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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 2024

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	Change %
Revenue	3,286,864	2,332,710	+ 41
Gross profit	557,414	599,182	- 7
Other income and gains	354,290	765,601	- 54
Share of results of joint ventures and associates	(1,362,678)	506,832	- 369
(Loss)/profit after tax	(2,152,232)	607,157	- 454
(Loss)/profit attributable to owners of the Company (Note)	(2,179,099)	562,484	- 487
(Loss)/earnings per share attributable to owners of the Company:			
- Basic (RMB)	(0.1312)	0.0339	- 487
- Diluted (RMB)	(0.1312)	0.0338	- 488
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)	Change %
Cash and bank balances (including restricted cash)	4,220,498	5,161,269	- 18
Total assets	85,904,040	91,098,407	- 6
Net assets	23,207,742	26,348,402	- 12

Note: The loss was mainly represented for impairment losses made for the inventory of properties held by certain subsidiaries, joint ventures and associates, and impairment losses provided for receivables from certain joint ventures due to impairment losses made for those joint ventures' inventory of properties. The attributable loss to owners of the Company in respect of these impairment losses approximated RMB1.75 billion.

2024 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 2024 together with the relevant comparative figures.

* For identification purpose only

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
Revenue	3	3,286,864	2,332,710
Cost		(2,729,450)	(1,733,528)
		<hr/>	<hr/>
Gross profit		557,414	599,182
Direct operating expenses		(627,789)	(727,841)
Other income and gains	3	354,290	765,601
Changes in fair values of financial assets at fair value through profit or loss		(6,212)	20,601
Change in fair values of investment properties		-	243,000
Administrative expenses		(39,003)	(54,788)
Impairment losses of receivables	5	(281,719)	(41,933)
Impairment losses of inventory of properties		(279,366)	-
Finance costs	4	(613,054)	(684,884)
Share of profits and losses of:			
Joint ventures		(1,168,865)	507,793
Associates		(193,813)	(961)
		<hr/>	<hr/>
(Loss)/profit before tax	6	(2,298,117)	625,770
Tax	7	145,885	(18,613)
		<hr/>	<hr/>
(Loss)/profit for the period		(2,152,232)	607,157
		<hr/>	<hr/>
Attributable to:			
Owners of the Company		(2,179,099)	562,484
Non-controlling interests		26,867	44,673
		<hr/>	<hr/>
		(2,152,232)	607,157
		<hr/>	<hr/>
(Loss)/earnings per share attributable to owners of the Company:			
- Basic (RMB)	8	(0.1312)	0.0339
		<hr/>	<hr/>
- Diluted (RMB)	8	(0.1312)	0.0338
		<hr/>	<hr/>

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	<u>(2,152,232)</u>	<u>607,157</u>
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	(145,237)	(501,402)
Share of exchange differences on translation of foreign operations of joint ventures and associates	<u>13,333</u>	<u>105,395</u>
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(131,904)	(396,007)
- Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Exchange fluctuation reserves:		
Exchange differences on translation of financial statement	<u>42,964</u>	<u>195,752</u>
Other comprehensive loss for the period, net of tax	<u>(88,940)</u>	<u>(200,255)</u>
Total comprehensive (loss)/income for the period	<u>(2,241,172)</u>	<u>406,902</u>
Attributable to:		
Owners of the Company	(2,255,659)	364,156
Non-controlling interests	<u>14,487</u>	<u>42,746</u>
	<u>(2,241,172)</u>	<u>406,902</u>

Condensed Consolidated Statement of Financial Position

30 June 2024

		30 June 2024	31 December 2023
		RMB'000	RMB'000
	<i>Note</i>	(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		116,618	135,413
Investment properties		18,598,480	18,390,578
Right-of-use assets		6,133	5,517
Prepayments, deposits and other receivables		29,364	28,778
Investments in joint ventures		14,446,625	16,160,837
Investments in associates		6,547,191	6,265,631
Amount due from a related company		-	1,109,923
Financial assets at fair value		1,259,967	1,255,352
Deferred tax assets		1,613,868	1,424,988
Total non-current assets		42,618,246	44,777,017
CURRENT ASSETS			
Properties held for sale		4,143,758	4,427,830
Properties under development		20,022,009	21,503,248
Trade receivables	9	99,908	65,711
Prepayments, deposits and other receivables		4,891,694	5,180,250
Amounts due from group companies		187,053	36,952
Amounts due from joint ventures and associates		4,950,219	5,942,252
Amounts due from non-controlling shareholders		2,475,556	3,179,017
Amount due from a related company		1,143,870	13,031
Prepaid tax		1,151,229	811,830
Restricted cash		2,460,879	2,706,967
Bank deposits, bank and cash balances		1,759,619	2,454,302
Total current assets		43,285,794	46,321,390

Condensed Consolidated Statement of Financial Position (continued)

30 June 2024

		30 June 2024	31 December 2023
		RMB'000	RMB'000
	<i>Note</i>	(Unaudited)	(Audited)
CURRENT LIABILITIES			
Trade payables	10	5,098,344	5,830,528
Advanced receipts, accruals and other payables		17,793,465	18,454,655
Interest-bearing bank borrowings		1,022,735	1,211,774
Lease liabilities		101,283	77,475
Amounts due to group companies		3,775,627	2,918,971
Amounts due to joint ventures and associates		8,019,258	7,974,591
Amounts due to non-controlling shareholders		1,362,165	1,313,365
Dividend payable		17,286	-
Tax payable		1,964,514	2,064,340
Total current liabilities		39,154,677	39,845,699
NET CURRENT ASSETS		4,131,117	6,475,691
TOTAL ASSETS LESS CURRENT LIABILITIES		46,749,363	51,252,708
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		9,884,712	10,240,974
Lease liabilities		844,718	862,391
Amounts due to group companies		10,290,062	11,334,286
Deferred tax liabilities		2,522,129	2,466,655
Total non-current liabilities		23,541,621	24,904,306
NET ASSETS		23,207,742	26,348,402
EQUITY			
Equity attributable to owners of the Company			
Issued capital		1,505,164	1,505,164
Reserves		18,707,515	20,979,353
Non-controlling interests		20,212,679	22,484,517
		2,995,063	3,863,885
TOTAL EQUITY		23,207,742	26,348,402

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 2024 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 2023.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those in the annual financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendment to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <i>(the "2020 Amendments")</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022</i> <i>Amendments")</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

Change in accounting policies

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the property development segment – development and sale of residential and commercial properties;
- (b) the property investment and management segment – investment and management of business parks and commercial properties;
- (c) the corporate and others segment – the Group's corporate management services and others.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that bank interest income, non-lease-related finance costs, changes in fair value of financial assets at fair value, other income from financial assets at fair value as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, certain deposits, bank and cash balances, prepaid tax and financial assets at fair value as these assets are managed on a group basis. Segment liabilities exclude certain interest-bearing bank borrowings, tax payable, deferred tax liabilities, and amounts due to group companies and non-controlling shareholders as these liabilities are managed on a group basis.

During the current and prior period, there were no intersegment transactions.

The corresponding items of segment information for the prior period have been restated following to a change of structure of the Group's internal organisation that causes a change of the composition of its reportable segments in the current period.

Segment information is presented on the Group's primary segment reporting basis, by business segment. No geographical segment information is presented as over 90% (2023: over 90%) of the Group's revenue is derived from customers based in Chinese Mainland, and over 90% (2023: over 90%) of the Group's assets are located in Chinese Mainland

During the current and prior period, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue

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

	Property development RMB'000	Property investment and management RMB'000	Corporate and others RMB'000	Total RMB'000
For the six months ended				
30 June 2024 (Unaudited)				
Segment revenue	2,633,025	653,839	-	3,286,864
Segment results	(2,017,414)	352,169	(65,091)	(1,730,336)
<i>Reconciliation</i>				
Bank interest income				18,157
Finance costs (other than interest on lease liabilities)				(589,823)
Changes in fair values of financial assets at fair value				(6,212)
Other income from financial assets at fair value				10,097
Loss before tax				(2,298,117)
<i>Other segment information:</i>				
Share of profits and losses of joint ventures	1,185,575	(16,710)	-	1,168,865
Share of profits and losses of associates	193,813	-	-	193,813
Changes in fair values of investment properties – right-of-use assets	-	72,106	-	72,106
Depreciation of property, plant and equipment	1,619	16,629	960	19,208
Depreciation of right-of-use assets	-	356	3,232	3,588
Impairment/(reversal of impairment) of receivables, net	239,530	(8,518)	50,707	281,719
Impairment of inventory of properties	279,366	-	-	279,366
Capital expenditure*	1,783	302,906	104	304,793
As at 30 June 2024 (Unaudited)				
Segment assets	53,031,290	26,791,929	2,028,951	81,852,170
<i>Reconciliation</i>				
Other unallocated assets				4,051,870
Total assets				85,904,040
Segment liabilities	34,684,094	12,189,583	40,617	46,914,294
<i>Reconciliation</i>				
Other unallocated liabilities				15,782,004
Total liabilities				62,696,298
<i>Other segment information:</i>				
Investments in joint ventures	11,084,226	3,362,399	-	14,446,625
Investments in associates	6,547,191	-	-	6,547,191

	Property development RMB'000	Property investment and management RMB'000	Corporate and others RMB'000 (Restated)	Total RMB'000
For the six months ended 30 June 2023 (Unaudited)				
Segment revenue	1,635,953	615,794	80,963	2,332,710
Segment results	706,070	566,106	(27,530)	1,244,646
<u>Reconciliation</u>				
Bank interest income				20,569
Finance costs (other than interest on lease liabilities)				(660,303)
Changes in fair values of financial assets at fair value				20,601
Other income from financial assets at fair value				257
Profit before tax				625,770
<u>Other segment information:</u>				
Share of profits and losses of joint ventures	(453,727)	(54,066)	-	(507,793)
Share of profits and losses of associates	961	-	-	961
Changes in fair values of investment properties	-	(243,000)	-	(243,000)
Changes in fair values of investment properties – right-of-use assets	-	53,130	-	53,130
Remeasurement gains on interests previously held in joint ventures	(292,715)	-	-	(292,715)
Depreciation of property, plant and equipment	2,789	25,970	1,341	30,100
Depreciation of right-of-use assets	4,905	401	3,562	8,868
Impairment of receivables, net	756	434	40,743	41,933
Amortisation of intangible assets	-	4,114	-	4,114
Capital expenditure*	2,119	211,373	1,725	215,217
As at 31 December 2023 (Audited)				
Segment assets	59,806,162	25,491,584	2,074,361	87,372,107
<u>Reconciliation</u>				
Other unallocated assets				3,726,300
Total assets				91,098,407
Segment liabilities	43,457,751	11,927,739	52,830	55,438,320
<u>Reconciliation</u>				
Other unallocated liabilities				9,311,685
Total liabilities				64,750,005
<u>Other segment information:</u>				
Investments in joint ventures	12,434,371	3,726,466	-	16,160,837
Investments in associates	6,223,883	41,748	-	6,265,631

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

3. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales of properties	2,622,288	1,635,953
Fitting-out works income	10,737	-
Property management fee income from:		
- fellow subsidiaries	976	1,044
- third parties	159,386	137,978
Entrusted management fee income from a fellow subsidiary	12,453	12,453
Revenue from other sources		
Gross rental income from:		
- fellow subsidiaries	8,059	8,742
- third parties	472,965	455,577
Others	-	80,963
	3,286,864	2,332,710
Other income and gains		
Bank interest income	18,157	20,569
Interest income on loans receivable	24,303	-
Interest income from related companies	25,327	27,769
Interest income from joint ventures	41,052	118,215
Interest income from financial assets at fair value	10,097	-
Interest income from third parties	10,266	-
Gain on disposal of financial assets at fair value	-	257
Consulting services income from:		
- joint ventures	104,593	194,464
- associates	16,385	23,033
- third parties	26,582	22,217
Gain on bargain purchase on acquisition of additional interest in a joint venture	-	10,779
Government subsidies	4,516	1,244
Remeasurement gains on interests previously held in joint ventures	-	292,715
Others	73,012	54,339
	354,290	765,601

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	244,039	294,570
Interest expenses to group companies	465,850	504,973
Interest expenses to joint ventures and an associate	5,968	28,901
Interest expenses to non-controlling shareholders	1,862	2,336
Interest on other borrowings	644	7,053
	<hr/>	<hr/>
	718,363	837,833
Interest on lease liabilities	23,231	24,581
Other finance costs	664	5,182
	<hr/>	<hr/>
Total finance costs incurred	742,258	867,596
Less: Interest capitalised in		
- investment properties	(17,513)	-
- properties under development	(111,691)	(182,712)
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	613,054	684,884
	<hr/>	<hr/>

5. IMPAIRMENT LOSSES OF RECEIVABLES

During the period, the Group made impairment losses of receivables as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loans and others receivables, net	69,344	41,933
Amounts due from joint ventures (Note)	212,375	-
	<hr/>	<hr/>
	281,719	41,933
	<hr/>	<hr/>

Note: Amounts represented loss provision for receivables from certain joint ventures where large impairment losses made for those joint ventures' inventory of properties.

6. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of properties sold	2,446,254	1,483,710
Depreciation of property, plant and equipment	19,815	30,808
Less: Amounts capitalised in property development projects	(607)	(708)
	19,208	30,100
Outgoings (including repairs and maintenance) arising on rental-earning investment properties	57,754	27,424
Changes in fair values of investment properties	-	(243,000)
Changes in fair values of investment properties - right-of-use assets	72,106	53,130
Impairment of receivables, net	281,719	41,933
Changes in fair values of financial assets at fair value	6,212	(20,601)
Remeasurement gains on interests previously held in joint ventures	-	(292,715)
Lease payment not included in the measurement of lease liabilities	97	86
Amortisation of intangible assets	-	4,114
Depreciation of right-of-use assets	119,397	137,067
Less: Amounts capitalised in property development projects	(115,809)	(128,199)
	3,588	8,868
Employees benefits expenses (including directors' emoluments):		
Wages and salaries	339,411	379,527
Pension schemes contributions	33,360	45,245
Total employees benefits expenses	372,771	424,772
Auditor's remuneration	2,010	1,942
Foreign exchange (gain)/loss, net	(1,993)	38,600
Gain on bargain purchase on acquisition of additional interest in a joint venture	-	(10,779)

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 (2023: 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/(credited) to the interim condensed consolidated statement of profit or loss represented:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Income tax in Hong Kong	-	-
Corporate income tax in Mainland China		
- Charge for the period	129,002	92,623
- Under/(over) provision in prior periods	666	(218,284)
LAT in Mainland China	(142,147)	(129,516)
Deferred	(133,406)	273,790
	<hr/>	<hr/>
Tax (credit)/charge	(145,885)	18,613

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

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the (loss)/profit for the period attributable to owners of the Company and the weighted average number of ordinary shares of 16,613,686,827 (2023: 16,611,653,678) in issue during the period.

(b) Diluted (loss)/earnings per share

The calculation of the diluted (loss)/earnings per share is based on the (loss)/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 (loss)/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.

No adjustment has been made to the basic loss per share amount presented for the period ended 30 June 2024 in respect of a dilution as the impact of the share option outstanding had an anti-dilutive effect on the basic loss per share amount presented.

The calculation of basic and diluted (loss)/earnings per share is based on:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company, used in the basic and diluted (loss)/earnings per share calculation	(2,179,099)	562,484
	<hr/> (2,179,099)	<hr/> 562,484
	No. of shares	
	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	16,613,686,827	16,611,653,678
Effect of dilution – weighted average number of ordinary shares:		
Share options	<hr/> -	<hr/> 7,369,524
	<hr/> 16,613,686,827	<hr/> 16,619,023,202

9. TRADE RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables	99,908	65,711

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 month	41,632	29,627
1 to 3 months	42,750	21,616
Over 3 months	15,526	14,468
	99,908	65,711

10. TRADE PAYABLES

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 month	3,616,646	3,888,362
1 to 3 months	187,632	553,897
Over 3 months	1,294,066	1,388,269
	5,098,344	5,830,528

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2024 (2023: Nil).

FINANCIAL REVIEW

The accounting policies adopted in the preparation of the financial statements for the six months ended 30 June 2024 are consistent with those used in the last financial year ended 31 December 2023, except that the Group has applied, for the first time, the 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 years beginning on or after 1 January 2024.

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The revenue of the Group increased from RMB2,332.7 million for the corresponding six months ended 30 June 2023 to RMB3,286.9 million for the six months ended 30 June 2024, increased by RMB954.2 million. The increase was mainly due to increase in revenue recognition from sales of properties during the period.

Other income and gains decreased from RMB765.6 million for the corresponding six months ended 30 June 2023 to RMB354.3 million for the current period. The decrease was mainly due to a fair value gain of RMB292.7 million arising from acquisition of subsidiaries included in prior period and decrease in consulting services income of RMB92.2 million during the current period.

The Group's direct operating expenses and administrative expenses for the six months ended 30 June 2024 decreased to RMB627.8 million and RMB39.0 million respectively from RMB727.8 million and RMB54.8 million for the corresponding period ended 30 June 2023. The decrease was mainly due to reduction in salary expenses resulting from the Group's continued cutting down its manpower, and decrease in operational overheads.

The finance cost went down from RMB684.9 million for the corresponding period ended 30 June 2023 to RMB613.1 million for the current period. Due to the reduction in bank borrowings and loans from related parties, the interest expenses of those borrowings for the current period (net of capitalised interest) reduced by RMB60.0 million.

As the real estate market of Chinese Mainland is still experiencing unfavourable changes, the Group made further impairment losses of RMB279.4 million for the inventory of properties of certain subsidiaries during the period. In addition, certain inventory of properties held by joint venture have large impairment losses, the Group made impairment of RMB212.4 million for the receivables from those joint ventures during the period.

Share of results of joint ventures and associates of the Group reported an aggregate loss of RMB1,362.7 million for the six months ended 30 June 2024 against an aggregate profit of RMB506.8 million for the corresponding period ended 30 June 2023, representing a decrease of RMB1,869.5 million. The large loss reported by joint ventures and associates during the period was due to impairment losses made for certain inventory of properties held by joint ventures and associates.

Overall, the loss attributable to owners of the Company for the six months ended 30 June 2024 was RMB2,179.1 million, against profit of RMB562.5 million for the corresponding period ended 30 June 2023, a decrease of RMB2,741.6 million.

For the six months ended 30 June 2024, the Group recorded basic loss per share and diluted loss per share were RMB0.1312, against basic earnings per share of RMB0.0339 and diluted earnings per share of RMB0.0338 for the corresponding period ended 30 June 2023.

BUSINESS SEGMENTS

Property development

The revenue of property development segment for the six months ended 30 June 2024 was RMB2,633.0 million, representing 80% of the total revenue, compared to RMB1,636.0 million, representing 70% of the total revenue for the corresponding period ended 30 June 2023. The increase in the segment revenue was primarily due to increase of the area delivered in the sales of properties. The segment results for the current period recorded a loss of RMB2,017.4 million, against a profit of RMB706.1 million for the corresponding period, decreased by RMB2,723.5 million. The decrease in segment results was due to large impairment losses made for certain inventory of properties in the current period.

Property investment and management

The revenue recognised by the property investment and management segment for the six months ended 30 June 2024 increased to RMB653.8 million, representing 20% of the total revenue, compared to RMB615.8 million, representing 26% of the total revenue for the six months ended 30 June 2023. Suzhou SuOne Gemdale Plaza and Nanjing Xinyao Gemdale Plaza have been commenced operation and contributed revenue approximate RMB44.3 million during the period. The segment results for the six months ended 30 June 2024 recorded a profit of RMB352.2 million, against RMB566.1 million for the corresponding period of 2023 in which a fair value gain on investment properties of RMB243.0 million was included. If the fair value gain of investment properties was excluded, the segment result for the corresponding period of 2023 was RMB323.1 million. There was an increase in segment results of RMB29.1 million for the current period.

SHAREHOLDERS' EQUITY

The Group's total shareholders' equity decreased from RMB22,484.5 million as at 31 December 2023 to RMB20,212.7 million as at 30 June 2024, decreased by RMB2,271.8 million. The decrease was mainly due to a large loss attributable to owners of the Company for the six months ended 30 June 2024 which was resulted from impairment losses made for the inventory of properties of subsidiaries, joint ventures and associates of the Group.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

Liquidity and capital resources

The Group's cash and bank balances decreased by RMB940.8 million or 18% to RMB4,220.5 million as at 30 June 2024 from RMB5,161.3 million as at 31 December 2023. The decrease was mainly due to payments of property development cost, PRC taxes, repayment of bank borrowings and loans from group companies.

Borrowings

During the period under review, the Group arranged several bank borrowings totalling RMB431.5 million of which RMB406.0 million were secured bank borrowings. The loan proceeds were mainly utilised in repayment of the existing bank borrowings and loans from group companies. As at 30 June 2024, total bank borrowings of the Group amounted to RMB10,907.4 million with interest rates ranging from 3.10% to 6.56% per annum.

The net debt (measured by total borrowings minus cash and bank deposits including restricted cash) decreased by RMB699.4 million to RMB16,990.0 million as at 30 June 2024 from RMB17,689.4 million as at 31 December 2023. Compared with the peers, the Group's net debt is at a reasonable level with a high proportion of long-term debt, a healthy debt structure and sufficient margin of safety.

The maturity profiles of the Group's outstanding borrowings as at 30 June 2024 and 31 December 2023 are summarised as below:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Short-term and long-term bank borrowings:		
Within the first year or on demand	1,022,735	1,211,774
In the second year	1,410,092	1,541,583
In the third to fifth years, inclusive	2,868,903	2,717,447
Over five years	5,605,717	5,981,944
	10,907,447	11,452,748
Loans from related parties:		
Within the first year or on demand	13,000	63,626
In second year	-	-
In the third to fifth years, inclusive	5,491,822	4,714,602
Over five years	4,798,240	6,619,684
	10,303,062	11,397,912
Total borrowings	21,210,509	22,850,660

FINANCIAL MANAGEMENT

Foreign exchange risk

As at 30 June 2024, 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 2024 and 31 December 2023 are summarised below:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
HK\$	182,222	362,288
RMB	12,360,657	13,898,511
US\$	8,667,630	8,589,861
Total	21,210,509	22,850,660

Interest rate risk

As at 30 June 2024, 58% (31 December 2023: 61%) of borrowings of the Group were on floating interest rates, where 99% (31 December 2023: 97%) of floating rate borrowings were denominated in RMB. While low fluctuation of RMB interest rate was expected, 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

The Group had pledged the following assets to secure bank borrowings granted to the Group as at 30 June 2024 and 31 December 2023:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Investment properties	14,646,183	14,641,920
Properties under development	3,225,239	3,190,026
Properties held for sale	-	200,560
Restricted cash	255,386	240,603
Total	18,126,808	18,273,109

CONTINGENT LIABILITIES

- (a) As at 30 June 2024, 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 2024, the Group's outstanding guarantees amounted to RMB3,323,266,000 (31 December 2023: RMB4,313,704,000).

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 2024 (31 December 2023: Nil) for these guarantees.

- (b) As at 30 June 2024, the Group provided a maximum guarantee of US\$ 91,500,000 (equivalent to RMB652,102,000) (31 December 2023: US\$125,956,000 (equivalent to: RMB892,110,000)) to certain financial institutions for facilities granted to joint ventures of the Group. As at 30 June 2024, the facilities of RMB590,337,000 (31 December 2023: RMB753,271,000) guaranteed by the Group to joint ventures were utilised.

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 management.

As at 30 June 2024, the Group's land bank in the PRC totaled 14.69 million square meters, representing a drop of approximately 8.6% in GFA as compared to end of December 2023.

SEGMENT INFORMATION

Properties sales and development

As the overall sales of property in the PRC slowdown rapidly, the Group achieved an aggregated contracted sales of approximately RMB9,798 million for the six months ended 30 June 2024 with a total contracted sales area of approximately 747,100 square meters, representing a decrease of 51.6% and 43.1% compared to the corresponding period in 2023. The average selling price in the first half of 2024 was approximately RMB13,100 per square meter.

Property investment and management

The Group is committed to acquiring investment properties in prime locations situated in economically developed cities. At present, the Group's property investments mainly include commercial/office projects, business parks and rental housing, etc.

As of 30 June 2024, the Group (including those under associates and joint ventures) had a GFA of approximately 3.168 million square meters of investment properties (including sub-leasing properties) in operation in the PRC, representing an increase of 5.7% compared to the corresponding period in 2023. Total revenue from rental and related services generated from these properties was approximately RMB1.12 billion during the period under review, representing an increase of 4.4% compared to the corresponding period in 2023.

The Group (including those under associates and joint ventures) held operating commercial/office projects with a total GFA of approximately 1.07 million square meters, and generated a total revenue from rental and related services of approximately RMB606 million for the period, representing an increase of 8.3% compared to the corresponding period in 2023. In the first half of 2024, the average occupancy rate of Phases 1 and 2 of Vision Shenzhen Business Park was approximately 89% and the occupancy rate of Phase 3 of Vision Shenzhen Business Park was approximately 82%. Its tenants in Phase 1, 2 and 3 of Vision Shenzhen Business Park include large listed companies such as Intel, Nvidia, BASF, Tencent and Flextronics.

Meanwhile, the Group (including those under associates and joint ventures) held operating business parks with a total GFA of approximately 1.85 million square meters, and generated a total revenue from rental and related services of approximately RMB399 million for the period. The average occupancy rate of business park projects during the stable operation period was approximately 91%. Gemdale Weixin business park business has been ranked CRIC's "Top 3 National Industrial Mall Developers in terms of Comprehensive Strength" award for three consecutive years. Besides, it also ranked CRIC's "Top 3 National Business Park in terms of Light Asset Service Capacity". Projects such as Shanghai Songjiang Life Science Park, Suzhou Mudu Intelligent Park and Tianjin Xiqing Intelligent Park won the industry's excellent business park awards.

Our affordable apartment rental business “Gemdale Strongberry” aims to provide high-quality and affordable rental apartments to youths. Our rental housing business recorded revenue of approximately RMB116 million for the period, representing a year-on-year growth of 3.5%. It has entered the Top 10 of the authoritative list of the industry, and won the honor of the most influential housing rental brand in 2023. Our Shanghai Baoshan Nanda rental housing project is under construction and it progressed smoothly. It sets an example for heavy asset investment in rental housing and promotes long-term development of the rental housing business.

The investment properties held by the Group under proposed construction and under construction will also be put into operation successively, which will continue to generate stable rental income and cashflow to the Group.

PROSPECTS

In the first half of 2024, sales in first-hand properties remained stagnated. Sales revenue of new residential apartments recorded a drop of 25% in the PRC for first half of 2024. Local governments have embarked on diverse stimulus measures for boosting properties sales, both in terms of financing the home purchase as well as providing financing to the property developers, bringing the policy environment into a relaxed cycle. Mortgage rates and down payments were reduced to decade low to attract home buyers. However, due to the worsen confidence in future income, job security as well as economy growth, home buyers are cautious in purchasing new flats.

In the second half of 2024, the macroeconomic landscape would remain complex and uncertain. It is expected that the PRC government would introduce more measures for encouraging home purchases and funding the delivery of sale but not delivered homes. Under low interest rate environment and gradual reduction in property inventory, a slow but gradual recovery might appear in the fourth quarter of 2024. The Group strives to maintain financial stability and liquidity safety as our top operational priority. By adopting flexible volume-price management strategy, delivering quality product to enhance branding, and applying multiple tools to accelerate sales payments collections and secure cash flow, the Group would maintain its leading position in the industry and continue to be one of the most well-managed real estate enterprises.

CORPORATE GOVERNANCE

The Company has adopted and complied with the applicable code provisions as set out in the section headed “Part 2 — Principles of good corporate governance, code provisions and recommended best practices” of the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 of the Listing Rules throughout the six months ended 30 June 2024 with the exception of code provisions C.1.6 and F.2.2.

Under the code provision C.1.6, 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 other pre-arranged business commitments, Mr. Loh Lian Huat and Ms. Zhang Feiyun were not able to attend the annual general meeting of the Company held on 19 April 2024.

Under the code provision F.2.2, the chairman of the board should attend the annual general meeting. Due to other pre-arranged business commitments, Mr. Huang Juncan, the chairman of the board, was not able to attend the annual general meeting of the Company held on 19 April 2024.

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 C3 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 during the six months ended 30 June 2024. The Model Code also applies to other specified senior management of the Company.

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 2024.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group had approximately 2,600 (30 June 2023: 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 Group’s performance as well as the individual’s performance. Other employee benefits include mandatory provident fund, housing provident fund, general insurance and medical insurance, subsidised educational and training programs as well as employee share option scheme.

The emoluments of the Directors are determined by the Remuneration Committee and the Board with reference to the Directors’ duties and responsibilities, the Company’s remuneration policy and the Group’s overall operation results.

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 report and its financial information as of and for the six months ended 30 June 2024. The unaudited interim results of the Group for the six months ended 30 June 2024 have also been reviewed by Messrs. Ernst & Young, external auditor of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for continuous overseeing and improving the Group’s risk management and internal control systems to safeguard the Group’s assets and shareholders’ interests. These systems were closely reviewed for their effectiveness periodically by 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 (“Internal Audit Departments”) is 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 are kept regularly apprised of significant risks that may impact on the Group’s performance through the Internal Audit Departments. The internal audit function is independent of the Group’s other operating departments.

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 periodic reviews. The Audit Committee enquires with the management from time to time to ensure that they are well informed for reviewing the internal control procedures.

The Group considered that internal control should be adopted according to the size, scope of business, competitiveness and its risk level. It should be adjusted in a timely manner when circumstances change. The Group will continue to improve the risk management and internal control system, standardise its implementation, and strengthen internal supervision and inspection so as to promote the sustainable development of the Group.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement has been published on the website of The Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company's website (www.gemdalepi.com). The 2024 Interim Report will be despatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board
Gemdale Properties and Investment Corporation Limited
Xu Jiajun
Executive Director

Hong Kong, 27 August 2024

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