LLC ("222 Dexter"). The equity interest held by the Group was reduced to 92.73% accordingly. 222 Dexter is engaged in property development. The Group and the joint venture partner agreed to exercise joint control over 222 Dexter after completion of the transaction. The Group has lost control over 222 Dexter in September 2021 and the equity investment in 222 Dexter was accounted for as an investment in a joint venture.

In December 2021, the Group disposed of its 100% equity interest in a wholly-owned subsidiary, 深圳新誠天建築工程有限公司 (Shenzhen Xinchengtian Construction Co., Ltd.*) ("Xinchengtian"), and its subsidiaries ("Xinchengtian Group") to a fellow subsidiary of the Group for a cash consideration of RMB13,350,000. Xinchengtian Group is engaged in fitting-out services.

In prior year, 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 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.

In prior year, 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 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.

In prior year, 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 had 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.

In prior year, 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 had 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 for an investment in a joint venture.

In prior year, 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 Gemdale Jiachuang 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 had 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.

** For identification purpose only*

Details of the net assets disposed of are as follows:

	2022	2021			2020		
	Dexter	Xinchengtian	Jinyi	Gemdale	Shangcheng	Huaqing	Jiachuang
	RMB'000	Group	RMB'000	2035	RMB'000	RMB'000	RMB'000
Property, plant and equipment	-	30,223	-	-	14,546	38	-
Investment property	-	-	-	-	-	575,095	-
Right-of-use assets	-	48,695	-	-	-	-	-
Deferred tax assets	-	73,163	13,447	-	9	-	-
Investments in joint ventures	-	250	-	-	-	-	90,791
Properties under development	199,384	-	2,361,312	132,610	-	-	-
Due from fellow subsidiaries	-	100,687	-	-	-	-	-
Due from shareholders	-	-	-	-	-	60,000	7,800
Trade receivables	-	73,109	-	-	-	919	-
Prepayments, deposits and other receivables	-	60,945	909	166	3,257	539	-
Bank balances	123,509	29,184	2,233	7,684	2,385	78,604	1,246
Trade and bills payables	-	(153,093)	(3,240)	(7,203)	(3)	(4)	-
Lease liabilities	-	(50,980)	-	-	-	-	-
Advanced receipts, accruals and other payables	(3,036)	(160,752)	(2,883)	-	(340)	(26,377)	-
Other borrowing	(19,456)	-	-	-	-	-	-
Loans from the ultimate holding company	-	(150,442)	-	-	-	-	-
Due to an intermediate holding company	-	-	(2,412,118)	-	-	-	-
Due to fellow subsidiaries	-	(9)	-	-	-	-	(9,001)
Tax payable	-	-	-	-	-	(2,878)	-
Deferred tax liabilities	-	-	-	-	-	(115,741)	-
Net assets/(liabilities)	300,401	(99,020)	(40,340)	133,257	19,854	570,195	90,836
Non-controlling interests	(7,639)	-	-	(9,783)	-	(223,690)	(3,806)
	292,762	(99,020)	(40,340)	123,474	19,854	346,505	87,030
Fair value of investments retained as investments in joint ventures upon disposal/deemed disposal	(291,456)	-	-	(123,474)	(11,912)	(346,505)	(98,802)
Gain on disposal/deemed disposal of subsidiaries	11,534	112,370	40,340	-	898	-	52,936
Total consideration	12,840	13,350	-	-	8,840	-	41,164
Satisfied by:							
Cash	12,840	-	-	-	8,840	-	41,164
Due from a fellow subsidiary	-	13,350	-	-	-	-	-

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:

	2022	2021			2020		
	Dexter	Xinchengtian	Jinyi	Gemdale	Shangcheng	Huaqing	Jiachuang
	RMB'000	Group	RMB'000	2035	RMB'000	RMB'000	RMB'000
Cash consideration	12,840	-	-	-	8,840	-	41,164
Bank balances disposed of	(123,509)	(29,184)	(2,233)	(7,684)	(2,385)	(78,604)	(1,246)
Net (outflow)/inflow of cash and cash equivalents in respect of the disposal and deemed disposal of subsidiaries	(110,669)	(29,184)	(2,233)	(7,684)	6,455	(78,604)	39,918

14. COMPARATIVE AMOUNTS

Comparative amounts of certain other income and direct operating expenses relating to the fitting-out business have been re-presented as revenue and cost respectively in the statement of profit or loss to conform with the current year's presentation, as in the opinion of the directors the reclassification better reflects the financial performance of the Group.

FINANCIAL REVIEW

The accounting policies and methods of computation used in the preparation of the financial statements for the year ended 31 December 2021 were consistent with those used in the last financial year ended 31 December 2020, except that the Group has applied, 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 2021.

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The revenue of the Group for the year ended 31 December 2021 decreased to RMB14,184.8 million from RMB16,884.3 million for the year ended 31 December 2020. The decrease was primarily due to the reduction in revenue recognised from sales of properties by RMB2,979.4 million.

Other income and gains increased to RMB2,402.8 million for the year ended 31 December 2021 from RMB985.6 million for the year ended 31 December 2020. The increase was mainly due to gains on bargain purchase of RMB1,157.9 million arising from acquisition of subsidiaries during the year and increase in consulting services income of RMB138.2 million.

The fair value gain of investment properties of RMB1,464.2 million was reported for the year ended in 31 December 2021, against RMB85.7 million for the year ended 31 December 2020. During the year, certain investment properties were completed and commenced operation with better leasing performance than expected from last year assessment. As a result, the fair value gain for the current year was substantially increased. Furthermore, the Group's financial assets at fair value recorded fair value gain of RMB165.3 million for the year ended in 31 December 2021, against fair value loss of RMB140.9 million for the year ended 31 December 2020.

The Group's direct operating expenses for the year ended 31 December 2021 increased to RMB2,032.6 million from RMB1,395.7 million for the year ended 31 December 2020. The main reasons for the increase in expenses included (i) the rise in staff cost and related expenses due to the increase in the managed area of properties for sale and for investment; (ii) higher of sales and marketing expenses due to the increase in the property sales area and fierce competition in the sales market; (iii) direct operating expenses incurred from certain property projects newly acquired during the year, and (iv) related expenses of Shenzhen Vision Business Park Phase III "VSBP 3" and other investment properties incurred in the current year but not capitalised after completion.

The finance costs went up to RMB868.6 million for the year ended 31 December 2021 from RMB651.4 million for the year ended 31 December 2020, increased by RMB217.2 million. Due to the successful bidding and acquisition of a number of PRC property projects led to an increase in loans from related parties, the loan interest expenses paid to related parties for the current year was increased by RMB225.7 million (net of capitalised interest).

Share of results of joint ventures and associates of the Group reported an aggregate profit of RMB1,881.2 million for the year ended 31 December 2021, against RMB1,948.6 million for the year ended 31 December 2020, representing a slight decrease of RMB67.4 million.

Overall, the Group's profit attributable to owners of the Company decreased from RMB4,354.5 million for the year ended 31 December 2020 to RMB4,014.2 million for the year ended 31 December 2021. The decrease was mainly due to decrease in property sales recognition and profit margin.

The Group recorded basic earnings per share of RMB0.2425 for the year ended 31 December 2021, against basic earnings per share of RMB0.2679 for the year ended 31 December 2020, representing a decrease of 9%. The diluted earnings per share for the current year and prior year were RMB0.2413 and RMB0.2637 respectively.

BUSINESS SEGMENTS

Property development

For the year ended 31 December 2021, the revenue of property development segment decreased to RMB13,019.7 million, representing 92% of the total revenue, compared with RMB15,764.2 million, representing 93% of the total revenue for the year ended 31 December 2020. Revenue for the current year was mainly contributed by the sales of properties of Hangzhou Pengbu Project, Wuhan World Style, Taiyuan Lanting Xiyuan, Qingdao Xikezhan Project and Shanghai Jindi Zizaicheng. The segment result for the current year report a profit of RMB4,255.2 million, against RMB7,729.6 million for the corresponding period, decreased by RMB3,474.4 million. The decrease in segment revenue and segment results were mainly due to the decrease in the area delivered in the sales of property and decrease in profit margin.

Property investment and management

The revenue earned by the property investment and management segment for the year ended 31 December 2021 increased from RMB795.0 million, representing 5% of the total revenue for the year ended 31 December 2020, to RMB868.6 million, representing 6% of the total revenue. With higher occupancy rate and rental rate of the existing investment properties, such as Vision Shenzhen Business Park, Hangzhou Gemdale Plaza, Sichuan Kelu Project and subleasing business, the segment revenue for the year increased by RMB73.6 million. Certain investment properties under construction have been completed and commenced operation during the year, which will continue to generate stable income to the Group. The segment results for the year ended 31 December 2021 reported a profit of RMB2,210.7 million, against a profit of RMB51.3 million for the year ended 31 December 2020, an increase of RMB2,159.4 million. The increase was mainly due to increase in fair value gain on investment properties of RMB1,378.6 million, of which the fair value gain from VSBP 3 was RMB793.2 million, increase in change in fair value of right-of-use assets (for subleasing) of RMB229.5 million and increase in profits from joint ventures and associates of RMB421.9 million. VSBP 3 was completed in the fourth quarter of this year. The pre-leasing rate at the end of the year has exceeded 70%. It is expected that the occupancy rate will reach over 90% when the tenants move in next year, which completes the leasing plan ahead of schedule. The quality of the tenants is good, and the main tenants include Tencent, Mingyuan Cloud, Masf, and British American Tobacco Group. Rent rates are also higher than expected. The overall operation is expected to be significantly better than other office buildings in the same district. As a result, the fair value of VSBP 3 increased significantly this year as compared to last year.

The Group is committed to acquiring investment properties situated in prime locations in economically developed cities and operating them on a sustainable basis. As at 31 December 2021, the Group (including associates and joint ventures) held a gross floor area of 2.209 million square meters (31 December 2020: 1.458 million square meters) of investment properties in operation (including sub-leases) in Mainland China, representing a year-on-year increase of 52%. The rental and related services revenue (included value-added tax) from those investment properties for the current year recorded RMB1,351.0 million, of which 50%, 35% and 15% come from shopping malls and offices, industrial parks and long-term leased apartments respectively. Compared with the revenue of RMB998.3 million for last year, there was a year-on-year increase of 35%. The investment properties held by the Group under proposed construction and under construction will also be put into operation successively, which will continue to generate stable revenue and cash inflow to the Group.

Microfinance

During the current year, the revenue earned by the microfinance segment decreased from RMB325.2 million, representing 2% of the total revenue for the year ended 31 December 2020, to RMB296.5 million, representing 2% of the total revenue for the year ended 31 December 2021. The microfinance segment recorded a profit of RMB195.7 million during the current year, compared with the segment profit of RMB209.3 million for the last year. Due to the downturn of macro economy, the loan scale of microfinance segment was reduced during the year, resulting in a decrease in interest income and net profit.

SHAREHOLDERS' EQUITY

The Group's total shareholders' equity increased from RMB18,888.2 million as at 31 December 2020 to RMB21,739.1 million as at 31 December 2021. The increase was contributed by profit attributable to owners of the Company for the current year of RMB4,014.2 million which was partially offset by the final dividend of RMB1,326.0 million declared for the year ended 31 December 2020.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

Liquidity and capital resources

The Group's deposits, bank and cash balances increased by 23% to RMB8,771.9 million as at 31 December 2021 from RMB7,151.8 million as at 31 December 2020. 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 property development costs, land acquisitions, final dividend and, investments/advances to joint ventures and associates.

Borrowings

During the year, the Group has arranged several bank and other borrowings amounting to RMB1,274.7 million in total for general working capital purpose. Meanwhile, the Group has also repaid bank and other borrowings amounting to RMB676.7 million. As at 31 December 2021, total bank and other borrowings of the Group amounted to RMB5,187.3 million with interest rates ranging from 1.5% to 4.5% per annum.

The net debt (measured by total borrowings minus cash and bank deposits (including restricted cash)) increased by RMB2,290.3 million to RMB13,327.9 million as at 31 December 2021 from RMB11,037.6 million as at 31 December 2020. The increase of net debt was mainly due to cash applied to property development costs and dividend payment. The Group's net debt ratio (defined as net debt over total equity, including non-controlling interests) increased to 54% as at 31 December 2021, from 52% as at 31 December 2020. Compared with the peers, the Group's net debt ratio is at a reasonable level with adequate margin of safety for further investment.

The maturity profiles of the Group's outstanding borrowings as at 31 December 2021 and 31 December 2020 are summarised as below:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Short-term and long-term bank and other borrowings:		
Within the first year or on demand	4,902,939	2,015,629
In the second year	30,825	1,135,756
In the third to fifth years, inclusive	111,073	539,781
Over five years	142,489	1,004,367
	5,187,326	4,695,533
Loans from related parties:		
Within the first year or on demand	-	1,629
In second year	17,269,240	13,624,273
In the third to fifth years, inclusive	497,305	-
	17,766,545	13,625,902
Total borrowings	22,953,871	18,321,435

FINANCIAL MANAGEMENT

Foreign exchange risk

As at 31 December 2021, 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 2021 and 31 December 2020 are summarised below:

	31 December 2021 RMB'000	31 December 2020 RMB'000
HK\$	2,918,258	2,329,633
RMB	12,601,034	8,880,808
US\$	7,434,579	7,110,994
Total	22,953,871	18,321,435

Interest rate risk

As at 31 December 2021, 65% of borrowings of the Group were on a floating rate basis (31 December 2020: 57%). 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 2021, no assets of the Group was pledged (31 December 2020: an investment property of the Group with an aggregate carrying value of RMB352,345,000 was pledged to secure other borrowings granted to the Group).

CONTINGENT LIABILITIES

- (a) As at 31 December 2021, the Group provided guarantees to certain banks in respect of mortgage granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates. As at 31 December 2021, the Group's outstanding guarantees amounted to RMB3,263,233,000 (31 December 2020: RMB3,308,134,000).

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 2021 (31 December 2020: Nil) for these guarantees.

- (b) At the end of the reporting period, the Group provided an aggregate maximum guarantees of US\$103,500,000 (equivalent to RMB659,885,000) (31 December 2020: US\$71,500,000 (equivalent to RMB466,530,000)) to financial institutions for facilities granted to joint ventures of the Group. As at 31 December 2021, the facilities guaranteed by the Group to the joint ventures were utilised to the extent of approximately RMB659,885,000 (31 December 2020: RMB466,530,000).

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 2021, the Group's land bank totalled 23.27 million square meters, under which approximately 19% were located in the four first-tier cities, which were Beijing, Shanghai, Guangzhou and Shenzhen; 63% were located in the second-tier cities, including Nanjing, Suzhou, Hangzhou, Qingdao, Wuhan, Changsha, Chengdu, Kunming, Jinan, Taiyuan, Xuzhou, Jiaxing etc.; the remaining 18% were located in the third-tier and other cities.

Land acquisitions in 2021

During 2021, the Group acquired 40 land projects in the PRC, with total planned GFA of approximately 7.686 million square meters. The attributable consideration paid by the Group amounted to approximately RMB23,088 million. The average land acquisition cost in 2021 was approximately RMB6,300 per square meter.

Segment Information

Properties sales and development

Although the overall property sales in the PRC fell rapidly in the fourth quarter of 2021, the Company still achieved an aggregated contracted sales of RMB78,454 million in 2021, representing a slightly increase of 4.4% as compared to 2020. In the meantime, its aggregated contracted sales area totalled 3,754,800 square meters, representing an increase of 10.8% as compared to 2020. Its average selling price was approximately RMB20,900 per square meter in 2021, representing a slightly drop of 5.9% as compared to 2020.

Commercial properties and business parks

As at 31 December 2021, the occupancy rate of Vision Shenzhen Business Park in Nanshan District, Shenzhen was fully occupied. Its major tenants include Intel, Amazon, Nvidia and DJI. In addition, Hangzhou Gemdale Plaza was 99% occupied and Shanghai Jiuting Gemdale Plaza was 93% occupied.

During the year, our commercial projects including namely Huai'an Gemdale Mall, Beijing Vision International Centre in Daxing District, Beijing, Nanjing Hexi Gemdale Plaza and Nanjing Xuanwu Science and Technology Park were commenced business. It is expected that Vision Shenzhen Business Park Phase 3 in Nanshan District, Shenzhen will commence business in the second quarter of 2022. Currently, the major commercial projects under development includes various mixed use commercial complex situated at Shanghai, Nanjing, Hangzhou, Suzhou and Nanchang, etc. As at 31 December 2021, the GFA of the Group's operating commercial projects, including associates and joint ventures, was approximately 0.71 million square meters. The total rental income during the year was approximately RMB677 million, representing a year-on-year increase of approximately 41%.

In the meantime, the total GFA of the Group's industrial park projects has reached 3.52 million square meters, of which 1.25 million square meters were in operation. For the year ended 31 December 2021, the Group recorded a total rental/property management fee revenue of approximately RMB470 million from industrial park sector, representing an increase of 32% as compared to the corresponding period in 2020.

During the year, benefited from the increase in the rental rate as well as more new commercial projects commencing business, the Group recorded a total rental/management fee revenue of approximately RMB1,151 million from commercial and industrial park projects for the year ended 31 December 2021, representing an increase of 37% as compared to the corresponding period in 2020.

OUTLOOK

Looking forward to 2022, China's economy will face challenges and downward pressure. The real estate market, marked by "for housing not for speculation", will last. The easing financing side, however, will moderately lighten the financial pressure and interest costs of real estate enterprises. Looking forward to the real estate market in 2022 shows that the real estate market will stay on the track of adjustment in the first half, and some enterprises under ongoing financial stress will have to reduce liabilities by selling projects and seek more mergers in the industry. In response, the Group will actively cooperate with central and State-owned enterprises with capital advantages in the industry to further expansion. Meanwhile, the Company will continue to follow the defining trend and accelerate the collection of sales payment to secure the cash flow. All in all, this is to make ends meet and optimize the urban layout for more competitive products and brand.

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 2021, 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 27 May 2021.
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 27 May 2021.
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 2021, the Group had approximately 3,900 (2020: 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 employee share option schemes.

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 as set out therein.

During the year, the subscription rights attaching to 800,000, 54,275,000 and 29,000,000 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 84,075,000 new ordinary shares of the Company at a nominal value of HK\$0.1 each for a total cash consideration, before expenses, of HK\$56,185,800. 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 27,290,000 and 191,287,000, 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 annual report of the Company for the year ended 31 December 2021.

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 2021 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 RMB0.06 (2020: RMB0.08, equivalent to HK\$0.0967 per share) per share for the year ended 31 December 2021, 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 8 August 2022 to shareholders whose names appear on the register of members of the Company on 13 June 2022. 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 19 May 2022 to 25 May 2022.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is to be held on 25 May 2022 and the notice of AGM is expected to be published and despatched to the Shareholders on or about 22 April 2022.

For determining the entitlement to attend and vote at the annual general meeting of the Company to be held on 25 May 2022, the register of members of the Company will be closed from 20 May 2022 to 25 May 2022, both days inclusive, during which period no transfer of Shares 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 19 May 2022.

For determining the entitlement to the proposed final dividend for the year ended 31 December 2021 (subject to approval by Shareholders at the AGM), the register of members of the Company will be closed from 10 June 2022 to 13 June 2022, both days inclusive, during which period no transfer of Shares 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 9 June 2022.

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 2021 annual report will be despatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 30 March 2022

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.