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Jiayuan International Group Limited

佳源國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2768)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

RESULTS HIGHLIGHTS

- The Group recorded property contracted sales of approximately RMB30,828 million in 2020 representing an increase of approximately 7% as compared to 2019, and the average selling price was approximately RMB11,237 per sq.m.
- The Group's revenue was approximately RMB18,363 million in 2020 as compared to approximately RMB16,070 million in 2019, representing an increase of approximately RMB2,293 million or 14%.
- The Group's gross profit increased by 13% to approximately RMB5,936 million in 2020 as compared to RMB5,242 million in 2019. The gross profit margin of the Group for the year ended 31 December 2020 of 32% remained the same as that of last year.
- Net profit of the Group for the year amounted to approximately RMB3,531 million in 2020 as compared to RMB2,460 million in 2019, representing an increase of 44%.
- Core net profit of the Group for the year^(Note 1) was approximately RMB2,852 million in 2020, as compared to approximately RMB2,343 million in 2019, representing an increase of 22%.

- Basic earnings per share of the Group amounted to RMB82.07 cents in 2020, representing a growth of 58% compared to 2019.
- Cash and bank balances of the Group^(Note 2) as at 31 December 2020 was RMB10,941 million, representing a year-on-year increase of 34% as compared to RMB8,154 million in 2019.
- As at 31 December 2020, the Group's liabilities to assets ratio after excluding pre-sale deposits received^(Note 3) was 67.44%, representing a decrease of 3.90 percentage points as compared to 71.34% as at 31 December 2019.
- As at 31 December 2020, the Group's non-restricted cash to current borrowings ratio^(Note 4) was 1.27, as compared to 1.21 as at 31 December 2019.
- Net gearing ratio of the Group^(Note 5) decreased from approximately 78% as at 31 December 2019 to approximately 60% as at 31 December 2020.
- As at 31 December 2020, the Group had land reserves of 17.65 million sq.m..
- Recommended a final dividend with scrip option of HK15.5 cents per share (2019 final dividend: HK11 cents per share). The dividend accounted for approximately 20% of the core profit attributable to the equity Shareholders of the Company.

Note 1: Core net profit of the Group for the years ended 31 December 2020 and 31 December 2019 exclude fair value change on investment properties, fair value gain upon transfer of inventories of properties to investment properties and their related deferred tax, foreign exchange gains/(losses), net impairment reversal/(losses) on financial assets, fair value change on financial assets at fair value through profit or loss, fair value change on derivative financial instruments, gains arising from bargain purchase, gain/(loss) on disposal of financial assets at fair value through profit or loss and losses on deemed disposal of a subsidiary.

Note 2: Cash and bank balances include cash and cash equivalents and restricted/pledged bank deposits.

Note 3: Liabilities to assets ratio after excluding pre-sale deposit received is calculated by dividing total liabilities minus pre-sale deposit received (including contract liabilities and relevant value-added tax) by total assets minus pre-sale deposit received (including contract liabilities and relevant value-added tax).

Note 4: Non-restricted cash to current borrowings ratio is calculated by dividing cash and cash equivalents by current borrowings.

Note 5: Net gearing ratio was measured by net debt (bank and other borrowings and senior notes net of cash and cash equivalents and restricted/pledged bank deposits) over the total equity.

RESULTS

The board (the “Board”) of directors (the “Directors”) of Jiayuan International Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2020 with comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	<i>Notes</i>	2020	2019
		RMB'000	RMB'000
Revenue	3	18,363,185	16,070,171
Cost of sales	8	(12,427,653)	(10,828,170)
Gross profit		5,935,532	5,242,001
Other income	4	380,098	308,478
Other gains and losses	5	852,383	(221,777)
Net impairment (losses)/reversal on financial assets		(27,974)	19,942
Fair value change on investment properties		(177,503)	437,238
Selling and marketing costs	8	(297,942)	(303,407)
Administrative expenses	8	(422,990)	(492,296)
Finance costs	6	(317,641)	(282,698)
Share of results of investments accounted for using the equity method		125,041	82,056
Profit before taxation		6,049,004	4,789,537
Income tax expenses	7	(2,517,811)	(2,329,054)
Profit for the year		3,531,193	2,460,483
Profit for the year attributable to:			
– Owners of the Company		3,275,473	2,050,664
– Non-controlling interests		255,720	409,819
		3,531,193	2,460,483
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
Basic and diluted	10	82.07	52.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit for the year	3,531,193	2,460,483
Other comprehensive (loss)/income		
<i>Items that may be reclassified to profit or loss:</i>		
– Exchange differences arising on translation of foreign operations	(1,821)	2,511
Total comprehensive income for the year	3,529,372	2,462,994
Total comprehensive income for the year attributable to:		
– Owners of the Company	3,273,652	2,053,175
– Non-controlling interests	255,720	409,819
	3,529,372	2,462,994

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	<i>Notes</i>	2020	2019
		RMB'000	RMB'000
Non-current assets			
Investment properties		7,926,545	7,841,906
Property and equipment		123,671	132,880
Intangible assets		38,670	31,328
Right-of-use assets		9,624	10,694
Investments accounted for using the equity method		2,289,700	985,051
Financial assets at fair value through profit or loss		961,039	668,204
Deposits paid for acquisitions		1,150,157	1,167,684
Deferred tax assets		668,841	597,494
Trade and other receivables	11	38,450	124,934
		<u>13,206,697</u>	<u>11,560,175</u>
Current assets			
Inventories of properties		42,338,765	34,112,077
Trade and other receivables	11	5,286,935	7,177,335
Financial assets at fair value through profit or loss		131,880	168,775
Prepaid income tax		383,901	563,705
Restricted/pledged bank deposits		1,938,081	2,123,101
Cash and cash equivalents		9,002,740	6,030,412
		<u>59,082,302</u>	<u>50,175,405</u>
Total assets		<u>72,288,999</u>	<u>61,735,580</u>
Current liabilities			
Trade and other payables	12	7,283,549	6,395,483
Pre-sale deposits received		18,136,057	19,940,467
Current income tax liabilities		6,558,589	4,628,119
Bank and other borrowings	13	1,377,858	4,667,930
Derivative financial instruments		190,913	–
Senior notes	14	5,687,872	314,084
Lease liabilities		6,638	3,597
		<u>39,241,476</u>	<u>35,949,680</u>
Net current assets		<u>19,840,826</u>	<u>14,225,725</u>
Total assets less current liabilities		<u>33,047,523</u>	<u>25,785,900</u>

		As at 31 December	
	<i>Notes</i>	2020	2019
		RMB'000	RMB'000
Non-current liabilities			
Bank and other borrowings	13	11,254,769	7,462,249
Derivative financial instruments		–	238,387
Pre-sale deposits received		540,412	500,510
Deferred tax liabilities		726,512	779,587
Senior notes	14	3,065,145	4,960,692
Lease liabilities		2,957	7,317
		15,589,795	13,948,742
Equity attributable to owners of the Company			
Share capital	15	34,876	33,870
Reserves		13,583,354	9,825,610
		13,618,230	9,859,480
Non-controlling interests		3,839,498	1,977,678
Total equity		17,457,728	11,837,158
Total equity and non-current liabilities		33,047,523	25,785,900

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1 GENERAL INFORMATION AND BASIS OF PREPARATION

1.1 General information

The Company was incorporated on 5 May 2015 and registered in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. In March 2016, the Company completed the initial listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing”). Its immediate holding company is Mingyuan Group Investment Limited, a company incorporated in the British Virgin Islands (“BVI”) with limited liability. Its ultimate holding company is Galaxy Emperor Limited, a company incorporated in the BVI with limited liability. Its ultimate controlling party is Mr. Shum Tin Ching (the “Ultimate Shareholder”).

The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The Company is engaged in investment holding and its subsidiaries are principally engaged in the property development, property investment and provision of property management services.

These consolidated financial statements for the year ended 31 December 2020 are presented in Renminbi (“RMB”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2021.

On 9 December 2020, a subsidiary of the Group, Jiayuan Services Holdings Limited (“Jiayuan Services”) issued 150,000,000 new ordinary shares in its initial public offering and listing on the Stock Exchange at the price of HKD3.86 per share, and raised gross proceeds of approximately HKD579,000,000 (equivalent to approximately RMB486,964,000). On 6 January 2021, additional 11,709,900 shares were issued upon the exercise of the over-allotment option in connection with the Listing of Jiayuan Services at a price of HKD3.86 per share. Gross proceeds of the additional offering amounted to approximately HKD45,200,214 (equivalent to approximately RMB40,465,724).

1.2 Basis of preparation

(i) ***Compliance with Hong Kong Financial Reporting Standards (“HKFRSs”) and the Hong Kong Companies Ordinance***

The consolidated financial statements of the Group have been prepared in accordance with applicable HKFRSs and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) ***Historical cost convention***

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss (“FVTPL”) and investment properties, which are carried at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, except for a change of accounting policies explained in Note 2.3 below.

2.1 New and amended standards adopted by the Group

The Group has applied new and amended standards effective for the financial period beginning on 1 January 2020. The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements of the Group.

2.2 New and amended standards and interpretations not yet adopted

New standards and amendments to existing standards which have been issued but not yet effective and have not been early adopted by the Group are as follows:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	COVID-19 Related Rent Concessions	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase two	1 January 2021
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	1 January 2022
Amendments to HKFRS 3	Update reference to the conceptual framework	1 January 2022
Amendments to HKAS 16	Proceeds before intended use	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
HKFRS 17	Insurance contract	1 January 2023
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
HK 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 associates or joint ventures	To be determined

2.3 Change in accounting policies

In the 2019 Financial Statements, individual reserve items were presented separately in the consolidated statement of changes in equity. In preparing the consolidated financial statements for the year ended 31 December 2020, the Group, for easy reading and reducing voluminous details, combined all reserve items into one single item to simplify the presentation of the consolidated statement of changes in equity. Comparative information for the consolidated statement of changes in equity for the year ended 31 December 2019 has been retrospectively restated to conform to the current period presentation. This change in accounting policies has no impact on the results and cashflow of the Group.

3 REVENUE AND SEGMENT INFORMATION

Revenue is stated net of sales related tax and is analysed as follows:

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Types of goods and services		
Sales of properties	17,529,537	15,373,501
Property management services	579,479	485,778
Property rental	254,169	210,892
	<hr/>	<hr/>
Total	18,363,185	16,070,171
	<hr/>	<hr/>
Revenue is recognised:		
Contracts with customers:		
– At a point in time	17,538,529	15,373,501
– Over time	570,487	485,778
	<hr/>	<hr/>
	18,109,016	15,859,279
Other source: rental income	254,169	210,892
	<hr/>	<hr/>
	18,363,185	16,070,171
	<hr/>	<hr/>

There was no individual customer contributing over 10% of the total revenue for the years ended 31 December 2020 and 2019.

The Group is principally engaged in property development revenue of which accounted for over 90% of total turnover.

No segment assets and liabilities are presented as they were not provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

No geographical segment analysis is shown as more than 90% of the Group's revenue are derived from activities in and from customers located in the People's Republic of China (The "PRC") and more than 90% of the carrying values of the Group's non-current assets excluding financial instruments and deferred tax assets are situated in the PRC.

4 OTHER INCOME

	2020	2019
	RMB'000	RMB'000
Interest income on bank deposits	125,011	79,860
Interest income on loans receivable	109,287	132,597
Interest income on financial assets at fair value through profit or loss	107,670	80,572
Compensation income	17,786	–
Government grant	4,371	592
Others	15,973	14,857
	<hr/>	<hr/>
	380,098	308,478
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5 OTHER GAINS AND LOSSES

	2020 RMB'000	2019 RMB'000
Foreign exchange gains/(losses), net	697,355	(61,144)
Fair value change on derivative financial instruments	54,053	(55,357)
Fair value gain upon transfer of inventories of properties to investment properties	21,152	–
Fair value change on financial assets at fair value through profit or loss	3,694	(80,378)
Gains on disposal of investments accounted for using the equity method	7,674	21,712
Gains arising from bargain purchase	67,453	–
Gains/(losses) on disposals of financial assets at fair value through profit or loss	756	(15,232)
Losses on disposals of property and equipment	–	(5)
Losses on deemed disposal of a subsidiary	–	(39,709)
Others	246	8,336
	852,383	(221,777)

6 FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest expenses:		
– Bank and other borrowings	1,277,268	1,243,160
– Senior notes	1,222,730	621,541
– Lease liabilities	806	550
	2,500,804	1,865,251
Loss on exchange of senior notes	–	22,146
	2,500,804	1,887,397
Less: amounts capitalised on qualifying assets	(2,183,163)	(1,604,699)
	317,641	282,698

7 INCOME TAX EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current income tax		
– Corporate income tax	1,744,597	1,131,003
– Land appreciation tax	1,058,612	1,130,859
	<u>2,803,209</u>	<u>2,261,862</u>
Deferred income tax	(285,398)	67,192
	<u>2,517,811</u>	<u>2,329,054</u>

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the BVI as they are not subject to any tax during the year (2019: Nil).

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits of the Group's subsidiaries operating in Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

8 EXPENSES BY NATURE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of inventories sold	11,448,604	10,480,894
Employee benefit expenses	530,545	422,230
Provision for impairment of inventories of properties	436,305	–
Advertising and promotion expenses	214,787	198,852
Tax and surcharges	151,629	99,032
Office expenses	129,796	88,079
Professional service fees	55,851	83,701
Travelling and entertainment expenses	40,190	53,636
Bank charges	35,266	57,860
Depreciation and amortisation charges	31,507	15,294
Listing expenses of a subsidiary	27,085	–
Auditors' remuneration		
– Audit services	8,260	5,500
– Non-audit services	8,887	5,238
Rental expenses	5,973	18,737
Other expenses	23,900	94,820
	<u>13,148,585</u>	<u>11,623,873</u>
Total cost of sales, selling and marketing costs and administrative expenses		

9 DIVIDENDS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Dividends recognised as distribution during the year:		
Final dividend declared for the prior year		
– HKD11 cents (2019: HKD11 cents) per share	391,651	248,054

Shares scrip alternatives were offered in respect of the dividends declared. These share scrip alternatives were accepted by shareholders, as follows:

	2020 <i>Equivalent to HKD'000</i>	<i>RMB'000</i>	2019 <i>Equivalent to HKD'000</i>	<i>RMB'000</i>
Dividends				
– Cash	86,711	78,274	263,981	232,438
– Scrip dividend alternative	347,157	313,377	17,746	15,616
	433,868	391,651	281,727	248,054

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of HK15.5 cents (2019: HK11 cents) per ordinary share, in an aggregate amount of HKD628,639,000, equivalent to approximately RMB527,868,000, (2019: HKD433,868,000, equivalent to approximately RMB388,962,000) taking into account 4,055,735,000 (2019: 3,944,252,000) ordinary shares in issue at the reporting date, have been proposed by the Board of Directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period will be either payable in cash or in form of new fully paid shares of the Company in respect of part or all of such final dividend at shareholders' option. The final dividend proposed has not been recognised as a liability in these consolidated financial statements.

10 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by weighted average number of ordinary shares in issue during the year.

	2020	2019
Profit for the year attributable to owners of the Company (RMB'000)	<u>3,275,473</u>	<u>2,050,664</u>
Weighted average number of ordinary shares in issue (in thousands)	<u>3,991,160</u>	<u>3,941,295</u>
Basic earnings per share (RMB cents)	<u>82.07</u>	<u>52.03</u>

(b) Diluted earnings per share

For the years ended 31 December 2020 and 2019, diluted earnings per share equal basic earnings per share as there were no dilutive potential shares in both years.

11 TRADE AND OTHER RECEIVABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade receivables, net(a)	526,370	312,509
Other receivables, net(b)	4,093,026	5,891,760
Prepayments	<u>705,989</u>	<u>1,098,000</u>
	5,325,385	7,302,269
Less: Non-current portion of other receivables	<u>(38,450)</u>	<u>(124,934)</u>
Current portion of trade and other receivables	<u>5,286,935</u>	<u>7,177,335</u>

(a) Details of trade receivables are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade receivables	561,688	321,910
Less: allowance for impairment	(35,318)	(9,401)
Trade receivables – net	<u>526,370</u>	<u>312,509</u>

Trade receivables mainly arise from properties rental and provision of properties management services. Customers are generally granted credit terms of nil to 1 month. The ageing analysis of trade receivables based on property delivery date or invoice date is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
0-60 days	383,020	187,875
61-180 days	51,950	83,805
181-365 days	68,107	19,008
Over 1 year	58,611	31,222
	<u>561,688</u>	<u>321,910</u>

As at 31 December 2020 and 2019, trade receivables were mainly denominated in RMB.

The Group applies the simplified approach to provide for expected credit losses on trade receivables.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

(b) Details of other receivables are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Advances to joint ventures and associates	1,148,178	2,225,715
Advances to non-controlling interests	1,062,932	809,626
Loans receivable	509,971	587,929
Deposits paid for acquisitions of land use rights	446,923	420,000
Projects related deposits (i)	488,556	911,030
Interest receivable	62,243	190,234
Deposits for trust financing arrangements (ii)	60,178	146,719
Advance to staff	37,609	55,112
Other deposits (iii)	174,341	453,642
Other receivables	166,730	157,006
	4,157,661	5,957,013
Less: allowance for impairment	(64,635)	(65,253)
	4,093,026	5,891,760
Less: Non-current portion of deposits for trust financing arrangements (ii)	(38,450)	(124,934)
Current portion of other receivables – net	4,054,576	5,766,826

- (i) The amounts mainly represent the deposits placed at the request of local government. The deposits will be refunded to the Group upon the completion of the relevant projects.
- (ii) The amounts are deposited in trust financing companies for raising trust loans to the Group. The deposits will be refunded to the Group upon final repayments of the trust loans or on demand.
- (iii) Other deposits mainly represent temporary payments for acquisitions of property development projects under negotiation. There is no fixed repayment term for these other deposits and the directors of the Company consider the amounts are repayable on demand.

12 TRADE AND OTHER PAYABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade payables (a)	2,960,397	3,639,200
Advances from related parties	959,508	234,960
Advances from non-controlling interests (b)	789,719	729,885
Consideration payable for acquisition of subsidiaries	689,045	95,000
Business and other taxes payable	688,657	514,091
Deposits related to sales of properties	389,615	268,363
Accrued charges	129,817	101,160
Receipts on behalf of property residents	154,129	210,411
Payroll payables	115,066	89,049
Other deposits received (c)	181,096	286,864
Other consideration payables	226,500	226,500
	<u>7,283,549</u>	<u>6,395,483</u>

Notes:

- (a) Trade payables are for construction costs and other project-related expenses which are due for payment based on project progress measured by the Group. The average credit period of trade payables is 30 days.

The following is an ageing analysis of trade payables, presented based on the invoice date:

	31 December 2020 RMB'000	31 December 2019 RMB'000
0-60 days	2,259,860	2,152,245
61-180 days	289,607	751,103
181-365 days	103,391	298,295
Over 1 year	307,539	437,557
	<u>2,960,397</u>	<u>3,639,200</u>

- (b) The amounts represent advances made by certain non-controlling shareholders to non-wholly subsidiaries pursuant to the terms of the respective shareholders' agreements. These advances are unsecured, interest-free and repayable on demand.
- (c) The amounts mainly represent various deposits received from contractors in relation to tendering and execution of construction contracts.

13 BANK AND OTHER BORROWINGS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Bank loans	7,271,276	4,060,555
Trust loans	3,660,945	7,703,229
Other loans	1,700,406	366,395
	12,632,627	12,130,179
Less: Amounts due within one year or on demand shown under current liabilities	(1,377,858)	(4,667,930)
Amounts shown under non-current liabilities	11,254,769	7,462,249

14 SENIOR NOTES

	Notes	2020 RMB'000	2019 RMB'000
Issued in 2018 and due October 2020		–	122,533
Issued in 2019 and due March 2022	(a)	1,757,054	1,848,218
Issued in 2019 and due May 2022	(b)	747,265	1,639,014
Issued in 2020 and due June 2021	(c)	954,730	–
Issued in 2019 and due February 2023	(d)	2,139,166	1,665,011
Issued in 2020 and due October 2022	(e)	1,241,069	–
Issued in 2020 and due April 2023	(f)	1,913,733	–
		8,753,017	5,274,776
Less: amount due within one year shown under current liabilities		(5,687,872)	(314,084)
Included in non-current liabilities		3,065,145	4,960,692

- (a) In July 2019, the Company issued senior notes (the “March 2022 Senior Notes”) with a principal amount of USD225,000,000 (equivalent to approximately RMB1,545,233,000), bearing interest at a fixed interest rate of 13.75% per annum and will mature in March 2022. A portion of the March 2022 Senior Notes was used to exchange for a total of USD174,671,000 in principal amount of the senior notes due October 2020.

In November 2019, the Company issued senior notes with a principal amount of USD30,000,000 (equivalent to approximately RMB210,813,000), which were consolidated with and formed a single series with the March 2022 Senior Notes.

In February 2020, the Company issued senior notes with a principal amount of USD67,500,000 (equivalent to approximately RMB472,891,500), which were consolidated with and formed a single series with the March 2022 Senior Notes.

In October 2020, the Company repurchased the March 2022 Senior Notes in an aggregate principal amount of USD60,000,000 (equivalent to RMB402,168,000), representing 18.60% of the aggregate principal amount of the notes originally issued.

On 1 February 2021, the Company published an announcement to offer to purchase the March 2022 Senior Notes. A total of approximately USD55,750,000 in principal amount of the 2022 Notes have been validly tendered and accepted pursuant to the Company's offer to purchase. On 11 March 2021, a total of approximately USD61,538,000 in principal amount of the March 2022 Senior Notes were further repurchased by the Company following the exercise of a put option pursuant to the terms of the March 2022 Senior Notes. Upon cancellation, the principal balance of the March 2022 Senior Notes amounted to USD145,000,000.

- (b) In May 2019, the Company issued senior notes (the "May 2022 Senior Notes") with a principal amount of USD225,000,000 (equivalent to approximately RMB1,514,588,000), bearing interest at a fixed interest rate of 11.375% per annum, will mature in May 2022. A portion of the May 2022 Senior Notes I was used to exchange for all of the outstanding USD160,000,000 senior notes due October 2019, i.e. the 2018 senior notes due October 2019.

In August 2019, the Company issued senior notes with a principal amount of USD25,000,000 (equivalent to RMB176,425,000) due in May 2022 which were consolidated with and formed a single series with the USD225,000,000 11.375% May 2022 Senior Notes.

In October 2020, the Company repurchased May 2022 Senior Notes in an aggregate principal amount of USD135,000,000 (equivalent to RMB904,878,000), representing 54% of the aggregate principal amount of the notes originally issued.

- (c) In June 2020, the Company issued senior notes (the "June 2021 Senior Notes") with a principal amount of USD120,000,000 (equivalent to approximately RMB849,012,000), bearing interest at a fixed interest rate of 11.75% per annum and will mature in June 2021.

In July 2020, the Company issued senior notes with a principal amount of USD30,000,000 (equivalent to approximately RMB209,883,000), which were consolidated with and formed a single series with the June 2021 Senior Notes.

- (d) In October 2019, the Company issued senior notes (the "February 2023 Senior Notes") with a principal amount of USD200,000,000 (equivalent to approximately RMB1,413,800,000), bearing interest at a fixed interest rate of 13.75% per annum and will mature in February 2023.

In November 2019, the Company issued senior notes with a principal amount of USD37,500,000 (equivalent to approximately RMB263,336,000), which were consolidated with and formed a single series with the February 2023 Senior Notes.

In January 2020, the Company issued senior notes with a principal amount of USD30,000,000 (equivalent to approximately RMB209,599,000), which were consolidated with and formed a single series with the February 2023 Senior Notes.

In February 2020, the Company issued senior notes with a principal amount of USD60,000,000 (equivalent to approximately RMB420,348,000), which were consolidated with and formed a single series with the February 2023 Senior Notes.

- (e) In October 2020, the Company issued senior notes (the "October 2022 Senior Notes") with a principal amount of USD200,000,000 (equivalent to approximately RMB1,314,260,000), bearing interest at a fixed interest rate of 12% per annum and will mature in October 2022.

- (f) In September 2020, the Company issued senior notes (the "April 2023 Senior Notes") with a principal amount of USD200,000,000 (equivalent to approximately RMB1,340,560,000), bearing interest at a fixed interest rate of 12.5% per annum and will mature in April 2023.

In November 2020, the Company issued senior notes with a principal amount of USD100,000,000 (equivalent to approximately RMB657,130,000), which were consolidated with and formed a single series with the April 2023 Senior Notes.

15 SHARE CAPITAL

	Number of shares	Nominal value <i>HKD'000</i>	Nominal value <i>RMB'000</i>
Ordinary shares of HKD0.01 each			
Authorised			
At 1 January 2019 and 31 December 2019 and 31 December 2020	<u>10,000,000,000</u>	<u>100,000</u>	
Issued and fully paid			
At 1 January 2019	<u>2,510,971,802</u>	<u>25,110</u>	<u>21,083</u>
Issue of shares for acquisition of Chuangyuan Group	50,180,189	502	434
Issue of shares upon scrip dividend scheme	5,140,695	51	45
Issue of shares for acquisition of Huiyuan Group	<u>1,377,959,475</u>	<u>13,780</u>	<u>12,308</u>
At 31 December 2019 and 1 January 2020	3,944,252,161	39,443	33,870
Issue of shares upon scrip dividend scheme	<u>111,482,462</u>	<u>1,114</u>	<u>1,006</u>
At 31 December 2020	<u>4,055,734,623</u>	<u>40,557</u>	<u>34,876</u>

On 10 June 2020, a scrip dividend scheme was proposed by the board, which offers the shareholders of the Company may elect to receive the 2019 final dividend wholly or partly by the allotment of new shares in lieu of cash. This proposal was approved at the annual general meeting of the Company held on 10 June 2020. On 31 July 2020, 111,482,462 shares were issued at HKD3.114 each to shareholders who had elected to receive new shares in lieu of cash dividend in respect of the 2019 final dividend under the scrip dividend scheme. The shares issued was amounted to HKD347,157,000 (equivalent to RMB313,377,000).

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to you the Group's business review for the year ended 31 December 2020 and prospects for year 2021.

Review of 2020

At the beginning of 2020, the outbreak of Novel Coronavirus ("COVID-19") pandemic struck the PRC's economic development. Facing the pressure of economic downturns, the Central People's Government (the "Central Government") has strengthened the countercyclical adjustment and put emphasis on proactive fiscal policies and more flexible and appropriate monetary policies to keep sufficient liquidity. With various cuts in required reserve ratio and interest rates, the monetary environment has been lenient as a whole.

For the real estate market, the Central Government insisted on stringent control policies. Against the background of the outbreak of COVID-19 especially in the first quarter of 2020, the principle of "housing is for accommodation instead of speculation" remained firmly unchanged. Central ministries and commissions including the China Banking and Insurance Regulatory Commission, the central bank of the PRC and the Ministry of Housing and Urban-Rural Development of the PRC, held several meetings to make remark on the consistency and stability of the property market control policies. As popular cities are expected to experience more volatility in housing and land prices, the Central Government has convened multiple meetings since July to emphasize that real estate should not be exploited for short-term economic stimulus, and efforts should be made to stabilize land and housing prices as well as manage market expectations, to ensure a stable and sound development of the property market. In line with the principle of "housing is for accommodation instead of speculation", local governments adopted city-specific policies with more flexibility to mitigate the disruption of property market brought by the pandemic precautionary and control measures. Supportive policies in relation to the real estate market have been introduced from both the demand side and the supply side. With the tightening policy environment in the second half of the year, various local governments have strengthened the property market control policies. However, the control policies introduced in most cities were generally moderate, albeit the exceptions in a limited number of cities.

In response to the complicated market environment, the Group proactively followed the national policies. Internally, the Group reorganized the management structure and optimized its systems and mechanisms. Externally, the Group focused on development, increased land reserves, promoted sales and sped up cash recovery from sales, which in turn resulted in a steady growth trend for overall operating results. For the year ended 31 December 2020, the Group's revenue amounted to RMB18,363 million, representing a year-on-year increase of 14%; gross profit amounted to RMB5,936 million, representing a year-on-year increase of 13%; net profit attributable to owners of the Company amounted to RMB3,275 million, representing a year-on-year increase of 60%. In 2020, the management of the Group strived for enhancing its financial discipline by stringently controlling its cash recovery ratio from land acquisitions and emphasizing prudence in expanding its liabilities, and as a result of which, various liquidity indicators and debt structures were constantly optimized. As at 31 December 2020, the Group's net gearing ratio was 60%, representing a year-on-year decrease of 23%, and there was sufficient cash on book to cover the short-term liabilities. Thus, the Group became one of the non-state-owned Chinese residential property enterprises which remained at the "green tier" in the "Three Red Lines" assessment.

In 2020, the Group adhered to its development strategy and focused on cities in Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and potential provincial capital cities in central and western China. By means of tender and bidding, mergers and acquisitions and joint development, etc., the Group had land reserves of approximately 17.65 million sq. m. as at the end of this year, representing a year-on-year increase of 27%, among which 10.13 million sq.m., or 57%, was located at Yangtze River Delta region and 2.63 million sq.m., or 15%, was located at the Guangdong-Hong Kong-Macao Greater Bay Area, showing further development layout on regional focuses.

Benefitting from sufficient land reserves and mature product design and building capacity, the Group achieved contracted sales of approximately RMB30,828 million for the year ended 31 December 2020, representing a year-on-year increase of 7%, and the Group's average selling price was approximately RMB11,237 per sq.m.

In order to seize the opportunity to accelerate the Group's development in property service business in 2020, the Group spun off its property service business and successfully listed Jiayuan Services Holdings Limited ("Jiayuan Services") (1153.hk) on the Stock Exchange, which laid a solid foundation for the continuous and rapid development of the business.

Prospects of 2021

It is expected that the major emphasis of the real estate market in 2021 shall remain the same as it always has, and the principles of "housing is for accommodation instead of speculation", "city-specific policies" and "steady and healthy development" will become the norm. For China, whose economy is still in recovery, expanding domestic demand is a fundamental strategy for economic development. The development of the Chinese real estate sector, which spans across upstream and downstream industries, is projected to be in a steadily upward trend; from the perspective of the resident-end, rigid demand and upgraders' needs will be catered for.

In view of the above research and assessment of macro-economic conditions, in 2021, the Group shall continue to follow China's national policy, focus on regional and city development, strengthen the enterprise's fundamentals, enhance the management standard, and promote the improvement and replacement of products. Meanwhile, the Group shall take into consideration the triple bottom lines in economic, social and environmental terms to perform its corporate social responsibilities. At the beginning of the "14th Five-Year Plan" of the PRC, the Group will foster high-quality development in cities and make greater contribution to satisfy people's aspirations for a quality life.

On behalf of the Board, I would like to take this opportunity to express the Group's sincere gratitude to all Shareholders, investors and business partners for their trust and support, and to all staff members for their diligence on their positions.

Jiayuan International Group Limited
Shum Tin Ching
Chairman

29 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

I. Market Review

During the first quarter in 2020, the prevention and control measures for COVID-19 resulted in lockdown and closure of sales offices across the nation, and in turn a decrease in both the selling price and sales volume in the real estate market in the PRC. With the countrywide outbreak of COVID-19 gradually coming under control, major real estate developers enhanced their efforts to launch properties. During the year, the easing of liquidity has given sudden rise to the demand for capital preservation and risk aversion. The real estate market has picked up significantly. With respect to the residential housing market, properties located in Yangtze River Delta, Pearl River Delta, Northwest China and some regional core cities took the lead in recording an upsurge in both sales volume and selling price. The purchasing interest immediately spread out and led to a stable volume of sales and rising price at the end of the year across the country.

In retrospect, the investment of the PRC real estate development in 2020 amounted to RMB14,144.3 billion, representing a year-on-year increase of 7.0%; the sales area of commodity housing was approximately 1,760.86 million, representing a year-on-year increase of 2.6%; the sales of commodity housing exceeded RMB17 trillion, hitting record high again with a year-on-year increase of 8.7%. The property market in China has gathered momentum and is showing signs of a strong recovery, acting as a pillar role for the recovery of the national economy.

In 2020, land transactions plummeted as a result of the lockdown measures for COVID-19 during the first quarter. With the alleviated epidemic situation and loosened monetary conditions, the sales of commodity housing continued to outperform expectations, which gave confidence to real estate developers to acquire more lands. At the same time, under financial pressure, local governments rolled out more premium land parcels, which led to an increase in both transaction volume and prices in the land market eventually. Meanwhile, the market showed a trend of differentiation, in which the land markets in the core city clusters including Yangtze River Delta and Guangdong-Hong Kong-Macau Greater Bay Area were rather robust. In 2020, the total sales value of the land transacted through tender, bidding and listing for sale for the whole year amounted to RMB8.05 trillion, representing a year-on-year increase of 18.8% in China. In particular, the total sales value of residential lands amounted to RMB6.62 trillion, representing a year-on-year increase of 19.2%. The total sales value of residential lands accounted for 82.2% of the total land premiums, which basically remained flat as compared to 2019.

II. Business review

Concentration on Core Cities Layout Highlighting Strategic Values

The Group fully understood that land reserves are important foundation for development for property developers. In 2020, the Group delivered an encouraging performance in respect of investment expansion. During the year, the Group achieved a significant increase in its land bank at a low premium by means of tender, bidding and listing for sale, merger and acquisition, joint development, land acquisition by application mechanism, etc. In December 2020, the land bank of the Group reached 18 million, sq. m., representing a year-on-year increase of approximately 27%. With effective control of land acquisition costs, new lands were acquired at an average cost of RMB2,727 per sq. m., laying a solid foundation for continuous and robust development. In 2020, the Group streamlined the layout strategies for the core city clusters which were predominant in economic development and population density. Entering the first-tier and second-tier cities including Guangzhou, Zhuhai, Huizhou and Zhengzhou for the first time, the Group extended its brand influence in Guangdong-Hong Kong-Macau Greater Bay Area and Central China. At the end of 2020, the Group's land reserve value at the Yangtze River Delta Region accounted for 58%, land reserve value at the Guangdong-Hong Kong-Macau Bay Area accounted for 26%, among which first-and second-tier land reserve value accounted for 56%.

On 13 January 2021, the Group entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Mr. Shum Tin Ching ("Mr. Shum") for the purpose of acquiring 5 premium projects in Qingdao and Weihai owned by Mr. Shum privately, which was expected to generate 1,624,854 sq. m. of premium land reserves to the Group. For more details, please see the paragraph entitled "Events after the Reporting Period".

Solid Growth in Business Scale with High Percentage of Attributable Interests and Sustainable Profitability

Taking an overview of 2020, the Group managed to surmount the difficulties amid the COVID-19 outbreak as well as rigorous real estate regulation and control. Thanks to the development opportunities as a result of the strong foothold in Yangtze River Delta Region in the past and the business layout in Guangdong-Hong Kong-Macau Greater Bay Area in recent years, contracted sales for the year grew steadily. As at 31 December 2020, contracted sales of the Group amounted to approximately RMB30.8 billion, representing a year-on-year increase of approximately 7%. Attributable contracted sales of the Group amounted to approximately RMB25.7 billion, with a attributable interest of 83%. Contracted sales area of the Group amounted to approximately 2,743,384 sq. m., representing a year-on-year increase of approximately 12%. In 2020, the gross profit of the Group increased by 13% to approximately RMB5,936 million with a gross profit margin of 32%, ranking the Group among the forefront of the industry.

Market Recognition for the Group's Enhancing Financial Discipline and Solidifying Financial Strengths

In 2020, the management of the Group strived for enhancing its financial discipline by stringently controlling its cash recovery ratio vis-a-vis land acquisitions and emphasizing prudence in expanding its liabilities, and as a result of which, various liquidity indicators and debt structures were constantly optimized. Trust loan balance as a percentage of interest-bearing debts decreased from 46% as at the end of 2019 to 23% as at the end of 2020. In 2020, the management of Group made good use of the overseas market financing window since January 2020 to issue a total of USD807.5 million of senior notes with maximum term up to 2.5 years, which became popular among investors and was highly oversubscribed. Further reduction of its finance costs led to popularity of the Group's bonds in the secondary market. Meanwhile, the management of the Group took the initiative to adjust its debt structures. On 30 October 2020, the Group repurchased and cancelled the USD135 million 11.375% senior notes due May 2022 in full and the USD60 million 13.75% senior notes due March 2022 in full.

On 1 February 2021, the Company published an announcement to offer to repurchase its 13.75% Senior notes due March 2022 (the "2022 Notes"). A total of approximately USD55.8 million in principal amount of the 2022 Notes have been validly tendered and accepted pursuant to the Company's offer to purchase. On 11 March 2021, a total of approximately USD61.5 million in principal amount of the 2022 Notes were further repurchased by the Company following the exercise of a put option pursuant to the terms of the 2022 Notes. Upon cancellation of the repurchased notes aforementioned, the principal balance of the USD262.5 million 13.75% senior notes due March 2022 decreased to USD145 million. This demonstrated the abundant cash flow ratio, robust financial conditions and proactive debt management capabilities of the Company.

As at 31 December 2020, the Group's liabilities to assets ratio after excluding pre-sale deposit received was 67.44%, representing a decrease of 3.90 percentage points as compared to 71.34% as at 31 December 2019. As at 31 December 2020, the Group's non-restricted cash to current borrowings ratio was 1.27, representing an increase of 5.19% as compared to 1.21 as at 31 December 2019. Net gearing ratio of the Group decreased from approximately 78% as at 31 December 2019 to approximately 60% as at 31 December 2020. The Group became one of the non-state owned Chinese residential property enterprises which remained at the "green tier" in the "Three Red Lines" assessment.

The healthy financial conditions of the Group were also well recognized in the capital market. In 2020, the Group was assigned a long-term foreign currency issuer rating of "B" by Fitch Ratings for the first time, with positive outlook. Moody's Investors maintained the corporate rating of the Group at "B2", with stable outlook, and considered that the asset injection in Shandong by Mr. Shum will have a positive impact on the credit profile of the Group. The Group was assigned a rating of "B" under Standard & Poor's long-term issuer credit rating, with an upward adjustment to a stable outlook. The bonds issued by the Group were also recommended by internationally renowned financial institutions including HSBC, Standard Chartered Bank, Credit Suisse, Nomura Securities, Guotai Junan International and CRIC Securities, with a "purchase" recommendation.

Market Recognition for the Group's Overall Performance

In 2020, the Group achieved bright business performance. The Group was presented with the “Outstanding Listed Companies Award 2020” by the Hong Kong Institute of Financial Analysts and Professional Commentators Limited, the “Excellent Mainland Property Developer Brand in the Hong Kong Leaders’ Choice Awards 2020” by Metro Finance in Hong Kong, and, for the fifth time consecutively, the award of “Hong Kong Outstanding Enterprise (Main Board)” and the “Extraordinary Enterprise Award” by Economic Digest. Meanwhile, the Group was conferred the accolades including the “Quality China Real Estate Enterprises Award 2020” at the 2020 Quality China Real Estate Enterprises Award prize-giving ceremony.

In addition, a number of the Group’s property projects won accolades from various media and organizations, including “Yangzhou Popular Real Estate 2020” (2020揚州實力人氣樓盤), “Yangzhou Top 10 Premier Properties 2020” (2020揚州十大精品樓盤) and the “17th Internet Popularity List of PRC Real Estate 2020 – Eco-livable Real Estate of the Year” (2020年第十七屆中國房地產網路人氣榜年度生態宜居樓盤) in respect of Yangzhou Jiayuan Xicheng Yinxiang (揚州佳源西城印象), the “Most Attractive Real Estate for Buyers in 2020” (2020年度用戶吸引力樓盤) in respect of Hefei Yuelu Chunxiao (合肥閱廬春曉) and “Fengtai’s Internet Popularity Real Estate 2020” (2020年度鳳台網路人氣樓盤) in respect of Fengtai Jiayuan Metropolis (鳳台佳源都市), which were testimony of the influence of the “Jiayuan” brand in the real estate market in the PRC.

Performance of Corporate Social Responsibilities and Fostering Sustainable Development

With devotion and commitment to the communities in its property projects, the Group performs its corporate social responsibilities to foster the sustainable development of such communities. In 2020, the Group proactively participated in charitable activities organized by charitable organizations, such as organizing our volunteer team to take part in the community visits run by Kwun Tong Methodist Social Service, which conveyed positive energy to and encouraged teenagers and senior citizens to face their life with a positive attitude. The entities and project companies comprising the Group actively visited local welfare houses and nursing homes to show their care. Guoyang Xinggangcheng Project and Guoyang County Land Reserves Development Center jointly worked on poverty alleviation to carry forward the corporate mission and social responsibility of the Group. Meanwhile, the Group pushed ahead with green awareness in the community and encouraged staff members to practice low-carbon living, while fully supporting and participating in charity related to sports and culture.

Besides, during the COVID-19 epidemic in 2020, the Group, its subsidiaries, associates and joint ventures actively participated in epidemic prevention and control in their respective localities and launched warmth-giving service activities in various communities, thereby making proactive contributions in response to the epidemic and showcasing its social responsibility.

Prospects

Looking ahead to 2021, under the positioning of “housing is for accommodation instead of speculation”, the keynote of “city-specific policies” and the effect of “three redlines”, the future development direction of the Chinese real estate market will still focus on balance and coordination, i.e. to promote balanced development entailing the financial industry, the property sector and the real economy and to foster coordination among various industries. The property market is gradually returning to normal and will enter a period of stable development. However, the Guangdong-Hong Kong-Macau Greater Bay Area is still a market with growth potential and the market scale in Yangtze River Delta regions will maintain a gradual uptrend. Real estate developers are faced with both opportunities and challenges.

The Group will continue to replenish its premium land bank by adopting practical strategies to optimise the geographical layout of its projects and devise investment portfolios to suit the different urbanisation stages of the PRC with a view to capturing the different demands for the purchase of property in various local markets. In future, on a foundation of solid development, the Group will make flexible adjustments according to various local market situations and achieve high quality and all-rounded development for continuous increase of profitability in order to maximise the value for its Shareholders.

Contracted Sales

The Group recorded total contracted sales of approximately RMB30,828 million in 2020. The contracted sales attributable to the owners of the Company was RMB25,660 million represented an ownership interest of 83%, respectively.

The following table sets out the contracted sales of the Group's subsidiaries, joint ventures and associates for the year ended 31 December 2020:

	Year ended 31 December 2020			
	Contracted sales	Contracted gross floor area	Contracted average selling price	Percentage
	(RMB million)	("GFA") (sq.m.)	("ASP") (RMB per sq.m.)	
	(unaudited)			
Hefei	5,712	435,479	13,117	19%
Nanjing	2,595	83,623	31,032	8%
Shanghai	1,061	51,120	20,755	3%
Yangzhou	3,911	220,698	17,721	13%
Taizhou	4,093	395,741	10,343	13%
Suqian	2,393	309,954	7,721	8%
Bozhou	2,838	365,788	7,759	9%
Suzhou/Changzhou/Zhenjiang/Yancheng	1,741	155,117	11,224	6%
Bengbu/Huainan/Ma'anshan/Lu'an	2,289	365,467	6,263	7%
Yangtze River Delta Region subtotal	26,633	2,382,987	11,176	86%
Guangdong – Hong Kong – Macao Greater Bay Area subtotal	1,266	95,709	13,228	4%
Zhengzhou	552	37,806	14,601	2%
Urumqi	1,851	191,598	9,661	6%
Hainan	526	35,284	14,908	2%
Other Cities subtotal	2,929	264,688	11,066	10%
Total	30,828	2,743,384	11,237	100%

Land Reserves

The following table sets out a summary of the Group's land reserves by project as at 31 December 2020:

	Total GFA <i>(sq.m.)</i>	Percentage
Hefei	1,566,267	8.9%
Shanghai	170,944	1.0%
Nanjing	757,408	4.3%
Yangzhou	1,284,568	7.3%
Taizhou	1,506,404	8.5%
Suqian	1,348,112	7.6%
Bozhou	1,115,593	6.3%
Suzhou\Changzhou\Nantong\Zhenjiang\Yancheng	1,223,241	6.9%
Bengbu\Huainan\Ma'anshan\Lu'an	1,154,543	6.5%
Yangtze River Delta Region subtotal	10,127,080	57.4%
Shenzhen	310,544	1.8%
Guangzhou	177,850	1.0%
Hong Kong	48,787	0.3%
Macao	60,969	0.3%
Enping	1,180,000	6.7%
Zhuhai\Huizhou	851,688	4.8%
Guangdong – Hong Kong – Macao Greater Bay Area subtotal	2,629,838	14.9%
Zhengzhou	455,163	2.6%
Urumqi	1,948,426	11.0%
Guizhou	1,098,631	6.2%
Hainan	85,910	0.5%
Cambodia	1,308,092	7.4%
Other cities subtotal	4,896,222	27.7%
Total	17,653,140	100.0%

Investment Properties

The Group retains the ownership of certain self-developed commercial properties to generate recurring income. As at 31 December 2020, the Group had investment properties with a total GFA of approximately 887,878 sq.m.. Certain portions of these investment properties are located in the integrated commercial complexes developed by the Group, in which the Group will retain control over the central management of the shopping arcades, through third-party property management firms, in order to enable the Group to select tenants and determine industry composition.

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

Project	Total GFA Held for Investment (sq.m.)	Leased GFA (sq.m.)	Total Rental Income For the year ended 31 December	
			2020 (RMB million)	2019 (RMB million)
Yangzhou				
1. Park Number One 公園一號	721	721	0.3	0.3
2. Jiayuan Centurial Garden 世紀花園	4,025	4,025	0.7	1.2
3. Centurial Honour Mansion 世紀天城榮御府 ⁽¹⁾	4,537	4,537	–	–
4. Jiayuan Centurial City 佳源世紀天城	99,991	99,991	9.9	16.4
5. Jiayuan Yurun Guifu 佳源雨潤桂府	1,588	1,588	0.1	–
6. Jiayuan Jiulong Bay 佳源玖龍灣 ⁽¹⁾	24,928	–	–	–
Taizhou				
7. Jiayuan Central Plaza 佳源中心廣場	45,888	45,888	4.5	2.4
8. Venice Metropolis 威尼斯城	101,232	62,221	113.2	77.9
9. Jiayuan New World 新天地	24,290	24,290	9.1	3.4
10. Qiangxi Garden 羌溪花苑	2,550	2,550	0.4	0.5
11. Jiayuan Mingfu 佳源名府	14,275	14,275	1.4	0.5
12. Oriental Bright City 東方不夜城	34,419	34,419	3.2	8.8
13. Quexiandao Number One 鵲仙島一號	10,124	10,124	2.0	2.4
14. Guxi Jiayuan Central Plaza 古溪佳源中心廣場	35,308	35,308	0.3	–
Suqian				
15. Rome Metropolis 羅馬都市	37,534	37,534	3.8	1.3
Changzhou				
16. Jiayuan Central Plaza 佳源中心廣場	49,777	49,777	5.2	1.7
Nanjing				
17. Zijin Mansion 紫金華府	55,124	32,539	17.9	12.6
18. Jiayuan Wuxing Plaza 佳源五星廣場 ⁽¹⁾	20,000	–	–	–

Project	Total GFA Held for Investment (sq.m.)	Leased GFA (sq.m.)	Total Rental Income For the year ended 31 December	
			2020 (RMB million)	2019 (RMB million)
Shanghai				
19. Jiayuan Dream Square 夢想廣場	21,260	21,260	31.4	38.7
20. Fengcheng Mingdu 奉城名都	13,621	13,621	11.7	10.0
21. Huijing Huating 匯景華庭	7,844	7,844	11.3	13.4
Anhui				
22. Hefei Paris Metropolis 合肥巴黎都市 ⁽¹⁾	217,826	67,896	20.6	13.6
23. He County Central City 和縣中央城 ⁽¹⁾	29,886	–	–	–
24. Guoyang Jiayuan Xinggangcheng 渦陽佳源星港城 ⁽¹⁾	31,130	–	–	–
Others	–	–	7.2	5.8
Total	887,878	570,408	254.2	210.9

Note 1: Part of the project is currently under construction.

FINANCIAL REVIEW

Operating Results

Revenue

Revenue of the Group mainly consists of revenue derived from property development, property management service and property rental, which contributed 95.5%, 3.2% and 1.3% of the Group's revenue for the year ended 31 December 2020, respectively. For the year ended 31 December 2020, revenue of the Group amounted to approximately RMB18,363 million, representing an increase of approximately 14% from approximately RMB16,070 million for the year ended 31 December 2019.

(1) Property Development

The Group's revenue from property development included the sale of residential and commercial properties. The Group recognises revenue from the sale of properties when the buyer obtains the physical possession or the legal title of the completed property and the Group has a present right to payment and where the collection of the consideration is probable. Revenue derived from property development increased by approximately 14% to approximately RMB17,530 million for the year ended 31 December 2020 from approximately RMB15,374 million for the year ended 31 December 2019. The projects that contributed substantially to the Group's revenue for the year ended 31 December 2020 were mainly the projects located in the established cities such as Hefei and Yangzhou.

(2) Property Management Service

The Group's revenue from property management is mainly generated by Jiayuan Services, a subsidiary of the Company. On 9 December 2020, Jiayuan Services successfully listed on the Main Board of the Hong Kong Stock Exchange. Jiayuan Services and its subsidiaries are principally engaged in the provision of property management services, value-added services to property developers and community value-added services in the PRC.

Revenue generated from property management increased by approximately 19% to approximately RMB579 million for the year ended 31 December 2020 from approximately RMB486 million for year ended 31 December 2019. The increase in revenue was primarily driven by the growth of our GFA under management.

(3) Property Rental

The Group's property rental mainly consisted of leasing of commercial properties (predominantly shopping arcades, retail shops, office properties and car parks). Revenue generated from property rental increased by approximately 21% to approximately RMB254 million for the year ended 31 December 2020 from approximately RMB211 million for the year ended 31 December 2019. The increase was primarily due to the rapid growth of relevant business circles in Taizhou, Nanjing and Hefei.

Gross Profit and Gross Profit Margin

Gross profit increased by 13% to approximately RMB5,936 million for the year ended 31 December 2020 from approximately RMB5,242 million for the year ended 31 December 2019. The Group's gross profit margin maintained at approximately 32% for the year ended 31 December 2020.

Other Income

The Group had other income of approximately RMB380 million for the year ended 31 December 2020 as compared with approximately RMB308 million for the year ended 31 December 2019, representing an increase of approximately RMB72 million or 23%. The increase was due to an increase in interest income on financial assets at fair value through profit or loss and bank deposits.

Other Gains and Losses

The Group recorded other gains of RMB852 million during the year ended 31 December 2020. The Group's other gains mainly consist of foreign exchange gain of approximately RMB697 million as a result of the RMB exchange rate strengthening against the USD during the same year, fair value gains on derivative financial instruments of approximately RMB54 million as a result of the increase in trading price of the Group's senior notes in the secondary market, fair value gain upon transfer of inventories of properties to investment properties of RMB21 million as well as gains arising from bargain purchase of RMB67 million.

Selling and Marketing Costs and Administrative Expenses

The Group's selling and marketing costs and administrative expenses for the year ended 31 December 2020 amounted to approximately RMB721 million, compared with approximately RMB796 million for the year ended 31 December 2019, representing a decrease of approximately 9%, mainly due to the Group's stringent control over expenses and costs to maximize its Shareholder's interests.

Finance Costs

The Group's finance costs increased to approximately RMB318 million for the year ended 31 December 2020 from approximately RMB283 million for the year ended 31 December 2019. The increase in finance costs of approximately 12% was attributable to the increase in amounts of bank and other borrowings and senior notes in 2020.

Income Tax Expenses

The Group's income tax expenses increased to approximately RMB2,518 million for the year ended 31 December 2020 from approximately RMB2,329 million for the year ended 31 December 2019. The Group's income tax expenses included payments and provisions made for enterprise income tax and land appreciation tax less deferred taxation during the year 2020. The increase by approximately 8% was in line with the increase in the Group's taxable profit in 2020.

Profit and Total Comprehensive Income for the Year

The Group's profit and total comprehensive income for the year increased by approximately 43% to approximately RMB3,529 million for the year ended 31 December 2020 from approximately RMB2,463 million for the year ended 31 December 2019 which was in line with the expansion of the Group's business operation in 2020.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2020, the Group's aggregate amount of restricted/pledged bank deposits and cash and cash equivalents was approximately RMB10,941 million (as at 31 December 2019: approximately RMB8,154 million), representing an increase of approximately 34% as compared to that as at 31 December 2019. As at 31 December 2020, restricted/pledged bank deposits of approximately RMB1,938 million (as at 31 December 2019: approximately RMB2,123 million) were restricted for use in specific property development projects or pledged for mortgage guarantees given by the Group.

Borrowings and the Group's pledged Assets

As at 31 December 2020, the Group had bank and other borrowings of approximately RMB12,633 million (as at 31 December 2019: approximately RMB12,130 million). Amongst the borrowings, approximately RMB1,378 million (as at 31 December 2019: approximately RMB4,668 million) will be repayable within one year and approximately RMB11,255 million (as at 31 December 2019: approximately RMB7,462 million) will be repayable after one year.

As at 31 December 2020, bank and other borrowings of approximately RMB12,633 million (as at 31 December 2019: approximately RMB11,442 million) were secured by bank balances, land use rights and properties of the Group. As at 31 December 2020, the assets pledged to secure certain borrowings granted to the Group amounted to approximately RMB20,346 million (as at 31 December 2019: approximately RMB13,272 million).

Net Gearing Ratio

The net gearing ratio of the Group continued to improve during 2020. It decreased to approximately 60% as at 31 December 2020 from 78% as at 31 December 2019, which was mainly attributable to the Group's effort in actively strengthening its control over the degree of leverage and fortifying capital management ability in 2020.

Foreign currency risk

As most of the Group's operating entities are located in Mainland China, the Group collects most of its revenue in RMB and most of the Group's expenditure including expenditure incurred in property sales as well as capital expenditures are also denominated in RMB.

For the year ended 31 December 2020, the Group recorded a foreign exchange gain in the amount of RMB697 million due to fluctuations in foreign exchange rates. However, the Group's operating cash flow and liquidity were not significantly affected by fluctuations in foreign exchange rates. The Group's management will continue to closely monitor fluctuations in foreign exchange rates and actively take corresponding measures to minimise foreign currency risks.

Contingent Liabilities

As at 31 December 2020, the Group had provided guarantees amounting to approximately RMB10,776 million (as at 31 December 2019: approximately RMB13,290 million) in respect of mortgage bank loans granted to purchasers of the Group's properties. Such guarantees will be released by banks upon the purchasers obtaining the relevant building ownership certificate and completion of the relevant mortgage registration.

In the opinion of the Directors, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and at relevant reporting dates and accordingly, the Directors consider that the possibility of default by the purchasers of the Group's properties is remote, accordingly, no provision for the guarantee contracts was recognised in the financial statements for the year ended 31 December 2020.

Material Acquisitions and Disposals

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2020.

Events after the Reporting Period

Major and Connected Transaction Acquisition

On 13 January 2021, the Company entered into the Sale and Purchase Agreement with Mr. Shum, pursuant to which, the Company has conditionally agreed to acquire, and Mr. Shum has conditionally agreed to sell, the 100% equity interest of Luyuan Investment Holdings Limited (“Luyuan”), a company incorporated in the BVI, at the Initial Consideration of HKD7,247,560,000 (equivalent to approximately RMB6,142,000,000) (subject to adjustment), which will be settled (i) as to HKD3,420,640,000 (equivalent to approximately RMB2,898,847,458) by way of issue of the Convertible Bonds by the Company; (ii) as to HKD2,772,000,000 (equivalent to approximately RMB2,349,152,542) by way of issue and allotment of 840,000,000 Consideration Shares; and (iii) as to the remaining balance of HKD1,054,920,000 (equivalent to approximately RMB894,000,000) by cash. Luyuan and its subsidiaries are principally engaged in property development in Shandong Province.

Issue of Senior Notes

On 15 January 2021, the Company issued senior notes with a principal amount of USD300 million, bearing interest at a fixed interest rate of 12.5% per annum and will mature in 21 July 2023.

Repurchase of Senior Notes

On 1 February 2021, the Company published an announcement to offer to repurchase its 13.75% Senior notes due March 2022 (the “2022 Notes”). A total of approximately USD55.8 million in principal amount of the 2022 Notes have been validly tendered and accepted pursuant to the Company’s offer to purchase. On 11 March 2021, a total of approximately USD61.5 million in principal amount of the 2022 Notes were further repurchased by the Company following the exercise of a put option pursuant to the terms of the 2022 Notes. Upon cancellation of the repurchased notes aforementioned, the principal balance of the USD262.5 million 13.75% senior notes due March 2022 decreased to USD145 million. This demonstrated the abundant cash flow ratio, robust financial conditions and proactive debt management capabilities of the Company.

Future Plans for Material Investments

The Group will continue to invest in its property development projects and acquire suitable land parcels in selected cities, 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 at the date of this announcement.

Employees, Remuneration Policies and Share Option Scheme

As at 31 December 2020, the Group had approximately 7,137 employees (as at 31 December 2019: 5,191 employees). For the year ended 31 December 2020, the Group incurred employee costs of approximately RMB598 million (as at 31 December 2019: approximately RMB444 million). Remuneration for the employees generally includes salary and performance-based bonuses. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans, including pension insurance, medical insurance and personal injury insurance. The Company adopted a share option scheme on 12 February 2016 as incentive for eligible employees.

CORPORATE GOVERNANCE PRACTICES

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board is committed to achieving high corporate governance standards.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”) as the basis of the Company’s corporate governance practices.

The Company has complied with all the code provisions as set out in the CG Code for the year ended 31 December 2020.

The Directors will use their best endeavors to procure the Company to continue to comply with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions by directors and employees who are likely to be in possession of unpublished inside information of the Company (the “Code of Conduct”) on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

The Company, after making specific inquiries to all Directors, confirmed that all of them have complied with the required standards in the Model Code and the Code of Conduct throughout the year ended 31 December 2020.

No incident of non-compliance of the Code of Conduct by the relevant employees was noted by the Company during the year ended 31 December 2020. In case when the Company is aware of any restricted period for dealings in the Company’s securities, the Company will notify its Directors and relevant employees in advance.

REVIEW OF CONSOLIDATED FINANCIAL INFORMATION

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the final results and the audited consolidated financial statements for the year ended 31 December 2020. The audit committee has also reviewed the effectiveness of the internal control system, financial reporting system and risk management system of the Group and considers such systems to be effective and adequate.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this final results announcement have been compared by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020 and the amounts were found to be in agreement. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers.

FINAL DIVIDEND

The Board is committed to maintaining a stable dividend policy to ensure sustainable and steady returns for shareholders. After considering the composition of the profit and cash flows of the Group, the Board recommended a final dividend of HK15.5 cents per share (2019 final dividend: HK11 cents per share).

The Board recommended that the final dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to: (1) the approval of the proposed final dividend at the forthcoming annual general meeting of the Company; and (2) the Hong Kong Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Wednesday, 9 June 2021 (the "AGM") and the notice of the AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

To ensure the eligibility to attend and vote at the AGM and the entitlement to the proposed final dividend, the register of members of the Company will be closed on the following dates:

For ascertaining shareholders' right to attend and vote at the AGM:

Latest time to lodge transfers	:	4:30 p.m. on Thursday, 3 June 2021
Book closure dates	:	Friday, 4 June 2021 to Wednesday, 9 June 2021 (both days inclusive)
Record date	:	Wednesday, 9 June 2021

For ascertaining shareholders' entitlement to the proposed final dividend:

Latest time to lodge transfers	:	Wednesday, 16 June 2021
Book closure dates	:	Thursday, 17 June 2021 to Friday, 18 June 2021 (both days inclusive)
Record date	:	Friday, 18 June 2021
Payment date of the final dividend	:	Friday, 30 July 2021

To be eligible to attend and vote at the AGM and qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2020, the Company redeemed part of its US\$322,500,000 13.75% senior notes due March 2022 in the aggregate principal amount of US\$60,000,000 and part of its US\$250,000,000 11.375% senior notes due May 2022 in the aggregate principal amount of US\$135,000,000.

The Company cancelled the repurchased senior notes in accordance with the terms of the notes and indentures. After cancellation, as of 31 December 2020, the aggregate principal amount of the 13.75% senior notes due March 2022 that remains outstanding is US\$262,500,000 and the aggregate principle amount of the 11.375% senior notes due May 2022 that remains outstanding is US\$115,000,000.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement of final results has been published on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and the Company at www.jiayuanintl.com. The 2020 Annual Report for the year ended 31 December 2020 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and available on the same websites in due course.

By order of the Board
Jiayuan International Group Limited
Shum Tin Ching
Chairman

Hong Kong, 29 March 2021

As at the date of this announcement, the Board of the Company comprises: (i) Mr. Shum Tin Ching, the Chairman and a Non-executive Director; (ii) Mr. Zhang Yi, a Vice Chairman and an Executive Director; (iii) Mr. Huang Fuqing, a Vice Chairman and an Executive Director; (iv) Mr. Wang Jianfeng, a Vice President and an Executive Director; (v) Ms. Cheuk Hiu Nam, a Joint Company Secretary and an Executive Director; (vi) Mr. Tai Kwok Leung, Alexander, an Independent Non-executive Director; (vii) Dr. Cheung Wai Bun, Charles, JP, an Independent Non-executive Director; (viii) Mr. Gu Yunchang, an Independent Non-executive Director; and (ix) Mr. Shen Xiaodong, a Non-executive Director.