GLORY国瑞

GLORY HEALTH INDUSTRY LIMITED

國瑞健康產業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2329)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

FINANCIAL HIGHLIGHTS

– Achieved contracted sales for the year ended December 31, 2022 (the "**Reporting Period**") was RMB4,531.9 million;

– The Group's revenue from property development was RMB3,340.4 million, as the lease property market was exposed to pressures due to the impact of repeated outbreaks of the COVID-19 and market sentiment;

– Land reserves reached a total GFA of 7,207,130 sq.m. as at December 31, 2022;

– 55% of the certified saleable land reserve of the Company was distributed in Beijing as at December 31, 2022.

ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2022

The board (the "**Board**") of directors (the "**Directors**") of Glory Health Industry Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce to the Group's shareholders (the "**Shareholders**") the following audited consolidated results of the Group for the year ended December 31, 2022, together with comparative figures for the corresponding period in 2021. The results were extracted from the audited consolidated financial statements, which were prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2022

	Notes	**2022** *RMB'000*	**2021** *RMB'000*
Revenue	*4*		
Contract with customers		**3,479,630**	9,452,795
Rental income		**425,042**	445,606
Total revenue		**3,904,672**	9,898,401
Cost of sales and services		**(3,791,155)**	(8,651,166)
Gross profit		**113,517**	1,247,235
Other gains and losses, net	*6*	**(85,509)**	361,840
Other income	*7*	**142,952**	154,520
Change in fair value of investment properties		**20,059**	115,699
Impairment losses under expected credit loss model, net of reversal		**(88,075)**	(112,233)
Distribution and selling expenses		**(96,310)**	(263,920)
Administrative expenses		**(364,258)**	(403,604)
Other expenses	*8*	**(49,355)**	(17,177)
Share of (loss)/profit of joint ventures		**(9,052)**	131,339
Share of profit of associates		**51,079**	35,046
Finance costs		**(725,392)**	(371,878)
(Loss)/profit before income tax		**(1,090,344)**	876,867
Income tax credit/(expense)	*10*	**95,051**	(532,352)
(Loss)/profit for the year	*9*	**(995,293)**	344,515

	Notes	2022 *RMB'000*	2021 *RMB'000*
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss:			
Fair value loss on equity instruments at fair value through other comprehensive income ("**FVTOCI**")		**–**	(17,819)
Income tax relating to items that will not be reclassified to profit or loss		**–**	1,668
Other comprehensive loss, net of tax		**–**	(16,151)
Total comprehensive (loss)/income for the year		**(995,293)**	328,364
(Loss)/profit for the year attributable to:			
Owners of the Company		**(912,782)**	228,333
Non-controlling interests		**(82,511)**	116,182
		(995,293)	344,515
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(912,782)**	213,636
Non-controlling interests		**(82,511)**	114,728
		(995,293)	328,364
(Loss)/earnings per share attributable to the owners of the Company	*11*		
– Basic (RMB cents)		**(0.21)**	5.14
– Diluted (RMB cents)		**(0.21)**	5.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2022

	Notes	2022 *RMB'000*	2021 *RMB'000*
Non-current assets			
Investment properties		**20,521,500**	20,430,500
Property, plant and equipment		**2,335,551**	2,268,730
Right-of-use assets		**258,552**	262,522
Other non-current assets		**1,391,944**	1,373,571
Interests in joint ventures		**150,361**	159,413
Interests in associates		**65,650**	14,571
Equity instruments at FVTOCI		**13,481**	13,481
Deferred tax assets		**430,204**	367,421
Restricted bank deposits		**12,852**	12,062
Value added tax and tax recoverable		**983,137**	1,031,070
		26,163,232	25,933,341
Current assets			
Inventories		**1,371**	1,415
Deposits paid for acquisition of land		**102,723**	97,250
Properties under development for sale		**19,958,643**	21,976,751
Properties held for sale		**4,266,835**	4,174,623
Trade and other receivables, deposits and prepayments	*13*	**1,434,653**	1,926,918
Contract assets		**1,891,091**	1,798,868
Contract costs		**51,204**	59,535
Value added tax and tax recoverable		**426,005**	787,674
Amounts due from related parties		**2,726,236**	2,410,702
Restricted bank deposits		**234,200**	462,731
Bank balances and cash		**130,220**	460,225
		31,223,181	34,156,692
Assets classified as held for sale		**–**	983,248
		31,223,181	35,139,940

	Notes	2022 RMB'000	2021 RMB'000
Current liabilities			
Trade and other payables	*14*	**5,307,817**	5,088,577
Contract liabilities		**6,897,649**	9,101,673
Amounts due to related parties		**3,800,484**	3,876,942
Tax payable		**3,157,020**	2,969,343
Lease liabilities		**975**	812
Bank and other borrowings – due within one year		**9,049,097**	5,084,974
Senior notes		**3,108,608**	2,541,048
		31,321,650	28,663,369
Liabilities associated with assets classified as held for sale		**–**	972,608
		31,321,650	29,635,977
Net current (liabilities)/assets		**(98,469)**	5,503,963
Total assets less current liabilities		**26,064,763**	31,437,304
Non-current liabilities			
Rental deposits received	*14*	**112,727**	84,026
Lease liabilities		**1,718**	–
Bank and other borrowings – due after one year		**9,090,668**	13,319,016
Deferred tax liabilities		**2,480,742**	2,599,280
		11,685,855	16,002,322
Net assets		**14,378,908**	15,434,982
Capital and reserves			
Share capital		**3,520**	3,520
Reserves		**11,729,571**	12,703,134
Equity attributable to owners of the Company		**11,733,091**	12,706,654
Non-controlling interests		**2,645,817**	2,728,328
Total equity		**14,378,908**	15,434,982

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

1. GENERAL INFORMATION

Glory Health Industry Limited (formerly known as Glory Land Company Limited (國瑞置業有限公司) and carrying on business in Hong Kong as "Guorui Properties Limited") (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Laws (2012 Revision) of the Cayman Islands on July 16, 2012. The name of the Company was changed to Glory Health Industry Limited (國瑞健康產業有限公司) in June 2022. Its parent and ultimate holding company is Alltogether Land Company Limited (通和置業有限公司) ("**Alltogether Land**"), a company incorporated in the British Virgin Islands. Mr. Zhang Zhangsun, who holds 100% equity interests of Alltogether Land, is the ultimate beneficial owner of the Company.

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is located at East Block, Hademen Plaza, 8-1#Chongwenmenwai Street, Dongcheng District, Beijing, the People's Republic of China ("**PRC**").

The Company's shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Group are principally engaged in the business of property development, provision of primary land construction and development services, property investment, and provision of property management and related services.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand except where otherwise indicated.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The application of the amendment to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior year and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after January 1, 2023
2 Effective for annual periods beginning on or after January 1, 2024
3 Effective for annual periods beginning on or after a date to be determined

The Directors anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs, which collectively includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for the investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-*based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

The Group incurred a loss of approximately RMB995,293,000 for the year ended December 31, 2022, and as of that date, the Group has net current liabilities of approximately RMB98,469,000. As at December 31, 2022, the Group's bank and other borrowings with the aggregate carrying amount of approximately RMB9,049,097,000 was due on demand or within one year, while its cash and cash equivalents amounted to only approximately RMB130,220,000 and restricted bank deposits for construction of pre-sale properties and for mortgage loans granted to customers amounted to approximately RMB166,450,000, which can be used for payments for project costs when approval from related government authority is obtained. The current assets of the Group include properties under development for sale and properties held for sale of approximately RMB24,225,478,000 in aggregate of which approximately RMB6,784,262,000 in aggregate are not expected to be realised within 12 months from the end of the reporting period.

Due to the impact of repeated outbreaks of the COVID-19 and market sentiment, as at December 31, 2022, the Group had not repaid senior notes and bank and other borrowings of approximately RMB2,736,985,000 and RMB1,232,061,000 respectively according to their scheduled repayment dates, and as a result, these borrowings might be demanded for early repayment. As at December 31, 2022, the Group's senior notes amounting to RMB983,337,000 is held by Alltogether Land, the ultimate holding company.

In addition, based on the business model, the Group relied to a great extent on proceeds received from properties pre-sale to finance its development and construction of real estate projects.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at December 31, 2022 and subsequently thereto up to the date of authorization of these consolidated financial statements. In order to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the Directors have adopted several measures together with other measures in progress at the date of authorization of these consolidated financial statements, but not limited to, the followings:

(i) For borrowings which will be maturing before December 31, 2023, the Group is actively negotiating with the senior notes holders and banks for the extension of the repayment schedules. The Directors do not expect to experience significant difficulties in renewing most of these bank borrowings upon their maturities and there is no indication that these bank lenders will not renew the existing bank borrowings upon the Group's request. The Directors have evaluated the relevant facts available to them and are of the opinion that the Group would be able to renew such borrowings.

(ii) the Group would sell part of its investment properties in order to improve the Group's financial position, liquidity and cash flows;

(iii) the Group would implement of the plans and measures to the pre-sales and sales of properties under development for sale and properties held for sales and timely collection of the relevant sales proceeds; and

(iv) the Group applies cost control measures in cost of sales and services and administrative expenses.

Taking into account the above consideration and measures and after assessing the Group's current and forecasted cash positions, the Directors are satisfied that the Group will be able to meet its financial obligations when they fall due. Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group be unable to continue as going concern, adjustments would have to be made to the consolidated financial statements to write down the carrying amounts of assets to their recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the consolidated financial statements.

4. REVENUE

(i) Disaggregation of revenue from contracts with customers and the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information

	For the year ended December 31, 2022				
	Property development *RMB'000*	**Primary land construction and development services** *RMB'000*	**Property investment** *RMB'000*	**Property management and related services** *RMB'000*	**Total** *RMB'000*
Timing of revenue recognition					
A point in time	**3,340,435**	**–**	**–**	**–**	**3,340,435**
Over time	**–**	**108,715**	**–**	**30,480**	**139,195**
Revenue from contracts with customers	**3,340,435**	**108,715**	**–**	**30,480**	**3,479,630**
Rental income	**–**	**–**	**425,042**	**–**	**425,042**
Total revenue	**3,340,435**	**108,715**	**425,042**	**30,480**	**3,904,672**
Geographical market					
Mainland China	**3,340,435**	**108,715**	**425,042**	**30,480**	**3,904,672**

	For the year ended December 31, 2021				
	Property development *RMB'000*	Primary land construction and development services *RMB'000*	Property investment *RMB'000*	Property management and related services *RMB'000*	Total *RMB'000*
Timing of revenue recognition					
A point in time	9,185,750	–	–	–	9,185,750
Over time	–	229,081	–	37,964	267,045
Revenue from contracts with customers	9,185,750	229,081	–	37,964	9,452,795
Rental income	–	–	445,606	–	445,606
Total revenue	9,185,750	229,081	445,606	37,964	9,898,401
Geographical market					
Mainland China	9,185,750	229,081	445,606	37,964	9,898,401

5. SEGMENT INFORMATION

The Group is organized into business units based on their types of activities. These business units are the basis of information that is prepared and reported to the Group's chief operating decision makers (i.e. the executive Directors) for the purposes of resource allocation and assessment of performance. The Group's operating segments under IFRS 8 *Operating Segments* are identified as the following four business units:

Property development: This segment develops and sells commercial and residential properties.

Primary land construction and development services: This segment derives revenue from primary land development, including services for resettlement, construction of land infrastructure and ancillary public facilities on land owned by the local governments.

Property investment: This segment derives rental income from investment properties developed by the Group.

Property management and related services: This segment derives income from property management and related services.

Segment revenue and results

The following is the analysis of the Group's revenue and results by reportable and operating segment.

	Property development	**Primary land construction and development services**	**Property investment**	**Property management and related services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2022					
Revenue from external customers and segment revenue	**3,340,435**	**108,715**	**425,042**	**30,480**	**3,904,672**
Segment (loss)/profit	**(588,190)**	**5,177**	**391,075**	**(32,520)**	**(224,458)**
Year ended December 31, 2021					
Revenue from external customers and segment revenue	9,185,750	229,081	445,606	37,964	9,898,401
Segment profit/(loss)	367,465	10,908	325,840	(19,373)	684,840

The segment (loss)/profit can be reconciled to the (loss)/profit before income tax as follows:

	2022 *RMB'000*	2021 *RMB'000*
Segment (loss)/profit	**(224,458)**	684,840
Other gains and losses, net	**(85,509)**	361,840
Other income	**142,952**	154,520
Change in fair value of investment properties	**20,059**	115,699
Unallocated administrative expenses	**(210,668)**	(217,362)
Other expenses	**(49,355)**	(17,177)
Share of (loss)/profit of joint ventures	**(9,052)**	131,339
Share of profit of associates	**51,079**	35,046
Finance costs	**(725,392)**	(371,878)
Consolidated (loss)/profit before income tax	**(1,090,344)**	876,867

The accounting policies applied in determining segment revenue and segment (loss)/profit of the operating segments are the same as the Group's accounting policies. Segment (loss)/profit represents the (loss incurred)/profit earned by each segment without allocation of other gains and losses, net, other income, change in fair value of investment properties, other expenses, share of (loss)/profit of joint ventures, share of profit of associates, finance costs and unallocated administrative expenses, including auditor's remuneration and Directors' emoluments. This is the measure reported to the Group's chief operating decision makers for the purpose of resources allocation and performance assessment.

Other segment information

Amounts included in the measurement of segment (loss)/profit:

	Property development *RMB'000*	Primary land construction and development services *RMB'000*	Property investment *RMB'000*	Property management and related services *RMB'000*	Unallocated amount *RMB'000*	Total *RMB'000*
Year ended December 31, 2022						
Depreciation and amortization of non-current assets	**75,209**	**–**	**10,546**	**1,086**	**11,031**	**97,872**
Impairment losses under ECL model, net of reversal	**84,235**	**–**	**3,840**	**–**	**–**	**88,075**
Year ended December 31, 2021						
Depreciation and amortization of non-current assets	58,409	–	3,183	1,730	30,406	93,728
Impairment losses under ECL model, net of reversal	97,610	–	14,623	–	–	112,233

No segment assets and liabilities are presented as they were not regularly provided to the chief operating decision makers for the purpose of resources allocation and performance assessment.

Geographical information

All the revenue and operating results of the Group is derived from the PRC based on location of the operations. All the Group's non-current assets (excluding financial instruments and deferred tax assets) are located in the PRC based on geographical location of the assets or the associates' and joint ventures' operation, as appropriate.

Revenue from major customers

No revenue from a single external customer amounted to 10% or more of the Group's revenue during the years ended December 31, 2022 and 2021.

6. OTHER GAINS AND LOSSES, NET

	2022 *RMB'000*	2021 *RMB'000*
Net foreign exchange (loss)/gain on operating activities	**(87,959)**	29,834
Gains on disposal of property, plant and equipment	**2,450**	983
Gains on disposal of subsidiaries	**–**	331,023
	(85,509)	361,840

7. OTHER INCOME

	2022 *RMB'000*	2021 *RMB'000*
Interest income from amounts due from related parties	**72,436**	78,151
Interest income from bank deposits	**1,828**	5,793
Total interest income	**74,264**	83,944
Compensation received	**2,854**	9,949
Royalty fee income	**62,738**	59,961
Others	**3,096**	666
	142,952	154,520

8. OTHER EXPENSES

	2022 *RMB'000*	2021 *RMB'000*
Donations	**300**	200
Surcharge for overdue tax payment and fines *(note)*	**47,080**	15,129
Others	**1,975**	1,848
	49,355	17,177

During the year, the amount mainly represents fines and penalties as a result of court order of approximately RMB31,720,000 (2021:RMB6,058,000) and the surcharge of RMB8,482,000 (2021: RMB8,651,000) upon the receipt of final surcharge notice issued by the PRC tax authority in respect of the late payment of enterprise income tax, LAT and value-added taxes during the year. In the opinion of the Directors, all the fines, penalties and surcharge was settled during the year and the Group had no other contingent liabilities required to be recognized or disclosed in the consolidated financial statements as at December 31, 2022 in respect of these surcharge (2021: Nil).

9. (LOSS)/PROFIT FOR THE YEAR

(Loss)/profit for the year has been arrived at after charging/(crediting):

	2022	2021
	RMB'000	*RMB'000*
Directors' emoluments	**8,783**	11,644
Other staff costs:		
– Salaries and other benefits	**185,588**	221,855
– Retirement benefit contributions	**4,174**	4,740
Total staff costs	**198,545**	238,239
Less: Amounts capitalized to properties under development and investment properties under construction *(note)*	**(50,629)**	(61,869)
	147,916	176,370
Cost of properties sold recognized as expense	**3,671,728**	8,345,185
Impairment of properties under development of sales and properties held for sale (included in cost of sales and services)	**325,449**	50,079
Auditor's remuneration	**3,430**	3,530
Depreciation of property, plant and equipment	**89,204**	85,529
Depreciation of right-of-use assets	**7,061**	7,145
Amortization of intangible assets (included in administrative expenses)	**1,607**	1,054
Amortization of contract costs	**25,155**	131,511
Expense relating to short-term leases	**14,793**	6,835
Gross rental income from investment properties	**(425,042)**	(445,606)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**99,402**	119,766
	(325,640)	(325,840)

Note: The amount capitalized mainly represents costs of certain staff of the project management department and the design department, who were assigned to construction sites and engaged in specific construction projects directly.

10. INCOME TAX (CREDIT)/EXPENSE

	2022	2021
	RMB'000	*RMB'000*
Current tax		
– PRC enterprise income tax	**55,242**	355,375
– LAT	**59,998**	334,617
	115,240	689,992
Deferred tax	**(210,291)**	(157,640)
Income tax (credit)/expense	**(95,051)**	532,352

Pursuant to the PRC Enterprise Income Tax Law promulgated on March 16, 2007, the PRC enterprise income tax for both domestic and foreign-invested enterprises has been unified at the income tax rate of 25% effective from January 1, 2008 onwards. The PRC enterprise income tax has been calculated on the estimated assessable profit derived from the PRC at the rate of 25% for both years.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

No provision for Hong Kong Profits Tax has been made as the income of the companies comprising the Group neither arises in, nor is derived from Hong Kong during both years.

11. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the owners of the Company is based on the following data.

	2022	**2021**
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit for the year attributable to the owners of the Company for the purposes of basic and diluted (loss)/earnings per share	**(912,782)**	228,333

	2022	**2021**
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**4,444,418**	4,444,418

The computation of diluted (loss)/earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for the year ended December 31, 2021. There were no dilutive potential ordinary shares in existence during the year ended December 31, 2022. Therefore, the amount of diluted (loss)/earnings per share is the same as the amount of basic (loss)/earnings per share for the years ended December 31, 2022 and 2021.

12. DIVIDENDS

No dividend was proposed by the board of directors in respect of the years ended December 31, 2022 and 2021.

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Pursuant to the lease agreements, lease payment is generally required to be settled in advance with no credit period being granted to the tenants. In respect of sales of properties, a credit period of six months to two years may be granted to specific customers on a case-by-case basis.

	2022	**2021**
	RMB'000	*RMB'000*
Trade receivables, gross		
– contracts with customers *(note (i))*	**291,140**	364,437
– lease receivables	**169,210**	222,134
	460,350	586,571
Less: Allowance for credit losses	**(149,595)**	(84,283)
Trade receivables, net	**310,755**	502,288
Other receivables, deposits and prepayments, gross		
Advances to contractors and suppliers	**593,978**	572,238
Performance guarantee deposit paid	**14,940**	14,940
Other receivables and prepayments	**523,406**	798,699
Deposits	**59,295**	96,646
	1,191,619	1,482,523
Less: Allowance for credit losses	**(67,721)**	(57,893)
Other receivables, deposits and prepayments, net	**1,123,898**	1,424,630
Total trade and other receivables, deposits and prepayments, net	**1,434,653**	1,926,918

Note:

(i) As at December 31, 2022 and 2021, trade receivables from contract with customers mainly comprise trade receivables from property development.

The following is an aging analysis of trade receivables presented, net of allowance for credit losses, based on the date of recognition of revenue at the end of the reporting period:

	2022	**2021**
	RMB'000	*RMB'000*
0 to 60 days	**59,331**	50,146
61 to 180 days	**21,091**	32,068
181 to 365 days	**20,917**	91,925
1 to 2 years	**42,292**	78,900
Over 2 years	**316,719**	333,532
Less: Allowance for credit losses	**(149,595)**	(84,283)
	310,755	502,288

14. TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**2,375,998**	2,205,163
Deposits received	**200,973**	246,571
Rental received in advance	**99,739**	100,969
Refund liabilities	**285,556**	325,838
Accrued payroll	**56,210**	40,486
Value added tax and other tax payables	**822,878**	919,667
Other payables and accruals	**1,443,690**	1,198,409
Dividend payables	**135,500**	135,500
	5,420,544	5,172,603
Analysis for reporting purposes as:		
Non-current *(note)*	**112,727**	84,026
Current	**5,307,817**	5,088,577
	5,420,544	5,172,603

Note: Pursuant to the relevant agreements, rental deposits received as at December 31, 2022 and 2021 are to be settled after twelve months from the end of the reporting period and are therefore classified as non-current liabilities.

Trade payables comprise construction costs payables and other project-related expenses payables. The average credit period of trade payables is 180 days.

The following is an aging analysis of trade payables based on invoice date at the end of the reporting period:

	2022	2021
	RMB'000	*RMB'000*
0 to 60 days	**522,835**	816,626
61 to 365 days	**443,472**	417,148
1 to 2 years	**491,325**	203,015
Over 2 years	**918,366**	768,374
	2,375,998	2,205,163

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I hereby present the annual results of the Group for the year ended December 31, 2022.

ANNUAL RESULTS AND REVIEW FOR 2022

Annual Results

During the Reporting Period, the revenue of the Group was RMB3,904.7 million. Revenue from property development was RMB3,340.4 million.

Market Review

In terms of industry policies, the overarching keynote of "residential properties are for accommodation, not for speculation" remains unchanged. In light of the steady development of China's real estate industry and efforts to mitigate the industry downturn caused by the excessive execution of previous policies, a slowdown signal was released in terms of policies in the fourth quarter of 2022, reasserting the pillar status of the real estate industry. A number of financial support policies were introduced in the financial segment, with liberalisation of various financial instruments, in an aim to support enterprises to alleviate debt pressures, subject to ensured delivery of the properties. Thanks to these efforts, the financing environment for real estate companies will also usher in marginal improvement. More than 300 cities and regions have introduced nearly a thousand favorable policies for the real estate market, marking a peak for the past five years. Policies involving several aspects such as new property sales, second-hand housing transactions, mortgage transfers and regulatory funds, have been issued to maintain the healthy development of the local real estate market, restore the normal operation of the real estate industry, and alleviate financial pressure and corporate debt pressure, thus promoting the sound development of the real estate industry.

Real Estate Development

In 2022, in response to market changes, the Group adjusted its investment and sales strategies in a timely manner, steadily promoted the resumption of work and production, and thereby achieved stable business development. In the first half of the year, the Group made efforts to further downsize its real estate development, remained committed in debt reduction and accelerated asset disposal to improve liquidity. Meanwhile, it sped up its effort to transform. The Company went to great lengths to ensure the completion and delivery of the properties.

Investment Properties

During the Reporting Period, the total rental income of the Group was RMB425.0 million. With the effective control of the pandemic and the recovery of consumption, the Group's rental income will grow steadily. The Group owns 9 self-owned investment properties in the core areas of first-and second-tier cities including Beijing and Shenzhen, with a total planned GFA of approximately 769,379 sq.m.

Land Reserves

As of December 31, 2022, the total planned GFA of the land reserves of the Group was 7.21 million sq.m. The Group has existing primary land development projects. The Group undertook primary land development projects and urban renewal projects in Beijing and Shenzhen. During the Reporting Period, the development area of primary land development projects and urban redevelopment projects without affirmed ownership of the Group was 5.811 million sq.m., 51.6% of which was in Shenzhen. Accelerating urban renewal and improving renovation and upgrade of available housing are new directions for inventory market. The urban renewal projects, which features low investment and high profit margin, are the important source for the Group to replenish the land reserve in the Greater Bay Area. In the next few years, the Group's urban redevelopment projects and urban renewal projects will turn into sales and become its new profit growth drivers.

Capital Structure

Since the fourth quarter of 2022, with the financial support of the credit, bond financing and equity financing, improvement has been seen in the financing environment. Through comprehensive utilisation of diversified advantages from domestic and overseas financing channels, the Group makes full use of various financial means to continuously optimise fund management, reduce financing costs, and improve its liability structure in a way that effectively controls exchange rate risks. At the same time, it made efforts to further strengthen the risk control function, improve the financial risk monitoring system, and properly give risk warning and carry out risk prevention.

As at December 31, 2022, the Group's total interest-bearing liabilities is RMB21,248.4 million.

Business Transformation

The Group gradually scaled back its real estate business and steadily promoted its business transformation to the health industry during the year.

The Group is optimistic about the market opportunities and potential of the health industry. In line with the developing needs of times, the Group will be committed to exploring the innovation of habitation business forms and developing new industries, such as healthy living community, online healthy life and regenerative medical incubation. On one hand, the Group will be continuously upgrading the customised home and healthy life products of Guorui, and achieving comprehensive reshaping of the Group's product form and service model. On the other hand, the Group will be committed to providing online services for healthy life through the establishment of innovative businesses such as Guorui hospitals and medical online, online health care services, insurance services etc., in order to improve the comprehensive operation and service level of the Group and realize the comprehensive transformation of the Group to the health industry.

During the year, the Company had completed the procedures for the change of its name to Glory Health Industry Limited, and was officially listed on the Stock Exchange under the name of Glory Health on August 3.

OUTLOOK FOR 2023

Looking forward to 2023, the real estate policies will be made with consistent adherence to the positioning of "residential properties are for accommodation, not for speculation", to improve the housing market and security system, and accelerate the establishment of housing system featuring a strong high-end market and a solid entry-level market, with focus on solving the housing problems of new citizens and disadvantaged groups. The policies related to restrictions on property purchase and financial policies have been moderately loosened to promote the sound development of the industry. The overall financing environment for real estate companies has improved significantly. Under the guidance of policies, the first-tier cities and second – to third-tier core cities in metropolitan area will respond quickly and usher in a new round of market opportunities.

The Group believes that, the real estate industry will enter a new long-term cycle, and the growth pattern of the industry will also experience changes. It will shift from relying on a model of financial leverage to drive growth in the past to a model of stable, balanced and high-quality growth. In the long run, urbanisation process and the improved per capita living area in China provides room for development to the real estate industry. However, such room for development is no longer universal, but features growth in differentiations, including those in market performance across cities, enterprises and products. Opportunities and risks coexist in the real estate industry in the future, which requires accurate judgments on cities, markets, products and other aspects. In line with the development needs of times, the Group will be committed to exploring the innovation of habitation business forms, continuously upgrading products of Guorui, and achieving product ecology construction. In the future, the Group will uphold the strategy of strengthening presences in regions, proactively adopt flexible sales policy and seize market opportunities, so as to attract more customers with continuous improvement in product structure and outstanding product quality. We will vigorously promote sales while strengthening our efforts on collection of receivables from sales. In addition, we will also continue to optimise the debt structure and endeavor to reduce finance costs in ways that enhance the core competitiveness of the Group, thus ensuring sustainable growth of future performance.

Amid the complex market environment, the Group will transform to the health industry, and explore a broad market of the health industry.

ACKNOWLEDGEMENT

On behalf of the Board, I take this opportunity to express my heartfelt gratitude to all our shareholders, investors, partners, customers, and the community for their support and trust. In the past year, thanks to the guidance from the management of the Company, together with the efforts and contributions from all staff, the Group has made some achievements. In the future, the Company will continue to strive for maximized value and considerable returns for all of its shareholders.

Zhang Zhangsun
Chairman

Beijing, the PRC

March 31, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended December 31, 2022, the Group's revenue was RMB3,904.7 million. Revenue from property development was RMB3,340.4 million.

Contracted Sales

The contracted sales of the Group for 2022 amounted to approximately RMB4,531.9 million. Contracted sales of the Group in 2022, by geographical location, were mainly from Beijing, Foshan and Xi'an , and the contracted sales amounting to approximately RMB2,659.0 million, RMB420.6 million and RMB380.0 million, respectively, representing 58.7%, 9.3% and 8.4% of the Group's total contracted sales, respectively.

The following table sets out the Group's contracted sales by region for 2022 and 2021:

	2022		2021	
City	**Contracted Sales** *(RMB million)*	**Percentage of Total Contracted Sales** *(%)*	Contracted Sales *(RMB million)*	Percentage of Total Contracted Sales *(%)*
Beijing	**2,659.0**	**58.7**	7,469.6	60.2
Haikou	**98.2**	**2.2**	275.0	2.2
Wanning	**–**	**–**	380.3	3.1
Langfang	**265.6**	**5.9**	532.4	4.3
Zhengzhou	**42.4**	**0.9**	18.5	0.1
Shenyang	**178.9**	**3.9**	507.5	4.1
Foshan	**420.6**	**9.3**	1,527.0	12.3
Shantou	**60.7**	**1.3**	99.9	0.8
Suzhou	**235.6**	**5.2**	470.2	3.8
Chongming Island	**26.5**	**0.6**	230.5	1.9
Xi'an	**380.0**	**8.4**	821.9	6.6
Guizhou	**120.0**	**2.6**	10.5	0.1
Wuxi	**44.4**	**1.0**	61.0	0.5
Total	**4,531.9**	**100.0**	12,404.3	100.0

Property Projects

According to the stage of development, the Group classifies its property projects into three categories: completed properties, properties under development and properties held for future development. As some of its projects comprise multiple-phase development on a rolling basis, a single project may include different phases at various stages of completion, under development or held for future development.

As at December 31, 2022, the Group had completed a total GFA of 243,259 sq.m. and had land reserves with a total GFA of 7,207,130 sq.m.

The Group selectively retained the ownership of a substantial amount of self-developed commercial properties with strategic value to generate stable and sustainable income. As at December 31, 2022, the Group had investment properties in Beijing Fugui Garden, Beijing Glory City, Beijing Bei Wu Lou, Shenyang Glory City, Eudemonia Palace, Beijing Hademen Center, Shenzhen • Nanshan, Haikou Glory City and Foshan Glory Shengping Commercial Center.

Land Reserves

The following table sets out a summary of the Group's land reserves by geographic location as at December 31, 2022:

	Completed	Under Development	Future Development	Total Land Reserves	Of Total Land Reserves
	Saleable/ Rentable GFA Remaining Unsold	**GFA Under Development**	**Planned GFA**	**Total GFA**	
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(%)*
Beijing	803,303	220,354	–	1,023,657	14.2
Haikou	30,980	140,640	863,977	1,035,597	14.4
Langfang	–	290,054	1,016,680	1,306,734	18.1
Zhengzhou	5,206	30,535	–	35,741	0.5
Shenyang	9,978	325,598	73,342	408,919	5.7
Foshan	253,108	140,914	–	394,022	5.5
Xi'an	–	289,978	–	289,978	4.0
Shantou	6,189	314,224	38,749	359,162	5.0
Shenzhen	–	42,763	271,213	313,976	4.4
Suzhou	14,515	26,933	–	41,448	0.6
Chongming Island	–	14,158	766,685	780,843	10.8
Wuxi	19,591	–	–	19,591	0.3
Tongren	–	270,313	927,149	1,197,462	16.6
Total	**1,142,870**	**2,106,464**	**3,957,795**	**7,207,130**	**100.00**
Total Attributable GFA	**705,235**	**1,790,766**	**3,171,381**	**5,667,382**	

Primary Land Development and Projects Developed under the "Urban Redevelopment" Policy

Apart from engaging in property development projects, the Group also actively undertakes primary land development projects as a strategic business in order to access potentially available land reserves. During the Reporting Period, the Group undertook primary land development, urban renewal and projects under the "Urban Redevelopment" policy in places including Beijing and Shenzhen.

Urban Redevelopment Project in Beijing

Since September 2007, the Group has undertaken a primary land development project in Beijing, namely the West Qinian Street Project, which is located in the west side of Qinian Street and less than one kilometer from Tian'anmen Square with a planned GFA of approximately 474,304 sq.m., comprising five land parcels. As at December 31, 2022, the demolition and relocation of the Land No. 4 and the Land No. 5 have been completed and preparation for launch to the market is in the process.

Urban Redevelopment Project in Shenzhen

In the first half of 2014, Shenzhen Dachaoshan Construction Co., Ltd.* (深圳市大潮汕建設有限公司), a subsidiary of the Group, entered into an urban renewal cooperation agreement with Shenzhen Longgang Xikeng Co., Ltd.* (深圳市龍崗區西坑股份合作公司) to carry out the urban renewal project of the Xikeng community. The planned GFA of the project was about 3 million sq.m. The Group has completed the survey for the land ownership, residential population and building information in the Xikeng community, industry research, the urban renewal planning research program and consultation. The Phase I Project with a site area of 530,000 sq.m. and a planned GFA of approximately 1.4 million sq.m. had been approved by the meeting of Longgan District Government Leadership Group (龍崗區政府領導小組會) on December 14, 2018 and had completed the planning announcement in respect of the inclusion into the "2018 Longgan District Urban Renewal Plan – the Ninth Plan" (《二零一八龍崗區城市更新計劃第九批計劃》) on December 30, 2018. A further approval has been obtained from relevant governmental authorities on the project at the end of February 2019. The special planning report documents for the first renewal were filed on May 30, 2019. In March 2020, the National Development and Reform Commission approved the construction plan for Metro Line 16 (Dayun-Xikeng Section) (Phase II). Xikeng Station of Metro Line 16 (Phase II) is located within the scope of the first renewal unit. The special plan has been adjusted by the Group in consideration of Xikeng Station and is being submitted to the review authority for review. Meanwhile, in consideration of the demolition and resettlement work arrangement of the government for the metro, the Group has fully started the demolition and resettlement negotiation for the first renewal unit. Subsequent thereto, the establishment of other projects will be commenced.

Financial Review

Revenue

For the year ended December 31, 2022, the Group's revenue was RMB3,904.7 million, representing a decrease of 60.6% from RMB9,898.4 million for the year ended December 31, 2021.

Revenue from property development for the year ended December 31, 2022 was RMB3,340.4 million, representing a decrease of 63.6% as compared to the corresponding period of last year. The decrease in revenue during the Reporting Period was primarily due to the decrease in completion and delivery areas in the property development segment and reduced sales.

Cost of Sales and Services

For the year ended December 31, 2022, the Group's cost of sales and services was RMB3,791.2 million, representing a decrease of 56.2% as compared to the corresponding period of last year. The decrease in cost of sales and services during the Reporting Period was primarily due to the decrease in completion and delivery areas in the property development segment.

Gross Profit

For the year ended December 31, 2022, the Group's gross profit was RMB113.5 million, representing a decrease of RMB1,133.7 million as compared to corresponding period of last year, which was primarily due to the decreased sales, increased costs caused by the delayed commencement of projects and provision for impairment of properties.

Changes in Fair Value Gains on Investment Properties

The fair value gains on investment properties at the Group's level decreased from RMB115.7 million for the year ended December 31, 2021 to RMB20.1 million for the year ended December 31, 2022, which was mainly due to the slowdown of the appreciation of investment properties affected by the COVID-19 pandemic.

Other Gains and Losses, Net

Other gains, net were RMB361.8 million for the year ended December 31, 2021, while other losses, net were RMB85.5 million for the year ended December 31, 2022. Change of other gains, net to other losses, net is mainly due to the recognition of the gains on the sale of Wanning Guorui Real Estate Development Co., Ltd.* (萬寧國瑞房地產開發有限公司) in 2021.

Other Income

Other income decreased from RMB154.5 million for the year ended December 31, 2021 to RMB143.0 million for the year ended December 31, 2022, which was mainly due to the decrease in the recognised royalty income from associates and joint ventures.

Distribution and Selling Expenses

Distribution and selling expenses decreased by 63.5% from RMB263.9 million for the year ended December 31, 2021 to RMB96.3 million for the year ended December 31, 2022. The decrease is mainly due to the impact of the pandemic during the year, the decrease in marketing expenses resulted from the decrease in sales revenue.

Administrative Expenses

Administrative expenses decreased by 9.7% from RMB403.6 million for the year ended December 31, 2021 to RMB364.3 million for the year ended December 31, 2022. The decrease was mainly attributable to the reduction in administrative expenses as a result of the Group's improvement in operating quality through organizational structure adjustment and optimisation during the Reporting Period.

Finance Costs

Finance costs increased by 95.1% from RMB371.9 million for the year ended December 31, 2021 to RMB725.4 million for the year ended December 31, 2022, which was primarily due to the decrease in capitalised financing expenses of the Group as of the end of the Reporting Period.

Income Tax Credit/(Expense)

Income tax expense for the year ended December 31, 2021 was RMB532.4 million, while the amount of income tax credit for the year ended December 31, 2022 was RMB95.1 million.

Total Comprehensive (Loss)/Income

As a result of the foregoing reasons, the Group's total comprehensive income decreased from RMB328.4 million for the year ended December 31, 2021 to the total comprehensive loss of RMB995.3 million for the year ended December 31, 2022, which was mainly due to the fluctuation in the exchange of USD bonds and the decrease in capitalized financing expenses of the Group as of the end of the reporting period.

Liquidity, Financial and Capital Resources

Cash Position

As at December 31, 2022, the Group's cash, restricted bank deposits and bank balances were approximately RMB377.3 million, while as at December 31, 2021, the Group's cash, restricted bank deposit and bank balances were approximately RMB935.0 million.

Net Operating Cash Flow

The Group recorded net operating cash flow in the amount of RMB923.1 million for the year ended December 31, 2022, while we had recorded net operating cash flow of RMB4,345.3 million for the year ended December 31, 2021.

Borrowings

As at December 31, 2022, the Group had outstanding borrowings of RMB21,248.4 million, consisting of bank and other borrowings of RMB18,139.8 million and senior notes of RMB3,108.6 million.

As at December 31, 2022, other outstanding borrowings of the Group accounted for 15.3% of the total outstanding borrowings of the Group.

Charge over Assets

Some of the Group's borrowings are secured by properties under development for sale, properties held for sale, investment properties and prepaid lease payments as well as property, plant and equipment and restricted bank deposits, or combinations of the above. As at December 31, 2022, the assets pledged to secure certain borrowings granted to the Group amounted to RMB30,977.1 million.

Financial Guarantees and Contingent Liabilities

In line with market practice, the Group has entered into arrangements with various banks for the provision of mortgage financing to its customers. The Group does not conduct independent credit checks on its customers, but relies on credit checks conducted by relevant banks. As with other property developers in the PRC, the banks usually require the Group to guarantee its customers' obligation to repay the mortgage loans on the properties. The guarantee period normally lasts until the banks receive the strata-title building ownership certificate (分戶產權證) from the customer as security of the mortgage loan granted. As at December 31, 2022, the Group's outstanding guarantees in respect of the mortgages of its customers amounted to RMB4,659.2 million and outstanding guarantees in respect of the borrowings to its related parties and its associate amounted to RMB720.0 million in aggregate. Save as disclosed in this announcement, the Group had no other material contingent liabilities as at December 31, 2022.

Future Plans for Material Investments or Capital Assets

The Group will continue to invest in its property development projects and acquire suitable land parcels in selected cities as it thinks fit. It is expected that internal resources and bank borrowings will be sufficient to meet the necessary funding requirements. Save as disclosed in this announcement, the Group did not have any future plans for material investments or capital assets as at the date of this announcement.

Employees and Remuneration Policies

For the year ended December 31, 2022, the Group had approximately 492 employees, and incurred employee costs of approximately RMB198.5 million. Remuneration for the employees generally includes salaries and performance bonuses. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans of the municipal and provincial governments, including housing provident funds, pension, medication, maternity, occupational injury and unemployment benefit plans.

Issuance of Senior Notes

On February 23, 2022, the Company completed the exchange offering of US$315,159,000 of the 2021 senior notes (the "**2021 Senior Notes**") with US$334,790,000 of new issue of senior notes due on August 23, 2024 (the "**2022 Senior Notes**") which bearing interest at 14.25% per annum. After the completion of the exchange offering, the 2021 Senior Notes with the remaining aggregate principal amount of US$8,586,000 and the 2022 Senior Notes with an aggregate principal amount of US$334,790,000 remain outstanding.

FINAL DIVIDEND

The Board did not recommend any payment of final dividend for the year ended December 31, 2022.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there is no material post balance sheet event undertaken by the Group after December 31, 2022 up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES AND OTHER INFORMATION

The Company is committed to maintaining high standards of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of the Shareholders. The Company has always recognized the importance of the Shareholders' transparency and accountability.

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Under the current organization structure of the Company, Mr. Zhang Zhangsun ("**Chairman Zhang**") is the chairman of the Board and the president of the Company. The roles of both chairman and president being performed by the same person deviates from the CG Code. Chairman Zhang has been overseeing the Group's strategic planning, development, operation and management since the Group was founded. The Company believes that the vesting of the roles of both chairman and president in Chairman Zhang is beneficial to the business operation of the Group and will not have negative influence on the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals. The Board currently comprises five executive Directors and two independent non-executive Directors (an independent non-executive Director resigned on November 30, 2022, and an additional independent Director would be engaged in 2023), and therefore has fairly strong independence in its composition. Save as disclosed herein, the Company has complied with the code provisions as set out in the CG Code for the year ended December 31, 2022. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

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 Directors' securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code for the year ended December 31, 2022.

Purchase, Sale or Redemption of Listed Securities of the Company

For the year ended December 31, 2022, save as disclosed in this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors including Mr. Luo Zhenbang, Mr. Lai Siming and Ms. Chen Jingru (who resigned on November 30, 2022). The Audit Committee is chaired by Mr. Luo Zhenbang.

The Audit Committee has reviewed with the management the accounting principles and policies adopted by the Company, as well as laws and regulations, and discussed internal control and financial reporting matters of the Group. The Audit Committee, the member, namely Mr. Luo Zhenbang and Mr. Lai Siming considered that the annual results for the year ended December 31, 2022 are in compliance with the applicable accounting principles and policies, laws and regulations, and the Company has made appropriate disclosures thereof.

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position as at December 31, 2022 and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2022 as set out in the preliminary announcement of the Group have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and consequently no assurance has been expressed by Moore Stephens CPA Limited on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by Moore Stephens CPA Limited, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended December 31, 2022:

Disclaimer of opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit 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 Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Scope limitation relating to the going concern basis of preparing the consolidated financial statements

As set out in note 3 to the consolidated financial statements, the Group incurred a loss of approximately RMB995,293,000 for the year ended December 31, 2022, and as of that date, the Group has net current liabilities of approximately RMB98,469,000. As at December 31, 2022, the Group's bank and other borrowings with the aggregate carrying amount of approximately RMB9,049,097,000 was due on demand or within one year, while its cash and cash equivalents amounted to only approximately RMB130,220,000 and restricted bank deposits for construction of pre-sale properties and for mortgage loans granted to customers amounted to approximately RMB166,450,000, which can be used for payments for project costs when approval from related government authority is obtained. As at December 31, 2022, the Group had not repaid senior notes and bank and other borrowings of approximately RMB2,736,985,000 and RMB1,232,061,000 respectively according to their scheduled repayment dates, and as a result, these borrowings might be demanded for early repayment.

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, and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

As detailed in note 3 to the consolidated financial statements, in view of the above circumstances, the directors of the Company have prepared a cash flow forecast of the Group which takes into account certain plans and measures. The validity of the going concern assumption is dependent on the successful and favourable outcomes of these plans and measures being undertaken by the management of the Company, which are subject to uncertainties including (i) successful negotiation with the senior notes holders and the banks for the extension of the repayment schedules; (ii) successful disposal of certain investment properties and timely collection of the relevant sales proceeds; (iii) successful implementation of the plans and measures to the pre-sales and sales of properties under development for sale and properties held for sales and timely collection of the relevant sales proceeds; and (iv) control the administrative costs and capital expenditures. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its operating and financing needs as and when they fall due within the twelve months from December 31, 2022 and would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis.

The appropriateness of the preparation of the consolidated financial statements on the going concern basis depends on whether the above-mentioned assumptions and other assumptions set out in note 3 to the consolidated financial statements taken into account by the directors of the Company in the going concern assessment are achievable.

However, in respect of the assumptions regarding the successful and favourable outcomes of the plans and measures being undertaken by the management of the Company as detailed in note 3 to the consolidated financial statements and the development of the events, we were unable to obtain sufficient and appropriate audit evidence regarding the assumptions used in the going concern basis. There were no other satisfactory audit procedures that we could adopt to conclude whether it is appropriate to use the going concern assumption to prepare these consolidated financial statements.

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 value 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 effect of these adjustments has not been reflected in these consolidated financial statements.

Publication of the Annual Results and Annual Report for the Year ended December 31, 2022 on the Websites of the Stock Exchange and the Company

This announcement is published on the website of the Stock Exchange and the Company's website. In accordance with the requirements under the Listing Rules which are applicable to the Reporting Period, the annual report for the year ended December 31, 2022 containing all the information about the Company set out in this announcement of results for the year ended December 31, 2022 will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Glory Health Industry Limited
Zhang Zhangsun
Chairman

Beijing, the PRC, March 31, 2023

As at the date of this announcement, the board of directors of the Company comprises Mr. Zhang Zhangsun, Ms. Ruan Wenjuan, Ms. Dong Xueer, Mr. Hao Zhenhe and Mr. Sun Xiaodong as executive directors and Mr. Luo Zhenbang, Mr. Lai Siming as independent non-executive directors.