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 2020

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2020	2019	Change
	RMB'000	RMB'000	%
	(Unaudited)	(Unaudited) (Restated)	
Revenue	**5,670,224**	3,062,075	+ 85
Gross profit	**2,028,243**	1,435,364	+ 41
Other income and gains	**466,588**	303,456	+ 54
Share of results of joint ventures and associates	**982,755**	825,697	+ 19
Profit after tax	**1,718,615**	1,212,748	+ 42
Profit attributable to owners of the Company	**1,608,336**	1,158,282	+ 39
Earnings per share attributable to owners of the Company:			
- Basic (RMB)	**0.1004**	0.0729	+ 38
- Diluted (RMB)	**0.0995**	0.0715	+ 39
	30 June 2020	31 December 2019	Change
	RMB'000	RMB'000	%
	(Unaudited)	(Audited)	
Deposits, bank and cash balances	**6,115,485**	4,974,648	+ 23
Total assets	**61,375,637**	63,169,647	− 3
Net assets	**18,682,712**	17,897,446	+ 4

2020 INTERIM RESULTS (UNAUDITED)

The board of directors (the "Directors") of Gemdale Properties and Investment Corporation Limited (the "Company") announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020 together with the relevant comparative figures.

* *For identification purpose only*

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
	Notes	**(Unaudited)**	(Unaudited)
			(Restated)
Revenue	*3*	**5,670,224**	3,062,075
Cost		**(3,641,981)**	(1,626,711)
Gross profit		**2,028,243**	1,435,364
Direct operating expenses		**(692,082)**	(605,797)
Other income and gains	*3*	**466,588**	303,456
Changes in fair values of investment properties		**(172,170)**	(44,060)
Administrative expenses		**(49,137)**	(54,376)
Finance costs	*4*	**(274,460)**	(185,294)
Share of profits and losses of:			
Joint ventures		**1,020,801**	589,865
Associates		**(38,046)**	235,832
Profit before tax	*5*	**2,289,737**	1,674,990
Tax	*6*	**(571,122)**	(462,242)
Profit for the period		**1,718,615**	1,212,748
Attributable to:			
Owners of the Company		**1,608,336**	1,158,282
Non-controlling interests		**110,279**	54,466
		1,718,615	1,212,748
Earnings per share attributable to owners of the Company:			
- Basic (RMB)	*7*	**0.1004**	0.0729
- Diluted (RMB)	*7*	**0.0995**	0.0715

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	**1,718,615**	1,212,748
Other comprehensive (loss)/income		
- Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange fluctuation reserves:		
Exchange differences on translation of foreign operations	**(211,851)**	(5,362)
Share of exchange differences on translation of foreign operations of joint ventures	**43,573**	5,151
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(168,278)**	(211)
- Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Exchange fluctuation reserves:		
Exchange differences on translation of foreign operations	**129,316**	25,131
Other comprehensive (loss) /income for the period, net of tax	**(38,962)**	24,920
Total comprehensive income for the period	**1,679,653**	1,237,668
Attributable to:		
Owners of the Company	**1,567,016**	1,181,263
Non-controlling interests	**112,637**	56,405
	1,679,653	1,237,668

Condensed Consolidated Statement of Financial Position

30 June 2020

	Note	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**57,372**	74,709
Investment properties		**11,005,378**	10,798,378
Right-of-use assets		**85,711**	58,385
Intangible assets		**27,506**	31,620
Prepayments, deposits and other receivables		**2,202,219**	1,726,771
Investments in joint ventures		**14,139,215**	11,042,332
Investments in associates		**4,159,831**	4,090,422
Loans to related companies		**1,554,394**	2,456,491
Financial assets at fair value		**502,459**	494,980
Deferred tax assets		**688,491**	839,782
Total non-current assets		**34,422,576**	31,613,870
CURRENT ASSETS			
Properties held for sale		**1,273,745**	3,679,328
Properties under development		**10,287,325**	13,753,930
Trade receivables	*8*	**43,413**	32,799
Prepayments, deposits and other receivables		**2,908,255**	2,772,741
Loans to joint ventures		**1,872,187**	1,453,881
Loan to an associate		**-**	27,930
Loans to non-controlling shareholders		**69,899**	65,506
Due from fellow subsidiaries		**159,157**	12,200
Due from joint ventures		**2,172,387**	2,539,554
Due from associates		**18,233**	237,407
Due from non-controlling shareholders		**721,935**	599,464
Due from related companies		**-**	3,565
Prepaid tax		**903,408**	760,587
Restricted cash		**407,632**	642,237
Deposits, bank and cash balances		**6,115,485**	4,974,648
Total current assets		**26,953,061**	31,555,777

Condensed Consolidated Statement of Financial Position (continued)

30 June 2020

	Note	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and bills payables	*9*	**2,556,427**	2,863,772
Advanced receipts, accruals and other payables		**15,352,332**	19,790,316
Interest-bearing bank and other borrowings		**2,016,101**	1,992,127
Lease liabilities		**102,219**	61,016
Loans from the ultimate holding company		**348,050**	108,567
Loans from a fellow subsidiary		**346,188**	358,577
Loans from joint ventures		**14,000**	14,000
Loans from an associate		**979,020**	992,139
Due to the ultimate holding company		**1,342,282**	96,206
Due to fellow subsidiaries		**496,997**	356,496
Due to joint ventures		**6,132,758**	5,132,545
Due to associates		**446,526**	304,248
Due to non-controlling shareholders		**261,254**	241,567
Due to a related company		**2,590**	2,256
Tax payable		**1,697,334**	3,626,773
Total current liabilities		**32,094,078**	35,940,605
NET CURRENT LIABILITIES		**(5,141,017)**	(4,384,828)
TOTAL ASSETS LESS CURRENT LIABILITIES		**29,281,559**	27,229,042
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**2,151,078**	1,579,595
Loans from a fellow subsidiary		**5,703,501**	5,221,633
Lease liabilities		**1,356,028**	1,155,701
Deferred tax liabilities		**1,388,240**	1,374,667
Total non-current liabilities		**10,598,847**	9,331,596
NET ASSETS		**18,682,712**	17,897,446
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**1,492,798**	1,441,285
Reserves		**14,224,536**	13,605,956
		15,717,334	15,047,241
Non-controlling interests		**2,965,378**	2,850,205
TOTAL EQUITY		**18,682,712**	17,897,446

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*.

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 year ended 31 December 2019.

The Group recorded net current liabilities of RMB5,141,017,000 (31 December 2019: RMB4,384,828,000) which included sales deposit received from customers of RMB13,922,252,000 as at 30 June 2020 (31 December 2019: RMB18,540,156,000). In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Having considered the cash inflow from the operations, the Directors are satisfied that the Group is able to meet in full its financial obligations as they fall due and remain as a going concern in the foreseeable future.

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 year ended 31 December 2019, except as described below. In the current period, the Group has applied, for the first time, the following revised Hong Kong Financial Reporting Standards ("HKFRSs", which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA which are effective for the Group's financial years beginning on or after 1 January 2020.

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

The nature and impact of the revised HKFRSs are described below:

Change in accounting policies

(a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in property development, property investment and property management, and micro-financing business. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide.

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 performance and allocating resources between segments.

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

	Property development RMB'000	Property investment and management RMB'000	Mirco-finance RMB'000	Corporate RMB'000	Total RMB'000
For the six months ended 30 June 2020 (Unaudited)					
Segment revenue	**5,150,431**	**372,819**	**146,974**	**-**	**5,670,224**
Segment results	**2,522,266**	**(56,590)**	**98,831**	**(42,019)**	**2,522,488**
Reconciliation					
Bank interest income					**13,789**
Finance costs (other than interest on lease liabilities)					**(246,540)**
Profit before tax					**2,289,737**
Other segment information:					
Share of profits and losses of joint ventures	**(1,045,616)**	**24,815**	**-**	**-**	**(1,020,801)**
Share of profits and losses of associates	**38,046**	**-**	**-**	**-**	**38,046**
Changes in fair values of investment properties – right-of-use assets	**-**	**172,170**	**-**	**-**	**172,170**
Depreciation of property, plant and equipment	**6,654**	**998**	**299**	**4,206**	**12,157**
Depreciation of right-of-use assets	**5,789**	**1,710**	**-**	**5,390**	**12,889**
Impairment/(reversal of impairment) of receivables, net	**(16,176)**	**(244)**	**37,660**	**15**	**21,255**
Amortisation of intangible assets	**-**	**4,114**	**-**	**-**	**4,114**
Capital expenditure*	**52,052**	**851,620**	**29**	**3,154**	**906,855**
As at 30 June 2020 (Unaudited)					
Segment assets	**41,743,761**	**15,269,261**	**2,471,130**	**86,102**	**59,570,254**
Reconciliation					
Other unallocated assets					**1,805,383**
Total assets					**61,375,637**
Segment liabilities	**26,646,525**	**3,904,979**	**482,889**	**303,983**	**31,338,376**
Reconciliation					
Other unallocated liabilities					**11,354,549**
Total liabilities					**42,692,925**
Other segment information:					
Investments in joint ventures	**13,299,062**	**840,153**	**-**	**-**	**14,139,215**
Investments in associates	**4,139,604**	**20,227**	**-**	**-**	**4,159,831**

	Property development RMB'000 (Restated)	Property investment and management RMB'000 (Restated)	Mirco-finance RMB'000	Corporate RMB'000 (Restated)	Total RMB'000 (Restated)
For the six months ended 30 June 2019 (Unaudited)					
Segment revenue	2,588,684	280,045	193,346	-	3,062,075
Segment results	1,789,417	(66,606)	121,032	(17,296)	1,826,547
Reconciliation					
Bank interest income					12,685
Finance costs (other than interest on lease liabilities)					(164,242)
Profit before tax					1,674,990
Other segment information:					
Share of profits and losses of joint ventures	(676,684)	86,819	-	-	(589,865)
Share of profits and losses of associates	(235,832)	-	-	-	(235,832)
Changes in fair values of investment properties – right-of-use assets	-	44,060	-	-	44,060
Depreciation of property, plant and equipment	7,799	17,196	224	941	26,160
Depreciation of right-of-use assets	4,982	-	-	4,700	9,682
Impairment/(reversal of impairment) of receivables, net	12,303	(2,069)	42,888	(183)	52,939
Amortisation of intangible assets	-	4,114	-	-	4,114
Capital expenditure*	10,401	345,612	301	8	356,322
As at 31 December 2019 (Audited)					
Segment assets	43,700,098	16,184,886	1,561,345	72,438	61,518,767
Reconciliation					
Other unallocated assets					1,650,880
Total assets					63,169,647
Segment liabilities	30,244,014	4,037,560	60,560	313,552	34,655,686
Reconciliation					
Other unallocated liabilities					10,616,515
Total liabilities					45,272,201
Other segment information:					
Investments in joint ventures	9,973,637	1,068,695	-	-	11,042,332
Investments in associates	4,070,490	19,932	-	-	4,090,422

* *Capital expenditure consists of additions to property, plant and equipment, investment properties and right-of-use assets.*

3. REVENUE, OTHER INCOME AND GAINS

Revenue represents sales of properties, gross rental income, property management fee income received and receivable from the principal activities, utility income, interest income on loans receivable and entrusted management fee income received from a fellow subsidiary during the period.

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of properties	**5,150,431**	2,588,684
Property management fee income from:		
- fellow subsidiaries	**698**	622
- third parties	**116,036**	68,983
Utility income	**6,188**	8,146
Entrusted management fee income from a fellow subsidiary	**12,453**	12,453
Revenue from other sources		
Gross rental income from:		
- fellow subsidiaries	**5,293**	4,779
- third parties	**232,151**	185,062
Interest income on loans receivable	**146,974**	193,346
	5,670,224	3,062,075
Other income and gains		
Bank interest income	**13,789**	15,730
Interest income on loans to related companies	**50,920**	47,333
Interest income on loans to joint ventures	**75,658**	57,261
Interest income on loans to an associate	**285**	-
Interest income on loans to non-controlling shareholders	**821**	575
Consulting service income from:		
- joint ventures	**57,437**	35,158
- an associate	**3,635**	4,724
- third parties	**17,885**	53,569
Fitting-out works income from:		
- fellow subsidiaries	**65,756**	35,296
- joint ventures	**2,838**	17,354
- an associate	**3,800**	-
- third parties	**94,555**	25,013
Net gain on disposal and deemed disposal of subsidiaries *(Note 11)*	**41,238**	-
Others	**37,971**	11,443
	466,588	303,456

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on:		
- bank borrowings	**42,312**	35,437
- loans from the ultimate holding company	**1,430**	43,338
- loans from fellow subsidiaries	**137,815**	92,225
- loans from joint ventures	**1,692**	238
- loan from an associate	**21,098**	6,139
- loan from a non-controlling shareholder	**212**	-
- other borrowings and other payables	**37,221**	9,624
	241,780	187,001
Interest on lease liabilities	**27,920**	21,052
Other finance costs	**6,053**	5,492
Total finance costs incurred	**275,753**	213,545
Less: Interest capitalised in		
- investment properties	**(763)**	(479)
- properties under development	**(530)**	(27,772)
	274,460	185,294

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
Cost of properties sold	**3,493,486**	1,496,531
Depreciation of property, plant and equipment	**12,382**	26,475
Less: Amounts capitalised in property development projects	**(225)**	(315)
	12,157	26,160
Outgoings (including repairs and maintenance) arising on rental-earning investment properties	**24,445**	19,675
Changes in fair values of investment properties - right-of-use assets	**172,170**	44,060
Impairment of other receivables and loans receivable, net	**21,694**	46,812
(Reversal of impairment)/impairment on amounts due from and loans to related parties, net	**(439)**	6,127
Lease payment not included in the measurement of lease liabilities	**55**	483
Amortisation of intangible assets	**4,114**	4,114
Depreciation of right-of-use assets	**106,102**	122,789
Less: Amounts capitalised in property development projects	**(93,213)**	(113,107)
	12,889	9,682
Employees benefits expenses (including directors’ emoluments):		
Wages and salaries	**262,120**	234,465
Pension schemes contributions	**15,087**	20,122
Total employees benefits expenses	**277,207**	254,587
Auditor’s remuneration	**1,824**	1,859
Foreign exchange loss/(gain), net	**24,764**	(4,148)
Net gain on disposal and deemed disposal of subsidiaries *(Note 11)*	**(41,238)**	-

6. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (2019: Nil). Taxation on Mainland China profits was calculated on the estimated assessable profits for the period at the rates of tax prevailing in the jurisdiction in which the Group operates.

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

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Income tax in Hong Kong	**-**	-
Corporate income tax in Mainland China		
- Charge for the period	**233,196**	298,317
- (Over)/under provision in prior periods	**(7,350)**	67
LAT in Mainland China	**196,269**	230,907
Deferred	**149,007**	(67,049)
	571,122	462,242

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company and the weighted average number of ordinary shares of 16,012,562,014 (2019: 15,880,948,921) in issue during the period.

(b) Diluted earnings per share

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

The calculation of basic and diluted earnings per share is based on:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**1,608,336**	1,158,282
	1,608,336	1,158,282

	No. of shares Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**16,012,562,014**	15,880,948,921
Effect of dilution – weighted average number of ordinary shares:		
Share options	**148,532,796**	314,582,021
	16,161,094,810	16,195,530,942

8. TRADE RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	**43,413**	32,799

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

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

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 month	**16,537**	13,191
1 to 3 months	**14,555**	16,337
Over 3 months	**12,321**	3,271
	43,413	32,799

9. TRADE AND BILLS PAYABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade and bills payables	**2,556,427**	2,863,772

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 month	**1,024,127**	862,408
1 to 3 months	**562,432**	863,388
Over 3 months	**969,868**	1,137,976
	2,556,427	2,863,772

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

10. BUSINESS COMBINATION

In January 2020, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with a joint venture partner to acquire a 51% equity interest in the joint venture, 蘇州津鑫共創置業有限公司 (Suzhou Jinxin Gongchuang Real Estate Company Limited*) ("Jinxin"), at a cash consideration of RMB62,220,000. Jinxin is engaged in property development in Mainland China. After completion of the acquisition in February 2020, the wholly-owned subsidiary holds 99.95% equity interests in Jinxin and has control over Jinxin, The acquisition was accounted for business combination.

The fair values of the identifiable assets and liabilities of the acquired company as at the date of acquisition are as follows:

	Six months ended 30 June 2020 Jinxin RMB'000 (Unaudited)
Property, plant and equipment	**20**
Properties held for sale	**148,160**
Deposit, prepayment and other receivables	**14,162**
Due from shareholders	**27,850**
Bank balances	**13,621**
Trade payables	**(40,547)**
Advanced receipts, accruals and other payables	**(15,655)**
Tax payables	**(876)**
Deferred tax liabilities	**(24,717)**
Total identifiable net assets at fair value	**122,018**
Non-controlling interests	**(42)**
	121,976
Transferred from investment in a joint venture	**(59,756)**
Total consideration:	**62,220**
Satisfied by:	
Cash	**62,220**

The fair values and gross contractual amounts of deposits and other receivables of Jinxin as at the date of acquisition amounted to RMB1,353,000. No receivables are expected to be uncollectible.

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	Six months ended 30 June 2020 Jinxin RMB'000 (Unaudited)
Cash consideration	**(62,220)**
Bank balances acquired	**13,621**
Net outflow of cash and cash equivalents from investing activities	**(48,599)**

* *For identification purpose only*

11. DISPOSAL AND DEEMED DISPOSAL OF SUBSIDIARIES

Hangzhou Jinyi Real Estate Development Co. Ltd*

The Group entered into a co-operative agreement with two independent third parties. Pursuant to the agreement, the independent third parties agreed to participate in capital injection in a wholly-owned subsidiary of the Company, 杭州金熠房地產開發有限公司 (Hangzhou Jinyi Real Estate Development Co. Ltd*) ("Jinyi"). Jinyi is engaged in property development. The Group and these independent third parties agreed to exercise joint control over Jinyi after the capital injection. The transaction was accounted for deemed disposal of a subsidiary and the Group had lost control over Jinyi after the completion of registration of the changes with the relevant government authorities in January 2020. The equity investment in Jinyi was accounted for as an investment in a joint venture.

Gemdale 2035 Blake Street, LLC.

The Group entered into an agreement with a joint venture partner in March 2020. Pursuant to the agreement, the joint venture partner agreed to participate in capital injection in a non-wholly-owned subsidiary of the Company, Gemdale 2035 Blake Street, LLC. ("Gemdale 2035"). Gemdale 2035 is engaged in property development. The Group and the joint venture partner agreed to exercise joint control over Gemdale 2035 after completion of the transaction. The Group had lost control over Gemdale 2035 in March 2020 and the equity investment in Gemdale 2035 was accounted for as an investment in a joint venture.

Shanghai Shangcheng Business Management Co., Ltd.*

The Group disposed of its 40% equity interest in a wholly-owned subsidiary, 上海尚騁企業管理有限公司 (Shanghai Shangcheng Business Management Co., Ltd.*) ("Shangcheng"), to an independent third party for a cash consideration of RMB8,839,400. Shangcheng is engaged in property leasing. The Group has lost control over Shangcheng after completion of the disposal in February 2020. The remaining equity interest in Shangcheng was accounted for as an investment in a joint venture.

* *For identification purpose only*

Details of the net assets disposed of are as follows:

	Six months ended 30 June 2020		
	Jinyi RMB'000 (Unaudited)	**Gemdale 2035 RMB'000 (Unaudited)**	**Shangcheng RMB'000 (Unaudited)**
Property, plant and equipment	**-**	**-**	**14,546**
Deferred tax assets	**13,447**	**-**	**9**
Properties under development	**2,361,312**	**132,610**	**-**
Prepayments, deposits and other receivables	**909**	**166**	**3,257**
Bank balances	**2,233**	**7,684**	**2,385**
Trade and bills payables	**(3,240)**	**(7,203)**	**(3)**
Advanced receipts, accruals and other payables	**(2,883)**	**-**	**(340)**
Due to an intermediate holding company	**(2,412,118)**	**-**	**-**
Net assets/(liabilities)	**(40,340)**	**133,257**	**19,854**
Non-controlling interests	**-**	**(9,783)**	**–**
	(40,340)	**123,474**	**19,854**
Fair value of investments retained upon disposal/deemed disposal to investment in joint ventures	**-**	**(123,474)**	**(11,912)**
Gain on disposal and deemed disposal of subsidiaries	**40,340**	**-**	**898**
Total consideration	**-**	**-**	**8,840**
Satisfied by:			
Cash	**-**	**-**	**8,840**

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal and deemed disposal of subsidiaries is as follows:

	Six months ended 30 June 2020		
	Jinyi RMB'000 (Unaudited)	**Gemdale 2035 RMB'000 (Unaudited)**	**Shangcheng RMB'000 (Unaudited)**
Cash consideration	**-**	**-**	**8,840**
Bank balances disposed of	**(2,233)**	**(7,684)**	**(2,385)**
Net (outflow)/inflow of cash and cash equivalents in respect of the disposal and deemed disposal of subsidiaries	**(2,233)**	**(7,684)**	**6,455**

12. COMPARATIVE AMOUNTS

Comparative amounts of certain direct operating expenses and cost have been re-presented as administrative expenses and change in fair values of investment properties respectively in the statement of profit or loss to conform with the current period's presentation, as in the opinion of the directors the reclassification better reflects the financial performance of the Group.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: 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 2020 are consistent with those used in the last financial year ended 31 December 2019, except that the Group has applied, for the first time, the revised Hong Kong Financial Reporting Standards ("HKFRSs", 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 years beginning on or after 1 January 2020.

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The revenue of the Group increased from RMB3,062.1 million for the corresponding six months ended 30 June 2019 to RMB5,670.2 million for the six months ended 30 June 2020, increased by RMB2,608.1 million. The increase was primarily due to the significant increase in revenue recognised from sales of properties by RMB2,561.7 million.

Other income and gains increased from RMB303.5 million for the corresponding six months ended 30 June 2019 to RMB466.6 million for the current period. The increase was mainly due to higher fitting-out works income of RMB89.3 million and higher interest income of RMB20.6 million. Further, the Group disposed of certain subsidiaries with disposal gain of RMB41.2 million during the period.

The Group's direct operating expenses increased from RMB605.8 million for the corresponding period ended 30 June 2019 to RMB692.1 million for the six months ended 30 June 2020. As the fitting-out works, included in other income and gains, has had significant growth during the current period, the related direct operating expenses also increased by approximately RMB83.7 million.

Share of results of joint ventures and associates of the Group reported an aggregate profit of RMB982.8 million for the six months ended 30 June 2020 against RMB825.7 million the corresponding period ended 30 June 2019, representing an increase of RMB157.1 million. The increase was due to increase in sales revenue recognition from property developments of joint ventures in Hangzhou, Guangzhou and Kunshan, the PRC.

Overall, the profit attributable to owners of the Company for the six months ended 30 June 2020 was RMB1,608.3 million, against RMB1,158.3 million for the corresponding period ended 30 June 2019 with an increase of RMB450.0 million. The increase was mainly due to increased sales recognition.

The Group recorded basic earnings per share of RMB0.1004 for the six months ended 30 June 2020, against basic earnings per share of RMB0.0729 for the corresponding period ended 30 June 2019, representing an increase of 38%. The diluted earnings per share for the current period and the previous period were RMB0.0995 and RMB0.0715 respectively.

BUSINESS SEGMENTS

Property development

For the six months ended 30 June 2020, the revenue of property development segment was RMB5,150.4 million, representing 91% of the total revenue, compared to RMB2,588.7 million, representing 85% of the total revenue for the corresponding period ended 30 June 2019. The segment result for the current period recorded a profit of RMB2,522.3 million, against RMB1,789.4 million for the corresponding period, increased by RMB732.9 million. The increase in the segment revenue and profit was primarily attributable to the significant increase of the area delivered in the sales of properties and increase in profit contribution from joint ventures during the current period.

Property investment and management

The revenue recognised by the property investment and management segment for the six months ended 30 June 2020 increased to RMB372.8 million, representing 7% of the total revenue, compared to RMB280.0 million, representing 9% of the total revenue for the six months ended 30 June 2019. With the expansion of property sub-lease business, rent and property management fee income was increased by RMB73.8 million. During the period under review, the property investment and management segment recorded a loss of RMB56.6 million, against loss of RMB66.6 million for the corresponding period. To relieve the pressure of business operation on our tenants affected by Coronavirus Disease 2019 ("COVID-19"), the Group offered rent free/reduction to the tenants of some of its office and retail shops during the current period. In addition, some of the Group's rental income is linked to the sales generated from the leased shops. The outbreak of COVID-19 in early 2020 led to a decline in retail sales in China. Hence, the rental income linked to the retail sales of leased shops was, to certain extent, affected. As the Group expects that the retail industry will continue to be more or less affected by COVID-19, the Group adopted a more conservative valuation approach to assess the fair value of its right-of-use assets (as sublease purposes).

Microfinance

During the period under review, the revenue of the microfinance segment for six months ended 30 June 2020 decreased from RMB193.3 million, representing 6% of the total revenue for six months ended 30 June 2019, to RMB147.0 million, representing 2% of the total revenue. The segment reported a profit of RMB98.8 million during the current period, against RMB121.0 million for the corresponding period. The decrease in segment revenue and profit was due to the money lending volume of small businesses declined in the first quarter resulting from the outbreak of COVID-19.

SHAREHOLDERS' FUNDS

The Group's total shareholders' funds increased from RMB15,047.2 million as at 31 December 2019 to RMB15,717.3 million as at 30 June 2020. The increase was mainly contributed by profit attributable to owners of the Company for the current period of RMB1,608.3 million which was partially offset by the final dividend paid for the year ended 31 December 2019 of RMB1,182.1 million.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

Liquidity and capital resources

The Group's deposits, bank and cash balances increased by RMB1,140.9 million or 23% to RMB6,115.5 million as at 30 June 2020 from RMB4,974.6 million as at 31 December 2019. The increase was mainly due to proceeds from properties sales, exercise of share options, new bank and other borrowings and increased loans from group companies, netting off against development costs of PRC property projects, cash applied to payments of final dividend, investments/ advances to joint ventures and associates, and repayment of bank and other borrowings.

Borrowings

During the period under review, the Group has arranged one short-term bank loan and one long-term bank loan, totally RMB1,080.6 million, for general working capital purpose. Meanwhile, the Group fully repaid a long-term bank loan amounting to RMB484.3 million. As at 30 June 2020, total bank and other borrowings of the Group amounted to RMB4,167.2 million with interest rates ranging from 1.0% to 4.6% per annum.

The net debt (measured by total borrowings minus cash and bank deposits including restricted cash) increased by RMB385.0 million to RMB5,034.8 million as at 30 June 2020 from RMB4,649.8 million as at 31 December 2019. The increase of net debt was mainly due to cash applied to development cost of PRC projects, dividend payment and investments/advances to joint ventures and associates. The Group's net debt ratio (defined as net debt over total equity, including non-controlling interests) increased to 27% as at 30 June 2020, from 26% as at 31 December 2019.

The maturity profiles of the Group's outstanding borrowings as at 30 June 2020 and 31 December 2019 are summarised as below:

	30 June 2020	31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Short-term and long-term bank and other borrowings:		
Within the first year or on demand	**2,016,101**	1,992,127
In the second year	**747,325**	211,457
In the third to fifth years, inclusive	**629,753**	900,090
Over five years	**774,000**	468,048
	4,167,179	3,571,722
Loans from related parties:		
Within the first year or on demand	**1,687,258**	1,473,283
In second year	**5,703,501**	5,221,633
	7,390,759	6,694,916
Total borrowings	**11,557,938**	10,266,638

FINANCIAL MANAGEMENT

Foreign exchange risk

As at 30 June 2020, borrowings were denominated in United States dollar ("US$"), Renminbi ("RMB") and Hong Kong dollars ("HK$"). As most of the operating income of the Group's business is denominated in RMB, the Group is exposed to foreign currency risk. Moderate fluctuation of exchange rate of RMB against HK$ and US$ was expected, the foreign exchange risk exposure was considered acceptable. 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 2020 and 31 December 2019 are summarised below:

	30 June 2020	31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
HK$	**2,532,710**	1,899,083
RMB	**2,749,870**	2,460,706
US$	**6,275,358**	5,906,849
Total	**11,557,938**	10,266,638

Interest rate risk

As at 30 June 2020, 35% (31 December 2019: 31%) 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

As at 30 June 2020, an investment property of the Group with carrying value of RMB372,641,000 (31 December 2019: RMB586,698,000) was pledged to secure other borrowings granted to the Group.

CONTINGENT LIABILITIES

(a) As at 30 June 2020, the Group provided guarantees to certain banks in respect of mortgage granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates. As at 30 June 2020, the Group's outstanding guarantees amounted to RMB3,337,431,000 (31 December 2019: RMB1,623,164,000).

The Directors consider that the fair value of the guarantees is not significant and in case of defaulting payments, the net realisable value of the related properties will be sufficient to cover the outstanding mortgage principals, the accrued interest and penalty. Therefore, no provision has been made in the financial statements for the six months ended 30 June 2020 (2019: Nil) for these guarantees.

(b) At the end of the reporting period, the Group provided a maximum guarantee of US$71,500,000 (equivalent to RMB506,184,000) (31 December 2019: US$71,500,000 (equivalent to RMB498,798,000)) to financial institutions for facilities granted to joint ventures of the Group. As at 30 June 2020, the facilities guaranteed by the Group to the joint ventures were utilised to the extent of approximately RMB506,184,000 (31 December 2019: RMB440,207,000).

REVIEW OF OPERATIONS

LAND BANK

Our management believes that a sizable and quality land bank is the key for a property developer to succeed in a competitive property market in the PRC. Our core competitive edge includes good timing for land acquisition at competitive pricing as well as professional projects cash flow management.

As at 30 June 2020, the Group's land bank totalled 17.20 million square meters, under which approximately 20% were located in first tier cities, which were Beijing, Shanghai, Guangzhou and Shenzhen. The remaining 80% land bank were mainly located in Xuzhou, Wuhan, Kunshan, Nanjing, Qingdao, Jinan, etc.

LAND ACQUISITIONS

In the first half of 2020, the Group acquired 13 land parcels in the PRC, with total planned GFA of approximately 2.37 million square meters, under which 1.38 million square meters were attributable to the Group's equity interests. Total consideration for these land acquisitions amounted to approximately RMB15,466 million. The average land acquisition cost in first half of 2020 was approximately RMB6,500 per square meter.

SEGMENT INFORMATION

Properties sales and development

Though the outbreak of COVID-19 in the PRC for early 2020 adversely affected the property sector, the Group still managed to achieve aggregated contracted sales of RMB31,180 million for the six months ended 30 June 2020, representing an increase of 17% as compared to the corresponding period in 2019 while its aggregated contracted sales area totalled 1.34 million square meters for the six months ended 30 June 2020, representing a slightly increase of 8% as compared to the corresponding period in 2019. Its average selling price was approximately RMB23,200 per square meter, representing an increase of 8% as compared to the corresponding period in 2019.

Property leasing

As at 30 June 2020, the occupancy rate of Vision Shenzhen Business Park in Nanshan District, Shenzhen was over 95%. Its major tenants include Ant Financial, DJI, Amazon and Intel. In addition, the occupancy rate of Beijing Sohu.com Internet Plaza was over 98%, Hangzhou Gemdale Plaza was over 97% while Shanghai Jiuting Gemdale Plaza, which newly commenced business in late 2019, was over 96%.

During the period, benefited from the increase in the rental rate as well as more new commercial projects were opened, the Group recorded a total rental/management fee revenue of approximately RMB373 million for the six months ended 30 June 2020, representing an increase of 33% as compared to the corresponding period in 2019.

Currently, the commercial projects under development were mainly located in Nanjing, Suzhou, Shanghai, Beijing and Huai'an. Our Vision Shenzhen Business Park Phase 3 in Nanshan District, Shenzhen was expected to be completed in 2022. Upon completion of these projects in the pipeline, our commercial properties portfolio is expected to generate an additional RMB1.5 billion rental income to the Group.

PROSPECTS

Looking forward to the second half of 2020, the outbreak of the COVID-19 will have adverse impact over the Chinese economy, including the real estate sector. It is expected that various monetary and fiscal policies would be adopted by the PRC government to stabilize the economy. Besides, the demand for better housing and living environment for property consumers creates opportunities for those players delivering green health and quality property management. We viewed this as a good opportunity for the Company to develop into first tier team in the industry. Due to our low-gearing financial structure with abundant credit facilities/other available financial resources, we would actively strive to seek M&A opportunities to boost our scale in order to maximize value for our shareholders.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2020, except for the following deviations:

1. Under CG Code A.6.7, generally independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Due to the outbreak of COVID-19 in the community, Mr. Loh Lian Huat, Ms. Zhang Feiyun and Mr. Xia Xinping were not able to come to Hong Kong to attend the annual general meeting of the Company held on 2 June 2020.

2. Under CG Code E.1.2, the chairman of the board should attend the annual general meeting. Due to the outbreak of COVID-19 in the community, Mr. Huang Juncan, the chairman of the board, was not able to come to Hong Kong to attend the annual general meeting of the Company held on 2 June 2020.

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**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Following specific enquiries made by the Company, all Directors had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2020. The Model Code also applies to other specified senior management of the Company.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had approximately 3,100 (30 June 2019: approximately 3,000) 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 a share option scheme.

The emoluments of the Directors are determined with reference to Directors' duties, responsibilities and performance as well as 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 during the six months ended 30 June 2020.

AUDIT COMMITTEE

The audit committee of the Board (the “Audit Committee”) currently comprises Mr. Xia Xinping (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 condensed consolidated interim financial information as of and for the six months ended 30 June 2020 and the interim report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that they have the overall responsibility for overseeing the Group’s risk management and internal control systems to safeguard the Company’s assets and shareholders’ interests, and reviewing their effectiveness annually through the Audit Committee. The Audit Committee assists the Board in fulfilling its oversight and corporate governance roles in the Group’s financial, operational, compliance, risk management and internal control, and the resourcing of the finance and internal audit functions. The legal department of the Group together with the internal audit department of the holding company of the Company (the “Internal Audit Departments”) are delegated to assist the Board and/or the Audit Committee in the review of the effectiveness of the Group’s risk management and internal control systems on an ongoing basis. The Directors through the Internal Audit Departments are kept regularly apprised of significant risks that may impact on the Group’s performance. The internal audit function is independent of the operating businesses of the Group.

The Internal Audit Departments would review the effectiveness and adequacy of the risk management and internal control procedures, and the findings will be provided to the Audit Committee to assist them in performing their annual reviews. The Audit Committee can make enquiries with the management from time to time to ensure that they are provided with sufficient information to review the internal control procedures.

BOARD OF DIRECTORS

As at the date hereof, the Board of Directors comprises four executive Directors, namely Mr. Ling Ke, Mr. Huang Juncan, Mr. Xu Jiajun and Mr. Wei Chuanjun; two non-executive Directors, namely Mr. Loh Lian Huat and Ms. Zhang Feiyun; and three independent non-executive Directors, namely Mr. Hui Chiu Chung, Mr. Chiang Sheung Yee, Anthony and Mr. Xia Xinping.

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

Hong Kong, 20 August 2020