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LOGAN

龙光集团

Logan Group Company Limited

龍光集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3380)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

RESULTS HIGHLIGHTS

- The attributable contracted sales amounted to RMB120.69 billion, representing a year-on-year increase of 31.9%, and outperformed the annual sales target. The targeted growth rate of attributable contracted sales for 2021 is set at 20%.
- Revenue amounted to approximately RMB71.08 billion, representing a year-on-year increase of approximately 23.7%.
- Core profit* attributable to owners of the Company amounted to RMB12.04 billion, representing an increase of 20.1% as compared with that of year 2019, and demonstrated that the Group continued to maintain its leadership in the industry in terms of profitability.
- Net profit amounted to RMB13.37 billion, net profit margin was 18.8%. Core profit amounted to RMB12.39 billion. Core profit margin was 17.4%.
- The balance of cash and bank deposits amounted to RMB42.87 billion with a net debt-to-equity ratio of 61.4%, and asset/liability ratio (after deducting contract liabilities) of 69.8%, and cash to short term debt ratio of 1.84 times, and all the “three red lines” indicators were in compliance. As recognition of our continuing financial stability, Moody’s upgraded the Company’s international credit rating to Ba2.
- Financing costs continued to decline, with new financing costs of 5.45% for the year, representing a year-on-year decrease of approximately 10%.
- MSCI upgraded the Company’s ESG rating to “BB”, demonstrating international recognition of our sustainable development ability.
- Proposed final dividend of HK58 cents per share, together with interim dividend of HK43 cents per share, will amount to a total dividend of HK101 cents per share. The total dividend for 2020 is equivalent to approximately 40% of the core profit attributable to owners of the Company.

* Core profit is equal to net profit adjusted to changes in fair value of investment properties and derivative financial instruments and the relevant deferred tax, dividend withholding tax and equity-settled share option expense.

ANNUAL RESULTS

The board of directors (the “**Board**”) of Logan Group Company Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	<i>Notes</i>	2020 RMB’000	2019 <i>RMB’000</i>
REVENUE	4	71,079,729	57,480,418
Cost of sales		(49,747,857)	(39,347,437)
Gross profit		21,331,872	18,132,981
Other income and gains	4	2,107,785	2,130,113
Other expenses	5	(118,363)	(115,456)
Selling and marketing expenses		(1,672,170)	(1,398,172)
Administrative expenses		(1,867,320)	(1,409,352)
Net increase in fair value of investment properties		1,597,354	1,622,065
Net increase in fair value of derivative financial instruments		218,400	32,683
Share of losses of associates		(28,923)	(63,400)
Share of losses of joint ventures		(19,425)	(112,960)
PROFIT FROM OPERATIONS		21,549,210	18,818,502
Finance costs	6	(2,051,424)	(1,366,250)
PROFIT BEFORE TAX	7	19,497,786	17,452,252
Income tax expense	8	(6,123,692)	(5,888,994)
PROFIT FOR THE YEAR		<u>13,374,094</u>	<u>11,563,258</u>
Attributable to:			
Owners of the parent		13,016,635	11,269,044
Non-controlling interests		357,459	294,214
		<u>13,374,094</u>	<u>11,563,258</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RMB cents)	<i>10</i>		
Basic		<u>234.13</u>	<u>202.24</u>
Diluted		<u>232.36</u>	<u>199.36</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
PROFIT FOR THE YEAR	<u>13,374,094</u>	<u>11,563,258</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR (after tax and reclassification adjustments)		
Item that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of group entities	<u>865,243</u>	<u>23,451</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>14,239,337</u>	<u>11,586,709</u>
Attributable to:		
Owners of the parent	13,881,878	11,292,495
Non-controlling interests	<u>357,459</u>	<u>294,214</u>
	<u>14,239,337</u>	<u>11,586,709</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
NON-CURRENT ASSETS			
Investment properties		29,794,064	26,604,198
Other property, plant and equipment		159,893	891,954
Deferred tax assets		1,455,960	914,263
Investments in associates		3,488,649	3,460,487
Investments in joint ventures		8,968,781	13,934,196
Trade and other receivables, prepayments and other assets		4,282,980	—
Assets under cross-border guarantee arrangements	<i>12</i>	400,000	—
Cash and bank balances		1,829,261	980,543
Total non-current assets		50,379,588	46,785,641
CURRENT ASSETS			
Inventories		106,327,001	86,351,810
Trade and other receivables, prepayments and other assets	<i>11</i>	39,194,772	31,327,794
Tax recoverable		2,025,196	1,254,170
Assets under cross-border guarantee arrangements	<i>12</i>	4,547,191	566,140
Cash and bank balances		41,039,900	39,724,570
Total current assets		193,134,060	159,224,484
CURRENT LIABILITIES			
Trade and other payables	<i>13</i>	40,463,391	56,166,909
Contract liabilities		42,484,960	26,030,052
Liabilities under cross-border guarantee arrangements	<i>12</i>	5,376,575	921,994
Bank and other loans		9,665,437	9,443,571
Senior notes		7,192,358	3,128,150
Other current liabilities		6,439,252	17,024,670
Tax payable		9,149,363	6,381,743
Total current liabilities		120,771,336	119,097,089
NET CURRENT ASSETS		72,362,724	40,127,395
TOTAL ASSETS LESS CURRENT LIABILITIES		122,742,312	86,913,036

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Liabilities under cross-border guarantee arrangements	<i>12</i>	700,631	—
Bank and other loans		23,371,878	13,503,512
Senior notes		17,933,558	18,195,653
Corporate bonds		15,536,000	8,382,000
Deferred tax liabilities		4,528,780	3,837,852
		<u>62,070,847</u>	<u>43,919,017</u>
Total non-current liabilities		<u>62,070,847</u>	<u>43,919,017</u>
Net assets		<u>60,671,465</u>	<u>42,994,019</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		436,727	435,167
Perpetual capital securities		2,363,346	2,363,346
Reserves		39,603,161	31,395,904
		<u>42,403,234</u>	<u>34,194,417</u>
Non-controlling interests		<u>18,268,231</u>	<u>8,799,602</u>
Total equity		<u>60,671,465</u>	<u>42,994,019</u>

NOTES

31 December 2020

1. GENERAL INFORMATION

Logan Group Company Limited is incorporated in the Cayman Islands as an exempted company with limited liability. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries were principally engaged in property development, property investment, construction and decoration and others and urban redevelopment business in the People's Republic of China (the "PRC" or "Mainland China") during the year.

In the opinion of the directors, Junxi Investments Limited is the immediate holding company of the Company and the ultimate controlling party of the Company is Ms. Kei Perenna Hoi Ting, who is a non-executive director of the Company.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2020 but are extracted from those financial statements.

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 derivative financial instruments which have been measured at fair value.

These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

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

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>

The adoption of the above revised HKFRSs does not have material impact on the Group's financial statements.

3. 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 develops and sells residential properties and retail shops, and sells land held for development;
- (b) the property leasing segment leases office units, retail shops and hotels to generate rental income and to gain from the appreciation in the properties' values in the long term;
- (c) the construction and decoration contracts and others segment engage in the construction of office premises and residential buildings and provides decoration services for external customers and for group companies, and provides interior decoration services to property buyers; and
- (d) the urban redevelopment business segment engages in the sale of land held for urban redevelopment.

The Group's revenue from external customers from each operating segment is set out in note 4 to the financial statements.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that depreciation, other income and gains, other expenses, finance costs, share of profits or losses of joint ventures and associates, fair value gains or losses on investment properties and derivative financial instruments and head office and corporate income and expenses are excluded from such measurement. Segment assets and liabilities are not reported to the Group's chief operating decision maker regularly.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Information regarding the reportable segments is presented below.

	Property development <i>RMB'000</i>	Property leasing <i>RMB'000</i>	Construction and decoration contracts and others <i>RMB'000</i>	Urban redevelopment business <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2020					
Gross revenue from external customers (<i>note 4</i>)	55,108,708	116,119	10,117,866	6,019,115	71,361,808
Less: Sales related taxes	<u>(250,321)</u>	<u>(7,034)</u>	<u>(24,724)</u>	—	<u>(282,079)</u>
Net revenue from external customers	54,858,387	109,085	10,093,142	6,019,115	71,079,729
Inter-segment revenue	—	<u>65,272</u>	<u>14,677,889</u>	—	<u>14,743,161</u>
Reportable segment revenue	<u>54,858,387</u>	<u>174,357</u>	<u>24,771,031</u>	<u>6,019,115</u>	<u>85,822,890</u>
Reportable segment profit	<u>11,812,363</u>	<u>126,034</u>	<u>5,116,915</u>	<u>4,793,051</u>	<u>21,848,363</u>
	Property development <i>RMB'000</i>	Property leasing <i>RMB'000</i>	Construction and decoration contracts and others <i>RMB'000</i>	Urban redevelopment business <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2019					
Gross revenue from external customers (<i>note 4</i>)	41,180,693	129,616	11,568,862	4,900,000	57,779,171
Less: Sales related taxes	<u>(259,853)</u>	<u>(2,099)</u>	<u>(36,801)</u>	—	<u>(298,753)</u>
Net revenue from external customers	40,920,840	127,517	11,532,061	4,900,000	57,480,418
Inter-segment revenue	—	<u>63,161</u>	<u>13,167,740</u>	—	<u>13,230,901</u>
Reportable segment revenue	<u>40,920,840</u>	<u>190,678</u>	<u>24,699,801</u>	<u>4,900,000</u>	<u>70,711,319</u>
Reportable segment profit	<u>10,203,386</u>	<u>152,824</u>	<u>5,225,809</u>	<u>2,911,861</u>	<u>18,493,880</u>

Information about a major customer

During the years ended 31 December 2020 and 2019, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Reconciliation of reportable segment revenue and profit or loss

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue		
Reportable segment revenue	85,822,890	70,711,319
Elimination of inter-segment revenue	<u>(14,743,161)</u>	<u>(13,230,901)</u>
Consolidated revenue	<u><u>71,079,729</u></u>	<u><u>57,480,418</u></u>
Profit		
Reportable segment profit	21,848,363	18,493,880
Elimination of inter-segment profits	<u>(3,687,578)</u>	<u>(2,711,710)</u>
Reportable segment profit derived from the Group's external customers	18,160,785	15,782,170
Other income and gains	2,107,785	2,130,113
Other expenses	(118,363)	(115,456)
Depreciation	(60,100)	(60,590)
Finance costs	(2,051,424)	(1,366,250)
Share of losses of associates	(28,923)	(63,400)
Share of losses of joint ventures	(19,425)	(112,960)
Net increase in fair value of investment properties	1,597,354	1,622,065
Net increase in fair value of derivative financial instruments	218,400	32,683
Unallocated head office and corporate expenses	<u>(308,303)</u>	<u>(396,123)</u>
Consolidated profit before tax	<u><u>19,497,786</u></u>	<u><u>17,452,252</u></u>

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the segment assets of the Group are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of these financial statements.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers		
Sale of properties*	55,108,708	41,180,693
Construction and decoration and others income	10,117,866	11,568,862
Urban redevelopment business income	6,019,115	4,900,000
Revenue from another source		
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	116,119	129,616
	71,361,808	57,779,171
Less: Sales related taxes	(282,079)	(298,753)
	71,079,729	57,480,418

* The invoiced amount billed to buyers of properties was RMB60,529,087,000 (2019: RMB45,015,384,000), including value-added tax of RMB5,420,379,000 (2019: RMB3,834,691,000).

Other income and gains

An analysis of the Group's other income and gains is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Bank interest income	430,051	411,354
Interest income on amounts due from associates and joint ventures	1,309,570	746,920
Forfeiture income on deposits received	42,733	55,645
Government subsidies	9,528	13,797
Gain on disposal of subsidiaries	637	—
Gain on deemed disposal of subsidiaries upon loss of control, net	39,848	89,913
Gain on remeasurement of pre-existing interests in joint ventures and an associate to the date of obtaining control and acquisition	—	246,349
Gain on bargain purchase	38,146	351,316
Foreign exchange differences, net	—	15,939
Others	237,272	198,880
	2,107,785	2,130,113

5. OTHER EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Charitable donations	22,783	12,979
Premium on early redemption of senior notes	—	53,328
Foreign exchange differences, net	28,686	—
Net loss on disposal of items of other property, plant and equipment	4	234
Others	66,890	48,915
	<u>118,363</u>	<u>115,456</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on bank and other loans and other borrowing costs	2,355,189	2,122,688
Interest on senior notes	1,887,659	1,433,320
Interest on corporate bonds	1,234,666	958,700
Total interest expense on financial liabilities not at fair value through profit or loss	5,477,514	4,514,708
Less: Interest capitalised	(3,426,090)	(3,148,458)
	<u>2,051,424</u>	<u>1,366,250</u>

7. PROFIT BEFORE TAX

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of properties sold	41,045,790	30,447,999
Cost of services provided	8,702,067	8,899,438
Depreciation	107,013	73,186
Less: Amount capitalised	<u>(46,913)</u>	<u>(12,596)</u>
	<u>60,100</u>	<u>60,590</u>
Lease payments not included in the measurement of lease liabilities	29,947	24,015
Auditor's remuneration	7,800	7,000
Employee benefit expenses (including directors' remuneration):		
Directors' fee	3,663	3,803
Salaries and other staff costs	1,312,089	1,212,259
Equity-settled share option expense	76,637	57,659
Pension scheme contributions	48,584	87,933
Less: Amount capitalised	<u>(594,621)</u>	<u>(390,748)</u>
	<u>846,352</u>	<u>970,906</u>
Foreign exchange differences, net	28,686	(15,939)
Interest income:		
— Cash at banks	(430,051)	(411,354)
— Amounts due from associates and joint ventures	(1,309,570)	(746,920)
Gain on disposal of subsidiaries	(637)	—
Gain on deemed disposal of subsidiaries upon loss of control, net	(39,848)	(89,913)
Net loss on disposal of items of other property, plant and equipment	4	234
Gain on remeasurement of pre-existing interests in joint ventures and an associate to the date of obtaining control and acquisition	—	(246,349)
Gain on bargain purchase	<u>(38,146)</u>	<u>(351,316)</u>

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2019: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current charge for the year:		
PRC corporate income tax ("CIT")	4,778,145	4,495,200
PRC land appreciation tax ("LAT")	1,539,964	1,152,058
Dividend withholding tax	360,000	280,042
(Overprovision)/underprovision in prior years, net:		
PRC CIT	<u>(18,231)</u>	<u>52,422</u>
	6,659,878	5,979,722
Deferred	<u>(536,186)</u>	<u>(90,728)</u>
Total tax charge for the year	<u><u>6,123,692</u></u>	<u><u>5,888,994</u></u>

9. DIVIDENDS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interim dividends — HK43 cents (2019: HK38 cents) per ordinary share	2,140,142	1,786,604
Proposed final dividends — HK58 cents (2019: HK45 cents) per ordinary share	<u>2,693,469</u>	<u>2,220,403</u>
	<u><u>4,833,611</u></u>	<u><u>4,007,007</u></u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the parent, adjusted for the distribution related to perpetual capital securities, and the weighted average number of ordinary shares of 5,515,607,000 (2019: 5,489,585,000) in issue less the weighted average number of shares held under the share award scheme (2019: Nil) during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the parent, adjusted for the distribution related to perpetual capital securities. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue less the weighted average number of shares held under the share award scheme (2019: Nil) 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 of all the dilutive potential ordinary shares into ordinary shares.

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

	2020	2019
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the parent	13,016,635	11,269,044
Distribution related to perpetual capital securities	(167,571)	(167,153)
	<u>12,849,064</u>	<u>11,101,891</u>
Profit used in the basic and diluted earnings per share calculations	<u>12,849,064</u>	<u>11,101,891</u>
	Number of shares	
	2020	2019
	'000	'000
Shares		
Weighted average number of ordinary shares in issue less the weighted average number of shares held under the share award scheme during the year, used in the basic earnings per share calculation	5,488,099	5,489,585
Effect of dilution — weighted average number of ordinary shares: Share options	<u>41,663</u>	<u>79,048</u>
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	<u>5,529,762</u>	<u>5,568,633</u>

11. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

The Group's trade receivables arise from the sale of properties, leasing of investment properties and provision of construction and decoration services.

Consideration in respect of properties is payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The Group normally requires its customers to make payment of monthly/quarterly charges in advance in relation to the leasing of investment properties and provision of property management services.

Since the Group's trade receivables are related to a 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. All trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the revenue recognition date or invoice date and net of loss allowance, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current to 30 days	737,062	73,726
31 days to 90 days	289,126	447,875
91 to 180 days	5,134	20,280
181 to 365 days	7,621	740
	<u>1,038,943</u>	<u>542,621</u>

12. ASSETS AND LIABILITIES UNDER CROSS-BORDER GUARANTEE ARRANGEMENTS

During 2020 and 2019, the Group entered into some cross-border guarantee arrangements with certain financial institutions, whereby certain onshore funding (i.e. in the PRC) and offshore funding (i.e. in Hong Kong) have been used as a pledge against advances to offshore (i.e. in Hong Kong) and onshore (i.e. in the PRC) for the Group's general working capital.

Pursuant to these arrangements which are made in compliance with the relevant rules and regulations promulgated by the State Administration of Foreign Exchange, funds are advanced to the Group's subsidiaries in Hong Kong by depositing a certain amount of funds in the relevant financial institutions by the Group's subsidiaries in the PRC or vice versa. The net cost of such arrangements is less than 1% per annum of the total funds advanced.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Assets under cross-border guarantee arrangements	4,947,191	566,140
Portion classified as current assets	(4,547,191)	(566,140)
Non-current portion	400,000	—
Liabilities under cross-border guarantee arrangements	6,077,206	921,994
Portion classified as current liabilities	(5,376,575)	(921,994)
Non-current portion	700,631	—

13. TRADE AND OTHER PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current to 30 days	5,658,896	9,532,282
31 to 90 days	5,891,352	5,381,636
91 to 180 days	2,984,200	2,723,328
181 to 365 days	3,862,533	3,084,331
Over 365 days	3,286,398	3,405,675
	21,683,379	24,127,252

The trade payables are non-interest-bearing.

14. EVENT AFTER THE REPORTING PERIOD

On 13 January 2021, the Company issued senior notes with a principal amount of US\$300,000,000 due in 2028. The senior notes are interest-bearing at 4.5% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 13 January 2028. The details of the redemption price are disclosed in the relevant offering memorandum.

CHAIRMAN’S STATEMENT

Dear Shareholders,

On behalf of the board of directors of the Company (the “**Board**”), I hereby present the annual results of the Group for the year 31 December 2020 (the “**Year**”).

BUSINESS REVIEW

During 2020, the global economy as a whole was in a downward cycle due to the rapid spread of the novel coronavirus pandemic and the continued impact of trade protectionism. Amidst complicated international conditions, the Chinese Central Government has coordinated the prevention and control of both the pandemic and the economic and social development, adhered to the main theme of supply side structural reform and economic structural optimization, all of which have enabled China’s economy to achieve counter-trend growth by continuing to foster growth in effective domestic demand with various vigorous measures.

Despite the volatilities caused by the adverse environment, the Group continued to deliver solid results and demonstrated its ability to grow steadily through economic cycles, owing to its abundant and premium land bank and strong strategic execution. As at 31 December 2020, the contracted sales attributable to the Group amounted to approximately RMB120.69 billion, representing an industry-leading level increase of approximately 31.9% as compared with the same period of last year, which outperformed the 2020 annual sales target. During the Year, revenue recognized in the financial statements amounted to approximately RMB71.08 billion, representing an increase of approximately 23.7% as compared with the same period of last year. Gross profit amounted to approximately RMB21.33 billion, with a gross profit margin of 30.0%. Core profit attributable to owners of the Company amounted to RMB12.04 billion, representing an increase of 20.1% as compared with the corresponding period of last year, and demonstrated that the Group continued to maintain its leadership in the industry in terms of profitability. Final dividend of HK58 cents per share will be distributed, which continues to provide shareholders with a stable and attractive dividend return. The total dividend for 2020 was HK101 cents per share, equivalent to 40% of core profit attributable to owners of the Company, with a dividend yield of over 8% as at the announcement date.

The Group has always believed that a stable and prudent capital structure will build a solid foundation for its long-term sustainable development. In full compliance with three “red lines” requirements at the end of the Year, the Group achieved “green line” to access more resources, thereby strengthening its competitive advantages in the industry. The Group’s international credit rating was further upgraded to Ba2 by Moody’s, while the Group was rated “BB” and “BB” ratings by international authoritative agencies including Standard & Poor’s and Fitch, respectively. The Group’s average financing costs continued to decrease, as the average interest rate for new borrowings was 5.45% per

annum and weighted average borrowing interest rate was 5.60% per annum, the net debt-to-equity ratio was 61.4% at the end of the Year. In the future, the Group will continue to explore and diversify its cost-effective financing channels to ensure a sustainable and steady development.

During 2020, the Group continued to focus on China's most valuable core metropolis such as Guangdong-Hong Kong-Macau Greater Bay Area and Yangtze River Delta Region metropolitan area with a strong growth in sales performance, in which sales of over RMB10 billion were recorded in Shenzhen, Foshan, Zhuhai, Nanning, Shantou and the Yangtze River Delta region metropolitan area, demonstrating the advantages of our city penetration strategy. The Group has a total land bank amounting to 72.0 million sq.m., among which, the saleable resource of the Guangdong-Hong Kong-Macao Greater Bay Area and Yangtze River Delta metropolitan area accounted for 85% of the land bank, while the saleable resource of the first- and second-tier cities accounted for 93% of the land bank. As a result, the Group ensures a sustainable growth in its sales in the future. During the Year, the Group first entered into Shanghai, Ningbo, Nanjing and Wenzhou, and continued to expand our presence in cities such as Suzhou and Jiaxing to strategically deepen our market presence around the Yangtze River Delta metropolitan area.

Urban redevelopment projects of the Group serve as the main source of the Group's premium land bank with noticeable competitive strengths on differentiation and characteristics such as high value, fast growth, and high conversion efficiency. The Group's professional urban redevelopment team has an extensive understanding of local policies, as well as urban planning for industries and the population of the Guangdong-Hong Kong-Macao Greater Bay Area. Urban redevelopment business covers 11 cities with a total land value of more than RMB710.0 billion, 95% of which is located in the core cities of the Guangdong-Hong Kong-Macao Greater Bay Area at the end of the reporting period. The land value of the Group's converted urban renewal projects from 2018 to 2020 is more than RMB90.0 billion, while the expected land value to be hatched is approximately RMB150.0 billion over the next three years, further accelerating the conversion efficiency.

In 2020, the Group continued to enhance the product competitiveness and launched a new premium product line of "Modernization Series", which continues to upgrade our product line. The Group has won 21 awards, despite only having 15 projects, under the Kinpan Award, which is nicknamed as the "Oscars" in the property market. Logan • Acesite Park (龍光 • 玖龍台) in Shenzhen ranked 1st in the national comprehensive category of "Annual Best Residential Development Award", which fully demonstrated the Group's standards and advantages in building product competitiveness and design innovation.

The Group is committed to becoming a corporate citizen highly recognized by its customers, employees, partners and the community. According to the latest Environmental, Social and Governance ("ESG") Rating Report published by a renowned

index compiler, Morgan Stanley Capital International (MSCI), the Group's ascension to "BB" proved that our sustainability development is well recognized in the international market. The Group also received the "Hong Kong Corporate Governance Excellence Awards 2020" from The Chamber of Hong Kong Listed Companies. The Group has developed a comprehensive ESG management system, demonstrated commitment to social responsibility, promoted energy conservation and emission reduction actively, created healthy residential living cities and promoted urban sustainable development in a coordinate manner.

In terms of brand building and corporate awards, the Group was once again selected into the Fortune China 500 List, and ranked 184, which was 18 places higher than that in 2020. On the Fortune China 500 List, in terms of return on equity (ROE), the Group ranked 3rd among all listed enterprises, and was the top among property developers. The Group was awarded by EH Consulting (億翰智庫) "2020 Top 18 China Real Estate Enterprises by comprehensive strength", and has been selected as one of China's top 100 Real Estate Companies for ten consecutive years, which was organized by the State Council Development Research Center Enterprise Research Institute, the Real Estate Institute of Tsinghua University and the China Index Research Institute. The Company also ranked No. 3 in the "Top 100 Chinese Real Estate Enterprises in 2020 — Top 10 in Profitability". In addition, the Group has been listed in the "Guangdong Top 20 Creditworthy Real Estate Enterprises" for 18 consecutive years, and ranked 773 in Forbes' "Top 2000 Listed Companies in the World", leaping 184 places from 2019.

The Group has been highly recognized by the capital market and highly recommended by a number of renowned global investment banks such as Citibank, UBS, CICC, Nomura Securities, BofA Securities, DBS Bank, Haitong International, Huatai Securities, and CCBI. Meanwhile, the Group's healthy financial position and overall strengths have also been highly recognized by both domestic and overseas rating agencies. Currently, the Group is a constituent stock of the Hang Seng Composite LargeCap Index, Hang Seng Stock Connect Greater Bay Area Composite Index, Hang Seng High Dividend Yield Index, MSCI China All Shares Index and FTSE Shariah Global Equity Index. Lianhe Ratings Global Limited and China Chengxin (Asia Pacific) Credit Ratings Company Limited rated the Group as "BBB-" in foreign investment ratings. A wholly-owned subsidiary of the Company, Shenzhen Logan Holdings Co., Ltd. is rated "AAA" in credit ratings by China Cheng Xin International Credit Rating Co., Ltd. and United Credit Rating Co., Ltd.

PROSPECTS

The Group is striving to strengthen and enhance its position as "city's comprehensive service provider", and will continue to focus on four major business segments of "residential development, urban redevelopment, commercial operations and industrial operations". The Group has established a diversified and standardized business model based on property industry chain to meet urban residents' demand on property asset, space-related service and living platform. Owing to its abundant and high-quality land

bank, and proven cross-regional strategic execution, the Group will continue to strengthen its effort to complete its national layout in the Guangdong-Hong Kong-Macau Greater Bay Area, Yangtze River Delta Region metropolitan area, southwest China and central China city-clusters. Leveraging on the competitive advantages of the urban redevelopment business, the Group will be able to foster commercial operations and industry operations business as a sustainable revenue stream to continue creating long-term value for the investors.

The Group has adopted the share award scheme for professional trust management with a validity period of 15 years, which sets a performance growth indicator level higher than the industry average, and up to 3% of the Group's total issued shares. The introduction of this scheme will help to attract, motivate, and retain core outstanding talents, while consolidating the shared value mechanism co-founded by career managers. Furthermore, our core competitive strength has been enhanced to advance our long-term sustainability development.

Given the accelerating market share concentration trend in the property industry, by utilizing its extensive operational experience in the real estate industry, the Group will actively seize opportunities of land acquisitions in the future, seek for more mergers and acquisitions targets to diversify and increase the Group's premium land banks, thereby locking in more high-return projects at the lowest costs. The Group will also accelerate sales cycle and strive to enhance the overall product competitiveness of different projects. The Group will continue to uphold its philosophy of "quality builds a brand" and incessantly strengthen its market competitiveness and penetration, so as to become a leading comprehensive service provider.

ACKNOWLEDGEMENTS

On behalf of the Board, I express my heartfelt gratitude to all our shareholders, investors, partners, customers, and the community for their support and trust. Thanks to the guidance from the management of the Company, together with the efforts and contributions from all staff, the Group has successfully maintained its stable development. The Group will continue to strive for quality, sustainable and steady growth by following transparent, healthy and impartial development value.

Kei Hoi Pang
Chairman
Hong Kong

26 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Property Development

Contracted sales

In 2020, the Group continued to utilize its market advantages in the Guangdong-Hong Kong-Macao Greater Bay Area (“Greater Bay Area”) and achieved satisfactory sales performance. For the year ended 31 December 2020, the Group attained contracted sales of approximately RMB120.69 billion, representing an increase of approximately 31.9% as compared with year 2019. For the contracted sales in 2020, Greater Bay Area, Southwest region, Yangtze River Delta region, Singapore and other regions accounted for approximately 59.3%, 17.4%, 8.4%, 3.0% and 11.9%, respectively. The contracted sales were mainly generated from Greater Bay Area and Southwest region. For Greater Bay region, the sales were mainly generated from Logan • Acescene Park (龍光•玖悅臺) erected on the Hongshan subway station at the Shenzhen’s subway line 4, Logan • Acesite Park (龍光•玖龍臺) in Shenzhen Guangming New District. The sales from Southwest region were mainly contributed by projects, namely Nanning • Tianying (南寧•天瀛) and Nanning • Impressions of Discovery Bay (南寧•印象愉景灣). In 2021, Shenzhen Logan • Qianhai Project (龍光•天境) and new phases of Huizhou Logan City (龍光城) will continue to be launched for sale.

Region	Contracted sales in 2020				
	Amount (RMB million)	Percentage	GFA ¹ (sq.m.)	Percentage	ASP (RMB/ sq.m.)
Greater Bay Area	71,538	59.3%	3,443,260	46.2%	20,254
Southwest region	21,055	17.4%	1,830,001	24.6%	11,004
Yangtze River Delta region	10,122	8.4%	524,418	7.0%	18,281
Singapore	3,561	3.0%	39,245	0.5%	90,734
Other regions	14,418	11.9%	1,615,182	21.7%	8,359
Total	<u>120,694</u>	<u>100.0%</u>	<u>7,452,106</u>	<u>100.0%</u>	<u>15,637</u>

1. Excluding car parking spaces

Newly commenced projects

For the year ended 31 December 2020, the Group commenced construction of a total of 68 projects or new project phases with a total planned GFA of approximately 11.5 million sq.m..

Completed projects

For the year ended 31 December 2020, the Group completed 61 projects or project phases with a total planned GFA of approximately 8.6 million sq.m..

Developing projects

As at 31 December 2020, the Group had a total of 116 projects or project phases under construction with a total planned GFA of approximately 24.3 million sq.m..

Land Reserves

For the year ended 31 December 2020, the Group acquired 37 new projects through public tendering, auction and listing with GFA of 4,842,133 sq.m..

List of newly acquired projects through public tendering, auction and listing in 2020

Region	Site area (sq.m.)	GFA (sq.m.)
Shenzhen	45,031	347,919
Foshan	126,469	520,961
Huizhou	186,448	404,265
Guangzhou	83,194	144,020
Subtotal of Guangdong- Hong Kong-Macao Greater Bay Area	441,142	1,417,165
Southwest Region	560,085	1,521,065
Yangtze River Delta Region	259,420	460,690
Other Regions	328,040	1,443,213
Total	1,588,687	4,842,133

As at 31 December 2020, land reserves are as below:

Land reserves as at 31 December 2020

	GFA <i>(sq.m.)</i>	Percentage
Shenzhen	4,072,325	5.7%
Huizhou/Dongguan	17,510,334	24.5%
Guangzhou/Foshan/Zhaoqing	15,898,258	22.3%
Zhuhai/Zhongshan/Jiangmen	12,083,860	17.0%
Hong Kong	<u>41,805</u>	<u>0.1%</u>
Subtotal of Guangdong-Hong Kong-Macao Greater Bay Area	<u>49,606,582</u>	<u>69.6%</u>
Southwest Region	11,610,932	16.3%
Yangtze River Delta Region	1,273,883	1.8%
Singapore	107,320	0.2%
Other Regions	<u>8,652,215</u>	<u>12.1%</u>
Total	<u><u>71,250,932</u></u>	<u><u>100.0%</u></u>

Saleable resources and sales target in 2021

In 2021, the amount of the attributable saleable value of the Group to be launched is expected to reach approximately RMB240 billion. The targeted growth rate of attributable contracted sales for year 2021 is set at 20.0%.

FINANCIAL REVIEW

Performance Highlights

	2020	2019	Changes per year
	RMB'000	RMB'000	%
Revenue	71,079,729	57,480,418	23.7%
Among which: Sale of properties			
— Income from properties delivered	54,858,387	40,920,840	34.1%
— GFA ¹ of properties delivered (<i>sq.m.</i>)	4,779,920	3,275,867	45.9%
— ASP ¹ of properties delivered (<i>RMB/sq.m.</i>)	11,229	13,300	-15.6%
Property leasing	109,085	127,517	-14.5%
Construction, decoration and others business income	10,093,142	11,532,061	-12.5%
Urban redevelopment business income	6,019,115	4,900,000	22.8%
Gross profit	21,331,872	18,132,981	17.6%
Profit for the year			
— Attributable to equity shareholders	13,016,635	11,269,044	15.5%
— Attributable to non-controlling shareholders	357,459	294,214	21.5%
— Total	13,374,094	11,563,258	15.7%
Core profit⁽¹⁾			
— Attributable to equity shareholders	12,036,857	10,020,235	20.1%
— Attributable to non-controlling shareholders	357,459	293,792	21.7%
— Total	12,394,316	10,314,027	20.2%
Total assets	243,513,648	206,010,125	18.2%
Cash and bank balances	42,869,161	40,705,113	5.3%
Total bank and other borrowings²	80,138,483	69,677,556	15.0%
Total equity	60,671,465	42,994,019	41.1%
Total equity attributable to equity shareholders	42,403,234	34,194,417	24.0%
Key financial ratios			
Gross profit margin ⁽²⁾	30.0%	31.5%	
Core profit margin ⁽³⁾	17.4%	17.9%	
Net debt-to-equity ratio ⁽⁴⁾	61.4%	67.4%	
Asset/liability ratio ⁽⁵⁾	69.8%	76.1%	

Notes: 1. Excluding the car parking portion
2. Including bank and other loans, senior notes and corporate bonds

- (1) Core profit: net profit excluding changes in fair value of investment properties and derivatives financial instruments and relevant deferred tax, dividend withholding tax and equity-settled share option expense.
- (2) Gross profit margin: $\text{Gross profit} \div \text{Revenue} \times 100\%$
- (3) Core profit margin: $\text{Core profit} \div \text{Revenue} \times 100\%$
- (4) Net debt-to-equity ratio: $(\text{Total bank and other borrowings} - \text{Cash and bank balances}) \div \text{total equity} \times 100\%$
- (5) Asset/liability ratio: $\text{Total liabilities deducting contract liabilities} \div \text{Total assets deducting contract liabilities} \times 100\%$

(I) Revenue

Total revenue of the Group for the year ended 31 December 2020 increased to RMB71,079.7 million by approximately RMB13,599.3 million, or approximately 23.7%, as compared with 2019. Revenue from sale of properties, income from the property leasing business, income from the construction and decoration business and others and income from urban redevelopment business income for the year ended 31 December 2020 amounted to approximately RMB54,858.4 million, RMB109.1 million, RMB10,093.1 million and RMB6,019.1 million respectively (2019: approximately RMB40,920.8 million, RMB127.5 million and RMB11,532.1 million and RMB4,900.0 million, respectively).

Revenue from sale of properties

During the year ended 31 December 2020, revenue from sale of properties amounted to approximately RMB54,858.4 million, representing an increase of approximately 34.1% as compared with RMB40,920.8 million in 2019, and accounted for approximately 77.2% of the Group's total revenue. GFA delivered (excluding car parking spaces) increased by approximately 45.9% to 4,779,920 sq.m. during the year 2020 from 3,275,867 sq.m. for the year 2019.

Greater Bay Area Region, Yangtze River Region, Southwest Region and other regions contributed to the Group's revenue from sale of properties of 2020, accounting for approximately 46.7%, 3.6%, 32.3% and 17.5%, respectively.

Details of revenue from sale of properties by region are as follows:

Region	Amount (RMB Million)	Percentage	GFA ¹ (sq.m.)	Percentage	ASP (RMB/ sq.m.)
Greater Bay Area	25,724	46.7%	2,068,828	43.3%	12,434
Southwest Region	17,756	32.2%	2,089,584	43.7%	8,497
Yangtze River Delta	2,011	3.6%	109,315	2.3%	18,396
Other regions	9,617	7.5%	512,193	10.7%	18,776
Total	55,108	100.0%	4,779,920	100.0%	
Less: Sales related taxes	250				
Revenue from sales of propertie	54,858				

1. Excluding the car parking portion

Details of the revenue from sale of properties by project are as follows:

Project name	2020		2019	
	GFA ¹ (sq.m.)	Amount ² (RMB'000)	GFA ¹ (sq.m.)	Amount ² (RMB'000)
Shenzhen Acesite Park (深圳玖龍臺)	80,138	3,590,100	191,001	8,992,373
Zhuhai Acesite Mansion (珠海玖龍璽)	107,711	2,644,518	—	—
Huizhou Logan City (惠州龍光城)	272,935	2,457,962	294,330	4,266,330
Huizhou Acesite Park (惠州玖龍府)	163,938	1,892,971	—	—
Foshan Nanhai Sirius (佛山南海天曜)	83,747	1,717,807	—	—
Zhongshan Violet Castle (中山春江紫宸)	99,613	1,589,278	—	—
Shenzhen Acesite Glory Mansion (深圳玖譽府)	33,595	1,580,368	—	—
Dongguan Acesite Mansion (東莞玖龍璽)	55,354	1,321,078	—	—

Project name	2020		2019	
	GFA ¹ (sq.m.)	Amount ² (RMB'000)	GFA ¹ (sq.m.)	Amount ² (RMB'000)
Huizhou Dragon Garden (惠州玖龍花園)	95,579	1,142,131	—	—
Foshan Dragon River Garden (佛山瓏濱熙園)	114,502	994,966	—	—
Huizhou Seaward Heaven Garden (惠州天禧花園)	94,825	816,866	—	—
Shenzhen Carat Complex (深圳玖鑽)	15,797	782,647	88,329	4,728,757
Foshan Dragon River Landscape (佛山瓏濱嘉園)	72,962	771,183	—	—
Zhongshan Acesite Bay (中山玖龍灣)	114,615	687,171	154,532	1,808,018
Foshan Dragon Castle (佛山龍馨華府)	67,043	616,384	—	—
Zhongshan Acesite County (中山玖龍郡)	58,436	559,750	—	—
Foshan Water Castle (佛山尚水華府)	28,257	511,960	—	—
Huizhou Jasmine Mansion (惠州茉莉公館)	74,773	484,242	—	—
Zhongshan Acesite Park (中山玖龍府)	87,501	419,847	44,644	407,013
Zhaoqing Acesite Lake (肇慶玖龍湖)	180,957	318,479	155,316	1,087,453
Shenzhen Acesite Mansion (深圳玖龍璽)	2,477	301,640	458	38,693
Foshan Riverine View Castle (佛山望江府)	7,330	272,714	—	—
Foshan Dragon Castle (佛山龍灣華府)	190	246,678	—	—
Zhongshan Royal Heaven Garden (中山御海天璽花園)	38,475	237,314	—	—
Huizhou Acesite Mount (惠州玖龍山)	118,078	163,940	180,217	1,503,897
Nanning Glory Lake (南寧玖譽湖)	434,529	3,583,580	—	—

Project name	2020		2019	
	GFA ¹ (sq.m.)	Amount ² (RMB'000)	GFA ¹ (sq.m.)	Amount ² (RMB'000)
Nanning Longgang Acesite Park (南寧龍光玖瓏臺)	201,581	2,220,140	—	—
Fangchenggang Sunshine Seaward (防城港陽光海岸)	247,673	1,385,922	483,658	2,731,732
Nanning Ace Prestige Bay (南寧玖譽灣)	155,411	1,351,844	—	—
Nanning Glory City (南寧玖譽城)	183,241	1,327,345	—	—
Nanning Impressions of Discovery Bay (南寧印象愉景灣)	204,933	1,212,405	—	—
Nanning Jiangnan Courtyard (南寧江南院子)	117,262	1,201,190	—	—
Nanning Acesite Glory Mansion (南寧玖譽府)	105,223	988,967	—	—
Nanning Sirius (南寧天曜)	61,891	962,720	—	—
Chengdu Century Center (成都世紀中心)	58,841	716,865	—	—
Chengdu Xinjin Acesite Park (成都新津玖龍府)	66,913	638,991	104,801	957,622
Nanning Masterpiece (南寧玖雲著)	68,762	596,364	—	—
Nanning Glory Forest Lake (南寧玖譽湖林湖)	82,860	595,844	—	—
Liuzhou Acesite Park (柳州玖瓏府)	41,457	393,294	292,767	2,253,721
Nanning Acesite Park (南寧玖龍臺)	47,020	363,815	—	—
Nanning Logan Century Centre (南寧龍光世紀中心)	11,987	196,030	8,911	146,872
Suzhou Ace Prestige Bay (蘇州玖譽灣)	43,555	746,663	—	—
Jiashan Acesite Bay (嘉善玖龍灣)	33,577	684,944	—	—

Project name	2020		2019	
	GFA ¹ (sq.m.)	Amount ² (RMB'000)	GFA ¹ (sq.m.)	Amount ² (RMB'000)
Jiashan Acesite Park (嘉善玖龍府)	32,183	579,691	—	—
Others	512,193	9,617,183	1,276,903	12,258,211
Total	<u>4,779,920</u>	<u>55,108,708</u>	<u>3,275,867</u>	41,180,692
Less: Sales related taxes		<u>250,321</u>		<u>259,852</u>
Revenue from sale of properties		<u>54,858,387</u>		<u>40,920,840</u>

- Notes:
1. Excluding the car parking portion.
 2. Including revenue from sales of car parking spaces, but before deduction of sales related taxes.

Construction and decoration and others income

The construction and decoration and others income of the Group for the year ended 31 December 2020 amounted to approximately RMB10,093.1 million (2019: RMB11,532.1 million), representing a decrease of 12.5%. The decrease was mainly attributable to the decrease in construction and decoration services provided to projects jointly operated by the Group and joint venture partners.

Urban redevelopment business income

The income from urban redevelopment business of the Group for the year ended 31 December 2020 amounted to approximately RMB6,019.1 million (2019: RMB4,900.0 million), representing an increase of 22.8%. Urban redevelopment business is expected to be a long business section of the Group with strong growth.

Property leasing income

For the year ended 31 December 2020, the rental income of the Group amounted to RMB109.1 million (2019: RMB127.5 million), representing a decrease of approximately 14.5% which was mainly due to the effect of outspread of Covid-19 on the rental market. Some tenants decided not to renew the tenancy when maturity. As at 31 December 2020, the Group had 33 investment properties with a total GFA of approximately 803,816 sq.m.

(II) Cost of sales

The cost of sales of the Group for the year ended 31 December 2020 increased to RMB49,747.9 million by approximately RMB10,400.4 million, or approximately 26.4%, as compared with 2019, primarily due to the increase in cost of sales of properties and construction and decoration business and others. Key components of costs are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	Change per year %
Costs	49,747,857	39,347,437	26.4%
— Sale of properties	39,829,687	28,545,824	39.5%
— Construction and decoration business and others income	8,665,279	8,875,879	-2.4%
— Property leasing business	36,788	23,559	56.2%
— Urban redevelopment business	1,216,103	1,902,175	-36.1%

(III) Selling and marketing expenses and administrative expenses

The selling and marketing expenses of the Group for the year ended 31 December 2020 amounted to approximately RMB1,672.2 million (2019: RMB1,398.2 million). As the Group further increased its property marketing efforts in response to the challenging market environment in 2020, the selling and marketing expenses had increased by approximately 19.6% as compared with 2019.

The administrative expenses of the Group for 2020 amounted to approximately RMB1,867.3 million (2019: RMB1,409.4 million), representing an increase of approximately 32.5% as compared with 2019, which was mainly attributable to an increase in the labor costs.

(IV) Profit from operations

The profit from operations of the Group for 2020 amounted to approximately RMB21,549.2 million (2019: RMB18,818.5 million), representing an increase of approximately 14.5%. As the gross profit of the Group increased by approximately RMB3,198.9 million as compared with 2019, and lastly offset by increase in selling and marketing expenses and administrative expenses by approximately RMB732.0 million as compared with 2019. As a result, the profit from operations of the Group increased by approximately RMB2,730.7 million as compared with 2019.

(V) Net finance costs

The net finance costs of the Group for 2020 increased to approximately RMB2,051.4 million (2019: RMB1,366.3 million).

(VI) Tax

Taxes of the Group for the year ended 31 December 2020 included CIT and LAT. Taking into account the impact of the relevant changes in deferred tax, the net CIT and LAT amounted to approximately RMB4,583.7 million and RMB1,540.0 million, respectively (2019: approximately RMB4,736.9 million and RMB1,152.1 million).

(VII) Core Profit

The core profit of the Group for the year ended 31 December 2020 amounted to approximately RMB12,394.3 million, representing an increase of approximately RMB2,080.3 million as compared with 2019. The core profit margin of the Group for the year ended 31 December 2020 was approximately 17.4% (2019: approximately 17.9%), representing a decrease of approximately 0.5 percentage points as compared with 2019.

(VIII) Liquidity and financial resources

With efforts of accelerating sales and cash collection and lowering overall leverage, the “Three Red Lines” indications were all in green lines. As at 31 December 2020, net debt-to-equity ratio, asset/liability ratio and cash to short-term debt ratio were 61.4%, 69.8% and 1.84 times respectively.

Moody’s upgraded our corporate family rating to Ba2 with a stable outlook in February 2021. The upgrade of the rating once again reflects the full recognition of our healthy capital structures, sound financial indicators and strong performance by international rating agencies.

As at 31 December 2020, total assets of the Group amounted to approximately RMB243,513.6 million (31 December 2019: RMB206,010.1 million), of which current assets amounted to approximately RMB193,134.1 million (31 December 2019: RMB159,224.5 million). Total liabilities amounted to approximately RMB182,842.2 million (31 December 2019: RMB163,016.1 million), of which non-current liabilities amounted to approximately RMB62,070.8 million (31 December 2019: RMB43,919.0 million). Total equity amounted to approximately RMB60,671.5 million (31 December 2019: RMB42,994.0 million).

As at 31 December 2020, the Group had cash and bank balances of approximately RMB42,869.2 million (31 December 2019: RMB40,705.1 million) and total borrowings of approximately RMB80,138.5 million (31 December 2019: RMB69,677.6 million). As at 31 December 2020, total net borrowings of the Group amounted to approximately RMB37,269.3 million (31 December 2019: RMB28,972.4 million), the net debt-to-equity ratio of the Group was 61.4% (31 December 2019: 67.4%).

(IX) Financing activities

The Group had successfully issued five tranches of senior notes of totally USD1.18 billion at an average issue rate of 5.2% during the year.

On 14 January 2020, the Company issued US\$300 million of 5.75% senior notes due in 2025. On 17 January 2020, the Company issued additional senior notes in the aggregate principal amount of US\$180 million which were consolidated and form a single series with the US\$100 million of 6.9% senior notes due in 2024. On 17 September 2020, the Company issued US\$100 million of 4.25% senior notes due in 2024. On 19 October 2020, the Company issued US\$300 million of 5.25% senior notes due in 2025. On 14 December 2020, the Company issued US\$300 million of 4.85% senior notes due in 2026. The senior notes issued as aforesaid are listed on The Stock Exchange of Hong Kong Limited.

On 5 June 2020, the Company has redeemed the 6.95% senior notes due 2020 in full in accordance with the terms and conditions of the notes. The total redemption price was 100% of the aggregate principal amount of US\$80,000,000 of all of the outstanding notes, plus accrued and unpaid interest. On 12 December 2020, the Company has redeemed the 8.75% senior notes due 2020 in full in accordance with the terms and conditions of the notes. The total redemption price was 100% of the aggregate principal amount of US\$370,000,000 of all of the outstanding notes, plus accrued and unpaid interest.

On 8 January 2020, Shenzhen Logan Holdings Co., Ltd. (“Shenzhen Logan”), a wholly-owned subsidiary of the Company, issued public domestic bonds to qualified investors, the principal amount of which was RMB1,000 million with a coupon rate of 4.8% per annum due 2025. The bonds are listed and traded on the Shenzhen Stock Exchange. On 15 April 2020, Shenzhen Logan issued non-public domestic bonds to qualified investors, the principal amounts of which were RMB1,500 million with coupon rate of 4.69% per annum due 2024. On 24 July 2020, Shenzhen Logan issued public domestic bonds to qualified investors, the principal amount of which was RMB2,000 million with a coupon rate of 4.69% per annum due 2025. The bonds are listed and traded on the Shanghai Stock Exchange. On 14 September 2020, Shenzhen Logan issued public domestic bonds to qualified investors, the principal amount of which was RMB2,000 million with a coupon rate of 4.80% per annum due 2025. The bonds are listed and traded on the Shanghai Stock Exchange.

On 19 August 2020, corporate bonds with a remaining principal amount of RMB3,990,000,000 was due and fully paid upon maturity.

(X) Foreign Exchange Exposure

The Group's businesses are principally conducted in Renminbi. Other than the bank deposits, bank borrowings and the senior notes denominated in foreign currencies, the Group does not have any material exposure directly due to foreign exchange fluctuations. The Group has not entered into any material forward exchange contract to hedge its exposure to foreign exchange risk. The Group will continue to monitor foreign exchange changes to minimize foreign exchange exposure.

(XI) Employees and Remuneration Policy

As at 31 December 2020, the Group had approximately 2,999 employees (2019: 3,315). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. The remuneration policy of the Group is to provide remuneration packages, including basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when occasion requires.

The Company has also adopted a share option scheme and a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details in relation to the Share Option Scheme and the Share Award Scheme will be set out in the Company's annual report for the year ended 31 December 2020, which will be published on or before end of April 2021.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") is scheduled to be held on Friday, 18 June 2021. A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK58 cents per share for the year ended 31 December 2020 (the "Dividend") (2019: a final dividend of HK45 cents per share), subject to the approval by shareholders at the forthcoming AGM. The Dividend, if approved by the Company's shareholders at the AGM, will be paid in cash on Friday, 16 July 2021 to the shareholders whose names appear on the register of members of the Company on Thursday, 8 July 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

- (a) To ascertain the shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 15 June 2021 to Friday, 18 June 2021, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration 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 not later than 4:30 p.m. on Friday, 11 June 2021.
- (b) To ascertain the shareholders' entitlement to the Dividend, the register of members of the Company will be closed from Tuesday, 6 July 2021 to Thursday, 8 July 2021, both days inclusive. In order to qualify for the Dividend, all transfer documents should be lodged for registration 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 not later than 4:30 p.m. on Monday, 5 July 2021.

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

During the year ended 31 December 2020, the Company repurchased from the market a total of 3,746,000 shares of the Company (the "Shares"). All the Shares repurchased have been cancelled. Details of the repurchases of the Shares are as follows:

Date of Repurchase	Number of Shares Repurchased	Highest Price per Share (HK\$)	Lowest Price per Share (HK\$)	Aggregate Consideration (HK\$)
14 January 2020	500,000	12.74	12.66	6,349,480
15 January 2020	500,000	13.04	12.88	6,478,100
16 January 2020	46,000	13.28	13.22	609,679
20 January 2020	1,200,000	13.60	13.34	16,135,480
21 January 2020	500,000	12.88	12.82	6,426,680
23 January 2020	500,000	13.08	12.94	6,515,760
24 January 2020	500,000	13.20	12.82	6,522,840

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

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2020, except for Code Provision E.1.2.

Code Provision E.1.2 of the CG Code stipulates that the chairman of a listed issuer should attend the issuer’s annual general meeting. Although Mr. Kei Hoi Pang, the chairman of the Company, was unable to attend the Company’s annual general meeting held on 22 May 2020 (the “**2020 AGM**”) as he had other business engagement, other directors, including the chairman and members of the Audit Committee, Remuneration Committee and Nomination Committee attended the 2020 AGM. The Company considers that their presence was able to answer all the questions from, and to maintain effective communication with the shareholders of the Company at the 2020 AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiries, the Company confirmed that all the directors have complied with the required standard set out in the Model Code during the year ended 31 December 2020.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Audit Committee comprises three independent non-executive directors, namely Ms. Liu Ka Ying, Rebecca, Mr. Zhang Huaqiao and Mr. Cai Suisheng. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters including the review of the 2020 annual results announcement and the consolidated financial statements for the year ended 31 December 2020.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Company’s auditors, Ernst & Young (“**EY**”), to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by EY 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 EY on the preliminary announcement.

FORWARD-LOOKING STATEMENTS

This announcement includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believe”, “estimate”, “anticipate”, “expect”, “intend”, “may”, “will” or “should” (or of related nature), or, in each case, their negative or other variations or similar terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this announcement and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects and growth strategies, and the industries in which the Group operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this announcement. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which the Group operates are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods.

PUBLICATION OF ANNUAL REPORT

The 2020 annual report of the Company containing all the applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (<http://www.logangroup.com>) in due course.

By order of the Board
Logan Group Company Limited
Kei Hoi Pang
Chairman

Hong Kong, 26 March 2021

As at the date of this announcement, the executive directors are Mr. Kei Hoi Pang, Mr. Lai Zhuobin, Mr. Xiao Xu and Mr. Zhong Huihong; the non-executive director is Ms. Kei Perenna Hoi Ting; and the independent non-executive directors are Mr. Zhang Huaqiao, Ms. Liu Ka Ying, Rebecca and Mr. Cai Suisheng.