恒盛地產
GLORIOUS PROPERTY

Annual Report 2019

築・極致人生

The Ultimacy of Life

GLORIOUS PROPERTY HOLDINGS LIMITED

Stock Code: 00845

(Incorporated in the Cayman Islands with limited liability)

Contents

Corporate Information and Key Dates

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)*
Prof. Liu Tao
Mr. Xia Jing Hua

FINANCE COMMITTEE

Mr. Ding Xiang Yang
Mr. Xia Jing Hua

COMPANY SECRETARY

Mr. Cheng Ka Hang, Francis

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest
Entity Auditor

LEGAL ADVISERS

Paul Hastings
Commerce and Finance Law Offices
Conyers Dill & Pearman

PRINCIPAL BANKERS

China Minsheng Banking Corp., Ltd.
Bank of Shanghai
Bank of Dalian
Bank of Nanjing

REGISTERED OFFICE

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Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2202, 22/F
China Evergrande Centre
38 Gloucester Road
Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN PRC

No. 88, Lane 777
Yuandong Road
Fengxian
Shanghai, China

Corporate Information and Key Dates

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

CONTACT

Investor Relations Department
Glorious Property Holdings Limited
Room 2202, 22/F
China Evergrande Centre
38 Gloucester Road
Wanchai
Hong Kong
Telephone: (852) 3101 4888
Facsimile: (852) 3101 4688
Email: ir@gloriousphl.com.cn

KEY DATES

Closure of Register of Members
19 June 2020 to 24 June 2020

Annual General Meeting
24 June 2020

CHOICE OF LANGUAGE OR MEANS OF RECEIPT OF CORPORATE INFORMATION

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

(i) wish to receive a printed copy; or

(ii) 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.

WEBSITE:

http://www.gloriousphl.com.cn

STOCK CODE:

00845

Management Discussion and Analysis
Annual Highlights

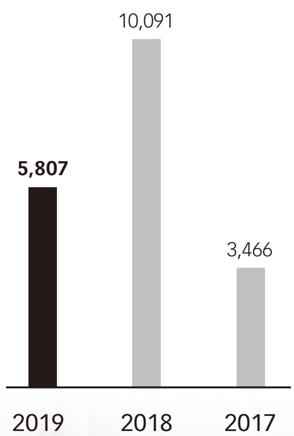
ANNUAL HIGHLIGHTS

- In 2019, the Group recorded a revenue of RMB5,806.7 million and the delivered gross floor area ("GFA") was 213,445 sq.m.
- In 2019, the Group achieved property sales of RMB6,732.9 million and the GFA sold was 434,032 sq.m.
- In 2019, the Group recorded a loss attributable to the owners of the Company of RMB957.1 million
- As at 31 December 2019, total borrowings was RMB25,247.0 million and gearing ratio was 399.7%
- As at 31 December 2019, the Group had a total land bank of 6.95 million sq.m. and the average land cost was RMB1,579 per sq.m.

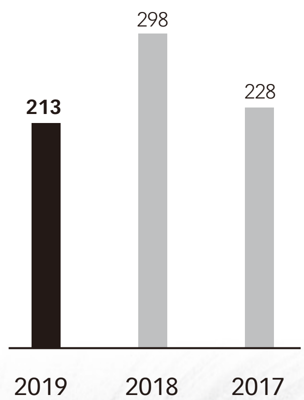
RESULTS HIGHLIGHTS

	2019	2018
Revenue *(RMB'000)*	**5,806,661**	10,091,039
GFA sold and delivered *(sq.m.)*	**213,445**	297,968
Gross profit *(RMB'000)*	**121,887**	5,329,264
(Loss)/profit attributable to the owners of the Company *(RMB'000)*	**(957,065)**	525,290
Basic (loss)/profit per share attributable to the owners of the Company *(RMB per share)*	**(0.12)**	0.07

Revenue
RMB (million)



GFA sold and delivered
('000 sq.m.)

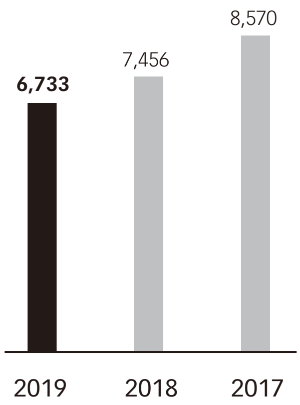


Management Discussion and Analysis
Annual Highlights

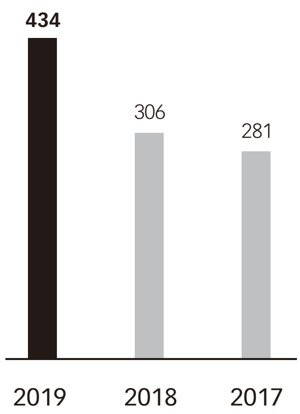
BUSINESS INFORMATION HIGHLIGHTS

	2019	2018
Property sales *(RMB'000)*	**6,732,891**	7,456,454
GFA sold *(sq.m)*	**434,032**	305,785
Total land bank *(sq.m.)*	**6,950,139**	7,482,711
Average land cost *(RMB per sq.m.)*	**1,579**	1,822

Property sales
RMB (million)



GFA sold
('000 sq.m.)



OTHER KEY FINANCIAL INFORMATION

RMB'000	**2019**	2018
Total assets	**52,437,992**	51,489,172
Total liabilities	**(46,916,591)**	(45,225,116)
Total equity	**5,521,401**	6,264,056
Current borrowings	**25,235,997**	21,027,214
Non-current borrowings	**11,050**	2,404,921
Total borrowings	**25,247,047**	23,432,135
Gearing ratio[1]	**399.7%**	317.8%

Note:

(1) Gearing ratio is calculated as net debt (calculated as total borrowings less cash and bank balances) divided by total equity attributable to the owners of the Company.

Management Discussion and Analysis
Market Review

MARKET REVIEW

The global economy maintained at a low-to-medium-speed growth of around 3% in 2019 and continuously picked up. The US trade protectionism led to underperforming growth in international trade and investment, and factors including turbulence in some countries restricted the global economic growth, causing insufficient global demand. When the global economy faced various challenges, China kept deepening the structural and cyclical reform to promote the establishment of a diversified international monetary system and strengthen economic and grade cooperation and policy coordination. This allowed the fundamentals for China's sound and stable economic development and the long-term stability momentum to remain unchanged.

Under such circumstances, the real estate market stabilised in 2019. The overall tone of policies was to keep the real estate market stable and city-specific approach was adopted. Tight financing regulation and tough home purchase restrictions were still the main themes of the real estate policies. In addition, with the differentiation of regional market conditions, the further deepening of policies for various cities in 2019 achieved positive results.

The government insisted that "houses should be for living in, not for speculation". The government did not regard real estate as a short-term stimulus for the economy. It tightened policies on the real estate market multiple times and further implemented a long-acting management mechanism for the market. On the other hand, efforts were made to promote the healthy and orderly development of the real estate market.

New home prices showed a stable trend in 2019. New home prices in the first-tier cities went up slightly thanks to supply and demand improvement and a low base, while prices continued seeing a slowdown in the second-, third- and fourth-tier cities. In particular, cities with a rapid price increase in the early stage and weak support from population began to come under pressure of adjustment. The proportion of sales of low- and mid-priced houses to the total sales in the first-tier cities was on the rise, and citizens' demand for housing replacement in the second- and third-tier cities continued unabated, with demand for housing improvement released steadily. In the meantime, under purchase and loan restrictions and other policies, investment demand decreased significantly, transactions of large products fell and sales pressure increased.

The Group, which closely pays attention to the changes in the real estate industry, arranged the work about house construction, sales and payment collection for property projects under the principle of "highlighting priorities, giving guidance accordingly, and varying strategies for different regions" and according to the development planning of various cities. It increased the strength and breadth of marketing to get back the house payment, showing the overall competitive advantage. In terms of construction projects, the Group continued making use of mechanisms to establish system thinking, in order to find the sales timing for its projects and promote the construction progress of houses to be delivered. The Group coordinated various projects and conducted centralised management in stages to shorten the management radius and to improve management efficiency. Facing the dual pressure from market adjustment and tight liquidity, the Group, on one hand, stepped up efforts on financial and risk control to ensure that the business development matches its strength, and on the other hand, improved compliance awareness and strengthened compliance to prevent systemic risks in real estate.

The Group still centred on its major objectives of "debt reduction, structure adjustment" to arrange its work last year. Its contracted property sales in 2019 remained flat with those recorded in the previous year, which was largely because of the government's tight regulation on real estate finance and strict control over the issuance of presale certificates for high-end properties. Therefore, the sale of some projects was postponed, which resulted in the delay of house payment and a decline in received money. However, the Group responded positively and enhanced communication with financial institutions and government departments to ensure the safe use of cash flow, but there was still a shortage of funds. The Group will further improve assets operation and management capabilities, and enhance the management of operating cash flow and supplement operating cash flow.

Management Discussion and Analysis
Business Review

BUSINESS REVIEW

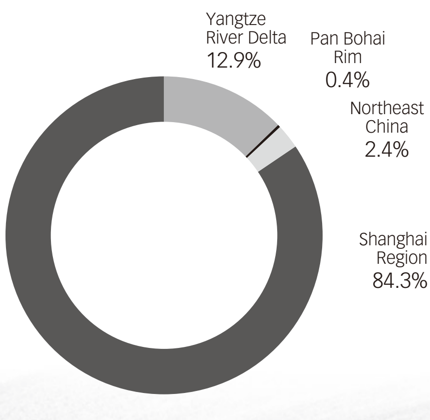
I. Revenue

For the year ended 31 December 2019, the Group recorded a consolidated revenue of RMB5,806.7 million, representing a decrease of 42.5% from RMB10,091.0 million in 2018. The sold and delivered GFA decreased by 28.4% to 213,445 sq.m. in 2019 from 297,968 sq.m. in 2018. The average selling price recognised decreased by 33.0% to RMB22,707 per sq.m. in 2019 from RMB33,866 per sq.m. in 2018.

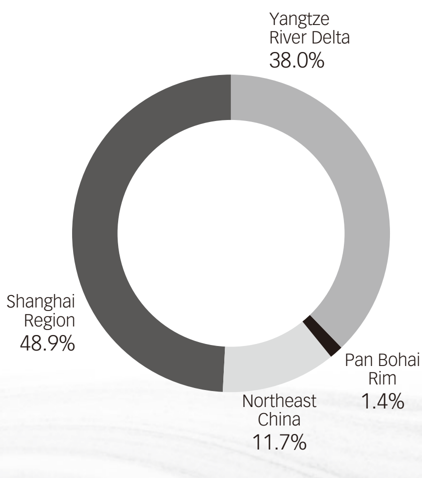
In 2019, the Group recognised revenue (including revenue from property sales and interior decoration) from a total of 20 projects. Eight projects located in the first-tier cities (Shanghai and Beijing) accounted for 84.3% of the Group's total revenue while the other 12 projects located in the second- and third-tier cities accounted for 15.7% of the total revenue. In 2019, 84.3% of the revenue was contributed by projects in the Shanghai Region, 12.9% by projects in the Yangtze River Delta (excluding Shanghai), 0.4% by projects in the Pan Bohai Rim and 2.4% by projects in Northeast China.

In 2019, the Group's completed and delivered properties were substantially located in Shanghai Region. The largest delivered project for the current year were properties from the Holiday Royal project in Shanghai Fengxian District, at where the average selling price was much lower than the delivered properties from Shanghai Bay in Shanghai Xuhui District for 2018. At the same time, as there was a larger proportion of sold and delivered properties that were located in the Yangtze River Delta (excluding Shanghai) and Northeast China, thus causing the Group's overall average recognised selling price to decrease from RMB33,866 per sq.m. in 2018 to RMB22,707 per sq.m. in 2019. Projects in Shanghai Region contributed 84.3% and 48.8% to the Group's total recognised revenue (including revenue from property sales and interior decoration) and sold and delivered GFA, respectively. In the second half of 2019, Holiday Royal project in Shanghai Fengxian was completed and delivered GFA of more than 73,000 sq.m., which contributed RMB2,558.7 million to the Group's revenue for 2019 at average selling price close to RMB35,000 per sq.m.. In addition, Shanghai Bay in Shanghai continued to sell the remaining units and car park units in 2019, giving rise to recognised revenue (excluding revenue from interior decoration of properties) of RMB1,124.1 million and RMB145.5 million, respectively, and average selling price of property sales was more than RMB100,000 per sq. m.. For the Yangtze River Delta, Hefei Bashangjie Project further completed and delivered another phase of properties and car park units of approximately 61,400 sq.m., which contributed RMB609.0 million to the Group's revenue for 2019. Apart from the projects in the Shanghai Region and the Yangtze River Delta, the projects of the other two regions of the Group, including the Pan Bohai Rim and Northeast China, only have remaining units for sale in 2019, thus their combined revenue and sold and delivered GFA only represented 2.8% and 13.1% of the Group's total revenue and sold and delivered GFA for the year respectively.

Percentage of Revenue by Region in 2019



Percentage of GFA sold and delivered by region in 2019



BUSINESS REVIEW (Continued)

I. Revenue (Continued)

Projects sold and delivered in 2019 and 2018 included:

Property projects	City	2019 Revenue (RMB'000)	2019 GFA sold and delivered (sq.m.)	2019 Average selling price recognised (RMB per sq.m.)	2018 Revenue (RMB'000)	2018 GFA sold and delivered (sq.m.)	2018 Average selling price recognised (RMB per sq.m.)
Sunshine Venice	Shanghai	**2,238**	**224**	**9,991**	31,138	3,264	9,540
Shanghai Bay	Shanghai	**1,269,914**	**20,906**	**60,744**	7,204,110	72,678	99,124
Shanghai City Glorious	Shanghai	**47,667**	**3,429**	**13,901**	2,198,352	93,000	23,638
Chateau De Paris	Shanghai	**21,287**	**978**	**21,766**	6,785	396	17,134
Shanghai Park Avenue	Shanghai	**1,642**	**297**	**5,529**	—	—	N/A
Royal Lakefront	Shanghai	**31,564**	**5,080**	**6,213**	6,613	2,592	2,551
Holiday Royal	Shanghai	**2,558,654**	**73,336**	**34,889**	—	—	N/A
Sunshine Bordeaux	Beijing	**3,950**	**357**	**11,064**	—	—	N/A
Sunshine Holiday	Tianjin	**20,360**	**2,613**	**7,792**	214,785	20,623	10,415
No.1 City Promotion	Wuxi	**17,806**	**2,908**	**6,123**	30,125	5,755	5,235
Nantong Villa Glorious	Nantong	**11,116**	**1,999**	**5,561**	53,911	10,447	5,160
Nantong Royal Bay	Nantong	**90,289**	**9,432**	**9,573**	101,235	10,123	10,000
Nantong Glorious Chateau	Nantong	**13,884**	**1,816**	**7,645**	—	—	N/A
Hefei Villa Glorious	Hefei	**—**	**—**	**N/A**	267	94	2,840
Hefei Bashangjie Project	Hefei	**609,021**	**61,406**	**9,918**	152	100	1,520
Hefei Royal Garden	Hefei	**6,695**	**3,637**	**1,841**	2,707	1,093	2,477
Sunny Town	Shenyang	**4,228**	**1,412**	**2,994**	38,697	5,280	7,329
Harbin Villa Glorious	Harbin	**10,164**	**1,347**	**7,546**	1,518	332	4,572
Harbin Royal Garden	Harbin	**2,270**	**437**	**5,195**	15,934	3,117	5,112
Changchun Villa Glorious	Changchun	**123,327**	**21,718**	**5,679**	183,475	68,641	2,673
Dalian Villa Glorious	Dalian	**557**	**113**	**4,929**	1,235	433	2,852
Sub-total		**4,846,633**	**213,445**	**22,707**	10,091,039	297,968	33,866
Interior decoration for properties sold:							
Shanghai Bay	Shanghai	**960,028**			—		
Total		**5,806,661**			10,091,039		

BUSINESS REVIEW (Continued)

II. Property Sales

In 2019, the Group achieved property sales of RMB6,732.9 million, representing a YOY decrease of 9.7%. The GFA sold was 434,032 sq.m., representing a YOY increase of 41.9%.

During the year, the Group's achieved a more balanced distribution of property sales amount among the four regions, while the GFA sold was more skewed to Northeast China and Yangtze River Delta (excluding Shanghai). During 2019, projects in the Pan Bohai Rim contributed the most significant amount of property sales to the Group, total amounting RMB2,285.6 million. It mainly comprised of property sales which mainly came from the new launch of properties from Royal Mansion project in Beijing, with sales amount of RMB2,281.3 million and GFA of approximately 28,000 sq.m., giving average selling price of approximately RMB82,000 per sq.m.. Another project with new launch of properties was Changchun Villa Glorious in the Northeast China, which recorded property sales of RMB1,549.1 million for the entire year. For Shanghai Region, Shanghai Bay in Shanghai continued to bring to the Group of property sales of RMB1,061.0 million, which ranked within the Group's top three projects for the current year. For Yangtze River Delta, a number of projects within the region sped up to sell the remaining property units and car park units and contributed property sales of aggregate amount of RMB1,588.4 million.

During the year ended 31 December 2019, the Group's overall average selling price was RMB15,512 per sq.m., which was 36.4% lower than RMB24,385 per sq.m. for 2018, mainly because current year's GFA sold were concentrated in Northeast China and Yangtze River Delta, at where average selling prices are lower. At the same time, the Group's effort to sell the car park units also lowered the overall average selling price.

Property sales for 2019 from the first-tier cities (Shanghai and Beijing) and second- and third-tier cities amounted to RMB3,566.0 million and RMB3,166.9 million respectively, which accounted for 53.0% and 47.0% of the Group's total property sales for 2019 respectively.

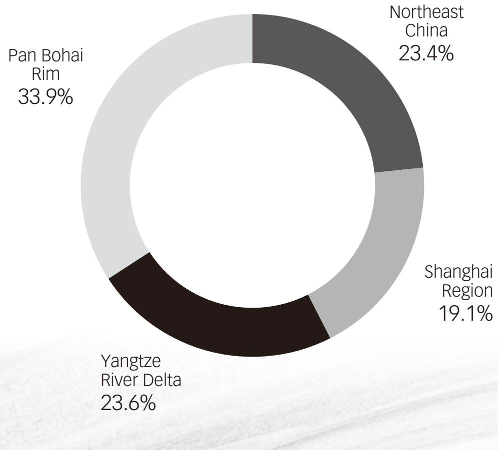
Property sales and GFA sold by region in 2019 and 2018 were as follows:

Region	Property sales *(RMB'000)*			GFA sold *(sq.m.)*		
	2019	2018	Change (%)	**2019**	2018	Change (%)
Shanghai Region	**1,284,680**	3,868,532	–66.8%	**35,654**	100,117	–64.4%
Yangtze River Delta[(2)]	**1,588,380**	3,033,387	–47.6%	**175,959**	136,065	29.3%
Pan Bohai Rim	**2,285,582**	40,671	5,519.7%	**28,201**	4,378	544.2%
Northeast China	**1,574,249**	513,864	206.4%	**194,218**	65,225	197.8%
Total	**6,732,891**	7,456,454	–9.7%	**434,032**	305,785	41.9%

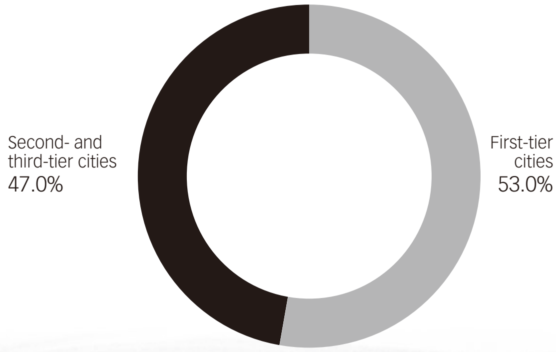
Note:

(2) Includes property sales attributable to a joint venture for all years presented.

Percentage of property sales by region in 2019

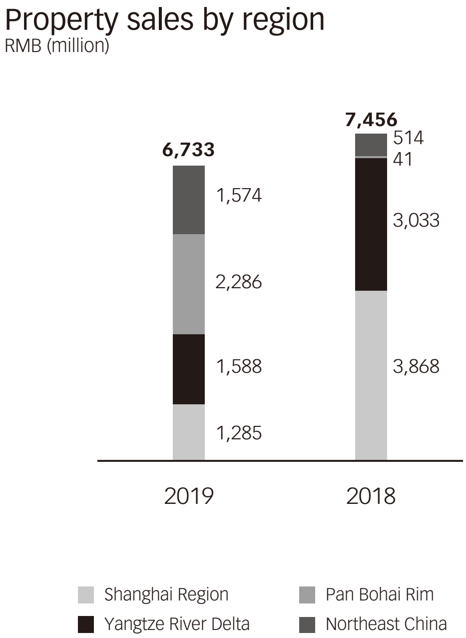


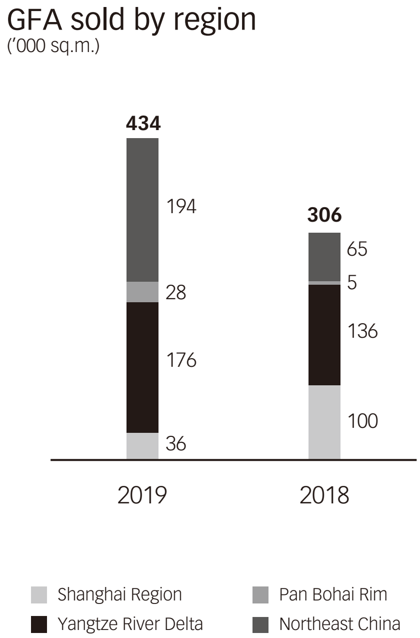
Percentage of property sales in first-, second- and third-tier cities in 2019



BUSINESS REVIEW (Continued)

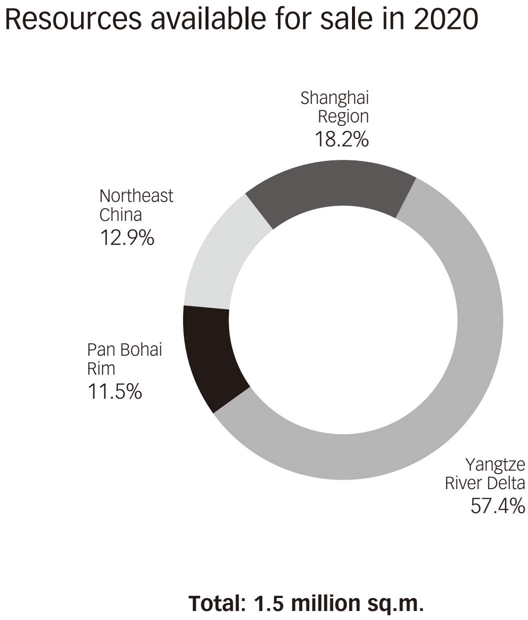
II. Property Sales (Continued)





In 2020, the Group expects to launch properties from 11 projects to the market for sale with a saleable GFA of approximately 1.5 million sq.m..

Shanghai Region, Yangtze River Delta, Pan Bohai Rim and Northeast China account for 18.2%, 57.4%, 11.5% and 12.9% respectively of the Group's saleable GFA which are expected to be available for sale in 2020.



BUSINESS REVIEW (Continued)

II. Property Sales (Continued)

Details of the projects which are expected to be available for sale in 2020 are as follows:

City		Project	Saleable GFA *(sq.m.)*	Interests attributable to the Group
Shanghai Region				
1	Shanghai	Shanghai Bay	158,640	100%
2	Shanghai	Holiday Royal	42,835	100%
3	Shanghai	Sunshine Venice	71,781	100%
	Subtotal		273,256	
Yangtze River Delta				
4	Nanjing	Nanjing Royal Bay	26,060	60%
5	Nantong	Nantong Glorious Chateau	222,676	100%
6	Nantong	Nantong Royal Bay	326,025	100%
7	Hefei	Hefei Bashangjie Project	184,173	100%
8	Wuxi	No.1 City Promotion	100,588	100%
	Subtotal		859,522	
Pan Bohai Rim				
9	Beijing	Royal Mansion	22,145	100%
10	Tianjin	Tianjin Royal Bay Seaside	150,332	100%
	Subtotal		172,477	
Northeast China				
11	Changchun	Changchun Villa Glorious	192,484	100%
	Subtotal		192,484	
Total			**1,497,739**	

BUSINESS REVIEW (Continued)

III. Construction and Development

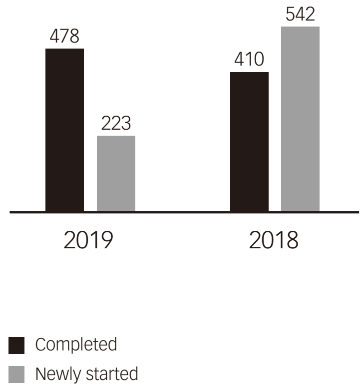
In 2019, the total GFA completed by the Group was approximately 478,000 sq.m. and approximately 223,000 sq.m. was added to the new construction area. As at 31 December 2019, the Group had projects with a total area under construction of 2.6 million sq.m..

IV. Land Bank

The Group maintained a prudent investment strategy in acquiring land and acquired new land based on the condition of cash flow and financial resources.

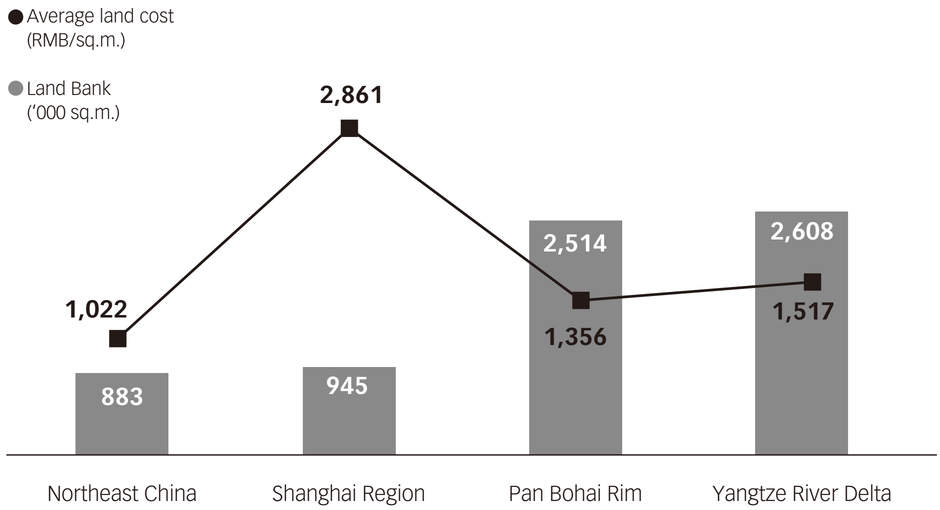
The Group did not acquire any new land parcel during 2019.

GFA completed/newly started
('000 sq.m.)



Distribution of land bank by region as at 31 December 2019 was as follows:

Distribution of land bank by region



As at 31 December 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 6.95 million sq.m. and the average land cost was RMB1,579 per sq.m.. The relatively low-cost land bank provided the Group with a strong guarantee in maintaining its sustainable development and generating higher profit margins in the future.

The Group's land bank was evenly distributed over first-, second- and third-tier cities, of which 15.1% was in first-tier cities and 84.9% in second- and third-tier cities.

BUSINESS REVIEW (Continued)

IV. Land Bank (Continued)

Details of land bank by project as at 31 December 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%
	Subtotal				944,529	2,861	
Yangtze River Delta							
7	Nantong Glorious Chateau	Nantong	New District, Rugao Port Zone	Residential and commercial	869,029	322	100%
8	Nantong Glorious Plaza	Nantong	New District	Hotel, office and commercial	299,504	348	70%
9	Nantong Royal Bay	Nantong	Chongchuan District	Residential, office and commercial	418,082	4,719	100%
10	No.1 City Promotion	Wuxi	Wuxi New District	Residential and commercial	68,709	679	100%
11	Hefei Bashangjie Project	Hefei	Yaohai District	Residential, hotel, office and commercial	795,487	881	100%
12	Hefei Royal Garden	Hefei	Luyang District	Residential, hotel and commercial	20,000	1,207	100%
13	Nanjing Royal Bay	Nanjing	Gulou District	Residential and commercial	137,567	6,013	60%
	Subtotal				2,608,378	1,517	

BUSINESS REVIEW (Continued)

IV. Land Bank (Continued)

	Project	City	Location	Use	Land bank *(sq.m.)*	Average land cost *(RMB per sq.m.)*	Interests attributable to the Group
Pan Bohai Rim							
14	Tianjin Royal Bay Seaside	Tianjin	Dagang District	Residential, hotel and commercial	841,727	1,396	100%
15	Tianjin Royal Bay Lakeside	Tianjin	Tuanbohu District	Residential and commercial	1,567,303	1,225	70%
16	Royal Mansion	Beijing	Haidian District	Residential and commercial	90,406	3,395	100%
17	Sunshine Bordeaux	Beijing	Daxing District	Residential and commercial	14,522	493	100%
	Subtotal				2,513,958	1,356	
Northeast China							
18	Sunny Town	Shenyang	Yuhong District	Residential and commercial	120,023	1,133	100%
19	Changchun Villa Glorious	Changchun	New and High-tech District	Residential and commercial	763,251	1,004	100%
	Subtotal				883,274	1,022	
Total					**6,950,139**	**1,579**	

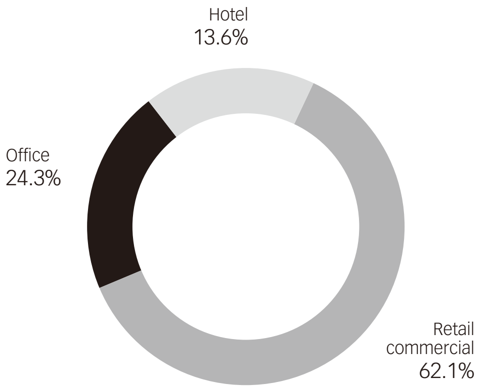
BUSINESS REVIEW (Continued)

V. Development of Commercial Properties

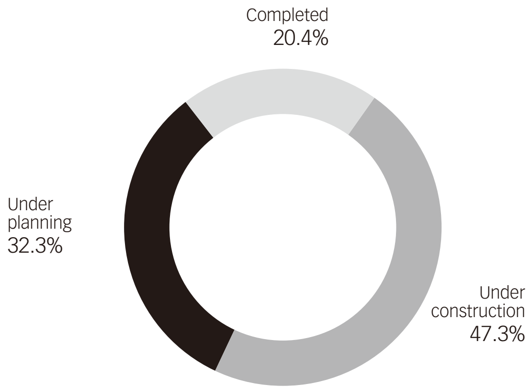
The Group will steadily foster the development of its commercial properties. As at 31 December 2019, the Group has total GFA of 2.6 million sq.m. is planned for the development of commercial properties, of which approximately 539,000 sq.m. of commercial properties were completed by the Group, and around 1,246,000 sq.m. of commercial property projects are still under construction.

As at 31 December 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 the ownership of most of the commercial properties to secure stable rental income.

Type of commercial properties



Development stages of commercial properties



Total GFA of 2.6 million sq.m. is planned for commercial properties

Major commercial projects under construction are as follows:

City	Project	Property type	GFA *(sq.m.)*
Shanghai	Shanghai Bay	Commercial and office	279,698
Shanghai	Caohejing Project	Office	115,031
Wuxi	No. 1 City Promotion	Commercial	7,103
Nantong	Nantong Royal Bay	Commercial	55,404
Nantong	Nantong Glorious Plaza	Commercial, office and hotel	297,486
Nanjing	Nanjing Royal Bay	Commercial	3,631
Hefei	Hefei Bashangjie Project	Commercial	15,485
Beijing	Royal Mansion	Commercial	7,233
Tianjin	Tianjin Royal Bay Seaside	Commercial	61,028
Shenyang	Shenyang Glorious Plaza	Commercial	119,391
Changchun	Changchun Villa Glorious	Commercial	61,043
Total			**1,022,533**

Management Discussion and Analysis
Future Outlook

FUTURE OUTLOOK

The outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") at the beginning of 2020 is spreading around the world, which will inevitably have a huge impact on the global economy and bring new challenges and opportunities to the development of global industries. The economy of the US, Europe and even other advanced countries continuously grew at a low level, while China has been facing trade frictions with the US for a long time. Both the global economy and the Chinese economy will come under a big test in 2020. But China will keep playing a leading role in the future global economic growth to ensure that the aggregate economy will stabilise and show an upward trend, and see strong and sustained growth in the medium and long term, and the country will team up with other countries to create an open and win-win model. With the current economic policies and the fiscal and tax support to the economy, China will continuously see stable economic growth and still fight and work hard. Through appropriate fiscal and monetary policies and the continuous deepening of reforms, this year's overall development goals are expected to be achieved.

The property market will turn around slowly in the first half of 2020 due to the epidemic. The government is expected to release loose policies for the real estate market within a period of time, and even local support policies may emerge. The financing of real estate companies is expected to improve to help restore economic production faster. As an attempt to maintain the smooth operation of the property market, China will continue policies to stabilise land and home prices and stabilise market expectations and city-specific approach, in order to prevent the property market from entering a new round of speculation and from prices in some cities from dropping too fast amid relaxation, which may affect market stability. Meanwhile, under the combined influence of various factors, the differentiation of the property markets in different cities will become more obvious, and so will the reshuffle of real estate companies.

The Group predicts that there is still enthusiasm for the release of real estate demand in the market, the overall capacity of the property industry is still sufficient, and market transactions will be low at first and then high. After the end of the COVID-19 outbreak, home purchase expectations in the first-tier cities are expected to pick up thanks to their leading economic development. Differentiation will become obvious in the second- and third-tier cities, and the demand for housing improvement will remain the main driver of transactions. Changes in the age structure of the population will also accelerate the release of such demand. Cost-effective, high-quality products will be more favoured by the market in the future. The overall market size will remain stable. The market in the third- and fourth-tier cities will face heavy adjustment pressure due to overly released market demand.

The Group will continuously adhere to its principle of steady development, endeavour to promote the development of existing projects, accelerate turnover of assets, strengthen assets operation and sales capabilities, enhance monitoring and coordination during operation, and improve linkage of various systems. Moreover, timely adjustment will be made to the control model and system for projects, in order to meet needs of market competition, enhance the Group's profitability and strengthen its competitiveness in the market.

Continuous attention will be paid to changes in industry policies and market dynamics, in a bid to adjust marketing efforts and pace in a timely manner to obtain more flexible sales methods and marketing strategies, and accelerate sales of projects. The Group expects to improve sales planning and execution to promote property sales and effective cash collection.

Furthermore, the Group will insist on its prudent fiscal policies, strengthen total budget management, guide cash management, improve the predictability and accuracy of investment and financing, and increase the scientificity and rationality of its fund management. The Group will actively expand financing channels and financing directions to improve its debt structure.

Management Discussion and Analysis
Financial Review

FINANCIAL REVIEW

For the year ended 31 December 2019, the Group recorded a consolidated revenue of RMB5,806.7 million, representing a decrease of 42.5% compared to RMB10,091.0 million in 2018. The Group recorded a loss attributable to the owners of the Company for the year ended 31 December 2019 of RMB957.1 million, as compared to a profit attributable to the owners of the Company of RMB525.3 million for the year ended 31 December 2018. The Group recorded a loss attributable to the owners of the Company in 2019, which was primarily attributable to the decrease in total area of the properties completed and delivered by the Group during the year and the significant decrease in the average recognised selling price, which resulted in a significant decrease in revenue recognised and gross profit for the year ended 31 December 2019.

Results for the year ended 31 December 2019 are as follows:

RMB'000	2019	2018
Revenue	**5,806,661**	10,091,039
Cost of sales	**(5,684,774)**	(4,761,775)
Gross profit	**121,887**	5,329,264
Other income	**38,672**	47,558
Other gains/(losses), net	**870,915**	(466,120)
(Provision for)/reversal of provision for loss allowances of trade and other receivables, net	**(2,613)**	314,125
Selling and marketing expenses	**(133,834)**	(220,653)
Administrative expenses	**(552,165)**	(459,379)
Finance costs, net	**(1,874,351)**	(406,658)
Share of (loss)/profit of an associate	**(1,340)**	93
Share of profit/(loss) of a joint venture	**959,921**	(150,100)
(Loss)/profit before taxation	**(572,908)**	3,988,130
Income tax expenses	**(419,375)**	(3,597,755)
(Loss)/profit for the year	**(992,283)**	390,375
(Loss)/profit attributable to:		
— the owners of the Company	**(957,065)**	525,290
— non-controlling interests	**(35,218)**	(134,915)
(Loss)/profit for the year	**(992,283)**	390,375

Revenue

For the year ended 31 December 2019, the Group recorded a consolidated revenue of RMB5,806.7 million, representing a decrease of 42.5% from RMB10,091.0 million in 2018. The sold and delivered GFA decreased by 28.4% to 213,445 sq.m. in 2019 from 297,968 sq.m. in 2018. The average selling price recognised decreased by 33.0% to RMB22,707 per sq.m. in 2019 from RMB33,866 per sq.m. in 2018.

FINANCIAL REVIEW (Continued)

Revenue (Continued)

In 2019, the Group's completed and delivered properties were substantially located in Shanghai Region. The largest delivered project for the current year were properties from the Holiday Royal project in Shanghai Fengxian District, at where the average selling price was much lower than the delivered properties from Shanghai Bay in Shanghai Xuhui District for 2018. At the same time, as there was a larger proportion of sold and delivered properties that were located in the Yangtze River Delta (excluding Shanghai) and Northeast China, thus causing the Group's overall average recognised selling price to decrease from RMB33,866 per sq.m. in 2018 to RMB22,707 per sq.m. in 2019. Projects in Shanghai Region contributed 84.3% and 48.8% to the Group's total recognised revenue (including revenue from property sales and interior decoration) and sold and delivered GFA, respectively. In the second half of 2019, Holiday Royal project in Shanghai Fengxian was completed and delivered GFA of more than 73,000 sq.m., which contributed RMB2,558.7 million to the Group's revenue for 2019 at average selling price close to RMB35,000 per sq.m.. In addition, Shanghai Bay in Shanghai continued to sell the remaining units and car park units in 2019, giving rise to recognised revenue (excluding revenue from interior decoration of properties) of RMB1,124.1 million and RMB145.5 million, respectively, and average selling price of property sales was more than RMB100,000 per sq. m.. For the Yangtze River Delta, Hefei Bashangjie Project further completed and delivered another phase of properties and car park units of approximately 61,400 sq.m., which contributed RMB609.0 million to the Group's revenue for 2019. Apart from the projects in the Shanghai Region and the Yangtze River Delta, the projects of the other two regions of the Group, including the Pan Bohai Rim and Northeast China, only have remaining units for sale in 2019, thus their combined revenue and sold and delivered GFA only represented 2.8% and 13.1% of the Group's total revenue and sold and delivered GFA for the year respectively.

Cost of Sales

The cost of sales for the year ended 31 December 2019 was RMB5,684.8 million, representing an increase of 19.4% as compared to RMB4,761.8 million in 2018. The cost of sales for the year ended 31 December 2019 included changes in provision for impairment of the Group's property development projects which amounted to RMB1,367.6 million (2018: RMB1,063.5 million). The substantial amount of provision for impairment of properties in the current year was mainly due to further costs added to the Group's property development projects, including substantial amount of finance costs capitalised as project costs as well as further construction costs incurred. Excluding the provision for impairment and the cost of interior decoration of properties sold of RMB1,507.8 million, the Group's cost of sales was RMB2,809.4 million, which decreased by 24.0% as compared to RMB3,698.3 million for 2018. The decrease in cost of sale for 2019 was mainly due to decrease in the area sold and delivered.

Components of the consolidated cost of sales for the year are as follows:

	2019		2018	
	RMB'000	**RMB per sq.m.**	RMB'000	RMB per sq.m.
Construction costs	**801,072**	**3,753**	2,051,147	6,884
Land costs	**1,286,669**	**6,028**	715,450	2,401
Capitalised interests	**662,656**	**3,104**	770,880	2,587
Business taxes and other levies	**58,993**	**276**	160,837	540
Sub-total	**2,809,390**	**13,161**	3,698,314	12,412
Cost of interior decoration of properties sold	**1,507,774**		—	
Changes in provision for impairment of properties under development and completed properties held for sale	**1,367,610**		1,063,461	
Total	**5,684,774**		4,761,775	

The Group's average cost of sales in 2019 was RMB13,161 per sq.m., which was 6.0% higher than that of RMB12,412 per sq.m. in 2018. The properties sold and delivered for 2019 were mainly located in Shanghai, but as compared to the properties of Shanghai Bay completed and delivered in 2018 which were premium properties with higher unit construction costs, the unit construction costs for properties delivered in the current year were relatively lower. However, the impact of lower unit construction costs has been offset by the higher unit land costs associated with Royal Holiday project in Shanghai, thus resulted in a slightly higher average cost of sales in 2019 as compared to 2018.

FINANCIAL REVIEW (Continued)

Gross Profit

The Group recorded a consolidated gross profit of RMB121.9 million for 2019, which was 97.7% lower than the consolidated gross profit of RMB5,329.3 million for 2018. The Group's gross profit margin was 2.1% for the year ended 31 December 2019, as compared to a gross margin of 52.8% for 2018. The Group recorded a substantial decrease in gross profit mainly attributable to the decrease in total area of the properties completed and delivered by the Group during the year and the significant decrease in the average recognised selling price and the significant increase in the average cost of sales, all of which caused a significant decrease in gross profit for the year ended 31 December 2019. Excluding the effect of the provision for impairment of the Group's properties of RMB1,367.6 million in 2019 (2018: RMB1,063.5 million), the Group recorded a gross profit of RMB1,489.5 million and a gross profit margin of 25.7% for 2019, which were substantially lower than the gross profit of RMB6,392.7 million and gross profit margin of 63.4% for 2018.

Other Income

Other income for the year ended 31 December 2019 was RMB38.7 million (2018: RMB47.6 million), which mainly included rental income of RMB33.6 million (2018: RMB38.8 million).

Other Gains/(Losses), Net

Other gains/(losses), net for the year ended 31 December 2019 was a net gain of RMB870.9 million, as compared to a net loss of RMB466.1 million for 2018. During the year ended 31 December 2019, the Group has certain properties completed and reclassified to investment properties that are carried at fair value and gave rise to fair value gain, the existing investment properties also gave rise to a fair value increase that was higher than the additional costs and finance costs incurred in the current year, thus giving rise to the Group an aggregate fair value gain of RMB914.1 million (2018: fair value loss of RMB374.6 million). Besides, due to the further depreciation of RMB against US$ in 2019, the Group recorded an exchange loss of RMB43.2 million (2018: exchange loss of RMB91.6 million), which was mainly resulted from the conversion of the Company's US$ borrowings into RMB.

(Provision for)/Reversal of Provision for Loss Allowances of Trade and Other Receivables, Net

Reversal of provision for loss allowances of trade and other receivables, net for the year ended 31 December 2018 was RMB314.1 million, which substantially included the reversal of provision for loss allowances of certain other receivables of RMB314.3 million upon collection of the fund. The relevant provision for loss allowances was made a number of years ago. During 2019, the Group recorded a provision for loss allowance to its trade and other receivables of RMB2.6 million.

Selling and Marketing Expenses

Selling and marketing expenses for the year ended 31 December 2019 were RMB133.8 million, which was 39.3% lower than RMB220.7 million in 2018. The Group only had few new project launches in 2019 and thus accordingly incurred less selling and marketing expenses.

Administrative Expenses

Administrative expenses for the year ended 31 December 2019 was RMB552.2 million, representing an increase of 20.2% compared to RMB459.4 million for 2018.

Finance Costs, Net

Gross finance costs for the year ended 31 December 2019 were RMB3,355.4 million, representing an increase of 44.2% from RMB2,326.8 million for 2018. For the year ended 31 December 2019, finance costs of RMB1,463.3 million (2018: RMB1,840.6 million) had been capitalised, leaving RMB1,892.1 million (2018: RMB486.2 million) which was charged directly to the consolidated statement of comprehensive income. After netting off the finance income of RMB17.8 million (2018: RMB79.5 million), the amount of finance costs, net was RMB1,874.4 million for 2019 (2018: RMB406.7 million). The Group's gross finance costs for 2019 was substantially higher than that of 2018 mainly because the Group's average level of total borrowings increased in the current year as compared to 2018. As the amount of gross finance costs incurred in the current year 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 year expenses.

FINANCIAL REVIEW (Continued)

Share of Profit/(Loss) of a Joint Venture

The Group recorded a share of profit of a joint venture of RMB959.9 million for the year ended 31 December 2019, as compared to a share of loss of a joint venture of RMB150.1 million for 2018. This represented the Group's 60% share of profit/(loss) of Glorious Jiangxu (Nanjing) Property Development Co., Ltd. ("Nanjing Jiangxu"), which owns and manages the project namely Nanjing Royal Bay in Nanjing. During the year ended 31 December 2019, Nanjing Jiangxu completed and delivered another new phase of properties and recognised revenue of RMB4,745.9 million, comprising sold and delivered area of 138,544 sq.m. and recognised average selling price of RMB34,255 per sq.m.. There was no major delivery of new property phase in 2018 for Nanjing Jiangxu and the Group borne certain of its tax expenses, thus the Group recorded a share of loss of joint venture for 2018.

(Loss)/Profit Before Taxation

The Group recorded a loss before taxation of RMB572.9 million for the year ended 31 December 2019, as compared to a profit before taxation of RMB3,988.1 million for 2018. The Group recorded a significant amount of loss before taxation for 2019 mainly because the substantial decrease in revenue and gross profit in the current year, as well as the substantial increase in finance costs directly record as current year expenses.

Income Tax Expenses

Income tax expenses was RMB419.4 million for the year ended 31 December 2019, representing a decrease of 88.3% as compared to RMB3,597.8 million for 2018, comprising mainly provision for PRC land appreciation tax of RMB199.6 million (2018: RMB2,961.1 million) and PRC corporate income tax of RMB249.4 million (2018: RM614.7 million). The decrease in amount of income tax expenses for the current year was mainly resulted from the decrease in revenue and thus the lowered profit recorded by the project companies for the year ended 31 December 2019. The substantial amount of provisions of PRC land appreciation tax and PRC corporate tax in 2018 was mainly attributable to the profit recorded from the premium properties from Shanghai Bay in Shanghai Region.

(Loss)/Profit Attributable to the Owners of the Company

The Group recorded a loss attributable to the owners of the Company of RMB957.1 million for the year ended 31 December 2019, as compared to a profit attributable to the owners of the Company of RMB525.3 million for 2018. The Group recorded a loss attributable to the owners of the Company for 2019 mainly because the substantial decrease in revenue and gross profit in the current year, as well as the substantial increase in finance costs directly record as current year expenses.

Current Assets and Liabilities

As at 31 December 2019, the Group held total current assets of approximately RMB30,035.8 million, which was 9.3% lower than RMB33,105.3 million as at 31 December 2018.

As at 31 December 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 31 December 2019, balance of properties under development was RMB15,267.9 million, which was 9.3% lower than RMB16,828.9 million as at 31 December 2018. The continuous progress of the Group's property development projects had resulted in an increase in the carrying value of properties under development in 2019, but the increase has been offset by the decrease in the carrying value of properties under development that has been recognised as cost of sales or transferred to completed properties held for sale upon completion and delivery of properties during the year, as well as the provision for impairment made in current year also further reduced the carrying value of properties under development. Completed properties held for sale decreased by 28.4% from RMB7,899.8 million as at 31 December 2018 to RMB5,659.7 million as at 31 December 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 year. Trade and other receivables and prepayments increased by 9.2% from RMB4,511.0 million as at 31 December 2018 to RMB4,927.5 million as at 31 December 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.

FINANCIAL REVIEW (Continued)

Current Assets and Liabilities (Continued)

Total current liabilities as at 31 December 2019 amounted to RMB44,380.4 million, which was 9.8% higher than that of RMB40,412.3 million as at 31 December 2018. The increase in total current liabilities as at 31 December 2019 was mainly due to the increase in current borrowings.

As at 31 December 2019, the current ratio (calculated as the total current assets divided by the total current liabilities) was 0.68 (2018: 0.82). The lower current ratio in 2019 mainly resulted from the decrease in total current assets and the increase in total current liabilities.

Liquidity and Financial Resources

During the year ended 31 December 2019, the Group funded its property development projects principally from proceeds from pre-sales of properties and bank loans.

As at 31 December 2019, the Group had cash and cash equivalents of RMB334.2 million as compared to RMB342.6 million as at 31 December 2018.

During the year, the aggregate new bank loans obtained by the Group amounted to RMB7,579.7 million and repayment of loans was RMB8,133.6 million. As at 31 December 2019, the Group's total borrowings amounted to RMB25,247.0 million, which was 7.7% higher than RMB23,432.1 million as at 31 December 2018. As at 31 December 2019, the Group's borrowings comprised the following:

RMB'000	**2019**	2018
Bank borrowings	**22,770,513**	22,110,074
Bond	**89,578**	—
Other borrowings	**1,151,761**	881,201
Sub-total	**24,011,852**	22,991,275
Adjusted by: unamortised loan arrangement fees and accrued interests	**1,235,195**	440,860
Total borrowings	**25,247,047**	23,432,135

The maturities of the Group's borrowings as at 31 December 2019 were as follows:

RMB'000	**2019**	2018
Repayable on demand or within 1 year[3]	**25,235,997**	21,027,214
After 1 and within 2 years	**2,500**	22,542
After 2 and within 5 years	**7,500**	2,378,829
After 5 years	**1,050**	3,550
Total	**25,247,047**	23,432,135

Note:

(3) The current bank borrowings included borrowings with principal amounts of RMB10,168.2 million with original maturity beyond 31 December 2020 which have been reclassified as current liabilities as at 31 December 2019.

FINANCIAL REVIEW (Continued)

Liquidity and Financial Resources (Continued)

As at 31 December 2019, the Group had total banking facilities of RMB25,580 million (2018: RMB24,220 million) consisting of used banking facilities of RMB25,254 million (2018: RMB23,033 million) and unused banking facilities of RMB326 million (2018: RMB1,187 million).

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 31 December 2019 and 2018 were as follows:

RMB'000	**2019**	2018
Total borrowings	**25,247,047**	23,432,135
Less: cash and bank balances	**(3,824,108)**	(3,384,620)
Net debt	**21,422,939**	20,047,515
Total equity attributable to the owners of the Company	**5,359,155**	6,308,536
Gearing ratio	**399.7%**	317.8%

The gearing ratio for 2019 was higher than that for 2018 as a result of the increase in the net debt for the current year and the decrease in the Group's total equity attributable to the owners of the Company due to the loss recorded for the current year.

Going Concern and Mitigation Measures

For the year ended 31 December 2019, the Group reported a net loss attributable to the owners of the Company of RMB957.1 million and had a net operating cash outflow of RMB140.3 million. As at 31 December 2019, the Group had accumulated losses of RMB3,498.0 million and the Group's current liabilities exceeded its current assets by RMB14,344.6 million as at 31 December 2019. As at the same date, the Group's total borrowings amounted to RMB25,247.0 million, of which current borrowings amounted to RMB25,236.0 million, while its cash and cash equivalents amounted to RMB334.2 million only. In addition, as at 31 December 2019, loan principal repayments and interest payments of RMB2,544.7 million relating to certain borrowings of the Group of principal amount of RMB5,212.2 million were not repaid in accordance with the repayment schedules pursuant to the borrowing agreements. Besides, interests of certain borrowings not abovementioned with a total principal amount of RMB6,544.0 million were overdue in 2019; although these overdue interests were subsequently settled before 31 December 2019. Further, the Group breached certain terms and conditions of a bond with a principal amount of HK$100.0 million during the year ended 31 December 2019. These constituted events of defaults which resulted in cross-default of certain borrowings other than those mentioned above, amounting to principal amount of RMB10,250.8 million as at 31 December 2019. These conditions, together with other matters described in note 2(i) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. Further, the Group's property sales subsequent to the year end has been significantly affected by the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak"), which will have an impact on the Group's cash flows. 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;

FINANCIAL REVIEW (Continued)

Going Concern and Mitigation Measures (Continued)

(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. Since 1 January 2020, the Group has repaid principal of RMB15.0 million of the Overdue Borrowings up to the date of the approval of these consolidated financial statements. In addition, the Group successfully extended or repaid certain Cross-default Borrowings with principal of RMB4,016.1 million in February, March and April 2020 upon their scheduled repayment dates;

(iii) The Group will seek to accelerate the pre-sales and sales of its properties under development and completed properties, including remaining units of property projects and saleable car parks. Overall, the Group expects to gradually launch sale of properties from new phases of four major projects upon obtaining the pre-sales permits starting the second quarter of 2020;

(iv) In light of the COVID-19 outbreak, the Group is closely monitoring the latest development and will continue to assess the impact of the epidemic, as well as any government's stimulus in response, on the Group's operations from time to time and adjust its sales and marketing strategy for its property sales to generate sufficient cash from its operations;

(v) The Group has implemented measures to speed up the collection of outstanding sales proceeds; and

(vi) 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 statements 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 once improved, including steady growth in property sales, turnaround of operating net cash outflow to an operating net cash inflow, as well as occasional decrease in total borrowings. As the execution of the Group's business plan for 2019 has been lagged behind, certain projects that were scheduled to reach pre-sale status in the second half 2019 have failed to release the new launch of properties due to delay in the pace of construction, this resulted in an operating net cash outflow position again in 2019 and ultimately caused a failure in achieving the business plan target of lowering the Group's borrowings. Despite the above, in the second half of 2019, the Group has ensured the construction progress of the properties of Holiday Royal in Shanghai and Hefei Bashangjie Project in the Yangtze River Delta, which have completed and delivered the properties as scheduled, as well as to speed up the sales of the remaining units and car park units of the Group's projects, both of which ensured the Group to record planned amount of recognised revenue for 2019 and avoided repeating a significant amount of loss attributable the owners of the Company. The Group will actively implement the business plan in 2020, 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.

FINANCIAL REVIEW (Continued)

Foreign Exchange Risk

The Group's property development projects are all located in the PRC and the related transactions are substantially 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 31 December 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	**2019**	2018
Cash and bank balances:		
US$	**287**	331
HK$	**161**	937
Total	**448**	1,268
Borrowings:		
US$	**2,563,109**	2,450,940
HK$	**217,446**	193,653
Total	**2,780,555**	2,644,593
Trade and other payables:		
US$	**7,030**	6,863
HK$	**36,045**	33,324
Total	**43,075**	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 arise.

As at 31 December 2019, if RMB had strengthened/weakened by 5% against other currencies, with all other variables held constant, post-tax loss for the year ended 31 December 2019 would have been approximately RMB141.2 million lower/higher (2018: post-tax profit RMB134.2 million higher/lower).

FINANCIAL REVIEW (Continued)

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 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 presented for 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 rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed 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 31 December 2019, the Group's total borrowings amounted to RMB25,247.0 million (2018: RMB23,432.1 million), of which RMB24,768.5 million (2018: RMB20,686.5 million) borne fixed interest rate.

As at 31 December 2019, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax loss for the year would have been RMB1.7 million higher/lower (2018: post tax-profit RMB6.2 million lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

Price Risk

The Group is exposed to equity securities price risk arising from the unlisted investments held by the Group. Gains or losses arising from changes in the fair value of financial asset at fair value through profit or loss are dealt with in equity and the consolidated statement of comprehensive income respectively. The performance of the Group's unlisted investments are monitored regularly, together with an assessment of their relevance to the Group's strategic plans.

As at 31 December 2018 and 2019, the Group did not hold any investment in financial assets at fair value through profit or loss.

Pledge of Assets

As at 31 December 2019 and 2018, the Group had the following categories of properties which had been pledged for the Group's borrowings:

RMB'000	**2019**	2018
Investment properties	**15,479,994**	14,336,108
Properties under development	**12,736,960**	6,728,095
Completed properties held for sale	**806,412**	2,312,732
Total	**29,023,366**	23,376,935

As at 31 December 2019, equity interests of certain of the Company's subsidiaries and a joint venture and certain bank deposits had also been pledged for the Group's borrowings.

FINANCIAL REVIEW (Continued)

Financial Guarantee

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure the repayment obligation of such purchasers. Such guarantees terminate 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, upon 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 related properties. The guarantee period starts from the date of the grant of the respective mortgage.

As at 31 December 2019, the amount of outstanding guarantees for mortgages was RMB3,248.1 million (2018: RMB4,655.7 million).

Capital Lease Commitments

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

RMB'000	2019	2018
Land use rights	**545,736**	545,736
Property development expenditures	**4,134,986**	3,670,311
Construction materials	**140,153**	124,902
Total	**4,820,875**	4,340,949

The proposed annual caps for the continuing connected transactions with Shanghai Ditong for the 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 revisited the construction plans and came into agreement with Shanghai Ditong to closely monitor the construction progress so as to reduce the amounts of transactions with Shanghai Ditong to a level that complies with the Listing Rules.

Employee and Remuneration Policy

As at 31 December 2019, the Group had a total of 722 employees (2018: 721 employees). Total remuneration expenses and other employees' benefits costs for the year ended 31 December 2019 amounted to RMB196.8 million (2018: RMB190.3 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 annual bonus. In addition, the Group has adopted share option schemes 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.

Biographies of Directors

DIRECTORS

Executive Directors

Mr. Ding Xiang Yang, aged 52, is the chairman of the board of directors of the Company (the "Board"), chief executive officer and an executive director of the Company. Mr. Ding is also a director of a number of subsidiaries of the Company. With more than 18 years of experience in corporate and strategic management of real estate enterprises in the PRC, Mr. Ding is primarily responsible for the Group's overall strategic planning and development. Mr. Ding joined the Group on 18 March 2001 and played an integral role in formulating the Group's development strategies, operational management and supervising the construction of the Group's projects. On 30 May 2014, Mr. Ding was appointed as the chief executive officer of the Company. On 5 June 2018, he was also appointed as the chairman of the board of the Company. Prior to joining the Group, Mr. Ding worked for more than 10 years at the enterprise management department of China Eastern Airlines Corporation Limited (中國東方航空股份有限公司), a company listed on the The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). Mr. Ding obtained a bachelor's degree in law from Fudan University in July 1989, and a master's degree in law from Fudan University in July 2002. Mr. Ding is the brother-in-law of Mr. Zhang Zhi Rong, the ultimate controlling shareholder of the Company.

Mr. Xia Jing Hua, aged 48, is an executive director, chief financial officer and a vice president of the Company, responsible for devising the financial strategies, the overall financial and asset management of the Group. Mr. Xia is also a director of a number of subsidiaries of the Company. On 30 May 2014, Mr. Xia was appointed as the chief financial officer of the Company. Mr. Xia joined the Group on 2 May 1999 and had been the manager of the auditing department and supervisor of the finance and treasury department of the Company. Between 1994 and 1999, Mr. Xia worked in the loans department of the Zhoushan City branch of Bank of China (中國銀行舟山分行), a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Mr. Xia has more than 20 years of experience in financial management in the property industry. He received a bachelor's degree in economics from the Zhejiang University of Finance and Economics and a master's degree in public economics and investment from the Shanghai University of Finance & Economics in July 1994 and September 2002 respectively. In 2012, Mr. Xia completed the CEIBS Executive MBA Programme and was awarded the degree of Master of Business Administration by China Europe International Business School. Mr. Xia is a fellow member of the Chartered Institute of Management Accountants.

Mr. Yan Zhi Rong, aged 59, is an executive director of the Company. Mr. Yan is also a director of a number of subsidiaries of the Company. With more than 21 years of experience in managing the construction and budgets of property projects, Mr. Yan is primarily responsible for supervision of the development and construction of projects, and management of project budgets of the Company. Mr. Yan joined the Group on 8 December 1996 as the manager of the project budgeting department. Prior to joining the Group, Mr. Yan served as the deputy general manager of the property development subsidiary company of Shanghai Materials Bureau (上海市物資局) from 1989 to 1996. Mr. Yan received a graduate diploma in Industrial and Civil Architecture from the Suzhou Industrial College in 1981 and is a qualified engineer in the PRC.

Independent Non-executive Directors

Prof. Liu Tao, aged 55, is an independent non-executive director of the Company. Prof. Liu is currently an associate professor in accounting, professor of EMBA and EDP programs and the head of the master programme of the Professional Accounting and Auditing at Antai College of Economics & Management, Shanghai Jiao Tong University (上海交通大學安泰經濟與管理學院). Prof. Liu focuses on the research of, including financial accounting, analysis of financial statements, corporate auditing, corporate internal control and corporate governance. She has also issued several academic papers related to share incentive in recent years, including the "Research in Impact Factors of Share Incentive" (股權激勵的影響因素研究) and the "Research in Surplus Management and its Impact Factors of the Share Incentive in a Listed Company" (上市公司股權激勵盈餘管理及影響因素研究) and participated in several researches of national social science fund and natural science fund. Prof. Liu has also published numerous articles related to financial management and accounting including "Strategic Financial Management" (戰略財務管理), "Concepts in Accounting" (會計學概論), "Cost Accounting" (成本會計學), "Tutorial of Advanced Financial Management" (高級財務管理教程) and "Management Account" (管理會計) etc. Prof. Liu has received several recognitions and awards related to teaching. From 2004 to 2015, she was awarded the Teaching Excellence Award of Antai College of Economics & Management (安泰經管學院教學優秀獎), the Most Welcomed MBA Teacher of Antai College of Economics & Management (安泰經管學院年度最受MBA學生歡迎教師獎) and the Outstanding Teachers Award of Shanghai Jiao Tong University (上海交大校優秀教師獎). Prof. Liu graduated from the Finance Department of Shaanxi Institute of Finance and Economics (陝西財經學院財政系) (incorporated into Xi'an Jiaotong University in 2000) with a bachelor's degree (Finance) in 1986 and a master's degree (Financial Management) in 1989. Prof. Liu joined the Group on 17 September 2015. Prof. Liu has been a financial advisor and independent director of several large and medium scale enterprises. She was an independent director of Shanghai Jielong Industry Group Corporation Limited ("Shanghai Jielong", a company listed on the Shanghai Stock Exchange, stock code: 600836) from 2008 to 2014, and an independent director of Shanghai Liangyou Oils & Fats Company Limited from 2016 to September 2017. She was an independent director of Shanghai No.1 Pharmacy Co., Ltd. (a China-based company listed on the Shanghai Stock Exchange, stock code: 600833) from June 2017 to June 2019. She is currently an independent director of Shanghai SafBon Water Service (Holding) Inc. ("Shanghai SafBon", a China-based company listed on the Shenzhen Stock Exchange, stock code: 300262), chairman and member of its audit committee, and member of remuneration and appraisal committee and nomination committee of SafBon, an independent director of Y.U.D. Yangtze River Investment Industry Co., Ltd., (a China-based company listed on the Shanghai Stock Exchange, stock code: 600119), an independent director of Shanghai Jielong (re-appointed in May 2018) and an independent non-executive director of Shanghai Gench Education Group Limited (a China-based company listed on the Hong Kong Stock Exchange, stock code: 1525).

Mr. Wo Rui Fang, aged 79, is an independent non-executive director of the Company. From 1965 to 1993, Mr. Wo worked at the Design Administration Bureau (設計管理局) of the PRC (now under the Ministry of Housing and Urban Rural Construction of the PRC), and was the head of its information technology division from 1988 to 1993, responsible for the development of new construction design technology and standards. From 1993 to 1997, Mr. Wo served as the vice-mayor of Nantong City, Jiangsu Province, PRC and was in charge of the administration of the overall city planning and railway construction. Mr. Wo then rejoined the Design Administration Bureau as a senior engineer in 1997. From 1998 to 2001, he was the deputy chairman of the Practice Qualification Management Center of the Ministry of Construction (建設部執業資格註冊中心). Mr. Wo has accumulated more than 30 years of experience in supervising the design and construction of various government property development projects and assessing the design techniques and standards of commercial and residential property development in the PRC. Mr. Wo retired from public service in 2001. He joined the Group on 17 June 2008, resigned on 16 March 2009 and rejoined the Group on 9 September 2009. He graduated from Jilin University with a bachelor's degree in construction in 1964. According to code provision A.4.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, if an independent non-executive Director serves more than nine years, any further appointment of such independent non-executive Director should be subject to a separate resolution to be approved by the shareholders. As Mr. Wo had served the Company as the independent non – executive Directors for more than nine years from October 2018, the ordinary resolution proposing re-election of Mr. Wo was approved by the shareholders of the Company by poll at the annual general meeting on 7 June 2018.

Biographies of Directors

In accordance with the articles of association of the Company, Mr. Wo Rui Fang is due to retire from the board of directors of the Company by rotation at the forthcoming annual general meeting of the Company to be held on 24 June 2020 (the "2020 AGM"). As Mr. Wo would like to devote more time to his family, he has informed the Board that he will not offer himself for re-election and accordingly he will retire at the conclusion of the 2020 AGM. Upon retirement, Mr. Wo will also cease to be the member of each of the audit committee and the nomination committee of the Company, and chairman of the remuneration committee of the Company.

Mr. Han Ping, aged 51, is an independent non-executive director of the Company. From September 1990 to October 1996, Mr. Han worked for the Jiangsu Province Supply and Marketing Co-operative (江蘇省供銷合作社) and was responsible for the management of its construction and capital investment. In November 1996, Mr. Han became the chief economist of Jiangsu Huaxia Construction Project Management Co., Ltd. (江蘇省華廈工程項目管理有限公司), a company engaged in the provision of construction supervision, project management and construction costs auditing services to property developers and government entities. Since June 2001, Mr. Han has served as the deputy general manager of Jiangsu Huaxia Construction Project Management Co., Ltd. Mr. Han had been a project manager and auditor of engineering costs for a large number of project developments involving the construction of various kinds of properties, such as hotels, villas and other residential properties, government buildings, logistic centres and warehouses. In 2002, Mr. Han was selected as an industry expert for the assessment of tenders for property construction and urban infrastructure projects by the Office of the Tendering and Bidding of Construction Projects of Jiangsu Province (江蘇省建設工程招標投標辦公室). Over a period of 6 years, Mr. Han had participated in the assessment of tenders for over 20 construction projects in Jiangsu Province and Beijing. Mr. Han has accumulated more than 26 years of experience in the management and supervision of property construction projects in the PRC. Mr. Han joined the Group on 17 June 2008, resigned on 16 March 2009 and rejoined the Group on 9 September 2009. He graduated with a bachelor's degree in construction engineering and economic management from the Southeast University in 1990. He obtained a master's degree in construction and civil engineering from the Southeast University in 2005. Mr. Han is currently a member of the Hong Kong Institute of Surveyors and is a registered cost engineer, registered supervisory engineer and registered construction professional in the PRC. According to code provision A.4.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, if an independent non-executive Director serves more than nine years, any further appointment of such independent non-executive Director should be subject to a separate resolution to be approved by the shareholders. As Mr. Han had served the Company as the independent non-executive Directors for more than nine years from October 2018, the ordinary resolution proposing re-election of Mr. Han was approved by the shareholders of the Company by poll at the annual general meeting on 7 June 2018.

Corporate Governance Report

The board of directors (the "Board") of Glorious Property Holdings Limited (the "Company") is pleased to present this Corporate Governance Report in the Company's Annual Report for the year ended 31 December 2019 (the "Review Period").

The Board and the management of the Company are committed to achieving and maintaining high standards of corporate governance which they believe are crucial to the development of the Company and the benefits of its shareholders.

As a responsible business enterprise, the corporate governance standards of the Company are built on the principles of independence, accountability, transparency and honesty.

CORPORATE GOVERNANCE

Deviation from the Corporate Governance Code of the Listing Rules

The Company had complied with the principles and the code provisions of the Corporate Governance 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 year ended 31 December 2019, save for the deviation from the code provision A.2.1 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 appointment of Mr. Ding Xiang Yang ("Mr. Ding") as the chairman of the Board on 5 June 2018, Mr. Ding acted as both the chairman of the Board and chief executive officer of the Company. The Board understood that the assumption of two roles by one person deviated from the code provision A.2.1 of the Corporate Governance 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 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 therefore believes that vesting both roles in Mr. Ding provides the Group with in-depth knowledge and consistent leadership and, at the same time, enables 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 position was occupied by other person, the business operation and the performance of the Group would be affected. As such, the Board structure is beneficial to the Group and the shareholders as a whole.

The Company will review the Board structure from time to time and shall adjust the structure 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. All Directors have confirmed, following specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code during the Review Period.

BOARD COMPOSITION

During the Review Period and up to the date of this report, the Board consists of the following 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

Biographical details of the Directors are set out on pages 27 to 29 of this annual report. Mr. Ding Xiang Yang is the brother-in-law of Mr. Zhang Zhi Rong, the ultimate controlling shareholder of the Company. Save as aforesaid, the Board members have no financial, business, family and/or other material relationships with each other.

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision-making.

All Directors of the Company bring a wide spectrum of valuable business experience, knowledge and professionalism to the Board to ensure its efficient and effective functioning.

The Company has three independent non-executive Directors (the "INED(s)"), at least one of whom has appropriate financial management expertise in compliance with the Listing Rules. The Company has received annual independence confirmations from all the INEDs and concluded that all of them are independent pursuant to Rule 3.13 of the Listing Rules.

The INEDs serve on the audit committee, the remuneration committee and the nomination committee of the Company. Their active participation in the Board and committee meetings brings independent judgment on issues relating to the Company's strategy, performance and management process, taking into account the interests of all shareholders.

Details of emoluments of the Directors are set out in note 37 to the consolidated financial statements.

ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The Board is accountable to the shareholders for leading the Company in a responsible and effective manner. It is responsible for formulating strategies and management policies of the Company, approving the strategic objectives of the Company and ensuring the availability of necessary financial and other resources to meet such objectives. The Board also constantly supervises and reviews the Company's regulations and rules. The Directors perform their duties in a faithful and diligent manner and act in the best interests of the Company and its shareholders as a whole.

Moreover, the Board is also responsible for presenting a clear and balanced assessment of the Company's performance and prospects, preparing accounts that give a true and fair view of the Company's financial position on a going concern basis and disclosing other inside information.

The management is responsible for implementing the policies and strategies as determined by the Board, and is delegated with the daily management, operations and administration of the Company.

Appropriate insurance covers on Directors' and officers' liabilities have been in force to protect the Directors and officers of the Company and its subsidiaries (together, the "Group") from their risk exposure arising from the business of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Ding Xiang Yang acted as both the chairman of the Board and chief executive officer of the Company for the year ended 31 December 2019. Mr. Ding has been an executive Director since 2001 and played an integral role in formulating the development strategies, operational management of 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.

Mr. Ding has been responsible for the day-to-day management of the Group's business since he acted as executive Director. He is responsible for ensuring that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. In addition, he ensures that all Directors are properly briefed on issues to be discussed at the Board meetings.

MEETINGS

The Company held eleven Board meetings during the Review Period.

At the Board meetings, the Directors discussed and formulated overall strategies for the Company, discussed and approved the financial budgets, annual results, dividends and other significant transactions of the Group. Issues relating to the daily management and operations of the Group have been delegated to the management of the Group.

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 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, as well as 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.

Two meetings were held by the Audit Committee during the Review Period. The following is a summary of the work of the Audit Committee during 2019:

1. reviewed the annual results (including the announcement thereof) and the audited financial statements for the year ended 31 December 2019;

2. reviewed the interim results (including the announcement thereof) and the financial statements for the six months ended 30 June 2019;

3. reviewed the external auditor's audit findings and other audit issues;

4. reviewed the effectiveness of the internal control system and risk management system; and

5. reviewed the external auditor's remuneration.

AUDIT COMMITTEE (Continued)

On 31 March 2020, the Audit Committee reviewed with the management of the Company the accounting principles and practices adopted in relation to the Group's unaudited annual results for the year ended 31 December 2019. Based on the Audit Committee's discussion with the external auditor about the audit on 31 March 2020 and their review of the content of the auditor's report and the Group's audited consolidated financial statements on 7 May 2020, the Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements. The Audit Committee reviewed and approved the Group's consolidated financial statements for the year ended 31 December 2019 on 7 May 2020 and recommended the Board's approval of the Group's consolidated financial statements for the year ended 31 December 2019.

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 of the Company;

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 of the Company 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;

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 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.

REMUNERATION COMMITTEE (Continued)

Two meetings were held by the Remuneration Committee during the Review Period. The following is a summary of the work of the Remuneration Committee during the Review Period:

1. reviewed, considered and made recommendations to the Board on the remuneration packages proposed for all Directors of the Company; and

2. reviewed, considered and made recommendations to the Board as to the disclosure of the remuneration/benefits of the Directors in the Company's annual report and accounts.

3. reviewed, considered and made recommendations to the Board in respect of the grant of share options to the Directors of the Company.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 37 and 27, respectively, to the financial statements. The Company has no senior management during the Review Period.

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;

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 the INEDs;

5. to make recommendations to the Board on the appointment or re-appointment of the 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 the 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.

A meeting was held by the Nomination Committee during the Review Period to discuss and review the structure, size and composition (including the skills, knowledge and experience) of the Board.

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.

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.

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 independent non-executive Director, 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.

A meeting was held by the CG Committee during the Review Period. The meeting was held to review, consider and discuss the following matters, inter alia, regarding the corporate governance of the Company:

1. reviewed the Company's policies and practices on corporate governance;

2. reviewed and recommended the training and continuous professional development of the Directors;

3. reviewed the Company's compliance with the Corporate Governance Code and the disclosure in the Corporate Governance Report as included in the Annual Report 2018; and

4. discussed the rules, requirements and regulations of the Environment, Social and Governance Reporting.

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 of the Board 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" in Report of the Directors of this annual report).

ATTENDANCE RECORD AT MEETINGS

The attendance record of each Director at Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting, CG Committee meeting and the 2019 AGM during the Review Period are set out in the following table:

Name of Director	Number of meetings attended/Number of meetings held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	2019 AGM
Executive Directors						
Mr. Ding Xiang Yang	11/11	2/2	2/2	1/1	1/1	1/1
Mr. Xia Jing Hua	11/11	2/2	–	–	1/1	1/1
Mr. Yan Zhi Rong	11/11	2/2	–	–	–	1/1
Independent Non-executive Directors						
Prof. Liu Tao	10/11	2/2	2/2	–	1/1	1/1
Mr. Wo Rui Fang	11/11	2/2	2/2	1/1	–	1/1
Mr. Han Ping	11/11	2/2	–	1/1	–	1/1

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are laid out in the articles of association of the Company. The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and assessing the independence of the INEDs.

All Directors are appointed based on their merits and experiences relevant to the business of the Group. Each of the executive Directors has entered into a service contract with the Company with no specific term. Each of the INEDs has entered into an appointment letter with the Company for a term of one year commencing on 2 October 2018, which was renewed for one year from 2 October 2019 (except Prof. Liu Tao who was entered into an appointment letter with the Company for a term of one year commencing on 17 September 2018, which was renewed for one year from 17 September 2019). In accordance with the provisions of the Corporate Governance Code and the articles of association of the Company, all Directors are subject to retirement by rotation at least once every three years. A Director may be re-elected at the annual general meeting upon his/her retirement by rotation.

According to code provision A.4.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, if an independent non-executive Director serves more than nine years, any further appointment of such independent non-executive Director should be subject to a separate resolution to be approved by the shareholders. As Mr. Wo Rui Fang and Mr. Han Ping had served the Company as the independent non-executive Directors for more than nine years since October 2018, the ordinary resolutions proposing re-election of Mr. Wo and Mr. Han were approved by the Shareholders by poll at the annual general meeting on 7 June 2018.

The Board reviews its own structure, size, composition and diversity regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The Company has established a Nomination Committee on 1 April 2012. One of the responsibilities of the Nomination Committee is to review the structure, size, composition and diversity (including the skills, knowledge, experience, etc.) of the Board regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. It is also responsible for recommending the appointment of directors for the Board’s approval.

New directors are sought mainly through referrals or internal promotion. In evaluating whether a candidate is suitable to act as a Director of the Company, the Board will review the independence, experience and skills of the candidate as well as personal ethics, integrity and time commitment of the candidate.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

On appointment to the Board, each newly appointed Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

All Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organised by professional and/or regulatory bodies in Hong Kong and overseas so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, all Directors are also provided with written materials to develop and refresh their professional skills; the Company Secretary also organises and arranges various seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the Review Period, the Company organised for the Directors and executives an in-house workshop on the Listing Rules, the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO"), the Competition Ordinance (Cap. 619, Laws of Hong Kong) and the Companies Ordinance (Cap. 622, Laws of Hong Kong).

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a Director of a listed company in compliance with the requirement of the Corporate Governance Code on continuous professional development during the year:

	Corporate Governance/Updates on laws, rules and regulations	
Name of Director	**Read materials**	**Attend seminar**
Executive Directors		
Mr. Ding Xiang Yang	✔	✔
Mr. Xia Jing Hua	✔	✔
Mr. Yan Zhi Rong	✔	✔
Independent Non-executive Directors		
Prof. Liu Tao	✔	✔
Mr. Wo Rui Fang	✔	✔
Mr. Han Ping	✔	✔

COMPANY SECRETARY

The company secretary is responsible to the Board for ensuring that board procedures are followed and that the Board is fully briefed on all legislative, regulatory and corporate governance developments and that it has regard to them when making decisions. The company secretary is also directly responsible for the compliance of the Group with the continuing obligations of the Listing Rules, Securities and Futures Ordinance, Companies Ordinance, the Code on Takeovers and Mergers and other applicable laws, rules and regulations.

The company secretary of the Company is Mr. Cheng Ka Hang, Francis, who is an employee of the Company and has day-to-day knowledge of the Company. Mr. Cheng is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He has over 21 years of experience in compliance and company secretarial profession. He is familiar with the Companies Ordinance and other applicable laws, rules and regulations.

Mr. Cheng is also well aware of the requirement under Rule 3.29 of the Listing Rules and has complied with such requirement during the Review Period.

Mr. Cheng reports to the Chairman of the Board regularly.

SHAREHOLDERS' RIGHTS

How shareholders can convene an extraordinary general meeting

Pursuant to the articles of association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such a requisition must be signed by the Shareholder(s).

The procedures by which enquires may be put to the Board and sufficient contact details to enable these enquires to be property directed Shareholders and other stakeholders may at any time send their enquiries and concerns in writing through our Investor Relations Department whose contact details are as follows:

Address:	Room 2202, 22/F, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong
Telephone:	(852) 3101 4888
Facsimile:	(852) 3101 4688
Email:	ir@gloriousphl.com.cn

If necessary, the Investor Relations Department will forward the enquires or concerns to the Company Secretary or other members of the senior management of the Company as appropriate within their area of responsibilities for handling.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Procedures for shareholders to propose a person for election as a Director

As regards to the procedures for proposing a person for election as the Director (other than the retiring Director of the Company or a person recommended by the Board), please refer to the procedures made available under the Corporate Governance section of the Company's website at http://ir.gloriousphl.com.cn/html/ir_gov.php.

PROCEDURES AND SUFFICIENT CONTACT DETAILS FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at shareholders' meeting. Proposal shall be sent to the Board or the Company Secretary by written requisition. Pursuant to the articles of association of the Company, shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in "HOW SHAREHOLDERS CAN CONVENE AN EXTRAORDINARY GENERAL MEETING" above.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for overseeing the Company's systems of risk management and internal control and is committed to managing business risks and maintaining a sound and effective risk management and internal control system to safeguard the shareholders' investment and the Company's assets. The management is responsible for designing and implementing the risk management and internal control system to achieve the aforesaid objectives. The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Under its terms of reference, the Audit Committee, during the Review Period, performed a review of the Company's financial controls, risk management and internal control systems and was responsible for discussing with the management the Company's risk management and internal control systems.

During the Review Period, the Directors, through the Audit Committee as well as by themselves, conducted reviews of the effectiveness of the Company's risk management and internal control systems, including financial, operational and compliance controls and risk management functions, and the adequacy of resources, qualifications and experience of the staff, budget of the Company's accounting, internal audit and financial reporting functions. The Directors considered the Company's risk management and internal control systems effective and adequate.

The internal audit department of the Company performs regular audit reviews in respect of the risk management and internal control systems and report of the key controls of the Company to the Board and the Audit Committee. The responsible heads of departments will be notified of the control deficiencies noted for rectification.

To maintain an effective internal control system, all departments of the Company have formulated operational management guidelines, which clearly define the functions and responsibilities of each department and scope of power of each position.

The Directors, in coordination with division heads, also assesses the likelihood of risk occurrence and monitor the risk management progress, and reports to the Board (if necessary). Management and Board meetings will be held to discuss and manage the risks if necessary.

The Company has developed its disclosure policy which enables the Company's Directors, officers, senior staff and relevant employees to handle confidential information, monitor inside information disclosure and respond to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

EXTERNAL AUDITOR

The Company has engaged PricewaterhouseCoopers ("PwC") as its external auditor. In order to maintain PwC's independence and objectivity and the effectiveness of the audit process in accordance with the applicable standards, the Audit Committee, under its terms of reference, pre-approves all audit services to be provided by PwC and discusses with PwC the nature and scope of their audit and reporting obligations before the audit commences.

The aggregate remuneration in respect of services provided by PwC for the year ended 31 December 2019 was RMB9.9 million, of which RMB9.8 million represents fees for audit services and RMB0.1 million represents fees for certain non-audit services.

The responsibilities of the Independent auditor with respect of the consolidated financial statements for the year ended 31 December 2019 are set out in the section "Independent Auditor's Report" on pages 60 to 62.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2019 and of ensuring that the preparation of the consolidated financial statements of the Group is in accordance with the applicable standards and requirements.

GOING CONCERN AND MITIGATION MEASURES

Multiple Uncertainties Relating to Going Concern

The Group reported a net loss attributable to the owners of the Company of RMB957,065,000 and had a net operating cash outflow of RMB140,277,000 during the year ended 31 December 2019. As at 31 December 2019, the Group had accumulated losses of RMB3,498,042,000 and the Group's current liabilities exceeded its current assets by RMB14,344,552,000. As at the same date, the Group's total borrowings amounted to RMB25,247,047,000, of which current borrowings amounted to RMB25,235,997,000, while its cash and cash equivalents amounted to RMB334,169,000 only. In addition, as at 31 December 2019, the Group was in default in respect of principal amount of borrowings totaling RMB11,845,743,000 due to the following events of default:– (a) late or overdue payment of loan principal and interest during the year ended or as at 31 December 2019, and (b) a breach of certain terms and conditions of a bond not abovementioned during the year ended 31 December 2019. These events of default also resulted in cross-default of certain borrowings other than those mentioned above amounting to principal amount of RMB10,250,797,000 as at 31 December 2019. Subsequent to 31 December 2019, principal of RMB673,455,000 and interest payments of RMB418,936,000 relating to certain borrowings of the Group of principal amount of RMB14,499,039,000, of which RMB9,546,185,000 and RMB4,752,854,000 were already in default and cross-default as at 31 December 2019 respectively, were not repaid in accordance with the repayment schedules pursuant to the borrowing agreements. These conditions, together with other matters described in note 2(a)(i) to the consolidated financial statements, 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 are set out in note 2(a)(i) to the consolidated financial statements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial information on a going concern basis.

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 are set out in note 2(a)(i) to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful negotiations with the lenders for the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests; (ii) the 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; (iv) successfully managing the impact of the COVID-19 outbreak, as well as any government's stimulus in response, on the Group's operations from time to time and adjusting its sales and marketing strategy for its property sales to generate sufficient cash from its operations; and (v) the 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 abovementioned 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. The effects of these adjustments have not been reflected in these consolidated financial statements.

SHAREHOLDERS' MEETINGS

All Shareholders have the right to be informed and participate in material matters of the Company as prescribed by laws and the articles of association of the Company.

The Company regards the annual general meeting as an important event as it provides an invaluable opportunity for the Board to communicate with the shareholders.

During the Review Period, the Company held the annual general meeting on 6 June 2019 to enable the shareholders (i) to consider and approve the audited financial statements and the reports of the Directors and the auditor for the year ended 31 December 2018, (ii) to re-elect the retiring Directors, (iii) to authorise the Board to fix the remuneration of all Directors, (iv) to re-appoint PricewaterhouseCoopers as the auditor of the Company and to authorise the Board to fix its remuneration and (v) to consider and pass other special businesses in the meeting.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with its shareholders is essential for enhancing investor relations and investors' understanding of the Company's business performance and strategies. The Company also recognises the importance of transparent and timely disclosure of corporate information, which enables shareholders and investors to make the most informed investment decisions.

The goal of the Company's communication activities is to provide a true and fair view of the Company to the public. To further enhance the Company's relationship with its shareholders and investors and to ensure that all investors have a better understanding of the Company, the Company has established an Investor Relations Department to handle regular contact with investors.

Important events regarding financial results, business development and operations are also announced on a timely basis to investors through the Company's website www.gloriousphl.com.cn.

To maintain and improve the visibility of the Company in the financial community, the Company has participated in various investors' conferences during the Review Period. Going forward, the Company will continue to leverage on various channels and platforms including press conferences, analyst briefings and industry conferences (if necessary) to ensure the timely release of important messages to the public.

Report of the Directors

The directors (the "Directors") of Glorious Property Holdings Limited (the "Company") are pleased to submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in the development and sale of high quality properties in key economic cities in the PRC. As at 31 December 2019, the Group had property development projects in prime locations of key economic cities in Shanghai Region, Yangtze River Delta, Pan Bohai Rim and Northeast China.

An analysis of the Group's revenue and total assets during the year, by reportable operating segment, is set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year is contained in the sections headed "Business review" on pages 7 to 15. A description of the principal risks and uncertainties facing the Group and an indication on the Group's likely future business development are contained in the section headed "Future Outlook" on page 16.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the Management Discussion and Analysis on pages 4 to 5 and Five-Year Financial Summary on pages 164 to 165 of this Annual Report.

ENVIRONMENT PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group endeavors to construct premium residential projects and actively integrates environmental considerations into them. The Group also promotes the concept of caring for the nature and environmental conservation, so as to promote green management and create a pleasant environment. Since the establishment of the Group, it has strictly complied with laws and regulations regarding environmental protection and adopted innovative and effective environmental technologies to ensure each of its projects meets the highest construction standards and ethics in respect of environmental protection.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board paid attention to the Group's policies and practices on compliance with legal and regulatory requirements. External compliance and legal advisers are engaged to ensure transactions and business performed by the Group are within the applicable legal framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time.

As far as the Board and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH EMPLOYEES

A description of the relationship with the employees of the Group is contained in the section headed "Employee and Remuneration Policy" under "Financial Review" on page 26.

SUBSIDIARIES OF THE COMPANY

A list of the subsidiaries of the Company, together with their places of operation and incorporation, issued capital and registered capital, is set out in note 11 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 are set out in the accompanying consolidated statement of comprehensive income on page 65 of this annual report.

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2019.

FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on pages 164 and 165 of this annual report.

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

During the year ended 31 December 2019, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

DONATIONS

There were no charitable donations made by the Group during the year (2018: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment, investment properties, properties under development and completed properties held for sale of the Group during the year are set out in notes 6, 7, 12 and 13 to the consolidated financial statements.

BORROWINGS

Particulars of the borrowings of the Group as at 31 December 2019 are set out in note 18 to the consolidated financial statements.

CAPITALISED BORROWING COSTS

Borrowing costs capitalised by the Group during the year amounted to approximately RMB1,463.3 million (2018: RMB1,840.6 million).

MAJOR PROPERTIES

Major properties of the Group as at 31 December 2019 are set out on pages 166 to 172 of this annual report.

SHARE PREMIUM AND RESERVES

Details of movements in the share premium and reserves of the Company during the year ended 31 December 2019 are set out in notes 21 and 36 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the reserves of the Company available for distribution to the shareholders amounted to approximately RMB2,081.5 million (2018: RMB2,235.7 million), provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid in accordance with the Companies Law of the Cayman Islands.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 21 to the consolidated financial statements.

DIRECTORS

The Directors of the Company who held office during the year and as at the date of this annual report are:

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

In accordance with the articles of association of the Company, Mr. Ding Xiang Yang and Mr. Wo Rui Fang are due to retire from the Board by rotation at the forthcoming annual general meeting of the Company to be held on 24 June 2020 (the "2020 AGM"). All the retiring Directors, being eligible, offer themselves for re-election.

As Mr. Wo Rui Fang would like to devote more time to his family, he has informed the Board that he would not offer himself for re-election and accordingly he will retire at the 2020 AGM. Upon retirement, Mr. Wo will also cease to be the member of each of the audit committee and the nomination committee of the Company, and chairman of the remuneration committee of the Company. Mr. Wo has confirmed that he has no disagreement with the Board and is not aware of any matters that need to be brought to the attention of the Shareholders in relation to his retirement.

In the meantime, the Board of the Company has nominated Dr. Hu Jinxing as candidate for election as a new director of the Company at the 2020 AGM to fill up the vacancy created by the retirement of Mr. Wo as director with effect from the conclusion of the 2020 AGM. Upon appointment, Dr. Hu will also act as the member of each of the audit committee and the nomination committee of the Company, and chairman of the remuneration committee of the Company. For details of the retirement of independent non-executive Director and proposed appointment of independent non-executive Director of the Company and biography of Dr. Hu, please refer to the announcement of the Company issued on 7 May 2020 and the shareholders' circular of the company in relation to the 2020 AGM.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the contracts disclosed in the section headed "Continuing Connected Transactions" below, no arrangements or contract of significance (as defined in Appendix 16 to the Listing Rules) in relation to the Group's business to which the Company or its holding company or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during or at the end of the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS AND DEED OF NON-COMPETE UNDERTAKING

As at 31 December 2019, none of the Directors nor their associates had interests in businesses which competed or were likely to compete, either directly or indirectly, with the Group's businesses.

In order to protect the Group's interests and its current business activities, the controlling shareholders of the Company, namely, Best Era International Limited and Mr. Zhang Zhi Rong, had entered into a deed of non-compete undertaking on 9 September 2009 ("Deed of Non-compete Undertaking") in favour of the Company, under which each of Best Era International Limited and Mr. Zhang Zhi Rong has undertaken and covenanted with the Company that pursuant to the terms and conditions of the Deed of Non-compete Undertaking, they shall not and shall procure their respective associates not to directly or indirectly engage or otherwise be interested in the business of the development, sales, leasing and investment of properties in the PRC (other than through the Group) or business which is the same or similar to that carried on by the Group from time to time.

The Company has received a confirmation from Best Era International Limited and Mr. Zhang Zhi Rong in respect of their compliance with the terms of the Deed of Non-compete Undertaking during the year ended 31 December 2019.

The INEDs have also reviewed and confirmed the compliance with, and the enforcement of, the Deed of Non-compete Undertaking by Best Era International Limited and Mr. Zhang Zhi Rong during the year.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 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 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

	Number of ordinary shares			
Name of Director	Personal interests[1]	Corporate interests	Total	Approximate % of shareholding[2]
Mr. Ding Xiang Yang	10,579,000	–	10,579,000	0.14
Mr. Xia Jing Hua	5,894,000	–	5,894,000	0.08
Mr. Yan Zhi Rong	5,894,000	–	5,894,000	0.08

Notes:

(1) This represents interests held by the relevant Director as beneficial owner in share options granted to the Directors under the 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 31 December 2019 (i.e. 7,792,645,623 ordinary shares).

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

Apart from the aforesaid, as at 31 December 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 of any Directors or chief executive of the Company 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 31 December 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 annual report.

Apart from the aforesaid, at no time during the year ended 31 December 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.

SUBSTANTIAL SHAREHOLDER'S INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 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[2][5]	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 31 December 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 was interested in options to subscribe for 15,000,000 shares (representing 0.19% of the total issued share capital of the Company). The options has lapsed on 9 September 2019.

(3) The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 31 December 2019 (i.e. 7,792,645,623 ordinary shares).

(4) Based on 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 31 December 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.

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 were offered or granted by the Company pursuant to the Pre-IPO Share Option Scheme. The purpose of the Pre-IPO Share Option Scheme was 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. Since the exercise period of any share options granted under the Pre-IPO Share Option Scheme was not longer than ten years from the date of grant of the relevant share options, all the outstanding share options granted under the Pre-IPO Share Option Scheme lapsed on 9 September 2019.

SHARE OPTION SCHEMES (Continued)

Pre-IPO Share Option Scheme (Continued)

The following table discloses details of the Company's share options held by the Directors and certain employees of the Company under the Pre-IPO Share Option Scheme and its movement during the year ended 31 December 2019:

Name of Grantee	Date of Grant	Number of underlying shares comprised in share options						Exercise price per share HK$	Exercise Period
		Balance as at 01/01/2019	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Balance as at 31/12/2019		
Category 1:									
Directors									
Mr. Ding Xiang Yang	09/09/2009	15,000,000	—	—	—	(15,000,000)	—	1.76	Notes 1&2
Mr. Xia Jing Hua	09/09/2009	5,000,000	—	—	—	(5,000,000)	—	1.76	Notes 1&2
Mr. Yan Zhi Rong	09/09/2009	5,000,000	—	—	—	(5,000,000)	—	1.76	Notes 1&2
		25,000,000				(25,000,000)			
Category 2:									
Employees (in aggregate)	09/09/2009	44,000,000	—	—	—	(44,000,000)	—	1.76	Notes 1&2
		44,000,000	—			(44,000,000)	—		
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.

SHARE OPTION SCHEMES (Continued)

Pre-IPO Share Option Scheme (Continued)

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. 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.

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 accepted 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.

SHARE OPTION SCHEMES (Continued)

Share Option Scheme (Continued)

In respect of the share options granted on 4 February 2019 and 23 July 2019, 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.

As at 31 December 2019, there were 22,367,000 share options and 172,131,000 share options that were granted to the Directors and employees of the Company respectively under the Share Option Scheme and remained outstanding. 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 year ended 31 December 2019:

	Number of underlying shares comprised in share options							
Name of Grantee	Date of Grant	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Balance as at 31/12/2019	Exercise price per share HK$	Exercise Period
Category 1:								
Directors								
Mr. Ding Xiang Yang	23/07/2019	10,579,000	–	–	–	10,579,000	0.45	Note 2
Mr. Xia Jing Hua	23/07/2019	5,894,000	–	–	–	5,894,000	0.45	Note 2
Mr. Yan Zhi Rong	23/07/2019	5,894,000	–	–	–	5,894,000	0.45	Note 2
		22,367,000				22,367,000		
Category 2:								
Employees (in aggregate)	04/02/2019	174,519,000	–	(6,418,000)	–	168,101,000	0.45	Note 1
	23/07/2019	4,030,000	–	–	–	4,030,000	0.45	Note 2
		178,549,000		(6,418,000)		172,131,000		
Category 3:								
Suppliers (in aggregate)	04/02/2019	455,476,000	–	–	–	455,476,000	0.45	Note 1
		455,476,000				455,476,000		
Total:		656,392,000	–	(6,418,000)	–	649,974,000		

Note 1: 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.

Note 2: The 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.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company or the relevant laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the following transactions are continuing connected transactions which are subject to the requirements under Chapter 14A of the Listing Rules. These continuing connected transactions also constitute related party transactions as set out in note 34 to the consolidated financial statements. Details of such transactions are as follows:

Shanghai Ditong renewed the framework construction services agreement (the "2014 Construction Services Agreement") with the Company on 10 June 2014, pursuant to which Shanghai Ditong agreed to provide construction and related services to the Group according to the tender documents and the construction contracts signed between Shanghai Ditong and the Group from time to time. The 2014 Construction Services Agreement was effective for three years from 1 January 2015 to 31 December 2017. The new annual cap for the transactions contemplated under the 2014 Construction Services Agreement for each of the three years ending 31 December 2017 were RMB1,590 million, RMB1,190 million and RMB540 million respectively.

On 21 November 2017, Shanghai Ditong further renewed the framework construction services agreement (i.e. the 2017 Construction Services Agreement) with the Company, pursuant to which Shanghai Ditong has agreed to provide construction and related services to the Group according to the tender documents and the construction contracts signed between Shanghai Ditong and the Group from time to time. Subsequently, the Company held the EGM on 28 December 2017 for the purpose of, among other things, approving and ratification of the execution of the 2017 Construction Services Agreement and to approve the proposed annual caps for the three years ending 31 December 2020 in relation to the purchase of construction and related services from Shanghai Ditong under the 2017 Construction Services Agreement. As more than 50% of the vote was cast against the above ordinary resolution at the EGM, the above ordinary resolution was not passed as an ordinary resolution of the Company.

In light of the business needs of the Group and the benefits of continuing the existing transactions with Shanghai Ditong, the Board proposed to adjust the annual caps for the three years ending 31 December 2020 to the revised annual caps for the transactions contemplated under 2017 Construction Services Agreement for each of the three years ending 31 December 2020 (the "Revised Annual Caps") and to seek the approval of the independent shareholders for the transactions contemplated under the 2017 Construction Services Agreement and the Revised Annual Caps. The second and third extraordinary general meetings were held on 21 March 2018 and 12 November 2018 for the purpose of, among other things, approving and ratification of the execution of the 2017 Construction Services Agreement and to approve the Revised Annual Caps. Similarly, as more than 50% of the vote was cast against the above ordinary resolution at both two extraordinary general meetings, the above ordinary resolution was also not passed as an ordinary resolution of the Company.

CONTINUING CONNECTED TRANSACTIONS (Continued)

In light of the business needs of the Group, the Group continues certain existing transactions with Shanghai Ditong. Given the revised annual caps were not approved by the independent shareholders, the Group had applied the annual transaction amount as disclosed in the Company's circular dated 19 October 2018, being RMB130,000,000, for each of the three years ending 31 December 2020. The Group will closely monitors the aggregate transaction amount of the transactions under the 2017 Construction Services Agreement to ensure that the amount of such transactions would not exceed RMB130,000,000 for each of the three years ending 31 December 2020.

Mr. Zhang De Huang (the father of Mr. Zhang Zhi Rong, the ultimate controlling shareholder of the Company) holds a controlling stake in Shanghai Ditong. Therefore, Shanghai Ditong is a connected person of the Company pursuant to Chapter 14A of the Listing Rules and the construction services provided to the Group by Shanghai Ditong under the 2017 Construction Services Agreement constitute continuing connected transactions of the Company.

For the year ended 31 December 2019, the annual cap for the continuing connected transactions between the Group and Shanghai Ditong under the New Construction Services Agreement was RMB130.0 million and the actual transacted amount was approximately RMB128.9 million.

CONTINUING CORPORATE GOVERNANCE MEASURES

The Group has adopted the Guidelines on Tendering Procedures for Construction Services (工程類招投標工作指引) (the "Guidelines") on 15 April 2010, for the selection of potential bidders for the property projects carried out by the Group and review of construction services provided by Shanghai Ditong.

The Guidelines contain (a) an independent mechanism to govern and monitor the selection process of potential bidders for construction company; and (b) independent review procedures for the monitoring of the quality of construction work completed by Shanghai Ditong (applicable where Shanghai Ditong is selected to provide construction services to the Group after going through the selection process).

The Board has confirmed that the Group has complied with the independent mechanism contained in the Guidelines and has carried out the independent review procedures set out in the Guidelines to monitor the quality of the construction work completed by Shanghai Ditong during the year ended 31 December 2019. The Group had followed the pricing policies and guidelines when determining the price and terms of the continuing connected transactions conducted during the year ended 31 December 2019.

The INEDs of the Company have reviewed the transactions conducted between the Group and Shanghai Ditong under the 2017 Construction Services Agreement during the year ended 31 December 2019. The INEDs had also reviewed the terms of the New Construction Services Agreement pursuant to a meeting of the INEDs held on 7 May 2020. They have confirmed that the continuing connected transactions of the Group for the financial year ended 31 December 2019 have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

CONTINUING CORPORATE GOVERNANCE MEASURES (Continued)

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the auditor of the Company to conduct certain procedures in respect of the continuing connected transactions of the Group in accordance with the Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has also issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

In accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagement Other than Audits or Reviews of Historical Financial Information", the auditor has also reported to the Board that for the year ended 31 December 2019, nothing has come to their attention that the continuing connected transactions, which were governed by the New Construction Services Agreement, (i) have not received the approval of the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) have not been entered into, in all material respects, in accordance with the relevant agreement governing such transactions; and (iv) have exceeded the relevant ceiling amount of approximately RMB130,000,000 for the financial year ended 31 December 2019 as set out in the circular dated 19 October 2018 published by the Company in respect of the continuing connected transactions. As mentioned in the previous section "Continuing Connected Transactions", the ordinary resolution for approval of the 2017 Construction Services Agreement and the annual caps (and revised annual caps) was not passed at each of the three extraordinary general meetings of the Company held on 28 December 2017, 21 March 2018 and 12 November 2018 respectively. In light of the business needs of the Group, the Group continues certain existing transactions with Shanghai Ditong but closely monitors the aggregate transaction amount of the transactions under the 2017 Construction Services Agreement to ensure that the amount of such transactions would not exceed such ceiling amount for each of the three years ending 31 December 2020.

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken by the Group in the normal course of business are set out in note 33 to the consolidated financial statements.

Save as afore-mentioned, those related party transactions which constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules are set out in the section headed "Continuing Connected Transactions" above and the Company has complied with the requirements in accordance with Chapter 14A of the Listing Rules.

Except as disclosed above, there was no contract of significance between the Group and the controlling shareholder of the Company or any of its subsidiaries during the year ended 31 December 2019.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has entered into a service contract with the Company or its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Directors' remuneration is determined by reference to the Director's duties and responsibilities, their individual performance, the financial results of the Group and the prevailing market benchmark.

Details of the remuneration of the Directors and the five highest paid individuals of the Company for the year ended 31 December 2019 are set out in notes 37 and 27, respectively, to the consolidated financial statements. There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

PERMITTED INDEMNITY AND INSURANCE

Pursuant to the articles of association of the Company, every Director or other officer of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto; provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. The Company has arranged appropriate directors' and officers' liability insurance cover in respect of legal action against the directors and officers of the Group.

PENSION SCHEMES

Details of the Group's pension schemes are set out in note 2(u) to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during the year and up to the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the corporate governance report on pages 30 to 45 of this annual report.

AUDITOR

The financial statements for the financial year ended 31 December 2019 have been audited by PricewaterhouseCoopers, who will retire at the forthcoming annual general meeting of the Company and, being eligible, will offer itself for re – appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company will be proposed at that meeting.

On behalf of the Board

Ding Xiang Yang
Chairman

Hong Kong, 7 May 2020

Independent Auditor's Report

羅兵咸永道

Independent Auditor's Report
To the Shareholders of Glorious Property Holdings Limited
(incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Glorious Property Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 63 to 163, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple Uncertainties Relating to Going Concern

As described in note 2(a)(i) to the consolidated financial statements, the Group reported a net loss attributable to the owners of the Company of RMB957,065,000 and had a net operating cash outflow of RMB140,277,000 during the year ended 31 December 2019. As at 31 December 2019, the Group had accumulated losses of RMB3,498,042,000 and the Group's current liabilities exceeded its current assets by RMB14,344,552,000. As at the same date, the Group's total borrowings amounted to RMB25,247,047,000, of which current borrowings amounted to RMB25,235,997,000, while its cash and cash equivalents amounted to RMB334,169,000 only. In addition, as at 31 December 2019, the Group was in default in respect of principal amount of borrowings totaling RMB11,845,743,000 due to the following events of default:- (a) late or overdue payment of loan principal and interest during the year ended or as at 31 December 2019, and (b) a breach of certain terms and conditions of a bond not abovementioned during the year ended 31 December 2019. These events of default also resulted in cross-default of certain borrowings other than those mentioned above amounting to principal amount of RMB10,250,797,000 as at 31 December 2019. Subsequent to 31 December 2019, principal of RMB673,455,000 and interest payments of RMB418,936,000 relating to certain borrowings of the Group of principal amount of RMB14,499,039,000, of which RMB9,546,185,000 and RMB4,752,854,000 were already in default and cross-default as at 31 December 2019 respectively, were not repaid in accordance with the repayment schedules pursuant to the borrowing agreements. These conditions, together with other matters described in note 2(a)(i) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

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 are set out in note 2(a)(i) to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful negotiations with the lenders for the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests; (ii) the 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; (iv) successfully managing the impact of the COVID-19 outbreak, as well as any government's stimulus in response, on the Group's operations from time to time and adjusting its sales and marketing strategy for its property sales to generate sufficient cash from its operations; and (v) the 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 abovementioned 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. The effects of these adjustments have not been reflected in these consolidated financial statements.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. We report solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is KONG Ling Yin, Raymond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 7 May 2020

Consolidated Balance Sheet

As at 31 December 2019

RMB'000	Note	2019	2018
Non-current assets			
Property, plant and equipment	6	**36,522**	54,432
Right-of-use assets	6	**5,155**	—
Investment properties	7	**21,133,946**	17,942,046
Intangible assets	8	**1,800**	1,800
Investment in an associate	9	**4,829**	6,169
Interest in a joint venture	10	**1,034,866**	54,792
Deferred income tax assets	20	**185,037**	324,677
		22,402,155	18,383,916
Current assets			
Properties under development	12	**15,267,875**	16,828,906
Completed properties held for sale	13	**5,659,710**	7,899,805
Trade and other receivables and prepayments	14	**4,927,511**	4,510,971
Prepaid taxes		**356,633**	480,954
Restricted cash	15	**3,489,939**	3,042,065
Cash and cash equivalents	16	**334,169**	342,555
		30,035,837	33,105,256
Total assets		**52,437,992**	51,489,172

The notes on pages 68 to 163 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2019

RMB'000	Note	**2019**	2018
Current liabilities			
Contract liabilities	5	**4,812,372**	5,901,056
Trade and other payables	17	**5,971,157**	5,333,065
Income tax payable		**8,003,937**	7,796,930
Amount due to a joint venture	10	**353,029**	353,029
Borrowings	18	**25,235,997**	21,027,214
Lease liabilities		**3,897**	—
Obligations under finance leases	19	**—**	998
		44,380,389	40,412,292
Non-current liabilities			
Borrowings	18	**11,050**	2,404,921
Deferred income tax liabilities	20	**2,220,416**	2,389,683
Lease liabilities		**1,257**	—
Loan from a non-controlling interest	11(c)	**303,479**	—
Obligations under finance leases	19	**—**	18,220
		2,536,202	4,812,824
Total liabilities		**46,916,591**	45,225,116
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	21	**68,745**	68,745
Share premium	21	**7,822,982**	7,822,982
Reserves		**(2,532,572)**	(1,583,191)
		5,359,155	6,308,536
Non-controlling interests		**162,246**	(44,480)
Total equity		**5,521,401**	6,264,056
Total liabilities and equity		**52,437,992**	51,489,172

Approved by the Board on 7 May 2020 and signed on its behalf by

Ding Xiang Yang
Director

Xia Jing Hua
Director

The notes on pages 68 to 163 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

RMB'000	Note	**2019**	2018
Revenue	5	**5,806,661**	10,091,039
Cost of sales	25	**(5,684,774)**	(4,761,775)
Gross profit		**121,887**	5,329,264
Other income	23	**38,672**	47,558
Other gains/(losses), net	24	**870,915**	(466,120)
(Provision for)/reversal of provision for loss allowances of trade and other receivables, net		**(2,613)**	314,125
Selling and marketing expenses	25	**(133,834)**	(220,653)
Administrative expenses	25	**(552,165)**	(459,379)
Finance costs, net	26	**(1,874,351)**	(406,658)
Share of (loss)/profit of an associate	9	**(1,340)**	93
Share of profit/(loss) of a joint venture	10	**959,921**	(150,100)
(Loss)/profit before taxation		**(572,908)**	3,988,130
Income tax expenses	28	**(419,375)**	(3,597,755)
(Loss)/profit for the year		**(992,283)**	390,375
(Loss)/profit for the year attributable to:			
— the owners of the Company		**(957,065)**	525,290
— non-controlling interests		**(35,218)**	(134,915)
		(992,283)	390,375
Other comprehensive income		**—**	—
Total comprehensive (loss)/income for the year		**(992,283)**	390,375
Total comprehensive (loss)/income for the year attributable to:			
— the owners of the Company		**(957,065)**	525,290
— non-controlling interests		**(35,218)**	(134,915)
		(992,283)	390,375
(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company (expressed in RMB per share)			
— Basic	29	**(0.12)**	0.07
— Diluted	29	**(0.12)**	0.07

The notes on pages 68 to 163 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Year ended 31 December 2019 Attributable to equity holders of the Company										
RMB'000	Share capital (note 21)	Share premium (note 21)	Merger reserve (note 22(a))	Statutory reserve (note 22(b))	Revaluation reserve (note 22(c))	Other reserve (note 22(d))	Share-based compensation reserve	Accumulated losses	Total	Non-controlling Interest	Total Equity
Balance at 1 January 2019	68,745	7,822,982	(770,477)	314,421	947,730	264,317	201,795	(2,540,977)	6,308,536	(44,480)	6,264,056
Loss for the year	—	—	—	—	—	—	—	(957,065)	(957,065)	(35,218)	(992,283)
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—
Total comprehensive loss for the year	68,745	7,822,982	(770,477)	314,421	947,730	264,317	201,795	(3,498,042)	5,351,471	(79,698)	5,271,773
Transactions with owners in their capacity as owners:											
Issue of share options (note 35(b))	—	—	—	—	—	—	52,486	—	52,486	—	52,486
Partial disposal of equity interest in a subsidiary with change of control (note 11 (c))	—	—	—	—	—	(44,802)	—	—	(44,802)	241,944	197,142
Balance at 31 December 2019	68,745	7,822,982	(770,477)	314,421	947,730	219,515	254,281	(3,498,042)	5,359,155	162,246	5,521,401

	Year ended 31 December 2018 Attributable to the owners of the Company										
RMB'000	Share capital (note 21)	Share premium (note 21)	Merger reserve (note 22(a))	Statutory reserve (note 22(b))	Revaluation reserve (note 22(c))	Other reserve (note 22(d))	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	947,730	264,317	201,795	(2,955,442)	5,894,071	90,435	5,984,506
Adjustment on adoption of HKFRS 9 (note 2(a)(iv)(a))	—	—	—	—	—	—	—	(110,825)	(110,825)	—	(110,825)
Restated balance as at 1 January 2018	68,745	7,822,982	(770,477)	314,421	947,730	264,317	201,795	(3,066,267)	5,783,246	90,435	5,873,681
Total comprehensive income/(loss) for the year	—	—	—	—	—	—	—	525,290	525,290	(134,915)	390,375
Balance at 31 December 2018	68,745	7,822,982	(770,477)	314,421	947,730	264,317	201,795	(2,540,977)	6,308,536	(44,480)	6,264,056

The notes on pages 68 to 163 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2019

RMB'000	Note	2019	2018
Cash flows from operating activities			
Cash generated from operations	31(a)	**2,091,696**	6,076,114
Income tax paid		**(117,674)**	(248,744)
Interest paid		**(2,114,299)**	(2,817,094)
Net cash (used in)/generated from operating activities		**(140,277)**	3,010,276
Cash flows from investing activities			
Purchases of property, plant and equipment		**(1,805)**	(598)
Payments for the construction of investment properties		**(1,023,223)**	(1,066,291)
Proceeds from disposal of investment properties		**109,319**	96,330
Proceeds from disposal of financial asset at fair value through profit or loss		**—**	250,000
Proceeds from consideration receivables		**252,442**	—
Proceeds from disposals of property, plant and equipment		**1,348**	706
Interest received		**18,545**	57,698
Net cash used in investing activities		**(643,374)**	(662,155)
Cash flows from financing activities			
Proceeds from borrowings		**7,579,682**	15,420,958
Repayment of borrowings		**(8,133,589)**	(14,817,073)
Advances from third parties		**1,006,609**	129,271
Repayment to third parties		**(45,206)**	(18,028)
Principal elements of lease payments		**(2,869)**	—
Capital contributed by non-controlling interest of a subsidiary		**197,142**	—
Loan from a non-controlling interest		**303,479**	—
Increase in restricted cash		**(129,992)**	(2,922,133)
Net cash generated from/(used in) financing activities		**775,256**	(2,207,005)
Net (decrease)/increase in cash and cash equivalents		**(8,395)**	141,116
Cash and cash equivalents at beginning of the year		**342,555**	201,420
Exchange gains on cash and bank balances		**9**	19
Cash and cash equivalents at end of the year	16	**334,169**	342,555

The notes on pages 68 to 163 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

31 December 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.

These financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. These financial statements have been approved for issue by the Board on 7 May 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared in accordance with the HKFRSs under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

The preparation of consolidated financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4 below.

(i) Going concern basis

For the year ended 31 December 2019, the Group reported a net loss attributable to the owners of the Company of RMB957,065,000 (2018: a net profit attributable to the owners of the Company of RMB525,290,000) and had a net operating cash outflow of RMB140,277,000 (2018: a net operating cash inflow of RMB3,010,276,000). As at 31 December 2019, the Group had accumulated losses of RMB3,498,042,000 (2018: RMB2,540,977,000) and the Group's current liabilities exceeded its current assets by RMB14,344,552,000 (2018: RMB7,307,036,000). As at the same date, the Group's total borrowings amounted to RMB25,247,047,000 (2018: RMB23,432,135,000), of which current borrowings amounted to RMB25,235,997,000 (2018: RMB21,027,214,000), while its cash and cash equivalents amounted to RMB334,169,000 only.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Going concern basis (Continued)

As at 31 December 2019, certain borrowings whose principal amounts of RMB1,820,000,000 and interest payable amounts of RMB724,744,000, relating to borrowings with a total principal amount of RMB5,212,165,000 ("Overdue Borrowings") were overdue. And interests of certain borrowings not abovementioned with a total principal amount of RMB6,544,000,000 were overdue in 2019 ("Other Overdue Borrowings"); although these overdue interests were subsequently settled before 31 December 2019, these borrowings remain to be in default as at 31 December 2019. In addition, the Group breached certain terms and conditions of a bond with a principal amount of HK$100,000,000 (equivalent to RMB89,578,000) during the year ended 31 December 2019. The aggregate principal amount of the aforementioned borrowings and bond of RMB11,845,743,000 would be immediately repayable if requested by the lenders. This amount included borrowings of RMB6,072,100,000 with original contractual repayment dates beyond 31 December 2020 which have been reclassified as current liabilities as at 31 December 2019 (note 18).

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 RMB10,250,797,000 were considered as cross-default ("Cross-default Borrowings"), of which RMB4,096,092,000 with original contractual repayment dates beyond 31 December 2020 have been reclassified as current liabilities as at 31 December 2019 (note 18).

Subsequent to the balance sheet date, the Group did not repay certain principal and interest payments in accordance with the scheduled repayment dates of certain loan agreements, including (1) interest of RMB207,541,000 relating to certain of the Overdue Borrowings with a total principal amount of RMB5,212,165,000, (2) interest of RMB75,884,000 relating to certain of the Other Overdue Borrowings with a total principal amount of RMB4,349,000,000, (3) principal of RMB473,455,000 and interest of RMB125,341,000 relating to certain of the Cross-default Borrowings with a total principal amount of RMB4,752,854,000 and (4) principal of RMB200,000,000 and interest of RMB10,170,000 relating to a borrowing which was neither default nor cross-default as at 31 December 2019 with a total principal amount of RMB200,000,000.

The Group is in active negotiations with all the lenders in respect of the Overdue Borrowings, Other Overdue Borrowings and Cross-default Borrowings for renewal and extension of the relevant borrowings 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 delays 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. Further, the Group's property sales subsequent to the year end has been significantly affected by the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak"), which will have an impact on the Group's cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Going concern basis (Continued)

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. Since 1 January 2020, the Group has repaid principal of RMB14,980,000 of the Overdue Borrowings up to the date of the approval of these consolidated financial statements. In addition, the Group successfully extended or repaid certain Cross-default Borrowings with principal of RMB4,016,115,000 in February, March and April 2020 upon their scheduled repayment dates;

(iii) The Group will seek to accelerate the pre-sales and sales of its properties under development and completed properties, including remaining units of property projects and saleable car parks. Overall, the Group expects to gradually launch sales of properties from new phases of four major projects upon obtaining the pre-sales permits starting from the second quarter of 2020;

(iv) In light of the COVID-19 outbreak, the Group is closely monitoring the latest development and will continue to assess the impact of the epidemic, as well as any government's stimulus in response, on the Group's operations from time to time and adjust its sales and marketing strategy for its property sales to generate sufficient cash from its operations;

(v) The Group has implemented measures to speed up the collection of outstanding sales proceeds; and

(vi) 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.

The directors 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 31 December 2019. They are of the opinion that, taking into account the abovementioned 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 31 December 2019. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Going concern basis (Continued)

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 year 2020 for those borrowings that (a) are scheduled for repayment (either based on the original agreements or the existing arrangements) in year 2020; (b) were overdue as at 31 December 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 year 2020;

(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;

(iv) Successfully managing the impact of the epidemic, as well as any government's stimulus in response, on the Group's operations from time to time and adjusting its sales and marketing strategy for its property sales to generate sufficient cash from its operations; and

(v) 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 abovementioned 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 statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(ii) Effect of adopting new standards, amendments to standards and interpretation

The following new or amended standards are mandatory for the Group's financial year beginning on 1 January 2019 and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

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

The Group had to change its accounting policies following the adoption of HKFRS 16. The impact of adoption of HKFRS 16 is disclosed in note 2(a)(iv) below. 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.

(iii) New standards and amendments to standards that have been issued but are not effective

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Group:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge Accounting
HKFRS 3 (Amendments)	Definition of Business
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 17	Insurance Contracts
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The Group will adopt the above new standards and amendments to standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(iv) Changes in accounting policy in 2019

Adoption of HKFRS 16 Leases

This note explains the impact of the adoption of HKFRS 16 Leases ("HKFRS 16") on the Group's consolidated financial statements.

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 consolidated balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2(x).

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.

(a) Measurement of lease liabilities

	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 expenses	**(5,268)**
Lease liabilities recognised as at 1 January 2019	**33,186**
Of which are:	
Current lease liabilities	**3,455**
Non-current lease liabilities	**29,731**
	33,186

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(iv) Changes in accounting policy in 2019 (Continued)

Adoption of HKFRS 16 Leases (Continued)

(b) Measurement of right-of-use assets

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 consolidated 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.

(c) Adjustments recognised in the consolidated balance sheet on 1 January 2019

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

RMB'000	**31 December 2019**	1 January 2019
Properties	**5,155**	30,215
Total right-of-use assets	**5,155**	30,215

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

RMB'000	**31 December 2018**	**Adjustments under HKFRS 16**	**1 January 2019**
Obligation under finance leases – current	998	(998)	**—**
Obligation under finance leases – 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(iv) Changes in accounting policy in 2019 (Continued)

Adoption of HKFRS 16 Leases (Continued)

(d) Practical expedients applied

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, and

- excluding 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries.

(i) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between companies comprising the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(i) Subsidiaries (Continued)

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profits or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(ii) Associates (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit of an associate" in the consolidated statement of comprehensive income.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistent with the policies adopted by the Group.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the companies comprising the Group are measured using the currency of the primary economic environment in which the company operates (the "functional currency"). The consolidated financial statements is presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation (Continued)

(iii) Group companies

The results and financial positions of all the companies comprising the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— Assets and liabilities for each balance sheet of the companies comprising the Group are translated at the closing rate at the date of that balance sheet;

— Income and expenses for each statement of comprehensive income of the companies comprising the Group are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction date; in which case income and expenses are translated at the rate on the dates of the transactions); and

— All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the Company's equity holders are reclassified to the profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the consolidated statement of comprehensive income. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to the profit or loss.

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Repairs and maintenance are expensed in the consolidated statement of comprehensive income during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Building	The shorter of remaining lease term or useful lives
Computer and office equipment	5 years
Motor vehicles	5 years
Furniture, fitting and equipment	5 years
Plant and machinery	10 years
Leasehold improvements	Over the lease terms of 1 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "administrative expenses" in the consolidated statement of comprehensive income.

Construction in progress are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the properties which comprises land use rights, construction costs, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to building within property, plant and equipment.

No depreciation is provided for construction in progress. The carrying amount of properties under construction is written down immediately to its recoverable amount if the assets carrying amount are greater than their estimated recoverable amount (note 2(g)).

(e) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both and is not occupied by the Group is classified as investment property. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. In such case, the operating leases are accounted for as if they were finance leases. Investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by an independent and professionally qualified valuer, changes in fair values are recorded in the consolidated statement of comprehensive income as part of "Other gains/(losses), net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investment properties (Continued)

Property that is currently being constructed or developed for future use as investment property is classified as investment properties and stated at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date of construction is completed or the date at which fair value becomes reliably measurable.

If an item of completed properties held for sale becomes an investment property as a result of change in its use, any difference between the carrying amount and the fair value of this property at the date of transfer is recognised in the consolidated statement of comprehensive income as part of "Other gains/(losses), net".

(f) Intangible assets

Intangible assets mainly represent the licence which was recorded at cost of acquisition on initial recognition. The licence has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licence over its estimated useful life of 5 years.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial assets (Continued)

(i) Classification (Continued)

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other losses, net" together with foreign exchange gains and losses. Impairment losses are presented in "Other losses, net" in the consolidated statement of comprehensive income. Interest income from these financial assets is included in other income using the effective interest method.

- Fair value through profit or loss ("FVPL"): Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the consolidated statement of comprehensive income within "Other losses, net" in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial assets (Continued)

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3(a)(iv) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Other receivables at amortised cost include other receivables from third parties and related parties. The Group has assessed that the expected credit losses for those receivables under the 12 months and lifetime expected losses method.

(i) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion based on prevailing marketing conditions.

Development cost of property primarily comprises land use rights, construction costs, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(j) Completed properties held for sale

Completed properties remaining unsold at the end of reporting period are stated at the lower of cost and net realisable value. Cost comprises development costs attributable to the unsold properties. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Inventories

Inventories consist of construction materials and are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(l) Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(m) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a customer within contract assets if the Group expects to recover those costs.

(n) Cash and cash equivalents

Cash and cash equivalent includes cash on hand and at banks and deposits held at call with banks with original maturities of three months or less. Bank deposits which are restricted to use are not included in the cash and cash equivalents.

(o) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(s) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to the consolidated statement of comprehensive income in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity’s functional currency.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Current and deferred income tax

The tax expenses for the period comprise current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates position taken in tax return with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities, and the Group recognises tax liabilities for anticipated tax audit issues based on a single best estimate of the most likely outcome approach.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC-based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC governments.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate monthly income and HK$1,500. The assets of this pension scheme are held separately from those of the Group in independently administrated funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(v) Share-based payments

The Group operates two equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Share-based payments (Continued)

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

The cash received for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

(w) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and that when specific criteria have been met for each of the Group's activities as described below.

(i) Sales of properties

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Revenue recognition (Continued)

(i) Sales of properties (Continued)

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

(ii) Interior decoration services

For rendering of interior decoration services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time by measuring the progress towards complete satisfaction of the services. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the consolidated statement of comprehensive income in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the consolidated statement of comprehensive income as an integral part of the aggregate net lease payments receivable.

Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(x) Leases

As explained in note 2(a)(iv) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2(a)(iv).

Until 31 December 2018, leases of property where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases (note 19). Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to consolidated statement of comprehensive income 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 property acquired under finance leases was depreciated over the asset's useful live or over the shorter the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Leases (Continued)

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (note 32). Payments made under operating leases (net of any incentives received from the lessor) were charged consolidated statement of comprehensive income 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.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments (including in-substance fixed payments), less any lease incentives receivable

The lease payments are discounted using Group's incremental borrowing rate. Lease payments are allocated between principal and finance cost. The finance cost is charged to consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date, less any lease incentive received.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of property are recognised on a straight-line basis as an expense in consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (note 7). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(y) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, as appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

(aa) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(ab) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for making strategic decisions, allocating resources and assessing performance of the operating segments.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's major financial instruments include cash and bank deposits, trade and other receivables, trade and other payables and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group has not used any kind of derivative financial instruments to hedge its risk exposures.

(i) Foreign currency exchange risk

The Group's property development projects are all located in the PRC and the related transactions are substantially settled in RMB. The Company and certain of the investment holding companies within the Group operating in Hong Kong which have recognised assets and liabilities in currencies other than RMB. As at 31 December 2019 and 2018, the Group has cash and bank balances, borrowings and trade and other payables that were denominated in foreign currencies as shown below:

RMB'000	**2019**	2018
Cash and bank balances:		
US$	**287**	331
HK$	**161**	937
	448	1,268

RMB'000	**2019**	2018
Borrowings:		
US$	**2,563,109**	2,450,940
HK$	**217,446**	193,653
	2,780,555	2,644,593

RMB'000	**2019**	2018
Trade and other payables:		
US$	**7,030**	6,863
HK$	**36,045**	33,324
	43,075	40,187

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Foreign currency exchange risk (Continued)

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.

As at 31 December 2019, if RMB had strengthened/weakened by 5% against other currencies, with all other variables held constant, post-tax loss for the year ended 31 December 2019 would have been approximately RMB141.2 million lower/higher (2018: post-tax profit RMB134.2 million higher/lower).

(ii) 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 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 presented for 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 rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed 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 31 December 2019, if interest rates on borrowings at variable rates had been 1% higher/lower with all other variables held constant, post-tax loss for the year would have been RMB1,724,000 higher/lower (2018: post-tax profit RMB6,232,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

(iii) Price risk

The Group was exposed to securities price risk arising from the unlisted investments held by the Group. Gains or losses arising from changes in the fair value of financial asset at fair value through profit or loss are dealt with in equity and the consolidated statement of comprehensive income respectively. The performance of the Group's unlisted investments are monitored regularly, together with an assessment of their relevance to the Group's strategic plans.

As at 31 December 2019 and 2018, the Group did not hold any investments in financial assets at fair value through profit or loss.

(iv) Credit risk

Credit risk is managed on a group basis. The Group's credit risk arises from cash deposits, trade and other receivables and loan to a joint venture. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) Credit risk (Continued)

For banks and financial institutions, deposits are only placed with reputable banks. For credit exposures to customers, generally, the Group requires full payment from customers before delivery of properties. Credit terms are only granted to customers in very rare cases upon obtaining approval from the Company's senior management after assessing the credit history of those customers. The Group has set out policies to ensure follow-up action is taken to recover overdue debts and the Group reviews regularly the recoverable amount of each individual trade and other receivable to ensure that adequate loss allowance are made for irrecoverable amounts. The Group specifically analyses the recoverability of such receivables, including the debtors' financial conditions and any other known information. For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

The Group considers the probability of default upon initial recognition of, a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor

(a) Loans to related and third parties

Loan to a joint venture is generally supported by the underlying assets and the Group monitors the credibility of joint venture continuously. The Group assessed that the expected credit losses for the balance under the 12 months expected losses method. The expected loss rate of the balance is assessed to be low and no loss allowance provision is made for this balance during the year.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) Credit risk (Continued)

(b) Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

As at 31 December 2019 and 2018 was determined as follows.

Trade receivables	Specific risk/not yet due	Less than 180 days past due	More than 180 days past due	More than 2 years past due	Total
31 December 2019					
Expected loss rate	**0.1%**	**1%**	**5%**	**10%**	**—**
Gross carrying amount – trade receivables (RMB'000)	**422,215**	**23,829**	**2,930**	**36,813**	**485,787**
Loss allowance (RMB'000)	**422**	**238**	**147**	**3,704**	**4,511**
31 December 2018					
Expected loss rate	0.1%	1%	5%	10%	—
Gross carrying amount – trade receivables (RMB'000)	422,215	59,917	427	16,857	499,416
Loss allowance (RMB'000)	422	599	21	1,686	2,728

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) Credit risk (Continued)

(c) Other receivables

Other financial assets at amortised cost (excluding trade receivables, prepayments and loans to related and third parties). The Group uses three categories for other receivables which reflect their credit risk and how the loss allowance is determined for each of those categories. A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Counterparties have a low risk of default and a strong capacity to meet contractual cash flows, receivables with no significant increase in credit risk after initial recognition	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming/ non-performing	Receivables with significant increase in credit risk since initial recognition, but there are no objective evidence of impairment	Lifetime expected losses
Write-off	Receivables show objective evidence of impairment at the end of the reporting period, and there is no reasonable expectation of recovery	Asset is written off

Over the terms of the other receivables, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of other receivables, and adjusts for forward looking macroeconomic data.

No significant change to estimation techniques or assumptions was made during the reporting period.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) Credit risk (Continued)

As at 31 December 2019, the loss allowance provision for trade receivables and other receivables reconciles to the opening loss allowance for that provision as follows:

RMB'000	Trade receivables	Other receivables	Total
Opening loss allowance as at 1 January 2019	2,728	315,100	317,828
Provision for loss allowance recognised in profit or loss during the year	1,783	830	2,613
Closing loss allowance as at 31 December 2019	4,511	315,930	320,441

As at 31 December 2019, the gross carrying amount of trade receivable and other receivables was RMB2,348,285,000 and thus the maximum exposure to loss was RMB2,027,844,000.

The Group assesses the credit quality of the issuer of the financial asset at fair value through profit or loss, taking into account its financial positions, past experience, and other factors. The exposure to the credit risk is monitored on an ongoing basis.

The Group has arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 34.

(v) Liquidity risk

Management aims to maintain sufficient cash to meet funding requirement for operations and monitors rolling forecasts of the Group's cash on the basis of expected cash flow. The directors of the Company have prepared cash flow projections for the year ending 31 December 2020 on the basis that: (1) bank financing will continue to be available; (2) proceeds from pre-sales in 2020 will be more than that of 2019; (3) construction payments will be satisfied by receipt of the relevant proceeds from pre-sales; (4) available project loan facilities will be no less than that of 2019; and (5) there will be no further breach of debt covenants in 2020. Management will closely monitor the situation to ensure that appropriate alternative actions are taken, such as to accelerate the sales of completed properties, if any of the above conditions are not fully fulfilled.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk (Continued)

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment which might have unexpected material impact on the Group's anticipated cash flow position. These include accelerating sales of the Group's properties with more flexible pricing, adjusting and further slowing down the construction progress as appropriate, ensuring available resources for the development of properties for sale, implementing cost control measures, introducing strategic partners to the Group's property development projects and seeking other funding alternatives. The Group will assess the relevant future costs and benefits and pursue such options as are appropriate. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. As the amounts disclosed in the table are the contractual undiscounted cash flows after consideration of overdue borrowings and borrowings considered as cross-default, these amounts will not reconcile to the amounts disclosed on the consolidated balance sheets for borrowings.

RMB'000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2019					
Borrowings, including interest payable	**26,855,877**	**437,601**	**111,860**	**95,923**	**27,501,261**
Lease liabilities	**4,230**	**1,286**	**—**	**—**	**5,516**
Trade and other payables	**5,246,744**	**—**	**—**	**—**	**5,246,744**
Total	**32,106,851**	**438,887**	**111,860**	**95,923**	**32,753,521**
At 31 December 2018					
Borrowings, including interest payable	22,226,422	327,365	2,579,980	3,550	25,137,317
Obligation under finance lease	1,058	1,137	3,650	36,759	42,604
Trade and other payables	4,891,261	—	—	—	4,891,261
Total	27,118,741	328,502	2,583,630	40,309	30,071,182

The table above excludes the amount of guarantees given to banks for mortgage facilities granted to certain purchasers of the Group's properties as the directors consider the likelihood of default in payments by the purchasers is minimal. As at 31 December 2019, the maximum exposure for these guarantees are RMB3,248,085,000 (2018: RMB4,655,713,000) (note 34). Such guarantees terminate 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management

The Group regards its shareholders' equity as capital. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors 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 at 31 December 2019 and 2018 were as follows:

RMB'000	**2019**	2018
Total borrowings (note 18)	**25,247,047**	23,432,135
Less: cash and bank balances	**(3,824,108)**	(3,384,620)
Net debt	**21,422,939**	20,047,515
Total equity attributable to the owners of the Company	**5,359,155**	6,308,536
Gearing ratio	**399.7%**	317.8%

The gearing ratio for 2019 was higher than that for 2018 as a result of the increase in the net debt for the current year and the decrease in the Group's total equity attributable to the owners of the Company due to the loss recorded for the current year.

Short-term debt ratio is calculated as current borrowings divided by total borrowings. As at 31 December 2019, the Group's short term debt ratio is 99.9% (2018: 89.7%). As a result of the matters described in note 2(a)(i), certain borrowings with principal amounts of RMB10,168,192,000 (2018: RMB4,794,000,000) with original maturity beyond 31 December 2020 have been reclassified as current liabilities as at 31 December 2019, thus caused the short-term borrowing ratio to increase as at 31 December 2019.

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation

The table below analyses financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group did not have any financial asset that was measured at fair value at 31 December 2019 and 2018. See note 7 for disclosure relating to the investment properties which are measured at fair value.

The carrying amounts of the Group's financial assets and liabilities (including cash and cash equivalents, trade and other receivables, financial asset at fair value through profit and loss, and trade and other payables) approximate their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Going concern consideration

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the financial statements. The assessment of the going concern assumption involves making a judgement by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption are set out in note 2(a)(i) to the consolidated financial statements.

(b) Impairment assessment of trade receivables and other receivables

Generally, the Group requires full payment from customers before delivery of properties. Credit terms are only granted to customers in very rare cases upon obtaining approval from the Company's senior management after assessing the credit history of those customers. The Group has set out policies to ensure follow-up action is taken to recover overdue debts and the Group reviews regularly the recoverable amount of each individual trade receivables. For trade receivables, the Group applies the simplified approach to provide for expected credit losses as prescribed by HKFRS 9, which requires the use of the lifetime expected loss allowance for all trade receivables (excluding non-financial assets). For other receivables, the Group applies the general approach to provide for expected credit losses. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Management reassesses the provision at each balance sheet date.

(c) Provision for impairment of properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties, taking into account estimated costs to completion based on past experience (properties under development only) and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgment and estimates.

As at 31 December 2019, based on management's best estimates, the balance of provision for impairment made by the Group for properties under development and completed properties held for sale was RMB7,131,998,000 (2018: RMB5,764,388,000).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 7.

(e) Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these land appreciation taxes based on management's best estimates according to the understanding of the tax rules, by using a single best estimate of the most likely outcome approach. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and deferred income tax provisions in the periods in which such taxes have been finalised with local tax authorities.

(f) Revenue recognition on properties sold

Judgement on recognition method

The Group recognises revenue from sales of properties at a point in time when the buyer obtains control of the completed property; otherwise, revenue is recognised over time only when the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. Whether there is an enforceable right to payment depends on the terms of sales contract (by written or verbal) and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements interpretation.

Judgement on recognition point

Management has also made judgement on when control of properties are transferred to customers. Control of properties are transferred to customer upon which the construction of relevant properties has been completed and upon which the beneficial interest in the properties has been passed to the customers.

The judgement on the right to payment associated with the property sales transaction and the transfer of control of properties would affect the Group's profit for the year and the carrying value of completed properties held for sale.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(g) Income tax and deferred income tax

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. The Group recognises tax liabilities for anticipated tax audit issues based on a single best estimate of the most likely outcome approach. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5 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 business from geographical perspective and assess 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, including depreciation, fair value changes of investment properties, provision for loss allowances of trade and other receivables, changes in provision for impairment of properties under development and completed properties held for sale, share-based compensation expenses, interest income and finance costs from the operating segments. Other information provided, except as noted below, to the executive directors is measured in a manner consistent with that in the consolidated financial statements.

Total segment assets excluded deferred income tax assets and other unallocated corporate assets. Other unallocated corporate assets mainly represent interest expenses incurred at corporate 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 consolidated statement of comprehensive income.

5 SEGMENT INFORMATION (Continued)

RMB'000	Shanghai Region	Yangtze River Delta (excluding Shanghai)	Pan Bohai Rim	Northeast China	Others	Total
Year ended 31 December 2019						
Revenue						
At a point in time	3,932,966	748,811	24,310	140,546	—	4,846,633
Over time	960,028	—	—	—	—	960,028
Inter-segment revenue	—	—	—	—	—	—
Revenue (from external customers)	4,892,994	748,811	24,310	140,546	—	5,806,661
Segment results	2,513,983	(322,005)	(22,036)	(289,055)	(63,650)	1,817,237
Depreciation	(3,511)	(1,194)	(2,182)	(28)	(277)	(7,192)
Fair value changes of investment properties	1,914,410	(503,051)	(185,884)	(311,368)	—	914,107
Provision for loss allowances of trade and other receivables	(2,307)	(153)	(81)	(72)	—	(2,613)
Changes in provision for impairment of properties under development and completed properties held for sale	(329,039)	(36,218)	(903,568)	(98,785)	—	(1,367,610)
Share-based compensation expenses	—	—	—	—	(52,486)	(52,486)
Interest income	10,969	6,081	188	517	5	17,760
Finance costs	(1,274,790)	(245,711)	(221,771)	(53,652)	(96,187)	(1,892,111)
Income tax (expenses)/credits	(424,813)	(48,355)	68,564	(14,771)	—	(419,375)

5 SEGMENT INFORMATION (Continued)

RMB'000	Shanghai Region	Yangtze River Delta (excluding Shanghai)	Pan Bohai Rim	Northeast China	Others	Total
Year ended 31 December 2018						
Revenue						
At a point in time	9,446,998	188,396	214,785	240,860	—	10,091,039
Over time	—	—	—	—	—	—
Inter-segment revenue	—	—	—	—	—	—
Revenue (from external customers)	9,446,998	188,396	214,785	240,860	—	10,091,039
Segment results	6,099,589	(215,358)	(67,448)	(177,175)	(117,316)	5,522,292
Depreciation	(3,026)	(240)	(309)	(25)	(7)	(3,607)
Fair value changes of investment properties	206,084	(198,827)	(222,360)	(159,458)	—	(374,561)
Reversal of provision for/(provision for) loss allowances of trade and other receivables	329,017	2,020	3,465	(20,377)	—	314,125
Changes in provision for impairment of properties under development and completed properties held for sale	—	(330,456)	(648,680)	(84,325)	—	(1,063,461)
Interest income	79,098	125	127	110	71	79,531
Finance costs	(328,530)	(42,022)	(33,539)	(33,886)	(48,212)	(486,189)
Income tax (expenses)/credits	(3,645,565)	(57,931)	45,191	60,550	—	(3,597,755)

5 SEGMENT INFORMATION (Continued)

RMB'000	Shanghai Region	Yangtze River Delta (excluding Shanghai)	Pan Bohai Rim	Northeast China	Others	Elimination	Total
At 31 December 2019							
Total segment assets	**47,904,087**	**23,414,684**	**4,926,162**	**5,653,011**	**5,910,457**	**(44,618,412)**	**43,189,989**
Total segment assets include:							
Investment in an associate	**4,829**	**—**	**—**	**—**	**—**	**—**	**4,829**
Investment in a joint venture	**781,571**	**—**	**—**	**—**	**—**	**—**	**781,571**
Deferred income tax assets							**185,037**
Other unallocated corporate assets							**9,062,966**
Total assets							**52,437,992**
Additions to:							
Property, plant and equipment	**1,108**	**66**	**617**	**14**	**—**	**—**	**1,805**
Investment properties	**262,661**	**422,050**	**30,388**	**324,370**	**—**	**—**	**1,039,469**
At 31 December 2018							
Total segment assets	46,428,267	23,418,501	4,662,229	4,925,422	6,671,210	(43,418,470)	42,687,159
Total segment assets include:							
Investment in an associate	6,169	—	—	—	—	—	6,169
Investment in a joint venture	178,324	—	—	—	—	—	178,324
Deferred income tax assets							324,677
Other unallocated corporate assets							8,477,336
Total assets							51,489,172
Additions to:							
Property, plant and equipment	236	110	33	219	—	—	598
Investment properties	530,228	283,826	43,777	208,460	—	—	1,066,291

5 SEGMENT INFORMATION (Continued)

RMB'000	**2019**	2018
Segment results	**1,817,237**	5,522,292
Depreciation	**(7,192)**	(3,607)
Fair value changes of investment properties	**914,107**	(374,561)
(Provision for)/reversal of provision for loss allowances of trade and other receivables, net	**(2,613)**	314,125
Changes in provision for impairment of properties under development and completed properties held for sale	**(1,367,610)**	(1,063,461)
Share-based compensation expenses (note 35(b))	**(52,486)**	—
Operating profit	**1,301,443**	4,394,788
Interest income	**17,760**	79,531
Finance costs	**(1,892,111)**	(486,189)
(Loss)/profit before taxation	**(572,908)**	3,988,130

Analysis of revenue by category

RMB'000	**2019**	2018
Sales of properties	**4,846,633**	10,091,039
Interior decoration for properties sold	**960,028**	—
	5,806,661	10,091,039

The Group has a large number of customers. During the year ended 31 December 2019 and 2018, no single customer contributed revenue which represented more than 10% of the Group's total revenue.

5 SEGMENT INFORMATION (Continued)

Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

RMB'000	**2019**	2018
Contract liabilities		
Sales of properties (a)	**4,812,372**	5,901,056

(a) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue, which was included in the contract liabilities balance at the beginning of the year, recognised during the year relates to carried-forward contract liabilities.

RMB'000	**2019**	2018
Sales of properties	**3,902,617**	7,634,608

6 PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS

(a) Property, plant and equipment

RMB'000	Building	Computer and office equipment	Motor vehicles	Furniture, fitting and equipment	Leasehold improvements	Plant and machinery	Total
At 1 January 2018							
Cost	73,901	26,172	74,694	7,200	4,209	11	186,187
Accumulated depreciation	(23,715)	(24,706)	(68,233)	(6,912)	(4,209)	(8)	(127,783)
Net book amount	50,186	1,466	6,461	288	—	3	58,404
Year ended 31 December 2018							
Opening net book amount	50,186	1,466	6,461	288	—	3	58,404
Additions	—	493	—	88	—	17	598
Disposals	—	(47)	(216)	(30)	—	(1)	(294)
Depreciation	(3,083)	(316)	(787)	(90)	—	—	(4,276)
Closing net book amount	47,103	1,596	5,458	256	—	19	54,432
At 31 December 2018							
Cost	73,901	25,727	70,613	6,698	4,209	19	181,167
Accumulated depreciation	(26,798)	(24,131)	(65,155)	(6,442)	(4,209)	—	(126,735)
Net book amount	47,103	1,596	5,458	256	—	19	54,432
Year ended 31 December 2019							
Opening net book amount	**47,103**	**1,596**	**5,458**	**256**	**—**	**19**	**54,432**
Adjustment for change in accounting policy (note 2(a)(iv))	**(16,247)**	**—**	**—**	**—**	**—**	**—**	**(16,247)**
Restated opening net book amount	**30,856**	**1,596**	**5,458**	**256**	**—**	**19**	**38,185**
Additions	**—**	**546**	**—**	**1,259**	**—**	**—**	**1,805**
Disposals	**—**	**—**	**(11)**	**—**	**—**	**—**	**(11)**
Depreciation	**(2,465)**	**(396)**	**(472)**	**(124)**	**—**	**—**	**(3,457)**
Closing net book amount	**28,391**	**1,746**	**4,975**	**1,391**	**—**	**19**	**36,522**
At 31 December 2019							
Cost	**49,377**	**26,273**	**70,387**	**7,957**	**557**	**19**	**154,570**
Accumulated depreciation	**(20,986)**	**(24,527)**	**(65,412)**	**(6,566)**	**(557)**	**—**	**(118,048)**
Net book amount	**28,391**	**1,746**	**4,975**	**1,391**	**—**	**19**	**36,522**

6 PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS (Continued)

(a) Property, plant and equipment (Continued)

Depreciation charge was capitalised or expensed in the following categories in the consolidated balance sheet and the consolidated statement of comprehensive income:

RMB'000	**2019**	2018
Properties under development	**97**	669
Selling and marketing expenses	**407**	415
Administrative expenses	**2,953**	3,192
	3,457	4,276

(b) Right-of-use assets/Lease liabilities

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

RMB'000	**31 December 2019**	1 January 2019
Properties	**5,155**	30,215
Right-of-use assets	**5,155**	30,215
Lease liabilities		
Current portion	**3,897**	3,455
Non-current portion	**1,257**	29,731
	5,154	33,186

Additions to the right-of-use assets during the year ended 31 December 2019 were RMB5,895,000. During the year ended 31 December 2019, certain lease agreements, in relation to right-of-use assets of RMB27,123,000, were early terminated.

6 PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS (Continued)

(b) Right-of-use assets/Lease liabilities (Continued)

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

RMB'000	**2019**
Depreciation charge of right-of-use assets	
Properties	**3,832**
Finance costs (included in finance cost)	**876**
Expenses relating to short-term leases (included in selling and marketing expenses and administrative expenses)	**11,926**

The total cash outflow for leases during the year ended 31 December 2019 was RMB15,759,000.

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

Rental contracts are typically made for a fixed period of three to six years. Lease term is negotiated on an individual basis and contains a wide range of different terms and conditions. The lease agreement does not impose any covenants other than the security interest in the leased asset that are held by the lessor. Leased asset may not be used as security for borrowing purposes.

7 INVESTMENT PROPERTIES

RMB'000	2019	2018
At beginning of the year	**17,942,046**	17,346,646
Additions	**1,039,469**	1,066,291
Transfer from completed properties held for sale	**1,347,643**	—
Disposals	**(109,319)**	(96,330)
Fair value changes (included in "Other gains/(losses), net") (note 24)	**914,107**	(374,561)
At end of the year	**21,133,946**	17,942,046

The following amounts have been recognised in the consolidated statement of comprehensive income:

RMB'000	2019	2018
Rental income	**36,284**	41,088
Direct operating expenses attributable to investment properties that generate rental income	**(2,636)**	(2,243)
Net rental income (note 23)	**33,648**	38,845

As at 31 December 2019, the Group had no unprovided contractual obligations for future repairs and maintenance (2018: Nil) in respect of its investment properties.

Independent valuations of the Group's investment properties were performed by the valuer, Asia-Pacific Consulting Appraisal Limited, to determine the fair value of the investment properties as at 31 December 2019 and 2018. The revaluation gains or losses are included in "Other gains/(losses), net" in the consolidated statement of comprehensive income (note 24). The following table analyses the investment properties carried at fair value, by valuation method.

7 INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

RMB'000	Fair value measurements at 31 December 2019 using		
	Quoted prices in active markets for identical assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Investment properties:			
Shops/shopping malls	**—**	**—**	**5,629,000**
Car parks	**—**	**—**	**767,000**
Complexes, including shops, car parks, offices and hotels	**—**	**—**	**14,737,946**

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

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the year.

7 INVESTMENT PROPERTIES (Continued)

Fair value measurements using significant unobservable inputs (Level 3)

RMB'000	**Shops/ shopping malls**	**Car parks**	**Complexes, including shops, car parks, offices and hotels**	**Total**
At 1 January 2019	**3,846,100**	**211,000**	**13,884,946**	**17,942,046**
Additions	**369,744**	**735**	**668,990**	**1,039,469**
Transfer from completed properties held for sale	**1,347,643**	**—**	**—**	**1,347,643**
Disposals	**(83,433)**	**(25,886)**	**—**	**(109,319)**
Fair value changes				
— Gain on revaluation of properties transferred from completed properties held for sale (a)	**582,357**	**—**	**—**	**582,357**
— Fair value changes of other investment properties	**(433,411)**	**581,151**	**184,010**	**331,750**
At 31 December 2019	**5,629,000**	**767,000**	**14,737,946**	**21,133,946**

RMB'000	Shops/ shopping malls	Car parks	Complexes, including shops, car parks, offices and hotels	Total
At 1 January 2018	3,930,700	211,000	13,204,946	17,346,646
Additions	335,991	1,606	728,694	1,066,291
Disposals	(96,330)	—	—	(96,330)
Fair value changes	(324,261)	(1,606)	(48,694)	(374,561)
At 31 December 2018	3,846,100	211,000	13,884,946	17,942,046

(a) During the year ended 31 December 2019, certain completed properties held for sale with carrying amount of RMB1,347,643,000 (2018:Nil) was transferred to investment properties upon the change in use of the properties evidenced by inception of leasing agreement for the properties to generate rental income. At the date of transfer, the gain on revaluation of properties transferred from completed properties held for sale to investment properties amounting to RMB582,357,000 (2018: Nil) was recognised in profit or loss.

7 INVESTMENT PROPERTIES (Continued)

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2019 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes. As at 31 December 2019, the fair values of the properties have been determined by Asia-Pacific Consulting Appraisal Limited.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

Valuation techniques

Fair values of completed shops/shopping malls are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

For completed offices, car parks and shops/shopping malls at initial stage of construction, the fair values are generally derived using the comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market, with adjustments to valuer's interpretation.

Fair values of investment properties under development are generally derived using residual approach that uses the combination of direct comparison method by making reference to the comparable market transactions as available in the market and the income capitalisation method by capitalising market rent derived from the properties. This valuation method is essentially a means of valuing the land and properties under development by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

There were no changes to the valuation techniques during the year.

7 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs (level 3)

As at 31 December 2019, the key assumptions adopted in the valuation in determining fair value were in the following ranges for the Group's portfolio of investment properties:

Description	Fair value at 31 Dec 2019 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Shops/shopping malls	5,629,000	Comparison approach	Comparable's unit selling price	RMB2,300 – RMB33,500 per square meter	The higher the unit selling price, the higher the fair value
		Income approach (term and reversionary method)	Vacancy rate	0% – 15%	The higher the vacancy rate, the lower the fair value
			Term yield and revisionary yield	4% – 6%	The higher the yields, the lower the fair value
			Rental value	RMB1 – RMB14 per day per square meter	The higher the rental value, the higher the fair value
		Residual approach	Rental value	RMB2 – RMB3 per day per square meter	The higher the rental value, the higher the fair value
			Term yield and revisionary yield	3% – 6%	The higher the yields, the lower the fair value
			Vacancy rate	5% – 20%	The higher the vacancy rate, the lower the fair value
			Estimated costs used in costs to completion	RMB4,000 – RMB5,200 per square meter	The higher the estimated costs, the lower the fair value
			Estimated profit margin required to hold and develop property to completion	10% – 15%	The higher the profit margin required, the lower the fair value

7 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

Description	Fair value at 31 Dec 2019 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Car parks	767,000	Comparison approach	Comparable's unit selling price	Average of RMB1,000,000 per lot	The higher the unit selling price, the higher the fair value
Complexes, including shops, car parks, offices and hotels	14,737,946	Residual approach	Rental value	RMB8 – RMB19 per day per square meter	The higher the rental value, the higher the fair value
			Term yield and revisionary yield	5% – 6%	The higher the yields, the lower the fair value
			Estimated costs used in costs to completion	RMB8,200 – RMB25,500 per square meter	The higher the estimated costs, the lower the fair value
			Estimated profit margin required to hold and develop property to completion	15% of property value	The higher the profit margin required, the lower the fair value
			Vacancy rate	7% – 25%	The higher the vacancy rate, the lower the fair value
			Comparable's unit selling price	Shops: RMB9,100 – RMB32,000 per square meter	The higher the unit selling price, the higher the fair value
				Car parks: RMB300,000 – 850,000 per lot	The higher the unit selling price, the higher the fair value
				Office: RMB12,900 – RMB56,600 per square meter	The higher the unit selling price, the higher the fair value
				Hotel: RMB12,900- RMB44,200 per square meter	The higher the unit selling price, the higher the fair value

7 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

As at 31 December 2018, the key assumptions adopted in the valuation in determining fair value were in the following ranges for the Group's portfolio of investment properties:

Description	Fair value at 31 Dec 2018 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Shops/shopping malls	3,846,100	Comparison approach	Comparable's unit selling price	RMB1,600 – RMB32,000 per square meter	The higher the unit selling price, the higher the fair value
		Income approach (term and reversionary method)	Vacancy rate	0% – 10%	The higher the vacancy rate, the lower the fair value
			Term yield and revisionary yield	4% – 6%	The higher the yields, the lower the fair value
			Rental value	RMB1 – RMB22 per day per square meter	The higher the rental value, the higher the fair value
		Residual approach	Rental value	RMB1 – RMB3 per day per square meter	The higher the rental value, the higher the fair value
			Term yield and revisionary yield	3% – 6%	The higher the yields, the lower the fair value
			Estimated costs used in costs to completion	RMB4,000 – RMB6,400 per square meter	The higher the estimated costs, the lower the fair value
			Estimated profit margin required to hold and develop property to completion	12% – 15%	The higher the profit margin required, the lower the fair value
			Vacancy rate	5% – 30%	The higher the vacancy rate, the lower the fair value

7 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

Description	Fair value at 31 Dec 2018 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Car parks	211,000	Comparison approach	Comparable's unit selling price	Average of RMB360,000 per lot	The higher the unit selling price, the higher the fair value
Complexes, including shops, car parks, offices and hotels	13,884,946	Residual approach	Rental value	RMB4 – RMB10 per day per square meter	The higher the rental value, the higher the fair value
			Term yield and revisionary yield	4% – 6%	The higher the yields, the lower the fair value
			Estimated costs used in costs to completion	RMB5,800 – RMB21,000 per square meter	The higher the estimated costs, the lower the fair value
			Estimated profit margin required to hold and develop property to completion	15% of property value	The higher the profit margin required, the lower the fair value
			Vacancy rate	8% – 40%	The higher the vacancy rate, the lower the fair value
			Comparable's unit selling price	Shops: RMB11,000 – RMB15,700 per square meter	The higher the unit selling price, the higher the fair value
				Car parks: RMB270,000 – RMB360,000 per lot	The higher the unit selling price, the higher the fair value
				Office: RMB13,200 – RMB56,000 per square meter	The higher the unit selling price, the higher the fair value
				Hotel: RMB13,200 – RMB48,500 per square meter	The higher the unit selling price, the higher the fair value

7 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. For investment property under construction, increases in construction costs that enhance the property's features may result in an increase of future rental values. An increase in future rental income may be linked with higher costs. If the remaining lease term increases, the yield may decrease.

The Group's interests in investment properties at their carrying amounts are analysed as follows:

RMB'000	**2019**	2018
In the PRC, held on:		
Leases of 10-50 years	**15,813,520**	14,169,946
Leases of over 50 years	**5,320,426**	3,772,100
	21,133,946	17,942,046

As at 31 December 2019, investment properties with carrying value of RMB15,479,994,000 (2018: RMB14,336,108,000) were pledged as collateral for the Group's borrowings (note 18).

8 INTANGIBLE ASSETS

RMB'000	**2019**	2018
At beginning of the year	**1,800**	1,800
Amortisation charge	**—**	—
At end of the year	**1,800**	1,800
At end of the year		
Cost	**4,300**	4,300
Accumulated amortisation	**(2,500)**	(2,500)
Net book amount	**1,800**	1,800

There was no amortisation or impairment of the Group's intangible assets during the year (2018: Nil).

9 INVESTMENT IN AN ASSOCIATE

RMB'000	2019	2018
Investment in an associate	**4,829**	6,169

The Group's investment in an associate represents the 45% equity interest in Shanghai Chuangmeng International Architectural Design Co., Ltd. (上海創盟國際建築設計有限公司) ("Shanghai Chuangmeng"). Shanghai Chuangmeng is an entity established in the PRC.

10 INTEREST IN A JOINT VENTURE/AMOUNT DUE TO A JOINT VENTURE

RMB'000	2019	2018
Interest in a joint venture		
Investment in a joint venture	**781,571**	178,324
Loan to a joint venture (a)	**919,746**	919,746
Unrealised interest income on loan to a joint venture	**(666,451)**	(1,043,278)
	1,034,866	54,792
Amount due to a joint venture (b)	**(353,029)**	(353,029)

Interest in a joint venture represents the 60% equity interest in Glorious Jiangxu (Nanjing) Property Development Co., Ltd. (恒盛江旭(南京)房地產開發有限公司) ("Nanjing Jiangxu") held by a wholly-own subsidiary of the Group namely Shanghai Xintai Property Development Co., Ltd. ("Shanghai Xintai") and the loan to Nanjing Jiangxu. Nanjing Jiangxu is an entity established in the PRC.

RMB'000	2019	2018
Share of profit/(loss) of a joint venture		
— share of result of the year	**603,247**	44,648
— realisation of interest income on loan to a joint venture upon sale of properties by the joint venture	**376,827**	167,224
— Value added tax and others on realisation of interest income on loan to a joint venture upon sale of properties by the joint venture	**(20,153)**	(8,943)
— Additional tax expenses borne by the Group	**—**	(353,029)
	959,921	(150,100)

10 INTEREST IN A JOINT VENTURE/AMOUNT DUE TO A JOINT VENTURE

Set out below is the summarised financial information for Nanjing Jiangxu which is accounted for using the equity method:

Summarised balance sheet

RMB'000	2019	2018
Current		
Cash and cash equivalents	**411,914**	383,296
Other current assets (excluding cash)	**3,412,244**	5,711,483
Total current assets	**3,824,158**	6,094,779
Financial liabilities (excluding trade payables)	**(206,918)**	(182,352)
Other current liabilities (including trade payables)	**(1,883,484)**	(5,181,753)
Total current liabilities	**(2,090,402)**	(5,364,105)
Non-current		
Assets	**930**	1,142
Financial liabilities	**(432,068)**	(434,610)
Net assets	**1,302,618**	297,206

Summarised statement of comprehensive income

RMB'000	2019	2018
Revenue	**4,745,865**	1,143,519
Cost of sales	**(2,240,813)**	(867,918)
Depreciation	**(212)**	(450)
Interest income	**973**	4,035
Other income	**1,282**	353,159
Other selling and administrative expenses	**(53,545)**	(29,402)
Income tax expenses	**(1,448,138)**	(528,530)
Profit for the year	**1,005,412**	74,413

10 INTEREST IN A JOINT VENTURE/AMOUNT DUE TO A JOINT VENTURE

(Continued)

Reconciliation of summarised financial information

Set out below is a reconciliation of the summarised financial information to the carrying amount of the Group's interest in a joint venture:

RMB'000	**2019**	2018
Net assets at 1 January	**297,206**	222,793
Profit for the year	**1,005,412**	74,413
Net assets at 31 December	**1,302,618**	297,206
Interest in a joint venture (60%)	**781,571**	178,324
Carrying value at 31 December	**781,571**	178,324

(a) The loan to a joint venture is unsecured, has no fixed terms of repayment and bears interest that is agreed with Nanjing Jiangxu and its joint venture partner by making reference to the latest benchmark lending rate published by the People's Bank of China. The carrying value of the loan to a joint venture approximates its fair value. It is determined based on discounted cash flows using the lending rate and is within level 2 of the fair value hierarchy. The loan to a joint venture is capital in nature.

(b) The amount due to a joint venture is unsecured, interest-free and repayable on demand.

11 SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 December 2019 are set out below:

Name	Date of incorporation/ establishment	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest 2019	2018	Principal activities
Directly held:						
Incorporated in the British Virgin Islands (the "BVI") and with principal operations in Hong Kong:						
Bright New Investments Limited (明新投資有限公司)	2 May 2007	Limited company	US$50,000	**100%**	100%	Investment holding
Indirectly held:						
Incorporated in the BVI and with principal operations in Hong Kong:						
Achieve Triumph Limited (達凱有限公司)	6 April 2011	Limited company	US$1	**100%**	100%	Investment holding
Allied Honest Holdings Limited	30 March 2006	Limited company	US$1,000	**100%**	100%	Investment holding
Better Score Limited	25 February 2009	Limited company	US$1	**100%**	100%	Investment holding
East Harbour Development Limited	9 March 2006	Limited company	US$1,000	**100%**	100%	Investment holding
East Plus Enterprises Limited (東和企業有限公司)	25 November 2010	Limited company	US$1	**100%**	100%	Investment holding
Grand Target Group Limited (君達集團有限公司)	23 January 2006	Limited company	US$1,000	**100%**	100%	Investment holding
Highest Reach Limited	9 March 2007	Limited company	US$50,000	**100%**	100%	Investment holding
Jolly Rich Limited (怡富有限公司)	25 March 2011	Limited company	US$1	**100%**	100%	Investment holding
May Gain Limited (美盈有限公司)	6 April 2011	Limited company	US$1	**100%**	100%	Investment holding
Regal World Development Limited	21 February 2006	Limited company	US$1,000	**100%**	100%	Investment holding
Vieward Group Limited (景向集團有限公司)	15 February 2006	Limited company	US$1,000	**100%**	100%	Investment holding

11 SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest 2019	2018	Principal activities
Incorporated in Hong Kong and with principal operations in Hong Kong:						
Cheston Holdings Limited (卓怡集團有限公司)	14 June 2006	Limited company	HK$1	**100%**	100%	Investment holding
Extreme (Asia) Limited (永和(亞洲)有限公司)	15 May 2006	Limited company	HK$1	**100%**	100%	Investment holding
Fast Right Limited	15 December 2006	Limited company	HK$10,000	**100%**	100%	Investment holding
Glorious Corporate Services Limited	12 July 2010	Limited company	HK$1	**100%**	100%	Provision of corporate services
Gold Radiant Investments Limited (富谷投資有限公司)	11 April 2011	Limited company	HK$1	**100%**	100%	Investment holding
Greater Base Limited (基鉅有限公司)	3 March 2009	Limited company	HK$1	**100%**	100%	Investment holding
Incorporated in Hong Kong and with principal operations in Hong Kong (continued):						
Rich Tech International Enterprise Limited (富達國際企業有限公司)	2 June 2006	Limited company	HK$1	**100%**	100%	Investment holding
Triumph One Investments Limited (美堡投資有限公司)	11 April 2011	Limited company	HK$1	**100%**	100%	Investment holding
Venture Hong Kong Group Limited (富昇香港集團有限公司)	26 June 2006	Limited company	HK$1	**100%**	100%	Investment holding
Worldex Investment Development Limited (恒匯投資發展有限公司)	14 June 2006	Limited company	HK$1	**100%**	100%	Investment holding
Incorporated in Singapore and with principal operations in Singapore:						
Wachovian II Co Pte. Ltd.	14 August 2007	Limited company	SGD10	**100%**	100%	Investment holding

11 SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest 2019	2018	Principal activities
Incorporated in the PRC and with principal operations in the PRC:						
Fuda Real Estate Development (Nantong) Co., Ltd. (富達房地產開發(南通)有限公司)	1 August 2006	Limited company	US$55,940,000	**100%**	100%	Property development and investment holding
Fusheng Real Estate Development (Nantong) Co., Ltd. (富昇房地產開發(南通)有限公司)	27 June 2005	Limited company	US$49,980,000	**100%**	100%	Property development and investment holding
Henghui Real Estate Development (Nantong) Co., Ltd. (恒匯房地產開發(南通)有限公司)	22 July 2005	Limited company	US$56,490,000	**100%**	100%	Property development and investment holding
Nantong Huangshi Hui Real Estate Development Co., Ltd. (南通皇室會房地產開發有限公司)	25 July 2005	Limited company	US$64,490,000	**100%**	100%	Property development and investment holding
Nantong Jiangle Real Estate Development Co., Ltd. (南通江樂房地產開發有限公司)	27 June 2006	Limited company	US$49,900,000	**100%**	100%	Property development and investment holding
Nantong Jigui Real Estate Development Co., Ltd. (南通杰匯置業發展有限公司)	14 April 2006	Limited company	US$56,990,000	**100%**	100%	Property development and investment holding
Nantong Jiju Foundation Facilities Construction Co., Ltd. (南通基鉅基礎設施建設有限公司)	27 April 2009	Limited company	US$3,000,000	**100%**	100%	Investment holding
Nantong Lehua Real Estate Development Co., Ltd. (南通樂華房地產開發有限公司)	29 June 2006	Limited company	US$57,400,000	**100%**	100%	Property development and investment holding
Yonghe Real Estate Development (Nantong) Co., Ltd. (永和房地產開發(南通)有限公司)	10 April 2006	Limited company	US$51,370,000	**100%**	100%	Property development and investment holding
Zhuo Yi Real Estate Development (Nantong) Co., Ltd. (卓怡房地產開發(南通)有限公司)	2 August 2006	Limited company	US$49,900,000	**100%**	100%	Property development and investment holding
Dalian Runjing Property Development Co., Ltd. (大連潤景房地產開發有限公司)	19 January 2010	Limited company	RMB100,000,000	**100%**	100%	Property development

11 SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest 2019	2018	Principal activities
Incorporated in the PRC and with principal operations in the PRC (continued):						
Glorious Baofeng (Nantong) Property Development Co., Ltd. (恒盛寶豐(南通)置業發展有限公司)	12 January 2010	Limited company	RMB802,000,000	**100%**	100%	Property development
Glorious Equity Investment and Fund Management (Shanghai) Co., Ltd. (恒盛股權投資基金管理(上海)有限公司)	14 July 2015	Limited company	—	**100%**	100%	Investment holding
Glorious Fuhai (Harbin) Property Development Co., Ltd. (恒盛福海(哈爾濱)置業有限公司)	5 November 2010	Limited company	RMB100,000,000	**100%**	100%	Property development
Glorious Fusheng Property Investment (Beijing) Co., Ltd. (恒盛富升地產投資(北京)有限公司)	23 July 2010	Limited company	RMB100,000,000	**100%**	100%	Investment holding
Glorious Hengmao (Hefei) Property Development Co., Ltd. (恒盛恒茂(合肥)房地產開發有限公司)(a)	24 October 2007	Limited company	RMB509,830,227	**100%**	100%	Property development
Glorious Hetian Hexin (Beijing) Property Development Co., Ltd. (恒盛合天和信(北京)房地產開發有限公司)	25 December 2001	Limited company	RMB130,000,000	**100%**	100%	Property development
Glorious Hongsheng (Suzhou) Property Development Co., Ltd. (恒盛弘晟(蘇州)置業有限公司)	17 March 2005	Limited company	RMB170,000,000	**100%**	100%	Property development
Glorious Huixin (Changchun) Property Development Co., Ltd. (恒盛匯鑫(長春)置業有限公司)	7 May 2010	Limited company	RMB250,000,000	**100%**	100%	Property development
Glorious Plaza (Nantong) Property Development Co., Ltd. (c) (恒盛廣場(南通)房地產開發有限公司)	12 December 2007	Limited company	RMB657,142,000	**70%**	100%	Property development
Glorious Property Investment (Changchun) Co., Ltd. (恒盛地產投資(長春)有限公司)	25 August 2011	Limited company	RMB50,000,000	**100%**	100%	Investment holding

11 SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest 2019	2018	Principal activities
Incorporated in the PRC and with principal operations in the PRC (continued):						
Glorious Property Investment (Harbin) Co., Ltd. (恒盛地產投資(哈爾濱)有限公司)	3 August 2010	Limited company	RMB100,000,000	**100%**	100%	Investment holding
Glorious Property Investment (Hefei) Co., Ltd. (恒盛地產投資(合肥)有限公司)	23 July 2010	Limited company	RMB250,000,000	**100%**	100%	Investment holding
Glorious Property Investment (Nanjing) Co., Ltd. (恒盛地產投資(南京)有限責任公司)	21 May 2013	Limited company	RMB30,000,000	**100%**	100%	Investment holding
Glorious Property Investment (Nantong) Co., Ltd. (恒盛地產投資(南通)有限公司)	28 May 2010	Limited company	RMB420,000,000	**100%**	100%	Investment holding
Glorious Property Investment (Shanghai) Co., Ltd. (恒盛地產投資(上海)有限公司)	21 June 2010	Limited company	RMB100,000,000	**100%**	100%	Investment holding
Glorious Property Investment (Tianjin) Co., Ltd. (恒盛地產投資(天津)有限公司)	2 December 2010	Limited company	RMB40,000,000	**100%**	100%	Investment holding
Glorious Qiwei (Shanghai) Industry Co., Ltd. (恒盛祺偉(上海)實業有限公司)	24 September 2008	Limited company	RMB100,000,000	**100%**	100%	Wholesale of construction materials
Glorious (Shanghai) Commercial Operation and Management Co., Ltd. (恒盛(上海)商業經營管理有限公司)	25 May 2011	Limited company	RMB10,000,000	**100%**	100%	Culture, advertising planning, investment holding and advisory
Glorious Tianxingjian (Tianjin) Real Estate Investment Co., Ltd. (恒盛天行建(天津)房地產投資有限公司)	20 March 2006	Limited company	RMB53,480,000	**100%**	100%	Property development
Glorious Weida (Nantong) Property Development Co., Ltd. (恒盛煒達(南通)房地產開發有限公司)	12 January 2010	Limited company	RMB3,370,000,000	**100%**	100%	Property development
Glorious Wangjiarui (Wuxi) Co., Ltd. (恒盛旺佳瑞(無錫)有限公司)	7 September 2004	Limited company	RMB1,197,911,767	**100%**	100%	Property development and investment holding

11 SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest 2019	2018	Principal activities
Incorporated in the PRC and with principal operations in the PRC (continued):						
Glorious Yangguang Binhai (Harbin) Property Co., Ltd. (恒盛陽光濱海(哈爾濱)置業有限公司)	19 December 2007	Limited company	RMB660,000,000	**100%**	100%	Property development
Glorious Yangguang Xindi (Beijing) Property Co., Ltd. (恒盛陽光鑫地(北京)置業有限公司)(a)	25 February 2003	Limited company	RMB129,000,000	**100%**	100%	Property development
Glorious Yangguang Xindi (Liaoning) Property Co., Ltd. (恒盛陽光鑫地(遼寧)置業有限公司)	6 June 2005	Limited company	RMB1,333,502,300	**100%**	100%	Property development and investment holding
Glorious Yangguang Xindi (Tianjin) Investment Co., Ltd. (恒盛陽光鑫地(天津)投資有限公司)	19 May 2003	Limited company	RMB806,039,565	**100%**	100%	Property development and investment holding
Glorious Yifeng (Hefei) Property Development Co., Ltd. (恒盛頤豐(合肥)房地產開發有限公司)	14 October 2010	Limited company	RMB250,000,000	**100%**	100%	Property development
Glorious Zhuoda (Nantong) Property Development Co., Ltd. (恒盛焯達(南通)房地產開發有限公司)	21 June 2011	Limited company	RMB183,000,000	**100%**	100%	Property development
Glorious Zhuoyi Property Investment (Dalian) Co., Ltd. (恒盛卓怡地產投資(大連)有限公司)	3 December 2010	Limited company	RMB100,000,000	**100%**	100%	Investment holding
Hefei Zhanru Business Operation Management Co., Ltd. (合肥展如商業運營管理有限公司)	11 July 2019	Limited company	RMB10,000,000	**100%**	—	Business operation management
Jiangsu Arts and Cultural Property Holdings Ltd. (江蘇演藝文化產業股份有限公司)	8 May 2004	Limited company	RMB50,000,000	**54%**	54%	Cultural and property development
Jiangsu Chuangyi Cultural Property Foundation Investment and Construction Co., Ltd. (江蘇創意文化產業基地投資建設有限公司)	16 January 2007	Limited company	RMB88,670,000	**100%**	100%	Investment holding

11 SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest 2019	Percentage of attributable equity interest 2018	Principal activities
Incorporated in the PRC and with principal operations in the PRC (continued):						
Jiangsu Glorious Dadi Culture Co., Ltd. (江蘇恒盛大地文化有限責任公司)	28 June 2011	Limited company	RMB10,000,000	**54%**	54%	Property development
Nantong Zhanru Business Management Co., Ltd. (南通展如商業管理有限公司)	26 June 2019	Limited company	RMB10,000,000	**100%**	—	Business operation management
Nantong Zhuowei Trade Development Co., Ltd. (南通焯煒貿易發展有限公司)	5 June 2003	Limited company	RMB155,000,000	**100%**	100%	Wholesale of mechanical equipments and building materials
Shanghai Anshun Property Development Co., Ltd. (上海安順房地產發展有限公司)	18 January 1996	Limited company	RMB30,000,000	**100%**	100%	Property development
Shanghai Chengxuan Trading Co., Ltd. (上海晟煊貿易有限公司) (deregistered in 2019)	1 March 2016	Limited company	RMB500,000	**—**	100%	Investment holding
Shanghai Haosen Property Co., Ltd. (上海豪森房地產有限公司)	6 October 1998	Limited company	RMB80,000,000	**100%**	100%	Property development
Shanghai Helun Business Consulting Co., Ltd. (上海河倫商務諮詢有限公司) (deregistered in 2019)	1 March 2016	Limited company	RMB500,000	**—**	100%	Investment holding
Shanghai Hengran Property Development Co., Ltd. (上海恒冉房地產開發有限公司)	21 January 2014	Limited company	RMB51,000,000	**100%**	100%	Property development
Shanghai Hongye Property Development Co., Ltd. (上海弘曄房地產發展有限公司)	7 April 2008	Limited company	RMB900,000,000	**100%**	100%	Property development
Shanghai Jinhao Property Development Co., Ltd. (上海錦豪房地產開發有限公司)	25 December 2009	Limited company	RMB10,000,000	**100%**	100%	Property development

11 SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest 2019	2018	Principal activities
Incorporated in the PRC and with principal operations in the PRC (continued):						
Shanghai Junjie Business Consulting Co., Ltd. (上海雋捷商務諮詢有限公司)	28 December 2010	Limited company	RMB1,000,000	**100%**	100%	Business consulting and wholesale of construction materials
Shanghai Mingbao Construction Co., Ltd. (上海明寶建設工程有限公司)	17 January 2004	Limited company	RMB100,000,000	**100%**	100%	Interior and exterior decoration and renovation
Shanghai Penghui Property Development Co., Ltd. (上海鵬暉置業有限公司)	26 May 2008	Limited company	RMB20,000,000	**100%**	100%	Property development
Shanghai Ranjuan Decoration Engineering Co., Ltd. (上海冉娟裝潢工程有限公司)	28 December 2010	Limited company	RMB5,000,000	**100%**	100%	Interior and exterior decoration and renovation
Shanghai Rongxi Business Trading Co., Ltd (上海榮熙商貿有限公司)	24 June 2010	Limited company	RMB1,000,000	**100%**	100%	Trading of mechanical equipments and construction materials
Shanghai Rongxiang Property Development Co., Ltd. (上海熔祥房地產開發有限公司)	29 December 2009	Limited company	RMB10,000,000	**100%**	100%	Property development
Shanghai Shengtong Property Development Co., Ltd. (上海勝通房地產開發有限公司)	19 June 2001	Limited company	RMB601,000,000	**100%**	100%	Property development
Shanghai Xintai Property Development Co., Ltd. (上海鑫泰房地產發展有限公司)	22 April 1999	Limited company	RMB1,400,000,000	**100%**	100%	Property development and investment holding
Shanghai Yijing Property Development Co., Ltd. (上海意景房地產開發有限公司)	22 January 2001	Limited company	RMB563,587,214	**100%**	100%	Property development and investment holding
Shanghai Zhanru Business Management Co., Ltd. (上海展如商業管理有限公司)	27 April 2018	Limited company	RMB100,000,000	**100%**	—	Business operation management and investment holding

11 SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest 2019	2018	Principal activities
Incorporated in the PRC and with principal operations in the PRC (continued):						
Shanghai Zhanru Hotel Management Co., Ltd. (上海展如酒店管理有限公司)	8 March 2019	Limited company	RMB20,000,000	**100%**	—	Hotel operation management
Shanghai Zhanru Property Leasing Co., Ltd. (上海展如房產租賃有限公司)	16 July 2019	Limited company	RMB10,000,000	**100%**	—	Property leasing services
Shenyang Glorious Plaza Commercial Management Co., Ltd. (瀋陽恒盛廣場商業管理有限公司)	7 September 2010	Limited company	RMB5,000,000	**100%**	100%	Business management and property management
Tianjin Dong'an Construction Co., Ltd. (天津東岸建設有限公司)	11 March 2005	Limited company	RMB510,000,000	**70%**	70%	Property development
Tianjin Gangtian Real Estate Investment Co., Ltd. (天津港天房地產投資有限公司)	21 March 2006	Limited company	RMB136,265,000	**100%**	100%	Property development

Notes:

(a) Pursuant to certain financing arrangements, the Group's entity interests in Glorious Hengmao (Hefei) Property Development Co., Ltd. ("Hefei Hengmao") and Glorious Yangguang Xindi (Beijing) Property Development Co., Ltd. ("Beijing Yangguang") were reduced from 100% to 51% during the years ended 31 December 2019 and 2018. In view of the substance of the arrangement, the directors are of their opinion that it is a loan arrangement and the Group continues to consolidate 100% of Hefei Hengmao and Beijing Yangguang and the consideration received from the financing arrangement is treated as a financial liability and measured at amortised cost using the effective interest method (note 18).

(b) As at 31 December 2019, equity interests of certain of the Company's subsidiaries have been pledged for securing the Group's borrowings (note 18).

(c) In 2019, the Group entered into cooperation agreement with an independent third party who subscribed for the registered capital of Glorious Plaza (Nantong) Property Development Co., Ltd (referred to as "Glorious Plaza Nantong") of RMB197,142,000. As a result, the registered capital of Glorious Plaza Nantong increased from RMB460,000,000 to RMB657,142,857 and the effective interest held by the Group decreased from 100% to 70%. As the Group remains its control over Glorious Plaza Nantong, Glorious Plaza Nantong remains as a subsidiary of the Company after the transaction which is then accounted for as an equity transaction.

The difference between the fair value of consideration paid by the acquirer and the share of net assets in Glorious Plaza Nantong of approximately RMB44,802,000 was recognised by the Group in Other reserve.

Apart from the cash consideration for the deemed disposal of 30% equity interests amounted to RMB197,142,000, the acquirer also committed to provide shareholder loan to Glorious Plaza Nantong of aggregate amount of RMB552,857,000. As at 31 December 2019, Glorious Plaza Nantong has received shareholder loan of RMB303,479,000 from the acquirer.

12 PROPERTIES UNDER DEVELOPMENT

RMB'000	2019	2018
Within normal operating cycle included under current assets	**15,267,875**	16,828,906
Amount comprised:		
Land use rights	**4,619,066**	5,963,667
Construction costs and capitalised expenditures	**6,563,078**	5,885,157
Interest capitalised	**9,620,684**	9,661,786
	20,802,828	21,510,610
Less: Provisions for impairment	**(5,534,953)**	(4,681,704)
	15,267,875	16,828,906

The properties under development are all located in the PRC.

RMB'000	2019	2018
Properties under development:		
Expected to be completed and available for sale after more than 12 months	**13,876,030**	14,102,971
Expected to be completed and available for sale within 12 months	**1,391,845**	2,725,935
	15,267,875	16,828,906

As at 31 December 2019, properties under development with carrying value of RMB12,736,960,000 (2018: RMB6,728,095,000) were pledged as collateral for the Group's borrowings (note 18).

13 COMPLETED PROPERTIES HELD FOR SALE

RMB'000	**2019**	2018
Completed properties held for sale comprised:		
Land use rights	**1,663,697**	1,549,825
Construction costs and capitalised expenditures	**4,540,522**	6,065,754
Interest capitalised	**1,052,536**	1,366,910
	7,256,755	8,982,489
Less: Provision for impairment	**(1,597,045)**	(1,082,684)
	5,659,710	7,899,805

The completed properties held for sale are all located in the PRC. During the year ended 31 December 2019, certain completed properties held for sales with carrying amount of RMB1,347,643,000 (2018: Nil) were transferred to investment properties (note 7(a)).

As at 31 December 2019, completed properties held for sale with carrying value of RMB806,412,000 (2018: RMB2,312,732,000) were pledged as collateral for the Group's borrowings (note 18).

14 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

RMB'000	**2019**	2018
Trade receivables due from third parties, net (a)	**481,276**	496,688
Trade receivables due from third parties	**485,787**	499,416
Less: provision for loss allowance of trade receivables	**(4,511)**	(2,728)
Other receivables due from third parties (b)	**1,546,568**	1,139,412
Other receivables due from third parties	**1,862,498**	1,454,512
Less: provision for loss allowance of other receivables	**(315,930)**	(315,100)
Prepayments for construction costs:	**1,180,277**	1,106,938
Related parties (note 33(b))	**85,758**	19,932
Third parties (c)	**1,094,519**	1,087,006
Prepayments for land premium (c)	**1,522,225**	1,522,225
Prepaid other taxes	**197,165**	245,708
	4,927,511	4,510,971

14 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade receivables mainly arise 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	**2019**	2018
Within 6 months	**23,829**	59,917
Between 7 and 12 months	**2,930**	427
Over 12 months	**459,028**	439,072
	485,787	499,416

The Group applied the HKFRS 9 simplified approach to measure expected credit losses which used a lifetime expected loss allowance for all trade receivables.

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

RMB'000	**2019**	2018
At beginning of the year	**2,728**	2,575
Provision for loss allowance of trade receivables	**1,783**	153
At end of the year	**4,511**	2,728

As at 31 December 2019, trade receivables of RMB485,787,000 (2018: RMB499,416,000) includes an amount due from a local government authority of RMB422,215,000 (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.

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 million, the local government authority claims that the Group has to pay an amount of RMB179 million. Based on management assessment, apart from 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 million. Accordingly, a counter claim has been filed on 31 July 2017 to Shanghai No.2 Intermediate People's Court and no provision has been made by the Group against the above receivable balance as at 31 December 2017. During the years ended 31 December 2018 and 2019, the management assessment has remained unchanged.

14 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(b)

RMB'000	**2019**	2018
Other receivables due from third parties	**1,862,498**	1,454,512
Less: provision for loss allowance of other receivables	**(315,930)**	(315,100)
Other receivables due from third parties, net	**1,546,568**	1,139,412

As at 31 December 2019 and 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	**2019**	2018
At beginning of the year	**315,100**	919,573
Provision for/(reversal of provision for) loss allowance of other receivables	**830**	(314,278)
Write-off of provision for loss allowance of other receivables	**—**	(290,195)
At end of the year	**315,930**	315,100

As at 31 December 2019, included in other receivables due from third parties was other receivable of approximately RMB500,000,000 (2018: Nil) from an independent financing agent, which is interest bearing at 10% per annum. This amount can be used to offset borrowing of RMB500,000,000 arranged by the agent when it falls due.

(c) As at 31 December 2019, prepayment of RMB640,636,000 (2018: RMB640,636,000) included in prepayments for land premium and prepayment of RMB325,007,000 (2018: RMB325,007,000) included in prepayments for construction cost were initial development prepayments made to an enterprise indirectly owned and controlled by the local government in respect of several land use rights located in the PRC. Based on the agreements signed between the Group and the aforementioned enterprise, the above prepayments 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 prepayments are refundable in case of failure in the auction.

15 RESTRICTED CASH

Restricted cash comprises (i) guarantee deposits for the mortgage loan facilities granted by banks to purchasers of the Group's properties, (ii) guarantee deposits for bank loans, and (iii) other bank deposits that are restricted in use for daily operational needs. The components of restricted cash as at 31 December 2019 are as follows:

RMB'0 00	**2019**	2018
Restricted funds under guarantee deposits for mortgage facilities	**164,745**	67,730
Guarantee deposits for bank loans (a)	**3,052,143**	2,922,133
Other restricted funds	**273,051**	52,202
	3,489,939	3,042,065

(a) As at 31 December 2019, the guarantee deposits for bank loans of RMB3,052,143,000 (2018: RMB2,922,133,000) were related to offshore borrowings. The interest rates of the guarantee deposits at the balance sheet date range from 2.0% to 2.4% (2018: 2.0% to 2.4%).

16 CASH AND CASH EQUIVALENTS

RMB'000	**2019**	2018
Cash at bank and on hand:		
Denominated in RMB	**3,823,660**	3,383,352
Denominated in US$	**287**	331
Denominated in HK$	**161**	937
	3,824,108	3,384,620
Less: Restricted cash (note 15)	**(3,489,939)**	(3,042,065)
	334,169	342,555
Maximum exposure to credit risk	**3,823,813**	3,384,294

The conversion of Renminbi denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

17 TRADE AND OTHER PAYABLES

RMB'000	2019	2018
Trade payables (a):	**3,897,982**	3,798,211
Related parties (note 33(b))	**15,409**	15,409
Third parties	**3,882,573**	3,782,802
Other payables due to third parties and accrued expenses (b)	**1,348,762**	1,093,050
Other taxes payable	**724,413**	441,804
	5,971,157	5,333,065

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

RMB'000	2019	2018
Within 6 months	**1,924,348**	1,762,095
Between 7 and 12 months	**858,624**	792,774
Over 12 months	**1,115,010**	1,243,342
	3,897,982	3,798,211

(b) All other payables are unsecured, interest-free and repayable on demand.

The Group's other payables and accrued expenses mainly comprise accruals of RMB467,781,000 (2018: RMB274,098,000), refundable deposits of RMB394,036,000 (2018: RMB348,712,000) and consideration payable of RMB101,512,000 (2018: RMB101,512,000).

(c) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

RMB'000	2019	2018
HK$	**36,045**	33,324
RMB	**5,928,082**	5,292,878
US$	**7,030**	6,863
	5,971,157	5,333,065

(d) As at 31 December 2019 and 2018, the carrying values of the trade and other payable balances approximate their fair values.

18 BORROWINGS

RMB'000	**2019**	2018
Borrowings included in non-current liabilities:		
Bank borrowings — secured	**11,050**	2,404,921
	11,050	2,404,921
Borrowings included in current liabilities:		
Bank borrowings — secured (a)	**23,854,019**	20,055,904
Bond — secured	**89,990**	—
Other borrowings — unsecured (b)	**793,636**	822,761
Other borrowings — secured	**498,352**	148,549
	25,235,997	21,027,214
Total borrowings	**25,247,047**	23,432,135
The carrying values of the borrowings are denominated in the following currencies:		
HK$	**217,446**	193,653
RMB	**22,466,492**	20,787,542
US$	**2,563,109**	2,450,940
Total borrowings	**25,247,047**	23,432,135

18 BORROWINGS (Continued)

An analysis of the Group's borrowings into principal amounts is as follows:

RMB'000	**2019**	2018
Bank borrowings	**22,770,513**	22,110,074
Bond – unlisted	**89,578**	—
Other borrowings (b)	**1,151,761**	881,201
	24,011,852	22,991,275
Adjusted by: unamortised loan arrangement fees and accrued interests	**1,235,195**	440,860
Total borrowings	**25,247,047**	23,432,135

The Group's borrowings comprise loans from commercial banks, other financial institutions and certain individuals. Apart from certain other borrowings as further mentioned in (b) below, all of the Group's borrowings are secured by the construction in progress, investment properties, properties under development, completed projects held for sale, restricted cash, equity interests of certain subsidiaries and a joint venture of the Group.

(a) The current bank borrowings included borrowings with principal amounts of RMB10,168,192,000 (2018: RMB4,794,000,000) with original maturity beyond 31 December 2020 which have been reclassified as current liabilities as at 31 December 2019 as a result of the matters described in note 2(a)(i).

(b) As at 31 December 2019, short-term borrowings from third parties of RMB793,636,000 (2018: RMB822,761,000) are unsecured, interest-bearing and are repayable within one year from the date of drawdown.

(c) On 4 March 2013, the Company issued 13.25% senior notes due 2018 with an aggregate nominal value of US$250,000,000 at par value. On 20 March 2013, the Company further issued 13.25% senior notes due 2018 with an aggregate nominal value of US$150,000,000 at par value. These senior notes were consolidated and formed a single series (collectively the "Senior Notes due 2018"). The interest is payable semi-annually in arrears. In 2018, the Senior Notes due 2018 were fully redeemed in accordance with the relevant terms and conditions.

18 BORROWINGS (Continued)

(d) The Group's total borrowings at the balance sheet date were repayable as follows:

RMB'000	**2019**	2018
Amounts of borrowing that are repayable:		
Repayable on demand or within 1 year	**25,235,997**	21,027,214
After 1 and within 2 years	**2,500**	22,542
After 2 and within 5 years	**7,500**	2,378,829
After 5 years	**1,050**	3,550
	25,247,047	23,432,135

(e) As at 31 December 2019, the Group's effective interest rates was 13.5% (2018: 10.7%).

(f) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates (or maturity date whichever is earlier) are as follows:

RMB'000	**2019**	2018
Within 6 months	**25,096,693**	20,060,688
After 6 months and within 1 year	**150,354**	1,252,143
After 1 year and within 5 years	**—**	2,119,304
	25,247,047	23,432,135

(g) During the year ended 31 December 2019, the Group paid RMB622,834,000 (2018: RMB236,595,000) to an independent financing agent in relation to financing facilitation services provided for the Group to obtain new financing and renew its loans upon their maturities.

19 OBLIGATIONS UNDER FINANCE LEASES

As set out in note 2(a)(iv), 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 consolidated balance sheet on 1 January 2019.

Prior to the adoption of HKFRS 16, as at 31 December 2018, details of finance lease liabilities were as follows:

RMB'000	2018
Gross finance lease liabilities — minimum lease payments:	
No later than 1 year	1,058
Later than 1 year and no later than 5 years	4,787
Later than 5 years	36,759
	42,604
Future finance charges on finance leases	(23,386)
Present value of finance lease liabilities	19,218
The present value of finance lease liabilities is as follows:	
No later than 1 year	998
Later than 1 year and no later than 5 years	3,907
Later than 5 years	14,313
	19,218

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

20 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred income taxes relate to the same tax authority.

RMB'000	**2019**	2018
Deferred income tax assets		
To be realised after more than 12 months	**126,548**	206,529
To be realised within 12 months	**58,489**	118,148
	185,037	324,677
Deferred income tax liabilities		
To be realised after more than 12 months	**2,220,416**	2,389,683
To be realised within 12 months	**—**	—
	2,220,416	2,389,683
Deferred income tax liabilities, net	**(2,035,379)**	(2,065,006)

The movements of the net deferred income tax liabilities are as follows:

RMB'000	**2019**	2018
At beginning of year	**(2,065,006)**	(2,043,143)
Credited/(charged) as income tax expenses (note 28)	**29,627**	(21,863)
At end of year	**(2,035,379)**	(2,065,006)

20 DEFERRED INCOME TAX (Continued)

Movement in deferred income tax assets/(liabilities) during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

RMB'000	Tax losses	Unrealised profit and other expenses	Total
At 1 January 2018	135,056	341,630	476,686
Charged to income tax expenses	(68,660)	(39,570)	(108,230)
At 31 December 2018	66,396	302,060	368,456
Credited/(charged) to income tax expenses	**353,910**	**(78,274)**	**275,636**
At 31 December 2019	**420,306**	**223,786**	**644,092**

Deferred income tax liabilities

RMB'000	Other timing differences arising from capitalised interest	Fair value changes	Total
At 1 January 2018	(565,225)	(1,954,604)	(2,519,829)
(Charged)/credited to income tax expenses	(4,337)	90,704	86,367
At 31 December 2018	(569,562)	(1,863,900)	(2,433,462)
Credited/(charged) to income tax expenses	**256,876**	**(502,885)**	**(246,009)**
At 31 December 2019	**(312,686)**	**(2,366,785)**	**(2,679,471)**

20 DEFERRED INCOME TAX (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. As at 31 December 2019, the Group did not recognise deferred income tax assets of RMB1,143,262,000 (2018: RMB1,271,377,000) in respect of tax losses of approximately RMB4,573,050,000 (2018: RMB5,085,506,000) as there are uncertainties as to whether assessable profits will be available in the foreseeable future to utilise such tax losses.

Pursuant to the relevant PRC corporate income tax rules and regulations, withholding tax is imposed on dividends declared in respect of profits earned by the Group's PRC subsidiaries from 1 January 2008. Deferred income tax liabilities of RMB511,157,000 (2018: RMB664,459,000) have not been provided for in these consolidated financial statements in respect of temporary differences attributable to accumulated profits of the Group's PRC subsidiaries as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not be reversed in the foreseeable future.

21 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HK$	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, 31 December 2018 and 31 December 2019	38,000,000,000	380,000,000			
Issued:					
Ordinary shares of HK$0.01 each at 1 January 2018, 31 December 2018 and 31 December 2019	7,792,645,623	77,926,456	68,745	7,822,982	7,891,727

22 RESERVES

(a) Merger reserve

Merger reserve arose from merger accounting for the reorganisation of the Group completed in 2007.

(b) Statutory reserve

In accordance with the relevant regulations and their articles of association, the Company's subsidiaries incorporated in the PRC are required to allocate at least 10% of their after-tax profit according to PRC accounting standards and regulations to the general statutory reserve until such reserve has reached 50% of registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the respective board of directors of the subsidiaries. These reserves can only be used for specific purposes and are not distributable or transferable in the form of loans, advances, or cash dividends. For the year ended 31 December 2019, no appropriation to the general statutory reserve is accrued by the Group (2018: Nil).

(c) Revaluation reserve

Revaluation reserve arose from the revaluation of certain properties, plant and equipment upon transfer to investment properties (net of deferred income tax) in 2015.

(d) Other reserve

Other reserve represents (i) the equity interests in the Company contributed by the immediate holding company of the Company in connection with the Group's financing activities in 2007 and 2009 (note 36(a)(i)) and (ii) the difference between the fair value of consideration paid by the acquirer and the share of net assets in a subsidiary regarding the change in the Group's equity interests in the subsidiary that does not result in the Group losing control over the subsidiary in 2019 (note 11(c)).

23 OTHER INCOME

RMB'000	**2019**	2018
Rental income (note 7)	**33,648**	38,845
Others	**5,024**	8,713
	38,672	47,558

24 OTHER GAINS/(LOSSES), NET

RMB'000	**2019**	2018
Fair value changes of investment properties (note 7)	**914,107**	(374,561)
Exchange losses, net	**(43,192)**	(91,559)
	870,915	(466,120)

25 EXPENSES BY NATURE

(Loss)/profit before taxation is stated after charging the following:

RMB'000	**2019**	2018
Auditors' remuneration		
— Audit services	**9,764**	8,635
— Non-audit services	**90**	127
Advertising costs	**31,740**	39,983
Other taxes and levies	**58,993**	160,837
Costs of properties sold (including changes in provision for impairment of properties under development and completed properties held for sale)	**5,625,781**	4,600,938
Depreciation (note 6)	**7,192**	3,607
Staff costs — excluding directors' emoluments (note 27)	**192,659**	187,720
Share-based compensation expenses (non-employee related)	**40,901**	—
Rental expenses	**11,926**	22,859

26 FINANCE COSTS, NET

RMB'000	**2019**	2018
Finance income		
— Interest income	**17,760**	79,531
Finance costs		
Interest expenses		
— Bank borrowings	**(3,234,438)**	(2,183,002)
— Senior Notes due 2018 (note 18 (c))	**—**	(57,702)
— Bond	**(412)**	—
— Others	**(120,525)**	(86,111)
Total interest expenses	**(3,355,375)**	(2,326,815)
Less: interest capitalised on qualifying assets	**1,463,264**	1,840,626
Finance costs expensed	**(1,892,111)**	(486,189)
Finance costs, net	**(1,874,351)**	(406,658)

Borrowing costs on the loans used to finance the property development projects of the Group have been capitalised in properties under development, property, plant and equipment and investment properties, at a capitalisation rate of 13.8% during the year (2018: 11.8%).

27 STAFF COSTS — EXCLUDING DIRECTORS' EMOLUMENTS

RMB'000	**2019**	2018
Wages and salaries	**158,003**	167,172
Retirement scheme contribution	**11,035**	9,892
Staff welfare	**4,702**	3,025
Other allowances and benefits	**8,821**	7,631
Share-based compensation expenses	**10,098**	—
	192,659	187,720

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2019 included 1 director (2018: none). The emoluments payable to the remaining 4 individuals (2018: 5 individuals) for the year ended 31 December 2019 are as follows:

RMB'000	**2019**	2018
Salaries and other short-term benefits	**5,843**	7,284
Retirement scheme contribution	**168**	201
Share-based compensation expenses	**692**	—
	6,703	7,485

The emoluments fell within the following bands:

	2019	2018
RMB1,000,000 to RMB1,500,000	**—**	4
RMB1,500,001 to RMB2,000,000	**4**	1
	4	5

28 INCOME TAX EXPENSES

RMB'000	**2019**	2018
Current income tax		
— PRC corporate income tax	**(249,360)**	(614,747)
— PRC land appreciation tax	**(199,642)**	(2,961,145)
	(449,002)	(3,575,892)
Deferred income tax (note 20)		
— Origination and reversal of temporary differences	**29,627**	(21,863)
	29,627	(21,863)
	(419,375)	(3,597,755)

The income tax on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies comprising the Group as follows:

RMB'000	**2019**	2018
(Loss)/profit before taxation	**(572,908)**	3,988,130
Calculated at PRC corporate income tax rate of 25%	**(143,227)**	997,033
Expenses not deductible for tax purposes	**227,181**	346,257
Income not taxable for tax purposes	**(191,138)**	(80,104)
Tax losses not recognised as deferred income tax assets	**378,885**	45,050
Provision for land appreciation tax	**199,642**	2,961,145
Tax effect of land appreciation tax	**(49,911)**	(740,286)
Utilisation of previously unrecognised tax losses	**(29,043)**	—
Expiration of tax losses previously recognised as deferred tax assets	**26,986**	68,660
Income tax expenses	**419,375**	3,597,755

28 INCOME TAX EXPENSES (Continued)

PRC corporate income tax is provided at the rate of 25% for each of the years ended 31 December 2019 and 2018 of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for PRC corporate income tax purpose.

No Hong Kong profits tax has been provided for the years ended 31 December 2019 and 2018 as there is no assessable profit for these years.

PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the consolidated statement of comprehensive income as income tax. The Group has estimated the tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

29 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2019	2018
(Loss)/profit attributable to the owners of the Company (RMB'000)	**(957,065)**	525,290
Weighted average number of ordinary shares in issue (thousands)	**7,792,646**	7,792,646

(b) Diluted

Diluted (loss)/earnings 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 years ended 31 December 2019 and 2018, the Company's share options are anti-dilutive, 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.

30 DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of (loss)/profit for the year to cash generated from operations

RMB'000	Note	**2019**	2018
(Loss)/profit for the year		**(992,283)**	390,375
Adjustments for:			
Share of loss/(profit) of an associate		**1,340**	(93)
Share of (profit)/loss of a joint venture		**(959,921)**	150,100
Income tax expenses	28	**419,375**	3,597,755
Interest income	26	**(17,760)**	(79,531)
Interest expenses	26	**1,892,111**	486,189
Fair value changes of investment properties	24	**(914,107)**	374,561
Depreciation	6	**7,192**	3,607
Gains on disposals of property, plant and equipment		**(1,337)**	(412)
Exchange losses, net	24	**43,192**	91,559
Changes in provision for impairment of properties under development and completed properties held for sale	5	**1,367,610**	1,063,461
(Provision for)/reversal of provision for loss allowances of trade and other receivables, net	3(a)(iv)	**2,613**	(314,125)
Share-based compensation expenses		**52,486**	—
Changes in working capital:			
Properties under development and completed properties held for sale		**1,973,564**	2,176,334
Restricted cash		**(317,882)**	(87,973)
Trade and other receivables and prepayments		**(186,350)**	1,628,489
Interest in a joint venture and amount due to a joint venture		**—**	758,220
Trade and other payables		**810,537**	711,832
Contract liabilities		**(1,088,684)**	(4,874,234)
Cash generated from operations		**2,091,696**	6,076,114

31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities

This section sets out the movement in liabilities arising from financing activities for each of the years presented.

RMB'000	Borrowings	Loan from a non-controlling interest
As at 1 January 2018	23,419,824	—
Cash flows		
— Inflow from financing activities	15,550,229	—
— Outflow from financing activities	(14,835,101)	—
— Interests included under operating activities	(2,817,094)	—
— Interests included under investing activities	(301,849)	—
Foreign exchange adjustments	89,311	—
Other non-cash movements		
— Accrual of interest expenses and others	2,326,815	—
As at 31 December 2018	23,432,135	—
As at 1 January 2019	**23,432,135**	**—**
Cash flows		
— Inflow from financing activities	**8,586,291**	**303,479**
— Outflow from financing activities	**(8,178,795)**	**—**
— Interests included under operating activities	**(2,114,299)**	**—**
— Interests included under investing activities	**(555,707)**	**—**
Foreign exchange adjustments	**41,579**	**—**
Other non-cash movements		
— Accrual of interest expenses and others	**4,035,843**	**—**
As at 31 December 2019	**25,247,047**	**303,479**

32 COMMITMENTS

(a) Commitments for capital and property development expenditures

RMB'000	**2019**	2018
Contracted but not provided for		
Land use rights	**545,736**	545,736
Property development expenditures	**4,134,986**	3,670,311
— Shanghai Ditong (i)	**2,045,737**	3,086,125
— Third parties	**2,089,249**	584,186
Construction materials	**140,153**	124,902
	4,820,875	4,340,949
Commitments comprises:		
Properties under development	**3,549,187**	3,000,280
Investment properties	**1,271,688**	1,340,669
	4,820,875	4,340,949

(i) 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 still under revision, as the detailed arrangement is yet to be finalised. Shanghai Ditong has agreed that it would not seek compensation from the Group for breaching these contracts.

As at 31 December 2019, the Group's share of commitment of the joint venture (note 10) is RMB18,052,000 (2018: RMB83,461,000).

(b) Operating lease commitments

The Group leases various offices under non-cancellable operating leases. From 1 January 2019, the Group has recognised right-of-use assets for these leases. Please see note 2(a)(iv) and note 6 for details.

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as at 31 December 2018 are as follows:

RMB'000	2018
No later than 1 year	9,051
Later than 1 year and no later than 5 years	13,583
	22,634

33 RELATED PARTY TRANSACTIONS

As at 31 December 2019, Best Era International Limited, Market Victor Limited, Novel Ventures Limited, Island Century Limited and Well Advantage Limited held, in aggregate, 68.2% 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 31.8% 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) Transactions with related parties

RMB'000	**2019**	2018
Construction services provided during the year by Shanghai Ditong	**128,872**	124,934
Purchase of property design services from an associate	**3,216**	2,725

(b) Balances with related parties

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

RMB'000	**2019**	2018
Balances included in "Prepayments":		
Prepayments to related companies for construction services to be provided by		
— Shanghai Ditong (i)	**82,983**	17,157
— Other related companies	**2,775**	2,775
	85,758	19,932
Balances included in current liabilities:		
Amount due to a joint venture	**353,029**	353,029
Trade payables with other related companies	**15,409**	15,409

33 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

(i) The proposed annual caps for the continuing connected transactions with Shanghai Ditong for the 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 revisited the construction plans and came into agreement with Shanghai Ditong to closely monitor the construction progress so as to reduce the amounts of transactions with Shanghai Ditong to a level that complies with the Listing Rules.

During the year ended 31 December 2018, RMB889,767,000 has been refunded from Shanghai Ditong upon revision of construction plans. Since then, each payment made to Shanghai Ditong is with reference to (1) the terms and conditions in the construction contracts; and (2) the expected amounts of construction services to be provided by Shanghai Ditong (referred as the "Expected Transactions"), in which the Expected Transactions would be maintained at a level which complies with the Listing Rules.

Except for the loan to a joint venture, the terms of which are disclosed in note 10(a), as at 31 December 2019 and 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.

(c) Key management compensation

RMB'000	**2019**	2018
Salaries and other short-term employee benefits	**2,632**	2,610
Share-based compensation expenses	**1,487**	—
	4,119	2,610

(d) Other related party transaction

As at 31 December 2019, Mr. Zhang Zhi Rong has provided personal guarantee for certain of the Group's borrowings of RMB5,049,578,000 (2018: RMB1,700,000,000) as additional security measures.

34 FINANCIAL GUARANTEES

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate 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, upon 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 related properties. The Group's guarantee period starts from the dates of grant of the mortgages. As at 31 December 2019, the amount of outstanding guarantees for mortgages were approximately RMB3,248,085,000 (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.

35 SHARE OPTION SCHEMES

(a) Pre-IPO share option scheme

Pursuant to a resolution 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"). By the same resolution, the Company granted 84,000,000 share options to its directors and employees which are exercisable for a ten-year period from the grant date under the following terms:

(i) the exercise price per share shall be equal to 60% discount to the initial public offering price;

(ii) 20% of the total number of shares will become exercisable on 2 October 2009 (the "Listing Date"). The remaining 80% of share options will become exercisable in four equal instalments, 20% of the total number of shares will become exercisable on the first anniversary of the Listing Date with a further 20% to become exercisable on each subsequent anniversary.

The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense, with a corresponding adjustment to employee share-based compensation reserve over the vesting period. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity. There was no share-based compensation expenses for the year ended 31 December 2018 and 2019.

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

Details of Pre-IPO Share Option Scheme during the year ended 31 December 2018 and 2019 is as follows:

	Exercise Price (HK$)	**Number of options**
At 31 December 2018	1.76	69,000,000
Lapsed	1.76	(69,000,000)
At 31 December 2019	N/A	—

All of the outstanding share options lapsed on 9 September 2019.

The weighted average fair value granted in 2009 determined using the Binomial option pricing model was HK$3.05 per option. The significant inputs to the model were as follows:

Assumptions	
Volatility	73.85%
Dividend yield	1.70%
Annual risk-free rate	2.356%
Expected option life	10 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.

35 SHARE OPTION SCHEMES (Continued)

(b) Share option scheme

Pursuant to the aforementioned 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 ("Share Option Scheme"). The purpose of the share option scheme is to provide incentives to the Group's employees including the executive directors and non-executive directors (each a "participant"). The Board may, at any time within 10 years after the date of adoption of the Share Option Scheme, make an offer to any participant. The subscription price for shares granted pursuant to the Share Option Scheme is the highest of:

— the closing price of the shares of the Company on the Hong Kong Stock Exchange on the business day on which an offer is made to a participant;

— the average of the closing prices of the shares on the Hong Kong Stock Exchange for the five business days immediately preceding the date on which such offer is made; and

— the nominal value of the shares of the Company.

The total number of shares which may be issued upon exercise of all options granted under the Share Option Scheme must not, in aggregate, exceed 10% of the issued share capital of the Company at the date of approval of the share option scheme. The 10% limit may be refreshed with the approval by ordinary resolution of the Company's shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options granted, and yet to be exercised, under the Share Option Scheme must not exceed 30% of the Company's issued share capital.

The total number of shares issued and to be issued upon exercise of all options granted under the Share Option Scheme to each participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of issued shares of the Company. If shares issued and to be issued upon exercise of all options granted under the Share Option Scheme (including options exercised, cancelled and outstanding) to a participant who is a substantial shareholder or an independent non-executive director of the Company in any 12-month period, (i) represent in aggregate more than 0.1% of the total number of shares in issue and (ii) have an aggregate value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK$5,000,000, the proposed grant of option must be approved by the Company's shareholders by poll in a general meeting.

The exercise period of any option granted under the Share Option Scheme shall not be longer than 10 years from the date of grant of the relevant option. The Board has the authority to determine the minimum period for which an option must be held before it can vest.

As at 31 December 2018, no share options was granted under the Share Option Scheme.

35 SHARE OPTION SCHEMES (Continued)

(b) Share option scheme (Continued)

On 4 February 2019, the Company resolved to grant 632,388,000 share options to eligible participants (the "Grantees"), including employees and suppliers, 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 ("First batch"). 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.

On 23 July 2019, the Company resolved to further 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 ("Second batch"). 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.

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.

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

35 SHARE OPTION SCHEMES (Continued)

(b) Share option scheme (Continued)

Details of Share Option Scheme during the year ended 31 December 2019 is as follows:

Grantees	At 1 January 2019	Share options granted	Share options cancelled	At 31 December 2019
Directors	—	22,367,000	—	**22,367,000**
Employees	—	178,549,000	(6,418,000)	**172,131,000**
Suppliers	—	455,476,000	—	**455,476,000**
	—	656,392,000	(6,418,000)	**649,974,000**

All of the outstanding share options as at 31 December 2019 were exercisable and will expire by 3 February 2024 and 22 July 2024 respectively.

The estimated fair values of the share options granted in 2019 determined using the Binomial option pricing model was RMB50,744,000 and RMB1,742,000 respectively, all of which have been charged to the consolidated statement of comprehensive income as expenses in the current year. The significant inputs to the model were as follows:

Assumptions	First batch	Second batch
Volatility	**43.38%**	**51.32%**
Dividend yield	**0%**	**0%**
Annual risk-free rate	**1.67%**	**1.45%**
Expected option life	**5 years**	**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.

36 BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY

RMB'000	Note	**2019**	2018
Non-current assets			
Interests in subsidiaries		**7,547,917**	7,543,152
		7,547,917	7,543,152
Current assets			
Prepayments		**209**	204
Cash and cash equivalents		**156**	359
		365	563
Total assets		**7,548,282**	7,543,715
Current liabilities			
Trade and other payables		**101,787**	9,053
Amounts due to subsidiaries		**1,746,141**	1,746,141
Borrowings		**3,604,339**	3,484,120
		5,452,267	5,239,314
Total liabilities		**5,452,267**	5,239,314
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**68,745**	68,745
Share premium		**7,822,982**	7,822,982
Reserves	(a)	**(5,795,712)**	(5,587,326)
Total equity		**2,096,015**	2,304,401
Total liabilities and equity		**7,548,282**	7,543,715

Approved by the Board on 7 May 2020 and signed on its behalf by,

Ding Xiang Yang

Director

Xia Jing Hua

Director

36 BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY (Continued)

(a) Reserves movement of the Company

RMB'000	Other reserve (note (i))	Share-based compensation reserve	Accumulated losses	Total
Balance at 1 January 2018	264,317	201,795	(5,764,128)	(5,298,016)
Total comprehensive loss for the year	—	—	(289,310)	(289,310)
Balance at 31 December 2018	**264,317**	**201,795**	**(6,053,438)**	**(5,587,326)**
Issue of share options (note 35(b))	**—**	**52,486**	**—**	**52,486**
Total comprehensive loss for the year	**—**	**—**	**(260,872)**	**(260,872)**
Balance at 31 December 2019	**264,317**	**254,281**	**(6,314,310)**	**(5,795,712)**

(i) Other reserve

It represents the 0.7% and 0.5% equity interests in the Company contributed by Best Era International Limited, the immediate holding company of the Company and is wholly-owned by Mr. Zhang Zhi Rong, in connection with the Group's financing activities in 2007 and 2009 respectively.

37 DIRECTORS' BENEFITS AND INTERESTS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of each of the directors disclosed pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are set out below:

For the year ended 31 December 2019

RMB'000	Fees	Salaries, allowance and benefits in kind	Discretionary Bonus	Employer's contribution to retirement scheme	Other benefits	Share-based compensation expenses (iii)	Total
Executive directors (i):							
Mr. Ding Xiang Yang	—	806	—	84	40	703	1,633
Mr. Xia Jing Hua	—	726	—	84	40	392	1,242
Mr. Yan Zhi Rong	—	726	—	84	42	392	1,244
Independent non-executive directors:							
Mr. Wo Rui Fang	430	—	—	—	—	—	430
Mr. Han Ping	430	—	—	—	—	—	430
Prof. Liu Tao	430	—	—	—	—	—	430

For the year ended 31 December 2018

RMB'000	Fees	Salaries, allowance and benefits in kind	Discretionary Bonus	Employer's contribution to retirement scheme	Other benefits	Total
Executive directors (i):						
Mr. Ding Xiang Yang	—	814	—	74	35	923
Mr. Xia Jing Hua	—	734	—	74	35	843
Mr. Yan Zhi Rong	—	735	—	74	35	844
Non-executive director:						
Mr. Cheng Li Xiong (ii)	180	—	—	74	33	287
Independent non-executive directors:						
Mr. Wo Rui Fang	421	—	—	—	—	421
Mr. Han Ping	421	—	—	—	—	421
Prof. Liu Tao	421	—	—	—	—	421

37 DIRECTORS' BENEFITS AND INTERESTS AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments *(Continued)*

(i) The Company's executive directors represent the Company's chief executives. Accordingly, no separate disclosure in respect of the remuneration of the chief executives is made in the financial statements.

(ii) Mr. Cheng Li Xiong was re-designated from an executive director to a non-executive director of the Company from 17 October 2016. Mr. Cheng resigned as a non-executive director of the Company from 5 June 2018.

(iii) Amounts represent the fair value of share options measured at the grant date charged to the consolidated statement of comprehensive income when vested.

(b) Other directors' benefits and interest

During the years ended 31 December 2019 and 2018, there were:

(i) no other retirement benefits paid to the directors;

(ii) no termination on the appointment of directors and thus no payments was made as compensation for the early termination of appointment;

(iii) no consideration was provided to third parties for making available directors' services;

(iv) no loans, quasi-loans and other dealings were entered into by the Company or any of its subsidiaries in favour of the directors, their controlled bodies corporate and their connected entities; and

(v) no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(c) During each of the years ended 31 December 2019 and 2018, no director received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office, no director waived or has agreed to waive any emoluments.

38 EVENTS OCCURRING AFTER THE REPORTING DATE

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across different countries/regions. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date that these consolidated financial statements were approved for issue, the Group was not aware of any material adverse effects on these consolidated financial statements as a result of the COVID-19 outbreak. However, if the COVID-19 outbreak persists for a longer period subsequently, the financial performance of the Group for the year ending 31 December 2020 may be affected but the financial effect of which cannot be reasonably estimated at this stage.

Five-Year Financial Summary

CONSOLIDATED RESULTS

RMB'000	2015	2016	2017	2018	**2019**
Revenue	2,340,198	2,572,542	3,465,550	10,091,039	**5,806,661**
Cost of sales	(4,321,044)	(3,891,669)	(3,933,897)	(4,761,775)	**(5,684,774)**
Gross (loss)/profit	(1,980,846)	(1,319,127)	(468,347)	5,329,264	**121,887**
Other income	73,677	50,821	63,428	47,558	**38,672**
Other (losses)/gains, net	(295,404)	(1,919,722)	(178,247)	(466,120)	**870,915**
Reversal of provision for/(provision for) loss allowance of trade and other receivables, net	—	—	—	314,125	**(2,613)**
Selling and marketing expenses	(99,603)	(99,434)	(146,528)	(220,653)	**(133,834)**
Administrative expenses	(529,751)	(451,412)	(450,004)	(459,379)	**(552,165)**
Finance costs, net	(1,320,638)	(1,097,061)	(1,434,684)	(406,658)	**(1,874,351)**
Share of profit/(loss) of an associate	123	146	2,999	93	**(1,340)**
Share of profit/(loss) of a joint venture	264,429	(13,806)	598,868	(150,100)	**959,921**
(Loss)/profit before taxation	(3,888,013)	(4,849,595)	(2,012,515)	3,988,130	**(572,908)**
Income tax (expenses)/credits	(85,326)	120,448	(713,841)	(3,597,755)	**(419,375)**
(Loss)/profit for the year	(3,973,339)	(4,729,147)	(2,726,356)	390,375	**(992,283)**
(Loss)/profit for the year attributable to:					
— the owners of the Company	(3,877,922)	(4,021,011)	(2,608,618)	525,290	**(957,065)**
— non-controlling interests	(95,417)	(708,136)	(117,738)	(134,915)	**(35,218)**
	(3,973,339)	(4,729,147)	(2,726,356)	390,375	**(992,283)**
(Loss)/earnings per share for (Loss)/profit attributable to the owners of the Company (expressed in RMB per share)					
— Basic	(0.50)	(0.52)	(0.33)	0.07	**(0.12)**
— Diluted	(0.50)	(0.52)	(0.33)	0.07	**(0.12)**
Dividend	—	—	—	—	**—**
Dividend per share (expressed in RMB per share)	—	—	—	—	**—**

Five-Year Financial Summary

ASSETS AND LIABILITIES

RMB'000	2015	2016	2017	2018	**2019**
Total non-current assets	18,525,842	18,507,820	18,455,916	18,383,916	**22,402,155**
Total current assets	38,835,857	36,596,381	33,182,352	33,105,256	**30,035,837**
Total assets	57,361,699	55,104,201	51,638,268	51,489,172	**52,437,992**
Total non-current liabilities	3,216,061	11,858,395	8,184,717	4,812,824	**2,536,202**
Total current liabilities	40,608,982	34,534,944	37,469,045	40,412,292	**44,380,389**
Total liabilities	43,825,043	46,393,339	45,653,762	45,225,116	**46,916,591**
Net assets	13,536,656	8,710,862	5,984,506	6,264,056	**5,521,401**

Particulars of Major Properties Held

	Name of property	Location	Type	Interest attributable to the Group: Percentage	Interest attributable to the Group: Approximate GFA (sq.m.)	Interest attributable to the Group: Approximate number of carparks	Lease term
A.	**Major properties held for investment by the Group**						
1.	Chateau De Paris	No.2093 Xietu Road, Xuhui District, Shanghai	Commercial	100%	15,559	342	Long term
2.	Sunshine Venice (Phases I, II & IIIA, B)	South of Taopu Road, west of Qilianshan Road, Shanghai	Commercial	100%	38,701	850	Long term
3.	Sunshine Venice (Phase IIIC)	South of Taopu Road, west of Qilianshan Road, Shanghai	Commercial	100%	58,718	—	Long term
4.	Shanghai Bay (Phase III) – Binjiang Center (North block)	No. 1441 Wanping South Road, Shanghai	Commercial/ Office	100%	114,537	362	Long term
5.	Shanghai Bay (Phase III) – Binjiang Center (South block)	No. 1441 Wanping South Road, Shanghai	Commercial/ Office	100%	123,918	307	Long term
6.	Sunglow Xinjing	No. 259 Tiandeng Road, Shanghai	Commercial	100%	2,076	81	Long term
7.	Caohejing Project	No. 292 Caohejing Road, Shanghai	Commercial/ Office/Hotel	100%	115,031	450	Long term
8.	Zhongcaoxincun Project	No. 143 Xujiahui Road, Shanghai	Commercial/ Office	100%	91,000	340	Long term
9.	Sunny Town (Shenyang Glorious Plaza)	No. 181, Nujiang North Street, Yuhong District, Shenyang, Liaoning Province	Commercial	100%	119,391	511	Long term
10.	Sunshine Holiday (Phase IV)	Intersection of Taixing South Road and Chenyang Road,Hedong District, Tianjin	Commercial	100%	8,103	180	Long term
11.	Tianjin Glorious Plaza	Intersection of Taixing South Road and Chenlin Road, Hedong District, Tianjin	Commercial	100%	7,622	575	Long term
12.	Changchun Villa Glorious (West) (Phase I)	East to Chaoran Street, south to Guihua Road, west to Chaoqun Street, north to Yisi Road, New and High-tech District, Changchun	Commercial	100%	21,397	200	Long term
13.	Hefei Bashangjie Project	Southwest intersection of Mingguang Road and Changjiang East Road, Hefei, Anhui Province	Commercial/ Office/Hotel	100%	700,203	3,800	Long term
14.	Nanjing Royal Bay (Land parcels C and D)	Southern part of Gulou District, Nanjing	Commercial	60%	30,584	757	Long term
15.	Nantong Glorious Plaza	South of Shiji Avenue and east of Gongnong Road, Nantong, Jiangsu Province	Commercial/ Office/Hotel	70%	297,486	1,196	Long term
	Total				**1,744,326**	**9,951**	

Particulars of Major Properties Held

			Interest attributable to the Group					
Name of property	Location	Type	Percentage	Approximate GFA (sq.m.)	Approximate site area (sq.m.)	Approximate number of carparks	Stage of completion	Anticipated completion date
B. Major projects under development and planning held by the Group								
1. Shanghai Bay (Phase IIB)	No. 1441 Wanping South Road, Shanghai	Residential/ Commercial	100%	64,530	178,734[1]	1,151	Interior under construction	May 2021
2. Royal Lakefront (Phase IB)	Jinhai Road, Zefeng Road and Wangyuan Road, Fengxian District, Shanghai	Commercial	100%	22,750	118,307[2]	200	Under planning	December 2022
Royal Lakefront (Phase II)	Jinhai Road, Zefeng Road and Wangyuan Road, Fengxian District, Shanghai	Commercial	100%	89,540	161,388	890	Under planning	December 2022
3. Sunshine Venice (Phase IV)	South of Taopu Road and west of Qilianshan Road, Shanghai	Commercial	100%	83,421	429,929[3]	322	Under planning	December 2021
4. Hefei Royal Garden	Intersection of Mengcheng Road and Lianshui Road, Hefei, Anhui Province	Hotel	100%	20,000	150,000[5]	120	Under planning	October 2021
5. Hefei Bashangjie Project (Land parcel A1)	Southwest intersection of Mingguang Road and Changjiang East Road, Hefei, Anhui Province	Residential/ Commercial	100%	747,005	118,929[6]	4,555	Under planning	March 2023
Hefei Bashangjie Project (Land parcel A2, Phase 1.3)	Southwest intersection of Mingguang Road and Changjiang East Road, Hefei, Anhui Province	Residential/ Commercial	100%	145,976	118,929[6]	522	Under planning	July 2023
6. No.1 City Promotion (Phase IV)	North of Wangzhuang East Road, south of Xinguang Road, east of Xixing Road and west of Chunhua Road, Wuxi New District, Wuxi, Jiangsu Province	Residential/ Commercial	100%	68,088	27,812	492	Main structure under construction	June 2020

Notes:
(1) The site area includes all of the site areas of Shanghai Bay Phase II.
(2) The site area includes all of the site areas of Royal Lakefront Phases IA and IB.
(3) The site area includes all of the site areas of Sunshine Venice Phases I to IV.
(4) The site area includes all of the site areas of Shanghai City Glorious Phases I and II.
(5) The site area includes all of the site areas of Hefei Royal Garden Phases I to III.
(6) The site area includes all of the site areas of land parcels A1 and A2 of Hefei Bashangjie Project.

Particulars of Major Properties Held

	Name of property	Location	Type	Interest attributable to the Group: Percentage	Approximate GFA (sq.m.)	Approximate site area (sq.m.)	Approximate number of carparks	Stage of completion	Anticipated completion date
7.	Nantong Royal Bay (Land parcel No. 5)	West of Gongnong Road and south of Hongqiao Road, Nantong, Jiangsu Province	Residential/ Commercial	100%	196,941	89,482	1,035	Under planning	December 2022
	Nantong Royal Bay (Land parcel No. 3)	West of Gongnong Road, Nantong, Jiangsu Province	Commercial	100%	121,148	18,382	479	Under planning	June 2023
	Nantong Royal Bay (Land parcel No. 3)	South of Hongqiao Road, Nantong, Jiangsu Province	Commercial	100%	52,870	17,776	247	Main structure under construction	January 2021
8.	Nanjing Royal Bay (Phase IV)	Southern part of Gulou District, Nanjing	Residential/ Commercial	60%	82,052	123,077	368	Under planning	July 2024
9.	Royal Mansion (Phase II)	The Fourth Zone, Yuhaiyuan Small District, Yuquan Road, Haidian District, Beijing	Residential/ Commercial	100%	90,406	34,850	180	Main structure under construction	December 2021
10.	Tianjin Royal Bay Seaside (North)	Guangang Forest Park, Dagang District, Tianjin	Commercial	100%	61,028	75,480	190	Exterior and interior overall under construction	December 2020
	Tianjin Royal Bay Seaside (North)	Guangang Forest Park, Dagang District, Tianjin	Commercial	100%	345,768	254,865	1,077	Under planning	To be determined
	Tianjin Royal Bay Seaside (East)	Guangang Forest Park, Dagang District, Tianjin	Residential	100%	70,647	114,329	495	Exterior and interior overall under construction	December 2020
	Tianjin Royal Bay Seaside (East)	Guangang Forest Park, Dagang District, Tianjin	Residential	100%	214,768	252,338	1,549	Under planning	To be determined
	Tianjin Royal Bay Seaside (West Phase II)	Guangang Forest Park, Dagang District, Tianjin	Residential	100%	149,516	119,123	1,753	Main structure under construction	June 2022
11.	Tianjin Royal Bay Lakeside (Phases I-IV)	The eastern part of Tuanbohu, Jinghai County, Tianjin	Residential/ Commercial	70%	1,567,303	1,196,000	7,087	Under planning	In stages starting December 2023

Particulars of Major Properties Held

			Interest attributable to the Group					
Name of property	**Location**	**Type**	**Percentage**	**Approximate GFA (sq.m.)**	**Approximate site area (sq.m.)**	**Approximate number of carparks**	**Stage of completion**	**Anticipated completion date**
12. Changchun Villa Glorious (West) (Land parcel A, Phase III)	East to Chaofan Street, south to New and High-tech Reserve Center, west to Chaoran Street and north to Yisi Road, New and High-tech District, Changchun	Residential/ Commercial	100%	115,670	516,768[7]	609	Under planning	October 2022
Changchun Villa Glorious (West) (Land parcel A, Phase IV)	East to Chaofan Street, south to New and High-tech Reserve Center, west to Chaoran Street and north to Yisi Road, New and High-tech District, Changchun	Residential/ Commercial	100%	167,969	516,768[7]	773	Under planning	October 2023
Changchun Villa Glorious (West) (Land parcel B, Phase I)	East to Chaofan Street, south to New and High-tech Reserve Center, west to Chaoran Street and north to Yisi Road, New and High-tech District, Changchun	Residential/ Commercial	100%	217,352	516,768[7]	1,021	Main structure under construction	October 2020
Changchun Villa Glorious (West) (Land parcel B, Phase II)	East to Chaofan Street, south to New and High-tech Reserve Center, west to Chaoran Street and north to Yisi Road, New and High-tech District, Changchun	Residential/ Commercial	100%	40,648	516,768[7]	300	Main structure under construction	October 2021
Total				**4,735,396**		**25,415**		

Note:

(7) The site area includes all of the site areas of the East and West parts of Changchun Villa Glorious.

Particulars of Major Properties Held

	Name of property	Location	Type	Interest attributable to the Group		
				Percentage	Approximate GFA (sq.m.)	Approximate number of carparks
C.	**Major properties available for sale held by the Group**					
1.	Shanghai Park Avenue	No. 389 Anshun Road, Changning District, Shanghai	Residential/ Commercial	100%	26,451	316
2.	Chateau De Paris	No. 2143 Xietu Road, Xuhui District, Shanghai	Residential/ Commercial	100%	19,757	386
3.	Holiday Royal	North of Nanfeng Road, West of Dezheng Road, South of Jiefang East Road, Fengxian District, Shanghai	Residential	100%	2,995	996
4.	Sunshine Venice	South of Taopu Road, west of Qilianshan Road, Shanghai	Residential	100%	22,352	57
5.	Shanghai Bay (Phase I & IIA)	No. 1441 Wanping South Road, Shanghai	Residential/ Commercial	100%	59,070	986
6.	Shanghai City Glorious	West of Gaojing Road, east of Jiangyang South Road, south of the planned extension of 128 Jinian Road and north of Yingao Road, Baoshan District, Shanghai	Residential/ Commercial	100%	21,310	426
7.	No.1 City Promotion	North of Wangzhuang East Road, south of Xinguang Road, east of Xixing Road and west of Chunhua Road, Wuxi New District, Jiangsu Province	Residential/ Commercial	100%	14,416	1,785
8.	Nanjing Royal Bay	Southern part of Gulou District, Nanjing	Residential/ Commercial	60%	7,537	1,170
9.	Sunny Town	No. 181 Nujiang North Street, Yuhong District, Shenyang, Liaoning Province	Residential/ Commercial	100%	5,538	523

Particulars of Major Properties Held

			Interest attributable to the Group		
Name of property	Location	Type	Percentage	Approximate GFA (sq.m.)	Approximate number of carparks
10. Hefei Bashangjie Project (Phase I to Phase II)	Southwest intersection of Mingguang Road and Changjiang East Road, Hefei, Anhui Province	Residential/ Commercial	100%	32,750	1,444
11. Hefei Royal Garden	Southeast intersection of Mengcheng Road and Lianshui Road, Hefei, Anhui Provice	Commercial	100%	784	1,085
12. Hefei Villa Glorious	Southeast intersection of Quanjiao Road and Changjiang East Street, Yaohai District, Hefei, Anhui Province	Commercial	100%	—	397
13. Sunshine Bordeaux	Caiyu Town, Daxing District, Beijing	Commercial	100%	6,110	177
14. Harbin Villa Glorious	The enclosure section of Anyang Road, Longkui Road, Qunei Guihua Road and Wuwei West Road, Daoli District, Harbin	Residential/ Commercial	100%	5,688	15
15. Harbin Royal Garden	North to the fourth Avenue, east to Shangjiang Street, south to the Fifth Avenue and west to Lingjiang Road, Qunli New District, Harbin	Residential/ Commercial	100%	—	530
16. Nantong Villa Glorious	South of Dongcheng Garden, west of Shiji Road and the north of Tongjia River, Nantong, Jiangsu Province	Residential/ Commercial	100%	1,564	243
17. Nantong Royal Bay (Land parcel No. 3)	West of Gongnong Road and south of Hongqiao Road, Nantong, Jiangsu Province	Residential/ Commercial	100%	39,505	88

Particulars of Major Properties Held

Name of property		Location	Type	Interest attributable to the Group		
				Percentage	Approximate GFA (sq.m.)	Approximate number of carparks
18.	Changchun Villa Glorious (Land parcel A Phase I & II and Land parcel C Phase II)	East to Chaofan Street, south to New and High-tech Reserve Center, west to Chaoran Street and north to Yisi Road, New and High-tech District, Changchun	Residential/ Commercial	100%	62,578	676
19.	Dalian Villa Glorious	Bali Village, Xianjin Street, Jinzhou New District, Dalian	Residential/ Commercial	100%	2,451	159
20.	Tianjin Royal Bay Seaside (West Phase I)	Guangang Forest Park, Dagang District, Tianjin	Residential/ Commercial	100%	3,952	—
21.	Sunshine Holiday (Phase IV)	Intersection of Taixing South Road and Chenyang Road, Hedong District, Tianjin	Residential/ Commercial	100%	8,103	—
	Total				**342,911**	**11,459**

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