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

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Codes: 00845)**

### **INTERIM RESULTS** **FOR THE SIX MONTHS ENDED 30 JUNE 2016**

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 six months ended 30 June 2016 (the “2016 Interim Results”). The 2016 Interim Results have been reviewed by the audit committee of the Company (the “Audit Committee”) on 30 August 2016 and approved by the Board on 31 August 2016.

#### **FINANCIAL HIGHLIGHTS**

- Revenue increased by 488.9% to RMB2,016.6 million and the average selling price was RMB9,914 per sq.m.
- Recorded a loss attributable to the owners of the Company of RMB1,999.9 million
- Current borrowings increased to RMB26,779.5 million
- Gearing ratio was 226.2%
- Property sales was RMB1,838.4 million and GFA sold was 92,356 sq.m.

## **OVERALL RESULTS**

For the six months ended 30 June 2016, the Group recorded a consolidated revenue of RMB2,016.6 million, representing an increase of 488.9% compared to RMB342.4 million recorded in the same period in 2015. For the six months ended 30 June 2016, the Group recorded a loss attributable to the owners of the Company of RMB1,999.9 million, which is 100.7% higher than the loss attributable to the owners of the Company of RMB996.6 million for the corresponding period in 2015.

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Market Review**

In the first half of 2016, the extended easing monetary policy appeared to be tightened in different regions. In the first quarter, with positive market expectations, the unleashed demand drove the market to a high level in general. Since the second quarter, while the active market transactions had excessively digested some of the demand, a “wait-and-see” sentiment became more prominent on the market, leading to some decline in the pace of growth of demand. Across cities, the markets of core first- and second-tier cities as well as peripheral cities took turn to flourish, with the highest increase in second-tier cities. In first-tier cities, governments’ limited supply of land, especially the shortage of quality land in city centres, has resulted in frequent occurrence of high premium of land parcels in the periphery of cities. The booming of the land market spread from first-tier cities to many second-tier cities and some opportune third-tier cities, registering rising average prices at which the projects were transacted.

In general, given the escalated diversification of the property market, cities with booming property markets gradually tightened their measures while cities under the pressure of stocking up of inventory will have further easing policies to proceed further with destocking. Such a condition already lives up to the central government’s requirements of the property sector in general.

During the period, the Group paid close attention to market changes. In respect of the imbalanced development across regional markets, coupled with the trend of expedited destocking across cities and layout adjustments, the Group sought to lower total debts and optimise its debt structure. Further, for the development and sales of projects in key regions, the Group stepped up its efforts in management comprehensively, improved the system of management structure, ensured robust management of cash flow, revitalised assets, and achieved higher turnover rate for existing projects, seeking to expedite the adjustment the regional structure, alleviate the pressure arising from uneven development across regional markets, and improve the strained situation of cash flow.

During the first six months of 2016, the Group's contracted property sales declined as compared to the same period of last year. This was mainly attributable to the uneven schedule of launching new projects and project completions as well as the prolonged construction period experienced by certain property projects during the period, leading to the overall low level of property sales amount despite growth in average prices of the property sales, which were not in line with the market trend. The Group will focus on improving its asset operation management, further monitor the construction progress closely and speed up sales of new property projects for quicker cash inflow.

## **Business Review**

### ***Property Development***

#### *1. Revenue*

The Group recorded a consolidated revenue of RMB2,016.6 million in the first half of 2016, representing an increase of 488.9% compared to RMB342.4 million recorded in the first half of 2015. The delivered GFA increased to 203,406 sq.m. in the first half of 2016 from 43,647 sq.m. in the first half of 2015, representing an increase of 366.0%.

During the first six months of 2016, the first lot of residential properties of Hefei Bashangjie Project were completed and delivered, thus bringing in recognised revenue of RMB988.4 million to the Group. In addition, Shanghai City Glorious further completed and delivered more than 75,000 sq.m. of social security housing and certain other properties, which contributed RMB784.7 million to the Group's recognised revenue for the first half of 2016. As compared to the same period in 2015 that the Group did not have projects that were newly completed and delivered, the Group's recognised revenue for the current period increased significantly by 488.9%.

Because Hefei Bashangjie Project and Shanghai City Glorious were the major source of recognised revenue for the current period, for which the booked average selling prices were higher, as compared to the same period of 2015 where the projects contributing revenue were widely spread and lower-priced. Accordingly, the booked average selling price increased by 26.4% from RMB7,846 per sq.m. in the first half of 2015 to RMB9,914 per sq.m. in the first half of 2016.

Projects sold and delivered during the six months ended 30 June 2016 included:

Projects sold and delivered	City	2016			2015		
		Revenue (RMB'000)	GFA sold and delivered (sq.m.)	Average selling price recognised (RMB/sq.m.)	Revenue (RMB'000)	GFA sold and delivered (sq.m.)	Average selling price recognised (RMB/sq.m.)
Sunshine Venice	Shanghai	7,050	1,928	3,657	25,515	7,255	3,517
Shanghai Bay	Shanghai	39,433	671	58,768	84,391	1,472	57,331
Shanghai City Glorious	Shanghai	784,746	77,784	10,089	4,199	233	18,021
Royal Lakefront	Shanghai	35,460	1,711	20,725	–	–	N/A
Sunshine Bordeaux	Beijing	1,008	187	5,390	19,428	3,249	5,980
Glorious Artstyle Townhouse	Beijing	3,144	354	8,881	28,022	2,589	10,823
Tianjin Royal Bay Seaside	Tianjin	26,198	5,539	4,730	9,648	1,763	5,472
No.1 City Promotion	Wuxi	2,901	701	4,138	18,575	3,496	5,313
Nantong Villa Glorious	Nantong	3,462	1,173	2,951	24,726	4,398	5,622
Nantong Royal Bay	Nantong	6,273	968	6,480	33,532	4,723	7,100
Hefei Villa Glorious	Hefei	1,460	527	2,770	7,723	832	9,282
Hefei Bashangjie Project	Hefei	988,396	89,485	11,045	–	–	N/A
Hefei Royal Garden	Hefei	29,439	7,354	4,003	899	355	2,532
Sunny Town	Shenyang	3,467	503	6,893	5,981	725	8,250
Harbin Villa Glorious	Harbin	29,649	4,866	6,093	43,413	5,597	7,756
Harbin Royal Garden	Harbin	7,526	1,420	5,300	20,032	3,626	5,525
Changchun Villa Glorious (East)	Changchun	26,918	5,271	5,107	4,277	1,048	4,081
Dalian Villa Glorious	Dalian	20,047	2,964	6,763	12,083	2,286	5,286
<b>Total</b>		<b>2,016,577</b>	<b>203,406</b>	<b>9,914</b>	<b>342,444</b>	<b>43,647</b>	<b>7,846</b>

## 2. Property Sales

During the first half of 2016, the Group recorded contracted property sales of RMB1,838.4 million, representing a year-on-year (“YOY”) decrease of 13.7%; while the contracted GFA sold was 92,356 sq.m., representing a YOY decrease of 25.0%.

During the period, the Group’s property sales were mainly contributed by projects in Shanghai Region and Yangtze River Delta, amounting to RMB1,755.8 million of property sales, representing an aggregate of 95.5% of the Group’s total property sales. Other projects located in Pan Bohai Rim and Northeast China contributed property sales of RMB82.6 million, representing an aggregate of 4.5% of the Group’s total property sales.

Property sales and GFA sold during the six months ended 30 June 2016:

Region	Property sales (RMB'000)			GFA sold (sq.m.)		
	2016	2015	Change (%)	2016	2015	Change (%)
Shanghai Region	<b>567,513</b>	978,743	-42.0%	<b>13,619</b>	33,472	-59.3%
Yangtze River Delta	<b>1,188,274</b>	911,091	30.4%	<b>63,654</b>	60,137	5.8%
Pan Bohai Rim	<b>16,839</b>	133,400	-87.4%	<b>3,071</b>	12,966	-76.3%
Northeast China	<b>65,791</b>	106,766	-38.4%	<b>12,012</b>	16,513	-27.3%
<b>Total</b>	<b>1,838,417</b>	2,130,000	-13.7%	<b>92,356</b>	123,088	-25.0%

### 3. *Construction and Development Plan*

During the first half of 2016, a total GFA of approximately 338,000 sq.m. was completed. The new construction area of the Group amounted to approximately 157,000 sq.m. during the first half of the year. The Group expects that the new construction area for the year 2016 will exceed 640,000 sq.m.. As at 30 June 2016, the Group had projects with a total area under construction of 1.9 million sq.m..

### 4. *Land Bank*

As at 30 June 2016, the total land bank of the Group for which land use right certificates had been obtained or land acquisition agreements had been signed was 8.5 million sq.m., which was sufficient to meet its development needs over the next five years. The average land cost was RMB1,810 per sq.m..

The land bank of the Group was evenly distributed over first-, second- and third-tier cities, of which 18.6% was in first-tier cities and 81.4% was in second- and third-tier cities.

Overview of land bank as at 30 June 2016:

Project	City	Location	Use	Land bank (sq.m.)	Average land cost (RMB per sq.m.)	Interests attributable to the Group	
<b>Shanghai Region</b>							
1	Shanghai Bay	Shanghai	Xuhui District	Residential, hotel, serviced apartment, office and commercial	709,802	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	287,856	923	100%
5	Caohejing Project	Shanghai	Xuhui District	Office, hotel and commercial	121,300	9,703	100%
6	Zhongcao Xincun Project	Shanghai	Xuhui District	Serviced apartment and commercial	91,000	9,703	100%
7	Glorious Xinyamingdi	Shanghai	Fengxian District	Residential	81,760	15,228	100%
<b>Subtotal</b>				<u>1,471,026</u>	<u>2,913</u>		
<b>Yangtze River Delta</b>							
8	Nantong Glorious Chateau	Nantong	New District, Rugao Port Zone	Residential and commercial	869,029	322	100%
9	Nantong Royal Garden	Nantong	Rugao Town	Residential and commercial	96,758	1,282	100%
10	Nantong Glorious Plaza	Nantong	New District	Hotel, office and commercial	299,504	348	100%
11	Nantong Royal Bay	Nantong	Chongchuan District	Residential, office and commercial	418,082	4,719	100%
12	No.1 City Promotion	Wuxi	Wuxi New District	Residential, hotel and commercial	68,709	679	100%
13	Hefei Bashangjie Project	Hefei	Yaohai District	Residential, hotel, office and commercial	934,662	881	100%
14	Hefei Royal Garden	Hefei	Luyang District	Residential, hotel and commercial	20,000	1,207	100%
15	Nanjing Royal Bay	Nanjing	Gulou District	Residential and commercial	458,966	6,013	60%
<b>Subtotal</b>				<u>3,165,710</u>	<u>1,938</u>		

Project	City	Location	Use	Land bank (sq.m.)	Average land cost (RMB per sq.m.)	Interests attributable to the Group	
<b>Pan Bohai Rim</b>							
16	Sunshine Holiday	Tianjin	Hedong District East	Residential, hotel and commercial	72,281	799	100%
17	Tianjin Royal Bay Seaside	Tianjin	Dagang District	Residential, hotel and commercial	841,727	1,396	100%
18	Tianjin Royal Bay Lakeside	Tianjin	Tuanbohu District	Residential and commercial	1,567,303	1,225	70%
19	Royal Mansion	Beijing	Haidian District	Residential and commercial	90,406	3,395	100%
20	Sunshine Bordeaux	Beijing	Daxing District	Residential and commercial	14,522	493	100%
<b>Subtotal</b>					<u>2,586,239</u>	<u>1,340</u>	
<b>Northeast China</b>							
21	Sunny Town	Shenyang	Yuhong District	Residential and commercial	120,023	1,133	100%
22	Changchun Villa Glorious (West)	Changchun	New and High-tech District	Residential and commercial	763,251	1,004	100%
23	Dalian Plot No. 200	Dalian	Jinzhou New District	Residential and commercial	370,067	1,497	70%
<b>Subtotal</b>					<u>1,253,341</u>	<u>1,162</u>	
<b>Total</b>					<u>8,476,316</u>	<u>1,810</u>	

## 5. Commercial Properties

The Group will steadily foster the development of its commercial properties. As at 30 June 2016, approximately 430,000 sq.m. of commercial properties were completed by the Group, and around 947,000 sq.m. of commercial property projects were still under construction.

Retail commercial properties, high-end office buildings and high-end hotels accounted for 61.6%, 20.7% and 17.7% of the total commercial properties of the Group, respectively. The Group plans to hold most of the premium commercial properties in the long run to secure stable rental return.

## **OUTLOOK FOR THE SECOND HALF OF 2016**

Downside pressure persists for the economy of China, with inadequate momentum for organic growth and sustained slackened growth of investment, resulting in the uncertainties in its economic development. While supply-side reform will continue to intensify, the transition between the forces which drive the old economy and the new economy will bring forth impact to employment and income distribution. In particular, the ongoing implementation of the “One City, One policy” austerity measure will affect the expectation regarding the development of the property sector. It is estimated by the Group that the development across regional markets in China will continue to diverge in the second half of the year, which will witness both risk exposure in booming markets and inventory pressure in third- and fourth-tier cities. In first-tier cities and booming cities, soaring property prices will go far beyond the affordability of the market, with high level of leverage; the effect of restrictive policies will gradually augment and the property market will experience higher pressure of adjustment. In second-tier cities and periphery third-tier cities outside the first-tier cities, there is still room for the increase of price and volume. In most third- and fourth-tier cities, where inventory pressure is still high, the total stock is still of a large volume; structural imbalance persists; and destocking still represent the main theme of the market in the second half of the year. The pace of growth of property prices and volume will come down and stabilise.

The Group will continue to closely monitor market changes and proactively refine its sales and pricing strategies according to the market conditions. It will adopt specific measures to ensure that sales channels are clear, sales tools are improved, and customer experience is strengthened to foster property sales and cash inflows. Meanwhile, it will accelerate the development pace and strive to swiftly destock saleable resources in order to further enhance its competitiveness in the market.

The Group will continue to adhere to its principle of steady development and endeavor to improve the development of existing projects so as to increase the asset turnover rate, enhance management effectiveness and uplift management ability. Meanwhile, the Group strives to adjust the projects’ management system in respect of management models and construction cost in a timely manner in order to enhance the profitability of the Group.

The Group will adhere to the adoption of prudent financial policy, seeking to improve the Group’s debt structure and to control the debt and gearing ratio at a reasonable level so as to effectively avoid financial risks. It will accelerate the disposal of low-return assets to further revitalise assets and enhance the Group’s asset quality. Moreover, it will strive to sustain steady, robust and healthy growth by lowering the level of borrowings with available funds from multichannel property sales and under the efficient utilisation of assets. The Group will enhance its cash management, industrial structure and financial structure in order to ensure a prudent and safe financial condition of the Group.



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Six months ended 30 June 2016*

<b>RMB'000</b>	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	2	2,016,577	342,444
Cost of sales		<u>(2,624,919)</u>	<u>(962,763)</u>
Gross loss		(608,342)	(620,319)
Other income	3	32,016	49,690
Other losses, net	4	(324,215)	(73,733)
Selling and marketing expenses	5	(57,157)	(36,076)
Administrative expenses	5	(312,073)	(235,186)
Finance costs	6	(800,979)	(158,820)
Share of (loss)/profit of an associate		(1,546)	72
Share of loss of a joint venture		<u>(4,191)</u>	<u>(3,978)</u>
Loss before income tax		(2,076,487)	(1,078,350)
Income tax credits	7	<u>25,265</u>	<u>10,738</u>
Loss for the period		<u>(2,051,222)</u>	<u>(1,067,612)</u>
Loss attributable to:			
– the owners of the Company		(1,999,932)	(996,620)
– non-controlling interests		<u>(51,290)</u>	<u>(70,992)</u>
		<u>(2,051,222)</u>	<u>(1,067,612)</u>
Other comprehensive income		—	—
Total comprehensive loss for the period		<u>(2,051,222)</u>	<u>(1,067,612)</u>
Total comprehensive loss for the period attributable to:			
– the owners of the Company		(1,999,932)	(996,620)
– non-controlling interests		<u>(51,290)</u>	<u>(70,992)</u>
		<u>(2,051,222)</u>	<u>(1,067,612)</u>
Loss per share for loss attributable to the owners of the Company (expressed in RMB per share)			
– Basic	8	<u>(0.26)</u>	<u>(0.13)</u>
– Diluted	8	<u>(0.26)</u>	<u>(0.13)</u>
Dividend	9	—	—

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2016

<b>RMB'000</b>	<i>Note</i>	<b>30 June 2016 (unaudited)</b>	<b>31 December 2015 (audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>65,432</b>	71,298
Investment properties		<b>16,869,739</b>	16,757,846
Intangible assets		<b>1,800</b>	1,800
Investment in an associate		<b>1,385</b>	2,931
Investment in a joint venture		<b>4,201</b>	12,188
Loan to a joint venture		<b>921,496</b>	1,209,741
Deferred income tax assets		<b>490,762</b>	470,038
		<b>18,354,815</b>	18,525,842
<b>Current assets</b>			
Properties under development		<b>19,547,055</b>	20,965,023
Completed properties held for sale		<b>6,388,352</b>	6,203,857
Trade and other receivables and prepayments	<i>10</i>	<b>8,331,418</b>	8,037,186
Prepaid taxes		<b>329,825</b>	339,290
Restricted cash		<b>2,808,907</b>	2,905,342
Cash and cash equivalents		<b>299,847</b>	385,159
		<b>37,705,404</b>	38,835,857
<b>Total assets</b>		<b>56,060,219</b>	57,361,699

<i>RMB'000</i>	<i>Note</i>	<b>30 June 2016 (unaudited)</b>	31 December 2015 (audited)
<b>Current liabilities</b>			
Advanced proceeds received from customers		5,381,715	5,508,670
Trade and other payables	11	5,486,760	5,366,488
Income tax payable		4,195,529	4,277,611
Borrowings	12	26,779,484	25,455,215
Obligations under finance lease		933	998
		<u>41,844,421</u>	<u>40,608,982</u>
<b>Non-current liabilities</b>			
Borrowings	12	129,800	648,892
Deferred income tax liabilities		2,582,493	2,549,203
Obligations under finance lease		18,071	17,966
		<u>2,730,364</u>	<u>3,216,061</u>
<b>Total liabilities</b>		<u><b>44,574,785</b></u>	<u><b>43,825,043</b></u>
<b>Equity</b>			
<b>Capital and reserves attributable to the owners of the Company</b>			
Share capital		68,745	68,745
Share premium		7,822,982	7,822,982
Reserves		2,632,041	4,631,973
		<u>10,523,768</u>	<u>12,523,700</u>
Non-controlling interests		961,666	1,012,956
<b>Total equity</b>		<u><b>11,485,434</b></u>	<u><b>13,536,656</b></u>
<b>Total liabilities and equity</b>		<u><b>56,060,219</b></u>	<u><b>57,361,699</b></u>

## NOTES:

### 1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

This condensed consolidated interim financial information is presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board on 31 August 2016.

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

#### (i) *Going concern basis*

For the six months ended 30 June 2016, the Group reported a net loss attributable to the owners of the Company of RMB1,999,932,000 (six months ended 30 June 2015: RMB996,620,000). Total borrowings increased from RMB26,104,107,000 as at 31 December 2015 to RMB26,909,284,000 as at 30 June 2016, of which RMB26,779,484,000 (31 December 2015: RMB25,455,215,000) were classified as current liabilities. Cash and cash equivalents reduced from RMB385,159,000 as at 31 December 2015 to RMB299,847,000 as at 30 June 2016.

As at 30 June 2016, certain borrowings whose principal repayment amount of RMB4,773,629,000 and interest payable amount of RMB1,250,517,000, relating to borrowings with total principal amount of RMB13,359,029,000, (“Overdue Borrowings”) were overdue. Of these RMB13,359,029,000, borrowings of RMB3,100,000,000 with original maturity beyond 30 June 2017, were reclassified to current liabilities as at 30 June 2016 as a result of the overdue payment. The remaining RMB10,259,029,000 are all due for repayment within one year as at 30 June 2016 and therefore no reclassification is necessary. The Overdue Borrowings would be immediately repayable if requested by the lenders.

As stipulated in the relevant loan and financing agreements in respect of certain other borrowings of the Group, with total principal amounts of RMB2,914,606,000 which have original maturity beyond 30 June 2017, failure to repay any borrowings and/or their relevant interest leading to default or giving rise to an event of default of the Group’s borrowings may result in cross-default of these borrowings. As a result of the above cross-default events, the carrying amount of these borrowings of RMB2,914,606,000 (“Cross-default Borrowings”) have been reclassified as current liabilities as at 30 June 2016. As at the date of approval of these consolidated financial statements, the Group had not obtained waivers from the relevant lenders in respect of these cross default terms, and the Cross-default Borrowings would be immediately repayable if requested by the lenders.

After taking into account these adjustments, the Group’s current liabilities exceed its current assets by RMB4,139,017,000 as at 30 June 2016.

The Group subsequently repaid or refinanced overdue principal and interest of RMB1,679,200,000 and RMB357,167,000 respectively. The Group is in active negotiation with the lenders for renewal and extension of the remaining principal and interest that were overdue as at 30 June 2016, and the Directors are confident that agreements will be reached in due course.

In addition, subsequent to 30 June 2016, the Group did not repay certain principal and interest payments in accordance with the scheduled repayment dates of the respective agreements, including principal of RMB937,494,000 and interest of RMB154,290,000 relating to the abovementioned Overdue Borrowings, and borrowing with principal of RMB5,000,000 relating to total principal amount of RMB1,180,000,000 (“Subsequent Overdue Borrowings”). The Subsequent Overdue Borrowings are all due within one year as at 30 June 2016 based on the original agreements, and would be immediately repayable if requested by the lenders. The Group is in active negotiation with the lenders of these Subsequent Overdue 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 delay in principal and interest repayments will not enforce their rights of requesting for immediate repayment. Management is also confident that lenders of the Cross-default Borrowings will not exercise their rights of requesting for immediate repayment due to cross-default provisions.

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. Subsequent to 30 June 2016 and up to the date of approval of these condensed consolidated financial information, in addition to the refinancing as mentioned above, loans with aggregate principal amounts of RMB536,400,000 have been successfully obtained;
- (ii) In addition, the Group is also negotiating with various financial institutions and identifying various options for financing the Group’s working capital and commitments in the foreseeable future;
- (iii) The Group plans to accelerate the pre-sales and sales of its properties under development and completed properties in the second half of 2016, during which the Group expects to launch four major projects in first- and second-tier cities. It is expected that significant amounts of operating cash inflow from property sales will be available to the Group in the second half of 2016;
- (iv) The Group has implemented measures to speed up the collection of outstanding sales proceeds including both the initial down payments as well as the mortgage payments for the property sales. As at 30 June 2016, the Group had outstanding sales proceeds of RMB1,140,500,000 receivable from the customers for sales contracts executed before period-end; and
- (v) The Group will continue to take active measures to control administrative costs through various channels including human resources optimisation and management remuneration adjustment and containment of capital expenditures.

The directors have reviewed the Group’s cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 30 June 2016. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2016. 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 of existing current and other borrowings;
- (ii) Successful obtaining of additional new sources of financing as and when needed;
- (iii) Successful implementation of its operational plans described above to accelerate its pre-sales and sales of its properties under development and completed properties and collection of outstanding sales proceeds; and to control costs and contain capital expenditure so as to generate adequate net cash inflows; and
- (iv) Successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in default, including those with cross-default terms.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue 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.

**(ii) Accounting policies**

Except as described below, the accounting policies adopted are consistent with those set out in the consolidated financial statements of the Company for the year ended 31 December 2015 as included in the Company's annual report for the year ended 31 December 2015.

The following new standards, amendments to standards and interpretation are mandatory for the Group's financial year beginning on 1 January 2016:

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKFRSs Amendment	Annual Improvements 2012–2014 Cycle

The adoption of the above new standards and amendments has no significant impact to the Group's financial position for all periods presented in this report.

Taxes on income in the six months ended 30 June 2016 are accrued using the tax rate that would be applicable to expected total annual earnings.

## 2 Segment information

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

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

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

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

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

<i>RMB'000</i>	Shanghai Region	Yangtze River Delta (excluding Shanghai)	Pan Bohai Rim	Northeast China	Others	Total
<b>Six months ended 30 June 2016</b>						
<b>(unaudited)</b>						
Total revenue	866,689	1,031,931	30,349	87,608	—	2,016,577
Inter-segment revenue	—	—	—	—	—	—
Revenue (from external customers)	<u>866,689</u>	<u>1,031,931</u>	<u>30,349</u>	<u>87,608</u>	<u>—</u>	<u>2,016,577</u>
Segment results	(10,993)	(58,046)	(53,788)	(65,796)	(94,677)	(283,300)
Depreciation	(2,988)	(381)	(912)	(708)	(2,025)	(7,014)
Fair value changes of investment properties	(159,341)	(12,450)	—	(86,109)	—	(257,900)
Provision for impairment of properties under development and completed properties held for sale	(16,411)	(418,551)	(298,716)	(5,480)	—	(739,158)
Interest income	8,024	3,473	334	31	2	11,864
Finance costs	(497,683)	(56,838)	(137,896)	(9,131)	(99,431)	(800,979)
Income tax (expenses)/credits	<u>9,933</u>	<u>(7,946)</u>	<u>184</u>	<u>23,094</u>	<u>—</u>	<u>25,265</u>

<i>RMB'000</i>	Shanghai Region	Yangtze River Delta (excluding Shanghai)	Pan Bohai Rim	Northeast China	Others	Total
<b>Six months ended 30 June 2015 (unaudited)</b>						
Total revenue	114,104	85,456	57,099	85,785	—	342,444
Inter-segment revenue	—	—	—	—	—	—
Revenue (from external customers)	114,104	85,456	57,099	85,785	—	342,444
Segment results	(40,847)	(36,647)	(42,202)	(89,708)	(24,553)	(233,957)
Depreciation	(3,571)	(1,049)	(1,533)	(1,169)	(462)	(7,784)
Fair value changes of investment properties	14,465	(43,150)	1,870	(61,106)	—	(87,921)
Provision for impairment of properties under development and completed properties held for sale	(1,031)	(294,717)	(326,267)	(2,105)	—	(624,120)
Interest income	33,216	867	55	113	1	34,252
Finance costs	(96,605)	(10,212)	(656)	(2,894)	(48,453)	(158,820)
Income tax (expenses)/credits	(2,987)	9,421	5,874	(1,570)	—	10,738

<i>RMB'000</i>	Shanghai Region	Yangtze River Delta (excluding Shanghai)	Pan Bohai Rim	Northeast China	Others	Elimination	Total
<b>As at 30 June 2016 (unaudited)</b>							
Total segment assets	43,646,631	26,035,719	6,178,818	5,459,429	8,954,036	(41,464,412)	48,810,221
Total segment assets include:							
Investment in an associate	1,385	—	—	—	—	—	1,385
Investment in a joint venture	4,201	—	—	—	—	—	4,201
Deferred income tax assets							490,762
Other unallocated corporate assets							6,759,236
Total assets							56,060,219



<i>RMB'000</i>	Shanghai Region	Yangtze River Delta (excluding Shanghai)	Pan Bohai Rim	Northeast China	Others	Elimination	Total
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**As at 31 December 2015**  
**(audited)**

Total segment assets	41,033,908	26,639,875	6,480,271	5,517,390	8,437,749	(37,543,035)	50,566,158
Total segment assets include:							
Investment in an associate	2,931	—	—	—	—	—	2,931
Investment in a joint venture	12,188	—	—	—	—	—	12,188
Deferred income tax assets							470,038
Other unallocated corporate assets							6,325,503
Total assets							<u>57,361,699</u>

**Six months ended 30 June**

<i>RMB'000</i>	2016 <i>(unaudited)</i>	2015 <i>(unaudited)</i>
Segment results	(283,300)	(233,957)
Fair value changes of investment properties	(257,900)	(87,921)
Provision for impairment of properties under development and completed properties held for sale	(739,158)	(624,120)
Depreciation	(7,014)	(7,784)
Operating loss	(1,287,372)	(953,782)
Interest income	11,864	34,252
Finance costs	(800,979)	(158,820)
Loss before income tax	<u>(2,076,487)</u>	<u>(1,078,350)</u>
Additions to:		
Property, plant and equipment	311	94,324
Investment properties	376,073	355,467
	<u>376,384</u>	<u>449,791</u>

**3 Other income**

**Six months ended 30 June**

<i>RMB'000</i>	2016 <i>(unaudited)</i>	2015 <i>(unaudited)</i>
Interest income	11,864	34,252
Rental income	19,557	14,684
Others	595	754
	<u>32,016</u>	<u>49,690</u>

**4 Other losses, net**

<i>RMB'000</i>	<b>Six months ended 30 June</b>	
	<b>2016</b> <i>(unaudited)</i>	<b>2015</b> <i>(unaudited)</i>
Fair value changes of investment properties	<b>(257,900)</b>	(87,921)
Exchange losses, net	<b>(67,431)</b>	(68)
Gain on disposals of investment properties	<b>1,116</b>	—
Gain on disposals of non-current assets classified as held for sale	<b>—</b>	14,256
	<b><u>(324,215)</u></b>	<b><u>(73,733)</u></b>

**5 Expenses by nature**

Loss before income tax is stated after charging the following:

<i>RMB'000</i>	<b>Six months ended 30 June</b>	
	<b>2016</b> <i>(unaudited)</i>	<b>2015</b> <i>(unaudited)</i>
Advertising costs	<b>7,646</b>	6,508
Business taxes and other levies	<b>113,040</b>	16,694
Costs of properties sold	<b>1,772,721</b>	321,949
Provision for impairment of properties under development and completed properties held for sale	<b>739,158</b>	624,120
Depreciation	<b>7,014</b>	7,784
Staff costs — excluding directors' emoluments	<b>79,181</b>	75,130
Rental expenses	<b>20,369</b>	17,350
	<b><u>2,636,029</u></b>	<b><u>1,069,525</u></b>

**6 Finance costs**

<i>RMB'000</i>	<b>Six months ended 30 June</b>	
	<b>2016</b> <i>(unaudited)</i>	<b>2015</b> <i>(unaudited)</i>
Interest expenses:		
Bank borrowings	<b>1,442,078</b>	1,183,164
Senior Notes due 2015	<b>—</b>	124,023
Senior Notes due 2018	<b>177,483</b>	165,382
Others	<b>73,996</b>	29,967
	<b><u>1,693,557</u></b>	<b><u>1,502,536</u></b>
Total interest expenses	<b>1,693,557</b>	1,502,536
Less: interest capitalised on qualifying assets	<b>(892,578)</b>	(1,343,716)
	<b><u>800,979</u></b>	<b><u>158,820</u></b>

## 7 Income tax credits

<i>RMB'000</i>	Six months ended 30 June	
	2016 ( <i>unaudited</i> )	2015 ( <i>unaudited</i> )
Current income tax (credits)/expenses:		
PRC corporate income tax	(25,944)	(5,420)
PRC land appreciation tax	(11,887)	41,869
	<u>(37,831)</u>	<u>36,449</u>
Deferred income tax expenses/(credits):		
Origination and reversal of temporary differences	12,566	(47,187)
	<u>12,566</u>	<u>(47,187)</u>
	<u>(25,265)</u>	<u>(10,738)</u>

## 8 Loss per share

### (a) *Basic*

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

	Six months ended 30 June	
	2016 ( <i>unaudited</i> )	2015 ( <i>unaudited</i> )
Loss attributable to the owners of the Company (RMB'000)	<u>(1,999,932)</u>	<u>(996,620)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>7,792,646</u>	<u>7,792,646</u>

### (b) *Diluted*

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For each of the six months ended 30 June 2015 and 2016, 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.

## 9 Dividend

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

## 10 Trade and other receivables and prepayments

<b>RMB'000</b>	<b>30 June 2016 (unaudited)</b>	31 December 2015 (audited)
Trade receivables due from third parties (a)	424,471	433,620
Other receivables due from third parties (b)	1,285,116	955,702
Prepayments for construction costs:	1,839,449	1,827,189
Related parties	1,007,798	957,980
Third parties	831,651	869,209
Prepayments for land premium	4,548,971	4,548,971
Prepaid business taxes and other taxes	233,411	271,704
	<b>8,331,418</b>	<b>8,037,186</b>

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

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

<b>RMB'000</b>	<b>30 June 2016 (unaudited)</b>	31 December 2015 (audited)
Within 6 months	67,873	62,826
Between 7 and 12 months	5,968	3,799
Between 13 months and 3 years	350,630	366,995
	<b>424,471</b>	<b>433,620</b>

As at 30 June 2016, trade receivables of RMB424,471,000 (31 December 2015: RMB433,620,000) were overdue but not impaired, including an amount due from a local government authority of RMB341,548,000 (31 December 2015: RMB341,548,000) upon recognising the revenue relating to certain relocation and resettlement housing. The remaining trade receivables that are past due but not impaired 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.

(b)

	<b>30 June 2016</b>	31 December 2015
<i>RMB'000</i>	<i>(unaudited)</i>	<i>(audited)</i>
Other receivables due from third parties	<b>2,194,439</b>	1,865,025
Less: provision for impairment of other receivables	<b>(909,323)</b>	(909,323)
Other receivables due from third parties, net	<b><u>1,285,116</u></b>	<u>955,702</u>

As at 30 June 2016 and 31 December 2015, 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.

## 11 Trade and other payables

	<b>30 June 2016</b>	31 December 2015
<i>RMB'000</i>	<i>(unaudited)</i>	<i>(audited)</i>
Trade payables (a):	<b>3,800,198</b>	3,825,291
Related parties	<b>4,936</b>	11,500
Third parties	<b>3,795,262</b>	3,813,791
Other payables due to third parties:	<b>1,435,007</b>	1,278,289
Acquisition consideration payable	<b>310,000</b>	310,000
Other payables and accrued expenses	<b>1,125,007</b>	968,289
Other taxes payable	<b>251,555</b>	262,908
	<b><u>5,486,760</u></b>	<u>5,366,488</u>

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

	<b>30 June 2016</b>	31 December 2015
<i>RMB'000</i>	<i>(unaudited)</i>	<i>(audited)</i>
Within 6 months	<b>1,623,743</b>	1,008,379
Between 7 and 12 months	<b>547,875</b>	467,246
Between 13 months and 5 years	<b>1,628,580</b>	2,349,666
	<b><u>3,800,198</u></b>	<u>3,825,291</u>

## 12 Borrowings

	<b>30 June 2016</b>	31 December 2015
<i>RMB'000</i>	<i>(unaudited)</i>	<i>(audited)</i>
Borrowings included in non-current liabilities:		
Bank borrowings — secured (a)	<u>129,800</u>	<u>648,892</u>
	<u>129,800</u>	<u>648,892</u>
Borrowings included in current liabilities:		
Bank borrowings — secured (a)	23,488,650	22,401,487
Senior Notes due 2018 — secured (a)	2,742,280	2,680,550
Other borrowings — unsecured	478,293	288,936
Other borrowings — secured	<u>70,261</u>	<u>84,242</u>
	<u>26,779,484</u>	<u>25,455,215</u>
Total borrowings	<u><b>26,909,284</b></u>	<u>26,104,107</u>

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

	<b>30 June 2016</b>	31 December 2015
<i>RMB'000</i>	<i>(unaudited)</i>	<i>(audited)</i>
Amounts of borrowings that are repayable:		
Within 1 year (a)	26,779,484	25,455,215
After 1 and within 2 years	112,500	630,342
After 2 and within 5 years	7,500	7,500
After 5 years	<u>9,800</u>	<u>11,050</u>
	<u><b>26,909,284</b></u>	<u>26,104,107</u>

- (a) As a result of the matters described in note 1(i), borrowings with aggregate principal amount of approximately RMB6,014,606,000 have been reclassified as current borrowings as at 30 June 2016 (31 December 2015: RMB5,962,660,000).

Management estimates that after taking the measures as set out in note 1(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 30 June 2017.

## FINANCIAL REVIEW

For the six months ended 30 June 2016, the Group recorded a consolidated revenue of RMB2,016.6 million, representing an increase of 488.9% compared to RMB342.4 million in the first half of 2015. The GFA of properties delivered by the Group increased from 43,647 sq.m. in the first half of 2015 to 203,406 sq.m. in the current period. During the first six months of 2016, properties from different phases of Hefei Bashangjie Project and Shanghai City Glorious were completed and delivered with total GFA of over 167,000 sq.m., giving rise to recognised revenue of RMB1,773.1 million. As compared to the same period in 2015 that the Group did not have projects that were newly completed and delivered, the Group's recognised revenue increased significantly by 488.9%. Because Hefei Bashangjie Project and Shanghai City Glorious were the major source of recognised revenue for the current period, for which the booked average selling prices are higher, as compared to the same period of 2015 that the projects contributing revenue were widely spread and lower-priced. Accordingly, the booked average selling price increased by 26.4% from RMB7,846 per sq.m. in the first half of 2015 to RMB9,914 per sq.m. in the first half of 2016.

The cost of sales for the six months ended 30 June 2016 was RMB2,624.9 million, representing an increase of 172.6% as compared to RMB962.8 million from the corresponding period in 2015. The cost of sales for the current period included a provision for impairment of certain property development projects which amounted to RMB739.2 million (six months ended 30 June 2015: RMB624.1 million). The provision for impairment was made to certain of the Group's property projects that had experienced prolonged construction period, during which the Group continued to incur construction costs and finance costs, causing the total project costs to exceed the realisable value of those projects. Excluding the provision for impairment, the Group's average cost of sales for the first half of 2016 was RMB9,271 per sq.m., which was 19.5% higher than that of RMB7,758 per sq.m. for the corresponding period in 2015. The average cost of sales for the first half of 2016 was higher than the corresponding period in 2015 because the properties sold and delivered in the first half of 2016 were mainly from Shanghai and Hefei where unit costs of these two projects are relatively higher, as compared to the first half of 2015 during which property sold and delivered were widely spread over different cities and locations.

The Group recorded a consolidated gross loss of RMB608.3 million for the six months ended 30 June 2016, as compared to RMB620.3 million for the corresponding period in 2015. The Group's gross margin for the current period was negative 30.2%, as compared to negative 181.1% for the corresponding period in 2015. The consolidated gross loss and negative gross margin for the current period was largely attributable to the provision for impairment of the Group's properties of RMB739.2 million for the first half of 2016. Excluding the effect of the provision for impairment, the Group recorded consolidated gross profit of RMB130.8 million and a gross profit margin of 6.5% for the first half of 2016, which has slightly improved as compared to the first half of 2015's gross profit of RMB3.8 million and gross profit margin of 1.1%.

Other income for the six months ended 30 June 2016 was RMB32.0 million, representing a decrease of 35.6% from RMB49.7 million for the corresponding period in 2015. Other income mainly includes interest income and rental income.

Other losses, net for the six months ended 30 June 2016 was a net loss of RMB324.2 million, which was 339.7% higher than RMB73.7 million for the corresponding period in 2015. The net other loss for the current period primarily comprised the fair value loss of the Group's investment properties of RMB257.9 million (six months ended 30 June 2015: fair value loss of RMB87.9 million) and net unrealised exchange loss of RMB67.4 million (six months ended 30 June 2015: net exchange loss of RMB0.1 million) mainly arising from the translation of USD into RMB for the Company's US dollar senior notes due 2018.

Selling and marketing expenses for the six months ended 30 June 2016 was RMB57.2 million, representing an increase of 58.4% from RMB36.1 million for the corresponding period in 2015. The increase in selling and marketing expenses was primarily due to more marketing activities being conducted for preparing new project launches in the second half of the year.

Administrative expenses for the six months ended 30 June 2016 were RMB312.1 million, which was 32.7% higher than RMB235.2 million for the corresponding period in 2015.

Gross finance costs for the six months ended 30 June 2016 were RMB1,693.6 million, which was 12.7% higher than RMB1,502.5 million for the corresponding period in 2015. For the six months ended 30 June 2016, finance costs of RMB892.6 million (six months ended 30 June 2015: RMB1,343.7 million) had been capitalised, leaving RMB801.0 million (six months ended 30 June 2015: RMB158.8 million) charged directly to the condensed consolidated statement of comprehensive income. The Group incurred higher amount of gross finance costs for the first half of 2016 mainly because the Group maintained a higher balance of total borrowings during the current period as compared to the same period in 2015. The higher amount of gross finance costs incurred in the current period exceed the amount that can be capitalised based on the Group's qualifying assets, thus a significant portion of the finance costs were not capitalised and were recorded as current period expenses.

The Group recorded a loss before income tax of RMB2,076.5 million for the six months ended 30 June 2016, which is 92.6% higher than that of RMB1,078.4 million for the corresponding period in 2015. The Group recorded a substantial increase in the loss before income tax for the current period as compared to the same period in 2015 mainly due to the higher provision for impairment made to the Group's properties, the fair value loss for investment properties increased significantly and a substantial part of finance costs were not being capitalised for the current period.

The Group recorded tax credits of RMB25.3 million for the six months ended 30 June 2016, as compared to RMB10.7 million for the corresponding period in 2015.

The Group recorded a loss attributable to the owners of the Company of RMB1,999.9 million for the six months ended 30 June 2016, which was 100.7% higher than RMB996.6 million for the corresponding period in 2015. The Group recorded a substantial increase in the loss attributable to the owners of the Company for the first half of 2016 as compared to the same period in 2015 mainly due to the higher provision for impairment made to the Group's properties, the fair value loss for investment properties increased significantly and a substantial part of finance costs were not being capitalised for the current period.



## **Current Assets and Liabilities**

As at 30 June 2016, the Group held total current assets of approximately RMB37,705.4 million (31 December 2015: RMB38,835.9 million), comprising mainly properties under development, trade and other receivables and prepayments and completed properties held for sale. Properties under development decreased by 6.8% from RMB20,965.0 million as at 31 December 2015 to RMB19,547.1 million as at 30 June 2016, for which mainly because the properties from projects with newly completed towers were recognised as cost of sales or reclassified as completed properties held for sale. Trade and other receivables and prepayments increased by 3.7% from RMB8,037.2 million as at 31 December 2015 to RMB8,331.4 million as at 30 June 2016. Trade and other receivables and prepayments comprised prepayments for land premium for which the relevant land use right certificates were yet to be obtained and prepayment for construction costs. Completed properties held for sale increased by 3.0% from RMB6,203.9 million as at 31 December 2015 to RMB6,388.4 million as at 30 June 2016. The higher balance of completed properties held for sale was mainly due to the reclassification of the Group's unsold properties that were completed in the current period and thus were reclassified from properties under development to completed properties held for sale.

Total current liabilities as at 30 June 2016 amounted to RMB41,844.4 million, which was 3.0% higher than RMB40,609.0 million as at 31 December 2015. The increase in current liabilities were mainly due to (1) the reclassification of certain non-current borrowings with aggregate principal amount of approximately RMB6,014.6 million to become current borrowings as at 30 June 2016 as a result of the Group breaching certain clauses of the related facility agreements; and (2) the increase in current borrowings as the Group had more borrowings which are due for repayment within one year according to the loan agreements. Please refer to note 1(i) of the consolidated financial information for details about the aforementioned reclassification of the borrowings.

As at 30 June 2016, the current ratio (calculated as the total current assets divided by the total current liabilities) was 0.9 (31 December 2015: 1.0). The lower current ratio as at 30 June 2016 mainly resulted from the increased current borrowings as mentioned in the preceding paragraph.

## **Liquidity and Financial Resources**

During the first half of 2016, the Group funded its property development projects principally from proceeds from the pre-sales of properties and bank loans. As at 30 June 2016, the Group had cash and cash equivalents of RMB299.8 million (31 December 2015: RMB385.2 million).

During the first half of 2016, the aggregate new bank loans obtained by the Group amounted to RMB1,955.6 million and repayment of loans was RMB2,267.6 million. As at 30 June 2016, the Group's total borrowings amounted to RMB26,909.3 million, representing an increase of 3.1% compared to RMB26,104.1 million as at 31 December 2015.

The maturities of the Group's borrowings as at 30 June 2016 were as follows:

<b>RMB'000</b>	<b>30 June 2016 (unaudited)</b>	31 December 2015 (audited)
Within 1 year	<b>26,779,484</b>	25,455,215
After 1 year and within 2 years	<b>112,500</b>	630,342
After 2 years and within 5 years	<b>7,500</b>	7,500
After 5 years	<b>9,800</b>	11,050
	<hr/>	<hr/>
Total borrowings	<b><u>26,909,284</u></b>	<u>26,104,107</u>

As at 30 June 2016, the Group has certain borrowings in respect of which the principal repayment and interest payments were delayed, thus breached certain facilities agreements and resulted in certain non-current borrowings being reclassified from non-current borrowings to current borrowings. Besides, there was an increase in current borrowings as the Group has more borrowings which are due for repayment within one year according to the relevant loan agreements. As a result, the Group's current borrowings further increased by 5.2% from RMB25,455.2 million as at 31 December 2015 to RMB26,779.5 million as at 30 June 2016. As a result of the above reasons, the Group's short-term debt ratio (calculated as current borrowings divided by total borrowings) further increased from 97.5% at the end of 2015 to 99.5% at 30 June 2016.

As at 30 June 2016, the Group had total banking facilities of RMB40,112 million, consisting of used banking facilities of RMB22,112 million and unused banking facilities of RMB18,000 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 30 June 2016 and 31 December 2015 were as follows:

<b>RMB'000</b>	<b>30 June 2016 (unaudited)</b>	31 December 2015 (audited)
Total borrowings	<b>26,909,284</b>	26,104,107
Less: cash and bank balances	<b>(3,108,754)</b>	(3,290,501)
	<hr/>	<hr/>
Net debt	<b>23,800,530</b>	22,813,606
Total equity attributable to the owners of the Company	<b><u>10,523,768</u></b>	<u>12,523,700</u>
	<hr/>	<hr/>
<b>Gearing ratio</b>	<b><u>226.2%</u></b>	<u>182.2%</u>

The gearing ratio as at 30 June 2016 was higher than that for 31 December 2015 as a result of the increase in the Group's net debt and the significant decrease in the Group's equity attributable to the owners of the Company due to the substantial loss recorded for the current period. The increase in the Group's borrowings was to finance its operating activities, mainly including the payments for construction costs and other operating expenses. In addition, as there was limited new launch of the Group's property projects in the current period, cash inflows generated from property sales were not significant.

During 2015 and the six months ended 30 June 2016, the aforementioned liquidity indicators of the Group had shown a deteriorating trend. As such, the Group had implemented a number of measures to alleviate its liquidity pressure and improve its financial position, including accelerating the sales of properties and focusing on development and sales of properties with higher values, and actively negotiating with various banks in order to extend or refinance the maturing borrowings. Although both the gearing ratio and short-term debt ratio of the Group as at 30 June 2016 increased compared to that as at 31 December 2015, the Group recorded a net operating cash inflow of RMB303.0 million for the six months ended 30 June 2016, which showed improvements as compared to a net operating cash outflow of RMB803.6 million for the same period in 2015. In addition, the net operating cash outflow for the year ended 31 December 2015 amounted to RMB371.1 million, representing a dramatic drop of 89.5% compared to RMB3,534.2 million for the year ended 31 December 2014. Both items indicate the effectiveness of cash flow control of the Group during 2015 and in the current period. According to the Group's project development schedule, during the second half of 2016, there will be more high-value projects that can meet the pre-sale requirements and could be launched to the market. It is expected that large amount of sales proceeds will be generated for reducing the Group's total borrowings and for speeding up the pace of development of other projects.

### **Foreign Exchange Risk**

The Group's property development projects are all located in the PRC and all the related transactions are settled in RMB. The Company and certain of the investment holding companies within the Group operating in Hong Kong have recognised assets and liabilities in currencies other than RMB, mainly including the US\$400.0 million Senior Notes due 2018. Apart from the aforementioned liabilities that may cause the Group to be exposed to a higher level of foreign exchange risk, there are no other assets and liabilities that will expose the Group to significant foreign exchange risk.

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

### **Interest Rate Risk**

The Group holds interest bearing assets including cash at bank and certain bank deposits, loan to a joint venture and certain other receivables. Majority of these balances are at fixed rates and expose the Group to fair value interest rate risk.

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.

### **Pledge of Assets**

As at 30 June 2016, the Group had pledged certain of its subsidiaries' shares, construction in progress, investment properties, properties under development and completed properties held for sale to secure its borrowings.

### **Financial Guarantees**

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

Pursuant to the terms of the guarantees, upon a default in mortgage payments by these purchasers, the Group is responsible for repaying to the banks the outstanding mortgage principal, together with accrued interest and any penalty owed by the defaulting purchasers, and the Group is entitled to take over the legal title and possession of the related properties. The guarantee period starts from the date of the grant of the respective mortgage. As at 30 June 2016, the amount of outstanding guarantees for mortgages was RMB7,270.5 million (31 December 2015: RMB7,270.5 million).

### **Capital Commitments**

As at 30 June 2016, the Group had capital commitments as follows:

<i><b>RMB'000</b></i>	<b>30 June 2016 (unaudited)</b>	31 December 2015 (audited)
Land use rights	<b>545,736</b>	545,736
Property development expenditures	<b>3,410,603</b>	4,092,535
Construction materials	<b>29,640</b>	31,051
	<b><u>3,985,979</u></b>	<u>4,669,322</u>

## **EMPLOYEE**

As at 30 June 2016, the Group had 771 employees. Total remuneration expenses and other employees' benefits costs for the six months ended 30 June 2016 amounted to RMB83.2 million. The Group has adopted a system of determining the remuneration of employees based on the performance of employees. 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 option scheme. In terms of employee training, the Group provides different training programmes for employees to develop their expertise and knowledge.

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

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 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. As at 30 June 2016, there were 69,000,000 share options that were granted to the directors and employees of the Company under the Pre-IPO Share Option Scheme and remained outstanding. For the six months ended 30 June 2016, there was no share option being granted under the Share Option Scheme.

## **CORPORATE GOVERNANCE**

### **Compliance with Corporate Governance Code**

The Company had complied with 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 "Stock Exchange") during the six months ended 30 June 2016, save for the deviation from the code provision E.1.2 which stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Board of the Company did not attend the annual general meeting of the Company held on 31 May 2016 (the "AGM") due to other business engagements. Mr. Ding Xiang Yang, the vice chairman and the chief executive officer of the Company, chaired the AGM on behalf of the Chairman of the Board and was available to answer questions.

### **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 have confirmed, following specific enquiries being made by the Company, that they had complied with the required standard set out in the Model Code during the six months ended 30 June 2016.

## **AUDIT COMMITTEE**

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

The Audit Committee has reviewed with management the unaudited consolidated results of the Company and its subsidiaries for the six months ended 30 June 2016 and took the view that the Company was in full compliance with all applicable accounting standards and regulations and has made adequate disclosure.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2016.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

The interim results announcement is published on the websites of the Company at [www.gloriousphl.com.cn](http://www.gloriousphl.com.cn) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The 2016 interim report of the Company for the six months ended 30 June 2016 containing all the applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the same websites in due course.

By order of the Board  
**Glorious Property Holdings Limited**  
**Cheng Li Xiong**  
*Chairman*

Hong Kong, 31 August 2016

*As at the date of this announcement, the executive directors of the Company are Messrs. Cheng Li Xiong, 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.*