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Glorious Property Holdings Limited

恒盛地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00845)

AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to the announcement of Glorious Property Holdings Limited (the “**Company**”) dated 30 March 2022 in relation to the unaudited annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**2021 Unaudited Annual Results Announcement**”, or the “**Announcement**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the Announcement.

The board of directors of the Company (the “**Board**”) would like to announce that the Company’s auditor, PricewaterhouseCoopers, has completed the audit of the consolidated financial statements of the Group for the year ended 31 December 2021 in accordance with Hong Kong Standards on Auditing (the “**HKAS**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). As certain adjustments have been made to the unaudited annual results of the Group as contained in the 2021 Unaudited Annual Results Announcement, the differences between the unaudited annual results and the audited annual results contained in this announcement are set out in the section headed “Material Differences between 2021 Unaudited and Audited Annual Results” in this announcement in accordance with Rule 13.49(3)(ii)(b) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The 2021 audited annual results have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and approved by the Board on 14 July 2022. The audited consolidated annual results of the Group for the year ended 31 December 2021 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

RMB'000	<i>Note</i>	2021	2020
Revenue	4	3,317,582	2,807,674
Cost of sales	7	(4,408,688)	(1,658,792)
Gross (loss)/profit		(1,091,106)	1,148,882
Other income	5	35,215	32,016
Other (loss)/gains, net	6	(1,160,356)	2,009,539
Provision for loss allowances of financial assets		(56,879)	(452,140)
Selling and marketing expenses	7	(175,019)	(129,358)
Administrative expenses	7	(426,379)	(407,712)
Finance costs, net	8	(2,073,909)	(1,578,403)
Share of profit/(loss) of an associate		1,072	(29)
Share of profit/(loss) of a joint venture		4,943	(2,465)
(Loss)/profit before taxation		(4,942,418)	620,330
Income tax expenses	9	(221,431)	(553,241)
(Loss)/profit for the year		(5,163,849)	67,089
(Loss)/profit for the year attributable to:			
— the owners of the Company		(5,150,032)	81,003
— non-controlling interests		(13,817)	(13,914)
		(5,163,849)	67,089
Other comprehensive income		—	—
Total comprehensive (loss)/income for the year		(5,163,849)	67,089
Total comprehensive (loss)/income for the year attributable to:			
— the owners of the Company		(5,150,032)	81,003
— non-controlling interests		(13,817)	(13,914)
		(5,163,849)	67,089
(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company (expressed in RMB per share)			
— Basic	10	(0.66)	0.01
— Diluted	10	(0.66)	0.01
Dividend	11	—	—

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

<i>RMB'000</i>	<i>Note</i>	2021	2020
Non-current assets			
Property, plant and equipment		101,060	34,795
Right-of-use assets		272,494	1,876
Investment properties		24,309,410	24,659,760
Intangible assets		1,800	1,800
Investment in an associate		6,227	4,800
Interest in a joint venture		876,497	1,006,813
Deferred income tax assets		279,313	305,778
		25,846,801	26,015,622
Current assets			
Properties under development		14,713,865	15,183,525
Completed properties held for sale		5,151,379	5,180,029
Trade and other receivables, prepayments and other financial assets	12	3,289,127	4,439,816
Prepaid taxes		289,727	253,309
Restricted cash		406,615	345,983
Cash and cash equivalents		191,642	395,543
		24,042,355	25,798,205
Total assets		49,889,156	51,813,827

RMB'000	<i>Note</i>	2021	2020
Current liabilities			
Contract liabilities		12,151,831	9,469,448
Trade and other payables	<i>13</i>	6,163,042	5,515,980
Income tax payable		8,474,992	8,290,653
Amount due to a joint venture		353,029	353,029
Borrowings	<i>14</i>	20,084,005	20,263,735
Lease liabilities		436	1,331
		<u>47,227,335</u>	<u>43,894,176</u>
Non-current liabilities			
Borrowings	<i>14</i>	—	—
Deferred income tax liabilities		2,237,180	2,330,726
Lease liabilities		—	435
		<u>2,237,180</u>	<u>2,331,161</u>
Total liabilities		<u>49,464,515</u>	<u>46,225,337</u>
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		(7,601,601)	(2,451,569)
		<u>290,126</u>	<u>5,440,158</u>
Non-controlling interests		134,515	148,332
		<u>424,641</u>	<u>5,588,490</u>
Total equity		<u>424,641</u>	<u>5,588,490</u>
Total liabilities and equity		<u>49,889,156</u>	<u>51,813,827</u>

NOTES:

1 General information

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

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

These consolidated financial information is presented in thousands of units of Renminbi (RMB’000), unless otherwise stated, and has been approved for issue by the Board on 14 July 2022.

2 Basis of preparation

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

(i) *Going concern basis*

For the year ended 31 December 2021, the Group reported a loss attributable to the owners of the Company of RMB5,150,032,000 and had a net operating cash outflow of RMB291,017,000. As at 31 December 2021, the Group had accumulated losses of RMB8,577,738,000 and the Group’s current liabilities exceeded its current assets by RMB23,184,980,000. As at the same date, the Group’s total and current borrowings (including loans from a non-controlling interest) amounted to RMB20,084,005,000, while its cash and cash equivalents amounted to RMB191,642,000 only.

As at 31 December 2021, certain borrowings whose principal amounts of RMB2,257,549,000 and interest payable amounts of RMB1,214,292,000, relating to borrowings with a total principal amount of RMB3,718,559,000 (“Overdue Borrowings”) were overdue. In addition, part of the principals and interests of certain borrowings not above-mentioned with a total principal amount of RMB6,318,890,000 had been overdue during the loan period (“Other Overdue Borrowings”); although these overdue balances and interests were subsequently settled before 31 December 2021, the Other Overdue Borrowings remain to be in default as at 31 December 2021. Furthermore, the Group breached certain specific terms and conditions of borrowings with a total principal amount of RMB2,389,163,000 during the year and as at 31 December 2021 (“Other Default Borrowings”). The aggregate principal amount of the aforementioned borrowings of RMB12,426,612,000 would be immediately repayable if requested by the lenders. This amount included borrowings with principal amount of RMB7,687,336,000 with original contractual repayment dates beyond 31 December 2022 which have been reclassified as current liabilities as at 31 December 2021 (note 14).

As stipulated in the relevant loan and financing agreements in respect of certain borrowings of the Group other than those mentioned above, any default of the Group’s borrowings may result in cross-default of these borrowings. As a result of the above default events, the principal amount of borrowings of RMB4,584,100,000 were considered as cross-default (“Cross-default Borrowings”), of which RMB3,762,100,000 with original contractual repayment dates beyond 31 December 2022 have been reclassified as current liabilities as at 31 December 2021 (note 14).

Subsequent to the balance sheet date, the Group did not repay certain principal and interest payments in accordance with the scheduled repayment dates of certain loan agreements, including (1) principal of RMB81,010,000 and interest of RMB254,327,000 relating to certain of the Overdue Borrowings with a total principal amount of RMB3,656,399,000, (2) principal of RMB10,000,000 and interest of RMB106,230,000 relating to certain of the Other Overdue Borrowings with a total principal amount of RMB5,952,390,000, (3) principal of RMB500,000,000 and interest of RMB208,533,000 relating to certain of the Other Default Borrowings with a total principal amount of RMB1,531,306,000, (4) interest of RMB25,207,000 relating to all of the Cross-default Borrowings with a total principal amount of RMB4,584,100,000, and (5) principal of RMB95,000,000 and interest of RMB8,014,000 relating to certain borrowings not in default or cross-default as at 31 December 2021 with a total principal amount of RMB100,000,000.

The recent resurgence of COVID-19 pandemic in a number of cities in China in the first half of 2022 resulted in COVID-19 related lockdown and tightened prevention and control measures being put in place in Shanghai, where the Group's headquarters and main operating subsidiaries are located. As the COVID-19 pandemic and control measures in Shanghai have persisted longer than originally expected, the Group's business was not able to operate normally and in particular the construction progress of the Group's projects and pre-sales and sales of its properties under development and completed properties have been delayed during the lockdown period. As a result, the adverse impact of COVID-19 on the Group may continue.

The business of the Group is also subject to extensive governmental regulations and macro-economic control measures of the real estate sector implemented by the PRC government from time to time, and some of these policies and measures, including but not limited to "Three Red Lines" requirements, may have unfavourable impact to the working capital available to the Group.

The Group is in active negotiations with all the lenders in respect of the Overdue Borrowings, Other Overdue Borrowings, Other Default Borrowings and Cross-default Borrowings not to enforce their rights to request for immediate repayments and negotiate with them for terms modification, renewal, extension and replacement of the relevant borrowings.

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.

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 improve the liquidity pressure and to improve its financial position; and to remediate certain delayed repayments and breach of specific terms and conditions of borrowings for financial institutions which include, but are not limited to, the following:

- (i) The Group has been actively negotiating with a number of lenders for terms modification, renewal, extension and replacement of bank loans and credit facilities;
- (ii) In addition, the Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future. Since 1 January 2022, the Group has repaid principal of RMB77,140,000 and interest of RMB89,226,000 of the Overdue Borrowings up to the date of the approval of these consolidated financial statements. In addition, the Group successfully extended or repaid certain Other Overdue Borrowings, Other Default Borrowings and Cross-default Borrowings with aggregate principal of RMB1,655,460,000 in the first half of 2022 upon their scheduled repayment dates;

- (iii) The Group will seek to accelerate the pre-sales and sales of its properties under development and completed properties, including remaining units of property projects and saleable car parks. Overall, the Group expects to gradually launch sales of properties from new phases of two to three existing projects upon obtaining the pre-sales permits starting from July 2022;
- (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 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 2021. 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 2021. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, material 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 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;
- (ii) Successful negotiations with the lenders for the renewal of or extension for repayments beyond year 2022 for those borrowings that (a) are scheduled for repayment (either based on the original agreements or the existing arrangements) in year 2022; (b) were overdue as at 31 December 2021 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 2022;
- (iii) Successfully obtaining additional new sources of financing as and when needed; and
- (iv) Successful acceleration of pre-sales and sales of properties under development and completed properties and speeding up the collection of outstanding sales proceeds, including meeting all of the necessary conditions to launch the pre-sale and make these pre-sales at the expected sale prices and in accordance with the timelines of cash flow projections prepared by management; and controlling costs and containing capital expenditure so as to generate adequate net cash inflows.

The Group's ability to obtain the above-mentioned financing and operating funds depends on (1) current and ongoing regulatory environments and how the relevant policies and measures might affect the Group and/or the relevant financial institutions; and (2) whether the lenders of existing borrowings are agreeable to the terms and conditions for such extension or renewal and the Group's ability to continuously comply with the relevant terms and conditions of borrowings.

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

3 Accounting policies

(i) *Effect of adopting amendments to standards*

The following amendments to standards are mandatory for the Group's financial year beginning on 1 January 2021:

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2
HKFRS 16 (Amendments)	COVID-19-related Rent Concessions

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

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

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group:

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
HKAS 1 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds Before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions beyond 2021
HKFRS 17	Insurance Contracts
Hong Kong Interpretation 5 (2020)	Classification by the Borrower of a Term Loan that
Presentation of Financial Statements	Contains a Repayment on Demand Clause
HKFRSs Amendments	Annual improvements 2018-2020 Cycle

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

4 Segment information

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

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

The Executive Directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes depreciation, fair value changes of investment properties, provision for loss allowance of financial assets, write-off of deposits for land premium and construction costs, changes in provision for impairment of properties under development and completed properties held for sale, interest income and finance costs from the operating segments. Other information provided, except as noted below, to the Executive Directors is measured in a manner consistent with that in the consolidated financial statements.

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

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.

<i>RMB'000</i>	Yangtze River Delta		Pan Bohai Rim	Northeast China	Others	Total
	Shanghai Region	(excluding Shanghai)				
Year ended 31 December 2021						
Revenue						
At a point in time	764,848	1,252,971	—	1,277,997	—	3,295,816
Over time	21,766	—	—	—	—	21,766
Inter-segment revenue	—	—	—	—	—	—
Revenue (from external customers)	<u>786,614</u>	<u>1,252,971</u>	<u>—</u>	<u>1,277,997</u>	<u>—</u>	<u>3,317,582</u>
Segment results	(847,223)	94,363	(67,004)	167,654	3,116	(649,094)
Depreciation	(13,318)	(762)	(1,469)	(100)	(60)	(15,709)
Fair value changes of investment properties	66,389	(174,713)	(548)	(104,956)	—	(213,828)
Provision for loss allowances of financial assets	(4,805)	(8,507)	(3,601)	(39,966)	—	(56,879)
Write-off of deposits for land premium and construction costs	—	(955,553)	—	—	—	(955,553)
Changes in provision for impairment of properties under development and completed properties held for sale	28,593	(246,543)	(679,927)	(79,569)	—	(977,446)
Interest income	28,837	8,024	872	425	—	38,158
Finance costs	(1,316,284)	(730,007)	(31,470)	(19,601)	(14,705)	(2,112,067)
Income tax (expenses)/credits	<u>(76,603)</u>	<u>(72,772)</u>	<u>1,977</u>	<u>(74,033)</u>	<u>—</u>	<u>(221,431)</u>
Year ended 31 December 2020						
Revenue						
At a point in time	1,294,401	483,933	31,661	880,366	—	2,690,361
Over time	117,313	—	—	—	—	117,313
Inter-segment revenue	—	—	—	—	—	—
Revenue (from external customers)	<u>1,411,714</u>	<u>483,933</u>	<u>31,661</u>	<u>880,366</u>	<u>—</u>	<u>2,807,674</u>
Segment results	785,354	(113,759)	(48,789)	86,218	89,696	798,720
Depreciation	(2,984)	(1,834)	(2,308)	(23)	(428)	(7,577)
Fair value changes of investment properties	1,846,789	227,203	(3,737)	(168,256)	—	1,901,999
Provision for loss allowances of financial assets	(203,791)	(183,531)	(597)	(64,221)	—	(452,140)
Changes in provision for impairment of properties under development and completed properties held for sale	2,218	232,796	(171,164)	(106,119)	—	(42,269)
Interest income	1,091	657	340	701	—	2,789
Finance costs	(1,078,454)	(214,167)	(151,518)	(8,907)	(128,146)	(1,581,192)
Income tax (expenses)/credits	<u>(580,371)</u>	<u>(116,086)</u>	<u>157,430</u>	<u>(14,214)</u>	<u>—</u>	<u>(553,241)</u>

<i>RMB'000</i>	Yangtze River Delta					Others	Elimination	Total
	Shanghai Region	(excluding Shanghai)	Pan Bohai Rim	Northeast China				

At 31 December 2021

Total segment assets	50,748,104	21,912,670	4,712,987	4,952,198	3,400,185	(45,308,131)	40,418,013
Total segment assets include:							
Investment in an associate	6,227	—	—	—	—	—	6,227
Investment in a joint venture	772,562	—	—	—	—	—	772,562
Deferred income tax assets							279,313
Other unallocated corporate assets							9,191,830
Total assets							<u>49,889,156</u>

Additions to:							
Property, plant and equipment	71	436	26	409	15	—	957
Investment properties	478,715	120,524	—	164,056	—	—	763,295

At 31 December 2020

Total segment assets	49,463,964	22,401,399	5,106,169	5,899,067	4,470,822	(44,993,032)	42,348,389
Total segment assets include:							
Investment in an associate	4,800	—	—	—	—	—	4,800
Investment in a joint venture	771,502	—	—	—	—	—	771,502
Deferred income tax assets							305,778
Other unallocated corporate assets							9,159,660
Total assets							<u>51,813,827</u>

Additions to:							
Property, plant and equipment	953	732	172	—	238	—	2,095
Investment properties	422,329	758,265	16,045	352,762	—	—	1,549,401

<i>RMB'000</i>	2021	2020
Segment results	(649,094)	798,720
Depreciation	(15,709)	(7,577)
Fair value changes of investment properties	(213,828)	1,901,999
Provision for loss allowances of financial assets, net	(56,879)	(452,140)
Write-off of deposits for land premium and construction costs	(955,553)	—
Changes in provision for impairment of properties under development and completed properties held for sale	(977,446)	(42,269)
	(2,868,509)	2,198,733
Interest income	38,158	2,789
Finance costs	(2,112,067)	(1,581,192)
(Loss)/profit before taxation	<u>(4,942,418)</u>	<u>620,330</u>

Analysis of revenue by category

<i>RMB'000</i>	2021	2020
Sales of properties	3,295,816	2,690,361
Interior decoration for properties sold	21,766	117,313
	<u>3,317,582</u>	<u>2,807,674</u>

The Group has a large number of customers. During each of the years ended 31 December 2021 and 2020, no single customer contributed revenue which represented more than 10% of the Group's total revenue.

5 Other income

<i>RMB'000</i>	2021	2020
Rental income	29,371	29,644
Others	5,844	2,372
	<u>35,215</u>	<u>32,016</u>

6 Other (loss)/gains, net

<i>RMB'000</i>	2021	2020
Fair value changes of investment properties	(213,828)	1,901,999
Write-off of deposits for land premium and construction costs	(955,553)	—
Exchange gain, net	9,025	107,540
	<u>(1,160,356)</u>	<u>2,009,539</u>

7 Expenses by nature

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

<i>RMB'000</i>	2021	2020
Auditors' remuneration		
— Audit services	6,868	7,491
— Non-audit services	82	84
Advertising costs	30,783	25,354
Other taxes and levies	36,978	28,865
Costs of properties sold (including changes in provision for impairment of properties under development and completed properties held for sale)	4,371,710	1,629,927
Depreciation	15,709	7,577
Staff costs — excluding directors' emoluments	181,052	167,975
Rental expenses	11,595	11,879
	<u>4,655,332</u>	<u>1,841,552</u>

8 Finance costs, net

<i>RMB'000</i>	2021	2020
Finance income		
— Interest income	<u>38,158</u>	<u>2,789</u>
Finance costs		
— Bank borrowings	(2,576,247)	(2,443,958)
— Bond	(9,652)	(10,764)
— Others	<u>(134,049)</u>	<u>(175,417)</u>
Total interest expenses	(2,719,948)	(2,630,139)
Less: interest capitalised on qualifying assets	<u>607,881</u>	<u>1,048,947</u>
Finance costs expensed	<u>(2,112,067)</u>	<u>(1,581,192)</u>
Finance costs, net	<u>(2,073,909)</u>	<u>(1,578,403)</u>

9 Income tax expenses

<i>RMB'000</i>	2021	2020
Current income tax charge		
— PRC corporate income tax	(66,329)	(1,541)
— PRC land appreciation tax	<u>(222,183)</u>	<u>(562,131)</u>
	<u>(288,512)</u>	<u>(563,672)</u>
Deferred income tax credit		
— Origination and reversal of temporary differences	<u>67,081</u>	<u>10,431</u>
	<u>67,081</u>	<u>10,431</u>
	<u>(221,431)</u>	<u>(553,241)</u>

10 (Loss)/earnings per share**(a) Basic**

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

	2021	2020
(Loss)/profit attributable to the owners of the Company (RMB'000)	<u>(5,150,032)</u>	<u>81,003</u>
Weighted average number of ordinary shares in issue (thousands)	<u>7,792,646</u>	<u>7,792,646</u>

(b) *Diluted*

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For each of the years ended 31 December 2021 and 2020, the Company's share options are anti-dilutive, as the relevant exercise price was higher than the average market price of the Company's shares for the period when the options are outstanding.

11 Dividend

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

12 Trade and other receivables, prepayments and other financial assets

<i>RMB'000</i>	2021	2020
Trade receivables due from third parties, net (a)	469,822	480,041
Other receivables due from third parties and other financial assets	1,232,671	1,552,396
Prepayments and deposits for land premium	148,000	2,051,097
Prepayments and deposits for construction costs:	1,962,720	923,981
Related parties	32,500	32,624
Third parties	1,930,220	891,357
Prepaid other taxes	265,561	224,645
Less: Provision for loss allowance	(789,647)	(792,344)
	<u>3,289,127</u>	<u>4,439,816</u>

(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 before provision at the balance sheet dates based on revenue recognition date is as follows:

<i>RMB'000</i>	2021	2020
Within 6 months	4,412	3,894
Between 7 and 12 months	6,880	4,842
Over 12 months	464,343	477,542
	<u>475,635</u>	<u>486,278</u>

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

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

<i>RMB'000</i>	2021	2020
At beginning of the year	6,237	4,511
(Reversal of provision)/provision for loss allowance of trade receivables	(424)	1,726
At end of the year	<u>5,813</u>	<u>6,237</u>

13 Trade and other payables

<i>RMB'000</i>	2021	2020
Trade payables and construction cost accrual (a):	3,863,046	3,577,779
Related parties	9,621	9,533
Third parties	3,853,425	3,568,246
Other payables due to third parties and accrued expenses (b)	1,598,692	1,238,270
Other taxes payable	701,304	699,931
	<u>6,163,042</u>	<u>5,515,980</u>

- (a) The ageing analysis based on transaction dates of trade payables and construction cost accrual at the balance sheet date is as follows:

<i>RMB'000</i>	2021	2020
Within 6 months	1,590,291	1,597,120
Between 7 and 12 months	881,379	842,300
Over 12 months	1,391,376	1,138,359
	<u>3,863,046</u>	<u>3,577,779</u>

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

14 Borrowings

<i>RMB'000</i>	2021	2020
Borrowings included in non-current liabilities:		
Bank borrowings — secured (a)	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>
Borrowings included in current liabilities:		
Bank borrowings — secured (a)	16,916,340	17,684,928
Bond — secured	57,324	84,551
Loans from a non-controlling interest (b)	675,597	595,574
Other borrowings — unsecured (c)	502,643	823,643
Other borrowings — secured (c)	1,932,101	1,075,039
	<u>20,084,005</u>	<u>20,263,735</u>
Total borrowings	<u>20,084,005</u>	<u>20,263,735</u>

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

RMB'000	2021	2020
Bank borrowings	15,153,306	15,964,947
Bond – unlisted	55,597	84,164
Loans from a non-controlling interest	532,857	532,857
Other borrowings	2,198,953	1,683,773
	17,940,713	18,265,741
Adjusted by: unamortised loan arrangement fees and accrued interests	2,143,292	1,997,994
Total borrowings	20,084,005	20,263,735

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

RMB'000	2021	2020
Amounts of borrowing that are repayable:		
Repayable on demand or within 1 year	20,084,005	20,263,735
After 1 and within 2 years	—	—
After 2 and within 5 years	—	—
After 5 years	—	—
	20,084,005	20,263,735

- (a) The current bank borrowings included borrowings with principal amounts of RMB11,449,436,000 with original maturity beyond 31 December 2022 which have been reclassified as current liabilities as at 31 December 2021 as a result of the matters described in note 2(i).

Management estimates that if the Group can successfully implement the measures as set out in note 2(i) above and with its endeavors 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 2022.

- (b) As of 31 December 2021, loans from a non-controlling interest of RMB675,597,000 (2020: RMB595,574,000) are secured, interest-bearing and are repayable within 18-36 months from the date of drawdown.
- (c) As at 31 December 2021, short-term borrowings from third parties of RMB502,643,000 (2020: RMB823,643,000) are unsecured, interest-bearing and are repayable within one year from the date of drawdown. Short term borrowings from third parties of RMB1,932,101,000 (2020: RMB1,075,039,000) are secured, interest-bearing and are repayable within one year from the date of drawdown.

FINANCIAL REVIEW

For the year ended 31 December 2021, the Group recorded a consolidated revenue of RMB3,317.6 million, representing an increase of 18.2% compared to RMB2,807.7 million in 2020. The Group recorded a loss attributable to the owners of the Company for the year ended 31 December 2021 of RMB5,150.0 million, as compared to a profit attributable to the owners of the Company of RMB81.0 million for the year ended 31 December 2020. During 2021, the Group's revenue recognised continued to remain at a low level and recorded a gross loss and negative gross margin due to larger proportion arising from the sale of low margin residential and carpark units, and the significant amount of provision for impairment of properties also enlarged the gross loss amount and the negative gross margin. In addition, the Group recorded a significant loss for the year ended 31 December 2021 due to the significant amount of write-off of certain aged prepayments and deposits paid in earlier years and the substantial amount of finance costs not being capitalised but were recorded directly as current period expenses, as well as the inclusion of fair value loss attributable to the Group's investment properties during 2021.

For the year ended 31 December 2021, the Group recorded a consolidated revenue of RMB3,317.6 million, representing an increase of 18.2% from RMB2,807.7 million in 2020. The sold and delivered GFA increased by 73.2% to 349,820 sq.m. in 2021 from 202,019 sq.m. in 2020. The average selling price recognised decreased by 29.3% to RMB9,421 per sq.m. in 2021 from RMB13,317 per sq.m. in 2020.

In 2021, the Group only had new phase of properties completed and delivered from two projects namely Hefei Bashangjie Project and Changchun Villa Glorious, for which the average selling prices were much lower than the projects in Shanghai. On the other hand, the Group continued to apply extra effort the current year in selling the stock of carpark units and the remaining residential units in different cities, the average selling price of carpark units were substantially lower than the residential units. Certain of the Group's property projects that had completed and delivered in earlier years only had revenue derived from the sale of carpark units in the current year, thus the average recognised selling prices were substantially lower than the prices of residential units in the local market. Due to the aforementioned reasons, the Group's overall average recognised selling price to further decrease from RMB13,317 per sq.m. in 2020 to RMB9,421 per sq.m. in 2021. The proportion of recognised revenue from the properties of the projects in Shanghai Region decreased in the current year, which contributed 23.7% of the Group's recognised revenue (including revenue from property sales and interior decoration) and 17.2% of the sold and delivered GFA, respectively. All these recognised revenue were all derived from the sale of remaining units and carpark units. The delivery of properties from Tower 15 and Tower 16 of Shanghai Bay in Shanghai is expected in 2022, thus such revenue was not recognised in current year and it continued to sell the remaining units and carpark units in 2021, giving rise to total recognised revenue (excluding revenue from interior decoration of properties) of RMB467.3 million, in which the average selling price of residential units sold was more than RMB100,000 per sq.m.. In the current year, the last two towers of residential units of Hefei Bashangjie Project were completed and delivered, together with its remaining units, it delivered a total GFA of approximately 81,400 sq.m., which contributed recognised revenue of RMB1,169.6 million for the Yangtze River Delta. On the other hand, Changchun Villa Glorious also completed a new phase of residential properties in the second half of the current year. Together with the sale of remaining units and carpark units, Changchun Villa Glorious delivered properties of approximately 173,500 sq.m. in 2021, which contributed RMB1,266.9 million to the Northeast China Region's recognised revenue for 2021. During 2021, projects in the Pan Bohai Rim had no revenue contribution in the current year.

The cost of sales for the year ended 31 December 2021 was RMB4,408.7 million, representing an increase of 165.8% as compared to RMB1,658.8 million in 2020. The cost of sales for the year ended 31 December 2021 included changes in provision for impairment of the Group's property development projects which amounted to RMB977.4 million (2020: RMB42.3 million). The substantial increase in provision for impairment of properties in the current year was mainly due to the inclusion of impairment provision made to the carrying value of the original land parcel of one of the Group's project that was swapped to another land parcel as a result of certain government land planning adjustment, as well as further provisions for impairment made for the Group's certain other projects in the current year. Excluding the provision for impairment and the cost of interior decoration of properties sold of RMB4.9 million (2020: RMB107.5 million), the Group's cost of sales was RMB3,426.3 million, which increased by 127.1% as compared to RMB1,509.0 million for 2020. The increase in cost of sale for 2021 was mainly due to increase in both of the GFA and the average cost of sales for the properties sold and delivered in 2021. The Group's average cost of sales in 2021 was RMB9,794 per sq.m., which was 31.1% higher than that of RMB7,470 per sq.m. in 2020.

The Group recorded a consolidated gross loss of RMB1,091.1 million for 2021, as compared to a consolidated gross profit of RMB1,148.9 million for 2020. The Group recorded a negative gross margin of 32.9% for the year ended 31 December 2021, as compared to a positive gross margin of 40.9% for 2020. The Group recorded a substantial amount of gross loss as a result of the significant increase in the amount of provision for impairment of the Group's properties. Excluding the effect of the provision for impairment of the Group's properties of RMB977.4 million in 2021 (2020: RMB42.3 million), as compared to a gross profit of RMB1,191.2 million for 2020, the Group recorded a gross loss of RMB113.7 million as result of lower average recognised selling price and the higher average cost of sales for the current year. In terms of gross margin, excluding the effect of provision for impairment of properties, the gross profit margin for 2021 was negative 3.4%, which was 45.8 percentage points lower than the gross profit margin of 42.4% for 2020, mainly due to the lower average selling price and the higher average cost of sales in the current year.

Other income for the year ended 31 December 2021 was RMB35.2 million (2020: RMB32.0 million), which mainly included rental income of RMB29.4 million (2020: RMB29.6 million).

Other (losses)/gains, net for the year ended 31 December 2021 was a net loss of RMB1,160.4 million, as compared to the net gain of RMB2,009.5 million for 2020. During the year ended 31 December 2021, the fair values of the Group's investment properties did not have material variation and only gave rise to a smaller amount of fair value loss of RMB213.8 million (2020: fair value gain of RMB1,902.0 million). Besides, certain aged prepayments and deposits paid by the Group in earlier years for strategic land acquisition projects of RMB955.6 million was confirmed non-recoverable and thus being written-off in the current year. Further, due to the further appreciation of RMB against US\$ in 2021, the Group recorded an exchange gain of RMB9.0 million (2020: exchange gain of RMB107.5 million), which was mainly resulted from the conversion of the Company's US\$ borrowings into RMB.

Provision for loss allowances of financial assets for the year ended 31 December 2021 was RMB56.9 million (2020: RMB452.1 million), mainly comprised of provision for loss allowances made for certain aged other receivables and other financial assets whose internal credit ratings were assessed by the Group to be underperforming or non-performing during 2021.

Selling and marketing expenses for the year ended 31 December 2021 were RMB175.0 million, which was 35.3% higher than RMB129.4 million in 2020. The Group had four projects that had new phase of properties for sale in 2021 and thus incurred more selling and marketing expenses.

Administrative expenses for the year ended 31 December 2021 was RMB426.4 million, representing an increase of 4.6% compared to RMB407.7 million for 2020.

Gross finance costs for the year ended 31 December 2021 were RMB2,719.9 million, representing an increase of 3.4% from RMB2,630.1 million for 2020. For the year ended 31 December 2021, finance costs of RMB607.9 million (2020: RMB1,048.9 million) had been capitalised, leaving RMB2,112.1 million (2020: RMB1,581.2 million) which was charged directly to the consolidated statement of comprehensive income. After netting off the finance income of RMB38.2 million (2020: RMB2.8 million), the amount of finance costs, net was RMB2,073.9 million for 2021 (2020: RMB1,578.4 million). The Group's gross finance costs for 2021 was close to that of 2020. 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 large portion of the finance costs were not capitalised and were recorded as current year expenses.

The Group recorded a share of profit of a joint venture of RMB4.9 million for the year ended 31 December 2021, as compared to a share of loss of a joint venture of RMB2.5 million for 2020. This represented the Group's 60% share of profit/(loss) of Glorious Jiangxu (Nanjing) Property Development Co., Ltd. ("Nanjing Jiangxu"), which owns and manages the project namely Nanjing Royal Bay in Nanjing. During the years ended 31 December 2021 and 2020, there was no major delivery of new property phase for Nanjing Jiangxu, thus the Group recorded a share of profit/(loss) of joint venture for both years, for which mainly represented Nanjing Jiangxu's revenue from sale of remaining units and daily operating expenses.

The Group recorded a loss before taxation of RMB4,942.4 million for the year ended 31 December 2021, as compared to a profit before taxation of RMB620.3 million for 2020. The Group recorded a significant amount of loss before taxation for 2021 mainly because the Group recorded significant amount of gross loss for the current year, as well as due to the significant amount of write-off of certain aged prepayments and deposits, the substantial amount of finance costs not being capitalised but were recorded directly as current period expenses and the inclusion of fair value loss attributable to the Group's investment properties during 2021.

Income tax expenses was RMB221.4 million for the year ended 31 December 2021, representing a decrease of 60.0% as compared to RMB553.2 million for 2020, comprising mainly provision for PRC land appreciation tax of RMB222.2 million (2020: RMB562.1 million). The decrease in amount of income tax expenses for the current year was because the properties completed and delivered were lower-value low-margin such that the provision for land appreciation tax were substantially smaller in the current year.

The Group recorded a loss attributable to the owners of the Company of RMB5,150.0 million for the year ended 31 December 2021, as compared to a profit attributable to the owners of the Company of RMB81.0 million for 2020. The Group recorded a loss attributable to the owners of the Company for 2021 mainly because the Group recorded significant amount of gross loss for the current year, as well as due to the significant amount of write-off of certain aged prepayments and deposits, the substantial amount of finance costs not being capitalised but were recorded directly as current period expenses and the inclusion of fair value loss attributable to the Group's investment properties during 2021.

Current Assets and Liabilities

As at 31 December 2021, the Group held total current assets of approximately RMB24,042.4 million, which was 6.8% lower than RMB25,798.2 million as at 31 December 2020.

As at 31 December 2021, the Group's current assets mainly comprised properties under development, and completed properties held for sale and trade and other receivables, prepayments and other financial assets. As at 31 December 2021, balance of properties under development was RMB14,713.9 million, which was 3.1% lower than RMB15,183.5 million as at 31 December 2020. In 2021, the Group has quite a number of property development projects that were either close to the final stage of the project development cycle or yet to start construction, for which the pace of constructions was slowdown. However, the Group's other projects' continuous progress had resulted in an increase in the carrying value of properties under development, 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 as well as due to the provision for impairment of properties made during the year. Completed properties held for sale decreased by 0.6% from RMB5,180.0 million as at 31 December 2020 to RMB5,151.4 million as at 31 December 2021. The lower balance of completed properties held for sale was mainly due to the Group's continuous effort to sell the remaining units of existing projects in the current year. Trade and other receivables, prepayments and other financial assets decreased by 25.9% from RMB4,439.8 million as at 31 December 2020 to RMB3,289.1 million as at 31 December 2021. Trade and other receivables, prepayments and other financial assets 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 significant decrease in trade and other receivables, prepayments and other financial assets during the year ended 31 December 2021 was largely attributable to the write-off of certain aged prepayments and deposits paid by the Group in earlier years for strategic land acquisition projects of approximately RMB955.6 million, which was assessed to be non-recoverable in the current year.

Total current liabilities as at 31 December 2021 amounted to RMB47,227.3 million, which was 7.6% higher than that of RMB43,894.2 million as at 31 December 2020. Due to the satisfactory sales performance in 2021 that the sales proceeds received were added to the balance of contract liabilities and caused it to increase by 28.3% from RMB9,469.4 million as at 31 December 2020 to RMB12,151.8 million as at 31 December 2021. The Group utilised a portion of such sales proceeds to repaid certain borrowings such that the Group's current borrowings decreased by 0.9% from RMB20,263.7 million as at 31 December 2020 to RMB20,084.0 million as at 31 December 2021. As a result of the aforementioned factors, the Group's total current liabilities as at 31 December 2021 increased by 7.6%.

As at 31 December 2021, the current ratio (calculated as the total current assets divided by the total current liabilities) was 0.51 (2020: 0.59). The lower current ratio in 2021 mainly resulted from the increase in total current liabilities.

Liquidity and Financial Resources

During the year ended 31 December 2021, the Group funded its property development projects principally from proceeds from pre-sales of properties and bank loans. As at 31 December 2021, the Group had cash and cash equivalents of RMB191.6 million as compared to RMB395.5 million as at 31 December 2020.

As at 31 December 2021, the Group's total borrowings amounted to RMB20,084.0 million, which was 0.9% lower than RMB20,263.7 million as at 31 December 2020.

Gearing Ratio

The Group monitors its capital on the basis of the gearing ratio and short-term debt ratio. Gearing ratio is calculated as net debt divided by total equity attributable to the owners of the Company. Net debt is calculated as total borrowings (excluding loan from a non-controlling interest) less cash and bank balances (including cash and cash equivalents and restricted cash). The gearing ratios as at 31 December 2021 and 2020 were as follows:

<i>RMB'000</i>	2021	2020
Total borrowings (excluding loan from a non-controlling interest)	19,408,408	19,668,161
Less: cash and bank balances	(598,257)	(741,526)
Net debt	18,810,151	18,926,635
Total equity attributable to the owners of the Company	290,126	5,440,158
Gearing ratio	6,483.4%	347.9%

The gearing ratio for 2021 was substantially higher than that for 2020 as a result of the decrease in the Group's total equity attributable to the owners of the Company due to the significant loss recorded for the current year.

Going Concern and Mitigation Measures

For the year ended 31 December 2021, the Group reported a loss attributable to the owners of the Company of RMB5,150.0 million and had a net operating cash outflow of RMB291.0 million. As at 31 December 2021, the Group had accumulated losses of RMB8,577.7 million and the Group's current liabilities exceeded its current assets by RMB23,185.0 million. As at the same date, the Group's total borrowings amounted to RMB20,084.0 million, of which current borrowings amounted to RMB20,084.0 million, while its cash and cash equivalents amounted to RMB191.6 million only. In addition, as at 31 December 2021, certain borrowings whose principal amounts of RMB2,257.5 million and interest payable amounts of RMB1,214.3 million, relating to borrowings with a total principal amount of RMB3,718.6 million were overdue. In addition, part of the principal and interests of certain borrowings not abovementioned with a total principal amount of RMB6,318.9 million were overdue in the loan period; although these overdue amounts were subsequently settled before 31 December 2021, these borrowings remain to be in default as at 31 December 2021. Furthermore, the Group breached certain terms and conditions of borrowings with a total principal amount of RMB2,389.2 million during the loan period and as at 31 December 2021. These constituted events of defaults which resulted in cross-default of certain borrowings other than those mentioned above, amounting to principal amount of RMB4,584.1 million as at 31 December 2021. These conditions, together with other matters described in note 2(i) on page 5 of this announcement, 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 lenders for terms modification, renewal, extension and replacement of bank loans and credit facilities;
- (ii) In addition, the Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future. Since 1 January 2022, the Group has repaid principal of RMB77.1 million and interest of RMB89.2 million of the Overdue Borrowings up to the date of the approval of these consolidated financial statements. In addition, the Group successfully extended or repaid certain Other Overdue Borrowings, Other Default Borrowings and Cross-default Borrowings with aggregate principal of RMB1,655.5 million in the first half of 2022 upon their scheduled repayment dates;
- (iii) The Group will seek to accelerate the pre-sales and sales of its properties under development and completed properties, including remaining units of property projects and saleable car parks. Overall, the Group expects to gradually launch sales of properties from new phases of two to three existing projects upon obtaining the pre-sales permits starting from July 2022;
- (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.

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

The Group has been actively implementing the aforementioned measures in the past few years. As a result of the efforts over such period, a number of financial data has gradually shown improvements, including steady growth in property sales and maintained at a reasonable level, trend of decreasing balance of total borrowings, as well as continuous improvements in the operating cash flows, although occasionally there was operating net cash outflow. In 2021, the Group recorded a significant loss. This was mainly because only a small proportion of property value that were scheduled to be completed and delivered in the Group's 2021 business plan could meet the delivery target and contributed to the Group's recognised revenue, attributable to two projects namely Hefei Bashangjie Project and Changchun Villa Glorious whose properties are lower value and low margin, and also from the sale of remaining units or stock carpark units. The delivery of properties from Tower 15 and Tower 16 of Shanghai Bay in Shanghai has been deferred to 2022 and thus the relevant revenue was not recognised in current year. As a result, the amount of Group's recognised revenue for 2021 continued to maintain at a low level and recorded an overall gross loss and negative gross margin. In addition, the significant amount of provision for impairment of properties also enlarged the gross loss amount and the negative gross margin. Besides, the loss was also due to the substantial amount of finance costs not being capitalised but were recorded directly as current period expenses, as well as the inclusion of fair value loss attributable to the Group's investment properties during 2021. The Group has been actively implementing the business plan and adhered to the construction plan and sales plan, on one hand the Group completed and delivered the new project phases of Hefei Bashangjie Project and Changchun Villa Glorious in 2021, on the other hand the Group maintained property sales at a reasonable stable level. During 2021, the Group recorded contracted property sales of RMB6,838.0 million, representing an increase of 0.4% as compared to 2020. The pre-sales of Tower 16 of Shanghai Bay in Shanghai commenced in the first half of 2021 and received satisfactory sales results, which brought in substantial amount of sales proceeds. The Group utilised such sales process for repayment of the borrowings such that the Group's total borrowings decrease by 0.9% from RMB20,263.7 million at the end of 2020 to RMB20,084.0 million as at 31 December 2021; on the other hand the Group utilised these sales proceeds for the payment of construction costs so as to speed up the pace of construction of the Group's property projects, thus led to an operating net cash outflow of RMB291.0 million for the year ended 31 December 2021. As at 31 December 2021, the Group has overdue principal of certain borrowings of RMB2,257.8 million, which was 39.6% lower than that of RMB3,735.6 million as at 31 December 2020, which indicated the Group's hard work on debt restructuring or debt replacement of the overdue borrowings has reached a big success in the first half of 2021. Further, as at 31 December 2021, the Group's overall effective interest rate for the borrowings was 9.2%, which was lower than 12.7% as at 31 December 2020 by 3.5 percentage points, indicating a noticeable achievement of the Group's objective to reduce the borrowing costs. The Group will actively implement the business plan in 2022, on one hand continue to adhere to the business plan to construct and launch sale of the property projects so as to increase the cash inflow, on the other hand to actively negotiate with financial institutions to renew and extend the bank loans, and to identify opportunities to obtain new borrowings so as to improve the Group's debt structure.

Foreign Exchange Risk

The Group's property development projects are all located in the PRC and the related transactions are substantially settled in RMB. The Company and certain of the investment holding companies within the Group operating in Hong Kong have recognised assets and liabilities in currencies other than RMB.

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 2021, if RMB had strengthened/weakened by 5% against other currencies, with all other variables held constant, post-tax loss for the year ended 31 December 2021 would have been approximately RMB7.5 million lower/higher (2020: post-tax profit RMB24.9 million higher/lower).

Interest Rate Risk

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

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

As at 31 December 2021, the Group's total borrowings amounted to RMB20,084.0 million (2020: RMB20,263.7 million), of which RMB16,810.7 million (2020: RMB19,771.3 million) borne fixed interest rate.

As at 31 December 2021, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax loss for the year would have been RMB15.8 million higher/lower (2020: post tax-profit RMB1.8 million lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

Price Risk

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

Pledge of Assets

As at 31 December 2021, the Group had investment properties, properties under development and completed properties held for sale of aggregate carrying value of RMB33,223.6 million (2020: RMB28,580.2 million) which had been pledged for the Group's borrowings. Besides, equity interests of certain of the Company's subsidiaries and a joint venture had also been pledged for the Group's borrowings.

Financial Guarantee

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure the repayment obligations of such purchasers. As at 31 December 2021, the amount of outstanding guarantees for mortgages was RMB4,094.3 million (2020: RMB3,924.0 million).

Capital Commitment

As at 31 December 2021, the Group had capital commitment of RMB9,867.4 million (2020: RMB4,177.4 million).

EMPLOYEES

As at 31 December 2021, the Group had a total of 628 employees (2020: 672). Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance, medical cover as well as share options.

SHARE OPTION SCHEME

In order to attract, retain and motivate executives and key employees serving any members of the Group or other persons contributing to the Group, the Company adopted a share option scheme (the “**Share Option Scheme**”) on 9 September 2009.

On 4 February 2019, the Company resolved to grant 632,388,000 share options to eligible participants (the “**Grantees**”) to subscribe for a total of 632,388,000 ordinary shares of HK\$0.01 each in the share capital of the Company under the Share Option Scheme. A total of 2,393,000 share options granted were not accepted by the Grantees within the required acceptance period under the Share Option Scheme. The accepted 629,995,000 share options are exercisable at any time during the option period from 4 February 2019 to 3 February 2024 (both dates inclusive) at an exercise price of HK\$0.45 per share.

On 23 July 2019, the Company resolved to grant 26,397,000 share options to another batch of eligible participants to subscribe for a total of 26,397,000 ordinary shares of HK\$0.01 each in the share capital of the Company under the Share Option Scheme. Among the share options granted, 22,367,000 share options were granted to the directors of the Company. The accepted 26,397,000 share options are exercisable at any time during the option period from 23 July 2019 to 22 July 2024 (both dates inclusive) at an exercise price of HK\$0.45 per share.

In respect of the share options granted on 4 February 2019 and 23 July 2019, unless with the prior written consent of the Board, at any time during a period of six months from the date of the allotment and issue of the shares pursuant to exercise of the share options by the aforesaid eligible participants, they shall not dispose of, nor enter into any agreement to dispose of, the shares subscribed pursuant to the exercise of the share options.

As at 31 December 2021, there were totally 171,011,000 share options that were granted to the directors and employees of the Company under the IPO Share Option Scheme and remained outstanding.

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

MATERIAL DIFFERENCES BETWEEN 2021 UNAUDITED AND AUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2021 had not been completed as at the date of publication of the 2021 Unaudited Annual Results Announcement. Since subsequent adjustments have been made to the unaudited annual results of the Group contained in the 2021 Unaudited Annual Results Announcement upon the completion of audit, shareholders and potential investors of the Company are advised to pay attention to certain differences between the unaudited annual results of the Group contained in the 2021 Unaudited Annual Results Announcement and the audited annual results of the Group in this announcement. Set forth below are principal details and reasons for the differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

Consolidated statement of comprehensive income (Extract)	2021 <i>RMB'000</i> <i>(unaudited)</i>	2021 <i>RMB'000</i> <i>(audited)</i>	Variance <i>RMB'000</i>	<i>Note</i>
Revenue	3,317,582	3,317,582	—	
Cost of sales	(4,291,386)	(4,408,688)	(117,302)	<i>(i)</i>
Gross (loss)/profit	(973,804)	(1,091,106)	(117,302)	
Other income	35,215	35,215	—	
Other (loss)/gains, net	(204,803)	(1,160,356)	(955,553)	<i>(ii)</i>
Provision for loss allowances of financial assets	(45,752)	(56,879)	(11,127)	<i>(ii)</i>
Selling and marketing expenses	(175,019)	(175,019)	—	
Administrative expenses	(426,379)	(426,379)	—	
Finance costs, net	(2,073,909)	(2,073,909)	—	
Share of profit/(loss) of an associate	1,072	1,072	—	
Share of profit/(loss) of a joint venture	4,943	4,943	—	
(Loss)/profit before taxation	(3,858,436)	(4,942,418)	(1,083,982)	
Income tax expenses	(241,748)	(221,431)	20,317	<i>(iii)</i>
(Loss)/profit for the year	(4,100,184)	(5,163,849)	(1,063,665)	
(Loss)/profit for the year attributable to:				
— the owners of the Company	(4,086,367)	(5,150,032)	(1,063,665)	
— non-controlling interests	(13,817)	(13,817)	—	
	<u>(4,100,184)</u>	<u>(5,163,849)</u>	<u>(1,063,665)</u>	
(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company (expressed in RMB per share)				
— Basic	(0.52)	(0.66)	(0.14)	
— Diluted	(0.52)	(0.66)	(0.14)	

Consolidated balance sheet (Extract)	2021 <i>RMB'000</i> <i>(unaudited)</i>	2021 <i>RMB'000</i> <i>(audited)</i>	Variance <i>RMB'000</i>	<i>Note</i>
Non-current assets				
Property, plant and equipment	373,160	101,060	(272,100)	<i>(iv)</i>
Right-of-use assets	394	272,494	272,100	<i>(iv)</i>
Investment properties	24,309,410	24,309,410	—	
Intangible assets	1,800	1,800	—	
Investment in an associate	6,227	6,227	—	
Interest in a joint venture	876,497	876,497	—	
Deferred income tax assets	279,313	279,313	—	
	<u>25,846,801</u>	<u>25,846,801</u>	<u>—</u>	
Current assets				
Properties under development	14,713,865	14,713,865	—	
Completed properties held for sale	5,151,379	5,151,379	—	
Trade and other receivables, prepayments and other financial assets	4,542,685	3,289,127	(1,253,558)	<i>(v)</i>
Prepaid taxes	273,793	289,727	15,934	<i>(vi)</i>
Restricted cash	406,615	406,615	—	
Cash and cash equivalents	191,642	191,642	—	
	<u>25,279,979</u>	<u>24,042,355</u>	<u>(1,237,624)</u>	
Total assets	<u>51,126,780</u>	<u>49,889,156</u>	<u>(1,237,624)</u>	

Consolidated balance sheet (Extract)	2021 <i>RMB'000</i> <i>(unaudited)</i>	2021 <i>RMB'000</i> <i>(audited)</i>	Variance <i>RMB'000</i>	<i>Note</i>
Current liabilities				
Contract liabilities	12,151,831	12,151,831	—	
Trade and other payables	6,316,684	6,163,042	(153,642)	<i>(v)</i>
Income tax payable	8,495,309	8,474,992	(20,317)	<i>(iii)</i>
Amount due to a joint venture	353,029	353,029	—	
Borrowings	20,084,005	20,084,005	—	
Lease liabilities	436	436	—	
	<u>47,401,294</u>	<u>47,227,335</u>	<u>(173,959)</u>	
Non-current liabilities				
Borrowings	—	—	—	
Deferred income tax liabilities	2,237,180	2,237,180	—	
	<u>2,237,180</u>	<u>2,237,180</u>	<u>—</u>	
Total liabilities	<u>49,638,474</u>	<u>49,464,515</u>	<u>(173,959)</u>	
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	(6,537,936)	(7,601,601)	(1,063,665)	
	<u>1,353,791</u>	<u>290,126</u>	<u>(1,063,665)</u>	
Non-controlling interests	134,515	134,515	—	
Total equity	<u>1,488,306</u>	<u>424,641</u>	<u>(1,063,665)</u>	
Total liabilities and equity	<u>51,126,780</u>	<u>49,889,156</u>	<u>(1,237,624)</u>	

Note:

- (i) Being adjustments to recognise certain prepayments for constructions costs amounted to RMB117,302,000 as cost of sales for those properties already sold and delivered in the current year or previous years.
- (ii) Being adjustments to write-off certain aged prepayments and deposits paid by the Group in earlier years for strategic land acquisition projects of RMB955,553,000 and the provision for loss allowance of RMB11,127,000 for the Group's other long outstanding other receivables.
- (iii) Represented the credit to current year income tax expenses of RMB20,317,000 associated with the additional costs of sales recognised per the adjustments aforementioned in note (i).
- (iv) Being adjustment to reclassify certain leasehold land of RMB272,100,000 from "Property, Plant and Equipment" to "Right-of-use Assets".
- (v) Being the aggregate impact of the adjustments in notes (i), (ii) and (vi), together with certain adjustments to offset prepayments and other receivables with trade and other payables of the same counterparty of aggregate amount of RMB153,642,000.
- (vi) Being adjustment to reclassify certain tax prepayment amounted to RMB15,934,000 from "Prepayments" to "Prepaid tax".

Save as disclosed in this announcement and the corresponding adjustments in totals, percentages, ratios, and comparative figures related to the above differences, all other information contained in the 2021 Unaudited Annual Results Announcement remain unchanged.

AUDITOR'S AGREEMENT ON THE ANNUAL RESULTS

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with HKAS, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The below sections set out an extract of the report by PricewaterhouseCoopers, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2021:

Disclaimer of Opinion

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

Basis for Disclaimer of Opinion

Multiple Uncertainties Relating to Going Concern

As described in note 2(a)(i) to the consolidated financial statements, the Group reported a loss attributable to the owners of the Company of RMB5,150,032,000 and had a net operating cash outflow of RMB291,017,000 for the year ended 31 December 2021. The Group had accumulated losses of RMB8,577,738,000 and the Group’s current liabilities exceeded its current assets by RMB23,184,980,000 as at 31 December 2021. As at the same date, the Group’s total and current borrowings amounted to RMB20,084,005,000, while its cash and cash equivalents amounted to RMB191,642,000 only. In addition, as at 31 December 2021, the Group was in default in respect of principal amount of borrowings totaling RMB12,426,612,000 due to the following events of default:– (a) late or overdue payment of loan principal and/or interest during the loan period or as at 31 December 2021; and (b) breach of specific terms and conditions of the relevant borrowings during the year ended 31 December 2021. These events of default also resulted in cross-default of certain borrowings other than those mentioned above with a principal amount of RMB4,584,100,000 as at 31 December 2021. Subsequent to 31 December 2021, principal of RMB686,010,000 and interest payable of RMB602,311,000 were not repaid in accordance with the repayment schedules pursuant to the relevant borrowing agreements, out of which RMB100,000,000 represents borrowings that were not in default or cross-default as at 31 December 2021 mentioned above.

The recent resurgence of COVID-19 pandemic in a number of cities in China in the first half of 2022 resulted in COVID-19 related lockdown and tightened prevention and control measures being put in place in Shanghai, where the Group’s headquarters and main operating subsidiaries are located. As the COVID-19 pandemic and control measures in Shanghai have persisted longer than originally expected, the Group’s business was not able to operate normally and in particular the construction progress of the Group’s projects and pre-sales and sales of its properties under development and completed properties have been delayed during the lockdown period. As a result, the adverse impact of COVID-19 on the Group may continue.

The business of the Group is also subject to extensive governmental regulations and macro-economic control measures of the real estate sector implemented by the PRC government from time to time, and some of these policies and measures may have unfavourable impact to the working capital available to the Group.

All of the above 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 and breach of specific terms and condition of borrowings for financial institutions, which are set out in note 2(a)(i) to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful negotiations with the 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; (ii) the successful negotiations with the lenders for the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests; (iii) successfully obtaining additional new sources of financing as and when needed; and (iv) the successful acceleration of the pre-sales and sales of properties under development and completed properties and speed up the collection of outstanding sales proceeds, including meeting all of the necessary conditions to launch the presale and make these pre-sales at the expected sale prices and in accordance with the timelines of cash flow projections prepared by management; and controlling costs and containing capital expenditure so as to generate adequate net cash inflows. The Group's ability to obtain the abovementioned financing and operating funds depends on (1) current and ongoing regulatory environments and how the relevant policies and measures might affect the Group and/or the relevant financial institutions; and (2) whether the lenders of existing borrowings are agreeable to the terms and conditions for such extension or renewal and the Group's ability to continuously comply with the relevant terms and conditions of borrowings.

As a result of the above-mentioned multiple uncertainties, the potential interaction of these uncertainties, and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate. 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.

AUDIT COMMITTEE

The Audit Committee was established on 9 September 2009 with written terms of reference, which comprises three independent non-executive directors, namely, Prof. Liu Tao (chairman of the Audit Committee), Dr. Hu Jinxing and Mr. Han Ping. The Audit Committee has reviewed with management the 2021 audited annual results and took the view that the Company was in full compliance with all applicable accounting standards and regulations and has made adequate disclosure.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “AGM”) will be held on Thursday, 1 September 2022. A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

PUBLICATION OF ANNUAL REPORT

The Company expects to publish its annual report for the year ended 31 December 2021 on the website of the Company at www.gloriousphl.com.cn and the website of HKEXnews of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk on or before 22 July 2022 and to dispatch the annual report to the shareholders on or before 29 July 2022.

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

Hong Kong, 14 July 2022

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