Gemdale Properties and Investment Corporation Limited
金地商置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 535)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

2014 INTERIM RESULTS (UNAUDITED)

The Board of Directors ("the Directors") of Gemdale Properties and Investment Corporation Limited announces the unaudited interim condensed consolidated results of the Company and its subsidiaries ("the Group") for the six months ended 30 June 2014 together with the relevant comparative figures.

* *For identification purpose only*

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2014

		Six months ended 30 June	
	Notes	**2014 HK$'000 (Unaudited)**	2013 HK$'000 (Unaudited)
Revenue	*3*	**153,728**	101,579
Cost of sales		**(27,612)**	(232)
Gross profit		**126,116**	101,347
Direct operating expenses		**(123,128)**	(50,857)
Other income and gains	*3*	**10,355**	6,076
Provision (made)/written back	*4*	**(442)**	261,802
Administrative expenses		**(54,721)**	(38,036)
Finance costs	*5*	**(35,098)**	(24,067)
Share of losses of joint ventures		**(17,733)**	-
(Loss)/profit before tax	*6*	**(94,651)**	256,265
Tax	*7*	**(6,747)**	(9,155)
(Loss)/profit for the period		**(101,398)**	247,110
Attributable to:			
Owners of the Company		**(91,160)**	250,958
Non-controlling interests		**(10,238)**	(3,848)
		(101,398)	247,110
(Loss)/earnings per share attributable to owners of the Company:			
- Basic (HK$)	*8*	**(0.0100)**	0.0285
- Diluted (HK$)	*8*	**(0.0100)**	0.0284

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	**(101,398)**	247,110
Other comprehensive (loss)/income		
- Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange fluctuation reserves:		
Exchange differences on translation of foreign operations	**(77,147)**	104,762
Share of exchange differences on translation of foreign operations of joint ventures	**(923)**	-
Other comprehensive (loss)/income for the period, net of tax	**(78,070)**	104,762
Total comprehensive (loss)/income for the period	**(179,468)**	351,872
Attributable to:		
Owners of the Company	**(156,925)**	358,598
Non-controlling interests	**(22,543)**	(6,726)
	(179,468)	351,872

Condensed Consolidated Statement of Financial Position

30 June 2014

	Note	**30 June 2014 HK$'000 (Unaudited)**	31 December 2013 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**27,077**	15,526
Investment properties		**3,908,989**	3,908,744
Prepayments, deposits and other receivables		**375,596**	8,514
Investments in joint ventures		**86,695**	105,351
Available-for-sale financial investment		**8,822**	8,822
Deferred tax assets		**54,595**	39,565
Total non-current assets		**4,461,774**	4,086,522
CURRENT ASSETS			
Properties held for sale		**138,885**	171,671
Properties under development		**11,314,968**	8,583,168
Prepayments for acquisition of land use rights		**190,212**	511,746
Prepaid tax		**99,235**	-
Held-to-maturity investment		**-**	155,098
Trade receivables	*9*	**2,267**	9,249
Prepayments, deposits and other receivables		**328,400**	214,406
Due from fellow subsidiaries		**3,216**	103
Due from a non-controlling shareholder		**63,254**	63,254
Restricted cash		**45,335**	42,237
Deposits, bank and cash balances		**1,720,554**	1,815,436
Total current assets		**13,906,326**	11,566,368

Condensed Consolidated Statement of Financial Position (continued)

30 June 2014

	Note	30 June 2014 HK$'000 (Unaudited)	31 December 2013 HK$'000 (Audited)
CURRENT LIABILITIES			
Trade and bills payables	*10*	**486,487**	362,934
Advanced receipts, accruals and other payables		**5,031,427**	3,019,021
Interest-bearing bank borrowings		**382,059**	279,176
Loans from the ultimate holding company		**2,519,541**	2,390,677
Loans from the immediate holding company		**60,000**	1,179,226
Loan from a non-controlling shareholder		**151,921**	151,996
Due to the ultimate holding company		**583,900**	243,514
Due to the immediate holding company		**32,310**	66,625
Due to non-controlling shareholders		**84,595**	81,544
Due to fellow subsidiaries		**1,606**	1,299
Due to related companies		**574**	580
Tax payable		**-**	1,739
Total current liabilities		**9,334,420**	7,778,331
NET CURRENT ASSETS		**4,571,906**	3,788,037
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,033,680**	7,874,559
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowing		**1,401,097**	-
Deferred tax liabilities		**764,222**	769,935
Total non-current liabilities		**2,165,319**	769,935
NET ASSETS		**6,868,361**	7,104,624
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**909,310**	909,310
Reserves		**4,748,719**	4,962,439
		5,658,029	5,871,749
Non-controlling interests		**1,210,332**	1,232,875
TOTAL EQUITY		**6,868,361**	7,104,624

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited interim condensed consolidated financial information have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited interim condensed consolidated financial information does not include all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the period ended 31 December 2013.

Significant accounting policies

The accounting policies and methods of computation used in the preparation of this unaudited interim condensed consolidated financial information are consistent with those in the annual financial statements for the period ended 31 December 2013, except as described below. In the current period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRS", which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA which are effective for the Group's financial year beginning on or after 1 January 2014.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instrument: Disclosure –Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 13	*Fair Value Measurement*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 –*Transition Guidance*
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets –Recoverable Amount Disclosures for Non-Financial Assets*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
HK(IFRIC)-Int 21	*Levies*
Annual Improvements 2009-2011 Cycle	*Amendments to a number of HKFRSs issued in June 2012*

Other than as further explained below regarding the impact of HKFRS 13, the adoption of the above new and revised HKFRSs has had no significant financial effect on this interim financial information and there have been no significant changes to the accounting policies applied in this interim financial information.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in property development, investment and management of residential, commercial and business park projects. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. The Group's operating businesses are almost exclusively with customers based in Mainland China and almost all of the Group's assets are located in Mainland China. Accordingly, no segment analysis by geographical area of operations is provided.

Operating segments are reported in the manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purpose of assessing the segment information and allocating resources between segments.

An analysis of the Group's revenue and (loss)/profit before tax by reportable segments for the period under review is as follows:

	Property development HK$'000	**Property investment and management HK$'000**	**Corporate HK$'000**	**Total HK$'000**
For the six months ended 30 June 2014 (Unaudited)				
Segment revenue	**33,108**	**120,620**	**-**	**153,728**
Segment results	**(79,880)**	**82,529**	**(53,229)**	**(50,580)**
Reconciliation				
Interest income				**8,760**
Finance costs				**(35,098)**
Share of losses of joint ventures				**(17,733)**
Loss before tax				**(94,651)**
Other segment information:				
Depreciation	**500**	**1,077**	**2,407**	**3,984**
Impairment/(reversal of impairment) of receivables, net *(Note 4)*	**(77)**	**656**	**(137)**	**442**
Capital expenditure*	**2,430**	**50,762**	**887**	**54,079**

	Property development HK$'000	Property investment and management HK$'000	Corporate HK$'000	Total HK$'000
For the six months ended 30 June 2013 (Unaudited)				
Segment revenue	725	100,854	-	101,579
Segment results	12,443	300,594	(38,016)	275,021
Reconciliation				
Interest income				5,311
Finance costs				(24,067)
Profit before tax				256,265
Other segment information:				
Depreciation	132	133	16	281
Provision written back for a property development project *(Note 4)*	(34,112)	(228,286)	-	(262,398)
Impairment of receivables, net *(Note 4)*	231	239	126	596
Capital expenditure*	352	2,644	3,005	6,001

* *Capital expenditure consists of additions of property, plant and equipment and investment properties.*

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents sales of properties, gross rental income and property management fee received and receivable from the principal activities, utility income and entrusted management fee income received from fellow subsidiaries during the period.

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

	Six months ended 30 June	
	2014 HK$'000 (Unaudited)	2013 HK$'000 (Unaudited)
Revenue		
Sale of properties	**33,108**	725
Gross rental income	**65,257**	62,865
Property management fee income	**27,544**	29,884
Utility income	**-**	3,255
Entrusted management fee income from fellow subsidiaries	**27,819**	4,850
	153,728	101,579
Other income and gains		
Interest income	**8,760**	5,311
Others	**1,595**	765
	10,355	6,076

4. PROVISION (MADE)/WRITTEN BACK

	Six months ended 30 June 2014 HK$'000 (Unaudited)	2013 HK$'000 (Unaudited)
Provision written back for a property development project *(Note)*	**-**	262,398
Impairment of other receivables, net	**(808)**	(381)
Reversal of impairment/(impairment) of trade receivables, net	**366**	(215)
	(442)	261,802

Note: Amount represented the write back for provision made in prior years for a property development project in Shenzhen Hi-tech Industrial Park, the PRC. During the prior period under review, the Group reached a consensus with the relevant government authorities in Shenzhen for the reactivation of the development of a previously idle project namely phase 3 of Shenzhen Hi-tech Industrial Park. The reactivated project can be developed into investment properties and properties held for sale in accordance with the framework agreement with the Government. Details of the transaction were disclosed in note 30 to the financial statements of the Group for the year ended 30 September 2012.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June 2014 HK$'000 (Unaudited)	2013 HK$'000 (Unaudited)
Interest on borrowings wholly repayable within five years:		
- bank and other borrowings	**24,007**	31,115
- loans from the ultimate holding company	**82,941**	10,247
- loans from the immediate holding company	**9,205**	-
- loan from a non-controlling shareholder	**3,058**	4,614
	119,211	45,976
Other finance costs	**4,924**	6,371
Total finance costs incurred	**124,135**	52,347
Less: Interest capitalised to properties under development	**(89,037)**	(28,280)
	35,098	24,067

6. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Depreciation	**4,068**	347
Less: Amounts capitalised to properties under development	**(84)**	(66)
	3,984	281
Gross rental income (*Note 3)*	**(65,257)**	(62,865)
Less: Outgoing expenses	**7,930**	9,592
Net rental income	**(57,327)**	(53,273)
Provision written back for a property development project *(Note 4)*	**-**	(262,398)
Impairment of other receivables, net *(Note 4)*	**808**	381
(Reversal of impairment)/impairment of trade receivables, net *(Note 4)*	**(366)**	215
Amortisation of land use rights	**48,947**	22,822
Less: Amounts capitalised to properties under development	**(48,947)**	(22,822)
	-	-
Minimum lease payments under operating leases in respect of land and building	**8,695**	7,360
Net loss/(gain) on disposal of items of property, plant and equipment	**28**	(13)
Employees benefits expenses (including directors' emoluments):		
Wages and salaries	**34,719**	16,430
Share-based compensation expenses	**34,136**	19,977
Pension schemes contributions	**4,416**	216
Less: Forfeited contributions	**-**	(609)
Net pension schemes contributions	**4,416**	(393)
Total employees benefits expenses	**73,271**	36,014
Auditors' remuneration	**869**	737
Foreign exchange losses, net	**4,568**	11,721

7. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (2013: Nil). Taxation on Mainland China profits was calculated on the estimated assessable profits for the period at the rates of tax prevailing in the jurisdiction in which the Group operates.

The amount of tax charged to the interim condensed consolidated statement of profit or loss represented:

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Income tax in Hong Kong	**-**	-
Corporate income tax in Mainland China		
- Charge for the period	**19,285**	14,534
- Under/(over)-provision in prior period	**1,653**	(1,019)
Land appreciation tax ("LAT") in Mainland China	**430**	-
Deferred	**(14,621)**	(4,360)
	6,747	9,155

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) **Basic (loss)/earnings per share**

The calculation of basic (loss)/earnings per share was based on the (loss)/profit for the period attributable to owners of the Company and the weighted average of 9,093,101,032 (2013: 8,803,867,520) ordinary shares in issue during the period.

(b) **Diluted (loss)/earnings per share**

As the conversion of outstanding share options had no dilutive effect on the basic loss per share, no adjustment has been made to the basic loss per share for the current period.

The calculation of diluted earnings per share for the prior period was based on the profit attributable to owners of the Company. The weighted average number of ordinary shares used in calculation was the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of 25,975,730 ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all potentially dilutive ordinary shares into ordinary shares.

9. TRADE RECEIVABLES

	30 June 2014 HK$'000 (Unaudited)	31 December 2013 HK$'000 (Audited)
Trade receivables	**2,386**	9,736
Impairment	**(119)**	(487)
	2,267	9,249

Trade receivables represent sales proceeds in respect of sold properties and rental receivables. Sales proceeds in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Rental receivables are billed in advance and are payable by tenants upon receipt of billings within an average credit term of one month.

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

An aged analysis of trade receivables at the end of the reporting period, based on invoice date, and net of impairment, is as follows:

	30 June 2014 HK$'000 (Unaudited)	31 December 2013 HK$'000 (Audited)
Within 1 month	**2,267**	9,058
1 to 3 months	**-**	95
Over 3 months	**-**	96
	2,267	9,249

10. TRADE AND BILLS PAYABLES

	30 June 2014 HK$'000 (Unaudited)	31 December 2013 HK$'000 (Audited)
Trade and bills payables	**486,487**	362,934

At the end of reporting period, an aged analysis of trade and bills payables, based on the invoice date, is as follows:

	30 June 2014 HK$'000 (Unaudited)	31 December 2013 HK$'000 (Audited)
Within 1 month	**164,149**	285,560
1 to 3 months	**52,006**	60,804
Over 3 months	**270,332**	16,570
	486,487	362,934

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

INTERIM DIVIDEND

The Board of Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 31 March 2013 and twelve months ended 30 September 2013: Nil).

FINANCIAL REVIEW

The accounting policies and methods of computation used in the preparation of the financial statements for the six months ended 30 June 2014 were consistent with those used in last financial period ended 31 December 2013, except that the Group has applied, for the first time, the new and revised Hong Kong Financial Reporting Standards ("HKFRS", which include all HKFRSs, Hong Kong Accounting Standards, and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants which are effective for the Group's financial year beginning on or after 1 January 2014.

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The revenue of the Group for the six months ended 30 June 2014 increased by 51% to HK$153.7 million from HK$101.6 million for the corresponding six months ended 30 June 2013. The increase was primarily due to the recognition of revenue from sales of residential units of Shenyang Yijing project and higher entrusted management fee income from fellow subsidiaries.

Other income and gains increased to HK$10.4 million for the current period from HK$6.1 million for the corresponding six months ended 30 June 2013. The increase was mainly due to higher interest income earned resulting from the receipt of pre-sale proceeds of several property development projects during the period under review.

In the corresponding period ended 30 June 2013, a provision written back of HK$262.4 million was included in respect of Vision Shenzhen Business Park (VSBP) phase 3 property development in Shenzhen Hi-tech Industrial Park. While the project will be developed into commercial offices for rental purpose and apartments for sale purpose, the provision written back was shared by property investment and management segment amounting to HK$228.3 million and property development segment amounting to HK$34.1 million respectively.

The Group's direct operating expenses for the six months ended 30 June 2014 increased to HK$123.1 million from HK$50.9 million for the corresponding period ended 30 June 2013. The significant increase was mainly due to higher marketing expense of HK$40.1 million incurred for property development projects in Xi'an, Shenyang and Shanghai, the PRC for the pre-sale starting from end of 2013, and higher operating expenses of HK$31.8 million incurred during the peak development period of several PRC property projects.

The Group's administrative expenses for the six months ended 30 June 2014 increased to HK$54.7 million from HK$38.0 million for the corresponding period ended 30 June 2013, mainly due to the increase in share-based compensation expenses.

The finance costs went up to HK$35.1 million for the current period from HK$24.1 million for the six months ended 30 June 2013. Due to business expansion of the Group with additional demand for working capital, higher interest cost was incurred for increased loans by the Company from banks and the immediate holding company.

The Group acquired three joint ventures from the ultimate holding company in October 2013. The principal activities of the joint ventures are property development in the PRC. Currently, the property development projects of the joint ventures were at the development stage and no revenue was recognised. For the six months ended 30 June 2014, the group shared a loss of HK$17.7 million from the joint ventures. The losses were mainly due to selling and marketing expenses incurred for the pre-sale of property development projects.

Overall, the Group recorded loss attributable to owners of the Company for the six months ended 30 June 2014 of HK$91.2 million, against profit of HK$251.0 million for the corresponding period ended 30 June 2013. The significant decrease was mainly due to the absence of a one-off provision written back made in the corresponding period ended 30 June 2013 amounting to HK$262.4 million and over 90% of the contracted sales recorded by the Group so far has not been recognised as sales revenue in six months ended 30 June 2014.

On a per-share basis, the Group recorded basic loss of HK$0.0100 for the six months ended 30 June 2014, against basic earnings of HK$0.0285 for the six months ended 30 June 2013. As the conversion of outstanding share options had no dilutive effect on the basic loss per share, no adjustment has been made to the basic loss per share for the current period. The diluted earnings per share for the corresponding period was HK$0.0284.

BUSINESS SEGMENT

Property development

For the six months ended 30 June 2014, the recognised sales of property development segment increased to HK$33.1 million, representing 22% of the total revenue, compared with HK$0.7 million, representing 1% of the total revenue for the corresponding period ended 30 June 2013. The recognised sales for the current period was mainly contributed from the Shenyang Yijing project, while only sales of remaining car park spaces in Hong Kong was recognised in previous period. The property development segment recorded a loss of HK$79.9 million during the period under review, against a profit of HK$12.4 million for the corresponding period. The loss for the current period was mainly due to the absence of sales recognition for over 90% of the contracted sales while significant amount of selling and marketing expenses was incurred.

Property investment and management

The revenue recognised by the property investment and management segment for the six months ended 30 June 2014 increased to HK$120.6 million, representing 78% of the total revenue, compared with HK$100.9 million, representing 99% of the total revenue for the six months ended 30 June 2013. This improved revenue was due to the higher rentals enjoyed by VSBP and Sohu.com Internet Plaza, and increase in entrusted management fee income from fellow subsidiaries. During the period under review, the property investment and management segment recorded a profit of HK$82.5 million, against HK$300.6 million for the corresponding period which included a provision written back of HK$228.3 million for VSBP Phase 3 property development project.

SHAREHOLDERS' FUNDS

The Group's total shareholders' funds decreased from HK$5,871.7 million as at 31 December 2013 to HK$5,658.0 million as at 30 June 2014. The decrease was primarily due to loss attributable to owners of the Company of HK$91.2 million for the period under review and a final dividend of HK$90.9 million declared for the period ended 31 December 2013. On a per-share basis, the consolidated net asset value of the Group as at 30 June 2014 decreased by HK$0.024 or 4% to HK$0.622, against HK$0.646 as at 31 December 2013. The total shareholders' funds constituted 31% of the total assets of HK$18,368.1 million as at 30 June 2014, against 38% of the total assets of HK$15,652.9 million as at 31 December 2013.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

Liquidity and capital resources

The Group's deposits, bank and cash balances and restricted cash decreased by HK$91.8 million or 5% to HK$1,765.9 million as at 30 June 2014 from HK$1,857.7 million as at 31 December 2013. The decrease was mainly due to acquisition of land use rights in Shenyang and Hangzhou, the PRC and payment of development cost of PRC property projects, net of the proceeds received from the pre-sale of several PRC property development projects.

Borrowings

Total bank borrowings of the Group increased by 539% to HK$1,783.2 million as at 30 June 2014 from HK$279.2 million as at 31 December 2013. During the period under review, the Group arranged three bank loan facilities, including one 3-year US$ term loan facility, and two 1-year US$/HK$ term loan facilities, totalling equivalent to HK$1.8 billion for refinancing the existing indebtedness and providing the general working capital of the Group. The interest rates of the bank loan facilities are charged at HIBOR/LIBOR plus 3% to 3.4%.

For financing the Group's business development, two loan facilities of RMB3,415.6 million and HK$1,700.0 million were arranged by the ultimate holding company and the immediate holding company respectively. The loan facility offered by the ultimate holding company was unsecured and interest-bearing at rates ranging from 6.15% to 6.86% per annum and the loan facility offered by the immediate holding company was unsecured and interest-bearing at 4% per annum. As at 30 June 2014, the undrawn loan facilities offered by the ultimate holding company and the immediate holding company amounted to RMB1,415.6 million and HK$1,640.0 million respectively.

The net debt (measured by total borrowings minus cash and bank deposits excluding restricted cash) rose to HK$2,794.1 million as at 30 June 2014 from HK$2,185.6 million as at 31 December 2013, increased by HK$608.5 million. The increase in net debt was mainly due to payment of development cost of PRC property projects and partly compensated by repayment of bank borrowing of HK$279.2 million with the proceeds from pre-sale of property development projects. The Group's net debt ratio (defined as net debt over total equity, including non-controlling interests) rose to 41% as at 30 June 2014, from 31% as at 31 December 2013.

The maturity profiles of the Group's outstanding borrowings as at 30 June 2014 and 31 December 2013 are summarised as below:

	30 June 2014 HK$'000 (Unaudited)	31 December 2013 HK$'000 (Audited)
Short-term and long-term bank borrowings:		
Within the first year or on demand	**382,059**	279,176
In the second year	**140,110**	-
In the third to fifth years, inclusive	**1,260,987**	-
	1,783,156	279,176
Loans from related parties:		
Within the first year or on demand	**2,731,462**	3,721,899
Total borrowings wholly repayable within five years	**4,514,618**	4,001,075

FINANCIAL MANAGEMENT

Foreign exchange risk

As at 30 June 2014, borrowings denominated in United States dollar (US$) and Renminbi (RMB) increased while those borrowings denominated in Hong Kong dollar (HK$) reduced. As most of the operating income of the Group's business is denominated in RMB and low fluctuation of exchange rate of RMB against US$ and HK$ is expected, the foreign exchange risk exposure was considered minimal. The Group will review and monitor its currency exposure from time to time and when appropriate to hedge its currency risk.

The currency denominations of the Group's outstanding borrowings as at 30 June 2014 and 31 December 2013 are summarised below:

	30 June 2014 HK$'000 (Unaudited)	31 December 2013 HK$'000 (Audited)
Hong Kong dollar	**209,527**	1,179,226
Renminbi	**2,519,541**	2,390,677
United States dollar	**1,785,550**	431,172
Total	**4,514,618**	4,001,075

Interest rate risk

As at 30 June 2014, 39% (31 December 2013: 7%) of borrowings of the Group were subject to floating interest rates. The interest rate risk exposure was considered acceptable and no hedging was considered necessary. The Group will continue to monitor the suitability and cost efficiency of hedging instrument (including interest rates swaps) and consider a mix of fixed and floating rate borrowings in order to manage its interest rate risk.

PLEDGE OF ASSETS

At 30 June 2014 and 31 December 2013, no asset of the Group was pledged.

CONTINGENT LIABILITIES

The Group provided guarantees to banks for mortgage facilities granted to certain buyers of the Group's properties. As at 30 June 2014, the outstanding guarantees amounted to HK$11.6 million (31 December 2013: Nil).

REVIEW OF OPERATIONS

Land Bank

The management of the Group believes that, with a sizable and quality land bank is one of the most important factors for a property developer to be a success. Timing for acquisition of land bank at competitive pricing is the core successful factor of the Group.

In May 2014, the Group acquired a parcel of land located in Hangzhou through a public land auction successfully at a consideration of approximately RMB302 million (equivalent to approximately HK$377 million) with an approximate gross floor area of 100,000 square meters. The land is expected to be developed for commercial and business purposes. This acquisition not only increased the land bank of the Group for future development but also provided a good opportunity for the Group to expand its commercial property portfolio as well as a long-term potential to invest in commercial properties in the PRC.

As at 30 June 2014, the land bank of the Group involved 9 cities, with gross floor area of 4.07 million square meters of which about 36% were located in the first-tier cities, including Beijing, Shanghai, Shenzhen and the remaining 64% were located in the second-tier cities, including Hangzhou, Xi'an, Tianjin, Shenyang, Ningbo and Dalian.

City	**Total GFA (square meters)**	**%**
Beijing	365,000	9.0
Dalian	235,000	5.8
Hangzhou	100,000	2.5
Ningbo	146,000	3.6
Shanghai	724,000	17.8
Shenyang	931,000	22.9
Shenzhen	383,000	9.4
Tianjin	279,000	6.8
Xi'an	905,000	22.2
Total	**4,068,000**	**100.0**

Segment Information

Properties Sales and Development

Currently, the Group engaged in developing 12 service apartments and residential projects for sale. For the six months ended 30 June 2014, the aggregated contracted sales of the Group amounted to approximately RMB3,890 million (equivalent to approximately HK$4,863 million) corresponding to the aggregated contracted sales area amounted to approximately 278,500 square meters. During the period, the average selling price amounted to approximately RMB14,000 (equivalent to approximately HK$17,500) per square meter.

Property Leasing

As at 30 June 2014, Vision Shenzhen Business Park Phases 1 and 2, located in Shenzhen Nanshan District, were about fully occupied and both of their rental income and management quality were a representative project in the core area of Nanshan District. Beijing Sohu.com Internet Plaza, located at Tsinghua Science Park in Zhongguancun, Haidian District, Beijing, was 100% occupied. The Group owns 60% interest in this project. For the six months ended 30 June 2014, the rental and property management fee income contributed by these two projects to the Group amounted to approximately RMB73 million (equivalent to approximately HK$92 million).

PROSPECTS

The Group will continue to focus on increasing its sales in the short term to improve profitability. With more residential projects of the Group being launched for sale commencing from the fourth quarter of 2013 gradually and the expectation of which to be entered into the carry-over period in the near future, it is expected to bring significant revenue and profit to the Group for the future and it injected a strong force to achieve the rapid growth to the Group.

The Group will depend on changes in the market and the Company's strategies and continue to consider strengthening its investments in the first and second tier cities with a huge population through public land auctions in open markets or cooperation with third parties so as to replenish its land bank timely. The Group will also promote the development of commercial property projects steadily in order to achieve the scale expansion of the Group and achieve the development of property projects with high quality, high return and potential capital appreciation.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company had complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2014, except for the following deviation:

Under CG Code E.1.2, the chairman of the board should attend the annual general meeting of the Company. Due to other pre-arranged business commitments which must be attended by Mr. Huang Juncan, the chairman of the board, he was not present at the annual general meeting of the Company held on 23 April 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers, as amended from time to time, (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Following specific enquiries of all Directors, the Company confirmed that all Directors had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2014. The Model Code also applies to other specified senior management of the Company.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2014, the Group had 427 (31 December 2013: 356) employees. Salaries of employees are maintained at competitive levels while bonuses may be granted on a discretionary basis with reference to the performance of the Group as well as the individual's performance. Other employee benefits include mandatory provident fund, insurance and medical cover, subsidised educational and training programmes as well as share option schemes.

The emoluments of the Directors are determined with reference to Directors' duties, responsibilities and performance and the results of the Group.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2014.

AUDIT COMMITTEE

The Audit Committee currently comprises Mr. Hu Chunyuan (Chairman of the committee), Mr. Hui Chiu Chung and Mr. Chiang Sheung Yee, Anthony. All Audit Committee members are independent non-executive Directors.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated interim financial information for the six months ended 30 June 2014.

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2014 has been reviewed by Ernst & Young. As a result of the change of financial year end from 30 September to 31 December in the prior year, the Company has not previously published condensed consolidated interim financial information in respect of the six months ended 30 June 2013, which is included in the comparative information presented in this interim results. The comparative information for the six months ended 30 June 2013 included in the condensed consolidated statement of profit or loss and condensed consolidated statement of comprehensive income have not been reviewed by Ernst & Young in accordance with Hong Kong Standard on Review Engagements 2410.

BOARD OF DIRECTORS

As at the date hereof, the Board of Directors comprises four executive Directors, namely Mr. Ling Ke, Mr. Huang Juncan, Mr. Wei Chuanjun and Mr. Xu Jiajun; and three independent non-executive Directors, namely Mr. Hui Chiu Chung, Mr. Chiang Sheung Yee, Anthony and Mr. Hu Chunyuan.

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

Hong Kong, 15 August 2014