GLORIOUS PROPERTY HOLDINGS LIMITED

Stock Code: 00845

ANNUAL REPORT 2018

恒盛地產
GLORIOUS PROPERTY

築·極致人生

The Ultimacy of Life

Contents

Corporate Information and Key Dates

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

FINANCE COMMITTEE

Mr. Ding Xiang Yang
Mr. Xia Jing Hua

COMPANY SECRETARY

Mr. Cheng Ka Hang, Francis

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS

Paul Hastings
Commerce and Finance Law Offices
Conyers Dill & Pearman

PRINCIPAL BANKERS

China Construction Bank
Bank of China
China Minsheng Banking Corp., Ltd.
Bank of Shanghai

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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China Evergrande Centre
38 Gloucester Road
Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN PRC

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Yuandong Road
Fengxian
Shanghai, China

Corporate Information and Key Dates

PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

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

CONTACT

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Hong Kong
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Email: ir@gloriousphl.com.cn

KEY DATES

Closure of Register of Members
3 June 2019 to 6 June 2019

Annual General Meeting
6 June 2019

CHOICE OF LANGUAGE OR MEANS OF RECEIPT OF CORPORATE INFORMATION

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

(i) wish to receive a printed copy; or

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

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

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

WEBSITE:

http://www.gloriousphl.com.cn

STOCK CODE:

00845

Management Discussion and Analysis

Annual Highlights

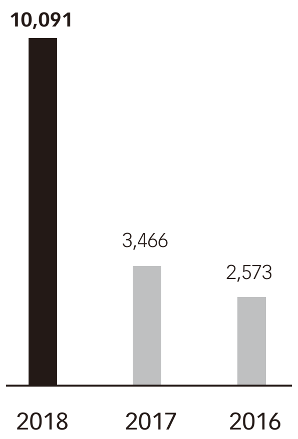
ANNUAL HIGHLIGHTS

- In 2018, the Group recorded a revenue of RMB10,091.0 million and the delivered gross floor area ("GFA") was 297,968 sq.m.
- In 2018, the Group achieved property sales of RMB7,456.5 million and the GFA sold was 305,785 sq.m.
- In 2018, the Group recorded a profit attributable to the owners of the Company of RMB525.3 million
- As at 31 December 2018, total borrowings was RMB23,432.1 million and gearing ratio was 317.8%
- As at 31 December 2018, the Group had a total land bank of 7.5 million sq.m. and the average land cost was RMB1,822 per sq.m.

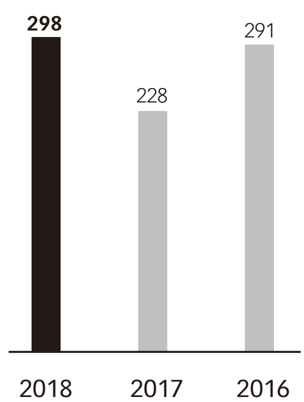
RESULTS HIGHLIGHTS

	2018	2017
Revenue *(RMB'000)*	**10,091,039**	3,465,550
GFA sold and delivered *(sq.m.)*	**297,968**	227,858
Gross profit/(loss) *(RMB'000)*	**5,329,264**	(468,347)
Profit/(loss) attributable to the owners of the Company *(RMB'000)*	**525,290**	(2,608,618)
Basic profit/(loss) per share attributable to the owners of the Company *(RMB per share)*	**0.07**	(0.33)

Revenue
RMB (million)



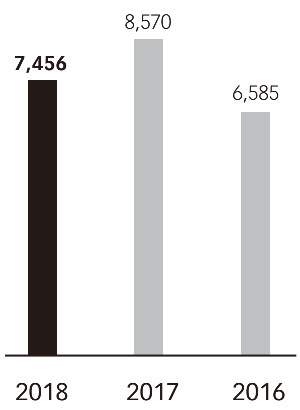
GFA sold and delivered
('000 sq.m.)



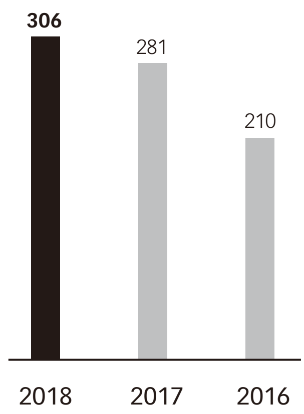
BUSINESS INFORMATION HIGHLIGHTS

	2018	2017
Property sales *(RMB'000)*	**7,456,454**	8,570,000
GFA sold *(sq.m)*	**305,785**	280,692
Total land bank *(sq.m.)*	**7,482,711**	7,893,162
Average land cost *(RMB per sq.m.)*	**1,822**	1,765

Property sales
RMB (million)



GFA sold
('000 sq.m.)



OTHER KEY FINANCIAL INFORMATION

RMB'000	2018	2017
Total assets	**51,489,172**	51,638,268
Total liabilities	**45,225,116**	45,653,762
Total equity	**6,264,056**	5,984,506
Current borrowings	**21,027,214**	17,729,287
Non-current borrowings	**2,404,921**	5,690,537
Total borrowings	**23,432,135**	23,419,824
Gearing ratio[1]	**317.8%**	393.4%

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

Management Discussion and Analysis
Market Review

MARKET REVIEW

The turmoil of the international situation and the various uncertainties in political and economic life in 2018 have slowed down the development of and brought severe challenges to the domestic macroeconomy. In general, the structural adjustment to the economy and the de-leveraging process maintained a stable pace, yet signs of easing regulation on the real estate industry have not been seen. In 2018, the inertia drive of investment and sales in the real estate industry and the rigid demand of some residents have once again become the original driving force for the sustainable development of the domestic real estate industry, even the amount of investment in land acquisition and sales revenue of the industry have refreshed the historical record.

2018 was a year with the most frequent real estate regulation policies with the most cities involved. Under the circumstances that the government remained its confidence and determination of the regulation, the policies have been strictly implemented in the local real estate market. In the first half of the year, the regulation policies on the real estate market were frequently implemented to curb the sharp rise in house prices. In the second half of the year, under the situation of comprehensive tightening of real estate regulation policies, house prices in some cities fell slightly from high levels, but the rising momentum of house prices remained strong. The total sales volume in core cities and some second-tier cities continued to grow, and some third- and fourth-tier cities were relatively more active with more obvious rising trend, but the differentiation has already been seen, and the influence of the cyclical fluctuations has increased. The overall market tended to be stable in the third quarter, and adjustment were made to house prices in some cities, thus the growth rate slowing down noticeably.

After the government proposed the basic tone that “the house is for living, not for profiteering”, to follow the government’s important direction of cultivating new economic dynamism, the real estate enterprises were moving closer to industries, integrating with the real economy and implementing transformation constantly. A wave of “lower the role of the real estate industry” existed in the industry. Real estate enterprises should adapt to the changes in the industry development, seize the opportunity of the medium and long-term development of the real estate industry and re-develop their development strategies to try to have the real estate industry become a new way of stable urban economic development involving new forms of culture, pension and tourism.

In timely response to the market and industry development changes, the Group actively adapted to the current conditions of uneven regional urban development, adjusted project development plans, and carried out the arrangement, construction and sales of various projects preemptively. However, the growth of contracted property sales still slowed down, mainly due to the government’s control over the price of high-end properties and slowing down of the approval of pre-sale certificates; failing to achieve the sales volume as planned as a result of the mismatch between the construction cycle and sales time. In the second half of 2018, the Group strengthened its efforts to collect funds, and the overall recovery speed was significantly higher than that of last year, but the tight funding situation remained. While accelerating project construction, the Group was committed to improving its ability to operate and manage its self-owned assets, enhance and manage its cash flow effectively, thereby maintaining its goal of reducing total liabilities and optimising its debt structure smoothly.

Management Discussion and Analysis
Business Review

BUSINESS REVIEW

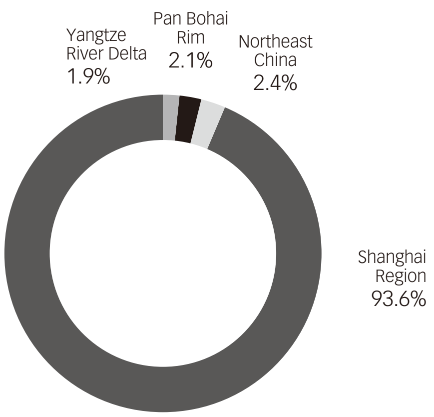
I. Revenue

For the year ended 31 December 2018, the Group recorded a consolidated revenue of RMB10,091.0 million, representing an increase of 191.2% from RMB3,465.6 million in 2017. The sold and delivered GFA increased by 30.8% to 297,968 sq.m. in 2018 from 227,858 sq.m. in 2017. The average selling price recognised increased by 122.7% to RMB33,866 per sq.m. in 2018 from RMB15,209 per sq.m. in 2017.

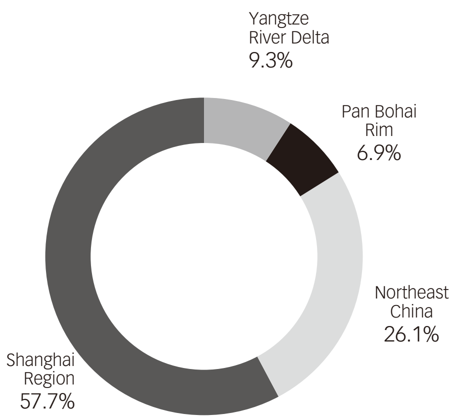
In 2018, the Group recognised revenue from a total of 17 projects. Five projects located in the first-tier cities (Shanghai and Beijing) accounted for 93.6% of the Group's total revenue while the other 12 projects located in the second- and third-tier cities accounted for 6.4% of the total revenue. In 2018, 93.6% of the revenue was contributed by projects in the Shanghai Region, 1.9% by projects in the Yangtze River Delta (excluding Shanghai), 2.1% by projects in the Pan Bohai Rim and 2.4% by projects in Northeast China.

In 2018, the Group's completed and delivered properties were substantially located in Shanghai Region with higher average selling prices, thus causing the Group's overall average recognised selling price to increase from RMB15,209 per sq.m. in 2017 to RMB33,866 per sq.m. in 2018. Projects in Shanghai Region contributed 93.6% and 57.7% to the Group's total recognised revenue and sold and delivered GFA, respectively. In the second half of 2018, Shanghai Bay in Shanghai completed and delivered a new phase of properties, giving rise to recognised revenue of RMB7,204.1 million at average selling price of over RMB99,000 per sq.m. Shanghai City Glorious further completed and delivered 93,000 sq.m. of commodity properties and certain other properties, which contributed RMB2,198.4 million to the Group's revenue for 2018. Apart from the projects in Shanghai Region, the projects of the other three regions of the Group, including the Yangtze River Delta, the Pan Bohai Rim and Northeast China, only have remaining units for sale in 2018, thus their combined revenue and sold and delivered GFA only represented 6.4% and 42.3% of the Group's total revenue and sold and delivered GFA for the year respectively.

Percentage of Revenue by Region in 2018



Percentage of GFA sold and delivered by region in 2018



BUSINESS REVIEW *(Continued)*

I. Revenue *(Continued)*

Projects sold and delivered in 2018 and 2017 included:

Projects sold and delivered	City	2018 Revenue (RMB'000)	2018 GFA sold and delivered (sq.m.)	2018 Average selling price recognised (RMB per sq.m.)	2017 Revenue (RMB'000)	2017 GFA sold and delivered (sq.m.)	2017 Average selling price recognised (RMB per sq.m.)
Sunshine Venice	Shanghai	**31,138**	**3,264**	**9,540**	2,010	578	3,478
Shanghai Bay	Shanghai	**7,204,110**	**72,678**	**99,124**	88,715	1,644	53,963
Shanghai City Glorious	Shanghai	**2,198,352**	**93,000**	**23,638**	2,792,042	112,021	24,924
Chateau De Paris	Shanghai	**6,785**	**396**	**17,134**	–	–	N/A
Royal Lakefront	Shanghai	**6,613**	**2,592**	**2,551**	16,281	3,506	4,644
Sunshine Bordeaux	Beijing	**–**	**–**	**N/A**	6,897	1,861	3,706
Sunshine Holiday	Tianjin	**214,785**	**20,623**	**10,415**	–	–	N/A
Tianjin Royal Bay Seaside	Tianjin	**–**	**–**	**N/A**	595	99	6,010
No.1 City Promotion	Wuxi	**30,125**	**5,755**	**5,235**	77,063	14,045	5,487
Nantong Villa Glorious	Nantong	**53,911**	**10,447**	**5,160**	55,654	10,814	5,146
Nantong Royal Bay	Nantong	**101,235**	**10,123**	**10,000**	104,029	9,430	11,032
Hefei Villa Glorious	Hefei	**267**	**94**	**2,840**	320	126	2,540
Hefei Bashangjie Project	Hefei	**152**	**100**	**1,520**	4,062	2,249	1,806
Hefei Royal Garden	Hefei	**2,707**	**1,093**	**2,477**	8,704	2,352	3,701
Sunny Town	Shenyang	**38,697**	**5,280**	**7,329**	4,706	2,608	1,804
Harbin Villa Glorious	Harbin	**1,518**	**332**	**4,572**	28,093	5,607	5,010
Harbin Royal Garden	Harbin	**15,934**	**3,117**	**5,112**	21,079	5,152	4,091
Changchun Villa Glorious (East)	Changchun	**183,475**	**68,641**	**2,673**	243,648	53,600	4,546
Dalian Villa Glorious	Dalian	**1,235**	**433**	**2,852**	11,652	2,166	5,380
Total		**10,091,039**	**297,968**	**33,866**	3,465,550	227,858	15,209

BUSINESS REVIEW *(Continued)*

II. Property Sales

In 2018, the Group achieved property sales of RMB7,456.5 million, representing a YOY decrease of 13.0%. The GFA sold was 305,785 sq.m., representing a YOY increase of 8.9%.

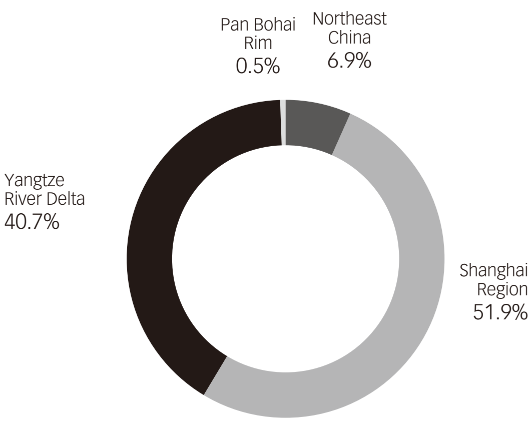
During the year, the Group's property sales mainly came from projects in Shanghai Region and Yangtze River Delta which contributed property sales of RMB3,868.5 million and RMB3,033.4 million, respectively, representing 51.9% and 40.7% of the Group's total property sales. For Shanghai Region, Shanghai Bay continued to bring in significant amount of property sales to the Group in the current year, contributing property sales of RMB2,229.1 million. Holiday Royal in Shanghai Fengxian launched another phase of properties in the first half of 2018, and recorded property sales of RMB1,317.4 million for the full year. For Yangtze River Delta, Nanjing Royal Bay further contributed property sales of RMB2,215.2 million in 2018. The Group's projects in Northeast China recorded property sales of RMB513.9 million, which represented 6.9% of the Group's total property sales, which mainly included property sales from Changchun Villa Glorious of RMB465.0 million. As there was no new launch of properties in Pan Bohai Rim in 2018, property sales in this region only amounted to RMB40.7 million. During the year ended 31 December 2018, the Group's overall average selling price was RMB24,385 per sq.m., which was 20.1% lower than RMB30,532 per sq.m. for 2017, mainly due to smaller proportion of property sales arising from property projects located in Shanghai Region.

Property sales for 2018 from the first-tier cities (Shanghai and Beijing) and second- and third-tier cities amounted to RMB3,868.5 million and RMB3,587.9 million respectively, which accounted for 51.9% and 48.1% of the Group's total property sales for 2018 respectively.

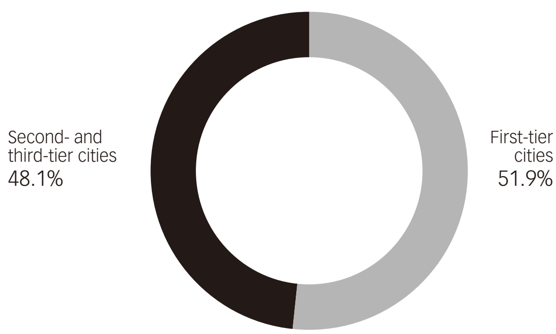
Property sales and GFA sold by region in 2018 and 2017 were as follows:

Region	Property sales *(RMB'000)*			GFA sold *(sq.m.)*		
	2018	2017	Change (%)	**2018**	2017	Change (%)
Shanghai Region	**3,868,532**	5,775,410	-33.0%	**100,117**	78,770	27.1%
Yangtze River Delta	**3,033,387**	2,251,850	34.7%	**136,065**	104,620	30.1%
Pan Bohai Rim	**40,671**	82,000	-50.4%	**4,378**	10,737	-59.2%
Northeast China	**513,864**	460,740	11.5%	**65,225**	86,565	-24.7%
Total	**7,456,454**	8,570,000	-13.0%	**305,785**	280,692	8.9%

Percentage of property sales by region in 2018



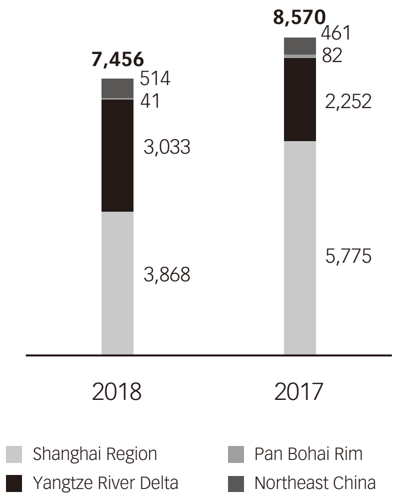
Percentage of property sales in first-, second- and third-tier cities in 2018



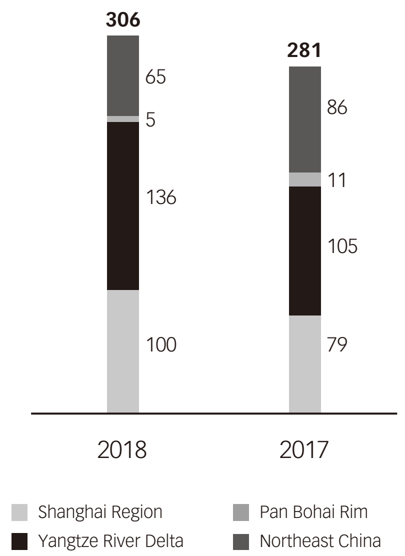
BUSINESS REVIEW *(Continued)*

II. Property Sales *(Continued)*

Property sales by region
RMB (million)



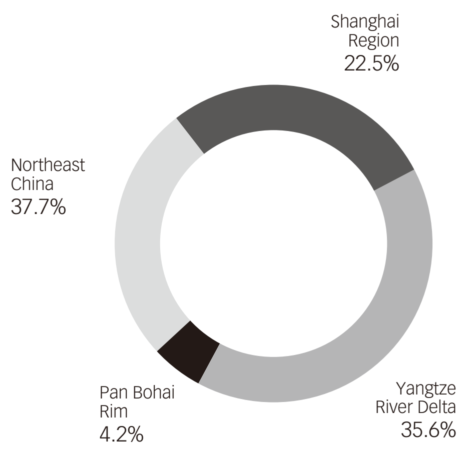
GFA sold by region
('000 sq.m.)



In 2019, the Group expects to launch properties from 19 projects to the market for sale with a saleable GFA of approximately 1.1 million sq.m..

Shanghai Region, Yangtze River Delta, Pan Bohai Rim and Northeast China account for 22.5%, 35.6%, 4.2% and 37.7% respectively of the Group's saleable GFA which are expected to be available for sale in 2019.

Resources available for sale in 2019



Total: 1.1 million sq.m.

BUSINESS REVIEW *(Continued)*

II. Property Sales *(Continued)*

Details of the projects which are expected to be available for sale in 2019 are as follows:

City		Project	Saleable GFA *(sq.m.)*	Interests attributable to the Group
Shanghai Region				
1	Shanghai	Shanghai Bay	134,795	100%
2	Shanghai	Royal Lakefront	46,487	100%
3	Shanghai	Shanghai City Glorious	64,184	100%
4	Shanghai	Holiday Royal	3,181	100%
5	Shanghai	Sunshine Venice	5,999	100%
	Subtotal		254,646	
Yangtze River Delta				
6	Nanjing	Nanjing Royal Bay	13,000	60%
7	Nantong	Nantong Villa Glorious	10,387	100%
8	Nantong	Nantong Royal Bay	37,736	100%
9	Hefei	Hefei Royal Garden	39,415	100%
10	Hefei	Hefei Bashangjie Project	156,643	100%
11	Wuxi	No.1 City Promotion	145,440	100%
	Subtotal		402,621	
Pan Bohai Rim				
12	Beijing	Royal Mansion	31,374	100%
13	Beijing	Sunshine Bordeaux	7,971	100%
14	Tianjin	Sunshine Holiday	7,753	100%
	Subtotal		47,098	
Northeast China				
15	Shenyang	Sunny Town	10,455	100%
16	Dalian	Dalian Villa Glorious	4,551	100%
17	Changchun	Changchun Villa Glorious	382,309	100%
18	Harbin	Harbin Royal Garden	16,621	100%
19	Harbin	Harbin Villa Glorious	12,236	100%
	Subtotal		426,172	
Total			**1,130,537**	

BUSINESS REVIEW *(Continued)*

III. Construction and Development

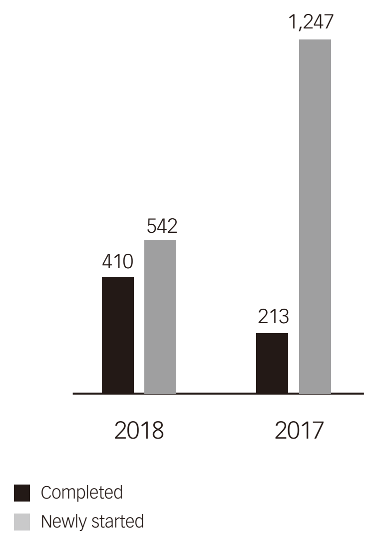
In 2018, the total GFA completed by the Group was approximately 410,000 sq.m. and approximately 542,000 sq.m. was added to the new construction area. As at 31 December 2018, the Group had projects with a total area under construction of 2.8 million sq.m..

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.

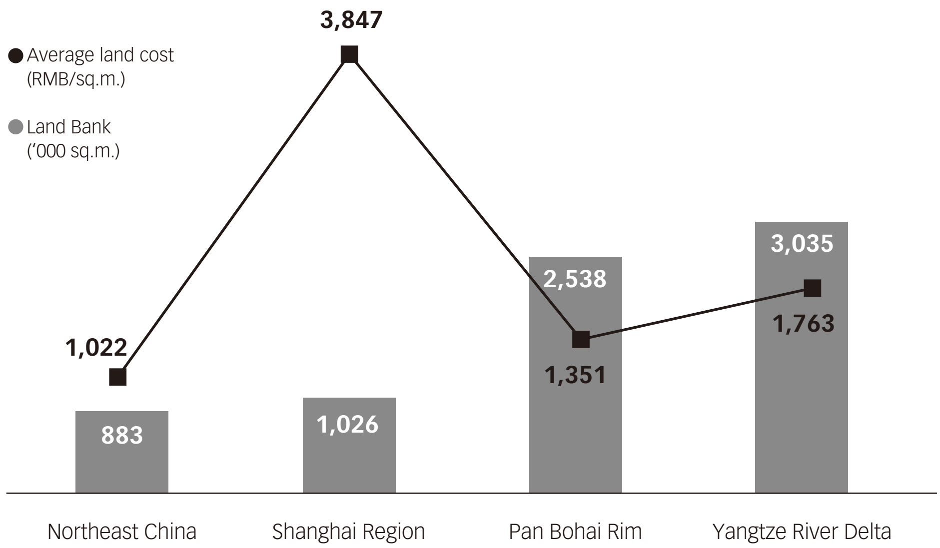
The Group did not acquire any new land parcel during 2018.

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



Distribution of land bank by region as at 31 December 2018 was as follows:

Breakdown of land bank by region



As at 31 December 2018, the total land bank of the Group for which land use right certificates had been obtained or land acquisition agreements had been signed was 7.5 million sq.m., which was sufficient to meet its development needs for the next three to five years. The average land cost was RMB1,822 per sq.m.. The relatively low-cost land bank provided the Group with a strong guarantee in maintaining its sustainable development and generating higher profit margins in the future.

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

BUSINESS REVIEW *(Continued)*

IV. Land Bank *(Continued)*

Details of land bank by project as at 31 December 2018 were as follows:

	Project	City	Location	Use	Land bank *(sq.m.)*	Average land cost *(RMB per sq.m.)*	Interests attributable to the Group
Shanghai Region							
1	Shanghai Bay	Shanghai	Xuhui District	Residential, serviced apartment, office and commercial	473,971	611	100%
2	Sunshine Venice	Shanghai	Putuo District	Residential, hotel and commercial	41,757	554	100%
3	Royal Lakefront	Shanghai	Fengxian District	Residential and commercial	137,551	1,870	100%
4	Shanghai City Glorious	Shanghai	Baoshan District	Residential and commercial	78,950	923	100%
5	Caohejing Project	Shanghai	Xuhui District	Office, hotel and commercial	121,300	9,703	100%
6	Zhongcao Xincun Project	Shanghai	Xuhui District	Serviced apartment and commercial	91,000	9,703	100%
7	Holiday Royal	Shanghai	Fengxian District	Residential	81,760	15,228	100%
	Subtotal				1,026,289	3,847	
Yangtze River Delta							
8	Nantong Glorious Chateau	Nantong	New District, Rugao Port Zone	Residential and commercial	869,029	322	100%
9	Nantong Royal Garden	Nantong	Rugao Town	Residential and commercial	96,758	1,282	100%
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 and commercial	68,709	679	100%
13	Hefei Bashangjie Project	Hefei	Yaohai District	Residential, hotel, office and commercial	934,662	881	100%
14	Hefei Royal Garden	Hefei	Luyang District	Residential, hotel and commercial	20,000	1,207	100%
15	Nanjing Royal Bay	Nanjing	Gulou District	Residential and commercial	328,485	6,013	60%
	Subtotal				3,035,229	1,763	

BUSINESS REVIEW *(Continued)*

IV. Land Bank *(Continued)*

Project		City	Location	Use	Land bank *(sq.m.)*	Average land cost *(RMB per sq.m.)*	Interests attributable to the Group
Pan Bohai Rim							
16	Sunshine Holiday	Tianjin	Hedong District East	Residential, and commercial	23,961	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%
	Subtotal				2,537,919	1,351	
Northeast China							
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%
	Subtotal				883,274	1,022	
Total					**7,482,711**	**1,822**	

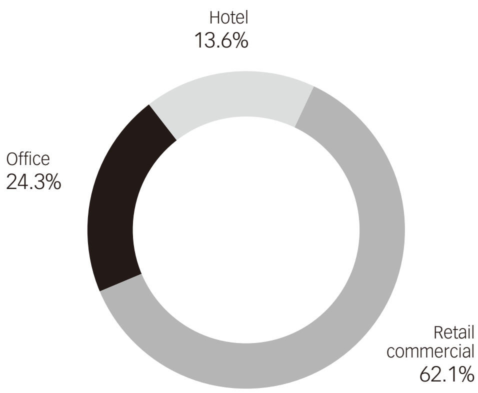
BUSINESS REVIEW *(Continued)*

V. Development of Commercial Properties

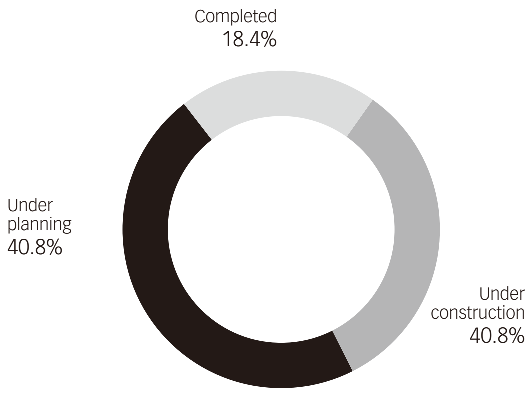
The Group will steadily foster the development of its commercial properties. As at 31 December 2018, approximately 486,000 sq.m. of commercial properties were completed by the Group, and around 1,075,000 sq.m. of commercial property projects were still under construction.

As at 31 December 2018, retail commercial properties, high-end office buildings and high-end hotels accounted for 62.1%, 24.3% and 13.6% of the total commercial properties of the Group by GFA respectively. The Group plans to retain the ownership of most of the commercial properties to secure stable rental income.

Type of commercial properties



Development stages of commercial properties



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

Major commercial projects under construction are as follows:

City	Project	Property type	GFA *(sq.m.)*
Shanghai	Shanghai Bay	Commercial and office	279,698
Shanghai	Caohejing Project	Office	115,031
Wuxi	No. 1 City Promotion	Commercial	7,103
Nantong	Nantong Royal Bay	Commercial	55,404
Nantong	Nantong Glorious Plaza	Commercial, office and hotel	297,486
Nanjing	Nanjing Royal Bay	Commercial	3,631
Hefei	Hefei Bashangjie Project	Commercial	42,909
Beijing	Royal Mansion	Commercial	7,233
Tianjin	Tianjin Glorious Plaza	Commercial	25,180
Tianjin	Tianjin Royal Bay Seaside (North)	Commercial	61,028
Shenyang	Shenyang Glorious Plaza	Commercial	119,391
Changchun	Changchun Villa Glorious	Commercial	61,043
Total			**1,075,137**

Management Discussion and Analysis
Future Outlook

FUTURE OUTLOOK

As the impact of the Sino-US trade friction on China is uncertain and China's macro economy is facing the crossfire of structural adjustments and upgrading of the traditional industries, its economic growth is slowing down. In 2019, there is a rising trend of deceleration in the development of the real estate industry. However, as China's urbanisation process will never stop and the supply-side reform is ready to go deeper, the increasing demand for consumption upgrade and the general anticipation of the rebound of the macro economy in the near future have made good reasons for the recovery of the real estate market in the second half of 2019. The Chinese government's regulation of the real estate market in 2019 will gradually settle down, with a minor possibility of significant policy tightening. A positive and comfortable financial environment and monetary policy is gradually taking shape, which will be conducive to getting the real estate enterprises out of their financial dilemma. Housing prices may fluctuate in the short term, but the forces to drive it up in the medium-to-long term are strong and certain too, and moreover, there is an unprecedented consensus about the transformation and upgrading of the domestic real estate developers, therefore, high-quality development of the economy and real estate industry will be the general trend.

The Group predicts that the government will maintain its differentiated regulation and control policies on the real estate market, which will continue to develop in a differentiated pattern, therefore, diversified regulation on the real estate market will become a common scene. The uneven distribution of buying desire in different cities will urge the government to apply different policies in different cities with specific guidance, so as to achieve precise and effective adjustment. The central government will adhere to the basic tone that the house is for living, not for profiteering. Under the combined effect of multiple factors, the differentiation in the third- and fourth-tier cities will accelerate, and the government will try to establish a long-term mechanism for the healthy development of the real estate market by various means such as increasing the housing supply.

The Group will maintain close attention to the movements and changes in the real estate market, adjust its project management model and control system in a timely manner, adopt rational cost control and give full play to its advantages in centralised procurement, while maintaining proper progress in the construction of the existing projects, sensitively coordinating the launch of new projects, and accelerating the construction process, so as to provide solid support for its sales efforts. On the other hand, the Group will make greater efforts in introducing specialised talents under the guideline of "There is no making without breaking", maintain targeted, predictable and accurate operation and management, and adopt more effective incentive policies to accelerate the sales of its promising urban projects, facilitate property sales and collection of sales proceeds, so as to adapt to the changes in the market, enhance the Group's profitability and competitiveness in the market.

The Group will adhere to its prudent financial policy to improve its debt structure, and make restructuring and reduction of liabilities its key targets for the year to effectively circumvent the financial risks. The Group will strive to expand its financing channels and financing approaches to better serve its funding needs, make good use of the asset value and financial means to reduce its scale of borrowing, and properly extend the term of loans to ensure its sustainable development.

Management Discussion and Analysis
Financial Review

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group recorded a consolidated revenue of RMB10,091.0 million, representing an increase of 191.2% compared to RMB3,465.6 million in 2017. The Group recorded a profit attributable to the owners of the Company for the year ended 31 December 2018 of RMB525.3 million, as compared to a loss attributable to the owners of the Company of RMB2,608.6 million for the year ended 31 December 2017. The Group recorded a profit attributable to the owners of the Company in 2018, which was primarily attributable to the increase in total area of the properties completed and delivered by the Group during the year and the significant increase in the average recognised selling price, which resulted in a significant increase in revenue recognised and gross profit for the year ended 31 December 2018.

Results for the year ended 31 December 2018 are as follows:

RMB'000	**2018**	2017
Revenue	**10,091,039**	3,465,550
Cost of sales	**(4,761,775)**	(3,933,897)
Gross profit/(loss)	**5,329,264**	(468,347)
Other income	**47,558**	63,428
Other losses, net	**(466,120)**	(178,247)
Reversal of provision for loss allowances of trade and other receivables, net	**314,125**	—
Selling and marketing expenses	**(220,653)**	(146,528)
Administrative expenses	**(459,379)**	(450,004)
Finance costs, net	**(406,658)**	(1,434,684)
Share of profit of an associate	**93**	2,999
Share of (loss)/profit of a joint venture	**(150,100)**	598,868
Profit/(loss) before taxation	**3,988,130**	(2,012,515)
Income tax expenses	**(3,597,755)**	(713,841)
Profit/(loss) for the year	**390,375**	(2,726,356)
Profit/(loss) attributable to:		
— the owners of the Company	**525,290**	(2,608,618)
— non-controlling interests	**(134,915)**	(117,738)
Profit/(loss) for the year	**390,375**	(2,726,356)

FINANCIAL REVIEW *(Continued)*

Revenue

For the year ended 31 December 2018, the Group recorded a consolidated revenue of RMB10,091.0 million, representing a significant increase of 191.2% from RMB3,465.6 million in 2017. The sold and delivered GFA increased by 30.8% to 297,968 sq.m. in 2018 from 227,858 sq.m. in 2017. The average recognised selling price increased by 122.7% to RMB33,866 per sq.m. in 2018 from RMB15,209 per sq.m. in 2017.

In 2018, the Group's completed and delivered properties were substantially located in Shanghai Region with higher average selling prices, thus causing the Group's overall average recognised selling price to increase from RMB15,209 per sq.m. in 2017 to RMB33,866 per sq.m. in 2018. Projects in Shanghai Region contributed 93.6% and 57.7% to the Group's total recognised revenue and sold and delivered GFA, respectively. In the second half of 2018, Shanghai Bay in Shanghai completed and delivered a new phase of properties, giving rise to recognised revenue of RMB7,204.1 million at average selling price of over RMB99,000 per sq.m. Shanghai City Glorious further completed and delivered 93,000 sq.m. of commodity properties and certain other properties, which contributed RMB2,198.4 million to the Group's revenue for 2018. Apart from the projects in Shanghai Region, the projects of the other three regions of the Group, including the Yangtze River Delta, the Pan Bohai Rim and Northeast China, only have remaining units for sale in 2018, thus their combined revenue and sold and delivered GFA only represented 6.4% and 42.3% of the Group's total revenue and sold and delivered GFA for the year respectively.

Cost of Sales

The cost of sales for the year ended 31 December 2018 was RMB4,761.8 million, representing an increase of 21.0% as compared to RMB3,933.9 million in 2017. The cost of sales for the year ended 31 December 2018 included a provision for impairment of the Group's property development projects which amounted to RMB1,063.5 million (2017: RMB1,337.6 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, the Group's cost of sales was RMB3,698.3 million in 2018, representing an increase of 42.4% as compared to RMB2,596.3 million in 2017. The increase in the amount of cost of sales for 2018 was mainly due to the higher GFA sold and delivered as compared to 2017.

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

	2018		2017	
	RMB'000	**RMB per sq.m.**	RMB'000	RMB per sq.m.
Construction costs	**2,051,147**	**6,884**	1,513,999	6,645
Land costs	**715,450**	**2,401**	641,951	2,817
Capitalised interests	**770,880**	**2,587**	309,766	1,358
Business taxes and other levies	**160,837**	**540**	130,572	574
Sub-total	**3,698,314**	**12,412**	2,596,288	11,394
Provision for impairment of properties under development and completed properties held for sale	**1,063,461**	**N/A**	1,337,609	N/A
Total	**4,761,775**		3,933,897	

The Group's average cost of sales in 2018 was RMB12,412 per sq.m., which was 8.9% higher than that of RMB11,394 per sq.m. in 2017. The higher cost of sales per sq.m. was mainly due to the higher unit costs of the Group's properties sold and delivered in Shanghai Region in 2018 in response to the substantially higher average selling prices for those premium properties.

FINANCIAL REVIEW *(Continued)*

Gross Profit/(Loss)

The Group recorded a consolidated gross profit of RMB5,329.3 million for 2018, as compared to a consolidated gross loss of RMB468.3 million for 2017. The Group's gross profit margin was 52.8% for the year ended 31 December 2018, as compared to a gross margin of negative 13.5% for 2017. The Group recorded a substantial amount of consolidated gross profit and high gross profit margin mainly due to the substantially higher average selling price recognised in current year as compared to 2017, mainly due to the completion and delivery of high-margin properties of Shanghai Bay in Shanghai in 2018. Excluding the effect of the provision for impairment of the Group's properties of RMB1,063.5 million in 2018 (2017: RMB1,337.6 million), the Group recorded a gross profit of RMB6,392.7 million and a gross profit margin of 63.4% for 2018, which were substantially higher than the gross profit of RMB869.3 million and gross profit margin of 25.1% for 2017.

Other Income

Other income for the year ended 31 December 2018 was RMB47.6 million (2017: RMB63.4 million), which mainly included rental income of RMB38.8 million (2017: RMB51.0 million).

Other Losses, Net

Other losses, net for the year ended 31 December 2018 was a net loss of RMB466.1 million, which was 161.6% higher than the net loss of RMB178.2 million for 2017. During the year ended 31 December 2018, the Group's investment properties gave rise to a fair value loss of RMB374.6 million (2017: fair value loss of RMB501.7 million) because the increase in their fair value is insufficient to offset the additional costs and finance costs incurred in the current year. Besides, due to the depreciation of RMB against US$ in 2018, the Group recorded an exchange loss of RMB91.6 million (2017: exchange gain of RMB217.2 million), 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

Reversal of provision for loss allowances of trade and other receivables, net for the year ended 31 December 2018 was RMB314.2 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.

Selling and Marketing Expenses

Selling and marketing expenses for the year ended 31 December 2018 were RMB220.7 million, which was 50.6% higher than RMB146.5 million in 2017. The Group had more new project launches in 2018 and thus incurred more selling and marketing expenses.

Administrative Expenses

Administrative expenses for the year ended 31 December 2018 was RMB459.4 million, representing a slight increase of 2.1% compared to RMB450.0 million for 2017.

Finance Costs, Net

Gross finance costs for the year ended 31 December 2018 were RMB2,326.8 million, representing a decrease of 33.4% from RMB3,494.5 million for 2017. For the year ended 31 December 2018, finance costs of RMB1,840.6 million (2017: RMB2,059.8 million) had been capitalised, leaving RMB486.2 million (2017: RMB1,434.7 million) which was charged directly to the consolidated statement of comprehensive income. After netting off the finance income of RMB79.5 million (2017: Nil), the amount of finance costs, net was RMB406.7 million for 2018 (2017: RMB1,434.7 million). The Group incurred lower amount of gross finance costs for 2018 as compared to 2017 mainly because the Group's average level of total net borrowings was maintained at a lower level in the current year as compared to 2017, and at the same time the Group's average cost of borrowing slightly decreased. As the amount of gross finance costs incurred in the current year continued to exceed the amount that can be capitalised based on the Group's qualifying assets, a portion of the finance costs were not capitalised and were recorded as current year expenses.

FINANCIAL REVIEW *(Continued)*

Profit/(Loss) Before Taxation

The Group recorded a profit before taxation of RMB3,988.1 million for the year ended 31 December 2018, as compared to a loss before taxation of RMB2,012.5 million for 2017. The Group recorded a significant amount of profit before taxation for 2018 mainly because the Group recognised a substantial increase in revenue and gross profit as a result of the completion and delivery of certain high-margin properties by the projects in Shanghai Region.

Income Tax Expenses

Income tax expenses was RMB3,597.8 million for the year ended 31 December 2018, representing an increase of 404.0% as compared to RMB713.8 million for 2017, comprising mainly provision for PRC land appreciation tax of RMB2,961.1 million (2017: RMB512.2 million) and PRC corporate income tax of RMB614.7 million (2017: RMB249.7 million). The substantial amount of provisions of PRC land appreciation tax and PRC corporate tax in the current year was mainly attributable to profit recorded from the premium properties from Shanghai Bay in Shanghai Region.

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

The Group recorded a profit attributable to the owners of the Company of RMB525.3 million for the year ended 31 December 2018, as compared to a loss attributable to the owners of the Company of RMB2,608.6 million for 2017. The Group recorded profit attributable to the owners of the Company for 2018 mainly because the Group recognised a substantial increase in revenue and gross profit as a result of the completion and delivery of certain high-margin properties by the projects in Shanghai Region.

Current Assets and Liabilities

As at 31 December 2018, the Group held total current assets of approximately RMB33,105.3 million, which was 0.2% lower than RMB33,182.4 million as at 31 December 2017.

As at 31 December 2018, 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 2018, balance of properties under development was RMB16,828.9 million, which was 20.4% lower than RMB21,130.6 million as at 31 December 2017. The continuous progress of the Group's property development projects had resulted in an increase in the carrying value of properties under development in 2018, 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 increased by 45.6% from RMB5,425.6 million as at 31 December 2017 to RMB7,899.8 million as at 31 December 2018. The higher balance of completed properties held for sale was mainly due to the completion of new phases of properties from two major projects in 2018 that the completed but unsold properties were reclassified as completed properties held for sale. Trade and other receivables and prepayments decreased by 22.1% from RMB5,789.4 million as at 31 December 2017 to RMB4,511.0 million as at 31 December 2018. Trade and other receivables and prepayments comprised prepayments for construction costs, prepayments for land premium for which the relevant land use right certificates were yet to be obtained and certain other receivables arising from the Group's business. The decrease in trade and other receivables in 2018 was mainly due to the refund of prepayments for construction costs of RMB889.8 million from Shanghai Ditong Construction (Group) Co., Ltd. ("Shanghai Ditong") in 2018 after revising the construction plans for the projects undertaken by Shanghai Ditong.

Total current liabilities as at 31 December 2018 amounted to RMB40,412.3 million, which was 7.9% higher than that of RMB37,469.0 million as at 31 December 2017. The slight increase in total current liabilities as at 31 December 2018 was the net effect of: (i) the reduction in the balance of contract liabilities/advance proceeds from customers for being recognised as revenue upon completion and delivery of properties in 2018, (ii) the increase in balance of income tax payable as a result of provision for PRC land appreciation tax and corporate income tax, and (iii) the increase in current borrowings as a result of certain borrowings becoming due for repayment within one year.

As at 31 December 2018, the current ratio (calculated as the total current assets divided by the total current liabilities) was 0.82 (2017: 0.89). The lower current ratio in 2018 mainly resulted from the increase in total current liabilities.

FINANCIAL REVIEW *(Continued)*

Liquidity and Financial Resources

During the year ended 31 December 2018, the Group funded its property development projects principally from proceeds from pre-sales of properties and bank loans.

As at 31 December 2018, the Group had cash and cash equivalents of RMB342.6 million as compared to RMB201.4 million as at 31 December 2017.

During the year, the aggregate new bank loans obtained by the Group amounted to RMB15,421.0 million and repayment of loans was RMB14,817.1 million. As at 31 December 2018, the Group's total borrowings amounted to RMB23,432.1 million, which was comparable to RMB23,419.8 million as at 31 December 2017. As at 31 December 2018, the Group's borrowings comprised the following:

RMB'000	**2018**	2017
Bank borrowings	**22,110,074**	18,509,773
Senior Notes due 2018 [1]	**—**	2,613,680
Other borrowings	**881,201**	775,059
Sub-total	**22,991,275**	21,898,512
Adjusted by: unamortised loan arrangement fees and accrued interests	**440,860**	1,521,312
Total borrowings	**23,432,135**	23,419,824

Note:

(1) Please refer to note 18 to the consolidated financial statements for the definition of Senior Notes due 2018.

The maturities of the Group's borrowings as at 31 December 2018 were as follows:

RMB'000	**2018**	2017
Within 1 year	**21,027,214**	17,729,287
After 1 and within 2 years	**22,542**	5,676,987
After 2 and within 5 years	**2,378,829**	7,500
After 5 years	**3,550**	6,050
Total	**23,432,135**	23,419,824

During the year ended 31 December 2018, the Group's liquidity position showed improvement as compared to the earlier years. In particular, the Group successfully redeemed the Senior Notes due 2018 in April 2018 and completed a series of loan refinancing arrangements in the fourth quarter of 2018. As at 31 December 2018, despite the Group's total borrowings maintained at a similar level to that as at 31 December 2017, the Group's net debt (calculated as total borrowings less cash and bank balances) decreased by 13.5% from RMB23,186.4 million as at 31 December 2017 to RMB20,047.5 million as at 31 December 2018, which indicated a decrease in the Group's borrowing levels. Although the Group continued to have overdue borrowings with principal amounts of RMB861.0 million as at 31 December 2018, this amount was substantially reduced as compared to RMB3,272.9 million as at 31 December 2017. On the other hand, the Group's net operating cash inflow was RMB3,010.3 million for 2018, which was 10.7% higher than that of 2017.

FINANCIAL REVIEW *(Continued)*

Liquidity and Financial Resources *(Continued)*

As at 31 December 2018, the Group had total banking facilities of RMB24,220 million (2017: RMB29,490 million) consisting of used banking facilities of RMB23,033 million (2017: RMB18,510 million) and unused banking facilities of RMB1,187 million (2017: RMB10,980 million).

Gearing Ratio

The Group monitors its capital on the basis of the gearing ratio and short-term debt ratio. Gearing ratio is calculated as net debt divided by total equity attributable to the owners of the Company. Net debt is calculated as total borrowings less cash and bank balances (including cash and cash equivalents and restricted cash). The gearing ratios as at 31 December 2018 and 2017 were as follows:

RMB'000	**2018**	2017
Total borrowings	**23,432,135**	23,419,824
Less: cash and bank balances	**(3,384,620)**	(233,379)
Net debt	**20,047,515**	23,186,445
Total equity attributable to the owners of the Company	**6,308,536**	5,894,071
Gearing ratio	**317.8%**	393.4%

The gearing ratio for 2018 was lower than that for 2017 as a result of the decrease in the net debt for the current year.

Going Concern and Mitigation Measures

As at 31 December 2018, the Group had accumulated losses of RMB2,541.0 million and the Group's current liabilities exceeded its current assets by RMB7,307.0 million. As at the same date, the Group's total borrowings amounted to RMB23,432.1 million, of which current borrowings amounted to RMB21,027.2 million, while its cash and cash equivalents amounted to RMB342.6 million only. In addition, as at 31 December 2018, loan principal repayments and interest payments of RMB1,265.0 million relating to certain borrowings of the Group of principal amount of RMB2,211.0 million were not repaid in accordance with the repayment schedules pursuant to the borrowing agreements. These constituted events of defaults which resulted in cross-default of certain borrowings other than those mentioned above amounting to principal amount of RMB14,228.3 million as at 31 December 2018. Subsequent to 31 December 2018, interest payments of RMB197.4 million relating to certain borrowings of the Group of principal amount of RMB9,423.3 million, of which RMB1,924.0 million and RMB5,094.3 million were already in default or cross-default as at 31 December 2018, were not repaid in accordance with the repayment schedules pursuant to the borrowing agreements. These conditions, together with other matters described in note 2(a)(i) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. However, the directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which include:

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

(ii) In addition, the Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future. Subsequent to the year end and up to the date of approval of these consolidated financial statements, loans with aggregate principal amounts of RMB438.8 million have been successfully obtained;

FINANCIAL REVIEW *(Continued)*

Going Concern and Mitigation Measures *(Continued)*

(iii) The Group has accelerated the pre-sales and sales of its properties under development and completed properties. The properties from Shanghai Bay in Shanghai is expected to give further substantial sales for 2019. Overall, the Group expects to gradually launch three major projects upon obtaining the pre-sales permits starting from the second quarter of 2019;

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

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

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

The Group has been actively implementing the aforementioned measures in the past few years. As a result of the efforts over such period, the Group has managed the following:

(a) The Group's annual property sales increased from RMB4,040.9 million in 2014 to RMB8,570.0 million in 2017, and also maintained at a high level of RMB7,456.5 million for 2018;

(b) Partly as a result of (a) above, the Group's net operating cash outflow for 2014 of RMB3,534.2 million turned around to an operating net cash inflow of RMB2,719.8 million for 2017, and further increased to RMB3,010.3 million for 2018; and

(c) The Group's total borrowing as at 31 December 2015 of RMB26,104.1 million decreased to RMB23,432.1 million as at 31 December 2018. The Group's net debt decreased from RMB22,813.6 million as at 31 December 2015 to RMB20,047.5 million as at 31 December 2018.

FINANCIAL REVIEW *(Continued)*

Foreign Exchange Risk

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

RMB'000	**2018**	2017
Cash and bank balances:		
US$	**331**	405
HK$	**937**	475
Total	**1,268**	880
Borrowings:		
US$	**2,450,940**	3,705,530
HK$	**193,653**	174,553
Total	**2,644,593**	3,880,083
Trade and other payables:		
US$	**6,863**	9,732
HK$	**33,324**	36,853
Total	**40,187**	46,585

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

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

As at 31 December 2018, if RMB had strengthened/weakened by 5% against other currencies, with all other variables held constant, post-tax profit for the year would have been approximately RMB134.2 million higher/lower (2017: post-tax loss RMB196.3 million lower/higher).

FINANCIAL REVIEW *(Continued)*

Interest Rate Risk

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

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

As at 31 December 2018, the Group's total borrowings amounted to RMB23,432.1 million (2017: RMB23,419.8 million), of which RMB20,686.5 million (2017: RMB22,460.5 million) borne fixed interest rate.

As at 31 December 2018, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been RMB6.2 million lower/higher (2017: post tax-loss RMB2.2 million higher/lower), mainly as a result of higher/lower interest expense on floating rate borrowings.

Price Risk

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

As at 31 December 2018, the Group did not hold any investment in financial assets at fair value through profit or loss. As at 31 December 2017, if the price of unlisted investments in financial assets at fair value through profit or loss had been 10% higher/lower with all other variables held constant, the Group's loss before taxation would have been RMB25.0 million lower/higher.

Pledge of Assets

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

RMB'000	**2018**	2017
Investment properties	**14,336,108**	13,597,582
Properties under development	**6,728,095**	8,669,515
Completed properties held for sale	**2,312,732**	1,778,761
Total	**23,376,935**	24,045,858

As at 31 December 2018, equity interests of certain of the Company's subsidiaries and a joint venture and certain bank deposits had been pledged for the Group's borrowings.

FINANCIAL REVIEW *(Continued)*

Financial Guarantee

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

Pursuant to the terms of the guarantees, upon a default in mortgage payments by these purchasers, the Group is responsible for repaying to the banks the outstanding mortgage principal, together with accrued interest and any penalty owed by the defaulting purchasers, and the Group is entitled to take over the legal title and possession of the related properties. The guarantee period starts from the date of the grant of the respective mortgage.

As at 31 December 2018, the amount of outstanding guarantees for mortgages was RMB4,655.7 million (2017: RMB4,916.2 million).

Capital and Operating Lease Commitments

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

RMB'000	2018	2017
Land use rights	**545,736**	545,736
Property development expenditures	**3,670,311**	3,458,460
Construction materials	**124,902**	23,088
Total	**4,340,949**	4,027,284

The proposed annual caps for the continuing connected transactions with Shanghai Ditong for the years ending 31 December 2018, 2019 and 2020 were not approved by the independent shareholders in the extraordinary general meetings on 28 December 2017, 21 March 2018 and 12 November 2018 respectively. The Group revisited the construction plans and came into agreement with Shanghai Ditong to closely monitor the construction progress so as to reduce the amounts of transactions with Shanghai Ditong to a level that complies with the Listing Rules.

As at 31 December 2018, the future aggregate minimum lease payments of the Group under non-cancellable operating leases in respect of land and buildings were as follows:

RMB'000	2018	2017
No later than 1 year	**9,051**	10,271
Later than 1 year and no later than 5 years	**13,583**	5,215
Total	**22,634**	15,486

Employee and Remuneration Policy

As at 31 December 2018, the Group had a total of 721 employees (2017: 677 employees). Total remuneration expenses and other employees' benefits costs for the year ended 31 December 2018 amounted to RMB190.3 million (2017: RMB175.1 million). The Group has adopted a system of determining the remuneration of employees based on the performance of employees. Apart from a basic salary, outstanding employees may be granted annual bonus. In addition, the Group has adopted share option schemes to attract and retain high caliber talents to serve the Group. In terms of employee training, the Group provides different training programmes for employees to develop their expertise and knowledge.

Biographies of Directors

DIRECTORS

Executive Directors

Mr. Ding Xiang Yang, aged 51, is the chairman of the board of directors of the Company (the "Board"), chief executive officer and an executive director of the Company. Mr. Ding is also a director of a number of subsidiaries of the Company. With more than 17 years of experience in corporate and strategic management of real estate enterprises in the PRC, Mr. Ding is primarily responsible for the Group's overall strategic planning and development. Mr. Ding joined the Group on 18 March 2001 and played an integral role in formulating the Group's development strategies, operational management and supervising the construction of the Group's projects. On 30 May 2014, Mr. Ding was appointed as the chief executive officer of the Company. On 5 June 2018, he was also appointed as the chairman of the board of the Company. Prior to joining the Group, Mr. Ding worked for more than 10 years at the enterprise management department of China Eastern Airlines Corporation Limited (中國東方航空股份有限公司), a company listed on the The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). Mr. Ding obtained a bachelor's degree in law from Fudan University in July 1989, and a master's degree in law from Fudan University in July 2002. Mr. Ding is the brother-in-law of Mr. Zhang Zhi Rong, the ultimate controlling shareholder of the Company.

Mr. Xia Jing Hua, aged 47, is an executive director, chief financial officer and a vice president of the Company, responsible for devising the financial strategies, the overall financial and asset management of the Group. Mr. Xia is also a director of a number of subsidiaries of the Company. On 30 May 2014, Mr. Xia was appointed as the chief financial officer of the Company. Mr. Xia joined the Group on 2 May 1999 and had been the manager of the auditing department and supervisor of the finance and treasury department of the Company. Between 1994 and 1999, Mr. Xia worked in the loans department of the Zhoushan City branch of Bank of China (中國銀行舟山分行), a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Mr. Xia has more than 19 years of experience in financial management in the property industry. He received a bachelor's degree in economics from the Zhejiang University of Finance and Economics and a master's degree in public economics and investment from the Shanghai University of Finance & Economics in July 1994 and September 2002 respectively. In 2012, Mr. Xia completed the CEIBS Executive MBA Programme and was awarded the degree of Master of Business Administration by China Europe International Business School. Mr. Xia is a fellow member of the Chartered Institute of Management Accountants.

Mr. Yan Zhi Rong, aged 58, is an executive director of the Company. Mr. Yan is also a director of a number of subsidiaries of the Company. With more than 20 years of experience in managing the construction and budgets of property projects, Mr. Yan is primarily responsible for supervision of the development and construction of projects, and management of project budgets of the Company. Mr. Yan joined the Group on 8 December 1996 as the manager of the project budgeting department. Prior to joining the Group, Mr. Yan served as the deputy general manager of the property development subsidiary company of Shanghai Materials Bureau (上海市物資局) from 1989 to 1996. Mr. Yan received a graduate diploma in Industrial and Civil Architecture from the Suzhou Industrial College in 1981 and is a qualified engineer in the PRC.

Independent Non-executive Directors

Prof. Liu Tao, aged 54, is an independent non-executive director of the Company. Prof. Liu is currently an associate professor in accounting and professor of EMBA and EDP programs at Antai College of Economics & Management, Shanghai Jiao Tong University (上海交通大學安泰經濟與管理學院). Prof. Liu focuses on the research of, including financial accounting, analysis of financial statements, corporate auditing, corporate internal control and corporate governance. She has also issued several academic papers related to share incentive in recent years, including the "Research in Impact Factors of Share Incentive" (股權激勵的影響因素研究) and the "Research in Surplus Management and its Impact Factors of the Share Incentive in a Listed Company" (上市公司股權激勵盈餘管理及影響因素研究) and participated in several researches of national social science fund and natural science fund. Prof. Liu has also published numerous articles related to financial management and accounting including "Strategic Financial Management" (戰略財務管理), "Concepts in Accounting" (會計學概論), "Cost Accounting" (成本會計學), "Tutorial of Advanced Financial Management" (高級財務管理教程) and "Management Account" (管理會計) etc. Prof. Liu has received several recognitions and awards related to teaching. From 2004 to 2015, she was awarded the Teaching Excellence Award of Antai College of Economics & Management (安泰經管學院教學優秀獎), the Most Welcomed MBA Teacher of Antai College of Economics & Management (安泰經管學院年度最受MBA學生歡迎教師獎) and the Outstanding Teachers Award of Shanghai Jiao Tong University (上海交大校優秀教師獎). Prof. Liu graduated from the Finance Department of Shaanxi Institute of Finance and Economics (陝西財經學院財政系) (incorporated into Xi'an Jiaotong University in 2000) with a bachelor's degree (Finance) in 1986 and a master's degree (Financial Management) in 1989. Prof. Liu joined the Group on 17 September 2015. Prof. Liu has been a financial advisor and independent director of several large and medium scale enterprises. She was an independent director of Shanghai Jielong Industry Group Corporation Limited ("Shanghai Jielong", a company listed on the Shanghai Stock Exchange, stock code: 600836) from 2008 to 2014, and an independent director of Shanghai Liangyou Oils & Fats Company Limited from 2016 to September 2017. She is currently an independent director of Shanghai SafBon Water Service (Holding) Inc. ("Shanghai SafBon", a China-based company listed on the Shenzhen Stock Exchange, stock code: 300262), chairman and member of its audit committee, and member of remuneration and appraisal committee and nomination committee of SafBon, an independent director of Y.U.D. Yangtze River Investment Industry Co., Ltd., (a China-based company listed on the Shanghai Stock Exchange, stock code: 600119), an independent director of Shanghai No.1 Pharmacy Co., Ltd. (a China-based company listed on the Shanghai Stock Exchange, stock code: 600833), an independent director of Shanghai Jielong (re-appointed in May 2018) and an independent non-executive director of Shanghai Gench Education Group Limited.

Mr. Wo Rui Fang, aged 78, is an independent non-executive director of the Company. From 1965 to 1993, Mr. Wo worked at the Design Administration Bureau (設計管理局) of the PRC (now under the Ministry of Housing and Urban Rural Construction of the PRC), and was the head of its information technology division from 1988 to 1993, responsible for the development of new construction design technology and standards. From 1993 to 1997, Mr. Wo served as the vice-mayor of Nantong City, Jiangsu Province, PRC and was in charge of the administration of the overall city planning and railway construction. Mr. Wo then rejoined the Design Administration Bureau as a senior engineer in 1997. From 1998 to 2001, he was the deputy chairman of the Practice Qualification Management Center of the Ministry of Construction (建設部執業資格註冊中心). Mr. Wo has accumulated more than 30 years of experience in supervising the design and construction of various government property development projects and assessing the design techniques and standards of commercial and residential property development in the PRC. Mr. Wo retired from public service in 2001. He joined the Group on 17 June 2008, resigned on 16 March 2009 and rejoined the Group on 9 September 2009. He graduated from Jilin University with a bachelor's degree in construction in 1964. According to code provision A.4.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, if an independent non-executive Director serves more than nine years, any further appointment of such independent non-executive Director should be subject to a separate resolution to be approved by the shareholders. As Mr. Wo had served the Company as the independent non-executive Directors for more than nine years from 17 October 2018, the ordinary resolution proposing re-election of Mr. Wo was approved by the shareholders of the Company by poll at the annual general meeting on 7 June 2018.

Mr. Han Ping, aged 50, is an independent non-executive director of the Company. From September 1990 to October 1996, Mr. Han worked for the Jiangsu Province Supply and Marketing Co-operative (江蘇省供銷合作社) and was responsible for the management of its construction and capital investment. In November 1996, Mr. Han became the chief economist of Jiangsu Huaxia Construction Project Management Co., Ltd. (江蘇省華廈工程項目管理有限公司), a company engaged in the provision of construction supervision, project management and construction costs auditing services to property developers and government entities. Since June 2001, Mr. Han has served as the deputy general manager of Jiangsu Huaxia Construction Project Management Co., Ltd. Mr. Han had been a project manager and auditor of engineering costs for a large number of project developments involving the construction of various kinds of properties, such as hotels, villas and other residential properties, government buildings, logistic centres and warehouses. In 2002, Mr. Han was selected as an industry expert for the assessment of tenders for property construction and urban infrastructure projects by the Office of the Tendering and Bidding of Construction Projects of Jiangsu Province (江蘇省建設工程招標投標辦公室). Over a period of 6 years, Mr. Han had participated in the assessment of tenders for over 20 construction projects in Jiangsu Province and Beijing. Mr. Han has accumulated more than 25 years of experience in the management and supervision of property construction projects in the PRC. Mr. Han joined the Group on 17 June 2008, resigned on 16 March 2009 and rejoined the Group on 9 September 2009. He graduated with a bachelor's degree in construction engineering and economic management from the Southeast University in 1990. He obtained a master's degree in construction and civil engineering from the Southeast University in 2005. Mr. Han is currently a member of the Hong Kong Institute of Surveyors and is a registered cost engineer, registered supervisory engineer and registered construction professional in the PRC. According to code provision A.4.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, if an independent non-executive Director serves more than nine years, any further appointment of such independent non-executive Director should be subject to a separate resolution to be approved by the shareholders. As Mr. Han had served the Company as the independent non-executive Directors for more than nine years from 17 October 2018, the ordinary resolution proposing re-election of Mr. Han was approved by the shareholders of the Company by poll at the annual general meeting on 7 June 2018.

Corporate Governance Report

The board of directors (the "Board") of Glorious Property Holdings Limited (the "Company") is pleased to present this Corporate Governance Report in the Company's Annual Report for the year ended 31 December 2018 (the "Review Period").

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

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

CORPORATE GOVERNANCE

Deviation from the Corporate Governance Code of the Listing Rules

The Company had complied with the principles and the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") during the year ended 31 December 2018, save for the deviation from the code provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

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

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

The Company will review the Board structure from time to time and shall adjust the structure when suitable circumstances arise.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD COMPOSITION

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

Executive Directors:

Mr. Ding Xiang Yang *(Chairman and Chief Executive Officer) (Appointed as Chairman on 5 June 2018)*
Mr. Xia Jing Hua *(Chief Financial Officer)*
Mr. Yan Zhi Rong

Non-Executive Director:

Mr. Cheng Li Xiong *(Resigned as Chairman and non-executive Director on 5 June 2018)*

Independent Non-Executive Directors:

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

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

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

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

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

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

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

ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

After the resignation of Mr. Cheng Li Xiong as the Chairman and non-executive Director of the Company on 5 June 2018, Mr. Ding Xiang Yang acted as both the chairman of the Board and chief executive officer of the Company for the year ended 31 December 2018. Mr. Ding has been an executive Director since 2001 and played an integral role in formulating the development strategies, operational management of the Group and supervising the construction of the Group's projects. He has the appropriate standing, management skills and business acumen which are the essential prerequisites for assuming the two roles.

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

MEETINGS

The Company held eight Board meetings during the Review Period.

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

AUDIT COMMITTEE

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

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

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

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

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

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

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

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

Two meetings were held by the Audit Committee during the Review Period. The following is a summary of the work of the Audit Committee during 2018:

1. reviewed the annual results (including the announcement thereof) and the audited financial statements for the year ended 31 December 2018;

2. reviewed the interim results (including the announcement thereof) and the financial statements for the six months ended 30 June 2018;

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

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

5. reviewed the external auditor's remuneration.

AUDIT COMMITTEE *(Continued)*

On 28 March 2019, the Audit Committee reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed with the external auditors about the content of the auditor's report. The Group's consolidated financial statements for the year ended 31 December 2018 have been reviewed and approved by the Audit Committee, and the Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements. The Audit Committee therefore recommended the Board's approval of the Group's consolidated financial statements for the year ended 31 December 2018.

REMUNERATION COMMITTEE

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

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

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

3. to make recommendations to the Board on the Company's remuneration policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

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

5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; and

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

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

REMUNERATION COMMITTEE *(Continued)*

A meeting was held by the Remuneration Committee during the Review Period. The following is a summary of the work of the Remuneration Committee during the Review Period:

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

NOMINATION COMMITTEE

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

1. to review the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to review the balance between executive and non-executive Directors (including INEDs) on the Board;

3. to review the board diversity policy and the measurable objectives that the Board has adopted for implementing this policy, and monitor the progress on achieving the objectives and make the relevant disclosure in the corporate governance report;

4. to assess the independence of the INEDs;

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

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

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

Two meetings were held by the Nomination Committee during the Review Period to discuss and review the structure, size and composition (including the skills, knowledge and experience) of the Board, the appointment of Mr. Ding Xiang Yang as the Chairman and the change of composition of the committees of the Board.

NOMINATION POLICY

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

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

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

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

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

BOARD DIVERSITY POLICY

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

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

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

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

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

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

DIVIDEND POLICY

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

Objective

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

The Policy

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

1. the Group's actual and expected financial performance;

2. retained earnings and distributable reserves of the Company and each of the members of the Group;

3. the Group's working capital requirements, capital expenditure requirements and future expansion plans;

4. the Group's liquidity position;

5. contractual restrictions on the payment of dividends by the Company to the Shareholders or by the Company's subsidiaries to the Company;

6. taxation considerations;

7. general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

8. other factors that the Board deems relevant.

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

CORPORATE GOVERNANCE COMMITTEE

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

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

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

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

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

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

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

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

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

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

3. reviewed the Company's compliance with the Corporate Governance Code and the disclosure in the Corporate Governance Report as included in the Annual Report 2017; and

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

FINANCE COMMITTEE

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

ATTENDANCE RECORD AT MEETINGS

The attendance record of each Director at Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting, CG Committee meeting, the 2018 AGM and the EGMs during the Review Period are set out in the following table:

	Number of meetings attended/Number of meetings held						
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	2018 AGM	EGM
Executive Directors							
Mr. Ding Xiang Yang	8/8	2/2	–	–	1/1	1/1	2/2
Mr. Xia Jing Hua	8/8	2/2	–	–	1/1	0/1	0/2
Mr. Yan Zhi Rong	7/8	2/2	–	–	–	1/1	2/2
Non-executive Director							
Mr. Cheng Li Xiong (Note)	3/3	1/1	1/1	2/2	–	–	1/1
Independent Non-executive Directors							
Prof. Liu Tao	8/8	2/2	1/1	–	1/1	1/1	2/2
Mr. Wo Rui Fang	8/8	2/2	1/1	2/2	–	1/1	1/2
Mr. Han Ping	8/8	2/2	–	2/2	–	1/1	2/2

Note: Mr. Cheng Li Xiong resigned as Chairman and non-executive Director on 5 June 2018.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

All Directors are appointed based on their merits and experiences relevant to the business of the Group. Each of the executive Directors has entered into a service contract with the Company with no specific term. Each of the INEDs has entered into an appointment letter with the Company for a term of one year commencing on 2 October 2017, which was renewed for one year from 2 October 2018 (except Prof. Liu Tao who was entered into an appointment letter with the Company for a term of one year commencing on 17 September 2017, which was renewed for one year from 17 September 2018). In accordance with the provisions of the Corporate Governance Code and the articles of association of the Company, all Directors are subject to retirement by rotation at least once every three years. A Director may be re-elected at the annual general meeting upon his/her retirement by rotation.

According to code provision A.4.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, if an independent non-executive Director serves more than nine years, any further appointment of such independent non-executive Director should be subject to a separate resolution to be approved by the shareholders. As Mr. Wo Rui Fang and Mr. Han Ping had served the Company as the independent non-executive Directors for more than nine years from 17 October 2018, the ordinary resolutions proposing re-election of Mr. Wo and Mr. Han were approved by the Shareholders by poll at the annual general meeting on 7 June 2018.

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

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

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

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

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

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

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

Note: Mr. Cheng Li Xiong resigned as Chairman and non-executive Director on 5 June 2018.

COMPANY SECRETARY

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

The company secretary of the Company is Mr. Cheng Ka Hang, Francis, who is an employee of the Company and has day-to-day knowledge of the Company. Mr. Cheng is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He has over 20 years of experience in compliance and company secretarial profession. He is familiar with the Companies Ordinance and other applicable laws, rules and regulations.

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

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

SHAREHOLDERS’ RIGHTS

How shareholders can convene an extraordinary general meeting

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

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

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

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

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

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

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

EXTERNAL AUDITOR

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

The aggregate remuneration in respect of services provided by PwC for the year ended 31 December 2018 was RMB8.76 million, of which RMB8.63 million represents fees for audit services and RMB0.13 million represents fees for certain non-audit services.

The responsibilities of the Independent auditor with respect of the consolidated financial statements for the year ended 31 December 2018 are set out in the section "Independent Auditor's Report" on pages 59 to 61.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2018 and of ensuring that the preparation of the consolidated financial statements of the Group is in accordance with the applicable standards and requirements.

GOING CONCERN AND MITIGATION MEASURES

Multiple Uncertainties Relating to Going Concern

The Group had accumulated losses of RMB2,540,977,000 and the Group's current liabilities exceeded its current assets by RMB7,307,036,000 as at 31 December 2018. As at the same date, the Group's total borrowings amounted to RMB23,432,135,000, of which current borrowings amounted to RMB21,027,214,000, while its cash and cash equivalents amounted to RMB342,555,000 only. In addition, as at 31 December 2018, loan principal repayments and interest payments of RMB1,264,983,000 relating to certain borrowings of the Group of principal amount of RMB2,211,000,000 were not repaid in accordance with the repayment schedules pursuant to the borrowing agreements. These constituted events of defaults which resulted in cross-default of certain borrowings other than those mentioned above, amounting to principal amount of RMB14,228,346,000 as at 31 December 2018. Subsequent to 31 December 2018, interest payments of RMB197,368,000 relating to certain borrowings of the Group of principal amount of RMB9,423,346,000, of which RMB1,924,000,000 and RMB5,094,346,000 were already in default or cross-default as at 31 December 2018, were not repaid in accordance with the repayment schedules pursuant to the borrowing agreements. These conditions, together with other matters described in note 2(a)(i) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. However, the Directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which are set out in note 2(a)(i) to the consolidated financial statements. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

GOING CONCERN AND MITIGATION MEASURES *(Continued)*

Multiple Uncertainties Relating to Going Concern *(Continued)*

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which are set out in note 2(a)(i) to the consolidated financial statements, including the repayment of principal and interest of RMB10,000,000 and RMB141,231,000 respectively and extension of principal and interest of RMB277,000,000 and RMB167,202,000 respectively, relating to certain overdue borrowings with a total principal amount of RMB6,047,649,000 before the date of this report. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful negotiations with the lenders for the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests; (ii) the successful obtaining of additional new sources of financing as and when needed; (iii) successfully accelerating the pre-sales and sales of properties under development and completed properties and speeding up the collection of outstanding sales proceeds; and controlling costs and containing capital expenditure so as to generate adequate net cash inflows; and (iv) the successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in default, including those with cross-default terms. Should the Group fail to achieve the 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. The effects of these adjustments have not been reflected in these consolidated financial statements.

SHAREHOLDERS' MEETINGS

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

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

During the Review Period, the Company held the annual general meeting on 7 June 2018 to enable the shareholders (i) to consider and approve the audited financial statements and the reports of the Directors and the auditor for the year ended 31 December 2017, (ii) to re-elect the retiring Directors, (iii) to authorise the Board to fix the remuneration of all Directors, (iv) to re-appoint PricewaterhouseCoopers as the auditor of the Company and to authorise the Board to fix its remuneration and (v) to consider and pass other special businesses in the meeting.

During the Review Period, the Company held the following two EGMs on 21 March 2018 and 12 November 2018 respectively for the purpose of, among other things, approving and ratification of the execution of the construction services agreement dated 21 November 2017 (the "2017 Construction Services Agreement") entered into between the Company and Shanghai Ditong and to approve the revised and reduced annual caps for the three years ending 31 December 2020 in relation to the purchase of construction and related services from Shanghai Ditong under the 2017 Construction Services Agreement. As more than 50% of the vote was cast against the above ordinary resolution at each of the EGMs, each of the above ordinary resolutions was not passed as an ordinary resolution of the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

Report of the Directors

The directors (the "Directors") of Glorious Property Holdings Limited (the "Company") are pleased to submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in the development and sale of high quality properties in key economic cities in the PRC. As at 31 December 2018, the Group had property development projects in prime locations of key economic cities in Shanghai Region, Yangtze River Delta, Pan Bohai Rim and Northeast China.

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

BUSINESS REVIEW

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

An analysis of the Group's performance during the year using financial key performance indicators is provided in the Management Discussion and Analysis on pages 4 to 5 and Five-Year Financial Summary on pages 157 to 158 of this Annual Report.

ENVIRONMENT PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

RELATIONSHIP WITH EMPLOYEES

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

SUBSIDIARIES OF THE COMPANY

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 are set out in the accompanying consolidated statement of comprehensive income on page 64 of this annual report.

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

FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on pages 157 and 158 of this annual report.

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

During the year ended 31 December 2018, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company.

MAJOR SUPPLIERS AND CUSTOMERS

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

DONATIONS

There were no charitable donations made by the Group during the year (2017: Nil).

PROPERTY, PLANT AND EQUIPMENT

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

BORROWINGS

Particulars of the borrowings of the Group as at 31 December 2018 are set out in note 18 to the consolidated financial statements.

CAPITALISED BORROWING COSTS

Borrowing costs capitalised by the Group during the year amounted to approximately RMB1,840.6 million (2017: RMB2,059.8 million).

MAJOR PROPERTIES

Major properties of the Group as at 31 December 2018 are set out on pages 159 to 164 of this annual report.

SHARE PREMIUM AND RESERVES

Details of movements in the share premium and reserves of the Company during the year ended 31 December 2018 are set out in notes 21 and 36 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the reserves of the Company available for distribution to the shareholders amounted to approximately RMB2,235.7 million (2017: RMB2,525.0 million).

SHARE CAPITAL

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

DIRECTORS

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

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

Non-Executive Director:
Mr. Cheng Li Xiong *(Chairman) (Resigned on 5 June 2018)*

Independent Non-Executive Directors:
Prof. Liu Tao
Mr. Wo Rui Fang
Mr. Han Ping

In accordance with the articles of association of the Company, Mr. Yan Zhi Rong and Mr. Han Ping are due to retire from the Board by rotation at the forthcoming annual general meeting. All the retiring Directors, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

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

As at 31 December 2018, none of the Directors nor their associates had interests in businesses which competed or were likely to compete, either directly or indirectly, with the Group's businesses.

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

The Company has received a confirmation from Best Era International Limited and Mr. Zhang Zhi Rong in respect of their compliance with the terms of the Deed of Non-compete Undertaking during the year ended 31 December 2018.

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, the Directors and the chief executive of the Company had the following interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (the "Associated Corporations") (within the meaning of Part XV of the SFO which (a) were recorded in the register required to be kept under Section 352 of the SFO; or (b) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code:

Company

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

Notes:

(1) This represents interests held by the relevant Director as beneficial owner in share options granted to the Directors under the pre-IPO share option scheme of the Company to subscribe for shares in the Company.

(2) The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 31 December 2018 (i.e. 7,792,645,623 ordinary shares).

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

Apart from the aforesaid, as at 31 December 2018, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations of any Directors or chief executive of the Company which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2018, the number of outstanding options granted by the Company to the Directors to subscribe for shares of the Company, as recorded in the register required to be kept under Section 352 of the SFO or which were otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, is set out in the section headed "Share Option Schemes" of this annual report.

Apart from the aforesaid, at no time during the year ended 31 December 2018 was the Company or its holding company or subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 31 December 2018, the interests of substantial shareholders (other than the Directors or the chief executive of the Company) in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

Notes:

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

(2) As at 31 December 2018, Best Era International Limited, Market Victor Limited, Novel Ventures Limited, Island Century Limited and Well Advantage Limited, all of which are wholly-owned directly or indirectly by Mr. Zhang Zhi Rong, held 4,975,729,436 shares, 81,936,000 shares, 106,288,000 shares, 119,313,000 shares and 27,756,000 shares respectively, representing in aggregate 5,311,022,436 shares or approximately 68.15% of the issued share capital of the Company. Mr. Zhang Zhi Rong is also interested in options to subscribe for 15,000,000 shares (representing 0.19% of the total issued share capital of the Company).

(3) The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 31 December 2018 (i.e. 7,792,645,623 ordinary shares).

(4) Based on the notice of dealing disclosures dated 12 October 2016 submitted to the Securities and Futures Commission by China Life Insurance (Overseas) Co. Ltd. pursuant to Rule 22 of the Code on Takeovers and Mergers of Hong Kong.

Apart from the aforesaid, as at 31 December 2018, the Company was not aware of any persons (other than the Directors or the chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES

Pursuant to the resolutions in writing passed by all the Shareholders on 9 September 2009, the Company conditionally approved and adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and 84,000,000 share options had been granted to its Directors and employees which are exercisable for a ten-year period from the grant date. No further options will be offered or granted by the Company pursuant to the Pre-IPO Share Option Scheme. The purpose of the Pre-IPO Share Option Scheme is to give the participants an opportunity to acquire a personal stake in the Company and help motivate such participants and retain the participants whose contributions are important to the long term growth and profitability of the Group. As at 31 December 2018 and as at the date of this annual report, the total number of shares in respect of the outstanding options granted under the Pre-IPO Share Option Scheme was 69,000,000 shares, which is equivalent to approximately 0.89% of the total issued share capital of the Company.

Pursuant to the resolutions in writing passed by all the Shareholders on 9 September 2009, the Company also approved and adopted a share option scheme for the purpose of enabling the Group to grant options to selected participants as incentives or rewards for their contribution to the Group (the "Share Option Scheme"). During the year ended 31 December 2018, no share options had been granted under the Share Option Scheme.

SHARE OPTION SCHEMES *(Continued)*

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 was not accepted by the Grantees within the required acceptance period under the Share Option Scheme. The accepted 629,995,000 share options may be exercisable at any time during the option period from 4 February 2019 to 3 February 2024 (both dates inclusive) at an exercise price of HK$0.45 per share. Unless with the prior written consent of the Board, at any time during a period of six months from the date of the allotment and issue of the shares pursuant to exercise of the share options by the Grantee, the Grantee shall not dispose of, nor enter into any agreement to dispose of, the shares subscribed pursuant to the exercise of the share options.

Particulars of the Company's Pre-IPO Share Option Scheme and Share Option Scheme are set out in note 35 to the consolidated financial statements. The following table discloses details of the Company's outstanding share options held by the directors and certain employees of the Company under the Pre-IPO Share Option Scheme and its movement during the year ended 31 December 2018:

		Number of underlying shares comprised in share options								
Name of Grantee	Date of grant	Balance as at 01/01/2018	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Re-classified	Balance as at 31/12/2018	Exercise price per share HK$	Exercise period
Category 1:										
Directors										
Mr. Cheng Li Xiong	09/09/2009	15,000,000	–	–	–	–	(15,000,000)	0	1.76	Note
Mr. Ding Xiang Yang	09/09/2009	15,000,000	–	–	–	–	–	15,000,000	1.76	Note
Mr. Xia Jing Hua	09/09/2009	5,000,000	–	–	–	–	–	5,000,000	1.76	Note
Mr. Yan Zhi Rong	09/09/2009	5,000,000	–	–	–	–	–	5,000,000	1.76	Note
		40,000,000	–	–	–	–	(15,000,000)	25,000,000		
Category 2:										
Other employees (in aggregate)	09/09/2009	29,000,000	–	–	–	–	15,000,000	44,000,000	1.76	Note
Total:		69,000,000	–	–	–	–	–	69,000,000		

SHARE OPTION SCHEMES *(Continued)*

Note:

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

(i) up to 20% of the shares that are subject to the options granted to the relevant grantee (rounded down to the nearest whole number of shares) at any time during the period commencing on 2 October 2009 (the "Listing Date") and ending on the first anniversary of the Listing Date;

(ii) up to 40% of the shares that are subject to the options granted to the relevant grantee less the number of shares in respect of which the options have been exercised by the grantee (rounded down to the nearest whole number of shares) at any time during the period commencing on the expiry of the first anniversary of the Listing Date and ending on the second anniversary of the Listing Date;

(iii) up to 60% of the shares that are subject to the options granted to the relevant grantee less the number of shares in respect of which the options have been exercised by the grantee (rounded down to the nearest whole number of shares) at any time during the period commencing on the expiry of the second anniversary of the Listing Date and ending on the third anniversary of the Listing Date;

(iv) up to 80% of the shares that are subject to the options granted to the relevant grantee less the number of shares in respect of which the options have been exercised by the grantee (rounded down to the nearest whole number of shares) at any time during the period commencing on the expiry of the third anniversary of the Listing Date and ending on the fourth anniversary of the Listing Date;

(v) such number of shares subject to the options granted to the relevant grantee less the number of shares in respect of which the options have been exercised by the grantee (rounded down to the nearest whole number of shares) at any time during the period commencing on the expiry of the fourth anniversary of the Listing Date and ending on 8 September 2019.

PRE-EMPTIVE RIGHTS

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

CONTINUING CONNECTED TRANSACTIONS

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

Shanghai Ditong renewed the framework construction services agreement (the "2014 Construction Services Agreement") with the Company on 10 June 2014, pursuant to which Shanghai Ditong agreed to provide construction and related services to the Group according to the tender documents and the construction contracts signed between Shanghai Ditong and the Group from time to time. The 2014 Construction Services Agreement was effective for three years from 1 January 2015 to 31 December 2018. The new annual cap for the transactions contemplated under the 2014 Construction Services Agreement for each of the three years ending 31 December 2017 were RMB1,590 million, RMB1,190 million and RMB540 million respectively.

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

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

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

In light of the business needs of the Group, the Group continues certain existing transactions with Shanghai Ditong but closely monitors the aggregate transaction amount of the transactions under the 2017 Construction Services Agreement to ensure that the amount of such transactions would not exceed RMB130,000,000 for each of the three years ending 31 December 2020.

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

For the year ended 31 December 2018, the annual cap for the continuing connected transactions between the Group and Shanghai Ditong under the New Construction Services Agreement was RMB130.0 million and the actual transacted amount was approximately RMB124.9 million.

CONTINUING CORPORATE GOVERNANCE MEASURES

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

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

The Board has confirmed that the Group has complied with the independent mechanism contained in the Guidelines and has carried out the independent review procedures set out in the Guidelines to monitor the quality of the construction work completed by Shanghai Ditong during the year ended 31 December 2018. The Group had followed the pricing policies and guidelines when determining the price and terms of the continuing connected transactions conducted during the year ended 31 December 2018.

CONTINUING CORPORATE GOVERNANCE MEASURES *(Continued)*

The INEDs of the Company have reviewed the transactions conducted between the Group and Shanghai Ditong under the 2017 Construction Services Agreement during the year ended 31 December 2018. The INEDs had also reviewed the terms of the New Construction Services Agreement pursuant to a meeting of the INEDs held on 28 March 2019. They have confirmed that the continuing connected transactions of the Group for the financial year ended 31 December 2018 have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

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

In accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagement Other than Audits or Reviews of Historical Financial Information", the auditor has also reported to the Board that for the year ended 31 December 2018, nothing has come to their attention that the continuing connected transactions, which were governed by the New Construction Services Agreement, (i) have not received the approval of the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) have not been entered into, in all material respects, in accordance with the relevant agreement governing such transactions; and (iv) have exceeded the relevant cap amount for the financial year ended 31 December 2018 as set out in the circular dated 2 July 2014 published by the Company in respect of the continuing connected transactions. As mentioned in the previous section "Continuing Connected Transactions", the ordinary resolution for approval of the 2017 Construction Services Agreement and the annual caps (and revised annual caps) was not passed at each of the three extraordinary general meetings of the Company held on 28 December 2017, 21 March 2018 and 12 November 2018 respectively. In light of the business needs of the Group, the Group continues certain existing transactions with Shanghai Ditong but closely monitors the aggregate transaction amount of the transactions under the 2017 Construction Services Agreement to ensure that the amount of such transactions would not exceed RMB130,000,000 for each of the three years ending 31 December 2020.

RELATED PARTY TRANSACTIONS

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

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

Except as disclosed above, there was no contract of significance between the Group and the controlling shareholder of the Company or any of its subsidiaries during the year ended 31 December 2018.

CHANGES OF DIRECTOR'S INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Prof. Liu Tao, an independent non-executive Director, has been appointed as the independent director of Shanghai Gench Education Group Limited, a PRC company, with effect from 20 December 2018.

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

MANAGEMENT CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

Details of the remuneration of the Directors and the five highest paid individuals of the Company for the year ended 31 December 2018 are set out in notes 37 and 27, respectively, to the consolidated financial statements. There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

PERMITTED INDEMNITY AND INSURANCE

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

PENSION SCHEMES

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the corporate governance report on pages 30 to 46 of this annual report.

AUDITOR

The financial statements for the financial year ended 31 December 2018 have been audited by PricewaterhouseCoopers, who will retire at the forthcoming annual general meeting of the Company and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company will be proposed at that meeting.

On behalf of the Board

Ding Xiang Yang
Chairman

Hong Kong, 29 March 2019

Independent Auditor's Report

羅兵咸永道

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

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Glorious Property Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 62 to 156, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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

BASIS FOR DISCLAIMER OF OPINION

Multiple Uncertainties Relating to Going Concern

As described in note 2(a)(i) to the consolidated financial statements, the Group had accumulated losses of RMB2,540,977,000 and the Group's current liabilities exceeded its current assets by RMB7,307,036,000 as at 31 December 2018. As at the same date, the Group's total borrowings amounted to RMB23,432,135,000, of which current borrowings amounted to RMB21,027,214,000, while its cash and cash equivalents amounted to RMB342,555,000 only. In addition, as at 31 December 2018, loan principal repayments and interest payments of RMB1,264,983,000 relating to certain borrowings of the Group of principal amount of RMB2,211,000,000 were not repaid in accordance with the repayment schedules pursuant to the borrowing agreements. These constituted events of defaults which resulted in cross-default of certain borrowings other than those mentioned above, amounting to principal amount of RMB14,228,346,000 as at 31 December 2018. Subsequent to 31 December 2018, interest payments of RMB197,368,000 relating to certain borrowings of the Group of principal amount of RMB9,423,346,000, of which RMB1,924,000,000 and RMB5,094,346,000 were already in default or cross-default as at 31 December 2018, were not repaid in accordance with the repayment schedules pursuant to the borrowing agreements. These conditions, together with other matters described in note 2(a)(i) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which are set out in note 2(a)(i) to the consolidated financial statements, including the repayment of principal and interest of RMB10,000,000 and RMB141,231,000 respectively and extension of principal and interest of RMB277,000,000 and RMB167,202,000 respectively, relating to certain overdue borrowings with a total principal amount of RMB6,047,649,000 before the date of this report. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful negotiations with the lenders for the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests; (ii) the successful obtaining of additional new sources of financing as and when needed; (iii) successfully accelerating the pre-sales and sales of properties under development and completed properties and speeding up the collection of outstanding sales proceeds; and controlling costs and containing capital expenditure so as to generate adequate net cash inflows; and (iv) the successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in default, including those with cross-default terms. Should the Group fail to achieve the 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. The effects of these adjustments have not been reflected in these consolidated financial statements.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2019

Consolidated Balance Sheet

As at 31 December 2018

RMB'000	Note	**2018**	2017
Non-current assets			
Property, plant and equipment	6	**54,432**	58,404
Investment properties	7	**17,942,046**	17,346,646
Intangible assets	8	**1,800**	1,800
Investment in an associate	9	**6,169**	6,076
Interest in a joint venture	10	**54,792**	610,083
Deferred income tax assets	20	**324,677**	432,907
		18,383,916	18,455,916
Current assets			
Properties under development	12	**16,828,906**	21,130,610
Completed properties held for sale	13	**7,899,805**	5,425,560
Trade and other receivables and prepayments	14	**4,510,971**	5,789,394
Financial asset at fair value through profit or loss		**—**	250,000
Prepaid taxes		**480,954**	353,409
Restricted cash	15	**3,042,065**	31,959
Cash and cash equivalents	16	**342,555**	201,420
		33,105,256	33,182,352
Total assets		**51,489,172**	51,638,268

The notes on pages 67 to 156 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2018

RMB'000	Note	**2018**	2017
Current liabilities			
Advanced proceeds received from customers		—	10,775,290
Contract liabilities	5	**5,901,056**	—
Trade and other payables	17	**5,333,065**	4,621,233
Income tax payable		**7,796,930**	4,342,237
Amount due to a joint venture	10	**353,029**	—
Borrowings	18	**21,027,214**	17,729,287
Obligations under finance lease	19	**998**	998
		40,412,292	37,469,045
Non-current liabilities			
Borrowings	18	**2,404,921**	5,690,537
Deferred income tax liabilities	20	**2,389,683**	2,476,050
Obligations under finance lease	19	**18,220**	18,130
		4,812,824	8,184,717
Total liabilities		**45,225,116**	45,653,762
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	21	**68,745**	68,745
Share premium	21	**7,822,982**	7,822,982
Reserves		**(1,583,191)**	(1,997,656)
		6,308,536	5,894,071
Non-controlling interests		**(44,480)**	90,435
Total equity		**6,264,056**	5,984,506
Total liabilities and equity		**51,489,172**	51,638,268

Approved by the Board on 29 March 2019 and signed on its behalf by

Ding Xiang Yang
Director

Xia Jing Hua
Director

The notes on pages 67 to 156 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

RMB'000	Note	**2018**	2017
Revenue	5	**10,091,039**	3,465,550
Cost of sales	25	**(4,761,775)**	(3,933,897)
Gross profit/(loss)		**5,329,264**	(468,347)
Other income	23	**47,558**	63,428
Other losses, net	24	**(466,120)**	(178,247)
Reversal of provision for loss allowances of trade and other receivables, net	3(a)(iv)	**314,125**	—
Selling and marketing expenses	25	**(220,653)**	(146,528)
Administrative expenses	25	**(459,379)**	(450,004)
Finance costs, net	26	**(406,658)**	(1,434,684)
Share of profit of an associate	9	**93**	2,999
Share of (loss)/profit of a joint venture	10	**(150,100)**	598,868
Profit/(loss) before taxation		**3,988,130**	(2,012,515)
Income tax expenses	28	**(3,597,755)**	(713,841)
Profit/(loss) for the year		**390,375**	(2,726,356)
Profit/(loss) for the year attributable to:			
— the owners of the Company		**525,290**	(2,608,618)
— non-controlling interests		**(134,915)**	(117,738)
		390,375	(2,726,356)
Other comprehensive income		**—**	—
Total comprehensive income/(loss) for the year		**390,375**	(2,726,356)
Total comprehensive income/(loss) for the year attributable to:			
— the owners of the Company		**525,290**	(2,608,618)
— non-controlling interests		**(134,915)**	(117,738)
		390,375	(2,726,356)
Earnings/(loss) per share for profit/(loss) attributable to the owners of the Company (expressed in RMB per share)			
— Basic	29	**0.07**	(0.33)
— Diluted	29	**0.07**	(0.33)

The notes on pages 67 to 156 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

RMB'000	Share capital (note 21)	Share premium (note 21)	Merger reserve (note 22(a))	Statutory reserve (note 22(b))	Other reserve (note 36(a)(i))	Revaluation reserve (note 22(c))	Employee share-based compensation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	Year ended 31 December 2018 Attributable to the owners of the Company										
Balance at 1 January 2018 (previously stated)	**68,745**	**7,822,982**	**(770,477)**	**314,421**	**264,317**	**947,730**	**201,795**	**(2,955,442)**	**5,894,071**	**90,435**	**5,984,506**
Adjustment on adoption of HKFRS 9 (note 2(a)(iv)(a))	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(110,825)**	**(110,825)**	**—**	**(110,825)**
Restated balance as at 1 January 2018	**68,745**	**7,822,982**	**(770,477)**	**314,421**	**264,317**	**947,730**	**201,795**	**(3,066,267)**	**5,783,246**	**90,435**	**5,873,681**
Total comprehensive income/(loss) for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**525,290**	**525,290**	**(134,915)**	**390,375**
Balance at 31 December 2018	**68,745**	**7,822,982**	**(770,477)**	**314,421**	**264,317**	**947,730**	**201,795**	**(2,540,977)**	**6,308,536**	**(44,480)**	**6,264,056**

RMB'000	Share capital (note 21)	Share premium (note 21)	Merger reserve (note 22(a))	Statutory reserve (note 22(b))	Other reserve (note 36(a)(i))	Revaluation reserve (note 22(c))	Employee share-based compensation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	Year ended 31 December 2017 Attributable to the owners of the Company										
Balance at 1 January 2017	68,745	7,822,982	(770,477)	314,421	264,317	947,730	201,795	(346,824)	8,502,689	208,173	8,710,862
Total comprehensive loss for the year	—	—	—	—	—	—	—	(2,608,618)	(2,608,618)	(117,738)	(2,726,356)
Balance at 31 December 2017	68,745	7,822,982	(770,477)	314,421	264,317	947,730	201,795	(2,955,442)	5,894,071	90,435	5,984,506

The notes on pages 67 to 156 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2018

RMB'000	Note	**2018**	2017
Cash flows from operating activities			
Cash generated from operations	31(a)	**6,076,114**	5,526,365
Income tax paid		**(248,744)**	(485,997)
Interest paid		**(2,817,094)**	(2,320,609)
Net cash generated from operating activities		**3,010,276**	2,719,759
Cash flows from investing activities			
Purchases of property, plant and equipment		**(598)**	(2,404)
Purchase of financial asset at fair value through profit or loss		**—**	(250,000)
Payments for the construction of investment properties		**(1,066,291)**	(793,351)
Proceeds from disposal of investment properties		**96,330**	29,016
Proceeds from disposal of financial asset at fair value through profit or loss		**250,000**	—
Proceeds from disposal of a subsidiary, net of cash		**—**	37,419
Proceeds from disposals of property, plant and equipment		**706**	379
Interest received		**57,698**	25,068
Net cash used in investing activities		**(662,155)**	(953,873)
Cash flows from financing activities			
Proceeds from borrowings		**15,420,958**	4,131,991
Repayment of borrowings		**(14,817,073)**	(9,456,885)
Advances from third parties		**129,271**	529,267
Repayment to third parties		**(18,028)**	(268,049)
(Increase)/decrease in restricted cash		**(2,922,133)**	2,760,324
Net cash used in financing activities		**(2,207,005)**	(2,303,352)
Net increase/(decrease) in cash and cash equivalents		**141,116**	(537,466)
Cash and cash equivalents at beginning of the year		**201,420**	738,911
Exchange gains/(losses) on cash and bank balances		**19**	(25)
Cash and cash equivalents at end of the year	16	**342,555**	201,420

The notes on pages 67 to 156 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

31 December 2018

1 GENERAL INFORMATION

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

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

These financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. These financial statements have been approved for issue by the Board on 29 March 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

(i) Going concern basis

As at 31 December 2018, the Group had accumulated losses of RMB2,540,977,000 (2017: RMB2,955,442,000) and the Group's current liabilities exceeded its current assets by RMB7,307,036,000 (2017: RMB4,286,693,000). As at the same date, the Group's total borrowings amounted to RMB23,432,135,000 (2017: RMB23,419,824,000), of which current borrowings amounted to RMB21,027,214,000 (2017: RMB17,729,287,000), while its cash and cash equivalents amounted to RMB342,555,000 only.

As at 31 December 2018, certain borrowings whose principal amounts of RMB861,000,000 and interest payable amounts of RMB403,983,000, relating to borrowings with a total principal amount of RMB2,211,000,000 ("Overdue Borrowings") were overdue. The entire principal amount of RMB2,211,000,000 were all due for repayment within one year as at 31 December 2018 and would be immediately repayable if requested by the lenders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(i) Going concern basis *(Continued)*

As stipulated in the relevant loan and financing agreements in respect of certain borrowings of the Group other than those mentioned above, any default of the Group's borrowings may result in cross-default of these borrowings. As a result of the above default events, the principal amount of borrowings of RMB14,228,346,000 were considered as cross-default ("Cross-default Borrowings"), for which borrowings of RMB4,794,000,000 with original contractual repayment dates beyond 31 December 2019 have been reclassified as current liabilities as at 31 December 2018 (note 18).

In March 2019, the Group did not repay certain interest payments in accordance with the scheduled repayment dates of the respective agreements, including (1) interest of RMB72,150,000 relating to certain of the Overdue Borrowings, (2) interest of RMB99,298,000 relating to certain of the Cross-default Borrowings and (3) interest of RMB25,920,000 relating to certain borrowings not abovementioned with a total principal amount of RMB2,405,000,000.

Since 1 January 2019, the Group has repaid principal and interest of RMB10,000,000 and RMB69,355,000 respectively of the Overdue Borrowings up to the date of the approval of these consolidated financial statements. The Group also entered into a revised repayment agreement to defer the repayment date of one of the Overdue Borrowings with a lender relating to principal and interest of RMB277,000,000 and RMB167,202,000 respectively. In addition, the Group further repaid interests which became overdue in March 2019 of RMB71,876,000 relating to borrowings of the Group with a total principal amount of RMB5,760,649,000. The Group is in active negotiation with all of the above lenders for renewal and extension of the principals totaling RMB574,000,000 and interest totaling RMB292,918,000 that remain overdue as at date of this report, and the directors are confident that agreements will be reached in due course.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(i) Going concern basis *(Continued)*

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

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

(ii) In addition, the Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future. Subsequent to the year end and up to the date of approval of these consolidated financial statements, loans with aggregate principal amounts of RMB438,772,000 have been successfully obtained;

(iii) The Group has accelerated the pre-sales and sales of its properties under development and completed properties. The properties from Shanghai Bay in Shanghai is expected to give further substantial sales for 2019. Overall, the Group expects to gradually launch three major projects upon obtaining the pre-sales permits starting from the second quarter of 2019;

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

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

The directors, including members of the audit committee, have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 2018. 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 2018. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(i) Going concern basis *(Continued)*

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

(i) Successful negotiations with the lenders for the renewal of or extension for repayments beyond year 2019 for those borrowings that (a) are scheduled for repayment (either based on the original agreements or the existing arrangements) in year 2019; (b) were overdue as at 31 December 2018 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 2019;

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(ii) Effect of adopting standards, amendments to standards and interpretations

The following new standards, amendments and interpretations to standards are mandatory for the Group's financial year beginning on 1 January 2018:

HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKAS 40 (Amendment)	Transfers of investment property
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendment)	Clarifications to HKFRS 15
HK(IFRIS) – Int 22	Foreign currency transactions and advance consideration
HKFRSs Amendment	Annual Improvements 2014–2016 Cycle

The Group had to change its accounting policies following the adoption of HKFRS 9 and HKFRS 15. For details, please refer to notes 2(a)(iv)(a) and 2(a)(iv)(b). The other amendments listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group:

HKAS 19 (Amendment)	Plan Amendment Curtailment or Settlement
HKAS 28 (Amendment)	Long-Term Interests in Associates and Joint Ventures
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 16	Leases
HKFRS 17	Insurance Contracts
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
HKFRSs Amendment	Annual Improvements 2015–2017 Cycle
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The Group will adopt the above new standards, amendments to standards and interpretations 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, except for HKFRS 16. For details, please refer to note 2(a)(v).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(iv) Changes in accounting policies for 2018

This note explains the impact of the adoption of HKFRS 9 Financial instruments ("HKFRS 9") and HKFRS 15 Revenue from contracts with customers ("HKFRS 15") on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Adoption of HKFRS 9

The Group adopted HKFRS 9 from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. As a consequence, any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening accumulated losses. Provisions for impairment have not been restated in the comparative period, as well.

The accounting policies were changed to comply with HKFRS 9. HKFRS 9 replaces the provisions of Hong Kong Accounting Standard 39 "Financial Instruments" ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial Instruments – Disclosures".

The total impact on the Group's accumulated losses due to classification and measurement of financial instruments as at 1 January 2018 is as follows:

	RMB'000
Opening accumulated losses — HKAS 39	**(2,955,442)**
Increase in provision for loss allowances of trade and other receivables (excluding prepayments and loans to related and third parties), net of tax	**(110,825)**
Adjustment to accumulated losses from adoption of HKFRS 9	**(110,825)**
Opening accumulated losses — HKFRS 9	**(3,066,267)**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(iv) Changes in accounting policies for 2018 *(Continued)*

(a) Adoption of HKFRS 9 *(Continued)*

(i) Classification and measurement of financial instruments

Management has assessed the business models and the contractual terms of the cash flows apply to the financial assets held by the Group at the date of initial application of HKFRS 9 (1 January 2018) and has classified its financial instruments into the appropriate HKFRS 9 categories, which are those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and those to be measured at amortised cost. This new classification requirements has no major impact to the Group.

(ii) Impairment of financial assets

The Group has two types of financial assets at amortised cost subject to HKFRS 9's new expected credit loss model:

- loans to related and third parties
- trade and other receivables (excluding prepayments and loans to related and third parties)

The Group revised its impairment methodology under HKFRS 9 for each of these classes of assets. For trade and other receivables (excluding prepayments and loans to related and third parties), the impact of the change in impairment methodology on the Group's accumulated losses and equity as at 1 January 2018 has been shown in the table above.

(a) Loans to related and third parties

For loans to related and third parties already in place at 1 January 2018, the Group has determined that reliably assessing the probability of default at the initial recognition of each loan to related and third parties would result in undue cost and effort. As permitted by HKFRS 9, the credit provision will be determined based on whether credit risk is low only at each reporting date, until the loan is derecognised. The Group has assessed the expected credit loss model applied to the loans to related and third parties as at 1 January 2018 and the change in impairment methodologies has no significant impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(iv) Changes in accounting policies for 2018 *(Continued)*

(a) Adoption of HKFRS 9 *(Continued)*

(ii) Impairment of financial assets *(Continued)*

(b) Trade and other receivables (excluding prepayments and loans to related and third parties)

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For other receivables, the Group applies general approach to assess the expected credit losses by 12 months expected losses method and lifetime expected losses method. To measure the expected credit losses, trade and other receivables (excluding prepayments and loans to related and third parties) have been grouped based on shared credit risk characteristics and the days past due. The Group applied different expected loss rates to different classes of trade and other receivables (excluding prepayments and loans to related and third parties), according to their respective risk characteristics and the days past due.

Trade and other receivables (excluding prepayments and loans to related and third parties) are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Additional loss allowance of RMB110,825,000 was recognised in accumulated losses as at 1 January 2018 for those trade and other receivables (excluding prepayments and loans to related and third parties).

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(b) Adoption of HKFRS 15

The Group adopted HKFRS 15 as issued by the HKICPA for its 2018 financial year. The Group believes the new accounting policies provide more relevant information for users to assess the nature, amounts, timing and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of HKFRS 15 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of accumulated losses in the 2018 financial year.

The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

HKFRS 15 replaces the provisions of HKAS 18 “Revenue” and HKAS 11 “Construction contracts” that relate to the recognition, classification and measurement of revenue and costs. The effects of the adoption of HKFRS 15 are as follows:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(iv) Changes in accounting policies for 2018 *(Continued)*

(b) Adoption of HKFRS 15 *(Continued)*

Presentation of contract assets and liabilities

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities for progress billing recognised in relation to property development activities were previously presented as advanced proceeds received from customers.

- Contract assets recognised in relation to construction activities were previously presented as trade and other receivables — amounts due from customers for contract work.

Accounting for property development activities

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, when the properties that have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities. The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

Accounting for costs incurred to obtain a contract

Following the adoption of HKFRS 15, costs such as stamp duty and sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded in contract assets.

Accounting for significant financing component

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(iv) Changes in accounting policies in 2018 *(Continued)*

(b) Adoption of HKFRS 15 *(Continued)*

Accounting for significant financing component *(Continued)*

The impact on the Group's financial position by the application of HKFRS 15 is as follows:

RMB'000	As at 1 January 2018 As previously stated	 Reclassification under HKFRS 15	 Restated
Consolidated balance sheet (extract)			
Contract liabilities	—	10,775,290	10,775,290
Advance proceeds received from customers	10,775,290	(10,775,290)	—

(v) Proposed changes in accounting polices

HKFRS 16, "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modification, amongst others. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as operating and financing cash flows respectively.

Impact

As at 31 December 2018, the Group had non-cancellable operating lease commitments of RMB22,634,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and the Group will recognise a right-of-use asset and corresponding liability in respect of all these leases unless they quality for low value or short-term lease upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. The Group has assessed the impact on the Group's results by adoption of HKFRS 16 as compared with the current accounting policy and it is expected that right-of-use asset and lease liabilities of these lease commitments will be required to be recognised in the consolidated balance sheet.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards and interpretations that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation

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

(i) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

(i) Subsidiaries *(Continued)*

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

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

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

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

(ii) Associates

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

(ii) Associates *(Continued)*

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

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

(iii) Joint arrangements

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

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

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(iii) Group companies

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

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

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

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

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

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

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

(d) Property, plant and equipment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

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

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

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

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

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

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

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

(e) Investment properties

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Investment properties *(Continued)*

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

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

(f) Intangible assets

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

(g) Impairment of non-financial assets

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

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

(h) Financial assets

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial assets *(Continued)*

(i) Classification *(Continued)*

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

Debt instruments

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial assets *(Continued)*

(iv) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3(a)(iv) details how the Group determines whether there has been a significant increase in credit risk.

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

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

(v) Accounting policies applied until 31 December 2017

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group classifies financial asset at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, especially held for trading. It is presented as current asset if it is expected to be sold within twelve months after the end of reporting period; otherwise they are presented as non-current assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial assets *(Continued)*

(v) Accounting policies applied until 31 December 2017 *(Continued)*

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Gain or losses arising from changes in the fair value of the "Financial asset at fair value through profit or loss" category are presented in the consolidated statement of comprehensive income in the period in which they arise. Dividend income from financial asset at fair value through profit or loss is recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

(i) Properties under development

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

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

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

(j) Completed properties held for sale

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Inventories

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

(l) Trade and other receivables

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

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

(m) Contract assets and contract liabilities

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

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

(n) Cash and cash equivalents

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

(o) Share capital

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

(p) Trade and other payables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Offsetting financial instruments

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

(r) Borrowings

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

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

(s) Borrowing costs

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Current and deferred income tax

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefits

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

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

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

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

(v) Share-based payments

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

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Share-based payments *(Continued)*

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

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

(w) Revenue recognition

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

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

(i) Sales of properties

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition *(Continued)*

(i) Sales of properties *(Continued)*

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

(ii) Rental income from operating leases

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

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

(iii) Interest income

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

(x) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(y) Finance leases

The Group leases certain properties. Leases of properties where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease’s commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The properties acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Dividend distribution

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

(aa) Financial guarantee contracts

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

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

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

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

(ab) Provisions and contingent liabilities

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

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

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

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

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

(ac) Segment reporting

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) Foreign currency exchange risk

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

RMB'000	**2018**	2017
Cash and bank balances:		
US$	**331**	405
HK$	**937**	475
	1,268	880

RMB'000	**2018**	2017
Borrowings:		
US$	**2,450,940**	3,705,530
HK$	**193,653**	174,553
	2,644,593	3,880,083

RMB'000	**2018**	2017
Trade and other payables:		
US$	**6,863**	9,732
HK$	**33,324**	36,853
	40,187	46,585

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(i) Foreign currency exchange risk *(Continued)*

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

As at 31 December 2018, if RMB had strengthened/weakened by 5% against other currencies, with all other variables held constant, post-tax profit for the year ended 31 December 2018 would have been approximately RMB134.2 million higher/lower (2017: post-tax loss RMB196.3 million lower/higher).

(ii) Interest rate risk

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

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

As at 31 December 2018, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been RMB6,232,000 lower/higher (2017: post-tax loss RMB2,165,000 higher/lower), mainly as a result of higher/lower interest expense on floating rate borrowings.

(iii) Price risk

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

As at 31 December 2018, the Group did not hold any investments in financial assets at fair value through profit or loss. As at 31 December 2017, if the price of unlisted investments in financial assets at fair value through profit or loss had been 10% higher/lower with all other variables held constant, the Group's loss before taxation would have been RMB25,000,000 lower/higher. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

(iv) Credit risk

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iv) Credit risk *(Continued)*

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

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

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

(a) Loans to related and third parties

Loan to a joint venture is generally supported by the underlying assets and the Group monitors the credibility of joint venture continuously. The Group assessed that the expected credit losses for the balance under the 12 months expected losses method upon the adoption of HKFRS 9. The expected loss rate of the balance is assessed to be low and no loss allowance provision is made for this balance during the year.

(b) Trade receivables

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iv) Credit risk *(Continued)*

(b) ***Trade receivables*** *(Continued)*

As at 31 December 2018 and 1 January 2018 (on adoption of HKFRS 9) was determined as follows.

Trade receivables	Specific risk/not yet due	Less than 180 days past due	More than 180 days past due	More than 2 years past due	Total
31st December 2018					
Expected loss rate	0.1%	1%	5%	10%	—
Gross carrying amount – trade receivables (RMB'000)	422,215	59,917	427	16,857	499,416
Loss allowance (RMB'000)	422	599	21	1,686	2,728
1st January 2018					
Expected loss rate	0.1%	1%	5%	10%	—
Gross carrying amount – trade receivables (RMB'000)	422,215	9,113	2,851	19,189	453,368
Loss allowance (RMB'000)	422	91	143	1,919	2,575

(c) ***Other receivables***

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

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

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iv) Credit risk *(Continued)*

As at 31 December 2018, the loss allowance provision for trade receivables and other receivables reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
Opening provision for impairment – HKAS 39 (previously stated)	—	811,323	811,323
Adjustment on adoption of HKFRS 9	2,575	108,250	110,825
Opening loss allowance as at 1 January 2018 (restated)	2,575	919,573	922,148
Provision for loss allowance recognised in profit or loss during the year	153	—	153
Reversal of provision for loss allowance recognised in profit or loss during the year	—	(314,278)	(314,278)
Write-off of provision for loss allowance during the year	—	(290,195)	(290,195)
Closing loss allowance as at 31 December 2018	2,728	315,100	317,828

As at 31 December 2018, the gross carrying amount of trade receivable and other receivables was RMB1,953,928,000 and thus the maximum exposure to loss was RMB1,636,100,000.

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

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

(v) Liquidity risk

Management aims to maintain sufficient cash to meet funding requirement for operations and monitors rolling forecasts of the Group's cash on the basis of expected cash flow. The directors of the Company have prepared cash flow projections for the year ending 31 December 2019 on the basis that: (1) bank financing will continue to be available; (2) proceeds from pre-sales in 2019 will be more than that of 2018; (3) construction payments will be satisfied by receipt of the relevant proceeds from pre-sales; (4) available project loan facility will be no less than that of 2018; and (5) there will be no further breach of debt covenants in 2019. Management will closely monitor the situation to ensure that appropriate alternative actions are taken, such as to accelerate the sales of completed properties, if any of the above conditions are not fully fulfilled.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(v) Liquidity risk *(Continued)*

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

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

RMB'000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2018					
Borrowings, including interest payable	**22,226,422**	**327,365**	**2,579,980**	**3,550**	**25,137,317**
Obligation under finance lease	**1,058**	**1,137**	**3,650**	**36,759**	**42,604**
Trade and other payables	**4,891,261**	**—**	**—**	**—**	**4,891,261**
Total	**27,118,741**	**328,502**	**2,583,630**	**40,309**	**30,071,182**
At 31 December 2017					
Borrowings, including interest payable	19,598,579	4,973,764	226,843	7,169	24,806,355
Obligation under finance lease	1,058	1,058	3,570	37,976	43,662
Trade and other payables	4,392,602	—	—	—	4,392,602
Total	23,992,239	4,974,822	230,413	45,145	29,242,619

The table above excludes the amount of guarantees given to banks for mortgage facilities granted to certain purchasers of the Group's properties as the directors consider the likelihood of default in payments by the purchasers is minimal. As at 31 December 2018, the maximum exposure for these guarantees are RMB4,655,713,000 (2017: RMB4,916,195,000) (note 34). Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of one to two years upon the completion of guarantee registration; or (ii) the full repayment of mortgaged loan by the purchasers of properties.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio and short-term debt ratio. Gearing ratio is calculated as net debt divided by total equity attributable to the owners of the Company. Net debt is calculated as total borrowings less cash and bank balances (including cash and cash equivalents and restricted cash). The gearing ratios at 31 December 2018 and 2017 were as follows:

RMB'000	**2018**	2017
Total borrowings (note 18)	**23,432,135**	23,419,824
Less: cash and bank balances	**(3,384,620)**	(233,379)
Net debt	**20,047,515**	23,186,445
Total equity attributable to the owners of the Company	**6,308,536**	5,894,071
Gearing ratio	**317.8%**	393.4%

The gearing ratio for 2018 was lower than that for 2017 as a result of the decrease in the net debt for the current year.

Short-term debt ratio is calculated as current borrowings divided by total borrowings. As at 31 December 2018, the Group's short term debt ratio is 89.7% (2017: 75.7%). In 2018, certain non-current borrowings and certain borrowings from financial institutions, became due for repayment within one year and were classified as current borrowings, thus resulted in a higher proportion of current borrowings.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Fair value estimation

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

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

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

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

The carrying amount of the financial instrument of the Group is as follows. See note 7 for disclosure relating to the investment properties which are measured at fair value.

Unlisted investments was stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market price is not readily available. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's financial asset that was measured at fair value at 31 December 2017:

RMB'000	Level 1	Level 2	Level 3	Total
Financial asset at fair value through profit or loss	—	—	250,000	250,000

There were no transfers between levels 1, 2 and 3 during each of the years ended 31 December 2017 and 2018.

The Group did not have any financial asset that was measured at fair value at 31 December 2018.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Going concern consideration

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

(b) Impairment assessment of trade receivables and other receivables

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

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

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

As at 31 December 2018, based on management's best estimates, the balance of provision for impairment made by the Group for properties under development and completed properties held for sale was RMB5,764,388,000 (2017: RMB4,700,927,000).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Fair value of investment properties

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

(e) Land appreciation tax

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

(f) Revenue recognition on properties sold

Judgement on recognition method

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

Judgement on recognition point

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(g) Income tax and deferred income tax

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

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

5 SEGMENT INFORMATION

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

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

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

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

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

5 SEGMENT INFORMATION *(Continued)*

RMB'000	Shanghai Region	Yangtze River Delta (excluding Shanghai)	Pan Bohai Rim	Northeast China	Others	Total
Year ended 31 December 2018						
Total revenue at a point in time	**9,446,998**	**188,396**	**214,785**	**240,860**	**—**	**10,091,039**
Inter-segment revenue	**—**	**—**	**—**	**—**	**—**	**—**
Revenue (from external customers) at a point in time	**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 and amortisation	**(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**
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)**
Year ended 31 December 2017						
Total revenue at a point in time	2,899,049	249,832	7,492	309,177	—	3,465,550
Inter-segment revenue	—	—	—	—	—	—
Revenue (from external customers) at a point in time	2,899,049	249,832	7,492	309,177	—	3,465,550
Segment results	1,402,961	6,305	(20,505)	(157,387)	(75,459)	1,155,915
Depreciation and amortisation	(3,396)	(415)	(315)	(65)	(6)	(4,197)
Fair value changes of investment properties	(333,147)	(68,904)	51,139	(150,803)	—	(501,715)
Reversal of provision for impairment loss of other receivables	98,000	—	—	—	—	98,000
Provision for impairment of properties under development and completed properties held for sale	(831)	(589,522)	(669,165)	(78,091)	—	(1,337,609)
Interest income	10,377	161	1,132	104	1	11,775
Finance costs	(1,023,586)	(115,459)	(56,101)	(47,647)	(191,891)	(1,434,684)
Income tax (expenses)/credits	(701,928)	14,252	(30,944)	4,779	—	(713,841)

5 SEGMENT INFORMATION *(Continued)*

RMB'000	Shanghai Region	Yangtze River Delta (excluding Shanghai)	Pan Bohai Rim	Northeast China	Others	Elimination	Total
At 31 December 2018							
Total segment assets	**46,428,267**	**23,418,501**	**4,662,229**	**4,925,422**	**6,671,210**	**(43,418,470)**	**42,687,159**
Total segment assets include:							
Investment in an associate	**6,169**	**—**	**—**	**—**	**—**	**—**	**6,169**
Investment in a joint venture	**178,324**	**—**	**—**	**—**	**—**	**—**	**178,324**
Deferred income tax assets							**324,677**
Other unallocated corporate assets							**8,600,868**
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**
At 31 December 2017							
Total segment assets	45,845,937	21,801,793	5,316,635	4,884,398	5,169,382	(39,581,832)	43,436,313
Total segment assets include:							
Investment in an associate	6,076	—	—	—	—	—	6,076
Investment in a joint venture	133,676	—	—	—	—	—	133,676
Deferred income tax assets							432,907
Other unallocated corporate assets							7,769,048
Total assets							51,638,268
Additions to:							
Property, plant and equipment	1,808	533	17	46	—	—	2,404
Investment properties	462,141	131,904	7,802	191,504	—	—	793,351

5 SEGMENT INFORMATION *(Continued)*

RMB'000	2018	2017
Segment results	**5,522,292**	1,155,915
Depreciation and amortisation	**(3,607)**	(4,197)
Fair value changes of investment properties	**(374,561)**	(501,715)
Reversal of provision for loss allowances of trade and other receivables, net	**314,125**	—
Reversal of provision for impairment loss of other receivables	**—**	98,000
Provision for impairment of properties under development and completed properties held for sale	**(1,063,461)**	(1,337,609)
	4,394,788	(589,606)
Interest income	**79,531**	11,775
Finance costs	**(486,189)**	(1,434,684)
Profit/(loss) before income tax	**3,988,130**	(2,012,515)

Analysis of revenue by category

RMB'000	2018	2017
Sales of properties	**10,091,039**	3,465,550

The Group has a large number of customers. During the year ended 31 December 2018, no customer (2017: One) contributed revenue (2017: RMB372,325,000), which represented more than 10% of the Group's total revenue.

Contract liabilities

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

RMB'000	2018	2017
Contract liabilities		
Sales of property (a)	**5,901,056**	—

(a) The contract liabilities above are due to the non-refundable advance payment made by customers.

Revenue recognised in relation to contract liabilities

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

RMB'000	2018	2017
Sales of property	**7,634,608**	—

6 PROPERTY, PLANT AND EQUIPMENT

RMB'000	Building	Computer and office equipment	Motor vehicles	Furniture, fitting and equipment	Leasehold improvements	Plant and machinery	Total
At 1 January 2017							
Cost	73,901	26,143	77,387	6,982	4,209	11	188,633
Accumulated depreciation	(20,627)	(24,443)	(71,466)	(6,739)	(4,209)	(7)	(127,491)
Net book amount	53,274	1,700	5,921	243	—	4	61,142
Year ended 31 December 2017							
Opening net book amount	53,274	1,700	5,921	243	—	4	61,142
Additions	—	320	1,866	218	—	—	2,404
Disposals	—	(11)	(228)	—	—	—	(239)
Depreciation	(3,088)	(543)	(1,098)	(173)	—	(1)	(4,903)
Closing net book amount	50,186	1,466	6,461	288	—	3	58,404
At 31 December 2017							
Cost	73,901	26,172	74,694	7,200	4,209	11	186,187
Accumulated depreciation	(23,715)	(24,706)	(68,233)	(6,912)	(4,209)	(8)	(127,783)
Net book amount	50,186	1,466	6,461	288	—	3	58,404
Year ended 31 December 2018							
Opening net book amount	**50,186**	**1,466**	**6,461**	**288**	**—**	**3**	**58,404**
Additions	**—**	**493**	**—**	**88**	**—**	**17**	**598**
Disposals	**—**	**(47)**	**(216)**	**(30)**	**—**	**(1)**	**(294)**
Depreciation	**(3,083)**	**(316)**	**(787)**	**(90)**	**—**	**—**	**(4,276)**
Closing net book amount	**47,103**	**1,596**	**5,458**	**256**	**—**	**19**	**54,432**
At 31 December 2018							
Cost	**73,901**	**25,727**	**70,613**	**6,698**	**4,209**	**19**	**181,167**
Accumulated depreciation	**(26,798)**	**(24,131)**	**(65,155)**	**(6,442)**	**(4,209)**	**—**	**(126,735)**
Net book amount	**47,103**	**1,596**	**5,458**	**256**	**—**	**19**	**54,432**

6 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

RMB'000	**2018**	2017
Properties under development	**669**	706
Selling and marketing expenses	**415**	451
Administrative expenses	**3,192**	3,746
	4,276	4,903

Building includes the following amounts where the Group is a lessee under a finance lease:

RMB'000	**2018**	2017
Cost — capitalised finance leases	**24,524**	24,524
Accumulated depreciation	**(8,277)**	(7,664)
	16,247	16,860

The Group leases building under non-cancellable finance lease agreement. The lease term is 40 years.

7 INVESTMENT PROPERTIES

RMB'000	**2018**	2017
At beginning of the year	**17,346,646**	17,075,746
Additions	**1,066,291**	793,351
Disposals	**(96,330)**	(20,736)
Fair value changes (included in "other losses, net") (note 24)	**(374,561)**	(501,715)
At end of the year	**17,942,046**	17,346,646

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

RMB'000	**2018**	2017
Rental income	**41,088**	53,432
Direct operating expenses attributable to investment properties that generate rental income	**(2,243)**	(2,415)
Net rental income (note 23)	**38,845**	51,017

7 INVESTMENT PROPERTIES *(Continued)*

As at 31 December 2018, the Group had no unprovided contractual obligations for future repairs and maintenance (2017: Nil) in respect of its investment properties.

Independent valuations of the Group's investment properties were performed by the valuer, Asia-Pacific Consulting Appraisal Limited, to determine the fair value of the investment properties as at 31 December 2018 and 2017. The revaluation gains or losses are included in "Other losses, net" in the consolidated statement of comprehensive income (note 24). The following table analyses the investment properties carried at fair value, by valuation method.

Fair value hierarchy

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

	Fair value measurements at 31 December 2017 using		
RMB'000	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment properties:			
Shops/shopping malls	—	—	3,930,700
Car parks	—	—	211,000
Complexes, including shops, car parks, offices and hotels	—	—	13,204,946

7 INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

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

Fair value measurements using significant unobservable inputs (Level 3)

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

RMB'000	Shops/ shopping malls	Car parks	Complexes, including shops, car parks, offices and hotels	Total
At 1 January 2017	3,845,801	237,000	12,992,945	17,075,746
Additions	281,691	1,245	510,415	793,351
Disposals	(20,736)	—	—	(20,736)
Fair value changes	(176,056)	(27,245)	(298,414)	(501,715)
At 31 December 2017	3,930,700	211,000	13,204,946	17,346,646

7 INVESTMENT PROPERTIES *(Continued)*

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2018 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes. As at 31 December 2018, the fair values of the properties have been determined by Asia-Pacific Consulting Appraisal Limited.

At each financial year end the finance department:

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

Valuation techniques

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

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

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

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

7 INVESTMENT PROPERTIES *(Continued)*

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

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

Description	Fair value at 31 Dec 2018 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Shops/shopping malls (second-tier cities) (completed)	2,237,100	Income approach (term and reversionary method)	Vacancy rate	0% – 10%	The higher the vacancy rate, the lower the fair value
			Term yield and revisionary yield	4% – 6%	The higher the yields, the lower the fair value
			Rental value	RMB1 – RMB22 per day per square meter	The higher the rental value, the higher the fair value
Shops/shopping malls (under construction)	1,078,000	Residual approach	Rental value	RMB1 – RMB3 per day per square meter	The higher the rental value, the higher the fair value
			Term yield and revisionary yield	3% – 6%	The higher the yields, the lower the fair value
			Comparable's unit selling price	RMB27,200 – RMB34,000 per square meter	The higher the unit selling price, the higher the fair value
			Vacancy rate	5% – 30%	The higher the vacancy rate, the lower the fair value
			Estimated costs to completion	RMB4,000 – RMB6,400 per square meter	The higher the estimated costs, the lower the fair value
			Estimated profit margin required to hold and develop property to completion	12% – 15%	The higher the profit margin required, the lower the fair value

7 INVESTMENT PROPERTIES *(Continued)*

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

Description	Fair value at 31 Dec 2018 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Shops/shopping malls (first-tier cities) (completed)	186,000	Comparison approach	Comparable's unit selling price	RMB16,000 – RMB32,000 per square meter	The higher the unit selling price, the higher the fair value
Offices (second-tier-cities) (completed)	21,000	Comparison approach	Comparable's unit selling price	RMB13,400 – RMB14,500 per square meter	The higher the unit selling price, the higher the fair value
Shops/shopping malls (second-tier cities) (ready for lease)	345,000	Comparison approach	Comparable's unit selling price	RMB1,600 – RMB2,100 per square meter	The higher the unit selling price, the higher the fair value
Car parks	211,000	Comparison approach	Comparable's unit selling price	RMB270,000 – RMB360,000 per lot	The higher the unit selling price, the higher the fair value
Complexes, including car parks, shops, offices and hotels (first-tier cities) (under construction)	11,570,946	Residual approach	Rental value	RMB4 – RMB10 per day per square meter	The higher the rental value, the higher the fair value
			Term yield and revisionary yield	4% – 6%	The higher the yields, the lower the fair value
			Estimated costs to completion	RMB19,600 – RMB21,000 per square meter	The higher the estimated costs, the lower the fair value
			Estimated profit margin required to hold and develop property to completion	15% of property value	The higher the profit margin required, the lower the fair value
			Vacancy rate	8% – 40%	The higher the vacancy rate, the lower the fair value

7 INVESTMENT PROPERTIES *(Continued)*

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

Description	Fair value at 31 Dec 2018 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
			Comparable's unit selling price (for office portion)	RMB52,000 – RMB56,000 per square meter	The higher the unit selling price, the higher the fair value
			Comparable's unit selling price (for car parks)	RMB270,000 – RMB360,000 per lot	The higher the unit selling price, the higher the fair value
Complexes, including car parks, shops, offices and hotels (second-tier cities) (under construction)	2,293,000	Residual approach	Estimated costs to completion	RMB5,800-RMB6,000 per square meter	The higher the estimated costs, the lower the fair value
			Estimated profit margin required to hold and develop property to completion	15% of property value	The higher the profit margin required, the lower the fair value
			Comparable's unit selling price	RMB11,000 – RMB15,700 per square meter	The higher the unit selling price, the higher the fair value

7 INVESTMENT PROPERTIES *(Continued)*

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

As at 31 December 2017, the key assumptions adopted in the valuation in determining fair value were in the following ranges for the Group's portfolio of investment properties:

Description	Fair value at 31 Dec 2017 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Shops/shopping malls (completed)	1,994,700	Income approach (term and reversionary method)	Vacancy rate	0% – 10%	The higher the vacancy rate, the lower the fair value
			Term yield and revisionary yield	4.5% – 6%	The higher the yields, the lower the fair value
			Rental value	RMB2 – RMB20 per day per square meter	The higher the rental value, the higher the fair value
Shops/shopping malls (under construction)	1,435,000	Residual approach	Rental value	RMB1 – RMB3 per day per square meter	The higher the rental value, the higher the fair value
			Term yield and revisionary yield	3.5% – 6%	The higher the yields, the lower the fair value
			Comparable's unit selling price	RMB26,000 – RMB30,100 per square meter	The higher the unit selling price, the higher the fair value
			Vacancy rate	0% – 30%	The higher the vacancy rate, the lower the fair value
			Estimated costs to completion	RMB4,500 – RMB9,700 per square meter	The higher the estimated costs, the lower the fair value
			Estimated profit margin required to hold and develop property to completion	12% – 15%	The higher the profit margin required, the lower the fair value

7 INVESTMENT PROPERTIES *(Continued)*

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

Description	Fair value at 31 Dec 2017 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Shops/shopping malls (first-tier cities) (completed)	186,000	Comparison approach	Comparable's unit selling price	RMB26,000 – RMB32,000 per square meter	The higher the unit selling price, the higher the fair value
Shops/shopping malls (second-tier cities) (under planning)	315,000	Comparison approach	Comparable's unit selling price	RMB1,736 – RMB2,127 per square meter	The higher the unit selling price, the higher the fair value
Car parks	211,000	Comparison approach	Comparable's unit selling price	RMB270,000 – RMB360,000 per lot	The higher the unit selling price, the higher the fair value
Office (second-tier cities) (completed)	21,000	Comparison approach	Comparable's unit selling price	RMB13,500 – RMB14,500 per square meter	The higher the unit selling price, the higher the fair value

7 INVESTMENT PROPERTIES *(Continued)*

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

Description	Fair value at 31 Dec 2017 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Complexes, including car parks, shops, offices and hotels (first-tier cities) (under construction)	10,975,946	Residual approach	Rental value	RMB9 – RMB19 per day per square meter	The higher the rental value, the higher the fair value
			Term yield and revisionary yield	6% – 6.5%	The higher the yields, the lower the fair value
			Estimated costs to completion	RMB7,700 – RMB11,000 per square meter	The higher the estimated costs, the lower the fair value
			Estimated profit margin required to hold and develop property to completion	15% of property value	The higher the profit margin required, the lower the fair value
			Vacancy rate	7% – 50%	The higher the vacancy rate, the lower the fair value
			Comparable's unit selling price (for office portion)	RMB45,000 – RMB69,000 per square meter	The higher the unit selling price, the higher the fair value
			Comparable's unit selling price (for car parks)	RMB270,000 – RMB360,000 per lot	The higher the unit selling price, the higher the fair value
Complexes, including car parks, shops, offices and hotels (second-tier cities) (completed)	2,208,000	Comparison approach	Comparable's unit selling price	RMB13,500 – RMB14,500 per square meter	The higher the unit selling price, the higher the fair value

7 INVESTMENT PROPERTIES *(Continued)*

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

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

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

RMB'000	**2018**	2017
In the PRC, held on:		
Leases of 10-50 years	**14,169,946**	13,731,946
Leases of over 50 years	**3,772,100**	3,614,700
	17,942,046	17,346,646

As at 31 December 2018, investment properties with carrying value of RMB14,336,108,000 (2017: RMB13,597,582,000) were pledged as collateral for the Group's borrowings (note 18).

8 INTANGIBLE ASSETS

RMB'000	**2018**	2017
At beginning of the year	**1,800**	1,800
Amortisation charge	**—**	—
At end of the year	**1,800**	1,800
At end of the year		
Cost	**4,300**	4,300
Accumulated amortisation	**(2,500)**	(2,500)
Net book amount	**1,800**	1,800

There was no amortisation or impairment of the Group's intangible assets during the year (2017: Nil).

9 INVESTMENT IN AN ASSOCIATE

RMB'000	2018	2017
Investment in an associate	**6,169**	6,076

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

Set out below is the summarised financial information for Shanghai Chuangmeng which is accounted for using the equity method:

RMB'000	2018	2017
Assets		
Non-current assets	**1,404**	2,274
Current assets	**17,810**	18,226
	19,214	20,500
Liabilities		
Current liabilities	**5,506**	6,998
Net assets	**13,708**	13,502
Income	**34,319**	43,908
Expenses, including income tax	**(34,113)**	(37,244)
Profit for the year	**206**	6,664

Reconciliation of summarised financial information

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

RMB'000	2018	2017
Net assets at 1 January	**13,502**	6,838
Profit for the year	**206**	6,664
Net assets at 31 December	**13,708**	13,502
Interest in an associate (45%)	**6,169**	6,076
Carrying value at 31 December	**6,169**	6,076

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

RMB'000	2018	2017
Interest in a joint venture		
Investment in a joint venture	**178,324**	133,676
Loan to a joint venture (a)	**919,746**	1,564,643
Unrealised interest income on loan to a joint venture	**(1,043,278)**	(1,088,236)
	54,792	610,083
Amount due to a joint venture	**(353,029)**	—

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

RMB'000	2018	2017
Share of (loss)/profit of a joint venture		
— share of result of the year	**44,648**	139,091
— realisation of interest income on loan to a joint venture upon sale of properties by the joint venture	**158,281**	459,777
— Additional tax expenses borne by the Group (b)	**(353,029)**	—
	(150,100)	598,868

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

Summarised balance sheet

RMB'000	2018	2017
Current		
Cash and cash equivalents	**383,296**	719,452
Other current assets (excluding cash)	**5,711,483**	6,102,342
Total current assets	**6,094,779**	6,821,794
Financial liabilities (excluding trade payables)	**(182,352)**	(929,143)
Other current liabilities (including trade payables)	**(5,181,753)**	(4,239,489)
Total current liabilities	**(5,364,105)**	(5,168,632)
Non-current		
Assets	**1,142**	1,442
Financial liabilities	**(434,610)**	(1,431,811)
Net assets	**297,206**	222,793

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

(Continued)

Summarised statement of comprehensive income

RMB'000	2018	2017
Revenue	**1,143,519**	3,311,033
Cost of sales	**(867,918)**	(2,706,213)
Depreciation	**(450)**	(469)
Interest income	**4,035**	6,973
Other income	**353,159**	109,583
Other selling and administrative expenses	**(29,402)**	(43,661)
Income tax expenses	**(528,530)**	(445,428)
Profit for the year	**74,413**	231,818

Reconciliation of summarised financial information

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

RMB'000	2018	2017
Net assets/(liabilities) at 1 January	**222,793**	(9,025)
Profit for the year	**74,413**	231,818
Net assets at 31 December	**297,206**	222,793
Interest in a joint venture (60%)	**178,324**	133,676
Carrying value at 31 December	**178,324**	133,676

(a) The loan to a joint venture is unsecured, has no fixed terms of repayment and bears interest that is agreed with Nanjing Jiangxu and its joint venture partner by making reference to the latest benchmark lending rate published by the People's Bank of China. As at 31 December 2018, the annual interest rate is 13% (2017: 13%). The carrying value of the loan to a joint venture approximates its fair value. It is determined based on discounted cash flows using the lending rate and is within level 2 of the fair value hierarchy. The loan to a joint venture is capital in nature.

(b) Shanghai Xintai failed to provide certain documents to Nanjing Jiangxu for tax deduction purpose. As a result, additional tax expenses incurred by Nanjing Jiangxu was agreed to be borne by Shanghai Xintai in 2018.

11 SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 December 2018 are set out below:

Name	Date of incorporation/ establishment	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest 2018	2017	Principal activities
Directly held:						
Incorporated in the British Virgin Islands (the "BVI") and with principal operations in Hong Kong:						
Bright New Investments Limited (明新投資有限公司)	2 May 2007	Limited company	US$50,000	**100%**	100%	Investment holding
Indirectly held:						
Incorporated in the BVI and with principal operations in Hong Kong:						
Achieve Triumph Limited (達凱有限公司)	6 April 2011	Limited company	US$1	**100%**	100%	Investment holding
Allied Honest Holdings Limited	30 March 2006	Limited company	US$1,000	**100%**	100%	Investment holding
Better Score Limited	25 February 2009	Limited company	US$1	**100%**	100%	Investment holding
East Harbour Development Limited	9 March 2006	Limited company	US$1,000	**100%**	100%	Investment holding
East Plus Enterprises Limited (東和企業有限公司)	25 November 2010	Limited company	US$1	**100%**	100%	Investment holding
Grand Target Group Limited (君達集團有限公司)	23 January 2006	Limited company	US$1,000	**100%**	100%	Investment holding
Highest Reach Limited	9 March 2007	Limited company	US$50,000	**100%**	100%	Investment holding
Jolly Rich Limited (怡富有限公司)	25 March 2011	Limited company	US$1	**100%**	100%	Investment holding
May Gain Limited (美盈有限公司)	6 April 2011	Limited company	US$1	**100%**	100%	Investment holding
Regal World Development Limited	21 February 2006	Limited company	US$1,000	**100%**	100%	Investment holding
Vieward Group Limited (景向集團有限公司)	15 February 2006	Limited company	US$1,000	**100%**	100%	Investment holding

11 SUBSIDIARIES *(Continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest 2018	2017	Principal activities
Incorporated in Hong Kong and with principal operations in Hong Kong:						
Cheston Holdings Limited (卓怡集團有限公司)	14 June 2006	Limited company	HK$1	**100%**	100%	Investment holding
Extreme (Asia) Limited (永和(亞洲)有限公司)	15 May 2006	Limited company	HK$1	**100%**	100%	Investment holding
Fast Right Limited	15 December 2006	Limited company	HK$10,000	**100%**	100%	Investment holding
Glorious Corporate Services Limited	12 July 2010	Limited company	HK$1	**100%**	100%	Provision of corporate services
Gold Radiant Investments Limited (富谷投資有限公司)	11 April 2011	Limited company	HK$1	**100%**	100%	Investment holding
Greater Base Limited (基鉅有限公司)	3 March 2009	Limited company	HK$1	**100%**	100%	Investment holding
Rich Tech International Enterprise Limited (富達國際企業有限公司)	2 June 2006	Limited company	HK$1	**100%**	100%	Investment holding
Triumph One Investments Limited (美堡投資有限公司)	11 April 2011	Limited company	HK$1	**100%**	100%	Investment holding
Venture Hong Kong Group Limited (富昇香港集團有限公司)	26 June 2006	Limited company	HK$1	**100%**	100%	Investment holding
Worldex Investment Development Limited (恒匯投資發展有限公司)	14 June 2006	Limited company	HK$1	**100%**	100%	Investment holding
Incorporated in Singapore and with principal operations in Singapore:						
Wachovian II Co Pte. Ltd.	14 August 2007	Limited company	SGD10	**100%**	100%	Investment holding
Incorporated in the PRC and with principal operations in the PRC:						
Fuda Real Estate Development (Nantong) Co., Ltd. (富達房地產開發(南通)有限公司)	1 August 2006	Limited company	US$55,940,000	**100%**	100%	Property development and investment holding
Fusheng Real Estate Development (Nantong) Co., Ltd. (富昇房地產開發(南通)有限公司)	27 June 2005	Limited company	US$49,980,000	**100%**	100%	Property development and investment holding
Henghui Real Estate Development (Nantong) Co., Ltd. (恒匯房地產開發(南通)有限公司)	22 July 2005	Limited company	US$56,490,000	**100%**	100%	Property development and investment holding

11 SUBSIDIARIES *(Continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest 2018	2017	Principal activities
Incorporated in the PRC and with principal operations in the PRC (continued):						
Nantong Huangshi Hui Real Estate Development Co., Ltd. (南通皇室會房地產開發有限公司)	25 July 2005	Limited company	US$64,490,000	**100%**	100%	Property development and investment holding
Nantong Jiangle Real Estate Development Co., Ltd. (南通江樂房地產開發有限公司)	27 June 2006	Limited company	US$49,900,000	**100%**	100%	Property development and investment holding
Nantong Jigui Real Estate Development Co., Ltd. (南通杰匯置業發展有限公司)	14 April 2006	Limited company	US$56,990,000	**100%**	100%	Property development and investment holding
Nantong Jiju Foundation Facilities Construction Co., Ltd. (南通基鉅基礎設施建設有限公司)	27 April 2009	Limited company	US$3,000,000	**100%**	100%	Investment holding
Nantong Lehua Real Estate Development Co., Ltd. (南通樂華房地產開發有限公司)	29 June 2006	Limited company	US$57,400,000	**100%**	100%	Property development and investment holding
Yonghe Real Estate Development (Nantong) Co., Ltd. (永和房地產開發(南通)有限公司)	10 April 2006	Limited company	US$51,370,000	**100%**	100%	Property development and investment holding
Zhuo Yi Real Estate Development (Nantong) Co., Ltd. (卓怡房地產開發(南通)有限公司)	2 August 2006	Limited company	US$49,900,000	**100%**	100%	Property development and investment holding
Dalian Runjing Property Development Co., Ltd. (大連潤景房地產開發有限公司)	19 January 2010	Limited company	RMB100,000,000	**100%**	100%	Property development
Glorious Baofeng (Nantong) Property Development Co., Ltd. (恒盛寶豐(南通)置業發展有限公司)	12 January 2010	Limited company	RMB802,000,000	**100%**	100%	Property development
Glorious Equity Investment and Fund Management (Shanghai) Co., Ltd. (恒盛股權投資基金管理(上海)有限公司)	14 July 2015	Limited company	—	**100%**	100%	Investment holding
Glorious Fuhai (Harbin) Property Development Co., Ltd. (恒盛福海(哈爾濱)置業有限公司)	5 November 2010	Limited company	RMB100,000,000	**100%**	100%	Property development
Glorious Fusheng Property Investment (Beijing) Co., Ltd. (恒盛富升地產投資(北京)有限公司)	23 July 2010	Limited company	RMB100,000,000	**100%**	100%	Investment holding

11 SUBSIDIARIES *(Continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest 2018	2017	Principal activities
Incorporated in the PRC and with principal operations in the PRC (continued):						
Glorious Hengmao (Hefei) Property Development Co., Ltd. (恒盛恒茂(合肥)房地產開發有限公司)(a)	24 October 2007	Limited company	RMB509,830,227	**100%**	100%	Property development
Glorious Hetian Hexin (Beijing) Property Development Co., Ltd. (恒盛合天和信(北京)房地產開發有限公司)	25 December 2001	Limited company	RMB130,000,000	**100%**	100%	Property development
Glorious Hongsheng (Suzhou) Property Development Co., Ltd. (恒盛弘晟(蘇州)置業有限公司)	17 March 2005	Limited company	RMB170,000,000	**100%**	100%	Property development
Glorious Huixin (Changchun) Property Development Co., Ltd. (恒盛匯鑫(長春)置業有限公司)	7 May 2010	Limited company	RMB250,000,000	**100%**	100%	Property development
Glorious Plaza (Nantong) Property Development Co., Ltd. (恒盛廣場(南通)房地產開發有限公司)	12 December 2007	Limited company	RMB460,000,000	**100%**	100%	Property development
Glorious Property Investment (Changchun) Co., Ltd. (恒盛地產投資(長春)有限公司)	25 August 2011	Limited company	RMB50,000,000	**100%**	100%	Investment holding
Glorious Property Investment (Harbin) Co., Ltd. (恒盛地產投資(哈爾濱)有限公司)	3 August 2010	Limited company	RMB100,000,000	**100%**	100%	Investment holding
Glorious Property Investment (Hefei) Co., Ltd. (恒盛地產投資(合肥)有限公司)	23 July 2010	Limited company	RMB250,000,000	**100%**	100%	Investment holding
Glorious Property Investment (Nanjing) Co., Ltd. (恒盛地產投資(南京)有限責任公司)	21 May 2013	Limited company	RMB30,000,000	**100%**	100%	Investment holding
Glorious Property Investment (Nantong) Co., Ltd. (恒盛地產投資(南通)有限公司)	28 May 2010	Limited company	RMB420,000,000	**100%**	100%	Investment holding
Glorious Property Investment (Shanghai) Co., Ltd. (恒盛地產投資(上海)有限公司)	21 June 2010	Limited company	RMB100,000,000	**100%**	100%	Investment holding
Glorious Property Investment (Tianjin) Co., Ltd. (恒盛地產投資(天津)有限公司)	2 December 2010	Limited company	RMB40,000,000	**100%**	100%	Investment holding

11 SUBSIDIARIES *(Continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest 2018	2017	Principal activities
Incorporated in the PRC and with principal operations in the PRC (continued):						
Glorious Qiwei (Shanghai) Industry Co., Ltd. (恒盛祺偉(上海)實業有限公司)	24 September 2008	Limited company	RMB100,000,000	**100%**	100%	Wholesale of construction materials
Glorious (Shanghai) Commercial Operation and Management Co., Ltd. (恒盛(上海)商業經營管理有限公司)	25 May 2011	Limited company	RMB10,000,000	**100%**	100%	Culture, advertising planning, investment holding and advisory
Glorious Tianxingjian (Tianjin) Real Estate Investment Co., Ltd. (恒盛天行建(天津)房地產投資有限公司)	20 March 2006	Limited company	RMB53,480,000	**100%**	100%	Property development
Glorious Weida (Nantong) Property Development Co., Ltd. (恒盛煒達(南通)房地產開發有限公司)	12 January 2010	Limited company	RMB3,370,000,000	**100%**	100%	Property development
Glorious Wangjiarui (Wuxi) Co., Ltd. (恒盛旺佳瑞(無錫)有限公司)	7 September 2004	Limited company	RMB1,197,911,767	**100%**	100%	Property development and investment holding
Glorious Yangguang Binhai (Harbin) Property Co., Ltd. (恒盛陽光濱海(哈爾濱)置業有限公司)	19 December 2007	Limited company	RMB660,000,000	**100%**	100%	Property development
Glorious Yangguang Xindi (Beijing) Property Co., Ltd. (恒盛陽光鑫地(北京)置業有限公司)(a)	25 February 2003	Limited company	RMB129,000,000	**100%**	100%	Property development
Glorious Yangguang Xindi (Liaoning) Property Co., Ltd. (恒盛陽光鑫地(遼寧)置業有限公司)	6 June 2005	Limited company	RMB1,333,502,300	**100%**	100%	Property development and investment holding
Glorious Yangguang Xindi (Tianjin) Investment Co., Ltd. (恒盛陽光鑫地(天津)投資有限公司)	19 May 2003	Limited company	RMB806,039,565	**100%**	100%	Property development and investment holding
Glorious Yifeng (Hefei) Property Development Co., Ltd. (恒盛頤豐(合肥)房地產開發有限公司)	14 October 2010	Limited company	RMB250,000,000	**100%**	100%	Property development
Glorious Zhuoda (Nantong) Property Development Co., Ltd. (恒盛焯達(南通)房地產開發有限公司)	21 June 2011	Limited company	RMB183,000,000	**100%**	100%	Property development
Glorious Zhuoyi Property Investment (Dalian) Co., Ltd. (恒盛卓怡地產投資(大連)有限公司)	3 December 2010	Limited company	RMB100,000,000	**100%**	100%	Investment holding
Jiangsu Arts and Cultural Property Holdings Ltd. (江蘇演藝文化產業股份有限公司)	8 May 2004	Limited company	RMB50,000,000	**54%**	54%	Cultural and property development

11 SUBSIDIARIES *(Continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest 2018	2017	Principal activities
Incorporated in the PRC and with principal operations in the PRC (continued):						
Jiangsu Chuangyi Cultural Property Foundation Investment and Construction Co., Ltd. (江蘇創意文化產業基地投資建設有限公司)	16 January 2007	Limited company	RMB88,670,000	**100%**	100%	Investment holding
Jiangsu Glorious Dadi Culture Co., Ltd. (江蘇恒盛大地文化有限責任公司)	28 June 2011	Limited company	RMB10,000,000	**54%**	54%	Property development
Nanjing Rongxiang Wenhua Real Estate Development Co. Ltd. (南京熔祥文華置業有限公司) (deregistered in 2018)	1 July 2014	Limited company	RMB1	**—**	100%	Property development
Nantong Zhuowei Trade Development Co., Ltd. (南通焯煒貿易發展有限公司)	5 June 2003	Limited company	RMB155,000,000	**100%**	100%	Wholesale of mechanical equipments and building materials
Shanghai Anshun Property Development Co., Ltd. (上海安順房地產發展有限公司)	18 January 1996	Limited company	RMB30,000,000	**100%**	100%	Property development
Shanghai Chengxuan Trading Co., Ltd. (上海晟煊貿易有限公司)	1 March 2016	Limited company	RMB500,000	**100%**	100%	Investment holding
Shanghai Haosen Property Co., Ltd. (上海豪森房地產有限公司)	6 October 1998	Limited company	RMB80,000,000	**100%**	100%	Property development
Shanghai Helun Business Consulting Co., Ltd. (上海河倫商務諮詢有限公司)	1 March 2016	Limited company	RMB500,000	**100%**	100%	Investment holding
Shanghai Hengran Property Development Co., Ltd. (上海恒冉房地產開發有限公司)	21 January 2014	Limited company	RMB51,000,000	**100%**	100%	Property development
Shanghai Hongye Property Development Co., Ltd. (上海弘曄房地產發展有限公司)	7 April 2008	Limited company	RMB900,000,000	**100%**	100%	Property development
Shanghai Jinhao Property Development Co., Ltd. (上海錦豪房地產開發有限公司)	25 December 2009	Limited company	RMB10,000,000	**100%**	100%	Property development
Shanghai Junjie Business Consulting Co., Ltd. (上海隽捷商務諮詢有限公司)	28 December 2010	Limited company	RMB1,000,000	**100%**	100%	Business consulting and wholesale of construction materials
Shanghai Mingbao Construction Co., Ltd. (上海明寶建設工程有限公司)	17 January 2004	Limited company	RMB100,000,000	**100%**	100%	Interior and exterior decoration and renovation

11 SUBSIDIARIES *(Continued)*

Name	Date of incorporation/ establishment	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest 2018	2017	Principal activities
Incorporated in the PRC and with principal operations in the PRC (continued):						
Shanghai Penghui Property Development Co., Ltd. (上海鵬暉置業有限公司)	26 May 2008	Limited company	RMB20,000,000	**100%**	100%	Property development
Shanghai Ranjuan Decoration Engineering Co., Ltd. (上海冉娟裝潢工程有限公司)	28 December 2010	Limited company	RMB5,000,000	**100%**	100%	Interior and exterior decoration and renovation
Shanghai Rongxi Business Trading Co., Ltd (上海榮熙商貿有限公司)	24 June 2010	Limited company	RMB1,000,000	**100%**	100%	Trading of mechanical equipments and construction materials
Shanghai Rongxiang Property Development Co., Ltd. (上海熔祥房地產開發有限公司)	29 December 2009	Limited company	RMB10,000,000	**100%**	100%	Property development
Shanghai Shengtong Property Development Co., Ltd. (上海勝通房地產開發有限公司)	19 June 2001	Limited company	RMB601,000,000	**100%**	100%	Property development
Shanghai Xintai Property Development Co., Ltd. (上海鑫泰房地產發展有限公司)	22 April 1999	Limited company	RMB1,400,000,000	**100%**	100%	Property development and investment holding
Shanghai Yijing Property Development Co., Ltd. (上海意景房地產開發有限公司)	22 January 2001	Limited company	RMB563,587,214	**100%**	100%	Property development and investment holding
Shenyang Glorious Plaza Commercial Management Co., Ltd. (瀋陽恒盛廣場商業管理有限公司)	7 September 2010	Limited company	RMB5,000,000	**100%**	100%	Business management and property management
Tianjin Dong'an Construction Co., Ltd. (天津東岸建設有限公司)	11 March 2005	Limited company	RMB510,000,000	**70%**	70%	Property development
Tianjin Gangtian Real Estate Investment Co., Ltd. (天津港天房地產投資有限公司)	21 March 2006	Limited company	RMB136,265,000	**100%**	100%	Property development

Notes:

(a) Pursuant to certain financing arrangements, the Group's entity interests in Glorious Hengmao (Hefei) Property Development Co., Ltd. ("Hefei Hengmao") and Glorious Yangguang Xindi (Beijing) Property Development Co., Ltd. ("Beijing Yangguang") were reduced from 100% to 51% during the years ended 31 December 2018 and 2017. In view of the substance of the arrangement, the directors are of their opinion that it is a loan arrangement and the Group continues to consolidate 100% of Hefei Hengmao and Beijing Yangguang and the consideration received from the financing arrangement is treated as a financial liability and measured at amortised cost using the effective interest method (note 18).

(b) As at 31 December 2018, equity interests of certain of the Company's subsidiaries have been pledged for securing the Group's borrowings (note 18).

12 PROPERTIES UNDER DEVELOPMENT

RMB'000	**2018**	2017
Within normal operating cycle included under current assets	**16,828,906**	21,130,610
Amount comprised:		
Land use rights	**5,963,667**	8,053,337
Construction costs and capitalised expenditures	**5,885,157**	6,902,816
Interest capitalised	**9,661,786**	10,145,301
	21,510,610	25,101,454
Less: Provisions for impairment	**(4,681,704)**	(3,970,844)
	16,828,906	21,130,610

The properties under development are all located in the PRC.

RMB'000	**2018**	2017
Properties under development:		
Expected to be completed and available for sale after more than 12 months	**14,102,971**	15,525,636
Expected to be completed and available for sale within 12 months	**2,725,935**	5,604,974
	16,828,906	21,130,610

As at 31 December 2018, properties under development with carrying value of RMB6,728,095,000 (2017: RMB8,669,515,000) were pledged as collateral for the Group's borrowings (note 18).

13 COMPLETED PROPERTIES HELD FOR SALE

RMB'000	**2018**	2017
Completed properties held for sale comprised:		
Land use rights	**1,549,825**	1,324,916
Construction costs and capitalised expenditures	**6,065,754**	4,354,588
Interest capitalised	**1,366,910**	476,139
	8,982,489	6,155,643
Less: Provision for impairment	**(1,082,684)**	(730,083)
	7,899,805	5,425,560

The completed properties held for sale are all located in the PRC.

As at 31 December 2018, completed properties held for sale with carrying value of RMB2,312,732,000 (2017: RMB1,778,761,000) were pledged as collateral for the Group's borrowings (note 18).

14 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

RMB'000	2018	2017
Trade receivables due from third parties, net (a)	**496,688**	453,368
Trade receivables due from third parties	**499,416**	453,368
Less: provision for loss allowance of trade receivables	**(2,728)**	—
Other receivables due from third parties (b)	**1,139,412**	1,524,760
Consideration receivables	**380,777**	380,777
Others	**1,073,735**	1,955,306
Less: provision for loss allowance of other receivables	**(315,100)**	(811,323)
Prepayments for construction costs:	**1,106,938**	1,879,118
Related parties (note 33(b))	**19,932**	1,034,633
Third parties	**1,087,006**	844,485
Prepayments for land premium (c)	**1,522,225**	1,522,225
Prepaid other taxes	**245,708**	409,923
	4,510,971	5,789,394

(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	2018	2017
Within 6 months	**59,917**	9,113
Between 7 and 12 months	**427**	83,518
Between 13 months and 3 years	**439,072**	360,737
	499,416	453,368

The Group applied the HKFRS 9 simplified approach to measure expected credit losses which used a lifetime expected loss allowance for all trade receivables. Note 3(a)(iv) provides for details about the calculation of the allowance.

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

RMB'000	Note	2018
At beginning of the year (HKAS 39)		—
Adjustment on adoption of HKFRS 9	3(a)(iv)	**2,575**
At beginning of the year (restated)		**2,575**
Provision for loss allowance of trade receivables		**153**
At end of the year		**2,728**

14 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

(a) *(Continued)*

As at 31 December 2018, trade receivables of RMB499,416,000 (2017: RMB453,368,000) includes an amount due from a local government authority of RMB422,215,000 (2017: 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 RMB422,215,000, 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 RMB422,215,000. Accordingly, a counter claim has been filed on 31 July 2017 and no provision has been made by the Group against the above receivable balance as at 31 December 2017. During the year ended 31 December 2018, the management assessment has remained unchanged.

(b)

RMB'000	**2018**	2017
Other receivables due from third parties	**1,454,512**	2,336,083
Less: provision for loss allowance of other receivables	**(315,100)**	(811,323)
Other receivables due from third parties, net	**1,139,412**	1,524,760

As at 31 December 2018 and 2017, 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	Note	**2018**	2017
At beginning of the year (previously stated)		**811,323**	909,323
Adjustment on adoption of HKFRS 9	3(a)(iv)	**108,250**	—
At beginning of the year (restated)		**919,573**	909,323
Reversal of provision for loss allowance of other receivables		**(314,278)**	—
Reversal of provision for impairment loss of other receivables		**—**	(98,000)
Write-off of provision for loss allowance of other receivables		**(290,195)**	—
At end of the year		**315,100**	811,323

(c) As at 31 December 2018, included in prepayments for land premium were prepayment of RMB640,636,000 (2017: 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.

15 RESTRICTED CASH

Restricted cash comprises (i) guarantee deposits for the mortgage loan facilities granted by banks to purchasers of the Group's properties, (ii) guarantee deposits for bank loans, and (iii) other bank deposits that are restricted in use for daily operational needs. The components of restricted cash as at 31 December 2018 are as follows:

RMB'0 00	**2018**	2017
Restricted funds under guarantee deposits for mortgage facilities	**67,730**	29,883
Guarantee deposits for bank loans (i)	**2,922,133**	—
Other restricted funds	**52,202**	2,076
Total	**3,042,065**	31,959

(i) As at 31 December 2018, the guarantee deposits for bank loans of RMB2,922,133,000 (2017: Nil) were related to offshore borrowings.

16 CASH AND CASH EQUIVALENTS

RMB'000	**2018**	2017
Cash at bank and on hand:		
Denominated in RMB	**3,383,352**	232,499
Denominated in US$	**331**	405
Denominated in HK$	**937**	475
	3,384,620	233,379
Less: Restricted cash (note 15)	**(3,042,065)**	(31,959)
	342,555	201,420
Maximum exposure to credit risk	**3,384,294**	232,901

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

17 TRADE AND OTHER PAYABLES

RMB'000	**2018**	2017
Trade payables (a):	**3,798,211**	3,402,666
Related parties (note 33(b))	**15,409**	15,024
Third parties	**3,782,802**	3,387,642
Other payables and accrued expenses (b):	**1,093,050**	989,936
Other taxes payable	**441,804**	228,631
	5,333,065	4,621,233

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

RMB'000	**2018**	2017
Within 6 months	**1,762,095**	1,265,409
Between 7 and 12 months	**792,774**	877,375
Between 13 months and 5 years	**1,243,342**	1,259,882
	3,798,211	3,402,666

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

The Group's other payables and accrued expenses mainly comprise accruals of RMB274,098,000 (2017: RMB165,880,000), refundable deposits of RMB348,712,000 (2017: RMB399,690,000) and consideration payable of RMB101,512,000 (2017: RMB101,512,000).

17 TRADE AND OTHER PAYABLES *(Continued)*

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

RMB'000	**2018**	2017
HK$	**33,324**	36,853
RMB	**5,292,878**	4,574,648
US$	**6,863**	9,732
	5,333,065	4,621,233

(d) As at 31 December 2018 and 2017, the carrying values of the trade and other payable balances approximate their fair values.

18 BORROWINGS

RMB'000	**2018**	2017
Borrowings included in non-current liabilities:		
Bank borrowings — secured	**2,404,921**	5,690,537
	2,404,921	5,690,537
Borrowings included in current liabilities:		
Bank borrowings — secured (c)	**20,055,904**	14,189,006
Senior Notes due 2018 — secured (a)	**—**	2,728,442
Other borrowings — unsecured (b)	**822,761**	710,341
Other borrowings — secured	**148,549**	101,498
	21,027,214	17,729,287
Total borrowings	**23,432,135**	23,419,824
The carrying values of the borrowings are denominated in the following currencies:		
HK$	**193,653**	174,553
RMB	**20,787,542**	19,539,741
US$	**2,450,940**	3,705,530
Total borrowings	**23,432,135**	23,419,824

18 BORROWINGS *(Continued)*

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

RMB'000	**2018**	2017
Bank borrowings	**22,110,074**	18,509,773
Senior Notes due 2018 (a)	—	2,613,680
Other borrowings (b)	**881,201**	775,059
	22,991,275	21,898,512
Adjusted by: unamortised loan arrangement fees and accrued interests	**440,860**	1,521,312
Total borrowings	**23,432,135**	23,419,824

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

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

(b) As at 31 December 2018, short-term borrowings from third parties of RMB822,761,000 (2017: RMB710,341,000) are unsecured, interest-bearing and are repayable within one year from the date of drawdown.

18 BORROWINGS *(Continued)*

(c) The current bank borrowings included borrowings with principal amounts of RMB4,794,000,000 (2017: RMB1,738,697,000) with original maturity beyond 31 December 2019 which have been reclassified as current liabilities as at 31 December 2018 as a result of the matters described in note 2(a)(i).

Management estimates that after taking the measures as set out in note 2(a)(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 2019.

(d) The Group's total borrowings at the balance sheet date are repayable based on contractual maturity as follows:

RMB'000	**2018**	2017
Amounts of borrowing that are repayable:		
Within 1 year	**21,027,214**	17,729,287
After 1 and within 2 years	**22,542**	5,676,987
After 2 and within 5 years	**2,378,829**	7,500
After 5 years	**3,550**	6,050
	23,432,135	23,419,824

(e) The fair value of the Senior Notes due 2018 as at 31 December 2017 was approximately RMB2,535,270,000. This was determined directly by reference to the price quotations published by the Hong Kong Stock Exchange on 31 December 2017 and was within level 1 of the fair value hierarchy. The Senior Notes due 2018 were fully redeemed in the current year. The fair values of the Group's other current and non-current borrowings approximated their carrying amounts at each balance sheet date. They were determined based on discounted cash flows using the borrowing rate and are within level 2 of the fair value hierarchy.

(f) As at 31 December 2018, the Group's effective interest rates was 10.7% (2017: 12.3%).

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

RMB'000	**2018**	2017
Within 6 months	**20,060,688**	10,208,917
Between 7 and 12 months	**1,252,143**	7,536,420
Between 13 months and 5 years	**2,119,304**	5,674,487
	23,432,135	23,419,824

19 OBLIGATIONS UNDER FINANCE LEASE

RMB'000	**2018**	2017
Gross finance lease liabilities — minimum lease payments:		
No later than 1 year	**1,058**	1,058
Later than 1 year and no later than 5 years	**4,787**	4,629
Later than 5 years	**36,759**	37,975
	42,604	43,662
Future finance charges on finance leases	**(23,386)**	(24,534)
Present value of finance lease liabilities	**19,218**	19,128
The present value of finance lease liabilities is as follows:		
No later than 1 year	**998**	998
Later than 1 year and no later than 5 years	**3,907**	3,769
Later than 5 years	**14,313**	14,361
	19,218	19,128

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

20 DEFERRED INCOME TAX

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

RMB'000	**2018**	2017
Deferred income tax assets		
To be realised after more than 12 months	**206,529**	328,102
To be realised within 12 months	**118,148**	104,805
	324,677	432,907
Deferred income tax liabilities		
To be realised after more than 12 months	**2,389,683**	2,476,050
To be realised within 12 months	**—**	—
	2,389,683	2,476,050
Deferred income tax liabilities, net	**(2,065,006)**	(2,043,143)

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

RMB'000	**2018**	2017
At 1 January	**(2,043,143)**	(2,091,279)
(Charged)/credited as income tax expenses (note 28)	**(21,863)**	48,136
At 31 December	**(2,065,006)**	(2,043,143)

20 DEFERRED INCOME TAX *(Continued)*

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

Deferred income tax assets

RMB'000	Tax losses	Unrealised profit and other expenses	Total
At 1 January 2017	146,112	381,306	527,418
Charged to income tax expenses	(11,056)	(39,676)	(50,732)
At 31 December 2017	135,056	341,630	476,686
Charged to income tax expenses	**(68,660)**	**(39,570)**	**(108,230)**
At 31 December 2018	**66,396**	**302,060**	**368,456**

Deferred income tax liabilities

RMB'000	Other timing differences arising from capitalised interest	Fair value changes	Total
At 1 January 2017	(579,375)	(2,039,322)	(2,618,697)
Credited to income tax expenses	14,150	84,718	98,868
At 31 December 2017	(565,225)	(1,954,604)	(2,519,829)
(Charged)/credited to income tax expenses	**(4,337)**	**90,704**	**86,367**
At 31 December 2018	**(569,562)**	**(1,863,900)**	**(2,433,462)**

20 DEFERRED INCOME TAX *(Continued)*

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. As at 31 December 2018, the Group did not recognise deferred income tax assets of RMB1,271,377,000 (2017: RMB1,271,714,000) in respect of tax losses of approximately RMB5,085,506,000 (2017: RMB5,086,855,000) as there are uncertainties as to whether assessable profits will be available in the foreseeable future to utilise such tax losses. These tax losses will expire in the following years:

RMB'000	**2018**	2017
2018	**—**	181,549
2019	**346,803**	346,803
2020	**1,409,629**	1,409,629
2021	**1,710,822**	1,710,822
2022	**1,438,052**	1,438,052
2023	**180,200**	—
	5,085,506	5,086,855

Pursuant to the relevant PRC corporate income tax rules and regulations, withholding tax is imposed on dividends declared in respect of profits earned by the Group's PRC subsidiaries from 1 January 2008. Deferred income tax liabilities of RMB664,459,000 (2017: RMB538,044,000) have not been provided for in these consolidated financial statements in respect of temporary differences attributable to accumulated profits of the Group's PRC subsidiaries as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not be reversed in the foreseeable future.

21 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HK$	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised:					
Ordinary shares of HK$0.01 each at 1 January 2017, 31 December 2017 and 31 December 2018	38,000,000,000	380,000,000			
Issued:					
Ordinary shares of HK$0.01 each at 1 January 2017, 31 December 2017 and 31 December 2018	7,792,645,623	77,926,456	68,745	7,822,982	7,891,727

22 RESERVES

(a) Merger reserve

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

(b) Statutory reserve

In accordance with the relevant regulations and their articles of association, the Company's subsidiaries incorporated in the PRC are required to allocate at least 10% of their after-tax profit according to PRC accounting standards and regulations to the general statutory reserve until such reserve has reached 50% of registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the respective board of directors of the subsidiaries. These reserves can only be used for specific purposes and are not distributable or transferable in the form of loans, advances, or cash dividends. For the year ended 31 December 2018, no appropriation to the general statutory reserve is accrued by the Group (2017: Nil).

(c) Revaluation reserve

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

23 OTHER INCOME

RMB'000	**2018**	2017
Rental income (note 7)	**38,845**	51,017
Others	**8,713**	12,411
	47,558	63,428

24 OTHER LOSSES, NET

RMB'000	**2018**	2017
Fair value changes of investment properties (note 7)	**(374,561)**	(501,715)
Gain on disposal of investment properties	—	8,280
Exchange (loss)/gain, net	**(91,559)**	217,188
Reversal of provision for impairment loss of other receivables	—	98,000
	(466,120)	(178,247)

25 EXPENSES BY NATURE

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

RMB'000	2018	2017
Auditors' remuneration		
— Audit services	**8,635**	8,238
— Non-audit services	**127**	121
Advertising costs	**39,983**	62,406
Business taxes and other levies	**160,837**	130,572
Costs of properties sold	**3,537,477**	2,465,716
Provision for impairment of properties under development and completed properties held for sale	**1,063,461**	1,337,609
Depreciation (note 6)	**3,607**	4,197
Staff costs — excluding directors' emoluments (note 27)	**187,720**	172,600
Rental expenses	**22,859**	22,151

26 FINANCE COSTS, NET

RMB'000	2018	2017
Finance income		
— Interest income	**79,531**	—
Finance costs		
Interest expenses		
— Bank borrowings	**(2,183,002)**	(3,056,231)
— Senior Notes due 2018	**(57,702)**	(376,923)
— Others	**(86,111)**	(61,346)
Total interest expenses	**(2,326,815)**	(3,494,500)
Less: interest capitalised on qualifying assets	**1,840,626**	2,059,816
Finance costs expensed	**(486,189)**	(1,434,684)
Finance costs, net	**(406,658)**	(1,434,684)

Borrowing costs on the loans used to finance the property development projects of the Group have been capitalised in properties under development, property, plant and equipment and investment properties, at a capitalisation rate of 11.8% during the year (2017: 12.3%).

27 STAFF COSTS — EXCLUDING DIRECTORS' EMOLUMENTS

RMB'000	2018	2017
Wages and salaries	**167,172**	148,991
Retirement scheme contribution	**9,892**	10,965
Staff welfare	**3,025**	4,303
Other allowances and benefits	**7,631**	8,341
	187,720	172,600

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2018 were all non-directors (2017: same). The emoluments payable to these 5 individuals (2017: 5 individuals) for the year ended 31 December 2018 are as follows:

RMB'000	2018	2017
Salaries and other short-term benefits	**7,284**	7,939
Retirement scheme contribution	**201**	235
	7,485	8,174

The emoluments fell within the following bands:

	2018	2017
RMB1,000,000 to RMB1,500,000	**4**	2
RMB1,500,001 to RMB2,000,000	**1**	2
RMB2,000,001 to RMB2,500,000	**—**	1
	5	5

28 INCOME TAX EXPENSES

RMB'000	**2018**	2017
Current income tax		
— PRC corporate income tax	**614,747**	249,738
	614,747	249,738
— PRC land appreciation tax	**2,961,145**	512,239
	3,575,892	761,977
Deferred income tax (note 20)		
— Origination and reversal of temporary differences	**21,863**	(48,136)
	21,863	(48,136)
	3,597,755	713,841

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

RMB'000	**2018**	2017
Profit/(loss) before taxation	**3,988,130**	(2,012,515)
Calculated at PRC corporate income tax rate of 25%	**997,033**	(503,129)
Expenses not deductible for tax purposes	**346,257**	529,516
Income not taxable for tax purposes	**(80,104)**	(66,297)
Tax losses not recognised as deferred income tax assets	**45,050**	359,513
Provision for land appreciation tax	**2,961,145**	512,239
Tax effect of land appreciation tax	**(740,286)**	(128,060)
Expiration of tax losses previously recognised as deferred tax assets	**68,660**	10,059
Income tax expenses	**3,597,755**	713,841

28 INCOME TAX EXPENSES *(Continued)*

PRC corporate income tax is provided at the rate of 25% for each of the years ended 31 December 2018 and 2017 of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for PRC corporate income tax purpose.

No Hong Kong profits tax has been provided for the years ended 31 December 2018 and 2017 as there is no assessable profit for these years.

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

29 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	2018	2017
Profit/(loss) attributable to the owners of the Company (RMB'000)	**525,290**	(2,608,618)
Weighted average number of ordinary shares in issue (thousands)	**7,792,646**	7,792,646

(b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For each of the years ended 31 December 2018 and 2017, 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.

30 DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

RMB'000	Note	**2018**	2017
Profit/(loss) for the year		**390,375**	(2,726,356)
Adjustments for:			
Share of profit of an associate		**(93)**	(2,999)
Share of loss/(profit) of a joint venture		**150,100**	(598,868)
Income tax expenses	28	**3,597,755**	713,841
Interest income	26	**(79,531)**	(11,775)
Interest expenses	26	**486,189**	1,434,684
Fair value changes of investment properties	24	**374,561**	493,435
Depreciation	6	**3,607**	4,197
Gains on disposals of property, plant and equipment		**(412)**	(140)
Exchange loss/(gain), net	24	**91,559**	(217,188)
Provision for impairment of properties under development and completed properties held for sale	25	**1,063,461**	1,337,609
Reversal of provision for loss allowances of trade and other receivables, net	3(a)(iv)	**(314,125)**	—
Reversal of provision for impairment loss of other receivables	24	**—**	(98,000)
Changes in working capital:			
Properties under development and completed properties held for sale		**2,176,334**	568,560
Restricted cash		**(87,973)**	148,676
Trade and other receivables and prepayments		**1,628,489**	157,899
Interest in a joint venture and amount due to a joint venture		**758,220**	872,211
Trade and other payables		**711,832**	(389,103)
Advanced proceeds received from customers		**—**	3,839,682
Contract liabilities		**(4,874,234)**	—
Cash generated from operations		**6,076,114**	5,526,365

31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities

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

RMB'000	**Borrowings**
As at 1 January 2017	27,776,294
Cash flows	
– Inflow from financing activities	4,661,258
– Outflow from financing activities	(9,724,934)
– Outflow from operating activities	(2,320,609)
– Outflow from investing activities	(255,675)
Foreign exchange adjustments	(211,010)
Other non-cash movements	
– Accrual of interest expenses and others	3,494,500
As at 31 December 2017	23,419,824
As at 1 January 2018	23,419,824
Cash flows	
– Inflow from financing activities	15,550,229
– Outflow from financing activities	(14,835,101)
– Outflow from operating activities	(2,817,094)
– Outflow from investing activities	(301,849)
Foreign exchange adjustments	89,311
Other non-cash movements	
– Accrual of interest expenses and others	2,326,815
As at 31 December 2018	23,432,135

32 COMMITMENTS

(a) Commitments for capital and property development expenditures

RMB'000	2018	2017
Contracted but not provided for		
Land use rights	**545,736**	545,736
Property development expenditures	**3,670,311**	3,458,460
— Shanghai Ditong (i)	**3,086,125**	2,465,797
— Third parties	**584,186**	992,663
Construction materials	**124,902**	23,088
	4,340,949	4,027,284

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

As at 31 December 2018, the Group's share of commitment of the joint venture (note 10) is RMB83,461,000 (2017: RMB149,054,000).

(b) Operating lease commitments

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

RMB'000	2018	2017
No later than 1 year	**9,051**	10,271
Later than 1 year and no later than 5 years	**13,583**	5,215
	22,634	15,486

33 RELATED PARTY TRANSACTIONS

As at 31 December 2018, Best Era International Limited, Market Victor Limited, Novel Ventures Limited, Island Century Limited and Well Advantage Limited held, in aggregate, 68.4% of the issued share capital of the Company. These five companies are all wholly-owned directly or indirectly by Mr. Zhang Zhi Rong. The remaining 31.6% of the Company's issued shares are widely held. The ultimate controlling party of the Company is Mr. Zhang Zhi Rong.

The following transactions were carried out with related parties:

(a) Purchase of services

RMB'000	**2018**	2017
Purchase of construction services from:		
— Shanghai Ditong	**124,934**	539,982
Purchase of property design services from an associate	**2,725**	14,885

(b) Balances with related parties

As at 31 December 2018 and 2017, the Group had the following significant balances with related parties:

RMB'000	**2018**	2017
Balances included in current assets:		
Prepayments to related companies for construction costs or purchase of services — included in "Prepayments"		
— Shanghai Ditong (i)	**17,157**	1,031,858
— Other related companies	**2,775**	2,775
	19,932	1,034,633
Balances included in current liabilities:		
Amount due to a joint venture	**353,029**	—
Trading balances with other related companies — included in "Trade payables"	**15,409**	15,024

33 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties *(Continued)*

(i) The proposed annual caps for the continuing connected transactions with Shanghai Ditong for the years ending 31 December 2018, 2019 and 2020 were not approved by the independent shareholders in the extraordinary general meetings on 28 December 2017, 21 March 2018 and 12 November 2018 respectively. The Group revisited the construction plans and came into agreement with Shanghai Ditong to closely monitor the construction progress so as to reduce the amounts of transactions with Shanghai Ditong to a level that complies with the Listing Rules.

During the year ended 31 December 2018, RMB889,767,000 has been refunded from Shanghai Ditong upon revision of construction plans.

Except for the loan to a joint venture, the terms of which are disclosed in note 10(a), as at 31 December 2018 and 2017, all other balances with related parties were unsecured, interest free and repayable on demand or to be settled according to the relevant trading terms, as appropriate.

(c) Key management compensation

RMB'000	**2018**	2017
Salaries and other short-term employee benefits	**2,610**	2,486
	2,610	2,486

(d) Other related party transaction

As at 31 December 2018, certain borrowings of RMB1,700,000,000 were guaranteed by Mr. Zhang Zhi Rong.

34 FINANCIAL GUARANTEES

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

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. As at 31 December 2018, the amount of outstanding guarantees for mortgages were approximately RMB4,655,713,000 (2017: RMB4,916,195,000).

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

35 SHARE OPTION SCHEMES

(a) Pre-IPO share option scheme

Pursuant to a resolution in writing passed by all the shareholders of the Company on 9 September 2009, the Company conditionally approved and adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme"). By the same resolution, the Company granted 84,000,000 share options to its directors and employees which are exercisable for a ten-year period from the grant date under the following terms:

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

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

The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense, with a corresponding adjustment to employee share-based compensation reserve over the vesting period. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity. There was no share-based compensation expenses for the year ended 31 December 2018 and 2017.

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

Details of Pre-IPO Share Option Scheme during the year ended 31 December 2018 and 2017 is as follows:

	Exercise Price (HK$)	**Number of options**
At 31 December 2018 and 31 December 2017	1.76	69,000,000

All of the outstanding share options as at 31 December 2018 were exercisable and will expire by 8 September 2019.

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

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

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

35 SHARE OPTION SCHEMES *(Continued)*

(b) Share option scheme

Pursuant to the aforementioned resolution in writing passed by all the shareholders of the Company on 9 September 2009, the Company adopted a share option scheme on 9 September 2009 ("Share Option Scheme"). The purpose of the share option scheme is to provide incentives to the Group's employees including the executive directors and non-executive directors (each a "participant"). The Board may, at any time within 10 years after the date of adoption of the Share Option Scheme, make an offer to any participant. The subscription price for shares granted pursuant to the Share Option Scheme is the highest of:

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

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

— the nominal value of the shares of the Company.

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

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

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

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 was not accepted by the Grantees within the required acceptance period under the Share Option Scheme. The accepted 629,995,000 share options may be exercisable at any time during the option period from 4 February 2019 to 3 February 2024 (both dates inclusive) at an exercise price of HK$0.45 per share. Unless with the prior written consent of the Board, at any time during a period of six months from the date of the allotment and issue of the shares pursuant to exercise of the share options by the Grantee, the Grantee shall not dispose of, nor enter into any agreement to dispose of, the shares subscribed pursuant to the exercise of the share options.

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

36 BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY

RMB'000	Note	**2018**	2017
Non-current assets			
Interests in subsidiaries		**7,543,152**	7,934,087
		7,543,152	7,934,087
Current assets			
Prepayments		**204**	205
Cash and cash equivalents		**359**	352
		563	557
Total assets		**7,543,715**	7,934,644
Current liabilities			
Trade and other payables		**9,053**	11,873
Amounts due to subsidiaries		**1,746,141**	2,156,119
Borrowings		**3,484,120**	3,172,941
		5,239,314	5,340,933
Total liabilities		**5,239,314**	5,340,933
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**68,745**	68,745
Share premium		**7,822,982**	7,822,982
Reserves	(a)	**(5,587,326)**	(5,298,016)
Total equity		**2,304,401**	2,593,711
Total liabilities and equity		**7,543,715**	7,934,644

Approved by the Board on 29 March 2019 and signed on its behalf by

,

Ding Xiang Yang
Director

Xia Jing Hua
Director

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

(a) Reserves movement of the Company

RMB'000	Other reserve (note (i))	Employee share-based compensation reserve	Accumulated losses	Total
Balance at 1 January 2017	264,317	201,795	(5,487,064)	(5,020,952)
Total comprehensive loss for the year	—	—	(277,064)	(277,064)
Balance at 31 December 2017	**264,317**	**201,795**	**(5,764,128)**	**(5,298,016)**
Total comprehensive loss for the year	**—**	**—**	**(289,310)**	**(289,310)**
Balance at 31 December 2018	**264,317**	**201,795**	**(6,053,438)**	**(5,587,326)**

(i) **Other reserve**

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

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

(a) Directors' emoluments

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

For the year ended 31 December 2018

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

For the year ended 31 December 2017

RMB'000	Fee	Salaries, allowance and benefits in kind	Bonus	Employer's contribution to retirement scheme	Other benefits	Total
Executive directors (i):						
Mr. Ding Xiang Yang	—	789	—	61	33	883
Mr. Xia Jing Hua	—	709	—	61	28	798
Mr. Yan Zhi Rong	—	709	—	61	33	803
Non-executive director:						
Mr. Cheng Li Xiong (ii)	403	—	—	77	32	512
Independent non-executive directors:						
Mr. Wo Rui Fang	401	—	—	—	—	401
Mr. Han Ping	401	—	—	—	—	401
Prof. Liu Tao	405	—	—	—	—	405

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

(a) Directors' emoluments *(Continued)*

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

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

(b) Other directors' benefits and interest

During the years ended 31 December 2018 and 2017, there were:

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

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

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

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

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

(c) During each of the years ended 31 December 2018 and 2017, no director received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office, no director waived or has agreed to waive any emoluments.

Five-Year Financial Summary

CONSOLIDATED RESULTS

RMB'000	2014	2015	2016	2017	**2018**
Revenue	4,263,341	2,340,198	2,572,542	3,465,550	**10,091,039**
Cost of sales	(5,219,106)	(4,321,044)	(3,891,669)	(3,933,897)	**(4,761,775)**
Gross profit/(loss)	(955,765)	(1,980,846)	(1,319,127)	(468,347)	**5,329,264**
Other income	70,544	73,677	50,821	63,428	**47,558**
Other (losses), net	(164,689)	(295,404)	(1,919,722)	(178,247)	**(466,120)**
Reversal of provision for loss allowance of trade and other receivables, net	—	—	—	—	**314,125**
Selling and marketing expenses	(137,245)	(99,603)	(99,434)	(146,528)	**(220,653)**
Administrative expenses	(1,297,265)	(529,751)	(451,412)	(450,004)	**(459,379)**
Finance costs, net	(140,828)	(1,320,638)	(1,097,061)	(1,434,684)	**(406,658)**
Share of profit of an associate	1,202	123	146	2,999	**93**
Share of (loss)/profit of a joint venture	(11,523)	264,429	(13,806)	598,868	**(150,100)**
Profit/(loss) before taxation	(2,635,569)	(3,888,013)	(4,849,595)	(2,012,515)	**3,988,130**
Income tax (expenses)/credits	(530,838)	(85,326)	120,448	(713,841)	**(3,597,755)**
Profit/(loss) for the year	(3,166,407)	(3,973,339)	(4,729,147)	(2,726,356)	**390,375**
Profit/(loss) for the year attributable to:					
— the owners of the Company	(2,995,989)	(3,877,922)	(4,021,011)	(2,608,618)	**525,290**
— non-controlling interests	(170,418)	(95,417)	(708,136)	(117,738)	**(134,915)**
	(3,166,407)	(3,973,339)	(4,729,147)	(2,726,356)	**390,375**
Earnings/(loss) per share for profit/(loss) attributable to the owners of the Company (expressed in RMB per share)					
— Basic	(0.38)	(0.50)	(0.52)	(0.33)	**0.07**
— Diluted	(0.38)	(0.50)	(0.52)	(0.33)	**0.07**
Dividend	—	—	—	—	**—**
Dividend per share (expressed in RMB per share)	—	—	—	—	**—**

Five-Year Financial Summary

ASSETS AND LIABILITIES

RMB'000	2014	2015	2016	2017	**2018**
Total non-current assets	14,380,627	18,525,842	18,507,820	18,455,916	**18,383,916**
Total current assets	39,544,735	38,835,857	36,596,381	33,182,352	**33,105,256**
Total assets	53,925,362	57,361,699	55,104,201	51,638,268	**51,489,172**
Total non-current liabilities	8,784,868	3,216,061	11,858,395	8,184,717	**4,812,824**
Total current liabilities	28,578,229	40,608,982	34,534,944	37,469,045	**40,412,292**
Total liabilities	37,363,097	43,825,043	46,393,339	45,653,762	**45,225,116**
Net assets	16,562,265	13,536,656	8,710,862	5,984,506	**6,264,056**

Particulars of Major Properties Held

				Interest attributable to the Group			
	Name of property	Location	Type	Percentage	Approximate GFA (sq.m.)	Approximate number of carparks	Lease term
A.	**Major properties held for investment by the Group**						
1.	Chateau De Paris	No.2093 Xietu Road, Xuhui District, Shanghai	Commercial	100%	15,559	342	Long term
2.	Sunshine Venice (Phases I, II & IIIA, B)	South of Taopu Road, west of Qilianshan Road, Shanghai	Commercial	100%	38,701	850	Long term
3.	Sunshine Venice (Phase IIIC)	South of Taopu Road, west of Qilianshan Road, Shanghai	Commercial	100%	58,718	—	Long term
4.	Shanghai Bay (Phase III) – Binjiang Center (North block)	No. 1441 Wanping South Road, Shanghai	Commercial/ Office	100%	114,537	362	Long term
5.	Shanghai Bay (Phase III) – Binjiang Center (South block)	No. 1441 Wanping South Road, Shanghai	Commercial/ Office	100%	123,918	307	Long term
6.	Sunglow Xinjing	No. 259 Tiandeng Road, Shanghai	Commercial	100%	2,076	81	Long term
7.	Caohejing Project	No. 292 Caohejing Road, Shanghai	Commercial/ Office/Hotel	100%	115,031	450	Long term
8.	Zhongcaoxincun Project	No. 143 Xujiahui Road, Shanghai	Commercial/ Office	100%	91,000	340	Long term
9.	Sunny Town (Shenyang Glorious Plaza)	No. 181, Nujiang North Street, Yuhong District, Shenyang, Liaoning Province	Commercial	100%	119,391	511	Long term
10.	Sunshine Holiday (Phase IV)	Intersection of Taixing South Road and Chenyang Road,Hedong District, Tianjin	Commercial	100%	35,906	180	Long term
11.	Tianjin Glorious Plaza	Intersection of Taixing South Road and Chenlin Road, Hedong District, Tianjin	Commercial	100%	7,622	575	Long term
12.	Changchun Villa Glorious (West) (Phase I)	East to Chaoran Street, south to Guihua Road, west to Chaoqun Street, north to Yisi Road, New and High-tech District, Changchun	Commercial	100%	21,397	200	Long term
13.	Hefei Bashangjie Project	Southwest intersection of Mingguang Road and Changjiang East Road, Hefei, Anhui Province	Commercial/ Office/Hotel	100%	700,203	3,800	Long term
14.	Nanjing Royal Bay (Land parcels C and D)	West to Yangtze River, east to Zhenghe South Road, north to Yangtze River Road and south to Dinghuaimen Street, Gulou District, Nanjing	Commercial	60%	30,584	757	Long term
15.	Nantong Glorious Plaza	South of Shiji Avenue and east of Gongnong Road, Nantong, Jiangsu Province	Commercial/ Office/Hotel	100%	297,486	1,196	Long term
	Subtotal				**1,772,129**	**9,951**	

Particulars of Major Properties Held

	Name of property	Location	Type	Interest attributable to the Group: Percentage	Approximate GFA (sq.m.)	Approximate site area (sq.m.)	Approximate number of carparks	Stage of completion	Anticipated completion date
B.	**Major projects under development and planning held by the Group**								
1.	Shanghai Bay (Phase IIB)	No. 1441 Wanping South Road, Shanghai	Residential/ Commercial	100%	64,530	178,734[1]	1,151	Main structure under construction	October 2019
2.	Royal Lakefront (Phase IB)	Jinhai Road, Zefeng Road and Wangyuan Road, Fengxian District, Shanghai	Commercial	100%	22,750	118,307[2]	200	Under planning	December 2021
	Royal Lakefront (Phase II)	Jinhai Road, Zefeng Road and Wangyuan Road, Fengxian District, Shanghai	Commercial	100%	89,540	161,388	890	Under planning	December 2020
3.	Sunshine Venice (Phase IV)	South of Taopu Road and west of Qilianshan Road, Shanghai	Residential	100%	83,421	429,929[3]	322	Under planning	December 2020
4.	Holiday Royal	South of Jiefang East Road, West of planned Xianzheng Raod, Nanqiao New City, Shanghai	Residential	100%	131,424	40,880	996	Exterior and interior overall under construction	December 2019
5.	Hefei Royal Garden	Southeast intersection of Mengcheng Road and Lianshui Road, Hefei	Hotel	100%	20,000	150,000[5]	120	Under planning	October 2020
6.	Hefei Bashangjie Project (Land parcel A1)	Southwest intersection of Mingguang Road and Changjiang East Road, Hefei, Anhui Province	Residential/ Commercial	100%	747,005	118,929[6]	4,555	Under planning	March 2021
	Hefei Bashangjie Project (Land parcel A2, Phase 1.2)	Southwest intersection of Mingguang Road and Changjiang East Road, Hefei, Anhui Province	Residential/ Commercial	100%	83,524	118,929[6]	734	Preparing to completion	June 2019
	Hefei Bashangjie Project (Land parcel A2, Phase 1.3)	Southwest intersection of Mingguang Road and Changjiang East Road, Hefei, Anhui Province	Residential/ Commercial	100%	145,976	118,929[6]	522	Under planning	July 2021

Notes:

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

Particulars of Major Properties Held

	Name of property	Location	Type	Interest attributable to the Group: Percentage	Approximate GFA (sq.m.)	Approximate site area (sq.m.)	Approximate number of carparks	Stage of completion	Anticipated completion date
7.	No.1 City Promotion (Phase IV)	North of Wangzhuang East Road, south of Xinguang Road, east of Xixing Road and west of Chunhua Road, Wuxi New District, Wuxi, Jiangsu Province	Residential/ Commercial	100%	68,088	27,812	492	Main structure under construction	December 2019
8.	Nantong Royal Bay (Land parcel No. 5)	West of Gongnong Road and south of Hongqiao Road, Nantong, Jiangsu Province	Residential/ Commercial	100%	196,941	89,482	1,035	Under planning	October 2020
	Nantong Royal Bay (Land parcel No. 3)	West of Gongnong Road and south of Hongqiao Road, Nantong, Jiangsu Province	Commercial	100%	121,148	18,382	479	Under planning	October 2020
	Nantong Royal Bay (Land parcel No. 3)	West of Gongnong Road and south of Hongqiao Road, Nantong, Jiangsu Province	Commercial	100%	52,870	17,776	247	Main structure under construction	December 2019
9.	Nanjing Royal Bay (Phase II to IV)	West to Yangtze River, east to Zhenghe South Road, north to Yangtze River Road and south to Dinghuaimen Street, Gulou District, Nanjing	Residential/ Commercial	60%	378,879	109,244	3,011	Main structure and interior decoration under construction	December 2019
10.	Royal Mansion (Phase II)	The fourth Zone, Yuhaiyuan Small District, Yuquan Road, Haidian District, Beijing	Residential/ Commercial	100%	90,406	34,850	180	Foundation under construction	October 2020
11.	Sunny Town	No. 181 Nujiang North Street, Yuhong District, Shenyang, Liaoning Province	Commercial	100%	8,034	3,214	56	Decoration under construction	January 2020
12.	Tianjin Royal Bay Seaside (North)	Guangang Forest Park, Dagang District, Tianjin	Commercial	100%	61,028	75,480	190	Exterior and interior overall under construction	December 2019
	Tianjin Royal Bay Seaside (North)	Guangang Forest Park, Dagang District, Tianjin	Commercial	100%	345,768	254,865	1,077	Under planning	To be determined
	Tianjin Royal Bay Seaside (East)	Guangang Forest Park, Dagang District, Tianjin	Residential	100%	70,647	114,329	495	Exterior and interior overall under construction	December 2019
	Tianjin Royal Bay Seaside (East)	Guangang Forest Park, Dagang District, Tianjin	Residential	100%	214,768	252,338	1,549	Under planning	To be determined
	Tianjin Royal Bay Seaside (West Phase II)	Guangang Forest Park, Dagang District, Tianjin	Residential	100%	149,516	119,123	1,753	Main structure and interior decoration under construction	October 2020

	Name of property	Location	Type	Interest attributable to the Group: Percentage	Approximate GFA (sq.m.)	Approximate site area (sq.m.)	Approximate number of carparks	Stage of completion	Anticipated completion date
13.	Tianjin Royal Bay Lakeside (Phases I-IV)	The eastern part of Tuanbohu, Jinghai County, Tianjin	Residential/ Commercial	70%	1,567,303	1,196,000	7,087	Under planning	In stages starting December 2020
14.	Changchun Villa Glorious (West) (Land parcel A, Phase III)	East to Chaofan Street, south to New and High-tech Reserve Center, west to Chaoran Street and north to Yisi Road, New and High-tech District, Changchun	Residential/ Commercial	100%	115,670	516,768(7)	609	Under planning	June 2020
	Changchun Villa Glorious (West) (Land parcel A, Phase IV)	East to Chaofan Street, south to New and High-tech Reserve Center, west to Chaoran Street and north to Yisi Road, New and High-tech District, Changchun	Residential/ Commercial	100%	167,969	516,768(7)	773	Under planning	June 2020
	Changchun Villa Glorious (West) (Land parcel B, Phase I)	East to Chaofan Street, south to New and High-tech Reserve Center, west to Chaoran Street and north to Yisi Road, New and High-tech District, Changchun	Residential/ Commercial	100%	217,352	516,768(7)	1,021	Foundation and main structure in stages under construction	December 2020
	Changchun Villa Glorious (West) (Land parcel B, Phase II)	East to Chaofan Street, south to New and High-tech Reserve Center, west to Chaoran Street and north to Yisi Road, New and High-tech District, Changchun	Residential/ Commercial	100%	40,648	516,768(7)	300	Main structure under construction	June 2020
	Subtotal				**5,255,205**		**29,844**		

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

Particulars of Major Properties Held

	Name of property	Location	Type	Interest attributable to the Group: Percentage	Approximate GFA (sq.m.)	Approximate number of carparks
C.	**Major properties available for sale held by the Group**					
1.	Shanghai Park Avenue	No. 389 Anshun Road, Changning District, Shanghai	Residential/ Commercial	100%	26,451	335
2.	Chateau De Paris	No. 2143 Xietu Road, Xuhui District, Shanghai	Residential/ Commercial	100%	4,809	74
3.	Sunshine Venice	South of Taopu Road, west of Qilianshan Road, Shanghai	Residential	100%	—	11
4.	Shanghai Bay (Phase I & II)	No. 1441 Wanping South Road, Shanghai	Residential/ Commercial	100%	50,488	204
5.	Shanghai City Glorious (Phase I & Phase II)	West of Gaojing Road, east of Jiangyang South Road, south of the planned extension of 128 Jinian Road and north of Yingao Road, Baoshan District, Shanghai	Residential/ Commercial	100%	25,696	492
6.	No.1 City Promotion	North of Wangzhuang East Road, south of Xinguang Road, east of Xixing Road and west of Chunhua Road, Wuxi New District, Jiangsu Province	Residential/ Commercial	100%	37,065	2,348
7.	Nanjing Royal Bay	West to Yangtze River, east to Zhenghe South Road, north to Yangtze River Road and south to Dinghuaimen Street, Gulou District, Nanjing	Residential/ Commercial	60%	2,950	757
8.	Hefei Bashangjie Project (Phase I to Phase II)	Southwest intersection of Mingguang Road and Changjiang East Road, Hefei, Anhui Province	Residential/ Commercial	100%	73,585	1,444
9.	Hefei Royal Garden	Southeast intersection of Mengcheng Road and Lianshui Road, Hefei	Commercial	100%	784	1,255
10.	Harbin Villa Glorious	The enclosure section of Anyang Road, Longkui Road, Qunei Guihua Road and Wuwei West Road, Daoli District, Harbin	Residential/ Commercial	100%	11,625	15

Name of property		Location	Type	Interest attributable to the Group		
				Percentage	Approximate GFA (sq.m.)	Approximate number of carparks
11.	Harbin Royal Garden	North to the fourth Avenue, east to Shangjiang Street, south to the fifth Avenue and west to Lingjiang Road, Qunli New District, Harbin	Residential/ Commercial	100%	—	540
12.	Nantong Villa Glorious	South of Dongcheng Garden, west of Shiji Road and the north of Tongjia River, Nantong, Jiangsu Province	Residential/ Commercial	100%	510	269
13.	Nantong Royal Bay (Land parcel No. 3)	West of Gongnong Road and south of Hongqiao Road, Nantong, Jiangsu Province	Residential/ Commercial	100%	52,948	119
14.	Changchun Villa Glorious (Land parcel A Phase I & II and Land parcel C Phase II)	East to Chaofan Street, south to New and High-tech Reserve Center, west to Chaoran Street and north to Yisi Road, New and High-tech District, Changchun	Residential/ Commercial	100%	72,844	738
15.	Dalian Villa Glorious	Bali Village, Xianjin Street, Jinzhou New District, Dalian	Residential/ Commercial	100%	2,498	181
16.	Tianjin Royal Bay Seaside (West Phase I)	Guangang Lake, Gangtang Road Dagang District, Tianjin	Residential/ Commercial	100%	299	—
17.	Sunshine Holiday (Phase IV)	Intersection of Taixing South Road and Chenyang Road, Hedong District, Tianjin	Residential/ Commercial	100%	7,622	575
	Subtotal				**370,174**	**9,357**

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