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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

FINANCIAL HIGHLIGHTS

– Achieved contracted sales for the six months ended June 30, 2023 (the "**Reporting Period**") was RMB2,087.4 million with corresponding contracted gross floor area ("**GFA**") of approximately 165,883 sq.m.;

– Revenue for the Reporting Period was RMB1,456.87 million, of which the revenue from property development was RMB1,186.25 million;

– Land reserves reached a total GFA of 7,105,675 sq.m. as at June 30, 2023;

– Contracted average selling price ("**ASP**") for the Reporting Period was RMB27,875.3 per sq.m.;

– 43% of the Company's saleable land reserve was distributed in Beijing as at June 30, 2023.

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2023

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 interim results of the Group for the six months ended June 30, 2023, together with comparative figures for the corresponding period in 2022. The Group's interim results have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2023

	NOTES	**Six months ended June 30,**	
		2023	**2022**
		RMB'000	*RMB'000*
		(Unaudited)	*(Unaudited)*
Revenue			
Contract with customers		**1,252,586**	2,717,043
Leases		**204,281**	229,225
Total revenue	*3*	**1,456,867**	2,946,268
Cost of sales and services		**(1,276,717)**	(3,122,585)
Gross profit/(loss)		**180,150**	(176,317)
Other losses		**(61,077)**	(27,441)
Other income		**17,974**	70,801
Impairment losses under expected credit loss model, net		**(16,762)**	(69,254)
Distribution and selling expenses		**(58,198)**	(67,043)
Administrative expenses		**(191,043)**	(166,035)
Other expenses		**(2,622)**	(86,921)
Share of (loss)/profit of associates		**(11,233)**	943
Share of losses of joint ventures		**–**	(2,223)
Finance costs	*5*	**(142,455)**	(331,235)
Loss before tax		**(285,266)**	(854,725)
Income tax credit	*6*	**15,449**	76,901
Loss and total comprehensive loss for the period		**(269,817)**	(777,824)
Loss and total comprehensive loss for the period attributable to:			
Owners of the Company		**(266,874)**	(682,484)
Non-controlling interests		**(2,943)**	(95,340)
		(269,817)	(777,824)
LOSS PER SHARE	*7*		
–Basic and diluted (RMB cents)		**(6.0)**	(15.4)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	NOTE	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Non-current assets			
Investment properties		**20,556,505**	20,521,500
Property, plant and equipment		**2,703,494**	2,335,551
Right-of-use assets		**255,357**	258,552
Other non-current assets		**1,391,355**	1,391,944
Interests in joint ventures		**150,361**	150,361
Interests in associates		**158,285**	65,650
Equity instruments at fair value through other comprehensive income ("**FVTOCI**")		**13,481**	13,481
Deferred tax assets		**351,416**	430,204
Restricted bank deposits		**12,852**	12,852
Value added tax and tax recoverable		**893,722**	983,137
		26,486,828	26,163,232
Current assets			
Inventories		**29,679**	1,371
Deposits paid for land acquisition		**102,723**	102,723
Properties under development for sale		**18,122,615**	19,958,643
Properties held for sale		**3,727,537**	4,266,835
Trade and other receivables, deposits and prepayments	9	**2,105,537**	1,434,653
Contract assets		**1,942,674**	1,891,091
Contract cost		**8,196**	51,204
Value added tax and tax recoverable		**476,316**	426,005
Amounts due from related parties		**2,672,373**	2,726,236
Restricted bank deposits		**221,098**	234,200
Bank balances and cash		**72,495**	130,220
		29,481,243	31,223,181
		29,481,243	31,223,181

	NOTES	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Current liabilities			
Trade and other payables	*10*	**6,112,729**	5,307,817
Contract liabilities		**5,130,192**	6,897,649
Amounts due to related parties		**3,493,690**	3,800,484
Tax payable		**3,156,760**	3,157,020
Lease liabilities		**1,056**	975
Bank and trust borrowings		**6,024,644**	9,049,097
Senior notes		**3,419,043**	3,108,608
		27,338,114	31,321,650
		27,338,114	31,321,650
Net current assets/(liabilities)		**2,143,129**	(98,469)
Total assets less current liabilities		**28,629,957**	26,064,763
Non-current liabilities			
Rental deposits received	*10*	**112,727**	112,727
Lease liabilities		**1,246**	1,718
Bank and trust borrowings – due after one year		**12,076,143**	9,090,668
Deferred tax liabilities		**2,330,750**	2,480,742
		14,520,866	11,685,855
Net assets		**14,109,091**	14,378,908
Capital and reserves			
Share capital		**3,520**	3,520
Reserves		**11,462,697**	11,729,571
Equity attributable to owners of the Company		**11,466,217**	11,733,091
Non-controlling interests		**2,642,874**	2,645,817
Total equity		**14,109,091**	14,378,908

Notes

1. GENERAL INFORMATION OF THE GROUP

The Company was incorporated under the name of "Glory Land Company Limited (国瑞置业有限公司)" in the Cayman Islands and carrying on business in Hong Kong as "Guorui Properties Limited" 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), a company incorporated in the British Virgin Islands.

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 PRC.

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

The Company and its subsidiaries (collectively referred to 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 condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 Interim Financial Reporting issued by the International Accounting Standards Board (the "**IASB**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments which are measured at fair values, as appropriate.

Other than application of amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2023 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2022.

Application of amendments to IFRSs

In the current interim period, the Group has applied the amendments to IFRSs issued by the IASB for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2023 for the preparation of the Group's condensed consolidated financial statements.

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

Going Concern

Many projects of the Group are currently available to the sale of existing houses, and the expected sales of each project can cover the tail-in construction.

The condensed consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern. 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 of the Company (the "**Directors**") have adopted several measures together with other measures in progress at the date of authorisation of these condensed consolidated financial statements, including but not limited to, the followings:

(i) for borrowings which will be maturing before June 30, 2023, the Group is renegotiating the borrowings plan with the banks. 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 upon maturity;

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

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

Taking into account the above consideration and measures, 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 condensed consolidated financial statements on a going concern basis.

3. REVENUE

Analysis 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 six months ended June 30, 2023				
	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*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Timing of revenue recognition					
At a point in time	**1,186,247**	**–**	**–**	**–**	**1,186,247**
Over time	**–**	**50,246**	**–**	**16,093**	**66,339**
Revenue from contracts with customers	**1,186,247**	**50,246**	**–**	**16,093**	**1,252,586**
Leases	**–**	**–**	**204,281**	**–**	**204,281**
Total revenue	**1,186,247**	**50,246**	**204,281**	**16,093**	**1,456,867**

	For the six months ended June 30, 2022				
	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*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Timing of revenue recognition					
At a point in time	2,649,546	–	–	–	2,649,546
Over time	–	57,856	–	9,641	67,497
Revenue from contracts with customers	2,649,546	57,856	–	9,641	2,717,043
Leases	–	–	229,225	–	229,225
Total revenue	2,649,546	57,856	229,225	9,641	2,946,268

4. SEGMENT INFORMATION

The Group is organised 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 maker (i.e. the executive directors of the Company) 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.

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

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

	Property development *RMB'000* *(Unaudited)*	Primary land construction and development services *RMB'000* *(Unaudited)*	Property investment *RMB'000* *(Unaudited)*	Property management and related services *RMB'000* *(Unaudited)*	Total *RMB'000* *(Unaudited)*
Six months ended June 30, 2023					
Revenue from external customers and segment revenue	**1,186,247**	**50,246**	**204,281**	**16,093**	**1,456,867**
Segment (loss)/profit	**(155,247)**	**2,393**	**153,450**	**(12,102)**	**(11,505)**
Six months ended June 30, 2022					
Revenue from external customers and segment revenue	2,649,546	57,856	229,225	9,641	2,946,268
Segment (loss)/profit	(578,528)	2,755	197,473	(12,050)	(390,350)

The segment (loss) can be reconciled to the (loss) before taxation as follows:

	Six months ended June 30, 2023 *RMB'000* *(Unaudited)*	2022 *RMB'000* *(Unaudited)*
Segment (loss)	**(11,505)**	(390,350)
Other (losses)	**(61,077)**	(27,441)
Other income	**17,974**	70,801
Unallocated administrative expenses	**(74,348)**	(88,299)
Other expenses	**(2,622)**	(86,921)
Share of (losses)/profit of associates	**(11,233)**	943
Share of (losses) of joint ventures	**–**	(2,223)
Finance costs	**(142,455)**	(331,235)
(Loss) before tax	**(285,266)**	(854,725)

The accounting policies applied in determining segment revenue and segment results of the operating segments are the same as the Group's accounting policies. Segment (loss)/profit represents the profit earned by each segment without allocation of other (losses)/gains, other income, change in fair value of investment properties, other expenses, share of losses of joint ventures, share of profit/(losses) of associates, finance costs and unallocated administrative expenses, including auditor's remuneration and directors' emoluments etc.. This is the measure reported to the Group's chief operating decision maker 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* (Unaudited)	Primary land construction and development service *RMB'000* (Unaudited)	Property investment *RMB'000* (Unaudited)	Property management and related services *RMB'000* (Unaudited)	Unallocated amount *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Six months ended June 30, 2023						
Depreciation and amortisation	**(28,599)**	**–**	**–**	**(876)**	**(6,023)**	**(35,498)**
Impairment losses under expected credit loss model	**(16,762)**	**–**	**–**	**–**	**–**	**(16,762)**
Six months ended June 30, 2022						
Depreciation and amortisation	(28,024)	–	–	(858)	(5,902)	(34,784)
Impairment losses under expected credit loss model	(69,254)	–	–	–	–	(69,254)

No segment assets and liabilities are presented as they were not regularly provided to the chief operating decision maker 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 transactions with a single external customer amounted to 10% or more of the Group's revenue during the six months ended June 30, 2023 and 2022.

5. FINANCE COSTS

	Six months ended June 30,	
	2023 *RMB'000* *(Unaudited)*	**2022** *RMB'000* *(Unaudited)*
Interest on bank borrowings	**170,146**	489,489
Interest on trust borrowings	**14,573**	–
Interest on loans from financial institutions	**45,660**	104,381
Interest on contract liabilities	**21,110**	58,062
Interest on senior notes	**206,412**	185,030
Interest on lease liabilities	**–**	27
Exchange loss on senior notes and borrowings	**92,273**	112,389
Total	**550,174**	949,378
Less: Amounts capitalised in the cost of qualifying assets	**(407,719)**	(618,143)
	142,455	331,235

Interests capitalised arose from borrowings made specifically for the purpose of construction of the qualifying assets, which bore annual interest at rates from 4.75% to 13% (six months ended June 30, 2022: 4.75% to 13%) and general borrowings pool calculated by applying a capitalisation rate of 9.22% (six months ended June 30, 2022: 8.74%) per annum on expenditure on the qualifying assets.

6. INCOME TAX (CREDIT)

	Six months ended June 30,	
	2023	**2022**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current tax		
PRC Enterprise Income Tax	**5,419**	27,740
Land appreciation tax	**60,688**	34,674
	66,107	62,414
Deferred tax	**(81,556)**	(139,315)
Income tax (credit)	**(15,449)**	(76,901)

Pursuant to the PRC Enterprise Income Tax Law promulgated on 16 March 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 1 January 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 periods.

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

7. (LOSS) PER SHARE

	Six months ended June 30,	
	2023	**2022**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
(Loss)		
(Loss) for the purposes of basic and amortized (loss) per share ((loss) for the period attributable to owners of the Company)	**(266,874)**	(682,484)

	Six months ended June 30,	
	2023	**2022**
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) per share	**4,444,418**	4,444,418
Weighted average number of ordinary shares for the purpose of diluted (loss) per share	**4,444,418**	4,444,418

8. DIVIDENDS

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

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables mainly comprise of rental receivables and receivables for sales of properties

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

	As at June 30, 2023 *RMB'000* *(Unaudited)*	**As at December 31, 2022** *RMB'000* *(Audited)*
Trade receivables		
– Contracts with customers	**244,657**	291,140
– Lease receivables	**254,265**	169,210
	498,922	460,350
Less: Provision for credit losses	**(165,873)**	(149,595)
Trade receivables, net	**333,049**	310,755
Other receivables, deposits and prepayments, gross		
Advances to contractors and suppliers	**462,236**	593,978
Performance guarantee deposit paid	**14,940**	14,940
Other receivables and prepayment	**1,300,505**	523,406
Deposits	**54,228**	59,295
	1,831,909	1,191,619
Less: Provision for credit losses	**(59,421)**	(67,721)
Other receivables, deposits and prepayments, net	**1,772,488**	1,123,898

The following is an analysis of trade receivables presented based on the date of recognition of revenue:

0 to 60 days	**73,569**	59,331
61 to 180 days	**41,566**	21,091
181 to 365 days	**25,046**	20,917
1 to 2 years	**38,099**	42,292
Over 2 years	**320,642**	316,719
	498,922	460,350

Other receivables from independent third-parties are of non-trade nature, unsecured, interest-free and repayable on demand. As of 30 June 2023, the balance includes a carrying amount of RMB277,650,000, which bears interest at 8% per annum in accordance with legal procedures.

As at June 30, 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB213,828,000 (December 31, 2022: RMB213,828,000) which are past due as at the reporting date. The balances which has been past due over 90 days is not considered as default since the Directors considered such balances could be recovered based on repayment history, the financial conditions and the current credit worthiness of each customer.

10. TRADE AND OTHER PAYABLES

	As at June 30, 2023	**As at December 31, 2022**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade payables	**2,321,030**	2,375,998
Deposits received	**271,916**	200,973
Rental received in advance	**99,761**	99,739
Refund liabilities	**346,188**	285,556
Accrued payroll	**32,254**	56,210
Value added tax and other tax payables	**879,041**	822,878
Other payables and accruals	**2,139,766**	1,443,690
Dividends	**135,500**	135,500
	6,225,456	5,420,544
Analysed for reporting purposes as:		
Non-current *(Note)*	**112,727**	112,727
Current	**6,112,729**	5,307,817

The following is an analysis of trade payables by aging, presented based on the billing date:

0 to 60 days	**511,483**	522,835
61 to 365 days	**477,710**	443,472
1 to 2 years	**322,456**	491,325
Over 2 years	**1,009,381**	918,366
	2,321,030	2,375,998

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

Note: Pursuant to the relevant rental agreements, rental deposits received as at June 30, 2023 and December 31, 2022 are to be settled after twelve months from the end of the reporting period and are therefore classified as non-current liabilities.

11. FINANCIAL GUARANTEE

	As at June 30, 2023 *RMB'000* *(Unaudited)*	**As at June 30, 2022** *RMB'000* *(Unaudited)*
Guarantees provided by the Group in respect of loan facilities	**4,736,660**	4,466,037

Note:

The Group has pledged certain restricted bank deposits and provided guarantees to banks in favor of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's developed properties and under development properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as security of the mortgage loans granted.

In the opinion of the Directors, the fair value of the financial guarantee contracts at initial recognition and subsequently at the end of each reporting period is not significant as the default rate is low and a large portion of consideration from property sales contract has been received and recognised as contract liabilities.

As at June 30, 2023, Garden Group has provided guarantee to a bank for a banking facility granted to Jiangmen Yinghuiwan Real Estate Co., Ltd.* (江門映暉灣房地產有限公司) and Shantou Huirui Hotel Management Co., Ltd. (汕頭薈瑞酒店管理有限公司), which are related parties, of which the bank borrowing guaranteed by the Group amounted to a total of RMB347,199,000 (Six months ended June 30, 2022: Nil). Such guarantees will expire in June 2024 and January 2024, respectively.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I hereby present the interim results of the Group for the six months ended June 30, 2023.

INTERIM RESULTS AND REVIEW FOR THE FIRST HALF OF 2023

Interim Results

During the Reporting Period, the revenue of the Group was RMB1,456.87 million. Revenue from property development was RMB1,186.25 million.

Market Review

In terms of industry policies, the overarching keynote of "housing is for living in, 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, China's industry policies noted the "city-specific policy" and emphasized "ensuring the delivery of housing projects, securing people's livelihood, stabilizing employment, and facilitating the steady and sound development of the real estate market", showing a slowdown signal in terms of policies. 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. In order to maintain the healthy development of the local real estate market and restore the normal operation of the real estate industry, many cities in China have adjusted the control policies on the real estate market, involving several aspects such as new property sales, second-hand housing transactions, mortgage transfers and regulatory funds. While focusing on "preventing risks and boosting demand", the deposit reserve ratio and the interest rate and initial payment ratio for individual housing loans were reduced to alleviate financial pressure and corporate debt pressure and promote the sound development of the real estate industry.

Real Estate Development

In the first half of 2023, in response to market changes, the Group adjusted its investment and sales strategies in a timely manner, proactively promoted sales during the short-term peak season in spring, 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. While speeding up its effort to transform, the Group 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 RMB204.28 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 at June 30, 2023, the total planned GFA of the land reserves of the Group was 7.11 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. In the first quarter of 2023, the PBOC and the China Banking and Insurance Regulatory Commission emphasized comprehensive measures to improve the cash flow of high-quality real estate developers, and the competent authorities have drafted the *Action Plan to Improve the Balance Sheets of Good-quality Real Estate Developers*, showcasing a clear direction of macro financial policies. 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.

Business Transformation

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

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.

OUTLOOK FOR THE SECOND HALF OF 2023

Looking forward to the second half of 2023, the real estate policies will implement marginal adjustments. To adapt to the great changes in the relationship between supply and demand in China's real estate market, China will adjust and improve the policies for the real estate market in a timely manner, make use of the targeted policy tools in different cities to ensure the delivery of housing projects, prevent risks and boost demand, thus supporting real estate companies to resolve financial risks, better meeting residents' demand for basic housing or their need to improve their housing conditions, and facilitating the steady and sound development of the real estate market. Under the guidance of policies, the first-tier cities and second – to third-tier core cities in metropolitan area will improve significantly 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 and steady growth of the future.

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 half 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

August 31, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As of June 30, 2023, the Group's revenue was RMB1,456.87 million. Revenue from property development was RMB1,186.25 million. As of June 30, 2023, the Group's gross profit was RMB180.15 million, and the net loss was RMB269.82 million.

Contracted Sales

The contracted sales of the Group for the first half of 2023 amounted to approximately RMB2,087.4 million. Contracted sales of the Group in the first half of 2023, by geographical location, were mainly from Beijing, Cooperation projects and Langfang, and the contracted sales amounting to approximately RMB1,016.4 million, RMB486.5 million and RMB266.2 million, respectively, representing 48.7%, 23.3% and 12.8% of the Group's total contracted sales, respectively.

The following table sets out the Group's contracted sales by region for the six months ended June 30, 2023 and 2022:

	For the Six Months Ended June 30,			
	2023		2022	
City	**Contracted Sales** *(RMB million)*	**Percentage of Total Contracted Sales** *(%)*	**Contracted Sales** *(RMB million)*	**Percentage of Total Contracted Sales** *(%)*
Beijing	**1,016.4**	**48.7**	1,817.4	78.9
Haikou	**–**	**0.0**	62.2	2.7
Langfang	**266.2**	**12.8**	41.7	1.8
Zhengzhou	**0.1**	**0.0**	25.2	1.1
Shenyang	**15.0**	**0.7**	60.8	2.6
Foshan	**78.3**	**3.8**	123.8	5.4
Shantou	**1.7**	**0.1**	10.0	0.4
Suzhou	**115.0**	**5.5**	17.2	0.8
Chongming Island	**–**	**0.0**	7.8	0.3
Xi'an	**99.2**	**4.8**	109.2	4.8
Guizhou	**9.0**	**0.4**	4.5	0.2
Cooperation projects	**486.5**	**23.3**	23.8	1.0
Total	**2,087.4**	**100.0**	2,303.6	100.0

Notes:

1. The sales in the first half of 2022 were RMB2,303.6 million. The sales in the first half of 2023 were RMB2,087.4 million, representing a year-on-year decrease of 9.4%.

2. Contracted sales shown in the table include sales of car parking spaces.

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 June 30, 2023, the Group had completed a total unsold GFA of 1,193,420 sq.m. and had land reserves with a total GFA of 7,105,675 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 June 30, 2023, 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 June 30, 2023:

	Completed	Under Development	Future Development	Total Land Reserves	Of Total Land Reserves
	Saleable/ Rentable GFA Remaining Unsold *(sq.m.)*	GFA Under Development *(sq.m.)*	Planned GFA *(sq.m.)*	Total GFA *(sq.m.)*	Total GFA *(%)*
Beijing	796,060	220,354	–	1,016,414	14.3
Haikou	30,980	140,640	863,977	1,035,597	14.6
Langfang	–	290,054	1,016,680	1,306,734	18.4
Zhengzhou	5,068	30,535	–	35,603	0.5
Shenyang	142,647	173,594	73,342	389,583	5.5
Foshan	179,155	140,914	–	320,069	4.5
Xi'an	–	289,978	–	289,978	4.1
Shantou	6,189	314,224	38,749	359,162	5.1
Shenzhen	–	42,763	271,213	313,976	4.4
Suzhou	13,730	26,933	–	40,663	0.6
Chongming Island	–	14,158	766,685	780,843	11.0
Wuxi	19,591	–	–	19,591	0.3
Tongren	–	270,313	927,149	1,197,462	16.9
Total	**1,193,420**	**1,954,460**	**3,957,795**	**7,105,675**	**100.0**
Total Attributable GFA	**731,624**	**1,669,162**	**3,171,381**	**5,572,167**	

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 June 30, 2023, 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 six months ended June 30, 2023, the Group's revenue was RMB1,456.87 million, representing a decrease of 50.55% from RMB2,946.27 million for the six months ended June 30, 2022.

Revenue from property development for the six months ended June 30, 2023 was RMB1,186.25 million, representing a decrease of 55.23% 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 six months ended June 30, 2023, the Group's cost of sales and services was RMB1,276.72 million, representing a decrease of 59.11% 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.

The Group's cost of property development decreased by 60.65% from RMB3,108.50 million for the six months ended June 30, 2022 to RMB1,223.13 million for the six months ended June 30, 2023.

Gross Profit/(Loss)

For the six months ended June 30, 2023, the Group's gross profit was RMB180.15 million, as compared to the gross loss of RMB176.32 million in corresponding period of last year, which was primarily due to the significant decrease in cost of sales and services.

Loss Attributable to Owners of the Company

For the six months ended June 30, 2023, the loss attributable to owners of the Company was RMB266.87 million, representing a decrease of RMB415.61 million from the loss attributable to owners of the Company of RMB682.48 million for the six months ended June 30, 2022.

Other Losses

Other losses were RMB27.44 million for the six months ended June 30, 2022, while other losses were RMB61.08 million for the six months ended June 30, 2023, mainly due to the changes in foreign exchange rate of USD bonds.

Other Income

Other income decreased from RMB70.80 million for the six months ended June 30, 2022 to RMB17.97 million for the six months ended June 30, 2023, which was mainly due to the decrease in the recognised royalty income from associates and joint ventures.

Selling Expenses

Selling expenses decreased by RMB8.84 million from RMB67.04 million for the six months ended June 30, 2022 to RMB58.20 million for the six months ended June 30, 2023.

Administrative Expenses

Administrative expenses increased by RMB25 million from RMB166.04 million for the six months ended June 30, 2022 to RMB191.04 million for the six months ended June 30, 2023.

Finance Costs

Finance costs decreased by RMB188.78 million from RMB331.24 million for the six months ended June 30, 2022 to RMB142.46 million for the six months ended June 30, 2023.

Income Tax Credit

Income tax credit decreased from RMB76.90 million for the six months ended June 30, 2022 to RMB15.45 million for the six months ended June 30, 2023. The PRC corporate income tax and land appreciation tax of the Group for the six months ended June 30, 2023 were RMB5.42 million and RMB60.69 million, respectively.

Comprehensive Loss

As a result of the foregoing reasons, the Group's total comprehensive loss decreased from RMB777.82 million for the six months ended June 30, 2022 to the total comprehensive loss of RMB269.82 million for the six months ended June 30, 2023. Floating losses of approximately RMB130 million were incurred during the year as a result of changes in foreign exchange rate.

Liquidity, Financial and Capital Resources

Cash Position

As at June 30, 2023, the Group's cash, restricted bank deposits and bank balances were approximately RMB306.45 million as compared to RMB377.27 million as at December 31, 2022.

Borrowings

As at June 30, 2023, the Group had outstanding borrowings of RMB21,519.83 million, consisting of bank borrowings of RMB15,311.66 million, other borrowings of RMB2,789.13 million and senior notes of RMB3,419.04 million.

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 June 30, 2023, the assets pledged to secure certain borrowings granted to the Group amounted to RMB30,365.97 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 June 30, 2023, the Group's outstanding guarantees in respect of the mortgages of its customers amounted to RMB4,736.66 million.

Save as disclosed in this announcement, the Group had no other material contingent liabilities as at June 30, 2023.

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 six months ended June 30, 2023, the Group had approximately 580 employees, and incurred employee costs of approximately RMB75.60 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.

Interim Dividend

The Board has decided not to pay any interim dividend to the Shareholders.

Issuance of Senior Notes

On February 23, 2022, the Company completed the exchange offering of US$315,159,000 of (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.

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 been in compliance with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules. 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, 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 one independent non-executive Director. The Company appointed Liu Chengjiang as an independent director of the Company on May 28, 2023. However, with the resignation of Luo Zhenbang as an independent director of the Company with effect from June 30, 2023 and the resignation of Lai Siming as an independent director of the Company with effect from August 24, 2023, the Company fails to meet the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has taken active steps to identify suitable candidates to fill the vacancies on the Board and the Audit Committee in order to regain compliance with the above requirements under the Listing Rules.

Save as disclosed herein, the Company has complied with the code provisions as set out in the CG Code for the six months ended June 30, 2023. 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 six months ended June 30, 2023.

Purchase, Sale or Redemption of Listed Securities of the Company

For the six months ended June 30, 2023, 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 one independent non-executive Director including Mr. Liu Chengjiang.

Subsequent Event after the Reporting Period

Save as disclosed in this announcement, there is no material post balance sheet event undertaken by the Group after June 30, 2023 up to the date of this announcement.

Publication of the Unaudited Condensed Consolidated Interim Results and Interim Report for the Six Months Ended June 30, 2023 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 interim report for the six months ended June 30, 2023 containing all the information about the Company set out in this announcement of results for the six months ended June 30, 2023 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, August 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. Liu Chengjiang as independent non-executive director.