恒盛地產
GLORIOUS PROPERTY

築·極致人生

*The Ultimacy of Life*

# 2020

# INTERIM REPORT 中期報告

恒盛地產控股有限公司

**GLORIOUS PROPERTY HOLDINGS LIMITED**

股份代號 Stock Code: 00845

( Incorporated in the Cayman Islands with limited liability )

( 於開曼群島註冊成立的有限公司 )

# Contents

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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

### Independent Non-Executive Directors

Prof. Liu Tao
Dr. Hu Jinxing
Mr. Han Ping

## AUDIT COMMITTEE

Prof. Liu Tao *(Chairman)*
Dr. Hu Jinxing
Mr. Han Ping

## REMUNERATION COMMITTEE

Dr. Hu Jinxing *(Chairman)*
Mr. Ding Xiang Yang
Prof. Liu Tao

## NOMINATION COMMITTEE

Mr. Ding Xiang Yang *(Chairman)*
Dr. Hu Jinxing
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

## REGISTERED OFFICE

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Grand Cayman
KY1-1111
Cayman Islands

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Wanchai
Hong Kong

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Fengxian Shanghai, China

## 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

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Wanchai, Hong Kong

## CONTACT

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## CHOICE OF LANGUAGE OR MEANS OF RECEIPT OF CORPORATE INFORMATION

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

1. wish to receive a printed copy; or

2. for any reason have difficulty in receiving or gaining access to this report on the Company's website,

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

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

## WEBSITE

www.gloriousphl.com.cn

## STOCK CODE

00845

# Management Discussion and Analysis

## HALF-YEAR HIGHLIGHTS

- During the first half of 2020, the Group recorded a revenue of RMB397.0 million, representing a year-on-year ("YoY") decrease of 55.2%, and the delivered gross floor area ("GFA") was 13,014 sq.m..
- During the first half of 2020, the Group recorded a profit attributable to the owners of the Company of RMB59.9 million, as compared to a loss attributable to the owners of the Company of RMB1,364.4 million for the corresponding period in 2019.
- During the first half of 2020, the Group achieved contracted property sales of RMB3,895.6 million and the GFA sold was 110,160 sq.m..
- As at 30 June 2020, total borrowings were RMB23,190.0 million and gearing ratio was 376.3%.
- As at 30 June 2020, 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

| | **Six months ended 30 June** | |
|---|---|---|
| | **2020** | 2019 |
| Revenue *(RMB'000)* | **396,950** | 886,928 |
| GFA sold and delivered *(sq.m.)* | **13,014** | 25,535 |
| Gross profit/(loss) *(RMB'000)* | **35,274** | (164,302) |
| Profit/(loss) attributable to the owners of the Company *(RMB'000)* | **59,927** | (1,364,422) |
| Basic earnings/(loss) per share attributable to the owners of the Company *(RMB per share)* | **0.01** | (0.18) |

## BUSINESS INFORMATION HIGHLIGHTS

| | **Six months ended 30 June** | |
|---|---|---|
| | **2020** | 2019 |
| Property sales *(RMB'000)* | **3,895,620** | 1,585,036 |
| GFA sold *(sq.m)* | **110,160** | 119,895 |

| | **30 June 2020** | 31 December 2019 |
|---|---|---|
| Total land bank *(sq.m.)* | **6,950,139** | 6,950,139 |
| Average land cost *(RMB per sq.m.)* | **1,579** | 1,579 |

## OTHER KEY FINANCIAL INFORMATION

| RMB'000 | **30 June 2020** | 31 December 2019 |
|---|---|---|
| Total assets | **54,670,939** | 52,437,992 |
| Total liabilities | **(49,096,639)** | (46,916,591) |
| Total equity | **5,574,300** | 5,521,401 |
| Current borrowings | **23,180,227** | 25,235,997 |
| Non-current borrowings | **9,800** | 11,050 |
| Total borrowings | **23,190,027** | 25,247,047 |
| Gearing ratio[1] | **376.3%** | 399.7% |

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.

## MARKET REVIEW

The global outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in the first half of 2020 has not only greatly slowed down the growth of China's foreign trade, but also led to the restructuring of global industrial and supply chains, fueling protectionist sentiment in international trade. Its impact on the world economy has added uncertainties to China's further development. A new pattern of development is yet to be rebuilt for mutual promotion between China and the wider world. In China, the decline in consumption, investment, and industrial profits narrowed to varying degrees, and economy was recovering and stabilising in the second quarter thanks to the widespread resumption of work and production under the country's effective epidemic control. The government has strengthened the countercyclical adjustment of macro policy and further fueled endogenous growth momentum among market players to keep economy performing within a reasonable range. The COVID-19 outbreak has undoubtedly weighed on the real estate market, but the increased flexibility in local governments' city-specific policies has provided a positive long- and medium-term outlook for the real estate sector. The central government also reaffirms its policy of "housing is for living, not for speculation" and sticks to policies of purchase and mortgage restrictions to maintain the stable operation of the real estate market.

At the beginning of 2020, the transaction volumes of both new and second-hand homes recorded the biggest year-on-year decline in recent years. Real estate markets in varies cities experienced adjustments and exhibited more differentiated performance among different cities and regions and even projects due to such factors as urban fundamentals and development stages of these markets. In the second quarter, the suppressed market demand was released due to home buyers' improved sentiment, resulting in a continued recovery of home sales and prices in some key first- and second-tier cities. In contrast, the demand recovery momentum remained weak in some third- and fourth-tier cities. The pandemic has spurred greater demand for high-quality residential spaces, accelerating the release of demand for improved homes and driving up the sale of medium- and high-end property projects to a certain extent. Given strict housing policies, however, the overall price increases are controllable. Representative enterprises have regained their enthusiasm for land banking thanks to the introduction of preferential policies in many places and the weakening of the epidemic.

Normalised epidemic prevention and control as well as tightened policies on real estate finance will have a continued impact on the property market throughout 2020. In the first half of the year, the Group proactively faced the impact and opportunities brought about by the epidemic and paid timely attention to changes in the market. It utilised both online and offline marketing channels, seized the window of opportunity for sales, and innovated its marketing model to relieve the pressure of stagnant sales under the epidemic on the collection of sales proceeds. In line with the pace of epidemic control in various cities and regions, we pre-emptively constructed our projects, ensured the delivery of houses, and focused on both the collection of sales proceeds and property development and construction to ensure a sound cash flow.

For the first six months of 2020, the Group recorded higher contracted property sales mainly due to the launch of the sale of Tower 15 of Shanghai Bay in Shanghai during this period. As its geographic location and property quality met the needs of high-end customers, the project achieved satisfactory results in sales, greatly boosting the performance of and collection of sales proceeds by the entire Group in the first half of the year. Nevertheless, financial policies on property control remained tight, restricting the further development of real estate enterprises. In view of this, the Group focused on operational control and budget management in the first half of the year. The Group has enhanced process control based on the different cycles of projects and strengthened the counting and destocking of existing assets to replenish its cash flows, but the strained situation of cash flows persists. To improve this situation, the Group will further promote the construction progress, increase the number of properties launched for sale, and speed up sales of new property projects and collection of sales proceeds while adopting an integrated management approach to adjusting structures and lowering debts in the second half of the year.

# BUSINESS REVIEW

## Property Development

### I. Revenue

The Group recorded a consolidated revenue of RMB397.0 million in the first half of 2020, representing a decrease of 55.2% compared to RMB886.9 million recorded in the first half of 2019. The delivered GFA decreased to 13,014 sq.m. in the first half of 2020 from 25,535 sq.m. in the first half of 2019, representing a decrease of 49.0%. The average selling price recognised (excluding revenue from interior decoration of properties) increased by 4.8% to RMB27,651 per sq.m. in the first half of 2020 from RMB26,374 per sq.m. in the corresponding period in 2019.

During the six months ended 30 June 2020, the Group did not have new phases of properties being completed. All the recognised revenue for the first half of 2020 were derived from the current period's sale of the remaining units of the properties completed in prior years. During the six months ended 30 June 2020, a substantial portion of the Group's revenue were attributable to the properties located in Shanghai Region, which contributed recognised revenue (including revenue from property sales and interior decoration) of RMB349.9 million and sold and delivered GFA of 3,948 sq.m., representing 88.1% and 30.3% of the Group's total recognised revenue and sold and delivered GFA, respectively. Shanghai Bay in Shanghai was completed and delivered a new phase of properties in the second half of 2018. The Group continued to sell the remaining units of these completed properties, which contributed RMB337.2 million to the Group's revenue from property sales for the six months ended 30 June 2020. Apart from the projects in Shanghai Region, the projects of the other three regions of the Group, including the Yangtze River Delta, the Pan Bohai Rim and the Northeast China, also only had remaining units available for sale, thus their combined revenue was only RMB47.1 million and sold and delivered GFA was only 9,066 sq.m., representing 11.9% and 69.7% of the Group's total revenue and sold and delivered GFA for the current period respectively.

In the current period, a substantial portion of the Group's sold and delivered properties were from Shanghai Bay in Shanghai whose average selling prices were substantially higher than all of the Group's other projects, thus causing the Group's overall average recognised selling price (excluding revenue from interior decoration of properties) to increase by 4.8% from RMB26,374 per sq.m. in the first half of 2019 to RMB27,651 per sq.m. in the corresponding period in 2020.

Projects sold and delivered during the six months ended 30 June 2020 included:

| | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|
| **Property projects** | **City** | **Revenue** *(RMB'000)* | **GFA sold and delivered** *(sq.m.)* | **Average selling price recognised** *(RMB/sq.m.)* | Revenue *(RMB'000)* | GFA sold and delivered *(sq.m.)* | Average selling price recognised *(RMB/sq.m.)* |
| **Revenue from sale of properties:** | | | | | | | |
| Sunshine Venice | Shanghai | **886** | **112** | **7,911** | 1,667 | 163 | 10,227 |
| Shanghai Bay | Shanghai | **300,120** | **2,615** | **114,769** | 505,964 | 4,787 | 105,695 |
| Shanghai City Glorious | Shanghai | **8,661** | **979** | **8,847** | 7,673 | 1,178 | 6,514 |
| Chaetau De Paris | Shanghai | **3,147** | **242** | **13,004** | — | — | N/A |
| Shanghai Park Avenue | Shanghai | **—** | **—** | **N/A** | 1,642 | 297 | 5,529 |
| Royal Lakefront | Shanghai | **—** | **—** | **N/A** | 27,813 | 3,327 | 8,360 |
| Sunshine Bordeaux | Beijing | **—** | **—** | **N/A** | 3,950 | 357 | 11,064 |
| Sunshine Holiday | Tianjin | **—** | **—** | **N/A** | 19,089 | 2,494 | 7,654 |
| No.1 City Promotion | Wuxi | **6,962** | **1,082** | **6,434** | 13,239 | 1,821 | 7,270 |
| Nantong Villa Glorious | Nantong | **3,669** | **1,070** | **3,429** | 5,765 | 1,028 | 5,608 |
| Nantong Royal Bay | Nantong | **—** | **—** | **N/A** | 70,284 | 6,486 | 10,836 |
| Hefei Bashangjie Project | Hefei | **8,485** | **1,150** | **7,378** | 105 | 50 | 2,100 |
| Hefei Royal Garden | Hefei | **3,812** | **2,044** | **1,865** | 1,259 | 718 | 1,753 |

| Property projects | City | 2020 Revenue *(RMB'000)* | 2020 GFA sold and delivered *(sq.m.)* | 2020 Average selling price recognised *(RMB/sq.m.)* | 2019 Revenue *(RMB'000)* | 2019 GFA sold and delivered *(sq.m.)* | 2019 Average selling price recognised *(RMB/sq.m.)* |
|---|---|---|---|---|---|---|---|
| Sunny Town | Shenyang | **21,833** | **3,291** | **6,634** | 2,779 | 878 | 3,165 |
| Harbin Villa Glorious | Harbin | **—** | **—** | **N/A** | 7,873 | 919 | 8,567 |
| Harbin Royal Garden | Harbin | **276** | **62** | **4,452** | 957 | 187 | 5,118 |
| Changchun Villa Glorious | Changchun | **1,881** | **329** | **5,717** | 2,839 | 645 | 4,402 |
| Dalian Villa Glorious | Dalian | **124** | **38** | **3,263** | 557 | 200 | 2,785 |
| Sub-total | | **359,856** | **13,014** | **27,651** | 673,455 | 25,535 | 26,374 |
| **Revenue from interior decoration for properties sold:** | | | | | | | |
| Shanghai Bay | Shanghai | **37,094** | | | 213,473 | | |
| **Total** | | **396,950** | | | 886,928 | | |

## II. Property Sales

During the first half of 2020, the Group recorded contracted property sales of RMB3,895.6 million, representing a YOY increase of 145.8%; while the contracted GFA sold was 110,160 sq.m., representing a YOY decrease of 8.1%.

During the six months ended 30 June 2020, apart from the launch of the properties from Shanghai Bay in Shanghai, the Group only had property sales from the remaining units of the projects that were completed in prior years, thus resulted in a significant decrease in property sales. During the period, the Group's property sales in Shanghai Region were strong and contributed property sales of RMB3,301.1 million, representing 84.7% of the Group's total property sales. Property sales from the other three regions, namely the Yangtze River Delta, the Pan Bohai Rim and the Northeast China, contributed property sales of RMB178.1 million, RMB226.0 million and RMB190.4 million respectively, representing 4.6%, 5.8% and 4.9% of the Group's total property sales respectively.

The Group launched the sales of properties of Tower 15 of Shanghai Bay in Shanghai in the second quarter of 2020. These high-end properties contributed property sales (including Tower 15 and the other remaining units) of RMB3,238.5 million for the six months ended 30 June 2020, representing 83.1% of the Group's total property sales for the first half of 2020.

During the six months ended 30 June 2020, the average selling price was RMB35,363 per sq.m. representing 167.5% higher than RMB13,220 per sq.m. for the corresponding period in 2019, which was mainly due to larger proportion of property sales arising from properties from Shanghai Bay in Shanghai, whereas the average selling prices are higher.

Details of property sales and GFA sold during the six months ended 30 June 2020 were as follows:

| Region | Property sales *(RMB'000)* | | | GFA sold *(sq.m.)* | | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | Change (%) | **2020** | 2019 | Change (%) |
| Shanghai Region | **3,301,124** | 552,329 | 497.7% | **42,538** | 9,247 | 360.0% |
| Yangtze River Delta [(2)] | **178,140** | 279,698 | -36.3% | **23,484** | 24,285 | -3.3% |
| Pan Bohai Rim | **225,960** | — | N/A | **23,582** | — | N/A |
| Northeast China | **190,396** | 753,009 | -74.7% | **20,556** | 86,363 | -76.2% |
| **Total** | **3,895,620** | 1,585,036 | 145.8% | **110,160** | 119,895 | -8.1% |

Note:

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

**III. Construction and Development**

There was no newly completed projects during the first half of 2020. The new construction area added during the first half of the year was approximately 85,000 sq.m.. The Group expects that the new construction area for the year 2020 will be approximately 731,000 sq.m.. As at 30 June 2020, the Group had projects with a total area under construction of 2.7 million sq.m..

**IV. Land Bank**

As at 30 June 2020, 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., The average land cost was RMB1,579 per sq.m..

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

Details of land bank by project as at 30 June 2020 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% |

| Project | | City | Location | Use | Land bank (sq.m.) | Average land cost (RMB per sq.m.) | Interests attributable to the Group |
|---|---|---|---|---|---|---|---|
| 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 | |
| **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** | |

**V. Commercial Properties Development**

The Group will steadily foster the development of its commercial properties. As at 30 June 2020, the Group has total GFA of approximately 2.6 million sq.m. that 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 1,058,000 sq.m. of commercial property projects are still under construction.

As at 30 June 2020, 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 for the long run to secure stable rental income.

## Outlook for the Second Half of 2020

In the second half of 2020, the global economy will remain volatile due to the COVID-19 outbreak. As economy is picking up and infrastructure investment is developing fast in China owing to effective epidemic control, real estate investment will stabilise year on year. Measures taken by the central and local governments, such as credit easing and regulatory improvement, have yielded significant results. Though the domestic financial environment has provided favourable funding policies for restoring economic order, we still need to be cautious of the risks brought about by various uncertainties. The overall economy remains under great pressure and has limited room for growth.

In terms of housing policies, the central government still adheres to its policy of "housing is for living, not for speculation", and key cities will adopt targeted policies to regulate the short-term overheating of real estate investment. The epidemic development and economic trend in China remain uncertain due to various factors, which will restrict overall market rebounds. As such, the market will be very likely to experience adjustments in the second half of the year. Despite this, there are still opportunities for the increased supply of high-quality land parcels in the land market. The supply will grow at a certain rate to support investment and development, and floor prices upon land transactions are expected to remain high.

The Group predicts that with no change in basic housing policy and no significant improvement in household income, there will be no basis for a sustained increase in property prices across the board and divergence among cities' property markets will be accelerated as the demand turns rational. As such, house prices are expected to stabilise on a whole in the second half of 2020. In first-tier cities, the demand for improved housing will steadily increase and enthusiasm for real estate investment and construction of new projects will remain high, leading to the gradual recovery of sales. As second-tier cities seek to strengthen their competitiveness by attracting talent, there is room for further expansion of their market demand, especially in key cities in developed city clusters of eastern China. Low demand in some third- and fourth-tier cities, coupled with the further weakening of shantytown renovation efforts in 2020, may put pressure on sales in the second half of the year.

The Group will remain committed to the principle of steady development. Given the uncertainty of the epidemic and economic development, it will continue to assess the situation and collect sales proceeds, accelerate construction, and arrange pre-sales of properties based on sales targets. The Group will also adopt marketing strategies that meet market demand to accelerate destocking of property projects for more property sales and quicker cash inflow. The Group will expedite the destocking of existing assets and strengthen its asset management capability. Moreover, timely adjustment will be made to the control model and efforts be intensified to expand presence in potential cities and innovate products. All these are aimed at meeting needs of market competition, enhance the Group's profitability, and strengthen our competitiveness in the market, so as to achieve sustainable and steady development. The Group will adhere to a prudent financial policy to further reduce its debts, improve the Group's debt structure, and appropriately increase its long-term liabilities, so as to avoid financial risks and relieve operating pressure. The Group will proactively expand its financing channels and directions and curtail finance costs by taking advantage of its asset value and striking a balance among financial means.

## FINANCIAL REVIEW

The Group recorded a consolidated revenue of RMB397.0 million in the first half of 2020, which decreased by 55.2% as compared to the corresponding period in 2019. For the six months ended 30 June 2020, the Group recorded a profit attributable to the owners of the Company of RMB59.9 million, as compared to a loss attributable to the owners of the Company of RMB1,364.4 million for the corresponding period in 2019. During the first half of 2020, the Group's revenue recognised continued to remain at a low level. Despite the significant amount of fair value gain recorded for its investment properties in the current period, the Group only managed to operate in a break even position for the six months ended 30 June 2020 due to the substantial amount of finance costs not being capitalised but were recorded directly as current period expenses, as well as the further provision for impairment made for the Group's properties in the current period.

Results for the six months ended 30 June 2020 are as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| RMB'000 | **2020 (unaudited)** | 2019 (unaudited) |
| Revenue | **396,950** | 886,928 |
| Cost of sales | **(361,676)** | (1,051,230) |
| Gross profit/(loss) | **35,274** | (164,302) |
| Other income | **17,338** | 18,929 |
| Other gains/(losses) net | **1,757,468** | (284,048) |
| Provision for loss allowance of trade and other receivables, net | **(1,359)** | (1,296) |
| Selling and marketing expenses | **(53,194)** | (57,567) |
| Administrative expenses | **(176,439)** | (287,757) |
| Finance costs, net | **(1,059,744)** | (578,623) |
| Share of profit/(loss) of an associate | **33** | (654) |
| Share of loss of a joint venture | **(6,297)** | (19,823) |
| Profit/(loss) before taxation | **513,080** | (1,375,141) |
| Income tax (expenses)/credits | **(460,181)** | 10,837 |
| **Profit/(loss) for the period** | **52,899** | (1,364,304) |
| Profit/(loss) attributable to: | | |
| – the owners of the Company | **59,927** | (1,364,422) |
| – non-controlling interests | **(7,028)** | 118 |
| | **52,899** | (1,364,304) |

## Revenue

The Group recorded a consolidated revenue of RMB397.0 million in the first half of 2020, representing a decrease of 55.2% compared to RMB886.9 million recorded in the first half of 2019. The delivered GFA decreased to 13,014 sq.m. in the first half of 2020 from 25,535 sq.m. in the first half of 2019, representing a decrease of 49.0%. The average selling price recognised (excluding revenue from interior decoration of properties) increased by 4.8% to RMB27,651 per sq.m. in the first half of 2020 from RMB26,374 per sq.m. in the corresponding period in 2019.

During the six months ended 30 June 2020, the Group did not have new phases of properties being completed. All the recognised revenue for the first half of 2020 were derived from the current period's sale of the remaining units of the properties completed in prior years. During the six months ended 30 June 2020, a substantial portion of the Group's revenue were attributable to the properties located in Shanghai Region, which contributed recognised revenue (including revenue from property sales and interior decoration) of RMB349.9 million and sold and delivered GFA of 3,948 sq.m., representing 88.1% and 30.3% of the Group's total recognised revenue and sold and delivered GFA, respectively. Shanghai Bay in Shanghai was completed and delivered a new phase of properties in the second half of 2018. The Group continued to sell the remaining units of these completed properties, which contributed RMB337.2 million to the Group's revenue from property sales for the six months ended 30 June 2020. Apart from the projects in Shanghai Region, the projects of the other three regions of the Group, including the Yangtze River Delta, the Pan Bohai Rim and the Northeast China, also only had remaining units available for sale, thus their combined revenue was only RMB47.1 million and sold and delivered GFA was only 9,066 sq.m., representing 11.9% and 69.7% of the Group's total revenue and sold and delivered GFA for the current period respectively.

In the current period, a substantial portion of the Group's sold and delivered properties were from Shanghai Bay in Shanghai whose average selling prices were substantially higher than all of the Group's other projects, thus causing the Group's overall average recognised selling price (excluding revenue from interior decoration of properties) to increase by 4.8% from RMB26,374 per sq.m. in the first half of 2019 to RMB27,651 per sq.m. in the corresponding period in 2020.

## Cost of Sales

The cost of sales for the six months ended 30 June 2020 was RMB361.7 million, representing a decrease of 65.6% as compared to RMB1,051.2 million from the corresponding period in 2019. The cost of sales for the current period included a provision for impairment of certain property development projects which amounted to RMB134.8 million (six months ended 30 June 2019: RMB472.9 million). The provision for impairment of properties in the current period 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 RMB72.0 million, the Group's cost of sales for the six months ended 30 June 2020 was RMB154.8 million, which decreased by 61.6% as compared to RMB402.9 million for the corresponding period in 2019. The decrease in cost of sale for the current period was mainly due to decrease in the area sold and delivered.

Components of the consolidated cost of sales were as follows:

| | Six months ended 30 June | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | **RMB'000** | **RMB/sq.m.** | RMB'000 | RMB/sq.m. |
| Construction costs | **117,765** | **9,049** | 242,485 | 9,496 |
| Land costs | **24,683** | **1,897** | 105,844 | 4,145 |
| Capitalised interests | **3,925** | **302** | 41,758 | 1,635 |
| Taxes and other levies | **8,451** | **649** | 12,815 | 502 |
| Sub-total | **154,824** | **11,897** | 402,902 | 15,778 |
| Costs of interior decoration of properties sold | **72,024** | | 175,410 | |
| Changes in provision for impairment of properties under development and completed properties held for sale | **134,828** | | 472,918 | |
| **Total** | **361,676** | | 1,051,230 | |

The Group's average cost of sales for the first half of 2020 was RMB11,897 per sq.m., which was 24.6% lower higher than that of RMB15,778 per sq.m. for the corresponding period in 2019. A substantial portion of properties sold and delivered in the current period were attributable to Shanghai Bay project in Shanghai, for which the historical unit land cost was very low and this also caused a smaller amount of capitalised interest being allocated to Shanghai Bay project. These two reasons resulted in a lower average cost of sales for the first half of 2020 as compared to the corresponding period in 2019.

### Gross Profit/(Loss)

The Group recorded a consolidated gross profit of RMB35.3 million for the six months ended 30 June 2020, as compared to a gross loss of RMB164.3 million for the corresponding period in 2019. The Group's gross margin for the current period was positive 8.9%, as compared to negative 18.5% for the corresponding period in 2019. Despite the substantial proportion of properties sold and delivered in the current period were attributable to Shanghai Bay project, the Group was only able to record a thin consolidated gross profit margin mainly because the inclusion of further provision for impairment for the Group's properties of RMB134.8 million in the current period (six months ended 30 June 2019: RMB472.9 million). Excluding the provision for impairment, the Group's gross profit margin for the first half of 2020 was positive 42.9% (six months ended 30 June 2019: positive 34.8%).

### Other Income

Other income for the six months ended 30 June 2020 was RMB17.3 million, representing a decrease of 8.4% from RMB18.9 million for the corresponding period in 2019. Other income mainly includes rental income.

### Other Gains/(Losses), Net

Other gains/(losses), net for the six months ended 30 June 2020 was a gain of RMB1,757.5 million, as compared to a net loss of RMB284.0 million for the corresponding period in 2019. In the current period, 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 period, thus giving rise to the Group an aggregate fair value gain of RMB1,802.2 million (six months ended 30 June 2019: fair value loss of RMB279.3 million). Besides, due to the further depreciation of RMB against US$ in the first half of 2020, the Group recorded an exchange loss of RMB44.7 million (six months ended 30 June 2019: net exchange loss of RMB4.7 million), which was mainly resulted from the conversion of the Company's US$ borrowings into RMB.

### Selling and Marketing Expenses/Administrative Expenses

Selling and marketing expenses for the six months ended 30 June 2020 was RMB53.2 million, representing a decrease of 7.6% from RMB57.6 million for the corresponding period in 2019. Administrative expenses for the six months ended 30 June 2020 were RMB176.4 million, which was 38.7% lower than RMB287.8 million for the corresponding period in 2019. The decrease in both selling and marketing expenses and administrative expenses for the current period was the result of strictly adopting the cost control measures by the Group.

### Finance Costs, Net

Gross finance costs for the six months ended 30 June 2020 were RMB1,598.9 million, representing an increase of 21.5% from RMB1,315.7 million for the corresponding period in 2019. In the current period, finance costs of RMB513.0 million (six months ended 30 June 2019: RMB736.0 million) had been capitalised, and the remaining RMB1,085.9 million (six months ended 30 June 2019: RMB579.7 million) was charged directly to the condensed consolidated statement of comprehensive income. After netting off the finance income of RMB26.1 million (six months ended 30 June 2019: RMB1.1 million), the amount of finance costs, net was RMB1,059.7 million for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB578.6 million). The Group incurred higher amount of gross finance costs for the first half of 2020 as compared to the corresponding period in 2019 mainly because the Group's average level of total net borrowings was maintained at a higher level in the current period as compared to the corresponding period in 2019, and at the same time the Group's average cost of borrowing increased. As the amount of gross finance costs incurred in the current period exceeded the amount that can be capitalised based on the Group's qualifying assets, a portion of the finance costs were not capitalised and were recorded as current period expenses.

### Profit/(Loss) Before Taxation

The Group recorded a profit before taxation of RMB513.1 million for the six months ended 30 June 2020, as compared to a loss before taxation of RMB1,375.1 million for the corresponding period in 2019. The Group recorded a profit before taxation in the current period mainly due to the significant amount of fair value gain recorded for the investment properties in the current period, as compared to a fair value loss of the investment properties for the first half of 2019.

### Income Tax (Expenses)/Credits

The Group recorded income tax expenses of RMB460.2 million for the six months ended 30 June 2020, as compared to income tax credits of RMB10.8 million for the corresponding period in 2019. The income tax expenses recorded in the current period mainly consisted of the provision for land appreciation tax associated with the high-margin properties of Shanghai Bay sold in the current period and the provision for deferred income tax liability made as a result of fair value gain of the investment properties. The income tax credits for the corresponding period in 2019 was due to the utilisation of the tax losses brought forward from prior years, as well as the decrease in the land appreciation tax recognised by the Group as a result of the lower amount of revenue recognised.

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

The Group recorded a profit attributable to the owners of the Company of RMB59.9 million for the six months ended 30 June 2020, as compared to a loss attributable to the owners of the Company of RMB1,364.4 million for the corresponding period in 2019. The Group recorded a profit attributable to the owners of the Company in the current period mainly due to the significant amount of fair value gain recorded for the investment properties in the current period, as compared to a fair value loss of the investment properties for the first half of 2019.

### Current Assets and Liabilities

As at 30 June 2020, the Group held total current assets of approximately RMB29,364.5 million, which was 2.2% lower than RMB30,035.8 million as at 31 December 2019.

As at 30 June 2020, the Group's current assets mainly comprised properties under development, and completed properties held for sale and trade and other receivables and prepayments. As at 30 June 2020, balance of properties under development was RMB15,404.6 million, which was 0.9% higher than RMB15,267.9 million as at 31 December 2019. Despite the decrease in the carrying value of properties under development that has been recognised as cost of sales, as well as the provision for impairment made to the Group's properties also further reduced the carrying value of properties under development, the continuous progress of the Group's property development projects had resulted in an increase in the carrying value of properties under development in the first half of 2020. Completed properties held for sale decreased by 4.1% from RMB5,659.7 million as at 31 December 2019 to RMB5,425.0 million as at 30 June 2020. The lower balance of completed properties held for sale was mainly due to the Group's continuous effort to sell the remaining units of existing projects in the current period and certain completed properties held for sale was transferred to investment properties upon the change in use of the properties to generate rental income in the current period. Trade and other receivables and prepayments increased by 9.5% from RMB4,927.5 million as at 31 December 2019 to RMB5,397.6 million as at 30 June 2020. Trade and other receivables and prepayments comprised prepayments for construction costs, prepayments for land premium for which the relevant land use right certificates were yet to be obtained and certain other receivables arising from the Group's business. The increase in trade and other receivables in the first half of 2020 was mainly due to additional prepayment made for construction costs to certain contractors of the Group's projects as a result of construction needs in the current period.

Total current liabilities as at 30 June 2020 amounted to RMB46,038.5 million, which was 3.7% higher than that of RMB44,380.4 million as at 31 December 2019. The increase in total current liabilities as at 30 June 2020 was mainly due to the significant increase in contract liabilities as a result of recording substantial amount of property sales in the first half 2020.

As at 30 June 2020, the current ratio (calculated as the total current assets divided by the total current liabilities) was 0.64 (31 December 2019: 0.68). The lower current ratio was mainly resulted from the increase in total current liabilities.

## Liquidity and Financial Resources

During the first half of 2020, the Group funded its property development projects principally with proceeds from the pre-sales of properties and bank loans. As at 30 June 2020, the Group had cash and cash equivalents of RMB346.9 million (31 December 2019: RMB334.2 million).

During the first half of 2020, the new bank borrowings obtained by the Group amounted to RMB881.1 million and repayment of bank borrowings was RMB3,834.8 million. As at 30 June 2020, the Group's total borrowings amounted to RMB23,190.0 million, representing a decrease of 8.1% compared to RMB25,247.0 million as at 31 December 2019. As at 30 June 2020, the Group's borrowings comprised the following:

| RMB'000 | **30 June 2020 (unaudited)** | 31 December 2019 (audited) |
|---|---|---|
| Bank borrowings | **19,797,767** | 22,770,513 |
| Bond | **89,578** | 89,578 |
| Other borrowings | **1,623,809** | 1,151,761 |
| Sub-total | **21,511,154** | 24,011,852 |
| Adjusted by: unamortised loan arrangement fees and accrued interests | **1,678,873** | 1,235,195 |
| **Total borrowings** | **23,190,027** | 25,247,047 |

The maturities of the Group's borrowings as at 30 June 2020 were as follows:

| RMB'000 | **30 June 2020 (unaudited)** | 31 December 2019 (audited) |
|---|---|---|
| Repayable on demand or within 1 year (3) | **23,180,227** | 25,235,997 |
| After 1 year and within 2 years | **2,500** | 2,500 |
| After 2 years and within 5 years | **7,300** | 7,500 |
| After 5 years | **—** | 1,050 |
| **Total borrowings** | **23,190,027** | 25,247,047 |

As at 30 June 2020, the Group had total banking facilities of RMB26,765 million (31 December 2019: RMB25,580 million) consisting of used banking facilities of RMB25,542 million (31 December 2019: RMB25,254 million) and unused banking facilities of RMB1,223 million (31 December 2019: RMB326 million).

Note:

(3) The current bank borrowings included borrowings with principal amounts of RMB8,952.0 million with original maturity beyond 30 June 2021 which have been reclassified as current liabilities as at 30 June 2020.

## Gearing Ratio

The Group monitors its capital on the basis of the gearing ratio and short-term debt ratio. Gearing ratio is calculated as net debt divided by total equity attributable to the owners of the Company. Net debt is calculated as total borrowings less cash and bank balances (including cash and cash equivalents and restricted cash). The gearing ratios as at 30 June 2020 and 31 December 2019 were as follows:

| RMB'000 | **30 June 2020 (unaudited)** | 31 December 2019 (audited) |
|---|---|---|
| Total borrowings | **23,190,027** | 25,247,047 |
| Less: cash and bank balances | **(2,798,784)** | (3,824,108) |
| Net debt | **20,391,243** | 21,422,939 |
| Total equity attributable to the owners of the Company | **5,419,082** | 5,359,155 |
| **Gearing ratio** | **376.3%** | 399.7% |

The gearing ratio as at 30 June 2020 was lower than that as at 31 December 2019 as a result of the decrease in the Group's net debt as at 30 June 2020 as compared to the net debt as at 31 December 2019 as a result of repayment of bank borrowings by utilising the sales proceeds received from property sales in the current period.

## Going Concern and Mitigation Measures

As at 30 June 2020, the Group had accumulated losses of RMB3,438.1 million and the Group's current liabilities exceeded its current assets by RMB16,674.0 million. As at the same date, the Group's total borrowings amounted to RMB23,190.0 million, of which current borrowings amounted to RMB23,180.2 million, while its cash and cash equivalents amounted to RMB346.9 million only. In addition, as at 30 June 2020, certain borrowings whose principal amounts of RMB2,261.9 million and interest payable amounts of RMB1,386.6 million, relating to borrowings with a total principal amount of RMB6,007.0 million were overdue. And interests of certain borrowings not abovementioned with a total principal amount of RMB9,219.9 million were overdue in the year ended 31 December 2019 and/or in the six months period ended 30 June 2020; although these overdue interests were subsequently settled before 30 June 2020, these borrowings remain to be in default as at 30 June 2020. In addition, the Group breached certain terms and conditions of a bond with a principal amount of HK$100 million since the issue of such bond in 2019. These constituted events of defaults which resulted in cross-default of certain borrowings other than those mentioned above, amounting to principal amount of RMB4,209.7 million as at 30 June 2020. These conditions, together with other matters described in note 2(i) to the condensed 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 include:

(i) The Group has been actively negotiating with a number of commercial banks for renewal and extension of bank loans and credit facilities;

(ii) In addition, the Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future;

(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 three major projects upon obtaining the pre-sales permits staring in the second half of 2020;

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

(v) 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; 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 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. During the first half of 2020, the Group strictly implemented the business plan for the construction and sale of the property projects. The pre-sales of Tower 15 of Shanghai Bay in Shanghai commenced in the second quarter and received satisfactory sales results, which brought in substantial amount of sales proceeds. This caused the Group to recorded a net operating cash inflow of RMB2,480.0 million and net financing cash outflow of RMB1,949.9 million for the six months ended 30 June 2020, and total borrowings also decreased to RMB23,190.0 million at period end. In addition, in the current period, the Group actively negotiated with financial institutions to renew and extend the bank loans, and to identifying opportunities to obtain new borrowings so as to remediate the default and cross-default conditions of the Group's loans as soon as possible in the second half of 2020 and to improve the Group's debt structure.

## Foreign Exchange Risk

The Group's property development projects are all located in the PRC and all the related transactions are settled in RMB. The Company and certain of the investment holding companies within the Group operating in Hong Kong have recognised assets and liabilities in currencies other than RMB. As at 30 June 2020, the Group had cash and bank balances, borrowings and trade and other payables that were denominated in foreign currencies as shown below:

| RMB'000 | **30 June 2020 (unaudited)** | 31 December 2019 (audited) |
|---|---|---|
| Cash and bank balances: | | |
| US$ | **437** | 287 |
| HK$ | **204** | 161 |
| **Total** | **641** | 448 |
| Borrowings: | | |
| US$ | **2,541,759** | 2,563,109 |
| HK$ | **239,987** | 217,446 |
| **Total** | **2,781,746** | 2,780,555 |
| Trade and other payables: | | |
| US$ | **7,080** | 7,030 |
| HK$ | **34,750** | 36,045 |
| **Total** | **41,830** | 43,075 |

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

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

## Interest Rate Risk

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

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

As at 30 June 2020, the Group's total borrowings amounted to RMB23,190.0 million (31 December 2019: RMB25,247.0 million), of which RMB22,206.0 million (31 December 2019: RMB24,768.5 million) bore fixed interest rate.

## Pledge of Assets

As at 30 June 2020, the Group had pledged certain of its subsidiaries' and a joint venture's shares, construction in progress, investment properties, properties under development and completed properties held for sale to secure its borrowings.

## Financial Guarantees

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

Pursuant to the terms of the guarantees, in the case of a default in mortgage payments by these purchasers, the Group is responsible for repaying to the banks the outstanding mortgage principal, together with accrued interest and any penalty owed by the defaulting purchasers, and the Group is entitled to take over the legal title and possession of the relevant properties. The Group's guarantee period starts from the date of the grant of the respective mortgage. As at 30 June 2020, the amount of outstanding guarantees for the related mortgages was RMB4,261.5 million (31 December 2019: RMB3,248.1 million).

## Capital Commitments

As at 30 June 2020, the Group had capital commitments as follows:

| RMB'000 | **30 June 2020 (unaudited)** | 31 December 2019 (audited) |
|---|---|---|
| Land use rights | **545,736** | 545,736 |
| Property development expenditures | **3,814,305** | 4,134,986 |
| Construction materials | **60,153** | 140,153 |
| | **4,420,194** | 4,820,875 |

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.

## Employees and Remuneration Policy

As at 30 June 2020, the Group had a total of 692 employees. Total remuneration expenses and other employees' benefits costs for the six months ended 30 June 2020 amounted to RMB71.5 million. The Group has adopted a system of determining the remuneration of employees based on the performance of employees. Apart from a basic salary, outstanding employees may be granted with annual bonuses. In addition, the Group has adopted share option schemes (details of which are described in the section headed "Share Option Schemes" of this interim report) to attract and retain high caliber talents to serve the Group. In terms of employee training, the Group provides different training programmes for employees to develop their expertise and knowledge.

## DEVIATION FROM THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Company had complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") during the six months ended 30 June 2020, save for the deviation from the code provision A.2.1 of the CG Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

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

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

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

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Directors"). All Directors of the Company have confirmed, following specific enquiries being made by the Company, that they had complied with the required standard set out in the Model Code during the six months ended 30 June 2020.

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

### A. Change of Independent Non-Executive Director and Changes in Composition of Audit Committee, Nomination Committee and Remuneration Committee

1. Mr. Wo Rui Fang ("Mr. Wo") retired as an independent non-executive Director with effect from the conclusion of the annual general meeting of the Company held on 24 June 2020 (the "AGM") as he would like to devote more time to his family. Upon retirement, Mr. Wo also ceased 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 with effect from the conclusion of the AGM;

2. Dr. Hu Jinxing ("Dr. Hu") has been appointed as an independent non-executive Director of the Company to fill up the vacancy created by the retirement of Mr. Wo as an independent non-executive Director with effect from the conclusion of the AGM. Upon appointment, Dr. Hu also acts 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 with effect from the conclusion of the AGM.

For details of the aforesaid changes, please refer to the announcements of the Company dated 7 May 2020 and 24 June 2020 respectively.

### B. Change of Particulars of Independent Non-Executive Director

Prof. Liu Tao, an independent non-executive Director of the Company, has resigned as an independent director of Shanghai Jielong Industry Group Corporation Limited (a company listed on the Shanghai Stock Exchange, stock code: 600836) with effect from 7 September 2020.

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2019 annual report of the Company.

## AUDIT COMMITTEE

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

1. to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of external auditors, and to approve remuneration and terms of engagement of external auditors, and any questions of resignation or dismissal of external auditors;

2. to consider the plan for each year's audit submitted by the external auditors and discuss the same at a meeting if necessary;

3. to monitor the integrity of the Company's financial statements and annual reports and accounts, half-yearly reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;

4. to review the Company's financial controls and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;

5. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on the Committee's own initiative, and management's response to these findings; and

6. to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness.

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

The Audit Committee has reviewed with management the unaudited consolidated results of the Group for the six months ended 30 June 2020 and took the view that the Company was in full compliance with all applicable accounting standards and regulations and has made adequate disclosure.

## 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, Dr. Hu Jinxing (chairman of the Remuneration Committee) and Prof. Liu Tao and one executive Director, namely Mr. Ding Xiang Yang. The main duties of the Remuneration Committee are, among others, as follows:

1. to assess, review and make recommendations once a year or as and when required, to the Board in respect of the remuneration packages and overall benefits for the Directors;

2. to make recommendations to the Board in relation to all consultancy agreements and service contracts or any variations, renewals or modifications thereof, entered into between the Company and the Directors or any associate company of any of them;

3. to make recommendations to the Board on the Company's remuneration policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy and placing such recommendations before the Board concerning the total remuneration and/or benefits granted to the Directors and senior management from time to time;

4. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries (collectively the "Group"); and

6. to conform any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by the Listing Rules or any applicable law.

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

## NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 1 April 2012 with written terms of reference. On 29 August 2013, the Board approved and adopted the board diversity policy and revised terms of reference of the Nomination Committee, which are in line with the Listing Rules relating to the board diversity effective from 1 September 2013. Currently, the Nomination Committee comprises one executive Director, namely Mr. Ding Xiang Yang (chairman of the Nomination Committee) and two INEDs, namely, Dr. Hu Jinxing 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 INEDs;

5. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and

6. to determine the policy, procedures and criteria for the nomination of Directors.

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

## NOMINATION POLICY

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

1. The Nomination Committee may select potential candidates for nomination by: (i) inviting the Board to nominate suitable candidates, if any, for its consideration; or (ii) nominating candidates who were not proposed by the Board members; or (iii) engaging external recruitment agencies to assist in identifying and selecting suitable candidates, if considered necessary;

2. The Nomination Committee will conduct background search on each potential candidates, if considered necessary;

3. After consideration, the Nomination Committee shall then make recommendations of the suitable candidates for the Board's consideration and approval. For the election of candidates to stand for re-election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation to Shareholders; and

4. Shareholders may also nominate candidates for election as a Director in accordance with the procedures posted on the Company's website.

## BOARD DIVERSITY POLICY

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

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

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 INED, namely Prof. Liu Tao. The main duties of the CG Committee are, among others, as follows:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

2. to review and monitor the training and continuous professional development of the Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and

5. to review the Company's compliance with all the applicable provisions in the Corporate Governance Code and the disclosure in the corporate governance report.

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

## FINANCE COMMITTEE

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

# Disclosure of Interests

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the Directors and the chief executive of the Company had the following interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (the "Associated Corporations") (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which (a) were recorded in the register required to be kept under Section 352 of the SFO; or (b) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code:

### Company

| | 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 30 June 2020 (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 30 June 2020, 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 30 June 2020, the number of outstanding options granted by the Company to the Directors to subscribe for shares of the Company, as recorded in the register required to be kept under Section 352 of the SFO or which were otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, is set out in the section headed "Share Option Schemes" of this interim report.

Apart from the aforesaid, at no time during the six months ended 30 June 2020 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 SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2020, the interests of substantial shareholders (other than the Directors or the chief executive of the Company) in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

Notes:

(1) Best Era International Limited is owned as to 100% by Mr. Zhang Zhi Rong, who is a sole director of Best Era International Limited.

(2) As at 30 June 2020, 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 also interested in share options to subscribe for 15,000,000 shares (representing approximately 0.19% of the total issued share capital of the Company. 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 30 June 2020 (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 30 June 2020, the Company was not aware of any persons (other than the Directors or the chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

# Other Information

## SHARE OPTION SCHEMES

### Pre-IPO Share Option Scheme

Pursuant to the resolutions in writing passed by all the shareholders of the Company on 9 September 2009, the Company conditionally approved and adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and 84,000,000 share options had been granted to its Directors and employees which are exercisable for a ten-year period from the grant date. No further options 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 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.

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.

The following table discloses details of the Company's outstanding share options held by the eligible participants under the Share Option Scheme and its movement during the six months ended 30 June 2020:

| | | Number of underlying shares comprised in share options | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name of Grantee | Date of Grant | Balance as at 01/01/2020 | Granted during the period | Exercised during the period | Cancelled during the period | Lapsed during the period | Balance as at 30/06/2020 | 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 | 168,101,000 | – | – | – | (4,862,000) | 163,239,000 | 0.45 | Note 1 |
| | 23/07/2019 | 4,030,000 | – | – | – | – | 4,030,000 | 0.45 | Note 2 |
| | | 172,131,000 | | | | (4,862,000) | 167,269,000 | | |
| 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:** | | 649,974,000 | – | – | – | (4,862,000) | 645,112,000 | | |

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.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

## INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2020 (Six months ended 30 June 2019: Nil).

# Condensed Consolidated Balance Sheet

As at 30 June 2020

| RMB'000 | Note | 30 June 2020 (unaudited) | 31 December 2019 (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **35,085** | 36,522 |
| Right-of-use assets | | **3,323** | 5,155 |
| Investment properties | 5 | **23,926,286** | 21,133,946 |
| Intangible assets | | **1,800** | 1,800 |
| Investment in an associate | | **4,862** | 4,829 |
| Interest in a joint venture | | **1,003,274** | 1,034,866 |
| Deferred income tax assets | | **331,800** | 185,037 |
| | | **25,306,430** | 22,402,155 |
| **Current assets** | | | |
| Properties under development | | **15,404,617** | 15,267,875 |
| Completed properties held for sale | | **5,425,018** | 5,659,710 |
| Trade and other receivables and prepayments | 6 | **5,397,590** | 4,927,511 |
| Prepaid taxes | | **338,500** | 356,633 |
| Restricted cash | | **2,451,872** | 3,489,939 |
| Cash and cash equivalents | | **346,912** | 334,169 |
| | | **29,364,509** | 30,035,837 |
| **Total assets** | | **54,670,939** | 52,437,992 |

The notes on pages 97 to 116 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Balance Sheet

As at 30 June 2020

| RMB'000 | Note | 30 June 2020 (unaudited) | 31 December 2019 (audited) |
|---|---|---|---|
| **Current liabilities** | | | |
| Contract liabilities | | **8,861,674** | 4,812,372 |
| Trade and other payables | 9 | **5,670,391** | 5,971,157 |
| Income tax payable | | **7,970,085** | 8,003,937 |
| Amount due to a joint venture | 18 | **353,029** | 353,029 |
| Borrowings | 8 | **23,180,227** | 25,235,997 |
| Lease liabilities | | **3,133** | 3,897 |
| | | **46,038,539** | 44,380,389 |
| **Non-current liabilities** | | | |
| Borrowings | 8 | **9,800** | 11,050 |
| Deferred income tax liabilities | | **2,721,764** | 2,220,416 |
| Lease liabilities | | **156** | 1,257 |
| Loan from a non-controlling interest | | **326,380** | 303,479 |
| | | **3,058,100** | 2,536,202 |
| **Total liabilities** | | **49,096,639** | 46,916,591 |
| **Equity** | | | |
| **Capital and reserves attributable to the owners of the Company** | | | |
| Share capital | 7 | **68,745** | 68,745 |
| Share premium | 7 | **7,822,982** | 7,822,982 |
| Reserves | | **(2,472,645)** | (2,532,572) |
| | | **5,419,082** | 5,359,155 |
| Non-controlling interests | | **155,218** | 162,246 |
| **Total equity** | | **5,574,300** | 5,521,401 |
| **Total liabilities and equity** | | **54,670,939** | 52,437,992 |

The notes on pages 97 to 116 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

| RMB'000 | Note | Six months ended 30 June<br>**2020 (unaudited)** | <br>2019 (unaudited) |
|---|---|---|---|
| Revenue | 4 | **396,950** | 886,928 |
| Cost of sales | 12 | **(361,676)** | (1,051,230) |
| Gross profit/(loss) | | **35,274** | (164,302) |
| Other income | 10 | **17,338** | 18,929 |
| Other gains/(losses), net | 11 | **1,757,468** | (284,048) |
| Provision for loss allowance of trade and other receivables, net | | **(1,359)** | (1,296) |
| Selling and marketing expenses | 12 | **(53,194)** | (57,567) |
| Administrative expenses | 12 | **(176,439)** | (287,757) |
| Finance costs, net | 13 | **(1,059,744)** | (578,623) |
| Share of profit/(loss) of an associate | | **33** | (654) |
| Share of loss of a joint venture | | **(6,297)** | (19,823) |
| Profit/(loss) before taxation | | **513,080** | (1,375,141) |
| Income tax (expenses)/credits | 14 | **(460,181)** | 10,837 |
| Profit/(loss) for the period | | **52,899** | (1,364,304) |
| Profit/(loss) attributable to: | | | |
| – the owners of the Company | | **59,927** | (1,364,422) |
| – non-controlling interests | | **(7,028)** | 118 |
| | | **52,899** | (1,364,304) |
| Other comprehensive income | | **—** | — |
| Total comprehensive income/(loss) for the period | | **52,899** | (1,364,304) |
| Total comprehensive income/(loss) for the period attributable to: | | | |
| – the owners of the Company | | **59,927** | (1,364,422) |
| – non-controlling interests | | **(7,028)** | 118 |
| | | **52,899** | (1,364,304) |
| Earnings/(loss) per share for profit/(loss) attributable to the owners of the Company (expressed in RMB per share) | | | |
| – Basic | 15 | **0.01** | (0.18) |
| – Diluted | 15 | **0.01** | (0.18) |
| Dividend | 16 | **—** | — |

The notes on pages 97 to 116 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

| RMB'000 | Share capital | Share premium | Merger reserve | Statutory reserves | Revaluation reserve | Other reserve | Share-based compensation reserve | Accumulated losses | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Six months ended 30 June 2020 Attributable to the owners of the Company (unaudited) | | | | | | | | | | |
| **Balance as at 1 January 2020** | **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** |
| Total comprehensive income/(loss) for the period | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **59,927** | **59,927** | **(7,028)** | **52,899** |
| **Balance at 30 June 2020** | **68,745** | **7,822,982** | **(770,477)** | **314,421** | **947,730** | **219,515** | **254,281** | **(3,438,115)** | **5,419,082** | **155,218** | **5,574,300** |

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

The notes on pages 97 to 116 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

| RMB'000 | Six months ended 30 June<br>**2020 (unaudited)** | <br>2019 (unaudited) |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash generated from/(used in) operation | **3,069,944** | (8,696) |
| Income tax paid | **(121,315)** | (77,772) |
| Interest paid | **(468,608)** | (522,092) |
| **Net cash generated from/(used in) operating activities** | **2,480,021** | (608,560) |
| **Cash flows from investing activities** | | |
| Purchases of property, plant and equipment | **(454)** | (251) |
| Payments for the additions of investment properties | **(548,490)** | (519,123) |
| Repayment from loan to a joint venture | **25,500** | — |
| Proceeds from disposal of investment properties | **4,650** | 37,566 |
| Proceeds from disposal of property, plant and equipment | **275** | 706 |
| Proceeds from consideration receivable for disposal of a subsidiary | **—** | 206,752 |
| Interest received | **1,117** | 19,604 |
| **Net cash used in investing activities** | **(517,402)** | (254,746) |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | **881,063** | 1,073,487 |
| Repayment of borrowings | **(3,834,772)** | (267,834) |
| Advances from third parties | **204,864** | 72,510 |
| Repayment to third parties | **(166,250)** | (53,988) |
| Principal elements of lease payments | **(1,893)** | — |
| Changes in restricted cash and deposits | **967,097** | (111,467) |
| **Net cash (used in)/generated from financing activities** | **(1,949,891)** | 712,708 |
| **Net increase/(decrease) in cash and cash equivalents** | **12,728** | (150,598) |
| Cash and cash equivalents at beginning of the period | **334,169** | 342,555 |
| Exchange gains on cash and bank balances | **15** | 1 |
| Cash and cash equivalents at end of the period | **346,912** | 191,958 |

The notes on pages 97 to 116 form an integral part of this condensed consolidated interim financial information.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

## 1 GENERAL INFORMATION

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

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

This condensed consolidated interim financial information is presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board on 31 August 2020.

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

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

### (i) Going concern basis

As at 30 June 2020, the Group had accumulated losses of RMB3,438,115,000 (31 December 2019: RMB3,498,042,000) and the Group's current liabilities exceeded its current assets by RMB16,674,030,000 (31 December 2019: RMB14,344,552,000). As at the same date, the Group's total borrowings amounted to RMB23,190,027,000 (31 December 2019: RMB25,247,047,000), of which current borrowings amounted to RMB23,180,227,000 (31 December 2019: RMB25,235,997,000), while its cash and cash equivalents amounted to RMB346,912,000 only.

As at 30 June 2020, certain borrowings whose principal amounts of RMB2,261,876,000 and interest payable amounts of RMB1,386,645,000, relating to borrowings with a total principal amount of RMB6,007,041,000 ("Overdue Borrowings") were overdue. And interests of certain borrowings not abovementioned with a total principal amount of RMB9,219,929,000 were overdue in the year ended 31 December 2019 and/or in the six months period ended 30 June 2020 ("Other Overdue Borrowings"); although these overdue interests were subsequently settled before 30 June 2020, these borrowings remain to be in default as at 30 June 2020. 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) since the issue of such bond in 2019. The aggregate principal amount of the aforementioned borrowings and bond of RMB15,316,548,000 would be immediately repayable if requested by the lenders. This amount included borrowings of RMB7,913,192,000 with original contractual repayment dates beyond 30 June 2021 which have been reclassified as current liabilities as at 30 June 2020 (note 8).

## 2 BASIS OF PREPARATION (Continued)

### (i) Going concern basis (Continued)

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 RMB4,209,697,000 were considered as cross-default ("Cross-default Borrowings"), of which RMB1,038,800,000 with original contractual repayment dates beyond 30 June 2021 have been reclassified as current liabilities as at 30 June 2020 (note 8).

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) principal of RMB155,368,000 and interest of RMB124,680,000 relating to certain of the Overdue Borrowings with a total principal amount of RMB6,007,041,000, and (2) interest of RMB4,512,000 relating to certain of the Other Overdue Borrowings with a total principal amount of RMB240,000,000.

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.

## 2 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;

(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 three major projects upon obtaining the pre-sales permits staring in the second half of 2020;

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

(v) In light of the Coronavirus Disease 2019 ("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; 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 30 June 2020. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2020. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial information on a going concern basis.

## 2 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 30 June 2021 for those borrowings that (a) are scheduled for repayment (either based on the original agreements or the existing arrangements) in the year subsequent to 30 June 2020; (b) were overdue as at 30 June 2020 because of the Group's failure to repay either the principal or the interests on or before the scheduled repayment dates; and (c) became or might become overdue in the year subsequent to 30 June 2020;

(ii) 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;

(iii) Successful obtaining of additional new sources of financing as and when needed;

(iv) Successfully accelerating the pre-sales and sales of properties under development and completed properties and speeding up the collection of outstanding sales proceeds; and controlling costs and containing capital expenditure so as to generate adequate net cash inflows; and

(v) 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.

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

## 3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those set out in the consolidated financial statements of the Company for the year ended 31 December 2019 as included in the Company's annual report for the year ended 31 December 2019.

A number of new or amended standards became applicable for the current reporting period:

| | |
|---|---|
| HKAS 1 and HKAS 8 (Amendments) | Definition of Material |
| HKFRS 9, HKAS 39 and HKFRS 7 (Amendments) | Interest Rate Benchmark Reform |
| HKFRS 3 (Amendments) | Definition of Business |
| Conceptual Framework for Financial Reporting 2018 | Revised Conceptual Framework for Financial Reporting |

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting the above new or amended standards.

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019, with the exception of changes in estimates that are required in determining the provision for income taxes and the adoption of the new and amended standards as set out below.

Taxes on income in the six months ended 30 June 2020 are accrued using the tax rate that would be applicable to expected total annual earnings.

## 4 SEGMENT INFORMATION

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

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

The Executive Directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure, including depreciation, fair value changes of investment properties, provision for loss allowance 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 condensed consolidated interim financial information.

## 4 SEGMENT INFORMATION (Continued)

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

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

| RMB'000 | Shanghai Region | Yangtze River Delta (excluding Shanghai) | Pan Bohai Rim | Northeast China | Others | Total |
|---|---|---|---|---|---|---|
| **Six months ended 30 June 2020 (unaudited)** | | | | | | |
| Revenue | | | | | | |
| At a point in time | 312,813 | 22,929 | 24,114 | — | — | 359,856 |
| Over time | 37,094 | — | — | — | — | 37,094 |
| Inter-segment revenue | — | — | — | — | — | — |
| Revenue (from external customers) | 349,907 | 22,929 | 24,114 | — | — | 396,950 |
| Segment results | 73,111 | (40,531) | (22,275) | (44,997) | (54,842) | (89,534) |
| Depreciation | (1,471) | (599) | (1,150) | (12) | (430) | (3,662) |
| Fair value changes of investment properties | 1,300,813 | 523,792 | (1,831) | (20,567) | — | 1,802,207 |
| Provision for loss allowance of trade and other receivables | (1,173) | (137) | — | (49) | — | (1,359) |
| Changes in provision for impairment of properties under development and completed properties held for sale | — | — | (82,390) | (52,438) | — | (134,828) |
| Interest income | 25,290 | 292 | 73 | 462 | — | 26,117 |
| Finance costs | (714,685) | (145,342) | (176,177) | (4,738) | (44,919) | (1,085,861) |
| Income tax expenses | (282,615) | (88,940) | (31,777) | (56,849) | — | (460,181) |

## 4 SEGMENT INFORMATION (Continued)

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

| RMB'000 | **Shanghai Region** | **Yangtze River Delta (excluding Shanghai)** | **Pan Bohai Rim** | **Northeast China** | **Others** | **Elimination** | **Total** |
|---|---|---|---|---|---|---|---|
| **As at 30 June 2020 (unaudited)** | | | | | | | |
| Total segment assets | **50,907,109** | **23,100,527** | **4,922,462** | **5,901,861** | **5,729,110** | **(45,410,918)** | **45,150,151** |
| Total segment assets include: | | | | | | | |
| Investment in an associate | **4,862** | **—** | **—** | **—** | **—** | **—** | **4,862** |
| Investment in a joint venture | **771,627** | **—** | **—** | **—** | **—** | **—** | **771,627** |
| Deferred income tax assets | | | | | | | **331,800** |
| Other unallocated corporate assets | | | | | | | **9,188,988** |
| Total assets | | | | | | | **54,670,939** |

## 4 SEGMENT INFORMATION (Continued)

| RMB'000 | Shanghai Region | Yangtze River Delta (excluding Shanghai) | Pan Bohai Rim | Northeast China | Others | Elimination | Total |
|---|---|---|---|---|---|---|---|
| **As at 31 December 2019 (audited)** | | | | | | | |
| 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 |

| RMB'000 | Six months ended 30 June **2020 (unaudited)** | 2019 (unaudited) |
|---|---|---|
| Segment results | **(89,534)** | 11,144 |
| Depreciation | **(3,662)** | (3,373) |
| Fair value changes of investment properties | **1,802,207** | (279,331) |
| Provision for loss allowance of trade and other receivables | **(1,359)** | (1,296) |
| Changes in provision for impairment of properties under development and completed properties held for sale | **(134,828)** | (472,918) |
| Share-based compensation expenses | **—** | (50,744) |
| Operating profit/(loss) | **1,572,824** | (796,518) |
| Interest income | **26,117** | 1,079 |
| Finance costs | **(1,085,861)** | (579,702) |
| Profit/(loss) before taxation | **513,080** | (1,375,141) |
| Additions to: | | |
| Property, plant and equipment | **454** | 251 |
| Investment properties | **855,113** | 519,123 |
| | **855,567** | 519,374 |

## 5 INVESTMENT PROPERTIES

| RMB'000 | Six months ended 30 June<br>**2020 (unaudited)** | <br>2019 (unaudited) |
|---|---|---|
| At beginning of the period | **21,133,946** | 17,942,046 |
| Additions | **855,113** | 519,123 |
| Transfer from completed properties held for sale | **139,670** | — |
| Disposals | **(4,650)** | (37,566) |
| Fair value changes (included in "Other gains/(losses), net") (note 11) | **1,802,207** | (279,331) |
| At end of the period | **23,926,286** | 18,144,272 |

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

| | **Fair value measurements at 30 June 2020 using** | | |
|---|---|---|---|
| RMB'000 | **Quoted prices in active markets for identical assets (Level 1) (unaudited)** | **Significant other observable inputs (Level 2) (unaudited)** | **Significant unobservable inputs (Level 3) (unaudited)** |
| Recurring fair value measurements<br>**Investment properties:** | | | |
| Shops/shopping malls | **—** | **—** | **6,966,220** |
| Car parks | **—** | **—** | **905,000** |
| Complexes, including shops, car parks, offices and hotels | **—** | **—** | **16,055,066** |

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

## 6 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| RMB'000 | **30 June 2020 (unaudited)** | 31 December 2019 (audited) |
|---|---|---|
| Trade receivables due from third parties, net (a) | **483,267** | 481,276 |
| Trade receivables due from third parties | **488,336** | 485,787 |
| Less: provision for loss allowance of trade receivables | **(5,069)** | (4,511) |
| Other receivables due from third parties, net (b) | **1,730,594** | 1,546,568 |
| Other receivables due from third parties | **2,047,325** | 1,862,498 |
| Less: provision for loss allowance of other receivables | **(316,731)** | (315,930) |
| Prepayments for construction costs: | **1,443,368** | 1,180,277 |
| Related parties (note 18(b)) | **80,927** | 85,758 |
| Third parties (c) | **1,362,441** | 1,094,519 |
| Prepayments for land premium (c) | **1,522,225** | 1,522,225 |
| Prepaid other taxes | **218,136** | 197,165 |
| | **5,397,590** | 4,927,511 |

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

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

| RMB'000 | **30 June 2020 (unaudited)** | 31 December 2019 (audited) |
|---|---|---|
| Within 6 months | **37,185** | 23,829 |
| Between 7 and 12 months | **6,114** | 2,930 |
| Over 12 months | **445,037** | 459,028 |
| | **488,336** | 485,787 |

As at 30 June 2020, trade receivables of RMB488,336,000 (31 December 2019: RMB485,787,000) includes an amount due from a local government authority of RMB422,215,000 (31 December 2019: RMB422,215,000) upon recognising the revenue relating to certain relocation and resettlement housing. 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.

## 6 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) (Continued)

During the year ended 31 December 2017, the Group was involved in a litigation with the aforementioned local government authority over an amount of approximately RMB601 million, associated with a property development project in Shanghai. Instead of owing the Group RMB422,215,000, the local government authority claims that the Group has to pay an amount of RMB179 million. Based on management assessment, apart from having no payment obligation arising from the claimed amount, the Group has sufficient basis to support the full recoverability of the amount due from the local government authority of RMB422,215,000. Accordingly, a counter claim has been filed on 31 July 2017 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 year ended 31 December 2019 and the six months period ended 30 June 2020, the management assessment has remained unchanged.

(b)

| RMB'000 | **30 June 2020 (unaudited)** | 31 December 2019 (audited) |
|---|---|---|
| Other receivables due from third parties | **2,047,325** | 1,862,498 |
| Less: provision for loss allowance of other receivables | **(316,731)** | (315,930) |
| Other receivables due from third parties, net | **1,730,594** | 1,546,568 |

As at 30 June 2020 and 31 December 2019, the fair values of the Group's trade and other receivables approximate their carrying amounts. The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

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

| RMB'000 | **30 June 2020 (unaudited)** | 31 December 2019 (audited) |
|---|---|---|
| At beginning of the period/year | **315,930** | 315,100 |
| Provision for loss allowance of other receivables | **801** | 830 |
| At end of the period/year | **316,731** | 315,930 |

As at 30 June 2020, included in other receivables due from third parties was other receivable of approximately RMB500,000,000 (31 December 2019: RMB500,000,000) 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 30 June 2020, prepayment of RMB640,636,000 (31 December 2019: RMB640,636,000) included in prepayments for land premium and prepayment of RMB325,007,000 (31 December 2019: 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.

## 7 SHARE CAPITAL AND SHARE PREMIUM

| | Number of ordinary shares | Nominal value of ordinary shares HK$'000 | Equivalent nominal value of ordinary shares RMB'000 | Share premium RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| Authorised: | | | | | |
| Ordinary shares of HK$0.01 each at 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020 | 38,000,000,000 | 380,000 | | | |
| Issued and fully paid: | | | | | |
| Ordinary shares of HK$0.01 each at 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020 | 7,792,645,623 | 77,926 | 68,745 | 7,822,982 | 7,891,727 |

## 8 BORROWINGS

| RMB'000 | **30 June 2020 (unaudited)** | 31 December 2019 (audited) |
|---|---|---|
| Borrowings included in non-current liabilities: | | |
| Bank borrowings — secured | **9,800** | 11,050 |
| | **9,800** | 11,050 |
| Borrowings included in current liabilities: | | |
| Bank borrowings — secured (a) | **21,268,467** | 23,854,019 |
| Bond — secured | **91,734** | 89,990 |
| Other borrowings — unsecured (b) | **984,303** | 793,636 |
| Other borrowings — secured (b) | **835,723** | 498,352 |
| | **23,180,227** | 25,235,997 |
| Total borrowings | **23,190,027** | 25,247,047 |

## 8 BORROWINGS (Continued)

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

| RMB'000 | **30 June 2020 (unaudited)** | 31 December 2019 (audited) |
|---|---|---|
| Amounts of borrowings that are repayable: | | |
| Repayable on demand or within 1 year (a) | **23,180,227** | 25,235,997 |
| After 1 and within 2 years | **2,500** | 2,500 |
| After 2 and within 5 years | **7,300** | 7,500 |
| After 5 years | **—** | 1,050 |
| | **23,190,027** | 25,247,047 |

(a) The current bank borrowings included borrowings with principal amounts of RMB8,951,992,000 with original maturity beyond 30 June 2021 which have been reclassified as current liabilities as at 30 June 2020 as a result of the matters described in note 2(i).

Management estimates that after taking the measures as set out in note 2(i) above and with its endeavours to ensure that there will be no further delay in repayment of principal and interest, the repayment dates of these reclassified borrowings could be reverted to their respective original repayment dates which are all beyond 30 June 2021.

(b) As at 30 June 2020, short-term borrowings from third parties of RMB984,303,000 (31 December 2019: RMB793,636,000) and RMB835,723,000 (31 December 2019: RMB498,352,000) are unsecured and secured respectively. As at 30 June 2020, the borrowings are interest-bearing ranging from 6%-24% (31 December 2019: 6%-24%) and are repayable within one year from the date of drawdown.

## 9 TRADE AND OTHER PAYABLES

| RMB'000 | **30 June 2020 (unaudited)** | 31 December 2019 (audited) |
|---|---|---|
| Trade payables (a): | **3,827,250** | 3,897,982 |
| Related parties (note 18(b)) | **8,846** | 15,409 |
| Third parties | **3,818,404** | 3,882,573 |
| Other payables due to third parties and accrued expenses (b) | **1,234,907** | 1,348,762 |
| Other taxes payable | **608,234** | 724,413 |
| | **5,670,391** | 5,971,157 |

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

| RMB'000 | **30 June 2020 (unaudited)** | 31 December 2019 (audited) |
|---|---|---|
| Within 6 months | **2,081,811** | 1,924,348 |
| Between 7 and 12 months | **945,331** | 858,624 |
| Over 12 months | **800,108** | 1,115,010 |
| | **3,827,250** | 3,897,982 |

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

## 10 OTHER INCOME

| RMB'000 | Six months ended 30 June 2020 (unaudited) | 2019 (unaudited) |
|---|---|---|
| Rental income | **15,498** | 16,570 |
| Others | **1,840** | 2,359 |
| | **17,338** | 18,929 |

## 11 OTHER GAINS/(LOSSES), NET

| RMB'000 | Six months ended 30 June 2020 (unaudited) | 2019 (unaudited) |
|---|---|---|
| Fair value changes of investment properties | **1,802,207** | (279,331) |
| Exchange losses, net | **(44,739)** | (4,717) |
| | **1,757,468** | (284,048) |

## 12 EXPENSES BY NATURE

Profit/(loss) before taxation is stated after charging the following:

| RMB'000 | Six months ended 30 June<br>**2020 (unaudited)** | <br>2019 (unaudited) |
|---|---|---|
| Advertising costs | **10,404** | 8,705 |
| Other taxes and levies | **8,451** | 12,815 |
| Costs of properties sold | **218,397** | 565,497 |
| Changes in provision for impairment of properties under development and completed properties held for sale | **134,828** | 472,918 |
| Depreciation | | |
| Property, plant and equipment | **1,802** | 1,325 |
| Right-of-use assets | **1,860** | 2,048 |
| Staff costs — excluding directors' emoluments | **70,322** | 65,551 |
| Share-based compensation expenses | **—** | 50,744 |
| Rental expenses | **1,113** | 5,827 |

## 13 FINANCE COSTS, NET

| RMB'000 | Six months ended 30 June<br>**2020 (unaudited)** | <br>2019 (unaudited) |
|---|---|---|
| Finance income | | |
| — Interest income | **26,117** | 1,079 |
| Finance costs | | |
| Interest expenses | | |
| — Bank borrowings | **(1,543,638)** | (1,295,996) |
| — Bond | **(5,425)** | — |
| — Others | **(49,796)** | (19,741) |
| Total interest expenses | **(1,598,859)** | (1,315,737) |
| Less: interest capitalised on qualifying assets | **512,998** | 736,035 |
| Finance costs expensed | **(1,085,861)** | (579,702) |
| Finance costs, net | **(1,059,744)** | (578,623) |

## 14 INCOME TAX (EXPENSES)/CREDITS

| RMB'000 | Six months ended 30 June<br>**2020 (unaudited)** | <br>2019 (unaudited) |
|---|---|---|
| Current income tax (expenses)/credits: | | |
| PRC corporate income tax | **(2,837)** | 97,170 |
| PRC land appreciation tax | **(102,759)** | (133,405) |
| | **(105,596)** | (36,235) |
| Deferred income tax (expenses)/credits: | | |
| Origination and reversal of temporary differences | **(354,585)** | 47,072 |
| | **(354,585)** | 47,072 |
| | **(460,181)** | 10,837 |

## 15 EARNINGS/(LOSS) PER SHARE

### (a) Basic

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

| | Six months ended 30 June<br>**2020 (unaudited)** | <br>2019 (unaudited) |
|---|---|---|
| Profit/(loss) attributable to the owners of the Company (RMB'000) | **59,927** | (1,364,422) |
| Weighted average number of ordinary shares in issue (thousands) | **7,792,646** | 7,792,646 |

### (b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For each of the six months ended 30 June 2019 and 2020, 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.

## 16 DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## 17 CAPITAL COMMITMENTS

As at 30 June 2020 and 31 December 2019, the Group had capital commitments as follows:

| RMB'000 | **30 June 2020 (unaudited)** | 31 December 2019 (audited) |
|---|---|---|
| Contracted but not provided for: | | |
| Land use rights | **545,736** | 545,736 |
| Property development expenditures | **3,814,305** | 4,134,986 |
| — Shanghai Ditong (i) | **1,965,182** | 2,045,737 |
| — Third parties | **1,849,123** | 2,089,249 |
| Construction materials | **60,153** | 140,153 |
| | **4,420,194** | 4,820,875 |
| Commitment comprises: | | |
| — Properties under development | **3,365,762** | 3,549,187 |
| — Investment properties | **1,054,432** | 1,271,688 |
| | **4,420,194** | 4,820,875 |

(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. During the years ended 31 December 2018 and 31 December 2019, the Group revisited its construction plan and cancelled the construction contracts with Shanghai Ditong with contract sums of RMB499 million and RMB925 million respectively. For the remaining contracts with Shanghai Ditong, the Group is in the process of revisiting its construction plan and will cancel or significantly scale down the contracts with Shanghai Ditong so as to reduce the amounts of transactions with Shanghai Ditong to a level that complies with the Listing Rules. The amount disclosed above represents the contracted amount before 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.

## 18 RELATED PARTY TRANSACTIONS

As at 30 June 2020, the Group's share of commitment of the joint venture is RMB154,732,000 (31 December 2019: RMB18,052,000).

As at 30 June 2020, 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

| | **Six months ended 30 June** | |
|---|---|---|
| RMB'000 | **2020 (unaudited)** | 2019 (unaudited) |
| Construction services provided during the period by Shanghai Ditong | **80,555** | 73,807 |
| Purchase of property design services from an associate | **132** | — |

### (b) Balances with related parties

As at 30 June 2020 and 31 December 2019, the Group had the following significant balances with related parties:

| RMB'000 | **30 June 2020 (unaudited)** | 31 December 2019 (audited) |
|---|---|---|
| Balances included in "Prepayments": | | |
| Prepayments to related companies for construction services to be provided by | | |
| — Shanghai Ditong | **78,284** | 82,983 |
| — Other related companies | **2,643** | 2,775 |
| | **80,927** | 85,758 |
| Balances included in current liabilities: | | |
| Amount due to a joint venture | **353,029** | 353,029 |
| Trade payables with other related companies | **8,846** | 15,409 |

Except for the loan to a joint venture included in interest in a joint venture, as at 30 June 2020 and 31 December 2019, 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.

## 18 RELATED PARTY TRANSACTIONS (Continued)

### (c) Key management compensation

| RMB'000 | Six months ended 30 June<br>**2020 (unaudited)** | <br>2019 (unaudited) |
|---|---|---|
| Salaries and other short-term employee benefits | **1,190** | 1,309 |
| | **1,190** | 1,309 |

### (d) Other related party transaction

As at 30 June 2020, Mr. Zhang Zhi Rong has provided personal guarantee for certain of the Group's borrowings of RMB3,646,834,000 (31 December 2019: RMB5,049,578,000) as additional security measures.

## 19 FINANCIAL GUARANTEES

The Group has arranged bank financing for certain purchasers of it's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees will be terminated upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of one to two years upon the completion of guarantee registration; or (ii) the full repayment of mortgaged loan by the purchasers of properties. Pursuant to the terms of the guarantees, in the case of default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over possession of the relevant properties. The Group's guarantee period starts from the dates of grant of the mortgages. As at 30 June 2020, the amount of outstanding guarantees for the related mortgages were approximately RMB4,261,524,000 (31 December 2019: RMB3,248,085,000).

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

## 20 CONTINGENT LIABILITIES

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

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