



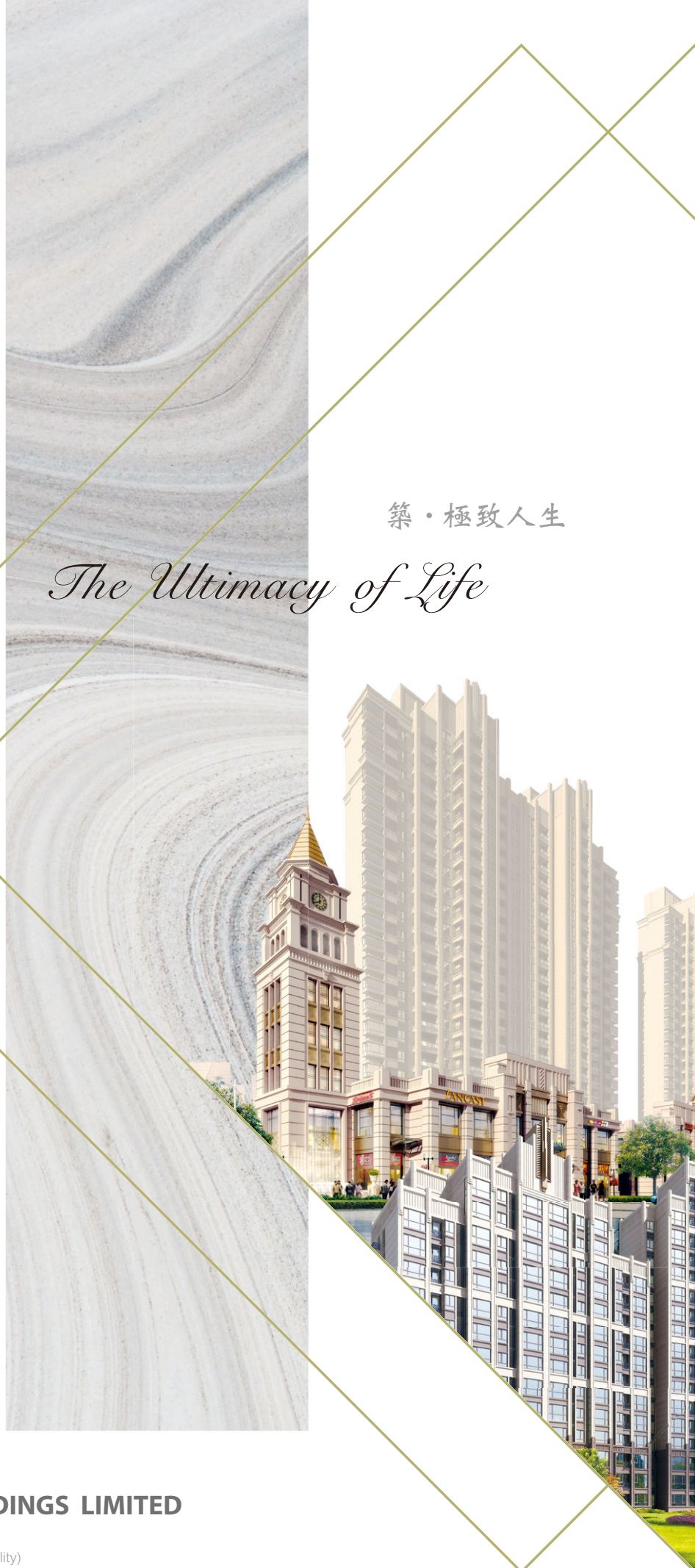
恒盛地產
GLORIOUS PROPERTY

Interim Report 中期報告

2019

築·極致人生

The Ultimacy of Life



恒盛地產控股有限公司

GLORIOUS PROPERTY HOLDINGS LIMITED

股份代號 Stock Code: 00845

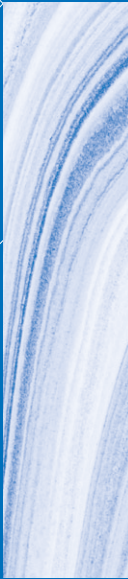
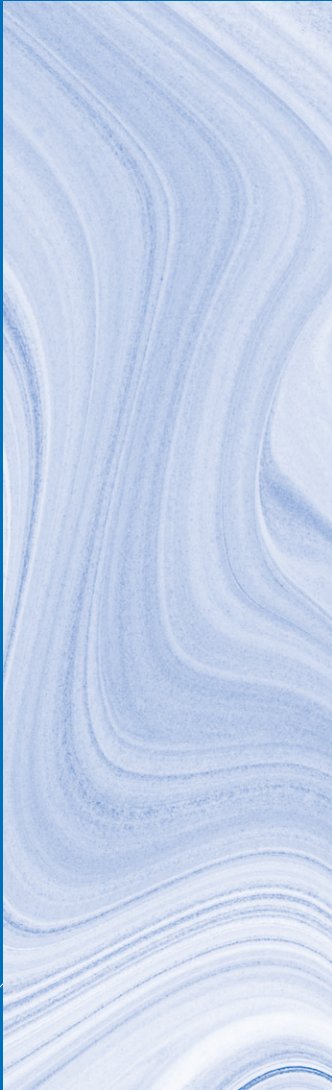
(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ding Xiang Yang (*Chairman and Chief Executive Officer*)
 Mr. Xia Jing Hua (*Chief Financial Officer*)
 Mr. Yan Zhi Rong

Independent Non-Executive Directors

Prof. Liu Tao
 Mr. Wo Rui Fang
 Mr. Han Ping

AUDIT COMMITTEE

Prof. Liu Tao (*Chairman*)
 Mr. Wo Rui Fang
 Mr. Han Ping

REMUNERATION COMMITTEE

Mr. Wo Rui Fang (*Chairman*)
 Mr. Ding Xiang Yang
 Prof. Liu Tao

NOMINATION COMMITTEE

Mr. Ding Xiang Yang (*Chairman*)
 Mr. Wo Rui Fang
 Mr. Han Ping

CORPORATE GOVERNANCE COMMITTEE

Mr. Ding Xiang Yang (*Chairman*)
 Mr. Xia Jing Hua
 Prof. Liu Tao

FINANCE COMMITTEE

Mr. Ding Xiang Yang
 Mr. Xia Jing Hua

COMPANY SECRETARY

Mr. Cheng Ka Hang, Francis

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS

Paul Hastings
 Commerce and Finance Law Offices
 Conyers Dill & Pearman

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Corporate Information

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CHOICE OF LANGUAGE OR MEANS OF RECEIPT OF CORPORATE INFORMATION

This interim report is now available in printed form and on the website of the Company. If shareholders who have received or chosen to receive this interim report by electronic means and

1. wish to receive a printed copy; or
2. for any reason have difficulty in receiving or gaining access to this report on the Company's website,

they may obtain a printed copy free of charge by sending a request to the Company's Hong Kong Share Registrar by email at gloriousphl.ecom@computershare.com.hk or by post to 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

For shareholders who wish to change their choice of language or means of receipt of the Company's future corporate communications, free of charge, they could at any time notify the Company's Hong Kong Share Registrar by email or by post.

Management Discussion and Analysis

HALF-YEAR HIGHLIGHTS

- During the first half of 2019, the Group recorded a revenue of RMB886.9 million, representing a year-on-year (“YoY”) decrease of 62.3%, and the delivered gross floor area (“GFA”) was 25,535 sq.m..
- During the first half of 2019, the Group recorded a loss attributable to the owners of the Company of RMB1,364.4 million, which was 18.6% lower than the loss attributable to the owners of the Company for the corresponding period in 2018.
- During the first half of 2019, the Group achieved contracted property sales of RMB1,585.0 million and the GFA sold was 119,895 sq.m..
- As at 30 June 2019, total borrowings were RMB24,761.2 million and gearing ratio was 425.0%.
- As at 30 June 2019, the Group had a total land bank of 7.5 million sq.m. and the average land cost was RMB1,825 per sq.m..

MARKET REVIEW

The general review on the economic situation for the first half of 2019 can be summarised as overall economic stability with steady progress. Intuitively, the four core indicators remained in the reasonable range despite the fluctuations. The world economy was generally in a downturn, the pace of trade expansion was slowing down and uncertainties continued to increase, in a word, there were structural contradictions mixed with cyclical factors. Despite all that, the economic situation in the first half of the year is basically in line with expectations, and the Chinese economy is still moving forward on the right track with higher-quality development. More importantly, the real estate industry is currently in a stable period without wild fluctuations, so rare a situation that has not been seen for many years. It’s mainly due to the generally stable real estate control policies at the central level, as well as the full implementation of the regulatory and guiding principles of “firmly curbing the rapid rise of housing prices” and “housing is for accommodation rather than speculation” by local governments with targeted policies. During the course, bunches of measures were taken to strike a balance between supply and demand, which steadily cool down the heat of the real estate market and guide rational market expectations.

During the first half of 2019, the transaction volume of the real estate market remained stable in spite of some slight drop, the overall housing prices stabilised and the room for price increase narrowed at a low level. Generally speaking, the housing price decline is better than market expectation, and indicators suggest that it will stabilise in the near future. In the first half of the year, the popularity of land auctions in focused cities rose and the transaction volume of residential land in first- and second-tier cities also increased, driving up a structural increase in transacted price of residential land across the country. After more than two years of adjustment, the first-tier and second-tier cities have accumulated more demand and, benefiting from the gradual introduction of high-end projects into the market, recorded quarter-on-quarter growth amid fluctuations, with overall price level remaining relatively stable at a high level. The transaction sizes gradually warmed up, representing a corresponding increase in sales of real estate enterprises. While the third- and fourth-tier cities, affected by factors such as relaxation of settlement requirement and reduction of shanty town renovation projects, experienced regional market differentiation and decline in cumulative growth, and showed a slight and generally controllable downward trend.

Management Discussion and Analysis

Although the economy in the first half of the year was fluctuant, the market remained stable due to the implementation of one city, one policy under the policy principle of stabilising land price, housing price, and expectation. The Group paid close attention to the changing situation of the market in a timely manner, adjusted its schedule for launching new projects according to the current situation of regional urban development and evolution to improve project turnover rate. Besides, the Group actively promoted the construction, sales and funds collection work of each project and focused on the categorised guidance of each project to ensure key sales results, synchronisation and coordination in both sales and construction, as well as healthy management of cash flow. During the first half of the year, the Group focused on improving management efficiency and management ability, strengthening the responsibilities of departments and functions and the awareness of frontline service staff, and enhancing the role of target control throughout the construction process. In addition, the Group ensured all the important timelines and sales bases of projects by proactively strengthening the project work and leveraging its professional function in project construction, so as to make it more energetic for the goal of reducing total liabilities and optimising liability structure.

During the first six months of 2019, the Group's contracted property sales decreased significantly, mainly due to the limited launch of property sales in the first half of the year, carrying out most project completions in the second half of the year, and the delay in issuance of pre-sale certificates for certain projects due to regulatory policies which made the total volume of saleable properties being controlled in the first half of the year. Yet, the Group strengthened the requirements for the pace and amount of collection of sales proceeds to ensure the safe use of cash flow, although the strained situation of cash flow still existed. The Group will further promote the construction progress, increase the launch of property sales, speed up sales of new property projects and collection of sales proceeds, and strive to improve assets operation and management capabilities and enhance and supplement operating cash flow during the second half of the year.

Management Discussion and Analysis

BUSINESS REVIEW

Property Development

I. Revenue

The Group recorded a consolidated revenue of RMB886.9 million in the first half of 2019, representing a decrease of 62.3% compared to RMB2,349.9 million recorded in the first half of 2018. The delivered GFA decreased to 25,535 sq.m. in the first half of 2019 from 123,814 sq.m. in the first half of 2018, representing a decrease of 79.4%. The average selling price recognised increased by 39.0% to RMB26,374 per sq.m. in the first half of 2019 from RMB18,980 per sq.m. in the corresponding period in 2018.

During the six months ended 30 June 2019, the Group did not have new phases of properties being completed. All the recognised revenue for the first half of 2019 were derived from the current period's sale of the remaining units of the properties completed in prior years. During the six months ended 30 June 2019, a substantial portion of the Group's revenue were attributable to the properties located in Shanghai Region, which contributed recognised revenue (including revenue from property sales and interior decoration) of RMB758.2 million and sold and delivered GFA of 9,752 sq.m., representing 85.5% and 38.2% of the Group's total recognised revenue and sold and delivered GFA, respectively. Shanghai Bay in Shanghai was completed and delivered a new phase of properties in the second half of 2018. The Group continued to sell the remaining units of these completed properties, which contributed RMB506.0 million to the Group's revenue from property sales and RMB213.5 million from interior decoration of properties for the six months ended 30 June 2019. Apart from the projects in Shanghai Region, the projects of the other three regions of the Group, including the Yangtze River Delta, the Pan Bohai Rim and Northeast China, also only had remaining units available for sale, thus their combined revenue was only RMB128.7 million and sold and delivered GFA was only 15,783 sq.m., representing 14.5% and 61.8% of the Group's total revenue and sold and delivered GFA for the current period respectively.

In the current period, a substantial portion of the Group's completed and delivered properties were from Shanghai Bay in Shanghai whose average selling prices were substantially higher than all of the Group's other projects, thus causing the Group's overall average recognised selling price (excluding revenue from interior decoration of properties) to increase by 39.0% from RMB18,980 per sq.m. in the first half of 2018 to RMB26,374 per sq.m. in the corresponding period in 2019.

Projects sold and delivered during the six months ended 30 June 2019 included:

Property projects	City	2019			2018		
		Revenue (RMB'000)	GFA sold and delivered (sq.m.)	Average selling price recognised (RMB/sq.m.)	Revenue (RMB'000)	GFA sold and delivered (sq.m.)	Average selling price recognised (RMB/sq.m.)
Sale of properties:							
Sunshine Venice	Shanghai	1,667	163	10,227	26,290	2,744	9,581
Shanghai Bay	Shanghai	505,964	4,787	105,695	17,036	250	68,144
Shanghai City Glorious	Shanghai	7,673	1,178	6,514	2,050,359	71,258	28,774
Chaetau De Paris	Shanghai	—	—	N/A	699	36	19,417
Shanghai Park Avenue	Shanghai	1,642	297	5,529	—	—	N/A
Royal Lakefront	Shanghai	27,813	3,327	8,360	—	—	N/A
Sunshine Bordeaux	Beijing	3,950	357	11,064	—	—	N/A
Sunshine Holiday	Tianjin	19,089	2,494	7,654	—	—	N/A
No.1 City Promotion	Wuxi	13,239	1,821	7,270	18,805	3,663	5,134
Nantong Villa Glorious	Nantong	5,765	1,028	5,608	39,696	7,805	5,086
Nantong Royal Bay	Nantong	70,284	6,486	10,836	70,178	6,738	10,415

Management Discussion and Analysis

Property projects	City	2019			2018		
		Revenue (RMB'000)	GFA sold and delivered (sq.m.)	Average selling price recognised (RMB/sq.m.)	Revenue (RMB'000)	GFA sold and delivered (sq.m.)	Average selling price recognised (RMB/sq.m.)
Hefei Bashangjie Project	Hefei	105	50	2,100	152	100	1,520
Hefei Royal Garden	Hefei	1,259	718	1,753	2,152	742	2,900
Sunny Town	Shenyang	2,779	878	3,165	933	179	5,212
Harbin Villa Glorious	Harbin	7,873	919	8,567	377	81	4,654
Harbin Royal Garden	Harbin	957	187	5,118	4,424	933	4,742
Changchun Villa Glorious	Changchun	2,839	645	4,402	117,216	28,991	4,043
Dalian Villa Glorious	Dalian	557	200	2,785	1,613	294	5,486
Sub-total		673,455	25,535	26,374	2,349,930	123,814	18,980
Interior decoration for properties sold:							
Shanghai Bay	Shanghai	213,473			—		
Total		886,928			2,349,930		

II. Property Sales

During the first half of 2019, the Group recorded contracted property sales of RMB1,585.0 million, representing a YOY decrease of 62.5%; while the contracted GFA sold was 119,895 sq.m., representing a YOY decrease of 20.6%.

During the six months ended 30 June 2019, apart from the launch of the new projects in from the project in Changchun, the Group only had property sales from the remaining units of the projects that were completed in prior years, thus resulted in a significant decrease in property sales. During the period, the Group's property sales were mainly contributed by projects in the Northeast China, amounting to RMB753.0 million of property sales, representing 47.5% of the Group's total property sales. Following that was property sales from Shanghai Region and Yangtze River Delta amounting to RMB552.3 million and RMB279.7 million respectively, representing 34.9% and 17.6% of the Group's total property sales respectively.

Changchun Villa Glorious launched another phase of properties in the first half of 2019, recorded property sales of RMB750.4 million. The Group continued to sell the remaining units of these completed properties of Shanghai Bay in Shanghai and recorded property sales of RMB465.4 million in the current period. Properties from Hefei Bashangjie Project also contributed property sales of RMB207.3 million. Projects in the Pan Bohai Rim had no property sales in the first half of 2019. During the six months ended 30 June 2019, the average selling price was RMB13,220 per sq.m. representing 52.8% lower than RMB27,985 per sq.m. for the corresponding period in 2018, which was mainly due to larger proportion of property sales arising from property projects located in Northeast China, whereas the average selling prices are lower.

Details of property sales and GFA sold during the six months ended 30 June 2019:

Region	Property sales (RMB'000)			GFA sold (sq.m.)		
	2019	2018	Change (%)	2019	2018	Change (%)
Shanghai Region	552,329	2,067,731	-73.3%	9,247	66,998	-86.2%
Yangtze River Delta	279,698	2,012,522	-86.1%	24,285	61,774	-60.7%
Pan Bohai Rim	—	38,074	-100.0%	—	4,147	-100.0%
Northeast China	753,009	106,992	603.8%	86,363	18,064	378.1%
Total	1,585,036	4,225,319	-62.5%	119,895	150,983	-20.6%

Management Discussion and Analysis

III. Construction and Development

During the first half of 2019, a total GFA of approximately 25,000 sq.m. was completed. The new construction area added during the first half of the year was approximately 223,000 sq.m.. The Group expects that the new construction area for the year 2019 will be approximately 705,000 sq.m.. As at 30 June 2019, the Group had projects with a total area under construction of 3.05 million sq.m..

IV. Land Bank

As at 30 June 2019, the total land bank of the Group for which land use right certificates had been obtained or land acquisition agreements had been signed was 7.5 million sq.m., which was sufficient to meet its development needs over the next three to five years. The average land cost was RMB1,825 per sq.m..

The land bank of the Group was evenly distributed over first-, second- and third-tier cities, of which 15.2% was in first-tier cities and 84.8% was in second- and third-tier cities.

Details of land bank by project as at 30 June 2019 were as follows:

Project	City	Location	Use	Land bank (sq.m.)	Average land cost (RMB per sq.m.)	Interests attributable to the Group	
Shanghai Region							
1	Shanghai Bay	Shanghai	Xuhui District	Residential, serviced apartment, office and commercial	473,971	611	100%
2	Sunshine Venice	Shanghai	Putuo District	Residential, hotel and commercial	41,757	554	100%
3	Royal Lakefront	Shanghai	Fengxian District	Residential and commercial	137,551	1,870	100%
4	Shanghai City Glorious	Shanghai	Baoshan District	Residential and commercial	78,950	923	100%
5	Caohejing Project	Shanghai	Xuhui District	Office, hotel and commercial	121,300	9,703	100%
6	Zhongcao Xincun Project	Shanghai	Xuhui District	Serviced apartment and commercial	91,000	9,703	100%
7	Holiday Royal	Shanghai	Fengxian District	Residential	81,760	15,228	100%
Subtotal					1,026,289	3,847	
Yangtze River Delta							
8	Nantong Glorious Chateau	Nantong	New District, Rugao Port Zone	Residential and commercial	869,029	322	100%
9	Nantong Royal Garden	Nantong	Rugao Town	Residential and commercial	96,758	1,282	100%

Management Discussion and Analysis

Project	City	Location	Use	Land bank (sq.m.)	Average land cost (RMB per sq.m.)	Interests attributable to the Group	
10	Nantong Glorious Plaza	Nantong	New District	Hotel, office and commercial	299,504	348	100%
11	Nantong Royal Bay	Nantong	Chongchuan District	Residential, office and commercial	418,082	4,719	100%
12	No.1 City Promotion	Wuxi	Wuxi New District	Residential, hotel and commercial	68,709	679	100%
13	Hefei Bashangjie Project	Hefei	Yaohai District	Residential, hotel, office and commercial	934,662	881	100%
14	Hefei Royal Garden	Hefei	Luyang District	Residential, hotel and commercial	20,000	1,207	100%
15	Nanjing Royal Bay	Nanjing	Gulou District	Residential and commercial	328,485	6,013	60%
Subtotal					3,035,229	1,763	
Pan Bohai Rim							
16	Tianjin Royal Bay Seaside	Tianjin	Dagang District	Residential, hotel and commercial	841,727	1,396	100%
17	Tianjin Royal Bay Lakeside	Tianjin	Tuanbohu District	Residential and commercial	1,567,303	1,225	70%
18	Royal Mansion	Beijing	Haidian District	Residential and commercial	90,406	3,395	100%
19	Sunshine Bordeaux	Beijing	Daxing District	Residential and commercial	14,522	493	100%
Subtotal					2,513,958	1,356	
Northeast China							
20	Sunny Town	Shenyang	Yuhong District	Residential and commercial	120,023	1,133	100%
21	Changchun Villa Glorious (West)	Changchun	New and High-tech District	Residential and commercial	763,251	1,004	100%
Subtotal					883,274	1,022	
Total					7,458,750	1,825	

Management Discussion and Analysis

V. Commercial Properties Development

The Group will steadily foster the development of its commercial properties. As at 30 June 2019, approximately 511,000 sq.m. of commercial properties were completed by the Group, and around 1,273,000 sq.m. of commercial property projects were still under construction.

As at 30 June 2019, retail commercial properties, office buildings and hotels accounted for 62.1%, 24.3% and 13.6% of the total commercial properties of the Group by GFA, respectively. The Group plans to retain most of the commercial properties for the long run to secure stable rental income.

Outlook for the Second Half of 2019

Against the backdrop of the general slowdown in global economic growth, China's economic development has also been under pressure, bringing challenges and uncertainties to its own development. The recurrent intensification of Sino-US trade continued to weaken exports. The government will speed up the promotion of the supply-side reform, stabilise domestic demand, formulate adequate fiscal policies and monetary policies, and promote the economy from high-speed growth to high-quality development, and boost the confidence in economy. In view of the implementation of current policies as well as their effect and trends, China's economy still remains stable development, and it is expected that the government's projected GDP growth of 6.3% will be achieved.

With regard to the real estate market, control policies will remain stable in the second half of the year. "Housing is for accommodation rather than speculation" and "one city, one policy" as well as the financial tightening on the real estate market will be persistently implemented to maintain the balance and continuity of the policies. On the one hand, the real estate investment is still running at a high level currently, and therefore how to get rid of the reliance on support of the real estate is still an issue facing by China's economic development in the long term; on the other hand, the continued easing financing environment and further cut of interest rates may have some effect on demand stimulation. However, due to the government's stringent regulation on market expectations, speculative demand is still being curbed to secure the stable and healthy development of the real estate market.

The Group anticipates that in the second half of the year, the favorable factors in the first-tier and hotspot second-tier cities will continue to be prominent due to the improved supply and planning of key cities. The initiative to stimulate demand maintains and transaction volume in the market will maintain a steady growth trend; however, the weakening support from rebuilding rundown areas in 2019 will significantly reduce the effective demand of third- and fourth-tier cities, causing downward pressure on market adjustment. However, the differentiation of sales volume in different cities will be obvious. Generally, it's possible that, national market size will be further adjusted in the second half of the year, but it won't have sharp increase or decrease due to the policy support, instead, it will move in a controllable range.

The Group will maintain close attention to the movements in the macro policy and the changes in market structure, adjust the pace of marketing in a timely manner, improve product competitiveness, adopt a flexible selling and marketing strategy to accelerate project sale; the Group will adopt effective measures to urge construction and secure sales, so as to promote property sales and collection of sales proceeds.

The Group will continue to adhere to its principle of steady development, endeavor to improve the construction of the existing projects, accelerate turnover of assets, strengthen assets operation capabilities, and improve management effectiveness of various systems. Also, the Group will adjust the model and system for project management and control in a timely manner, to meet needs arising from market competition, enhance the Group's profitability and strengthen the Group's competitiveness in the market.

The Group will adhere to its prudent financial policy to further decrease the debt scale and gearing ratio to a reasonable average level, strive to improve the Group's debt structure, moderately increase the long-term liability, in order to effectively circumvent the financial risks. The Group will actively expand its financing channels and financing targets, make good use of the asset value and financial balancing means to lower the finance costs.

Management Discussion and Analysis

FINANCIAL REVIEW

The Group recorded a consolidated revenue of RMB886.9 million in the first half of 2019, which decreased by 62.3% as compared to the corresponding period in 2018. For the six months ended 30 June 2019, the Group recorded a loss attributable to the owners of the Company of RMB1,364.4 million, which is 18.6% lower than the loss attributable to the owners of the Company of RMB1,676.9 million for the corresponding period in 2018. The Group continued to operate in a significant loss as its revenue recognised remained at a low level during the first half of 2019, as well as the significant amount of provision for impairment further made for the Group's properties in the current period, a significant amount of fair value loss recorded for its investment properties and a large amount of finance costs not being capitalised but were recorded as current period expenses.

Results for the six months ended 30 June 2019 are as follows:

RMB'000	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Revenue	886,928	2,349,930
Cost of sales	(1,051,230)	(1,755,647)
Gross (loss)/profit	(164,302)	594,283
Other income	18,929	34,075
Other losses, net	(284,048)	(233,272)
(Provision for)/reversal of provision for loss allowances of trade and other receivables, net	(1,296)	20,809
Selling and marketing expenses	(57,567)	(81,256)
Administrative expenses	(287,757)	(280,532)
Finance costs, net	(578,623)	(909,908)
Share of (loss)/profit of an associate	(654)	281
Share of loss of a joint venture	(19,823)	(290,693)
Loss before taxation	(1,375,141)	(1,146,213)
Income tax credits/(expenses)	10,837	(564,385)
Loss for the period	(1,364,304)	(1,710,598)
(Loss)/profit attributable to:		
– the owners of the Company	(1,364,422)	(1,676,911)
– non-controlling interests	118	(33,687)
	(1,364,304)	(1,710,598)

Management Discussion and Analysis

Revenue

For the six months ended 30 June 2019, the Group recorded a consolidated revenue of RMB886.9 million, representing a decrease of 62.3% compared to RMB2,349.9 million in the first half of 2018. The GFA of properties delivered by the Group decreased from 123,814 sq.m. in the first half of 2018 to 25,535 sq.m. in the current period.

During the six months ended 30 June 2019, the Group did not have new phases of properties being completed. All the recognised revenue for the first half of 2019 were derived from the current period's sale of the remaining units of the properties completed in prior years. During the six months ended 30 June 2019, a substantial portion of the Group's revenue were attributable to the properties located in Shanghai Region, which contributed recognised revenue (including revenue from property sales and interior decoration) of RMB758.2 million and sold and delivered GFA of 9,752 sq.m., representing 85.5% and 38.2% of the Group's total recognised revenue and sold and delivered GFA, respectively. Shanghai Bay in Shanghai was completed and delivered a new phase of properties in the second half of 2018. The Group continued to sell the remaining units of these completed properties, which contributed RMB506.0 million to the Group's revenue from property sales and RMB213.5 million for interior decoration of properties for the six months ended 30 June 2019. Apart from the projects in Shanghai Region, the projects of the other three regions of the Group, including the Yangtze River Delta, the Pan Bohai Rim and Northeast China, also only had remaining units available for sale, thus their combined revenue was only RMB128.7 million and sold and delivered GFA was only 15,783 sq.m., representing 14.5% and 61.8% of the Group's total revenue and sold and delivered GFA for the current period respectively.

In the current period, a substantial portion of the Group's completed and delivered properties were from Shanghai Bay in Shanghai whose average selling prices were substantially higher than all of the Group's other projects, thus causing the Group's overall average recognised selling price (excluding revenue from interior decoration of properties) to increase by 39.0% from RMB18,980 per sq.m. in the first half of 2018 to RMB26,374 per sq.m. in the corresponding period in 2019.

Cost of Sales

The cost of sales for the six months ended 30 June 2019 was RMB1,051.2 million, representing a decrease of 40.1% as compared to RMB1,755.6 million from the corresponding period in 2018. The cost of sales for the current period included a provision for impairment of certain property development projects which amounted to RMB472.9 million (six months ended 30 June 2018: RMB457.9 million). The provision for impairment was made to certain projects of the Group that had experienced prolonged construction period, during which the Group continued to incur construction costs and finance costs, causing the total project costs to exceed the realisable value of those projects. Excluding the provision for impairment and the cost of interior decoration of properties sold of RMB175.4 million, the Group's average cost of sales for the first half of 2019 was RMB15,778 per sq.m., which was 50.5% higher than that of RMB10,481 per sq.m. for the corresponding period in 2018.

Management Discussion and Analysis

Components of the consolidated cost of sales were as follows:

	Six months ended 30 June			
	2019		2018	
	RMB'000	RMB/sq.m.	RMB'000	RMB/sq.m.
Construction costs	242,485	9,496	571,871	4,619
Land costs	105,844	4,145	453,825	3,665
Capitalised interests	41,758	1,635	175,957	1,421
Taxes and other levies	12,815	502	96,102	776
Sub-total	402,902	15,778	1,297,755	10,481
Costs of interior decoration of properties sold	175,410		—	
Provision for impairment of properties under development and completed properties held for sale	472,918		457,892	
Total	1,051,230		1,755,647	

The increase in the average cost of sales for the first half of 2019 is consistent to the higher average selling price recognised in the current period.

Gross (Loss)/Profit

The Group recorded a consolidated gross loss of RMB164.3 million for the six months ended 30 June 2019, as compared to a gross profit of RMB594.3 million for the corresponding period in 2018. The Group's gross margin for the current period was negative 18.5%, as compared to positive 25.3% for the corresponding period in 2018. The consolidated gross loss for the current period was mainly due to further provision for impairment for the Group's properties of RMB472.9 million in the current period (six months ended 30 June 2018: RMB457.9 million). Because this provision for impairment of properties accounted for a considerable proportion to the consolidated cost of sales in the current period, as well as the gross margin of the properties which recognised revenue during the current period, other than Shanghai Bay, were generally lower or even negative, the Group recorded a consolidated gross loss and negative gross margin in the current period.

Other Income

Other income for the six months ended 30 June 2019 was RMB18.9 million, representing a decrease of 44.4% from RMB34.1 million for the corresponding period in 2018. Other income mainly includes rental income.

Management Discussion and Analysis

Other Losses, Net

Other losses, net for the six months ended 30 June 2019 was RMB284.0 million, which was 21.8% higher than RMB233.3 million for the corresponding period in 2018. The net other losses for the current period primarily comprised the fair value loss of the Group's investment properties of RMB279.3 million (six months ended 30 June 2018: fair value loss of RMB250.5 million) and a net exchange loss of RMB4.7 million (six months ended 30 June 2018: net exchange loss of RMB0.5 million). The net exchange loss was mainly resulted from the conversion of US\$ denominated borrowings into RMB.

Selling and Marketing Expenses

Selling and marketing expenses for the six months ended 30 June 2019 was RMB57.6 million, representing a decrease of 29.2% from RMB81.3 million for the corresponding period in 2018. The decrease in selling and marketing expenses was primarily due to less marketing activities being conducted which was in turn the results of less new project launches in the current period.

Administrative Expenses

Administrative expenses for the six months ended 30 June 2019 were RMB287.8 million, which was slightly higher than RMB280.5 million for the corresponding period in 2018 by 2.6%.

Finance Costs, Net

Gross finance costs for the six months ended 30 June 2019 were RMB1,315.7 million, representing a decrease of 22.3% from RMB1,694.0 million for the corresponding period in 2018. In the current period, finance costs of RMB736.0 million (six months ended 30 June 2018: RMB784.1 million) had been capitalised, and the remaining RMB579.7 million (six months ended 30 June 2018: RMB909.9 million) was charged directly to the consolidated statement of comprehensive income. After netting off the finance income of RMB1.1 million (six months ended 30 June 2018: Nil), the amount of finance costs, net was RMB578.6 million for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB909.9 million). The Group incurred lower amount of gross finance costs for the first half of 2019 as compared to the corresponding period in 2018 mainly because the Group's average level of total net borrowings was maintained at a lower level in the current period as compared to the corresponding period in 2018, and at the same time the Group's average cost of borrowing decreased. As the amount of gross finance costs incurred in the current period continued to exceed the amount that can be capitalised based on the Group's qualifying assets, a portion of the finance costs were not capitalised and were recorded as current period expenses.

Loss Before Taxation

The Group recorded a loss before taxation of RMB1,375.1 million for the six months ended 30 June 2019, which was 20.0% higher than that of RMB1,146.2 million for the corresponding period in 2018. The Group recorded an increase in the loss before taxation for the current period as compared to the corresponding period in 2018 mainly due to the significant decrease of revenue recognised and the negative gross margin recorded by the Group in the current period.

Income Tax Credits/(Expenses)

The Group recorded income tax credits of RMB10.8 million for the six months ended 30 June 2019, as compared to income tax expenses of RMB564.4 million for the corresponding period in 2018. The income tax credits recorded in the current period was mainly due to the utilisation of the tax losses brought forward from prior years, as well as the decrease in the land appreciation tax recognised by the Group as a result of the lower amount of revenue recognised in the current period.

Management Discussion and Analysis

Loss Attributable to the Owners of the Company

Despite the Group's loss before taxation for six months ended 30 June 2019 was 20.0% higher than the corresponding period in 2018, the Group's loss attributable to the owners of the Company of RMB1,364.4 million for the six months ended 30 June 2019 was 18.6% lower than RMB1,676.9 million for the corresponding period in 2018. The decrease in the loss attributable to the owners of the Company for the current period as compared to the corresponding period in 2018 was mainly due to the gross loss recorded that gave rise to income tax credits in the current period, as compared to the higher profit margin recorded by the Group for the corresponding period in 2018 that resulted in a significant amount of income tax expenses.

Current Assets and Liabilities

As at 30 June 2019, the Group held total current assets of approximately RMB33,590.0 million, which was 1.5% higher than RMB33,105.3 million as at 31 December 2018.

As at 30 June 2019, the Group's current assets mainly comprised properties under development, and completed properties held for sale and trade and other receivables and prepayments. As at 30 June 2019, balance of properties under development was RMB17,588.2 million, which was 4.5% higher than RMB16,828.9 million as at 31 December 2018. Despite the decrease in the carrying value of properties under development that has been recognised as cost of sales, as well as the provision for impairment made to the Group's properties also further reduced the carrying value of properties under development, the continuous progress of the Group's property development projects had resulted in an increase in the carrying value of properties under development in the first half of 2019. Completed properties held for sale decreased by 8.0% from RMB7,899.8 million as at 31 December 2018 to RMB7,267.2 million as at 30 June 2019. The lower balance of completed properties held for sale was mainly due to the Group's continuous effort to sell the remaining units of existing projects in the current period. Trade and other receivables and prepayments increased by 4.3% from RMB4,511.0 million as at 31 December 2018 to RMB4,703.3 million as at 30 June 2019. Trade and other receivables and prepayments comprised prepayments for construction costs, prepayments for land premium for which the relevant land use right certificates were yet to be obtained and certain other receivables arising from the Group's business. The increase in trade and other receivables in the first half of 2019 was mainly due to additional prepayment made for construction costs to certain contractors of the Group's projects as a result of construction needs in the current period.

Total current liabilities as at 30 June 2019 amounted to RMB42,448.6 million, which was 5.0% higher than that of RMB40,412.3 million as at 31 December 2018. The increase in total current liabilities as at 30 June 2019 was mainly due to the increase in current borrowings.

As at 30 June 2019, the current ratio (calculated as the total current assets divided by the total current liabilities) was 0.79 (31 December 2018: 0.82). The lower current ratio was mainly resulted from the increase in total current liabilities.

Management Discussion and Analysis

Liquidity and Financial Resources

During the first half of 2019, the Group funded its property development projects principally with proceeds from the pre-sales of properties and bank loans. As at 30 June 2019, the Group had cash and cash equivalents of RMB192.0 million (31 December 2018: RMB342.6 million).

During the first half of 2019, the new bank loans obtained by the Group amounted to RMB1,073.5 million and repayment of loans was RMB267.8 million. As at 30 June 2019, the Group's total borrowings amounted to RMB24,761.2 million, representing an increase of 5.7% compared to RMB23,432.1 million as at 31 December 2018. As at 30 June 2019, the Group's borrowings comprised the following:

RMB'000	30 June 2019 (unaudited)	31 December 2018 (audited)
Bank borrowings	22,920,353	22,110,074
Other borrowings	897,376	881,201
Sub-total	23,817,729	22,991,275
Adjusted by: unamortised loan arrangement fees and accrued interests	943,453	440,860
Total borrowings	24,761,182	23,432,135

The maturities of the Group's borrowings as at 30 June 2019 were as follows:

RMB'000	30 June 2019 (unaudited)	31 December 2018 (audited)
Repayable on demand or within 1 year ⁽¹⁾	22,365,023	21,027,214
After 1 year and within 2 years	22,909	22,542
After 2 years and within 5 years	2,370,950	2,378,829
After 5 years	2,300	3,550
Total borrowings	24,761,182	23,432,135

As at 30 June 2019, the Group had total banking facilities of RMB24,220 million (31 December 2018: RMB24,220 million) consisting of used banking facilities of RMB23,707 million (31 December 2018: RMB23,033 million) and unused banking facilities of RMB513 million (31 December 2018: RMB1,187 million).

Note:

- (1) The current bank borrowings included borrowings with principal amounts of RMB5,489.0 million with original maturity beyond 30 June 2020 which have been reclassified as current liabilities as at 30 June 2019.

Management Discussion and Analysis

Gearing Ratio

The Group monitors its capital on the basis of the gearing ratio and short-term debt ratio. Gearing ratio is calculated as net debt divided by total equity attributable to the owners of the Company. Net debt is calculated as total borrowings less cash and bank balances (including cash and cash equivalents and restricted cash). The gearing ratios as at 30 June 2019 and 31 December 2018 were as follows:

RMB'000	30 June 2019 (unaudited)	31 December 2018 (audited)
Total borrowings	24,761,182	23,432,135
Less: cash and bank balances	(3,535,213)	(3,384,620)
Net debt	21,225,969	20,047,515
Total equity attributable to the owners of the Company	4,994,858	6,308,536
Gearing ratio	425.0%	317.8%

The gearing ratio as at 30 June 2019 was higher than that as at 31 December 2018 as a result of the significant decrease in the Group's equity attributable to the owners of the Company due to the substantial loss recorded for the current period.

Going Concern and Mitigation Measures

For the six months ended 30 June 2019, the Group reported a net loss attributable to the owners of the Company of RMB1,364.4 million and had a net operating cash outflow of RMB608.6 million. As at 30 June 2019, the Group had accumulated losses of RMB3,905.4 million and the Group's current liabilities exceeded its current assets by RMB8,858.6 million. As at the same date, the Group's total borrowings amounted to RMB24,761.2 million, of which current borrowings amounted to RMB22,365.0 million. Cash and cash equivalents was only amounted to RMB192.0 million as at 30 June 2019. In addition, as at 30 June 2019, certain borrowings whose principal amounts of RMB574.0 million and interest payable amounts of RMB461.9 million, relating to borrowings with a total principal amount of RMB6,644.7 million were overdue. These constituted events of defaults which resulted in cross-default of certain borrowings other than those mentioned above amounting to principal amount of RMB6,800.0 million as at 30 June 2019. These conditions, together with other matters described in note 2(i) to the consolidated financial information, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. However, the directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which include:

- (i) The Group has been actively negotiating with a number of commercial banks for renewal and extension of bank loans and credit facilities;
- (ii) In addition, the Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future. Subsequent to the period end and up to the date of approval of these consolidated financial information, loans with aggregate principal amounts of RMB500.0 million have been successfully obtained;

Management Discussion and Analysis

- (iii) The Group has accelerated the pre-sales and sales of its properties under development and completed properties, including remaining units of property projects and saleable carparks. Overall, the Group expects to gradually launch three major projects upon obtaining the pre-sales permits in the second half of 2019;
- (iv) The Group has implemented measures to speed up the collection of outstanding sales proceeds; and
- (v) The Group will continue to take active measures to control administrative costs through various channels including human resources optimisation and management remuneration adjustments and containment of capital expenditures.

Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial information on a going concern basis.

The Group has been actively implementing the aforementioned measures in the past few years. As a result of the efforts over such period, a number of financial data has improved, including steady growth in property sales, turnaround of operating net cash outflow to an operating net cash inflow, as well as a slight decrease in total borrowings. As the Group's business plan for 2019 slants towards the second half of the year that major property sales and property completion are scheduled in the second half of 2019, the Group's property sales for the six months ended 30 June 2019 decreased significantly, which resulted in an operating net cash outflow position again, and the Group's total borrowings as at 30 June 2019 to increase by 5.7% as compared to that as at 31 December 2018. On the other hand, as there was no new phase of completion of property projects in the current period, the Group's recognised revenue decreased significantly and thus the Group continued to operate in a loss position in the current period. The Group will actively implement the business plan in the second half of 2019, on one hand to adhere to the business plan to construct and launch sale of the property projects so as to increase the cash inflow, on the other hand to actively negotiate with financial institutions to renew and extend the bank loans, and to identifying opportunities to obtain new borrowings so as to improve the Group's debt structure.

Management Discussion and Analysis

Foreign Exchange Risk

The Group's property development projects are all located in the PRC and all the related transactions are settled in RMB. The Company and certain of the investment holding companies within the Group operating in Hong Kong have recognised assets and liabilities in currencies other than RMB. As at 30 June 2019, the Group had cash and bank balances, borrowings and trade and other payables that were denominated in foreign currencies as shown below:

RMB'000	30 June 2019 (unaudited)	31 December 2018 (audited)
Cash and bank balances:		
US\$	288	331
HK\$	695	937
Total	983	1,268
Borrowings:		
US\$	2,506,080	2,450,940
HK\$	204,587	193,653
Total	2,710,667	2,644,593
Trade and other payables:		
US\$	6,875	6,863
HK\$	32,646	33,324
Total	39,521	40,187

Apart from the above listed balances that were denominated in foreign currencies, all of the Group's borrowings and cash balances were denominated in RMB.

The Group currently does not have a foreign currency hedging policy. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider hedging significant foreign currency exposure should the need arises.

Management Discussion and Analysis

Interest Rate Risk

The Group holds interest-bearing assets including cash at bank and certain bank deposits, loan to a joint venture and certain other receivables. Majority of these balances are at fixed interest rates and expose the Group to fair value interest rate risk. As any reasonable changes in interest rate would not result in a significant change in the Group's results, no sensitivity analysis is conducted for the interest rate risk arising from the Group's interest-bearing assets.

The Group's interest rate risk mainly arises from its borrowings. Borrowings at variable interest rates expose the Group to cash flow interest rate risk. Borrowings at fixed interest rates expose the Group to fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. The Group analyses its interest rate exposure on a dynamic basis and will consider the interest rate exposure when entering into any refinancing, renewal of existing positions and alternative financing transactions.

As at 30 June 2019, the Group's total borrowings amounted to RMB24,761.2 million (31 December 2018: RMB23,432.1 million), of which RMB24,026.6 million (31 December 2018: RMB20,686.5 million) bore fixed interest rate.

Pledge of Assets

As at 30 June 2019, the Group had pledged certain of its subsidiaries' and a joint venture's shares, construction in progress, investment properties, properties under development and completed properties held for sale to secure its borrowings.

Financial Guarantees

The Group has arranged bank financing for certain purchasers of its property units and provided guarantees to secure the repayment obligations of such purchasers. Such guarantees will be terminated upon the earlier of: (i) the issuance of the real estate ownership certificate which is generally available within an average period of one to two years upon the completion of the registration of the guarantee; or (ii) the full repayment of the mortgage loan by the purchasers of the Group's properties.

Pursuant to the terms of the guarantees, in the case of a default in mortgage payments by these purchasers, the Group is responsible for repaying to the banks the outstanding mortgage principal, together with accrued interest and any penalty owed by the defaulting purchasers, and the Group is entitled to take over the legal title and possession of the relevant properties. The guarantee period starts from the date of the grant of the respective mortgage. As at 30 June 2019, the amount of outstanding guarantees for the related mortgages was RMB4,461.0 million (31 December 2018: RMB4,655.7 million).

Management Discussion and Analysis

Capital Commitments

As at 30 June 2019, the Group had capital commitments as follows:

RMB'000	30 June 2019 (unaudited)	31 December 2018 (audited)
Land use rights	545,736	545,736
Property development expenditures	3,362,742	3,670,311
— Shanghai Ditong (a)	3,083,843	3,086,125
— Third parties	278,899	584,186
Construction materials	454,745	124,902
	4,363,223	4,340,949

- (a) The proposed annual caps for the continuing connected transactions with Shanghai Ditong Construction (Group) Co., Ltd. ("Shanghai Ditong"), a company controlled by close family member of the ultimate controlling party of the Company, for the three years ending 31 December 2018, 2019 and 2020 were not approved by the independent shareholders in the extraordinary general meetings on 28 December 2017, 21 March 2018 and 12 November 2018 respectively. The Group is in the process of revisiting its construction plan and will cancel or significantly scale down the contracts with Shanghai Ditong so as to reduce the amounts of transactions with Shanghai Ditong to a level that complies with the Listing Rules. The amount disclosed above represents the contracted amount before any revision or cancellation, as the detailed arrangement is yet to be finished. Shanghai Ditong has agreed that it would not seek compensation from the Group for breaching these contracts.

Contingent Liabilities

During 2017, the Group was involved in a litigation raised by the local government authority for claiming an amount of approximately RMB179 million associated with a property development project in Shanghai. Based on management assessment, apart from having no payment obligation arising from the claimed amount, the Group has sufficient basis to support the full recoverability of the amount due from the local government authority of RMB422.2 million. Accordingly, a counter claim was filed in July 2017 and no provision has been made by the Group against the above receivable as at 31 December 2018 and 30 June 2019.

Employees and Remuneration Policy

As at 30 June 2019, the Group had a total of 732 employees. Total remuneration expenses and other employees' benefits costs for the six months ended 30 June 2019 amounted to RMB71.7 million. The Group has adopted a system of determining the remuneration of employees based on the performance of employees. Apart from a basic salary, outstanding employees may be granted with annual bonuses. In addition, the Group has adopted share option schemes (details of which are described in the section headed "Share Option Schemes" of this interim report) to attract and retain high caliber talents to serve the Group. In terms of employee training, the Group provides different training programmes for employees to develop their expertise and knowledge.

Corporate Governance

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company had complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) during the six months ended 30 June 2019, save for the deviation from the code provision A.2.1 of the CG Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Upon the change of the chairman of the Board (the “Chairman”) of the Company on 5 June 2018, Mr. Ding Xiang Yang (“Mr. Ding”), currently the Chairman of the Company, has been acting as both the Chairman and chief executive officer of the Company. The Board understands that the assumption of two roles by one person has deviated from the code provision A.2.1 of the CG Code.

Mr. Ding has been an executive Director of the Company since 2001 and played an integral role in formulating the development strategies, operational management of the Company and its subsidiaries (collectively “the Group”) and supervising the construction of the Group’s projects. He has the appropriate standing, management skills and business acumen which are the essential prerequisites for assuming the two roles. The Board is therefore of opinion that vesting both roles in Mr. Ding has provided the Group with in-depth knowledge and consistent leadership and, at the same time, has enabled more effective and efficient overall strategic planning for the Group; and does not impair the balance of power and authority of the Board. If the positions are occupied by different persons, the business operation and the performance of the Group may be affected. As such, the existing structure of the Board is beneficial to the Group and the shareholders as a whole.

The Company reviews the structure from time to time and will make adjustments when suitable circumstances arise.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the “Directors”). All Directors have confirmed, following specific enquiries being made by the Company, that they had complied with the required standard set out in the Model Code during the six months ended 30 June 2019.

CHANGES OF DIRECTORS’ INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Change of Particulars of Independent Non-Executive Director

Prof. Liu Tao, an independent non-executive Director of the Company, has resigned as an independent director of Shanghai No.1 Pharmacy Co., Ltd. (a China-based company listed on the Shanghai Stock Exchange, stock code: 600833) with effect from 26 June 2019.

Save as disclosed above, there is no other change in the Directors’ information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2018 annual report of the Company.

Corporate Governance

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) was established on 9 September 2009 with written terms of reference. Currently, the Audit Committee comprises three independence non-executive Directors (the “INEDs”), namely, Prof. Liu Tao (chairman of the Audit Committee), Mr. Wo Rui Fang and Mr. Han Ping. The main duties of the Audit Committee are, among others, as follows:

1. to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of external auditors, and to approve remuneration and terms of engagement of external auditors, and any questions of resignation or dismissal of external auditors;
2. to consider the plan for each year’s audit submitted by the external auditors and discuss the same at a meeting if necessary;
3. to monitor the integrity of the Company’s financial statements and annual reports and accounts, half-yearly reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;
4. to review the Company’s financial controls and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Company’s risk management and internal control systems;
5. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on the Committee’s own initiative, and management’s response to these findings; and
6. to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness.

The terms of reference of the Audit Committee (which was amended and adopted by the Board on 31 December 2018 in response to the amendments to the Corporate Governance Code and Corporate Governance Report which took effect on 1 January 2019) are available on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and the Company at www.gloriousphl.com.cn.

The Audit Committee has reviewed with management the unaudited consolidated results of the Group for the six months ended 30 June 2019 and took the view that the Company was in full compliance with all applicable accounting standards and regulations and has made adequate disclosure.

Corporate Governance

REMUNERATION COMMITTEE

The remuneration committee of the Company (the “Remuneration Committee”) was established on 9 September 2009 with written terms of reference. Currently, the Remuneration Committee comprises two INEDs, namely, Mr. Wo Rui Fang (chairman of the Remuneration Committee) and Prof. Liu Tao and one executive Director, namely Mr. Ding Xiang Yang. The main duties of the Remuneration Committee are, among others, as follows:

1. to assess, review and make recommendations once a year or as and when required, to the Board in respect of the remuneration packages and overall benefits for the Directors;
2. to make recommendations to the Board in relation to all consultancy agreements and service contracts or any variations, renewals or modifications thereof, entered into between the Company and the Directors or any associate company of any of them;
3. to make recommendations to the Board on the Company’s remuneration policy and structure for all Directors’ and senior management’s remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy and placing such recommendations before the Board concerning the total remuneration and/or benefits granted to the Directors and senior management from time to time;
4. to review and approve the management’s remuneration proposals with reference to the Board’s corporate goals and objectives;
5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries (collectively the “Group”); and
6. to conform any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by the Listing Rules or any applicable law.

The terms of reference of the Remuneration Committee (which was amended and adopted by the Board on 31 December 2018 in response to the amendments to the Corporate Governance Code and Corporate Governance Report which took effect on 1 January 2019) are available on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and the Company at www.gloriousphl.com.cn.

NOMINATION COMMITTEE

The nomination committee of the Company (the “Nomination Committee”) was established on 1 April 2012 with written terms of reference. On 29 August 2013, the Board approved and adopted the board diversity policy and revised terms of reference of the Nomination Committee, which are in line with the Listing Rules relating to the board diversity effective from 1 September 2013. Currently, the Nomination Committee comprises one executive Director, namely Mr. Ding Xiang Yang (chairman of the Nomination Committee) and two INEDs, namely, Mr. Wo Rui Fang and Mr. Han Ping. The main duties of the Nomination Committee are, among others, as follows:

1. to review the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy;
2. to review the balance between executive and non-executive Directors (including INEDs) on the Board;

Corporate Governance

3. to review the board diversity policy and the measurable objectives that the Board has adopted for implementing this policy, and monitor the progress on achieving the objectives and make the relevant disclosure in the corporate governance report;
4. to assess the independence of INEDs;
5. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and
6. to determine the policy, procedures and criteria for the nomination of Directors.

The terms of reference of the Nomination Committee (which was amended and adopted by the Board on 31 December 2018 in response to the amendments to the Corporate Governance Code and Corporate Governance Report which took effect on 1 January 2019) are available on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and the Company at www.gloriousphl.com.cn.

NOMINATION POLICY

The Nomination Committee has implemented the following procedures and processes in respect of the nomination of Directors:

1. The Nomination Committee may select potential candidates for nomination by: (i) inviting the Board to nominate suitable candidates, if any, for its consideration; or (ii) nominating candidates who were not proposed by the Board members; or (iii) engaging external recruitment agencies to assist in identifying and selecting suitable candidates, if considered necessary;
2. The Nomination Committee will conduct background search on each potential candidates, if considered necessary;
3. After consideration, the Nomination Committee shall then make recommendations of the suitable candidates for the Board's consideration and approval. For the election of candidates to stand for re-election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation to Shareholders; and
4. Shareholders may also nominate candidates for election as a Director in accordance with the procedures posted on the Company's website.

BOARD DIVERSITY POLICY

On 29 August 2013, the Company adopted a board diversity policy (the "Policy") setting out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

Pursuant to the Policy, the Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to the talents, skills, knowledge, age, industry experience, race, gender and other qualities. These differences will be considered in determining the optimum composition of the Board. All appointments of the members of the Board will also be based on meritocracy while taking into account diversity.

Corporate Governance

The Nomination Committee will review and assess annually all measurable objectives for implementing diversity on the Board and recommend them to the Board for adoption. In reviewing and assessing the composition of the Board, the Nomination Committee will consider the benefits of all aspects of diversity, including but not limited to, those described above.

The Nomination Committee will report annually, in the corporate governance report of the Company's annual report, a summary of the Policy, the measurable objectives that the Board has adopted for implementing the Policy, and the progress made towards achieving these objectives.

The Nomination Committee will review the Policy, as appropriate, to ensure the effectiveness of the Policy and also recommend any proposed changes to the Board for approval.

Each of the Board members possesses different skills, knowledge and experience, including land and property development, construction and management, corporate operational and strategic management, financial strategies and asset management, project budgeting management and construction design of project. The Board is characterised by significant diversity in terms of skills, knowledge, age and industry experience, etc.

DIVIDEND POLICY

The following dividend policy (the "Dividend Policy") was approved and adopted by the Board on 31 December 2018 and was effective on 1 January 2019:

Objective

The Company considers stable and sustainable returns to the shareholders of the Company (the "Shareholders") to be our goal and endeavours to maintain its stable Dividend Policy.

The Policy

Under the Dividend Policy, the declaration and payment of dividends shall be determined at the sole discretion of the Board. The Board shall also take into account the following factors when considering whether to propose dividends and determining the dividend amount:

1. the Group's actual and expected financial performance;
2. retained earnings and distributable reserves of the Company and each of the members of the Group;
3. the Group's working capital requirements, capital expenditure requirements and future expansion plans;
4. the Group's liquidity position;
5. contractual restrictions on the payment of dividends by the Company to the Shareholders or by the Company's subsidiaries to the Company;
6. taxation considerations;
7. general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
8. other factors that the Board deems relevant.

Corporate Governance

Payment of dividends by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and the memorandum and articles of association of the Company. The Board will review the Dividend Policy as appropriate from time to time. There is no guarantee that any particular amount of dividends will be distributed for any specific periods.

CORPORATE GOVERNANCE COMMITTEE

The corporate governance committee of the Company (the “CG Committee”) was established on 1 April 2012 with written terms of reference. Currently, the CG Committee comprises two executive Directors, namely, Mr. Ding Xiang Yang (chairman of the CG Committee) and Mr. Xia Jing Hua and one INED, namely Prof. Liu Tao. The main duties of the CG Committee are, among others, as follows:

1. to develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board;
2. to review and monitor the training and continuous professional development of the Directors and senior management;
3. to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
5. to review the Company’s compliance with all the applicable provisions in the Corporate Governance Code and the disclosure in the corporate governance report.

The terms of reference of the CG Committee (which was amended and adopted by the Board on 31 December 2018 in response to the amendments to the Corporate Governance Code and Corporate Governance Report which took effect on 1 January 2019) are available on the website of the Company at www.gloriousphl.com.cn.

FINANCE COMMITTEE

The Board established a finance committee (the “Finance Committee”) in April 2010 with delegated authority to review and approve certain financial matters of the Group. Currently, the Finance Committee comprises Mr. Ding Xiang Yang (Chairman and chief executive officer of the Company) and Mr. Xia Jing Hua (chief financial officer of the Company), and its primary duties include the determination and approval of the investment of surplus funds, approval of any investment acquisition and disposal of the Group each of an amount not exceeding HK\$1 billion, arrangement of banking facilities and approval of guarantees and indemnities each of an amount not exceeding HK\$1 billion, opening and operation of bank accounts, handling or execution of share repurchase exercises of the Company, and allotment and issuance of the ordinary shares of the Company pursuant to the pre-IPO share option scheme and the share option scheme (details of which are described in the section headed “Share Option Schemes” of this interim report).

Disclosure of Interests

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, the Directors and the chief executive of the Company had the following interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (the "Associated Corporations") (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which (a) were recorded in the register required to be kept under Section 352 of the SFO; or (b) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code:

Company

Name of Director	Number of ordinary shares			Approximate % of shareholding ⁽²⁾
	Personal interests ⁽¹⁾⁽³⁾	Corporate interests	Total	
Mr. Ding Xiang Yang	15,000,000	–	15,000,000	0.19
Mr. Xia Jing Hua	5,000,000	–	5,000,000	0.06
Mr. Yan Zhi Rong	5,000,000	–	5,000,000	0.06

Notes:

- (1) This represents interests held by the relevant Director as beneficial owner in share options granted to the Directors under the pre-IPO share option scheme of the Company to subscribe for shares in the Company.
- (2) The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 30 June 2019 (i.e. 7,792,645,623 ordinary shares).
- (3) The above Directors have ceased their relevant interests in share options on 9 September 2019 after all the outstanding options granted under the Pre-IPO Share Option Scheme has lapsed on the same date.

All of the interests disclosed above represent long positions in the shares of the Company.

Apart from the aforesaid, as at 30 June 2019, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 30 June 2019, the number of outstanding options granted by the Company to the Directors to subscribe for shares of the Company, as recorded in the register required to be kept under Section 352 of the SFO or which were otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, is set out in the section headed "Share Option Schemes" of this interim report.

Apart from the aforesaid, at no time during the six months ended 30 June 2019 was the Company or its holding company or subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2019, the interests of substantial shareholders (other than the Directors or the chief executive of the Company) in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of the substantial shareholder	Capacity in which ordinary shares were held	Number of ordinary shares	Long position/ Short position/ Lending pool	Approximate % of shareholding ⁽³⁾
Mr. Zhang Zhi Rong	Interests in controlled corporations/Beneficial owner ⁽²⁾⁽⁵⁾	5,326,022,436	Long position	68.35
Best Era International Limited ⁽¹⁾	Beneficial owner	4,975,729,436	Long position	63.85
China Life Insurance (Overseas) Co. Ltd.	Beneficial owner	571,210,000 ⁽⁴⁾	Long position	7.33

Notes:

- (1) Best Era International Limited is owned as to 100% by Mr. Zhang Zhi Rong, who is a sole director of Best Era International Limited.
- (2) As at 30 June 2019, Best Era International Limited, Market Victor Limited, Novel Ventures Limited, Island Century Limited and Well Advantage Limited, all of which are wholly-owned directly or indirectly by Mr. Zhang Zhi Rong, held 4,975,729,436 shares, 81,936,000 shares, 106,288,000 shares, 119,313,000 shares and 27,756,000 shares respectively, representing in aggregate 5,311,022,436 shares or approximately 68.15% of the issued share capital of the Company. Mr. Zhang Zhi Rong is also interested in share options to subscribe for 15,000,000 shares (representing approximately 0.19% of the total issued share capital of the Company).
- (3) The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 30 June 2019 (i.e. 7,792,645,623 ordinary shares).
- (4) According to the notice of dealing disclosures dated 12 October 2016, submitted to the Securities and Futures Commission by China Life Insurance (Overseas) Co. Ltd., pursuant to Rule 22 of the Code on Takeovers and Mergers of Hong Kong.
- (5) Mr. Zhang Zhi Rong has ceased to be interested in share options to subscribe for 15,000,000 shares on 9 September 2019 after all the outstanding options granted under the Pre-IPO Share Option Scheme has lapsed on the same date.

Apart from the aforesaid, as at 30 June 2019, the Company was not aware of any persons (other than the Directors or the chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Information

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

Pursuant to the resolutions in writing passed by all the shareholders of the Company on 9 September 2009, the Company conditionally approved and adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and 84,000,000 share options had been granted to its Directors and employees which are exercisable for a ten-year period from the grant date. No further options will be offered or granted by the Company pursuant to the Pre-IPO Share Option Scheme. The purpose of the Pre-IPO Share Option Scheme is to give the participants an opportunity to acquire a personal stake in the Company and help motivate such participants and retain the participants whose contributions are important to the long term growth and profitability of the Group. As at 30 June 2019, the total number of shares in respect of the outstanding options granted under the Pre-IPO Share Option Scheme was 69,000,000 shares, which is equivalent to approximately 0.89% of the total issued share capital of the Company.

The following table discloses details of the Company's outstanding share options held by the Directors and certain employees of the Company under the Pre-IPO Share Option Scheme and its movement during the six months ended 30 June 2019:

Name of Grantee	Date of grant	Number of underlying shares comprised in share options					Balance as at 30/06/2019	Exercise price per share HK\$	Exercise period
		Balance as at 01/01/2019	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period			
Category 1:									
Directors									
Mr. Ding Xiang Yang	09/09/2009	15,000,000	-	-	-	-	15,000,000 (Note 1)	1.76	Note 2
Mr. Xia Jing Hua	09/09/2009	5,000,000	-	-	-	-	5,000,000 (Note 1)	1.76	Note 2
Mr. Yan Zhi Rong	09/09/2009	5,000,000	-	-	-	-	5,000,000 (Note 1)	1.76	Note 2
		25,000,000	-	-	-	-	25,000,000		
Category 2:									
Other employees (in aggregate)	09/09/2009	44,000,000	-	-	-	-	44,000,000 (Note 1)	1.76	Note 2
Total:		69,000,000	-	-	-	-	69,000,000		

Note 1: Since the exercise period of any option granted under the Pre-IPO Share Option Scheme shall not be longer than 10 years from the date of grant of the relevant option, all the outstanding options granted under the Pre-IPO Share Option Scheme has lapsed on 9 September 2019.

Other Information

Note 2:

Each of the grantees to whom the options have been granted under the Pre-IPO Share Option Scheme is entitled to exercise:

- (i) up to 20% of the shares that are subject to the options granted to the relevant grantee (rounded down to the nearest whole number of shares) at any time during the period commencing on 2 October 2009 (the "Listing Date") and ending on the first anniversary of the Listing Date;
- (ii) up to 40% of the shares that are subject to the options granted to the relevant grantee less the number of shares in respect of which the options have been exercised by the grantee (rounded down to the nearest whole number of shares) at any time during the period commencing on the expiry of the first anniversary of the Listing Date and ending on the second anniversary of the Listing Date;
- (iii) up to 60% of the shares that are subject to the options granted to the relevant grantee less the number of shares in respect of which the options have been exercised by the grantee (rounded down to the nearest whole number of shares) at any time during the period commencing on the expiry of the second anniversary of the Listing Date and ending on the third anniversary of the Listing Date;
- (iv) up to 80% of the shares that are subject to the options granted to the relevant grantee less the number of shares in respect of which the options have been exercised by the grantee (rounded down to the nearest whole number of shares) at any time during the period commencing on the expiry of the third anniversary of the Listing Date and ending on the fourth anniversary of the Listing Date; and
- (v) such number of shares subject to the options granted to the relevant grantee less the number of shares in respect of which the options have been exercised by the grantee (rounded down to the nearest whole number of shares) at any time during the period commencing on the expiry of the fourth anniversary of the Listing Date and ending on 8 September 2019.

Share Option Scheme

Pursuant to the resolutions in writing passed by all the shareholders of the Company on 9 September 2009, the Company also approved and adopted a share option scheme for the purpose of enabling the Group to grant options to selected participants as incentives or rewards for their contribution to the Group (the "Share Option Scheme"). On 4 February 2019, the Company resolved to grant 632,388,000 share options to eligible participants to subscribe for a total of 632,388,000 ordinary shares of HK\$0.01 each in the share capital of the Company under the Share Option Scheme. A total of 2,393,000 share options granted were not accepted by the eligible participants within the required acceptance period under the Share Option Scheme. As at 30 June 2019, the accepted 629,995,000 share options are exercisable at any time during the option period from 4 February 2019 to 3 February 2024 (both dates inclusive) at an exercise price of HK\$0.45 per share. Unless with the prior written consent of the Board, at any time during a period of six months from the date of the allotment and issue of the shares pursuant to exercise of the share options by the aforesaid eligible participants, they shall not dispose of, nor enter into any agreement to dispose of, the shares subscribed pursuant to the exercise of the share options.

Other Information

The following table discloses details of the Company's outstanding share options held by the eligible participants under the Share Option Scheme and its movement during the six months ended 30 June 2019:

Name of Grantee	Number of underlying shares comprised in share options						Balance as at 30/06/2019	Exercise price per share HK\$	Exercise period
	Date of grant	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period				
Category 1:									
Employees (in aggregate)	04/02/2019	174,519,000	-	-	-	174,519,000	0.45	Note	
		174,519,000	-	-	-	174,519,000			
Category 2:									
Suppliers (in aggregate)	04/02/2019	455,476,000	-	-	-	455,476,000	0.45	Note	
Total:		629,995,000	-	-	-	629,995,000			

Note: the share options are exercisable at any time during the option period from 4 February 2019 to 3 February 2024 (both dates inclusive) at an exercise price of HK\$0.45 per share.

On 23 July 2019, the Company resolved to grant 26,397,000 share options to another batch of eligible participants to subscribe for a total of 26,397,000 ordinary shares of HK\$0.01 each in the share capital of the Company under the Share Option Scheme. Among the share options granted, 22,367,000 share options were granted to the Directors of the Company. The 26,397,000 share options are exercisable at any time during the option period from 23 July 2019 to 22 July 2024 (both dates inclusive) at an exercise price of HK\$0.45 per share. Unless with the prior written consent of the Board, at any time during a period of six months from the date of the allotment and issue of the shares pursuant to exercise of the share options by the aforesaid eligible participants, they shall not dispose of, nor enter into any agreement to dispose of, the shares subscribed pursuant to the exercise of the share options.

For details of the aforesaid grant of 26,397,000 share options, please refer to the announcement of the Company dated 23 July 2019.

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 during the six months ended 30 June 2019.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2019 (Six months ended 30 June 2018: Nil).

Condensed Consolidated Balance Sheet

As at 30 June 2019

RMB'000	Note	30 June 2019 (unaudited)	31 December 2018 (audited)
Non-current assets			
Property, plant and equipment		36,782	54,432
Right-of-use assets		28,168	—
Investment properties	5	18,144,272	17,942,046
Intangible assets		1,800	1,800
Investment in an associate		5,515	6,169
Interest in a joint venture		34,985	54,792
Deferred income tax assets		324,611	324,677
		18,576,133	18,383,916
Current assets			
Properties under development		17,588,221	16,828,906
Completed properties held for sale		7,267,193	7,899,805
Trade and other receivables and prepayments	6	4,703,261	4,510,971
Prepaid taxes		496,127	480,954
Restricted cash		3,343,255	3,042,065
Cash and cash equivalents		191,958	342,555
		33,590,015	33,105,256
Total assets		52,166,148	51,489,172

The notes on pages 98 to 120 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2019

RMB'000	Note	30 June 2019 (unaudited)	31 December 2018 (audited)
Current liabilities			
Contract liabilities		6,894,222	5,901,056
Trade and other payables	9	5,047,886	5,333,065
Income tax payable		7,784,677	7,796,930
Amount due to a joint venture	18	353,029	353,029
Borrowings	8	22,365,023	21,027,214
Lease liabilities		3,741	—
Obligations under finance lease		—	998
		42,448,578	40,412,292
Non-current liabilities			
Borrowings	8	2,396,159	2,404,921
Deferred income tax liabilities		2,342,545	2,389,683
Lease liabilities		28,370	—
Obligations under finance lease		—	18,220
		4,767,074	4,812,824
Total liabilities		47,215,652	45,225,116
Equity			
Capital and reserves attributable to the owners of the Company			
Share capital	7	68,745	68,745
Share premium	7	7,822,982	7,822,982
Reserves		(2,896,869)	(1,583,191)
		4,994,858	6,308,536
Non-controlling interests		(44,362)	(44,480)
Total equity		4,950,496	6,264,056
Total liabilities and equity		52,166,148	51,489,172

The notes on pages 98 to 120 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

RMB'000	Note	Six months ended 30 June	
		2019 (unaudited)	2018 (unaudited)
Revenue	4	886,928	2,349,930
Cost of sales	12	(1,051,230)	(1,755,647)
Gross (loss)/profit		(164,302)	594,283
Other income	10	18,929	34,075
Other losses, net	11	(284,048)	(233,272)
(Provision for)/reversal of provision for loss allowances of trade and other receivables, net	11	(1,296)	20,809
Selling and marketing expenses	12	(57,567)	(81,256)
Administrative expenses	12	(287,757)	(280,532)
Finance costs, net	13	(578,623)	(909,908)
Share of (loss)/profit of an associate		(654)	281
Share of loss of a joint venture		(19,823)	(290,693)
Loss before taxation		(1,375,141)	(1,146,213)
Income tax credits/(expenses)	14	10,837	(564,385)
Loss for the period		(1,364,304)	(1,710,598)
(Loss)/profit attributable to:			
– the owners of the Company		(1,364,422)	(1,676,911)
– non-controlling interests		118	(33,687)
		(1,364,304)	(1,710,598)
Other comprehensive income		—	—
Total comprehensive loss for the period		(1,364,304)	(1,710,598)
Total comprehensive (loss)/income for the period attributable to:			
– the owners of the Company		(1,364,422)	(1,676,911)
– non-controlling interests		118	(33,687)
		(1,364,304)	(1,710,598)
Loss per share for loss attributable to the owners of the Company (expressed in RMB per share)			
– Basic	15	(0.18)	(0.22)
– Diluted	15	(0.18)	(0.22)
Dividend	16	—	—

The notes on pages 98 to 120 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

Six months ended 30 June 2019 Attributable to the owners of the Company (unaudited)											
RMB'000	Share capital	Share premium	Merger reserve	Statutory reserves	Other reserve	Revaluation reserve	Share-based compensation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
Balance at 1 January 2019	68,745	7,822,982	(770,477)	314,421	264,317	947,730	201,795	(2,540,977)	6,308,536	(44,480)	6,264,056
Issue of share options (note 12(a))	—	—	—	—	—	—	50,744	—	50,744	—	50,744
Total comprehensive (loss)/income for the period	—	—	—	—	—	—	—	(1,364,422)	(1,364,422)	118	(1,364,304)
Balance at 30 June 2019	68,745	7,822,982	(770,477)	314,421	264,317	947,730	252,539	(3,905,399)	4,994,858	(44,362)	4,950,496

Six months ended 30 June 2018 Attributable to the owners of the Company (unaudited)											
RMB'000	Share capital	Share premium	Merger reserve	Statutory reserves	Other reserve	Revaluation reserve	Share-based compensation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
Balance at 1 January 2018 (previously stated)	68,745	7,822,982	(770,477)	314,421	264,317	947,730	201,795	(2,955,442)	5,894,071	90,435	5,984,506
Adjustment on adoption of HKFRS 9	—	—	—	—	—	—	—	(110,825)	(110,825)	—	(110,825)
Restated balance as at 1 January 2018	68,745	7,822,982	(770,477)	314,421	264,317	947,730	201,795	(3,066,267)	5,783,246	90,435	5,873,681
Total comprehensive loss for the period	—	—	—	—	—	—	—	(1,676,911)	(1,676,911)	(33,687)	(1,710,598)
Balance at 30 June 2018	68,745	7,822,982	(770,477)	314,421	264,317	947,730	201,795	(4,743,178)	4,106,335	56,748	4,163,083

The notes on pages 98 to 120 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

RMB'000	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Cash flows from operating activities		
Cash (used in)/generated from operations	(8,696)	2,810,040
Income tax paid	(77,772)	(148,735)
Interest paid	(522,092)	(929,334)
Net cash (used in)/generated from operating activities	(608,560)	1,731,971
Cash flows from investing activities		
Purchases of property, plant and equipment	(251)	(179)
Payments for the construction of investment properties	(519,123)	(503,932)
Proceeds from disposal of financial asset at fair value through profit or loss	—	250,000
Proceeds from disposal of investment properties	37,566	24,453
Proceeds from disposal of property, plant and equipment	706	190
Proceeds from consideration receivable for disposal of a subsidiary	206,752	—
Interest received	19,604	13,934
Net cash used in investing activities	(254,746)	(215,534)
Cash flows from financing activities		
Proceeds from borrowings	1,073,487	4,489,182
Repayment of borrowings	(267,834)	(2,713,382)
Advances from third parties	72,510	23,545
Repayment to third parties	(53,988)	(18,384)
Changes in restricted cash and deposits	(111,467)	(3,372,128)
Net cash generated from/(used in) financing activities	712,708	(1,591,167)
Net decrease in cash and cash equivalents	(150,598)	(74,730)
Cash and cash equivalents at beginning of the period	342,555	201,420
Exchange gains on cash and bank balances	1	4
Cash and cash equivalents at end of the period	191,958	126,694

The notes on pages 98 to 120 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

1 GENERAL INFORMATION

Glorious Property Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) is principally engaged in the development of real estate projects in the People’s Republic of China (the “PRC”).

The Company is a limited liability company incorporated in the Cayman Islands on 27 July 2007 and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) (Stock Code: 00845). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

This condensed consolidated interim financial information is presented in thousands of units of Renminbi (RMB’000), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board on 27 August 2019.

This condensed consolidated interim financial information has not been audited. This condensed consolidated interim financial information has been reviewed by the Company’s audit committee.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSS”) issued by the HKICPA.

(i) Going concern basis

For the six months ended 30 June 2019, the Group reported a net loss attributable to the owners of the Company of RMB1,364,422,000 (six months ended 30 June 2018: RMB1,676,911,000) and had a net operating cash outflow of RMB608,560,000 (six months ended 30 June 2018: a net operating cash inflow of RMB1,731,971,000). As at 30 June 2019, the Group had accumulated losses of RMB3,905,399,000 (31 December 2018: RMB2,540,977,000) and the Group’s current liabilities exceeded its current assets by RMB8,858,563,000 (31 December 2018: RMB7,307,036,000). As at the same date, the Group’s total borrowings amounted to RMB24,761,182,000 (31 December 2018: RMB23,432,135,000), of which current borrowings amounted to RMB22,365,023,000 (31 December 2018: RMB21,027,214,000). Cash and cash equivalents reduced from RMB342,555,000 as at 31 December 2018 to RMB191,958,000 as at 30 June 2019.

As at 30 June 2019, certain borrowings whose principal amounts of RMB574,000,000 and interest payable amounts of RMB461,864,000, relating to borrowings with a total principal amount of RMB6,644,697,000 (“Overdue Borrowings”) were overdue. And interests of certain borrowings not abovementioned with a total principal amount of RMB3,347,108,000 were overdue in March 2019 but were subsequently settled before 30 June 2019. The entire principal amount of RMB9,991,805,000 would be immediately repayable if requested by the lenders, for which a borrowing of RMB3,089,000,000 with original contractual repayment date beyond 30 June 2020 has been reclassified as current liabilities as at 30 June 2019 (note 8).

As stipulated in the relevant loan and financing agreements in respect of certain borrowings of the Group other than those mentioned above, any default of the Group’s borrowings may result in cross-default of these borrowings. As a result of the above default events, the principal amount of borrowings of RMB6,800,000,000 were considered as cross-default (“Cross-default Borrowings”), for which borrowings of RMB2,400,000,000 with original contractual repayment dates beyond 30 June 2020 have been reclassified as current liabilities as at 30 June 2019 (note 8).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

2 BASIS OF PREPARATION (Continued)

(i) Going concern basis (Continued)

Subsequent to 30 June 2019 and up to the date of this report, the Group did not repay certain principal and interest payments in accordance with the scheduled repayment date of the respective agreement, including (1) principal of RMB2,834,000,000 and interest of RMB134,796,000 relating to the Overdue Borrowings mentioned above; (2) interest of RMB7,744,000 relating to certain of the Cross-default Borrowings with a total principal amount of RMB800,000,000; and (3) principal of RMB40,000,000 and interest of RMB164,210,000 relating to a borrowing with a total principal amount of RMB197,000,000 not abovementioned. The Group is in active negotiation with all of the abovementioned lenders for renewal and extension, and the directors are confident that agreements will be reached in due course.

Because of the aforementioned actions taken, management is confident that the lenders of the borrowings in respect of which there were delay in principal and interest repayments will not enforce their rights of requesting for immediate repayment. Management is also confident that lenders of the cross-default borrowings will not exercise their rights of requesting for immediate repayment under the cross-default provisions.

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but are not limited to, the following:

- (i) The Group has been actively negotiating with a number of commercial banks for renewal and extension of bank loans and credit facilities;
- (ii) In addition, the Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future. Subsequent to the period end and up to the date of approval of these consolidated financial information, loans with aggregate principal amounts of RMB500,000,000 have been successfully obtained;
- (iii) The Group has accelerated the pre-sales and sales of its properties under development and completed properties, including remaining units of property projects and saleable carparks. Overall, the Group expects to gradually launch three major projects upon obtaining the pre-sales permits in the second half of 2019;
- (iv) The Group has implemented measures to speed up the collection of outstanding sales proceeds; and
- (v) The Group will continue to take active measures to control administrative costs through various channels including human resources optimisation and management remuneration adjustments and containment of capital expenditures.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

2 BASIS OF PREPARATION (Continued)

(i) Going concern basis (Continued)

The directors, including members of the audit committee, have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 30 June 2019. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2019. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial information on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

- (i) Successful negotiations with the lenders for the renewal of or extension for repayments beyond 30 June 2020 for those borrowings that (a) are scheduled for repayment (either based on the original agreements or the existing arrangements) in the year subsequent to 30 June 2019; (b) were overdue as at 30 June 2019 because of the Group's failure to repay either the principal or the interests on or before the scheduled repayment dates; and (c) became or might become overdue in the year subsequent to 30 June 2019;
- (ii) Successful obtaining of additional new sources of financing as and when needed;
- (iii) Successfully accelerating the pre-sales and sales of properties under development and completed properties and speeding up the collection of outstanding sales proceeds; and controlling costs and containing capital expenditure so as to generate adequate net cash inflows; and
- (iv) Successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in default, including those with cross-default terms.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those set out in the consolidated financial statements of the Company for the year ended 31 December 2018 as included in the Company's annual report for the year ended 31 December 2018.

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendment)	Long-Term Interests in Associates and Joint Ventures
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
HKFRSs Amendment	Annual Improvements 2015–2017 Cycle

The Group had to change its accounting policies following the adoption of HKFRS 16. For details, please refer to note 3(a). The other amendments listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The preparation of this condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018, with the exception of changes in estimates that are required in determining the provision for income taxes and the adoption of the new and amended standards as set out below.

Taxes on income in the six months ended 30 June 2019 are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Adoption of HKFRS 16

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 3(a)(ii) below.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

3 ACCOUNTING POLICIES (Continued)

(a) Adoption of HKFRS 16 (Continued)

(i) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 10.7%.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	22,634
Discounted using the lessee’s incremental borrowing rate of at the date of initial application	19,236
Add: finance lease liabilities recognised as at 31 December 2018	19,218
Less: short-term leases recognised on a straight-line basis as expense	(5,268)
Lease liability recognised as at 1 January 2019	33,186
Of which are:	
Current lease liabilities	3,455
Non-current lease liabilities	29,731
	33,186

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Notes to the Condensed Consolidated Interim Financial Information

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3 ACCOUNTING POLICIES (Continued)

(a) Adoption of HKFRS 16 (Continued)

(i) Adjustments recognised on adoption of HKFRS 16 (Continued)

The recognised right-of-use assets relate to the following types of assets:

RMB'000	At 30 June 2019	At 1 January 2019
Properties	28,168	30,215
Total right-of-use assets	28,168	30,215

The change in accounting policy affected the following items in the balance sheet on 1 January 2019 summarised as follows:

RMB'000	At 31 December 2018	Adjustments under HKFRS 16	At 1 January 2019
Obligation under finance lease – current	998	(998)	—
Obligation under finance lease – non-current	18,220	(18,220)	—
Lease liabilities – current	—	3,455	3,455
Lease liabilities – non-current	—	29,731	29,731
Property, plant and equipment	54,432	(16,247)	38,185
Right-of-use assets	—	30,215	30,215

There was no impact to the Group's accumulated losses on 1 January 2019 for the adoption of HKFRS 16.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

3 ACCOUNTING POLICIES (Continued)

(a) Adoption of HKFRS 16 (Continued)

(i) Adjustments recognised on adoption of HKFRS 16 (Continued)

Practical expedients applied

In applying HKFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 "Determining whether an Arrangement contains a Lease".

(ii) The Group's leasing activities and how these are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

3 ACCOUNTING POLICIES (Continued)

(a) Adoption of HKFRS 16 (Continued)

(ii) The Group's leasing activities and how these are accounted for (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

4 SEGMENT INFORMATION

The Executive Directors have been identified as the chief operating decision-maker. Management determines the operating segments based on the Group's internal reports, which are submitted to the Executive Directors for performance assessment and resources allocation.

The Executive Directors consider the Group's business from a geographical perspective and assesses the performance of property development in four reportable operating segments, namely Shanghai Region, Yangtze River Delta (excluding Shanghai), Pan Bohai Rim and Northeast China. "Others" segment represents corporate support functions.

The Executive Directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Other information provided, other than those stated below, to the Executive Directors is measured in a manner consistent with that in the condensed consolidated interim financial information.

Total segment assets excluded deferred income tax assets and other unallocated corporate assets. Other unallocated corporate assets represent interest expenses incurred at corporate level which have been capitalised on qualifying assets of the subsidiaries.

Sales between segments are carried out in terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the condensed consolidated statement of comprehensive income.

RMB'000	Shanghai Region	Yangtze River Delta (excluding Shanghai)	Pan Bohai Rim	Northeast China	Others	Total
Six months ended 30 June 2019 (unaudited)						
Revenue						
At a point in time	544,759	90,652	23,039	15,005	—	673,455
Overtime	213,473	—	—	—	—	213,473
Inter-segment revenue	—	—	—	—	—	—
Revenue (from external customers)	758,232	90,652	23,039	15,005	—	886,928
Segment results	259,227	(97,644)	(51,231)	(81,065)	(18,143)	11,144
Depreciation	(3,145)	(58)	(151)	(14)	(5)	(3,373)
Fair value changes of investment properties	(22,954)	(92,195)	(35,096)	(129,086)	—	(279,331)
(Provision for)/reversal of provision for loss allowances of trade and other receivables	(394)	(167)	13	(748)	—	(1,296)
Provision for impairment of properties under development and completed properties held for sale	(2,874)	(114,715)	(283,039)	(72,290)	—	(472,918)
Share-based compensation expenses	—	—	—	—	(50,744)	(50,744)
Interest income	748	169	35	122	5	1,079
Finance costs	(445,500)	(67,265)	(18,845)	(13,597)	(34,495)	(579,702)
Income tax (expenses)/credits	(45,628)	18,193	(13,750)	52,022	—	10,837

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

5 INVESTMENT PROPERTIES

RMB'000	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
At beginning of the period	17,942,046	17,346,646
Additions	519,123	503,932
Disposals	(37,566)	(6,692)
Fair value changes (included in "Other losses, net") (note 11)	(279,331)	(250,523)
At end of the period	18,144,272	17,593,363

The fair value measurement information for these investment properties in accordance with HKFRS 13 "Fair Value Measurement" are given below.

RMB'000	Fair value measurements at 30 June 2019 using		
	Quoted prices in active markets for identical assets (Level 1) (unaudited)	Significant other observable inputs (Level 2) (unaudited)	Significant unobservable inputs (Level 3) (unaudited)
Recurring fair value measurements Investment properties:			
Shops/shopping malls	—	—	3,880,562
Car parks	—	—	211,199
Complexes, including shops, car parks, offices and hotels	—	—	14,052,511

RMB'000	Fair value measurements at 31 December 2018 using		
	Quoted prices in active markets for identical assets (Level 1) (audited)	Significant other observable inputs (Level 2) (audited)	Significant unobservable inputs (Level 3) (audited)
Recurring fair value measurements Investment properties:			
Shops/shopping malls	—	—	3,846,100
Car parks	—	—	211,000
Complexes, including shops, car parks, offices and hotels	—	—	13,884,946

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

6 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

RMB'000	30 June 2019 (unaudited)	31 December 2018 (audited)
Trade receivables due from third parties, net (a)	473,998	496,688
Trade receivables due from third parties	477,584	499,416
Less: provision for loss allowance of trade receivables	(3,586)	(2,728)
Other receivables due from third parties, net (b)	1,108,022	1,139,412
Consideration receivables	174,025	380,777
Others	1,249,535	1,073,735
Less: provision for loss allowance of other receivables	(315,538)	(315,100)
Prepayments for construction costs:	1,319,116	1,106,938
Related parties (note 18(b))	9,161	19,932
Third parties	1,309,955	1,087,006
Prepayments for land premium (c)	1,522,225	1,522,225
Prepaid other taxes	279,900	245,708
	4,703,261	4,510,971

- (a) Trade receivables mainly arose from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements and customers are generally required to settle the receivables within 30 days after the date of signing the sales and purchase agreements.

The ageing analysis of trade receivables at the balance sheet dates based on revenue recognition date is as follows:

RMB'000	30 June 2019 (unaudited)	31 December 2018 (audited)
Within 6 months	35,105	59,917
Between 7 and 12 months	411	427
Over 12 months	442,068	439,072
	477,584	499,416

As at 30 June 2019, trade receivables of RMB477,584,000 (31 December 2018: RMB499,416,000) includes an amount due from a local government authority of RMB422,215,000 (31 December 2018: RMB422,215,000) upon recognising the revenue relating to certain relocation and resettlement housing. The remaining trade receivables relate to certain customers that have a good track record with the Group. Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

6 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) (Continued)

During the year ended 31 December 2017, the Group was involved in a litigation with the aforementioned local government authority over an amount of approximately RMB601 million, associated with a property development project in Shanghai. Instead of owing the Group RMB422,215,000, the local government authority claims that the Group has to pay an amount of RMB179 million. Based on management assessment, apart from having no payment obligation arising from the claimed amount, the Group has sufficient basis to support the full recoverability of the amount due from the local government authority of RMB422,215,000. Accordingly, a counter claim has been filed on 31 July 2017 and no provision has been made by the Group against the above receivable balance as at 31 December 2017. During the year ended 31 December 2018 and the six months period ended 30 June 2019, the management assessment has remained unchanged.

(b)

RMB'000	30 June 2019 (unaudited)	31 December 2018 (audited)
Other receivables due from third parties	1,423,560	1,454,512
Less: provision for loss allowance of other receivables	(315,538)	(315,100)
Other receivables due from third parties, net	1,108,022	1,139,412

As at 30 June 2019 and 31 December 2018, the fair values of the Group's trade and other receivables approximate their carrying amounts. The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

Movement in the Group's provision for loss allowance of other receivables is as follows:

RMB'000	30 June 2019 (unaudited)	31 December 2018 (audited)
At beginning of the period/year (previously stated)	315,100	811,323
Adjustment on adoption of HKFRS 9	—	108,250
At beginning of the period/year (restated)	315,100	919,573
Provision for loss allowance of other receivables	5,284	—
Reversal of provision for loss allowance of other receivables	(4,846)	(314,278)
Write-off of provision for loss allowance of other receivables	—	(290,195)
At end of the period/year	315,538	315,100

(c) As at 30 June 2019, included in prepayments for land premium were prepayment of RMB640,636,000 (31 December 2018: RMB640,636,000) as an initial development prepayment made to the government agency in respect of several land use rights located in the PRC. Based on the agreements signed between the Group and the government agency, the above prepayment will be offset with the land acquisition cost if the Group acquires the land use right through winning in public tender, auction and listing-for-sale process in the future. The prepayment is refundable in case of failure in the auction.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

7 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised:					
Ordinary shares of HK\$0.01 each at 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	38,000,000,000	380,000			
Issued and fully paid:					
Ordinary shares of HK\$0.01 each at 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	7,792,645,623	77,926	68,745	7,822,982	7,891,727

8 BORROWINGS

RMB'000	30 June 2019 (unaudited)	31 December 2018 (audited)
Borrowings included in non-current liabilities:		
Bank borrowings — secured	2,396,159	2,404,921
	2,396,159	2,404,921
Borrowings included in current liabilities:		
Bank borrowings — secured (a)	21,374,480	20,055,904
Other borrowings — unsecured (b)	868,695	822,761
Other borrowings — secured	121,848	148,549
	22,365,023	21,027,214
Total borrowings	24,761,182	23,432,135

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

8 BORROWINGS (Continued)

The maturities of the Group's total borrowings at the respective balance sheet dates are as follows:

RMB'000	30 June 2019 (unaudited)	31 December 2018 (audited)
Amounts of borrowings that are repayable:		
On demand or within 1 year (a)	22,365,023	21,027,214
After 1 and within 2 years	22,909	22,542
After 2 and within 5 years	2,370,950	2,378,829
After 5 years	2,300	3,550
	24,761,182	23,432,135

- (a) The current bank borrowings included borrowings with principal amounts of RMB5,489,000,000 with original maturity beyond 30 June 2020 which have been reclassified as current liabilities as at 30 June 2019 as a result of the matters described in note 2(i).

Management estimates that after taking the measures as set out in note 2(i) above and with its endeavours to ensure that there will be no further delay in repayment of principal and interest, the repayment dates of these reclassified borrowings could be reverted to their respective original repayment dates which are all beyond 30 June 2020.

- (b) As at 30 June 2019, short-term borrowings from third parties of RMB868,695,000 (31 December 2018: RMB822,761,000) are unsecured, interest-bearing and are repayable within one year from the date of drawdown.

9 TRADE AND OTHER PAYABLES

RMB'000	30 June 2019 (unaudited)	31 December 2018 (audited)
Trade payables (a):	3,523,067	3,798,211
Related parties (note 18(b))	15,409	15,409
Third parties	3,507,658	3,782,802
Other payables due to third parties and accrued expenses (b)	1,028,325	1,093,050
Other taxes payable	496,494	441,804
	5,047,886	5,333,065

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

9 TRADE AND OTHER PAYABLES (Continued)

(a) The ageing analysis of trade payables at the respective balance sheet dates is as follows:

RMB'000	30 June 2019 (unaudited)	31 December 2018 (audited)
Within 6 months	1,792,886	1,762,095
Between 7 and 12 months	308,963	792,774
Over 12 months	1,421,218	1,243,342
	3,523,067	3,798,211

(b) All other payables due to third parties are unsecured, interest free and repayment on demand.

10 OTHER INCOME

RMB'000	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Rental income	16,570	19,686
Others	2,359	14,389
	18,929	34,075

11 OTHER LOSSES, NET AND (PROVISION FOR)/REVERSAL OF PROVISION FOR LOSS ALLOWANCES OF TRADE AND OTHER RECEIVABLES, NET

RMB'000	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Other loss, net	(284,048)	(233,272)
Fair value changes of investment properties	(279,331)	(250,523)
Exchange losses, net	(4,717)	(510)
Gain on disposal of investment properties	—	17,761
(Provision for)/reversal of provision for loss allowance of trade and other receivables, net	(1,296)	20,809
Provision for loss allowance of trade receivables	(1,374)	—
Reversal of provision for loss allowance of trade receivables	516	969
Provision for loss allowance of other receivables	(5,284)	(4,660)
Reversal of provision for loss allowance of other receivables	4,846	24,500
	(285,344)	(212,463)

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

12 EXPENSES BY NATURE

Loss before taxation is stated after charging the following:

RMB'000	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Advertising costs	8,705	15,827
Taxes and other levies	12,815	96,102
Costs of properties sold	565,497	1,201,653
Provision for impairment of properties under development and completed properties held for sale	472,918	457,892
Depreciation		
Property, plant and equipment	1,325	2,566
Right-of-use assets	2,048	—
Staff costs — excluding directors' emoluments	65,551	54,943
Share-based compensation expenses (a)	50,744	—
Rental expenses	5,827	11,634

(a) Share-based compensation expenses

Share option scheme

Pursuant to a resolution in writing passed by all the shareholders of the Company on 9 September 2009, the Company adopted a share option scheme on 9 September 2009 (the "Share Option Scheme"). On 4 February 2019, the Company resolved to grant 632,388,000 share options to eligible participants (the "Grantees"), including employees, to subscribe for a total of 632,388,000 ordinary shares of HK\$0.01 each in the share capital of the Company under the Share Option Scheme. A total of 2,393,000 share options granted was not accepted by the Grantees within the required acceptance period under the Share Option Scheme. The accepted 629,995,000 share options may be exercisable at any time during the option period from 4 February 2019 to 3 February 2024 (both dates inclusive) at an exercise price of HK\$0.45 per share. Unless with the prior written consent of the Board, at any time during a period of six months from the date of the allotment and issue of the shares pursuant to exercise of the share options by the Grantee, the Grantee shall not dispose of, nor enter into any agreement to dispose of, the shares subscribed pursuant to the exercise of the share options.

The fair value of the services received from eligible participants in exchange for the grant of the share options is recognised as an expense, with a corresponding adjustment to share-based compensation reserve in vested period. There was no share-based compensation expenses for the six months ended 30 June 2018.

Each share option gives the holder the right to subscribe for one ordinary share of the Company.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

12 EXPENSES BY NATURE (Continued)

(a) Share-based compensation expenses (Continued)

Share option scheme (Continued)

Details of Share Option Scheme during the six months ended 30 June 2019 is as follows:

Grantees	At 1 January 2019	Share option granted	At 30 June 2019
Employees	—	174,519,000	174,519,000
Suppliers	—	455,476,000	455,476,000
	—	629,995,000	629,995,000

All of the outstanding share options as at 30 June 2019 were exercisable and will expire by 3 February 2024.

The estimated fair values of the share options granted in 2019 determined using the Binomial option pricing model was RMB50,744,000. The significant inputs to the model were as follows:

Assumptions	
Volatility	43.38%
Dividend yield	0%
Annual risk-free rate	1.67%
Expected option life	5 years

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the past three years of similar listed companies.

On 23 July 2019, the Company resolved to grant 26,397,000 share options to eligible participants to subscribe for a total of 26,397,000 ordinary shares of HK\$0.01 each in the share capital of the Company under the Share Option Scheme. Among the share options granted, 22,367,000 share options were granted to the directors of the Company. The accepted 26,397,000 share options may be exercisable at any time during the option period from 23 July 2019 to 22 July 2024 (both dates inclusive) at an exercise price of HK\$0.45 per share. Unless with the prior written consent of the Board, at any time during a period of six months from the date of the allotment and issue of the shares pursuant to exercise of the share options by the aforesaid eligible participants, they shall not dispose of, nor enter into any agreement to dispose of, the shares subscribed pursuant to the exercise of the share options.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

13 FINANCE COSTS, NET

RMB'000	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Finance income		
— Interest income	1,079	—
Finance costs		
— Interest expenses		
Bank borrowings	(1,295,996)	(1,620,078)
Senior Notes due 2018	—	(57,701)
Others	(19,741)	(16,249)
Total interest expenses	(1,315,737)	(1,694,028)
Less: interest capitalised on qualifying assets	736,035	784,120
Finance cost expensed	(579,702)	(909,908)
Finance cost, net	(578,623)	(909,908)

14 INCOME TAX CREDITS/(EXPENSES)

RMB'000	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Current income tax credits/(expenses):		
PRC corporate income tax	97,170	(208,185)
PRC land appreciation tax	(133,405)	(406,016)
	(36,235)	(614,201)
Deferred income tax credits:		
Origination and reversal of temporary differences	47,072	49,816
	47,072	49,816
	10,837	(564,385)

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

15 LOSS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Loss attributable to the owners of the Company (RMB'000)	(1,364,422)	(1,676,911)
Weighted average number of ordinary shares in issue (thousands)	7,792,646	7,792,646

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For each of the six months ended 30 June 2018 and 2019, the Company's share options had no dilutive effect, as the relevant exercise price was higher than the average market price of the Company's shares for the period when the options are outstanding.

16 DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

17 CAPITAL COMMITMENTS

As at 30 June 2019 and 31 December 2018, the Group had capital commitments as follows:

RMB'000	30 June 2019 (unaudited)	31 December 2018 (audited)
Contracted but not provided for:		
Land use rights	545,736	545,736
Property development expenditures	3,362,742	3,670,311
— Shanghai Ditong (a)	3,083,843	3,086,125
— Third parties	278,899	584,186
Construction materials	454,745	124,902
	4,363,223	4,340,949

- (a) The proposed annual caps for the continuing connected transactions with Shanghai Ditong Construction (Group) Co., Ltd. ("Shanghai Ditong"), a company controlled by close family member of the ultimate controlling party of the Company, for the three years ending 31 December 2018, 2019 and 2020 were not approved by the independent shareholders in the extraordinary general meetings on 28 December 2017, 21 March 2018 and 12 November 2018 respectively. The Group is in the process of revisiting its construction plan and will cancel or significantly scale down the contracts with Shanghai Ditong so as to reduce the amounts of transactions with Shanghai Ditong to a level that complies with the Listing Rules. The amount disclosed above represents the contracted amount before any revision or cancellation, as the detailed arrangement is yet to be finished. Shanghai Ditong has agreed that it would not seek compensation from the Group for breaching these contracts.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

18 RELATED PARTY TRANSACTIONS

As at 30 June 2019, Best Era International Limited, Market Victor Limited, Novel Ventures Limited, Island Century Limited and Well Advantage Limited held, in aggregate, 68.4% of the issued share capital of the Company. These five companies are all wholly-owned directly or indirectly by Mr. Zhang Zhi Rong, The remaining 31.6% of the Company's issued shares are widely held. The ultimate controlling party of the Company is Mr. Zhang Zhi Rong.

The following transactions were carried out with related parties:

(a) Purchase of services

RMB'000	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Purchase of construction services from:		
Shanghai Ditong	73,807	80,190
Purchase of property design services from an associate	—	1,142

(b) Balances with related parties

As at 30 June 2019 and 31 December 2018, the Group had the following significant balances with related parties:

RMB'000	30 June 2019 (unaudited)	31 December 2018 (audited)
Balances included in current assets:		
Prepayments to related companies for construction costs or purchase of services — included in "Prepayments"		
Shanghai Ditong	6,386	17,157
Other related companies	2,775	2,775
	9,161	19,932
Balances included in current liabilities:		
Amount due to a joint venture	353,029	353,029
Trading balances with other related companies — included in "Trade payables"	15,409	15,409

Except for the loan to a joint venture included in interest in a joint venture, as at 30 June 2019 and 31 December 2018, all other balances with related parties were unsecured, interest free and repayable on demand or to be settled according to the relevant trading terms, as appropriate.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

18 RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensation

RMB'000	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Salaries and other short-term employee benefits	1,309	1,319
	1,309	1,319

19 FINANCIAL GUARANTEES

The Group has arranged bank financing for certain purchasers of its property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees will be terminated upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of one to two years upon the completion of guarantee registration; or (ii) the full repayment of mortgaged loan by the purchasers of properties. Pursuant to the terms of the guarantees, in the case of default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over possession of the relevant properties. The Group's guarantee period starts from the dates of grant of the mortgages. As at 30 June 2019, the amount of outstanding guarantees for the related mortgages were approximately RMB4,460,979,000 (31 December 2018: RMB4,655,713,000).

The Directors consider that the likelihood of default in payments by purchasers is minimal and as the Group is entitled to retain the ownership of the properties, the valuation of which is significantly higher than the guaranteed amounts, the financial guarantees measured at fair value is immaterial.

20 CONTINGENT LIABILITIES

As disclosed in note 6(a), the Group has been involved in a litigation raised by the local government authority in Shanghai. The management of the Group had performed assessment on the litigation and filed a counter claim in July 2017. The details of the claimed amount and assessment of the management of the Group are disclosed in note 6(a).

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