恒盛地產
GLORIOUS PROPERTY

Glorious Property Holdings Limited
恒盛地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00845)

UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "Board") of Glorious Property Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2019. For the reasons explained in the paragraph headed "Review of Unaudited Annual Results" in this announcement, the auditing process for the annual results of the Group for the year ended 31 December 2019 has not been completed.

FINANCIAL HIGHLIGHTS

- Revenue amounted to RMB5,806.7 million and the average selling price (excluding interior decoration) was RMB22,707 per sq.m.
- Recorded a loss attributable to the owners of the Company of RMB957.1 million
- Total borrowings was RMB25,247.0 million
- Gearing ratio was 399.7%
- Property sales was RMB6,732.9 million and GFA sold was 434,032 sq.m.

OVERALL RESULTS

For the year ended 31 December 2019, the Group recorded a consolidated revenue of RMB5,806.7 million, representing a decrease of 42.5% compared to RMB10,091.0 million in 2018. The Group recorded a loss attributable to the owners of the Company for the year ended 31 December 2019 of RMB957.1 million, as compared to a profit attributable to the owners of the Company of RMB525.3 million for the year ended 31 December 2018.

Loss per share for the year ended 31 December 2019 was RMB0.12 (2018: Earnings per share of RMB0.07).

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

MARKET REVIEW

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

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

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

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

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

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

BUSINESS REVIEW

I. Revenue

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

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

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

Projects sold and delivered in 2019 and 2018 included:

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

II. Property Sales

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

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

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

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

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

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

Note:

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

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

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

III. Construction and Development

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

IV. Land Bank

The Group maintained a prudent investment strategy in acquiring land and acquired new land based on the condition of cash flow and financial resources. The Group did not acquire any new land parcel during 2019.

As at 31 December 2019, the total land bank of the Group for which land use right certificates had been obtained or land acquisition agreements had been signed was 6.95 million sq.m. and the average land cost was RMB1,579 per sq.m.. The relatively low-cost land bank provided the Group with a strong foundation in maintaining its sustainable development and generating higher profit margins in the future.

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

Details of land bank by project as at 31 December 2019 were as follows:

Project		City	Location	Use	Land bank (*sq.m.*)	Average land cost (*RMB per sq.m.*)	Interests attributable to the Group
Shanghai Region							
1	Shanghai Bay	Shanghai	Xuhui District	Residential, serviced apartment, office and commercial	473,971	611	100%
2	Sunshine Venice	Shanghai	Putuo District	Residential, hotel and commercial	41,757	554	100%
3	Royal Lakefront	Shanghai	Fengxian District	Residential and commercial	137,551	1,870	100%
4	Shanghai City Glorious	Shanghai	Baoshan District	Residential and commercial	78,950	923	100%
5	Caohejing Project	Shanghai	Xuhui District	Office, hotel and commercial	121,300	9,703	100%
6	Zhongcao Xincun Project	Shanghai	Xuhui District	Serviced apartment and commercial	91,000	9,703	100%
	Subtotal				944,529	2,861	
Yangtze River Delta							
7	Nantong Glorious Chateau	Nantong	New District, Rugao Port Zone	Residential and commercial	869,029	322	100%
8	Nantong Glorious Plaza	Nantong	New District	Hotel, office and commercial	299,504	348	70%
9	Nantong Royal Bay	Nantong	Chongchuan District	Residential, office and commercial	418,082	4,719	100%
10	No.1 City Promotion	Wuxi	Wuxi New District	Residential and commercial	68,709	679	100%
11	Hefei Bashangjie Project	Hefei	Yaohai District	Residential, hotel, office and commercial	795,487	881	100%
12	Hefei Royal Garden	Hefei	Luyang District	Residential, hotel and commercial	20,000	1,207	100%
13	Nanjing Royal Bay	Nanjing	Gulou District	Residential and commercial	137,567	6,013	60%
	Subtotal				2,608,378	1,517	

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

V. Development of Commercial Properties

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

As at 31 December 2019, retail commercial properties, office buildings and hotels accounted for 62.1%, 24.3% and 13.6% of the total commercial properties of the Group by GFA respectively. The Group plans to retain the ownership of most of the commercial properties to secure stable rental income.

FUTURE OUTLOOK

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

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

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

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

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Year ended 31 December 2019

RMB'000	*Note*	**2019** ***(unaudited)***	2018 *(audited)*
Revenue	*4*	**5,806,661**	10,091,039
Cost of sales	*7*	**(5,684,774)**	(4,761,775)
Gross profit		**121,887**	5,329,264
Other income	*5*	**38,672**	47,558
Other gains/(losses), net	*6*	**870,915**	(466,120)
(Provision for)/reversal of provision for loss allowances of trade and other receivables, net		**(2,613)**	314,125
Selling and marketing expenses	*7*	**(133,834)**	(220,653)
Administrative expenses	*7*	**(552,165)**	(459,379)
Finance costs, net	*8*	**(1,874,351)**	(406,658)
Share of (loss)/profit of an associate		**(1,340)**	93
Share of profit/(loss) of a joint venture		**959,921**	(150,100)
(Loss)/profit before taxation		**(572,908)**	3,988,130
Income tax expenses	*9*	**(419,375)**	(3,597,755)
(Loss)/profit for the year		**(992,283)**	390,375
(Loss)/profit for the year attributable to:			
– the owners of the Company		**(957,065)**	525,290
– non-controlling interests		**(35,218)**	(134,915)
		(992,283)	390,375
Other comprehensive income		**—**	—
Total comprehensive (loss)/income for the year		**(992,283)**	390,375
Total comprehensive (loss)/income for the year attributable to:			
– the owners of the Company		**(957,065)**	525,290
– non-controlling interests		**(35,218)**	(134,915)
		(992,283)	390,375
(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company (expressed in RMB per share)			
– Basic	*10*	**(0.12)**	0.07
– Diluted	*10*	**(0.12)**	0.07
Dividend	*11*	**—**	—

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 31 December 2019

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

RMB'000	*Note*	**2019** **(*unaudited*)**	2018 (*audited*)
Current liabilities			
Contract liabilities		**4,812,372**	5,901,056
Trade and other payables	*13*	**5,971,157**	5,333,065
Income tax payable		**8,003,937**	7,796,930
Amount due to a joint venture		**353,029**	353,029
Borrowings	*14*	**25,235,997**	21,027,214
Lease liabilities		**3,897**	—
Obligations under finance lease		**—**	998
		44,380,389	40,412,292
Non-current liabilities			
Borrowings	*14*	**11,050**	2,404,921
Deferred income tax liabilities		**2,220,416**	2,389,683
Lease liabilities		**1,257**	—
Loan from a non-controlling interest		**303,479**	—
Obligations under finance lease		**—**	18,220
		2,536,202	4,812,824
Total liabilities		**46,916,591**	45,225,116
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**68,745**	68,745
Share premium		**7,822,982**	7,822,982
Reserves		**(2,532,572)**	(1,583,191)
		5,359,155	6,308,536
Non-controlling interests		**162,246**	(44,480)
Total equity		**5,521,401**	6,264,056
Total liabilities and equity		**52,437,992**	51,489,172

NOTES:

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

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared in accordance with the HKFRSs under the historical cost convention, as modified by the revaluation of investment properties.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

(i) Going concern basis

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

As at 31 December 2019, certain borrowings whose principal amounts of RMB1,820,000,000 and interest payable amounts of RMB724,744,000, relating to borrowings with a total principal amount of RMB5,212,165,000 ("Overdue Borrowings") were overdue. And interests of certain borrowings not abovementioned with a total principal amount of RMB6,544,000,000 were overdue in 2019 ("Other Overdue Borrowings"); although these overdue interests were subsequently settled before 31 December 2019, these borrowings remain to be in default as at 31 December 2019. In addition, the Group breached certain terms and conditions of a bond with a principal amount of HK$100,000,000 (equivalent to RMB89,578,000) during the year ended 31 December 2019. The aggregate principal amount of the aforementioned borrowings and bond of RMB11,845,743,000 would be immediately repayable if requested by the lenders. This amount included borrowings of RMB6,072,100,000 with original contractual repayment dates beyond 31 December 2020 which have been reclassified as current liabilities as at 31 December 2019 (note 14).

As stipulated in the relevant loan and financing agreements in respect of certain borrowings of the Group other than those mentioned above, any default of the Group's borrowings may result in cross-default of these borrowings. As a result of the above default events, the principal amount of borrowings of RMB10,250,797,000 were considered as cross-default ("Cross-default Borrowings"), of which RMB4,096,092,000 with original contractual repayment dates beyond 31 December 2020 have been reclassified as current liabilities as at 31 December 2019 (note 14).

Subsequent to the balance sheet date, the Group did not repay certain principal and interest payments in accordance with the scheduled repayment dates of certain loan agreements, including (1) interest of RMB155,656,000 relating to certain of the Overdue Borrowings with a total principal amount of RMB5,212,165,000, (2) interest of RMB75,884,000 relating to certain of the Other Overdue Borrowings with a total principal amount of RMB4,349,000,000 and (3) principal of RMB5,000,000 and interest of RMB89,497,000 relating to certain of the Cross-default Borrowings with a total principal amount of RMB4,284,399,000.

The Group is in active negotiations with all the lenders in respect of the Overdue Borrowings, Other Overdue Borrowings and Cross-default Borrowings for renewal and extension of the relevant borrowings and the Directors are confident that agreements will be reached in due course.

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

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. Further, the Group's property sales subsequent to the year end has been significantly affected by the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak"), which will have an impact on the Group's cash flows.

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

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

(ii) In addition, the Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future. Since 1 January 2020, the Group has repaid principal of RMB8,507,000 of the Overdue Borrowings up to the date of the approval of these consolidated financial statements. In addition, the Group successfully extended or repaid certain Cross-default Borrowings with principal of RMB3,813,387,000 in February and March 2020 upon their scheduled repayment dates;

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

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

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

(vi) The Group will continue to take active measures to control administrative costs through various channels including human resources optimisation and management remuneration adjustments and containment of capital expenditures.

The directors, including the members of the audit committee, have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 2019. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2019. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

(i) Successful negotiations with the lenders for the renewal of or extension for repayments beyond year 2020 for those borrowings that (a) are scheduled for repayment (either based on the original agreements or the existing arrangements) in year 2020; (b) were overdue as at 31 December 2019 because of the Group's failure to repay either the principal or the interests on or before the scheduled repayment dates; and (c) became or might become overdue in year 2020;

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

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

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

(v) Successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in default, including those with cross-default terms.

Should the Group fail to achieve the 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 statements.

3 Accounting policies

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

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

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

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

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

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

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

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

(iii) Change in accounting policies

Adoption of HKFRS 16 Leases

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

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

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

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

(a) Measurement of lease liabilities

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

(b) Measurement of right-of-use assets

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

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

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

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

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

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

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

(d) Practical expedients applied

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, and
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

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

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 business from geographical perspective and assess the performance of property development in four reportable operating segments, namely Shanghai Region, Yangtze River Delta (excluding Shanghai), Pan Bohai Rim and Northeast China. "Others" segment represents corporate support functions.

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

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

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

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

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

RMB'000	**Shanghai Region**	**Yangtze River Delta (excluding Shanghai)**	**Pan Bohai Rim**	**Northeast China**	**Others**	**Elimination**	**Total**
At 31 December 2019 (unaudited)							
Total segment assets	**47,904,087**	**23,414,684**	**4,926,162**	**5,653,011**	**5,910,457**	**(44,618,412)**	**43,189,989**
Total segment assets include:							
Investment in an associate	**4,829**	**—**	**—**	**—**	**—**	**—**	**4,829**
Investment in a joint venture	**781,571**	**—**	**—**	**—**	**—**	**—**	**781,571**
Deferred income tax assets							**185,037**
Other unallocated corporate assets							**9,062,966**
Total assets							**52,437,992**
Additions to:							
Property, plant and equipment	**1,108**	**66**	**617**	**14**	**—**	**—**	**1,805**
Investment properties	**262,661**	**422,050**	**30,388**	**324,370**	**—**	**—**	**1,039,469**
At 31 December 2018 (audited)							
Total segment assets	46,428,267	23,418,501	4,662,229	4,925,422	6,671,210	(43,418,470)	42,687,159
Total segment assets include:							
Investment in an associate	6,169	—	—	—	—	—	6,169
Investment in a joint venture	178,324	—	—	—	—	—	178,324
Deferred income tax assets							324,677
Other unallocated corporate assets							8,600,868
Total assets							51,612,704
Additions to:							
Property, plant and equipment	236	110	33	219	—	—	598
Investment properties	530,228	283,826	43,777	208,460	—	—	1,066,291

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

Analysis of revenue by category

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

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

5 Other income

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

6 Other gains/(losses), net

RMB'000	**2019** **(*unaudited*)**	2018 (*audited*)
Fair value changes of investment properties	**914,107**	(374,561)
Exchange (loss)/gain, net	**(43,192)**	(91,559)
	870,915	(466,120)

7 Expenses by nature

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

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

8 Finance costs, net

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

9 Income tax expenses

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

10 (Loss)/earnings per share

(a) Basic

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

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

(b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For each of the years ended 31 December 2019 and 2018, the Company's share options had no dilutive effect, as the relevant exercise price was higher than the average market price of the Company's shares for the period when the options are outstanding.

11 Dividend

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

12 Trade and other receivables and prepayments

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

(a) Trade receivables mainly arise from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements and customers are generally required to settle the receivables within 30 days after the date of signing the sales and purchase agreements. The ageing analysis of trade receivables at the balance sheet dates based on revenue recognition date is as follows:

RMB'000	**2019** ***(unaudited)***	2018 *(audited)*
Within 6 months	**23,829**	59,917
Between 7 and 12 months	**2,930**	427
Over 12 months	**459,028**	439,072
	485,787	499,416

As at 31 December 2019, trade receivables of RMB485,787,000 (2018: RMB499,416,000) includes an amount due from a local government authority of RMB422,215,000 (2018: RMB422,215,000) upon recognising the revenue relating to certain relocation and resettlement housing. The remaining trade receivables relate to certain customers that have a good track record with the Group. Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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

(b)

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

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

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

RMB'000	**2019** *(unaudited)*	2018 *(audited)*
At beginning of the year	**315,100**	919,573
Provision for/(reversal of provision for) loss allowance of other receivables	**830**	(314,278)
Write-off of provision for loss allowance of other receivables	**—**	(290,195)
At end of the year	**315,930**	315,100

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

13 Trade and other payables

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

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

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

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

14 Borrowings

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

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

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

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

Management estimates that after taking the measures as set out in note 2(i) 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 31 December 2020.

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

15 Events occurring after the reporting date

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

FINANCIAL REVIEW

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

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

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

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

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

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

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

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

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

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

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

Gross finance costs for the year ended 31 December 2019 were RMB3,355.4 million, representing an increase of 44.2% from RMB2,326.8 million for 2018. For the year ended 31 December 2019, finance costs of RMB1,463.3 million (2018: RMB1,840.6 million) had been capitalised, leaving RMB1,892.1 million (2018: RMB486.2 million) which was charged directly to the consolidated statement of comprehensive income. After netting off the finance income of RMB17.8 million (2018: RMB79.5 million), the amount of finance costs, net was RMB1,874.4 million for 2019 (2018: RMB406.7 million). The Group's gross finance costs for 2019 was substantially higher than that of 2018 mainly because the Group's average level of total borrowings increased in the current year as compared to 2018. As the amount of gross finance costs incurred in the current year continued to exceed the amount that can be capitalised based on the Group's qualifying assets, a portion of the finance costs were not capitalised and were recorded as current year expenses.

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

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

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

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

Current Assets and Liabilities

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

As at 31 December 2019, the Group's current assets mainly comprised properties under development, and completed properties held for sale and trade and other receivables and prepayments. As at 31 December 2019, balance of properties under development was RMB15,267.9 million, which was 9.3% lower than RMB16,828.9 million as at 31 December 2018. The continuous progress of the Group's property development projects had resulted in an increase in the carrying value of properties under development in 2019, but the increase has been offset by the decrease in the carrying value of properties under development that has been recognised as cost of sales or transferred to completed properties held for sale upon completion and delivery of properties during the year, as well as the provision for impairment made in current year also further reduced the carrying value of properties under development. Completed properties held for sale decreased by 28.4% from RMB7,899.8 million as at 31 December 2018 to RMB5,659.7 million as at 31 December 2019. The lower balance of completed properties held for sale was mainly due to the Group‘s continuous effort to sell the remaining units of existing projects in the current year. Trade and other receivables and prepayments increased by 9.2% from RMB4,511.0 million as at 31 December 2018 to RMB4,927.5 million as at 31 December 2019. Trade and other receivables and prepayments comprised prepayments for construction costs, prepayments for land premium for which the relevant land use right certificates were yet to be obtained and certain other receivables arising from the Group's business.

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

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

Liquidity and Financial Resources

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

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

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

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

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

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

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

Going Concern and Mitigation Measures

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

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

(ii) In addition, the Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future. Since 1 January 2020, the Group has repaid principal of RMB8.5 million of the Overdue Borrowings up to the date of the approval of these consolidated financial statements. In addition, the Group successfully extended or repaid certain Cross-default Borrowings with principal of RMB3,813.4 million in February and March 2020 upon their scheduled repayment dates;

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

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

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

(vi) The Group will continue to take active measures to control administrative costs through various channels including human resources optimisation and management remuneration adjustments and containment of capital expenditures.

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

The Group has been actively implementing the aforementioned measures in the past few years. As a result of the efforts over such period, a number of financial data has once improved, including steady growth in property sales, turnaround of operating net cash outflow to an operating net cash inflow, as well as occasional decrease in total borrowings. As the execution of the Group's business plan for 2019 has been lagged behind, certain projects that were scheduled to reach pre-sale status in the second half 2019 have failed to release the new launch of properties due to delay in the pace of construction, this resulted in an operating net cash outflow position again in 2019 and ultimately caused a failure in achieving the business plan target of lowering the Group's borrowings. Despite the above, in the second half of 2019, the Group has ensured the construction progress of the properties of Holiday Royal in Shanghai and Hefei Bashangjie Project in the Yangtze River Delta, which have completed and delivered the properties as scheduled, as well as to speed up the sales of the remaining units and carpark units of the Group's projects, both of which ensured the Group to record planned amount of recognised revenue for 2019 and avoided repeating a significant amount of loss attributable the owners of the Company. The Group will actively implement the business plan in 2020, on one hand to adhere to the business plan to construct and launch sale of the property projects so as to increase the cash inflow, on the other hand to actively negotiate with financial institutions to renew and extend the bank loans, and to identifying opportunities to obtain new borrowings so as to improve the Group's debt structure.

Foreign Exchange Risk

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

RMB'000	**2019**	2018
Cash and bank balances:		
US$	**287**	331
HK$	**161**	937
	448	1,268
Borrowings:		
US$	**2,563,109**	2,450,940
HK$	**217,446**	193,653
	2,780,555	2,644,593
Trade and other payables:		
US$	**7,030**	6,863
HK$	**36,045**	33,324
	43,075	40,187

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

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

Interest Rate Risk

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

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

As at 31 December 2019, the Group's total borrowings amounted to RMB25,247.0 million (2018: RMB23,432.1 million), of which RMB24,768.5 million (2018: RMB20,686.5 million) borne fixed interest rate.

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

Pledge of Assets

As at 31 December 2019, the Group had investment properties, properties under development and completed properties held for sale of an aggregate carrying value of RMB29,023.4 million (2018: RMB23,175.2 million) which had been pledged for the Group's borrowings. Besides, the Group had also pledged the equity interest of certain of its subsidiaries and a joint venture and certain bank deposits for its borrowings.

Capital Commitment

As at 31 December 2019, the Group had capital commitment of RMB4,820.9 million (2018: RMB4,340.9 million).

Contingent Liabilities

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

EMPLOYEES

As at 31 December 2019, the Group had a total of 722 employees (2018: 721). Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance, medical cover as well as share options.

SHARE OPTION SCHEMES

In order to attract, retain and motivate executives and key employees serving any members of the Group or other persons contributing to the Group, the Company had adopted a share option scheme (the "Share Option Scheme") on 9 September 2009 in addition to a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") which was adopted by the Company on the same day. 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.

On 4 February 2019, the Company resolved to grant 632,388,000 share options to eligible participants (the "Grantees") 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 Grantees 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.

As at 31 December 2019, there were totally 194,498,000 share options that were granted to the directors and employees of the Company under the IPO Share Option Scheme and remained outstanding.

In terms of employee training, the Group provides different training programmes for employees to develop their expertise and knowledge.

CORPORATE GOVERNANCE

Deviation from the Corporate Governance Code of the Listing Rules

The Company had complied with the principles and the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") during the year ended 31 December 2019, save for the deviation from the code provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Upon the appointment of Mr. Ding Xiang Yang ("Mr. Ding") as the chairman of the Board on 5 June 2018, Mr. Ding acted as both the chairman of the Board and chief executive officer of the Company. The Board understood that the assumption of two roles by one person deviated from the code provision A.2.1 of the Corporate Governance Code.

Mr. Ding has been an executive Director since 2001 and played an integral role in formulating the development strategies, operational management of the Group and supervising the construction of the Group's projects. He has the appropriate standing, management skills and business acumen which are the essential prerequisites for assuming the two roles. The Board therefore believes that vesting both roles in Mr. Ding provides the Group with in-depth knowledge and consistent leadership and, at the same time, enables more effective and efficient overall strategic planning for the Group; and does not impair the balance of power and authority of the Board. If the position was occupied by other person, the business operation and the performance of the Group would be affected. As such, the Board structure is beneficial to the Group and the shareholders as a whole.

The Company will review the Board structure from time to time and shall adjust the situation when suitable circumstance arises.

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. 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 year ended 31 December 2019.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 9 September 2009 with written terms of reference, which comprises three independent non-executive directors, namely, Prof. Liu Tao (chairman of the Audit Committee), Mr. Wo Rui Fang and Mr. Han Ping.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to the COVID-19 outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the Audit Committee.

INDEPENDENT AUDITOR'S REPORT

Potential Disclaimer of Opinion

The Group's auditor, PricewaterhouseCoopers, is in the process of the audit of the Group's consolidated financial statements for the year ended 31 December 2019 and the audit process is yet to be completed. The Group's financial conditions, together with the other matters as described in note 2(i) to the unaudited 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. Because of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements, management expects that it is not possible for the Group's auditor to form an opinion on the consolidated financial statements for the year ended 31 December 2019.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed on or before late April 2020.

ANNUAL GENERAL MEETING AND DATES OF CLOSURE OF REGISTER OF MEMBERS

The time, date and venue of the annual general meeting of the Company for the year 2020 and dates of closure of register of members of the Company will be announced in due course.

PUBLICATION OF ANNUAL REPORT

The 2019 annual report of the Company containing all the applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and the Company at www.gloriousphl.com.cn in due course.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Glorious Property Holdings Limited
Ding Xiang Yang
Chairman

Hong Kong, 31 March 2020

As at the date of this announcement, the executive directors of the Company are Messrs. Ding Xiang Yang, Xia Jing Hua and Yan Zhi Rong; the independent non-executive directors of the Company are Prof. Liu Tao, Messrs. Wo Rui Fang and Han Ping.