寶新置地集團有限公司
GLORY SUN LAND GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 299)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The directors (the "Directors") of Glory Sun Land Group Limited (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2023 (the "Period"), which has been reviewed by the audit committee of the Company (the "Audit Committee").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Six months ended 30 June	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*5*	**159,592**	1,253,295
Cost of sales		**(216,175)**	(1,381,738)
Gross loss		**(56,583)**	(128,443)
Selling expenses		**(11,296)**	(40,865)
Administrative expenses		**(34,094)**	(60,695)
Loss on disposal of subsidiaries	*15*	**(119,543)**	–
Fair value loss on investment properties		**(28,075)**	(85,716)
Impairment losses on financial and contract assets – net		**(3,332)**	(25,473)
Other income, gains/(losses) – net		**73,146**	(47,898)
Loss from operations		**(179,777)**	(389,090)
Finance costs		**(65,854)**	(27,227)

		Six months ended 30 June	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Loss before income tax		**(245,631)**	(416,317)
Income tax credit	*7*	**28,566**	26,107
Loss for the period	*6*	**(217,065)**	(390,210)
Other comprehensive income, net of tax			
Item that will not be reclassified to profit or loss:			
Fair value changes of equity instruments at fair value through other comprehensive income ("FVTOCI")		**340**	(935)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(3,017)**	(179,038)
Exchange differences reclassified to profit or loss on disposal of a subsidiary		**61,070**	–
		58,053	(179,038)
Other comprehensive income for the period, net of tax		**58,393**	(179,973)
Total comprehensive income for the period		**(158,672)**	(570,183)

	Notes	Six months ended 30 June 2023 HK$'000 (unaudited)	2022 HK$'000 (unaudited)
Loss for the period attributable to:			
– Owners of the Company		**(135,519)**	(209,402)
– Non-controlling interests		**(81,546)**	(180,808)
		(217,065)	(390,210)
Total comprehensive income for the period attributable to:			
– Owners of the Company		**(75,613)**	(330,671)
– Non-controlling interests		**(83,059)**	(239,512)
		(158,672)	(570,183)
Loss per share attributable to owners of the Company during the period			
– Basic and diluted loss per share (HK cents)	*8*	**(1.24)**	(1.92)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	**30 June 2023 *HK$'000* (unaudited)**	31 December 2022 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**59,655**	84,048
Investment properties	*9*	**1,457,669**	3,492,852
Financial asset at FVTOCI		**1,593**	1,253
		1,518,917	3,578,153
Current assets			
Inventories	*10*	**5,083,707**	8,086,954
Contract assets		**22,479**	31,505
Trade and other receivables	*11*	**4,020,979**	4,407,066
Financial asset at fair value through profit or loss ("FVTPL")	*12*	**1,483,598**	–
Tax recoverable		**49,385**	51,119
Pledged and restricted bank deposits		**161,881**	441,325
Bank and cash balances		**58,800**	88,415
		10,880,829	13,106,384
Current liabilities			
Borrowings		**4,367,940**	5,567,577
Trade and other payables	*13*	**3,003,563**	4,022,677
Contract liabilities		**1,538,509**	2,386,427
Financial liability at FVTPL		**40,627**	–
Financial guarantee		**46,965**	80,482
Lease liabilities		**1,463**	5,581
Current tax liabilities		**57,766**	97,613
		9,056,833	12,160,357
Net current assets		**1,823,996**	946,027
Total assets less current liabilities		**3,342,913**	4,524,180

	Notes	**30 June 2023 HK$'000 (unaudited)**	31 December 2022 HK$'000 (audited)
Non-current liabilities			
Borrowings		**439,614**	913,535
Lease liabilities		**25,950**	47,062
Deferred tax liabilities		**91,099**	371,029
		556,663	1,331,626
NET ASSETS		**2,786,250**	3,192,554
Capital and reserves			
Share capital	*14*	**5,460**	5,460
Reserves		**1,594,795**	1,670,408
Equity attributable to owners of the Company		**1,600,255**	1,675,868
Non-controlling interests		**1,185,995**	1,516,686
TOTAL EQUITY		**2,786,250**	3,192,554

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. GENERAL INFORMATION

Glory Sun Land Group Limited (the "Company") was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong was Unit 1305, 13/F, Tower Two, Lippo Centre, No. 89 Queensway, Admiralty, Hong Kong and was further changed to Unit 1002, 10th Floor, Silvercord Tower 1, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong with effect from 10 August 2023. The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in operation of a golf practising court, children playrooms, fitness rooms and a karaoke box, provision of construction works, property development and property investment, trading of commodities and home appliances and building materials in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosures provision of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These condensed consolidated interim financial statements contain condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2022. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") and should be read in conjunction with the annual financial statements for the year ended 31 December 2022.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2022, except for those that relate to new standards or interpretations effective for the first time for the period beginning on or after 1 January 2023. Details of any changes in accounting policies are set out in note 3.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated.

(b) Going concern assumption

As at 30 June 2023, the Group had total borrowings of approximately HK$4,807,554,000 of which the current borrowings amounted to approximately HK$4,367,940,000. However, the Group had bank and cash balances of approximately HK$58,800,000 only.

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

For the purpose of assessing going concern, the Directors have prepared a cash flow forecast of the Group covering a period of twelve months from the end of the reporting period (the "Cash Flow Forecast") with plans and measures to mitigate the liquidity pressure and to improve its financial position. Certain plans and measures have been or will be taken by the Directors including, but not limited to, the following:

(i) as at 30 June 2023, the Group had a number of unutilised loan facilities and the Directors are confident that these unutilised loan facilities could provide adequate financing funding to the Group, as and when necessary; and

(ii) the Group will accelerate the pre-sales of its major property development projects during the period of the Cash Flow Forecast.

Based on the Cash Flow Forecast and assuming the above plans and measures can be successfully implemented as scheduled, the Directors are of the opinion that the Group is able to continue as a going concern and would have sufficient financial resources to finance the Group's operations and meet its financial obligations as and when they fall due. Accordingly, it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

Should the Group fail to achieve the above 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 net realisable 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 condensed consolidated interim financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the Period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations.

The adoption of the new HKFRSs and amendments to HKFRSs has no material impact on the Group's condensed consolidated interim financial statements.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those that applied to annual financial statements for the year ended 31 December 2022.

5. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The Group has several operating segments as follows:

Real estate and property investment	–	property development and property investment
Trading of commodities	–	trading of commodities
Construction	–	provision of construction works
Others	–	operation of a golf practising court;
	–	operation of children playrooms;
	–	operation of fitness rooms;
	–	operation of a karaoke box; and
	–	trading of home appliances and building materials

The Group's revenue is principally attributable to a single geographical region, which is the PRC.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment revenue and results

Revenue reported below represents revenue generated from external customers. There was no inter-segment sales in both periods.

The following is an analysis of revenue and results by operating segments of the Group:

For the six months ended 30 June 2023 (unaudited)

	Real estate and property investment *HK$'000*	Trading of commodities *HK$'000*	Construction *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue	**142,273**	**–**	**–**	**17,319**	**159,592**
Segment results	**(97,098)**	**(957)**	**(15,925)**	**17,686**	**(96,294)**
Loss on disposal of subsidiaries					**(119,543)**
Fair value loss on investment properties					**(28,075)**
Other income, gains/(losses) – net					**73,146**
Finance costs					**(65,854)**
Unallocated corporate expenses					**(9,011)**
Loss before income tax					**(245,631)**
Time of revenue recognition					
At a point in time	**135,303**	**–**	**–**	**17,319**	**152,622**
Revenue from other sources	**6,970**	**–**	**–**	**–**	**6,970**
	142,273	**–**	**–**	**17,319**	**159,592**

For the six months ended 30 June 2022 (unaudited)

	Real estate and property investment *HK$'000*	Trading of commodities *HK$'000*	Construction *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue	743,918	489,990	–	19,387	1,253,295
Segment results	(248,051)	(633)	3	36	(248,645)
Fair value loss on investment properties					(85,716)
Other income, gains/(losses) – net					(47,898)
Finance costs					(27,227)
Unallocated corporate expenses					(6,831)
Loss before income tax					(416,317)
Time of revenue recognition					
At a point in time	732,513	489,990	–	19,387	1,241,890
Revenue from other sources	11,405	–	–	–	11,405
	743,918	489,990	–	19,387	1,253,295

6. LOSS FOR THE PERIOD

Loss for the period has been arrived at charging/(crediting) the following:

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Cost of inventories	**95,194**	1,128,701
Write-down of inventories	**120,981**	253,037
Cost of inventories recognised as expenses	**216,175**	1,381,738
Depreciation		
– Owned property, plant and equipment	**1,731**	2,903
– Leasehold land for own use	**2,077**	4,125
– Properties leased for own use	**218**	3,714
Directors' remuneration	**1,168**	1,421
Fair value gain on financial asset at FVTPL	**(16,670)**	–
Foreign exchange (gain)/loss – net	**(7,011)**	52,795
Impairment losses on financial and contract assets – net	**3,332**	25,473
Short-term lease expenses	**285**	–
Direct operating expenses arising from investment properties that generated rental income	**217**	1,071

7. INCOME TAX CREDIT

Income tax credit has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
– PRC Enterprise Income Tax	**2,658**	32,576
– PRC Land Appreciation Tax	**4,895**	31,131
	7,553	63,707
Under provision in prior years	**–**	5
	7,553	63,712
Deferred tax:		
– Current period	**(36,119)**	(89,819)
	(28,566)	(26,107)

8. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2023	2022
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**109,202**	109,202

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the purpose of calculating basic loss per share	**135,519**	209,402

There was no dilutive potential ordinary shares outstanding for the six months ended 30 June 2023 and 2022.

9. INVESTMENT PROPERTIES

During the six months ended 30 June 2023, the Group incurred expenditures of approximately HK$33,429,000 (six months ended 30 June 2022: approximately HK$55,801,000) and had recorded a fair value loss on investment properties of approximately HK$28,075,000 (six months ended 30 June 2022: approximately HK$85,716,000). During the six months ended 30 June 2023, the Group disposed of certain investment properties of approximately HK$2,100,992,000 (six months ended 30 June 2022: HK$146,165,000), of which approximately HK$2,100,992,000 were disposed of through disposal of subsidiaries.

As at 30 June 2023, the carrying amount of investment properties amounting to approximately HK$611,893,000 (31 December 2022: approximately HK$2,260,017,000) was pledged as security for the Group's bank borrowings and approximately HK$39,221,000 (31 December 2022: approximately HK$39,185,000) was pledged as security for a bank borrowing granted to a former subsidiary which had been overdue.

10. INVENTORIES

The Group's inventories represent properties under development and properties held for sale.

As at 30 June 2023, the carrying amount of properties under development and properties held for sale amounting to approximately HK$2,104,418,000 (31 December 2022: approximately HK$4,409,654,000) and HK$1,398,603,000 (31 December 2022: approximately HK$1,298,471,000) respectively were pledged as security for the Group's bank borrowings.

As at 30 June 2023, the carrying amount of properties held for sales amounting to approximately HK$28,883,000 (31 December 2022: approximately HK$28,857,000) were pledged as security for a bank borrowing granted to a former subsidiary which had been overdue.

According to state-owned land use rights grant contracts dated in March 2014 ("Land Use Rights Contract 2014"), the parcels of land in the PRC for the property development project of which certain property under development of approximately HK$132,894,000 (31 December 2022: approximately HK$128,847,000) held by a subsidiary namely Yunfu Baoxin was required to be completed by March 2017. As at 30 June 2023, the development was still under construction. A failure to meet any development milestones contained in the Land Use Rights Contract 2014 may lead to a daily penalty of 0.01% of the consideration of the Land Use Rights Contract 2014 in accordance with the terms of the Land Use Rights Contract 2014. The Group had made submissions to relevant land authority on application of extension for the completion of development on the ground amongst others that such delay was due to various reasons beyond its control. In 2021, a written notice had been served to Yunfu Baoxin by the relevant land authority stating that Yunfu Baoxin should accelerate the progress of construction works and the relevant land authority reserved the right to pursue penalty. After consultation with the PRC legal advisor, the Directors consider that the probability for penalty by the relevant land authority in respect of the possible breach of the Land Use Rights Contract 2014 is minimal, and therefore no provision is to be recognised as of the end of the reporting period.

11. TRADE AND OTHER RECEIVABLES

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**12,136**	38,832
Less: loss allowance for expected credit losses	**(8,484)**	(17,031)
	3,652	21,801
Other receivables	**110,561**	107,641
Other receivables from former related parties	**–**	2,740
Consideration receivables	**368,314**	352,408
Prepayments and other deposits	**3,513,027**	3,889,121
Other tax assets	**25,425**	33,355
	4,017,327	4,385,265
Total trade and other receivables	**4,020,979**	4,407,066

The Group generally allows an average credit period of 10 days (31 December 2022: 10 days) for its customers of trading of commodities and 30 days (31 December 2022: 30 days) for its customers of trading of home appliances and building materials.

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of the reporting period:

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**2,195**	2,388
31 – 60 days	**108**	368
61 – 90 days	**255**	1,205
91 – 120 days	**209**	260
Over 120 days	**885**	17,580
	3,652	21,801

12. FINANCIAL ASSET AT FVTPL

	HK$'000
As at 1 January 2023	–
Addition *(note 15(a))*	1,508,730
Change in fair value	16,670
Exchange difference	(41,802)
As at 30 June 2023 (unaudited)	1,483,598

As set out in Note 15(a), the Group completed the disposal of 51% equity interest in Shantou Taisheng Technology Limited ("Shantou Taisheng") on 22 March 2023. At completion of the disposal, the remaining 49% equity interest in Shantou Taisheng has been accounted for as a financial asset at FVTPL held by the Group, and will be disposed to the GSFG Group within twelve months from the 1st Tranche Completion (as defined thereafter) subject to the satisfaction (or waiver, as the case may be) of the conditions precedent of Sale and Purchase Agreement (as defined thereafter). Further details of the disposal of Shantou Taisheng are set out in Note 15(a).

13. TRADE AND OTHER PAYABLES

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables	**1,265,090**	2,529,794
Wages and salaries payables	**3,587**	6,597
Accruals	**3,312**	2,728
Other tax liabilities	**90,580**	93,898
Interest payables	**525,089**	425,073
Interest payables to former related parties	**–**	143,986
Secured deposits from contractors	**295,011**	307,652
Other payables	**777,483**	463,462
Other payables to a non-controlling interest	**43,411**	43,407
Other payables to former related parties	**–**	6,080
	1,738,473	1,492,883
	3,003,563	4,022,677

The credit period of trade payables in relation to trading of commodities is ranged from 10 to 360 days (31 December 2022: ranged from 10 to 360 days); provision of real estate and property investment is ranged from 7 to 30 days (31 December 2022: ranged from 7 to 30 days) and trading of home appliances and building materials is 30 days (31 December 2022: 30 days).

Included in trade payables are trade creditors with the following ageing analysis, based on invoice dates, as of the end of the reporting period:

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**343,619**	1,472,737
31 – 60 days	**191**	14,310
61 – 90 days	**58**	328
91 – 120 days	**132**	3,717
Over 120 days	**921,090**	1,038,702
	1,265,090	2,529,794

14. SHARE CAPITAL

	Number of shares	**Share capital**
	'000	*HK$'000*
Authorised:		
Ordinary share of HK$0.05 each (31 December 2022: HK$0.05 each)		
At 1 January 2022	8,000,000	400,000
Share consolidation *(Note)*	(7,840,000)	–
Share sub-division *(Note)*	7,840,000	–
At 31 December 2022, 1 January 2023 and 30 June 2023	8,000,000	400,000
Issued and fully paid:		
At 1 January 2022	5,460,125	273,006
Shares consolidation *(Note)*	(5,350,923)	–
Capital reduction *(Note)*	–	(267,546)
At 31 December 2022, 1 January 2023 and 30 June 2023	109,202	5,460

Note:

On 20 April 2022, a special resolution has been passed by the shareholders of the Company for a capital reorganisation which involved share consolidation, capital reduction and share subdivision. The Company implemented the share consolidation on the basis that every fifty (50) issued and unissued existing shares of par value of HK$0.05 each in the share capital of the Company be consolidated into one (1) consolidated share of par value of HK$2.50 each in the share capital of the Company. The share consolidation was effective on 22 April 2022. Immediately following the share consolidation becoming effective, the capital reduction be implemented, pursuant to which, (i) any fractional consolidated share in the issued share capital of the Company arising from the share consolidation was cancelled; and (ii) the issued share capital of the Company was reduced by cancelling the paid-up capital to the extent of HK$2.45 on each of the then issued consolidated shares such that the par value of each issued consolidated share was reduced from HK$2.50 to HK$0.05. The credit arising from the capital reduction in the amount of approximately HK$267,546,000 was applied to offset against the balance of the accumulated losses of the Company up to the effective date of the capital reduction. Immediately following the capital reduction, each of the authorised but unissued consolidated shares of HK$2.50 each was sub-divided into fifty (50) authorised but unissued new shares of par value HK$0.05 each. The capital reduction and share subdivision became effective on 12 July 2022. Details of the capital reorganisation are set out in the Company's circular dated 30 March 2022. All shares issued during the year ended 31 December 2022 rank pari passu with the then existing shares in issue in all respects.

15. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Shantou Taisheng

On 3 October 2022, the Group and Glory Sun Financial Group Limited ("GSFG") and its subsidiaries (collectively as the "GSFG Group"), the former related parties of the Group, entered into a framework agreement (the "Framework Agreement"), and on 19 October 2022, the Group and the GSFG Group entered into a sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which the Group conditionally agreed to sell, and the GSFG Group conditionally agreed to acquire, 51% of the total equity interest of Shantou Taisheng, an indirect non-wholly owned subsidiary of the Company at the consideration of approximately RMB1,176 million (equivalent to approximately HK$1,331 million) ("1st Tranche Disposal"). Pursuant to the Sale and Purchase Agreement, subject to the satisfaction (or waiver, as the case may be) of the conditions precedent, the Group shall dispose the remaining 49% of the total equity interest of Shantou Taisheng to the GSFG Group within twelve months from the 1st Tranche Completion at the consideration of approximately RMB1,129 million ("2nd Tranche Disposal").

Pursuant to the Sale and Purchase Agreement, the consideration from the 1st Tranche Disposal (the "1st Tranche Consideration") will be used to settle the outstanding principal amount of all the loans advanced by the GSFG Group to the Group and all interest accrued thereon up to the completion of the 1st Tranche Disposal ("1st Tranche Completion") of approximately HK$1,315 million in aggregate. The remaining balance of 1st Tranche Consideration (after deducting an amount equivalent to all loans and respective accrued interests owed to the GSFG Group of approximately HK$1,315 million) shall be settled in cash (the "1st Tranche Cash Consideration") within six months from 1st Tranche Completion. The remaining balance of 1st Tranche Cash Consideration shall be fully used to repay the interest accrued under a current bank borrowing with a principal amount of approximately RMB345 million of an indirect non-wholly owned subsidiary of the Company, namely Shenzhen Baoxin Industrial Company Limited ("Shenzhen Baoxin"), which is secured by investment properties and properties held for sale of Shantou Taisheng ("Secured Loan") as and when they fall due pursuant to the irrevocable undertaking given by the Group upon entering into the Framework Agreement. The 1st Tranche Disposal has been completed on 22 March 2023.

The consideration from the 2nd Tranche Disposal will be used to settle the amount due to Shantou Taisheng by the Group and the remaining balance shall be used to settle the full outstanding amount of the Secured Loan. Accordingly, the Sale and Purchase Agreement in relation to the 2nd Tranche Disposal would constitute a forward contract to sell the remaining 49% of the total equity interest of Shantou Taisheng and such forward contract would be classified as a financial liability at FVTPL and form part of the consideration of the 1st Tranche Disposal.

For details, please refer to the circular of the Company dated 28 December 2022.

Net assets derecognised from condensed consolidated statement of financial position at the date of disposal were as follow:

	HK$'000 **(Unaudited)**
Property, plant and equipment	8,050
Investment properties	2,100,992
Inventories	1,725,461
Trade and other receivables	278,623
Current tax assets	1,620
Pledged bank balances	21,253
Bank balances and cash	3,494
Trade payables and other payables	(966,535)
Contract liabilities	(474,285)
Deferred tax liabilities	(252,106)
Net assets derecognised of	2,446,567
Release of translation reserve	30,359
Fair value of 49% retained interest which became financial asset at FVTPL	(1,508,730)
Loss on disposal of a subsidiary	(182,083)
Total consideration	786,113
Satisfied by:	
Cash	16,142
Amount due to the GSFG Group	1,314,580
	1,330,722
Amount due to Shantou Taisheng	(502,838)
Financial liability at FVTPL	(41,771)
	786,113

(b) Disposal of Shenzhen Saiao Enterprise Management Co. Ltd. ("Shenzhen Saiao")

On 28 June 2023, the Group disposed of its 100% equity interest in Shenzhen Saiao, the subsidiaries of which were principally engaged in property development for a cash consideration of RMB10,000 (equivalent to approximately HK$11,000).

Net assets derecognised from the condensed consolidated statement of financial position at the date of disposal were as follow:

	HK$'000 **(Unaudited)**
Property, plant and equipment	177
Inventories	1,423,782
Trade and other receivables	5,811
Current tax assets	2,683
Pledged bank balances	241,311
Trade payables and other payables	(417,190)
Borrowings	(519,518)
Contract liabilities	(565,747)
Current tax liabilities	(16,917)
Net assets derecognised of	154,392
Release of translation reserve	30,711
Release of non-controlling interests	(247,632)
Gain on disposal of subsidiaries	62,540
Total consideration satisfied by cash	11

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND MARKET OVERVIEW

2023 was a year when the impact of the Covid-19 pandemic was subsiding and the economic order was gradually restored. However, the global economy generally saw sluggish recovery with high worldwide inflation, and the tightening spillover effect brought by monetary policies in major economies has become increasingly significant. Despite the external environment of intensifying downward pressure on the world economy and complicated international situation, the PRC society resumed normal operation in all respects in the first half of the year with an overall positive general economic trend, resulting in a year-on-year increase of 5.5% in China's gross domestic product (GDP). However, as the foundation for sustainable recovery and development of the PRC economy remains unstable, coupled with weaker external and domestic demand as well as periodic problems and structural issues, the current economy is under pressure in transiting to new momentum and experiencing structural transformation.

In the first half of 2023, the PRC real estate market continued to be in a period of intensive adjustment. From a policy perspective, the central government clearly positioned the real estate industry as a pillar, and emphasized guiding market expectations to restore and optimize centralized land supply and other systems, so as to adapt to the current market environment. Thereafter, local governments have released a number of favourable policies to stimulate demand, and various measures to "stabilize the pillar, promote demand and prevent risks" have been gradually put in place. For the financial sector, it was proposed that there was room for marginal improvement in respect of the policies successively introduced in the stage of long-term market overheating in the past, therefore, the policy would focus on preventing and defusing the risks of real estate enterprises this year. In particular, city-specific policies will be implemented to improve policy accuracy and increase the financial support for ensuring property delivery. However, according to the market response, due to various factors including the concerns of buyers about the delivery of off-plan properties, uncertain future income and household balance sheet recession, the implementation of such policies and measures has not been very effective. Throughout the first half of the year, the national investment in property development was approximately RMB5,855 billion, representing a decrease of 7.9% year-on-year. The construction area was approximately 7,915.48 million square meters, representing a decrease of approximately 6.6% year-on-year. The newly started housing area was approximately 498.8 million square meters, representing a decrease of approximately 24.3%. The sales area was approximately 595.15 million square meters, representing a decrease of 5.3% year-on-year.

Overall, while the real estate market failed to sustain the recovery, coupled with the absence of significant improvement in the financing environment, the differentiation of domestic real estate enterprises further intensified in terms of operation, financing and long-term development plans. Large state-owned enterprises and stable private enterprises were still able to maintain resilient development generally, while high-risk real estate enterprises have not yet eliminated the risks and loss-making real estate enterprises were further expanding. In particular, the liquidation and delisting of many real estate enterprises in the first half of the year had dealt a heavy blow to the whole industry in terms of debt restructuring, delivery assurance and confidence boost.

In the first half of 2023, the Group steadily advanced its development strategy with property investment and development as the core and the cultural entertainment and leisure industry as the guarantee. In terms of operation, the Company understood thoroughly the market trend in the industry cycles and policies, striving to improve its capital structure, and emphasizing on cash flow management, so as to make every effort to achieve the target of "ensuring delivery and stabilizing operation". In addition, the Group actively promoted project construction and improved the efficiency while ensuring quality and quantity, emphasizing on timely collection of sales proceeds, so as to improve the Company's risk resistance and resilience. Meanwhile, the Company actively maintained communication with creditors, accelerated the implementation of established debt solutions, and reduced the leverage ratio to endeavour to ensure stable and orderly daily operations of the Group, with a view to safely manage through the industry cycles as soon as possible.

In the first half of 2023, with the orderly recovery of physical consumption pattern in the PRC, more sports events, concerts, drama performances and other cultural and sports activities were held, and the cultural entertainment and leisure service industry ushered in a period of rapid recovery, with a nominal increase of 38.5% year-on-year in per capita cultural and entertainment consumption expenditure of national residents for the same period. By closely following the new trend and features of post-epidemic consumption, the culture and entertainment segment of the Company increased customer traffic by adjusting sales strategies, upgrading stores in terms of characteristics, organizing activities with innovative themes and other means, to provide customers with all-round entertainment and leisure experience.

BUSINESS REVIEW

Property investment and development

Adhering to the development concept of "region penetration", and rooted in the Guangdong-Hong Kong-Macao Greater Bay Area, the Group focused on strong first-tier and strong second-tier cities and is committed to creating high-end brand communities with overall quality and sustainable development. Currently, the Group has a total of six (6) property development projects located in four (4) domestic cities, namely Shenzhen, Changsha, Shantou and Yunfu. Such projects comprise commercial complexes, boutique residences, high-end offices, starred hotels, business apartments, villas, garden houses and other subdivided products with a total gross floor area of over 2.3 million square meters.

In the first half of 2023, the real estate industry generally showed a trend of "slow bottoming out and recovery". Despite the expectations of recovery on the sales side, a limited growth was seen in the actual data. Affected by various unfavourable factors such as continuous downward pressure in the industry, hampered financing channels and strong wait-and-see sentiment in the market, the Group was frequently hindered in aspects such as production and operation, business expansion, sell-through and payment collection confirmation, which brought severe challenges to financial and performance indicators, and even had an adverse impact on sustainable operations.

In view of the above, the Group further intensified market analysis and future study and judgment, maintained strategic strength to stabilize the operation fundamentals, optimized resource allocation and actively managed all kinds of risks, in order to reduce the unfavourable factors for the long-term development of the Company. The Company strengthened integrated cash flow and fund management, flexibly allocated financial expenditures and reasonably optimized the development measures. It also improved the efficiency of capital utilization, promoted construction efficiently, and continuously improved operational resilience and the overall ability to resist risks. Taking into account the rights and interests of all stakeholders, the Group will endeavour to revitalize existing assets, and resolve existing debts in an orderly manner to alleviate liquidity problems, and to strengthen cash flow and operational safety.

In the first half of 2023, the Company actively advanced the construction of various projects and maintained the consistently high product quality, ensuring the completion of the projects under construction and smooth delivery of the projects sold. In addition, by grasping the window of opportunity in the market, the Company also promoted the sales in key cities, and accelerated the sell-through of properties by creating milestones in different phases. In particular, Building No. 9 of Shantou Chaoyang Project Phase IV has obtained the pre-sale qualification as scheduled; Shantou Times Bay Project completed the delivery which has realized the commitment made to customers; and relevant residential units of the Changsha Project have been successfully completed and delivered.

Culture, sports, entertainment and leisure industry

Relying on its own property resources, the Group continued to build a platform for the innovative integration in the culture, sports, entertainment and leisure industry. The Company's traditional cultural and sports industry includes Shenzhen Bihaiwan Golf Practicing Court ("Bihaiwan Golf"), and its cultural entertainment operation in new business form comprises high-end children entertainment project Xiao Mu Tong Playroom, high-end gymnasium project Xin Dong Neng Fitness Club, and KTV "TYPET Party".

In the first half of 2023, the PRC society resumed normal operation in all respects. The consumption expanded, and the policies to promote consumption took effect. As customer traffic gradually recovered and household consumption increased steadily, the culture and entertainment related industries also showed a gradual recovery trend. In response to market trend and changes in consumer demand, the Company promptly adjusted its business strategy to enhance online and offline integration, and constantly obtained the data of its products and services to improve user satisfaction, so that the customer traffic and sales of the projects could finally return to normal levels in a relatively shorter period of time.

In particular, Xiao Mu Tong Playroom received approximately 72,000 visitors in aggregate in the first half of the year, hitting a record high. Xin Dong Neng Fitness Club shifted the focus back to the fundamentals in terms of function, price, brand and service, and actively enhanced its product strength, thereby attracting more potential customers. TYPET PARTY received about 15,000 visitors in total, which further promoted the brand influence. In the first half of the year, Bihaiwan Golf received nearly 20,000 golfers in total, maintaining a high level for the same period. Its VIP room and shop leasing operations were more stable than that of its peers in the market, laying the foundation for achieving the annual sales revenue target.

Supply chain/trading of commodities

In the first half of 2023, against the backdrop of turbulent external situation and high fluctuation of commodity prices, the Group adhered to the differentiated business strategy for the trading of commodities segment, and enhanced its market competitiveness by means of regional resource consolidation, resource channel control and industry chain operation, to provide more sophisticated comprehensive industry service solutions for upstream and downstream customers.

Structural changes

In view of the market fluctuations associated with industry cycles and policy adjustments, the Group actively optimized project portfolio, strategically focused resources on key projects, and disposed of assets in a timely manner to recover funds, in order to effectively reduce the Company's debts and keep overall risks under control. On 22 March 2023, the Company completed the 1st Tranche Disposal of 51% equity interest in Shantou Taisheng and targeted to complete the transfer and delivery of the remaining 49% equity interest within twelve months from completion of the 1st Tranche Disposal. In addition, on 28 June 2023, the Company successfully disposed of 100% equity interest in Shenzhen Saiao, the subsidiaries of which were principally engaged in property development in Changchun and Weinan.

PROSPECTS

In the second half of 2023, with insufficient momentum of global economic growth and slower growth of worldwide trade, the PRC will adhere to the strategy of expanding domestic demand, so that its development will be driven by domestic demand, especially consumer demand, boosting the consumption of commodities such as automobiles, electronic products and home appliances, and promoting the consumption of services such as sports, leisure, culture and tourism. For the culture and entertainment segment, the Group's culture, sports and entertainment business will continue to seize the opportunity of market recovery to improve service quality and optimize marketing models to expand marketing channels, so as to upgrade its comprehensive competitiveness.

As for the real estate business, the Central Economic Work Conference clearly stated that, in response to the new situation with major changes in supply and demand in the PRC real estate market, the Group had to adjust and optimize its property policies in a timely manner to better meet the rigid and housing improvement demand of residents. In the second half of the year, the counter-cyclical adjustment of monetary policy is expected to continue to intensify, so as to meet the reasonable financing needs of the industry, and continue to create a favourable financial environment for orderly elimination of industry risks. The property support policy will significantly boost the confidence in the market and break the wait-and-see sentiment of home buyers with rigid demand, thus aggressively promoting the stabilization and recovery of the sales of commercial properties.

In the current industry recovery cycle, by actively grasping the window of opportunity of policy and market, the Company will make full use of supportive policies, and seek opportunities in areas such as loan borrowings, bonds and equity issuance, striving to maintain financial security and facilitating cash inflow to resolve debt default problems. It will seize opportunities in the cities to ensure the development, construction and smooth delivery of projects, as well as engage in marketing and de-stocking in a full range and expedite payment collection, so as to return to a more stable and orderly production and operation as soon as possible.

REVIEW OF RESULTS AND OPERATIONS

The Group's revenue was primarily generated from the business segments of real estate and property investment. During the Period, the Group achieved approximately HK$159,592,000 in revenue, representing a significant decrease of approximately 87.3% from that of approximately HK$1,253,295,000 during the corresponding period of the last year. The significant drop in revenue was mainly due to decrease in sales of properties due to changes in macroeconomic environment in the PRC. The revenue was mainly attributable to the sales of properties by Shantou Baoneng City Garden Project, Weinan Baoneng Prosperity Mansion Project and Shantou Taisheng Science and Innovation Park Project.

Due to the unprecedented challenges faced by the national real estate market in the Period, the gross loss of the Group was approximately HK$56,583,000, as compared to the gross loss of approximately HK$128,443,000 during the corresponding period of the last year, representing a decrease of 56.0%. The gross loss margin was 35.5% in the Period comparing with the gross loss margin of 10.2% during the corresponding period of the last year. The gross loss was mainly attributable to a written-down in the carrying amount of inventories to the net realisable value of Hunan Jinxiang International Star City Project and Shantou Baoneng City Garden Project under the segment of real estate and property investment.

During the Period, the Group's selling and distribution expenses amounted to approximately HK$11,296,000 (six months ended 30 June 2022: approximately HK$40,865,000), representing a decrease of approximately 72.4%. There was no material variance compared to the corresponding period of the last year. Meanwhile, administrative expenses decreased by approximately 43.8% when compared with the corresponding period of the last year which amounted to approximately HK$34,094,000 (six months ended 30 June 2022: approximately HK$60,695,000).

The investment properties portfolio of the Group comprised residential and commercial properties located in Shenyang, Hefei, Shenzhen and Changsha, as well as certain properties under construction in Shantou. As at 30 June 2023, a fair value loss of investment properties amounting to approximately HK$28,075,000 was recognised (six months ended 30 June 2022: approximately HK$85,716,000).

Finance costs represented mainly interest expenses and other borrowing costs in relation to bank and other borrowings. During the Period, finance costs amounted to approximately HK$65,854,000 (six months ended 30 June 2022: approximately HK$27,227,000), the increase was mainly attributable to lesser capitalisation of interest expense for the remaining property development projects and the repayment of external borrowings.

Income tax credit for the Period was approximately HK$28,566,000 as compared with the corresponding period of the last year of income tax credit which was approximately HK$26,107,000, representing a slight increase of approximately 9.4% compared to the corresponding period of the last year.

Given the foregoing factors, the Group recorded a net loss of approximately HK$217,065,000 for the Period, as compared with the net loss of approximately HK$390,210,000 for the six months ended 30 June 2022. The decrease in net loss was mainly attributable to the drop in sales volume from property projects, resulting gross loss amounting to approximately HK$56,583,000 which was approximately HK$71,860,000 less than the corresponding period last year, the significant decrease in the impairment losses of financial assets of the Group by approximately HK$22,141,000 for the Period and the decrease of fair value loss on investment properties of the Group by approximately HK$57,641,000 for the Period as compared to the corresponding period in six months ended 30 June 2022.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group had bank and cash balances of approximately HK$58,800,000 (31 December 2022: approximately HK$88,415,000), while the pledged and restricted bank deposits amounted to approximately HK$161,881,000 (31 December 2022: approximately HK$441,325,000).

Total borrowings of the Group amounted to approximately HK$4,807,554,000 as at 30 June 2023 (31 December 2022: approximately HK$6,481,112,000), of which equivalents of approximately HK$594,495,000 and approximately HK$4,213,059,000 were denominated in Hong Kong dollars and Renminbi respectively.

Total borrowings included bank and other borrowings of approximately HK$3,915,789,000 (31 December 2022: approximately HK$5,579,124,000), and corporate bond of approximately HK$594,495,000 (31 December 2022: approximately HK$604,988,000), and notes payable of approximately HK$297,270,000 (31 December 2022: approximately HK$297,000,000). All of the borrowings bore fixed interest rates and exposed the Group to fair value interest rate risk.

As at 30 June 2023, the Group had a net current asset of approximately HK$1,823,996,000, as compared with an amount of approximately HK$946,027,000 as at 31 December 2022. As at 30 June 2023, the gearing ratio of the Group was approximately 1.6 (31 December 2022: approximately 1.9), which was calculated on the basis of the total borrowings less bank and cash balances and pledged and restricted bank deposits divided by total equity as at the respective reporting date.

CAPITAL EXPENDITURE

The total spending on the acquisition of property, plant and equipment and investment properties amounted to approximately HK$33,671,000 for the Period (six months ended 30 June 2022: approximately HK$61,393,000).

CHARGE OF ASSETS

As at 30 June 2023, the carrying amount of property, plant and equipment, inventories and investment properties amounted to approximately HK$4,281,000 (31 December 2022: approximately HK$4,365,000), approximately HK$3,503,021,000 (31 December 2022: approximately HK$5,708,125,000) and approximately HK$611,893,000 (31 December 2022: approximately HK$2,260,017,000) respectively were pledged as security for the Group's bank loans and other borrowings granted in relation to the Group's real estate and property investment business.

As at 30 June 2023, the carrying amount of investment properties and properties held for sale amounting to approximately HK$39,221,000 (31 December 2022: approximately HK$39,185,000) and approximately HK$28,883,000 (31 December 2022: approximately HK$28,857,000) respectively were pledged as security for bank borrowings in favour of a former subsidiary which had been overdue.

The Group's pledged and restricted bank deposits amounting to approximately HK$161,881,000 (31 December 2022: approximately HK$441,325,000) were pledged to banks to secure a bank loan granted to an independent third party, the notes payable granted to the Group and the guarantee deposits for construction of pre-sale properties.

EMPLOYEE AND REMUNERATION POLICIES

The Group had 271 full time employees as at 30 June 2023 (31 December 2022: 361) in Hong Kong and the PRC. The Group reviews remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees. Save for the social insurance in the PRC and the mandatory provident fund scheme in Hong Kong, the Group has not set aside or accrued any significant funds to provide for retirement or similar benefits for its employees.

FOREIGN EXCHANGE AND CURRENCY RISKS

Most of the Group's revenue and expenses were generated in the PRC and were denominated in Renminbi. During the Period, the Group had not hedged its foreign exchange risk because the exposure was considered insignificant. Our management will continue to monitor the foreign exchange exposure and will consider hedging the foreign currency exposure when it is necessary.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no material contingent liabilities (31 December 2022: Nil).

COMMITMENTS

As at 30 June 2023, the Group's commitment was approximately HK$2,026,187,000 (31 December 2022: approximately HK$7,264,575,000) in respect of contracted but not provided for capital expenditures on properties under development, investment properties under construction and the acquisition of property, plant and equipment.

INTERIM DIVIDEND

The Directors do not recommend payment of any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct for securities transactions and dealing (the "Code of Conduct") by Directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they had complied with the required standards set out in the Model Code and the Code of Conduct throughout the Period.

CORPORATE GOVERNANCE

The Company emphasizes on corporate governance and is committed to maintaining high standard of corporate governance which is being reviewed and strengthened from time to time.

The Board of Directors (the "Board") and the management of the Company are of the opinion that the Company has properly complied with the applicable code provisions in the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Listing Rules and there has been no deviation from the code provisions set out in the CG Code for the six months ended 30 June 2023.

Risk Management and Internal Control

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Board has delegated to the management the implementation of such systems of internal controls as well as the annual review of the relevant financial, operational and compliance controls and risk management procedures. The Board considers the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. Details of the Group's risk management system and procedures were set out in the Corporate Governance Report of the Annual Report for the year ended 31 December 2022 published on 27 April 2023 under the section headed "Risk Management and Internal Control".

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

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control system of the Group, and to review the Company's annual report and interim report and to provide advice and comments thereon to the Board. The Audit Committee comprises of all the three independent non-executive Directors, currently Mr. Shi Fazhen (Chairman), Ms. He Suying and Dr. Tang Lai Wah.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed and approved the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2023.

By order of the Board
Glory Sun Land Group Limited
Yao Jianhui
Chairman

Hong Kong, 30 August 2023

As at the date of this announcement, the Company's executive directors are Mr. Yao Jianhui and Ms. Xia Lingjie; the non-executive director is Ms. Zhan Yushan; and the independent non-executive directors are Ms. He Suying, Mr. Shi Fazhen and Dr. Tang Lai Wah.

The announcement has been printed in English and Chinese. In the event of any inconsistency, the English text of this announcement shall prevail over the Chinese text.