GLORY国瑞

GUORUI PROPERTIES LIMITED
國瑞置業有限公司

(Incorporated in the Cayman Islands with limited liability under the name of "Glory Land Company Limited"(国瑞置业有限公司) and carrying on business in Hong Kong as "Guorui Properties Limited")

(Stock Code: 2329)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2017

FINANCIAL HIGHLIGHTS

— Achieved contracted sales for the six months ended June 30, 2017 (the "**Reporting Period**") was RMB5,172.1 million with corresponding gross floor area ("**GFA**") of approximately 344,102 sq.m., representing a period-on-period decrease of 25.3% and 52.5%, respectively;

— Revenue for the Reporting Period was RMB2,181.9 million, of which the revenue from property development was RMB2,004.2 million;

— Gross profit for the Reporting Period was RMB995.7 million, of which the gross profit from property development was RMB867.1 million;

— Net profit for the Reporting Period was RMB630.5 million, of which RMB498.3 million was attributable to the equity holders of the Company;

— Basic earnings per share for the Reporting Period were RMB11.3 cents;

— Land reserves reached a total GFA of 8,195,468 sq.m. and the average cost of land reserves was RMB3,204.4 per sq.m. for the Reporting Period. Newly acquired land reserves amounted to a total GFA of 498,050 sq.m. and the average cost of land acquisition was RMB12,146.8 per sq.m. for the Reporting Period;

— Contracted average selling price ("**ASP**") for the Reporting Period was RMB 15,030.3 per sq.m.. The average cost of land reserves accounted for 21.3% of the ASP for the Reporting Period;

— The Board declared an interim dividend of HK7.52 cents per share.

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2017

The board (the "**Board**") of directors (the "**Directors**") of Guorui Properties 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, 2017, together with comparative figures for the corresponding period in 2016. The Group's interim results have not been audited but have been reviewed by the Company's audit committee and the Company's auditors, Deloitte Touche Tohmatsu ("**DTT**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2017

		Six months ended June 30,	
	NOTES	**2017**	**2016**
		RMB'000	*RMB'000*
		(Unaudited)	*(Unaudited)*
Revenue	3	2,181,890	3,655,621
Cost of sales and services		(1,186,186)	(2,154,919)
Gross profit		995,704	1,500,702
Other gains and losses		40,765	(8,536)
Other income		10,226	7,722
Change in fair value of investment properties		434,438	465,557
Share of loss of an associate		—	(726)
Distribution and selling expenses		(103,652)	(130,227)
Administrative expenses		(178,387)	(142,217)
Other expenses		(21,348)	(1,484)
Finance costs	4	(79,963)	(75,780)
Profit before tax		1,097,783	1,615,011
Income tax expense	5	(467,333)	(614,598)
Profit and total comprehensive income for the period		630,450	1,000,413
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		498,293	863,614
Non-controlling interests		132,157	136,799
		630,450	1,000,413
EARNINGS PER SHARE	6		
- Basic (RMB cents)		11.3	19.6
- Diluted (RMB cents)		11.2	19.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2017

	NOTES	**As at June 30, 2017** *RMB'000* *(Unaudited)*	**As at December 31, 2016** *RMB'000* *(Audited)*
Non-current Assets			
Investment properties		17,471,000	16,674,500
Property, plant and equipment		245,329	198,468
Other non-current assets		802,549	794,099
Available-for-sale investments		165,192	165,192
Prepaid lease payments		284,455	287,473
Deposit paid for acquisition of property, plant and equipment		50,000	—
Deferred tax assets		371,134	290,533
Restricted bank deposits		296,087	135,167
Value added tax and tax recoverable		1,032,007	—
		20,717,753	18,545,432
Current Assets			
Inventories		64	105
Prepayment/deposits paid for land acquisition		605,010	365,010
Properties under development for sale		23,805,060	19,005,089
Properties held for sale		2,901,684	3,118,955
Trade and other receivables, deposits and prepayments	8	1,017,890	803,477
Amounts due from customers for contract work		1,149,581	1,363,512
Value added tax and tax recoverable		448,889	125,267
Amount due from the related parties		7,700	5,000
Financial assets at fair value through profit or loss		97	97
Restricted bank deposits		542,391	151,499
Cash and bank balances		1,187,142	1,234,250
		31,665,508	26,172,261

	NOTES	As at June 30, 2017 RMB'000 (Unaudited)	As at December 31, 2016 RMB'000 (Audited)
Current Liabilities			
Trade and other payables	9	5,403,480	6,029,313
Deposits received from pre-sale of properties		5,042,859	2,680,425
Amounts due to related parties		411,986	225,513
Tax payable		1,794,960	1,894,475
Bank and other borrowings - due within one year		6,041,204	2,877,489
		18,694,489	13,707,215
Net Current Assets		12,971,019	12,465,046
Total Assets Less Current Liabilities		33,688,772	31,010,478
Non-current Liabilities			
Other payables	9	91,312	77,794
Bank and other borrowings - due after one year		13,419,233	13,030,378
Corporate bonds		3,984,932	3,980,214
Senior notes		2,005,799	—
Deferred tax liabilities		2,214,061	2,111,242
		21,715,337	19,199,628
Net Assets		11,973,435	11,810,850
Capital and Reserves			
Share capital		3,515	3,513
Share premium and reserves		9,746,770	9,480,344
Equity attributable to owners of the Company		9,750,285	9,483,857
Non-controlling interests		2,223,150	2,326,993
Total Equity		11,973,435	11,810,850

NOTES

1. GENERAL INFORMATION OF THE GROUP

The Company was incorporated under the name of "Glory Land Company Limited (國瑞置業有限公司)" 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. Its parent and ultimate holding company is Alltogether Land Company Limited, 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 No. 15, East Zhushikou Street, Dongcheng District, Beijing, PRC.

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

The condensed consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the group entities operate (the functional currency of the group entities).

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* as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2017 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014-2016 Cycle

The application of the above amendments to IFRSs in the current interim period has no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements. Additional disclosures relating to the reconciliation of liabilities arising from financing activities will be provided in the consolidated financial statements for the year ending December 31, 2017 in accordance with the amendments to IAS 7.

3. REVENUE AND SEGMENT INFORMATION

The Group is organized into business units based on their types of activities. These business units are the basis of information that is prepared and reported to the Group's chief operating decision maker (i.e. the Executive Directors of the Company) for the purposes of resources 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. All of the Group's activities are carried out in the PRC.

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. All of the Group's activities are carried out in the PRC.

Property investment: This segment derives rental income from investment properties developed by the Group. Currently, the Group's investment property portfolio mainly comprises commercial properties located in the PRC.

Property management and related services: This segment derives income from property management. Currently, the Group's activities are carried out in the PRC.

Segment profit represents the profit earned by each segment without allocation of other gains and losses, other income, other expenses, share of profit (loss) of an associate, changes in fair value of investment properties, finance costs and unallocated administrative expenses. This is the measure reported to the Group's chief operating decision maker for the purpose of resources allocation and performance assessment.

Inter-segment sales are priced with reference to prices charged to external parties for similar products and services.

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

(a) **Segment revenue and results**

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

	Property development	**Primary land construction and development services**	**Property investment**	**Property management and related services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Six months ended June 30, 2017					
Revenue from external customers	2,004,155	34,893	140,435	2,407	2,181,890
Inter-segment revenue	—	—	—	—	—
Segment revenue	2,004,155	34,893	140,435	2,407	2,181,890
Segment profit	619,934	539	108,071	(421)	728,123
Six months ended June 30, 2016					
Revenue from external customers	3,415,689	41,604	145,664	52,664	3,655,621
Inter-segment revenue	—	—	—	6,731	6,731
Segment revenue	3,415,689	41,604	145,664	59,395	3,662,352
Segment profit	1,130,733	1,522	102,859	4,057	1,239,171

(b) **Reconciliations of segment revenue, profit or loss**

	Six months ended June 30, 2017 *RMB'000* *(Unaudited)*	2016 *RMB'000* *(Unaudited)*
Revenue		
Segment revenue	2,181,890	3,662,352
Elimination of inter-segment revenue	—	(6,731)
Consolidated revenue	2,181,890	3,655,621
Profit		
Segment profit	728,123	1,239,171
Other gains and losses	40,765	(8,536)
Other income	10,226	7,722
Other expenses	(21,348)	(1,484)
Share of loss of an associate	—	(726)
Change in fair value of investment properties	434,438	465,557
Finance costs	(79,963)	(75,780)
Unallocated administrative expenses	(14,458)	(10,913)
Consolidated profit before taxation	1,097,783	1,615,011

4. FINANCE COSTS

	Six months ended June 30, 2017 *RMB'000* *(Unaudited)*	2016 *RMB'000* *(Unaudited)*
Interest on bank loans	477,674	418,511
Interest on other loans	37,336	52,763
Interest on corporate bonds	141,069	113,729
Interest on senior notes	43,411	—
Total	699,490	585,003
Less: Amounts capitalized to properties under development	(619,527)	(509,223)
	79,963	75,780

Interests capitalized arose from borrowings made specifically for the purpose of construction of the qualifying assets, which bore annual interest at rates from 4.9% to 9.8% (six months ended June 30, 2016: 4.9% to 12.2%) and general borrowings pool calculated by applying a capitalization rate of 6.4% (six months ended June 30, 2016: 7.5%) per annum on expenditure on the qualifying assets.

5. INCOME TAX EXPENSE

	Six months ended June 30,	
	2017	**2016**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current tax		
PRC Enterprise Income Tax	215,555	312,566
Under provision in prior year	—	17
Land appreciation tax ("LAT")	229,560	272,316
	445,115	584,899
Deferred tax	22,218	29,699
Income tax expense	467,333	614,598

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

6. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended June 30,	
	2017	**2016**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	498,293	863,614

	Six months ended June 30,	
	2017	**2016**
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,426,788	4,411,571
Effect of dilutive potential ordinary shares:		
Share options	24,773	28,799
Share awards	11,145	18,806
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,462,706	4,459,176

The number of shares adopted in the calculation of the basic earnings per share has been arrived at after eliminating the unvested shares of the Company held under the Company's share award scheme.

7. DIVIDENDS

During the current interim period, a final dividend in respect of the year ended December 31, 2016 of HK 6.04 cents (six months ended June 30, 2016: in respect of the year ended December 31, 2015 of HK 5.55 cents) per ordinary share totalling HK$267,994,000 (equivalent to RMB 240,000,000) (six months ended June 30, 2016: HK$245,882,000, equivalent to RMB 206,000,000) was declared.

During the current interim period, part of the dividend amounting to HK$50,835,000 (equivalent to RMB44,321,000) (six months ended June 30, 2016: HK$45,390,000, equivalent to RMB38,348,000) was paid.

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK7.52 cents per share amounting to HK$333,849,000 (equivalent to RMB300,000,000) in aggregate (six months ended June 30, 2016: Nil) will be paid to the owners of the Company.

8. 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, 2017 *RMB'000* *(Unaudited)*	As at December 31, 2016 *RMB'000* *(Audited)*
Trade receivables, net of allowance	434,386	185,849
Advances to contractors and suppliers	230,382	376,959
Other receivables from independent third parties (note)	17,261	17,261
Other receivables and prepayment, net of allowance	251,699	152,430
Prepaid lease payment - current portion	6,035	6,035
Deposits	78,127	64,943
	1,017,890	803,477

Note: Other receivables from independent third parties are of non-trade nature, unsecured, interest free and repayable on demand.

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

	As at June 30, 2017 *RMB'000* *(Unaudited)*	As at December 31, 2016 *RMB'000* *(Audited)*
0 to 60 days	223,071	28,168
61 to 180 days	68,828	12,623
181 to 365 days	27,994	26,890
1-2 years	81,944	94,541
Over 2 years	32,549	23,627
	434,386	185,849

Trade receivables with an amount of approximately RMB101,764,000 and RMB102,184,000 as at June 30, 2017 and December 31, 2016, respectively, are overdue receivables but not impaired. The Group does not hold any collateral over these balances.

9. TRADE AND OTHER PAYABLES

	As at June 30, 2017	As at December 31, 2016
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade payables	3,987,549	3,943,878
Rental received in advance	28,975	26,696
Deposits received	301,820	622,806
Payable for acquisition of subsidiaries (note (a))	187,717	786,868
Dividends	15,000	—
Accrued payroll	18,918	45,833
Business and other tax payable	281,395	243,709
Other payables and accruals	673,418	437,317
	5,494,792	6,107,107
Analyzed for reporting purposes as:		
Non-current (note (b))	91,312	77,794
Current	5,403,480	6,029,313
	5,494,792	6,107,107

Notes:

(a) The balance as at June 30, 2017 comprises the outstanding balance of consideration amounted to RMB187,717,000 (December 31, 2016: RMB750,868,000) for the acquisition of equity interests in Qidong Yujiangwan Investment Management Co., Ltd. 啟東禦江灣投資管理有限公司 ("Qidong Yujiangwan") during 2016. The remaining outstanding balance of RMB36,000,000 as at December 31, 2016 was related to the equity interests in Shaanxi Huawei Shida Industrial Co., Ltd. acquired in 2013. These amounts are unsecured, interest free and repayable on demand.

(b) Pursuant to the relevant rental agreements, rental deposits of approximately RMB91,312,000 (December 31, 2016: RMB77,794,000) as at June 30, 2017 will be refundable after twelve months from the end of the reporting period and is therefore classified as non-current liability.

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

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

	As at June 30, 2017	**As at December 31, 2016**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 to 60 days	1,719,163	2,551,084
61-365 days	1,322,291	478,604
1-2 years	482,284	772,986
Over 2 years	463,811	141,204
	3,987,549	3,943,878

10. CONTINGENT LIABILITIES

	As at June 30, 2017	**As at December 31, 2016**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Guarantees provided by the Group in respect of loan facilities utilized by		
- individual property buyers	7,582,859	6,563,622
- corporate property buyers	51,900	45,420
	7,634,759	6,609,042

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the interim results of the Company for the six months ended June 30, 2017.

REVIEW OF THE FIRST HALF OF 2017

Interim Results

During the Reporting Period, the revenue of the Group was RMB2,181.9 million, of which the revenue from property development was RMB2,004.2 million and the profit was RMB630.5 million, of which the profit attributable to owners of the Company was RMB498.3 million.

Market Review

In the first half of 2017, China's macro economy sustained a stable development momentum and significant differentiation was seen across the real estate industry. Against the backdrop of Central Government's emphasis on the nature of living for housing, the regulatory policies in popular cities continued being tightened. Due to the frequent intensification of house purchase restrictions and lending restrictions as well as various regulatory measures, the sales volume fell but the price remained stable in the first-and second-tier cities, and the sales volume and the price kept rising while destocking sped up in the third-and fourth-tier cities.

Facing the new situation, the Group had responded actively and was looking for new development opportunities: on the one hand, with its focus on the principal business, the Group laid a solid foundation for more market share with products that satisfy the clients' wants and needs; on the other hand, the Group secured a stable rental income by optimizing the allocation of investment properties and improving the services. In addition, the Group grasped the opportunities of popular sectors including Great Health, Great Medical Care and Great Finance, sought breakthroughs in various industry segments under the "Real Estate+" (房地產+) development model and utilized innovative business as driving force, so as to create a new world for the Group's development.

Property development

During the Reporting Period, the Group achieved contracted sales of RMB5,172 million with a total contracted GFA of 344,102 sq.m, among which 79.5% was from projects in cities such as Beijing, Langfang, Haikou, Shantou and Foshan, which became major contributors to the first half year's results of the Group.

In respect of marketing, at the beginning of acquiring the parcel, the Group was fully engaged in market research on different cities, locations and the features of different clients and made several plans to promote marketable products with differentiated allocation. Targeting on the first-and second-tier cities such as Beijing and Suzhou, the Group launched a high-end product in the garden and villa series, namely Glory Villa, which focused on catering for the demands for high-level products and had been grasping the market attention once being offered on the market. Aiming on the neighboring areas of the first-tier cities, the Group launched products targeting homebuyers with rigid demand and first-time homebuyers looking for improved living conditions, such as Langfang Yongqing Glory City which became the 2016 Langfang Best-selling Real Estate, and Foshan Guohua New Capital which was of promising future potential due to the benefits from the deepening development of integration of Foshan with Guangzhou. As for the third-and fourth-tier cities, the Group additionally launched new products for homebuyers with rigid demand looking for improved living conditions, including Shantou Glory Siji Garden and Glory Garden and at the same time, launched a high-end landscape residential property, namely Shantou Guan Haiju, in order to meet the needs of different markets.

Investment properties

During the Reporting Period, the total rental income of the Group was RMB140.4 million, which remained stable year-on-year. Rental income is expected to maintain steady growth over the next two to five years, which is mainly benefited from the Group's 7 investment properties situated at the prime locations of 5 core cities including Beijing and Shenzhen with total planned GFA of 808,261 sq.m.. Calculated by the area under operation, the operating area in Beijing accounted for about 53%, among which Glory Shopping mall located in Beijing's most prosperous Chongwen business district has become a fashionable gathering place of the region. Hademen Plaza, which is in proximity to Glory Shopping mall, was accredited as 2016-2017 "China New Hundred Urban Landmark Architecture (中國百城建築新地標)" project.

Land reserves

During the Reporting Period, the Group continued to deep plow the core cities of "Beijing Tianjin Hebei" region, "Pearl River Delta" region and "Yangtze River Delta" region and actively expanded land reserves through various means such as the process of tender, auction and listing (招拍掛) and acquisition. Facing the competitive land auction market, the Group obtained lands through the collaboration with the industry's leading real estate developers at a more reasonable cost to reduce operational risk and enhance the advantages of resources.

In 2017, as continuously driven by the Guangdong-Hong Kong-Macao Great Bay Area Policy (粵港澳大灣區政策), the strategic advantage status of Pearl River Delta is further highlighted. The economic development of Foshan, which is the economic and trade center in western Pearl River Delta region and integrated transport hub, ranked in forefront of Guangdong Province. In March 2017, the Group deepened layout in the Pearl River Delta and won the bid for a high-quality land parcel in Foshan Xiqiao at the consideration of RMB1.72 billion, which was the third finalized project in Foshan. The land parcel was located in New City Zone of Xiqiao Town (西樵鎮新城區) and the future projects will rely on "Guangzhou Foshan One-hour track life circle" (廣佛一小時軌道生活圈) to build urban boutique residential properties. In April, the Group won the bid for a land parcel in Beijing Daxing Yinghai town (北京大興瀛海鎮) at the consideration of more than RMB3.91 billion, which was located in the New Airport Industry Development Zone and China National Economic and Technical Development Zone (新空港產業發展帶和國家級經濟技術開發區), namely Yizhuang New Town (亦莊新城) with relatively large regional development potential. The land parcel was expected to provide 1,100 sets of self-occupied commodity properties and achieve fast sales and quick return of funds. In the future, the project will also integrate the landscape, transportation and industrial advantages to launch new commercial and residential and office products with Glory characteristics. In July, the Group and other developers jointly won the bid for a land parcel in Xitieying of Fengtai District within Beijing third ring road (北京三環內豐台西鐵營), which is in proximity to Lize Financial Business District, with high-end residential properties and perfect auxiliary facilities, which will become a regional popular project in the future.

Innovative businesses

The Group continued to re-integrate the traditional business and resources and expanded in the sectors such as culture and tourism, living care and elderly care, health care and medical care based on the mainstay and foundation of "Great estate" (大地產) with a view to create new vitality for the Group's innovative business development. At present, Glory Characteristic Town and Glory Hospital have made substantial progress.

In November 2016, Haikou Yunlong Town (海口雲龍鎮) was selected for the first batch of towns with Chinese characteristics. In June 2017, Haikou Glory Yunlong Project Phase I (海口國瑞雲龍項目一期) had completed a planning permit publicity. The project relied on thousands of mu of the natural ecological landscape of Yunlong Lake (雲龍湖自然生態景觀) with a total planning GFA of about 770,000 sq.m., and positioned as a tourist resort of characteristic town combining the characteristics of eco-tourism, medical care and health care, culture and entertainment and leisure and vacation. The project is expected to start in the second half of this year and to be completed and put into operation in 2022.

In December 2016, pursuant to "13th Five-year Plan", Chongming was clearly positioned as a world-class ecological island. The Group promoted the Glory Chongming Island Project (國瑞崇明島項目) according to its local conditions. The project is located in Qilong Township, Chongming Island (崇明島啟隆鄉) with a planned GFA of about 1.03 million sq.m., which is a pastoral and ecological town combining the characteristics of agricultural tourism, eco-tourism, parent-child entertainment, low-density residential properties and commercial facilities. The project is expected to be launched on the market at the end of this year.

In December 2016, Shantou Glory Hospital obtained the Construction Project Planning Permit (建設工程規劃許可證) and the construction works have been carried out as scheduled in 2017. Glory Hospital, with a planned GFA of 360,000 sq.m., is the first large-scale general 3A hospital invested and constructed in China. It is planned to provide 2,000 beds and is expected to be completed and put into operation in 2019.

Financing channels

The Group focused its efforts on expanding financing channels, optimizing debt structure and lowering financing costs while actively deploying diversified financing models in order to support the diversified and synergetic development of the Group's businesses. In March 2017, the Group successfully issued senior notes of US$300 million with an annual interest rate of 7% before the rate hikes of the Federal Reserve, which was rated "B" by the credit rating agency Fitch Ratings, and set the record of the lowest interest rate for the first issue of bonds with such rating in recent years.

OUTLOOK FOR THE SECOND HALF OF 2017

China is still in the stage of rapid urbanization and the property industry remained to be a "stabilizer" (穩定器) of China's economic growth. In the second half of this year, it is expected that the implementation of policies by cities and regulation by classification will remain to be the main tone of the real estate market, the market transactions volume will continue to slow down year-on-year and the industry concentration will continue to rise.

Based on the analysis on the current market conditions, the Group will uphold the strategy to deep plow in regions, seize the opportunities brought by accelerated industry consolidation, continuously innovate and improve business model and improve product structure and enhance our core competitiveness to achieve sustainable growth in future performance.

In respect of real estate development, the Group plans to launch two new projects, Beijing Daxing Yinghai (北京大興瀛海) and Glory Chongming Island (國瑞崇明島). Meanwhile, the Group will additionally launch other projects including Beijing Glory Villa, Suzhou Glory Villa, Langfang Yongqing Glory City, Shantou Guan Haiju, Foshan Guohua New Capital and Shenyang Glory City, increase selling rate and speed up the cash collection to guarantee the operating results of the whole year. The Group will always take customer needs as the bedrock for our development and combine product functionality with customer needs to enhance the competitiveness of products and provide comfortable and humanized residential space and more pleasant and livable community conditions.

In respect of investment properties, Hademen Plaza, with a total GFA of 140,000 sq.m., is expected to be put into operation in the second half of this year and by leveraging on its landmark advantages in Beijing core business district and its reputation in the high-end office buildings market, it will contribute stable rental income to the Group. At the same time, the Group is expected to gain considerable value-added benefits by transforming and upgrading the professional market of Shenyang Glory City into a shopping mall and holding it for operation. With the key commercial properties having been put into operation, sustained and stable cash flow will be provided for the Company to lay the foundation for sustainable development.

In respect of innovative business, the Group's future innovation business still rely on real estate as the main carrier and the Group will continue to expand the new product models including characteristic town, health care, new urban complex and pastoral complex.

Sustainable Development

The Group is committed to promoting the sustainable development of its business and the society and creating long-term value for its Shareholders. As an outstanding representative of China's top 100 real estate enterprises, the Group is willing to develop with the Chinese cities and always undertake the responsibility of corporate citizenship. The Group will promote urban economic development through practical participation in urban renewal and upgrading. The Group will also constantly promote the practice and innovation of environmental building to help improve the living environment and promote the harmonious coexistence between enterprises and society.

Acknowledgement

Finally, on behalf of the Board, I would like to express our sincere gratitude to all our employees for their diligence and endeavors, and our sincere appreciation to investors, customers and business partners for their strong support and confidence in the Group.

Zhang Zhangsun
Chairman
Beijing, the PRC
August 28, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the first half of 2017, the Group's total contracted sales were approximately RMB5,172.1 million, representing a decrease of 25.3% as compared to the corresponding period of last year. For the six months ended June 30, 2017, the Group's revenue was RMB2,181.9 million, representing a decrease of 40.3% as compared to the corresponding period of last year. This decrease was primarily due to the decrease in revenue from property development. Revenue from property development was RMB2,004.2 million, representing a decrease of 41.3% as compared to the corresponding period of last year. For the six months ended June 30, 2017, the Group's gross profit was RMB995.7 million, representing a decrease of 33.7% as compared to the same period last year; the net profit was RMB630.5 million, representing a decrease of 37.0% as compared to the same period last year, of which RMB498.3 million was attributable to the equity holders of the Company, representing a decrease of 42.3% as compared to the same period last year.

Contracted Sales

The contracted sales of the Group for the first half of 2017 and 2016 amounted to approximately RMB5,172.1 million and RMB6,919.3 million, respectively, representing a decrease of 25.3%. Total GFA sold was approximately 344,102 sq.m. and 723,950 sq.m., representing a decrease of 52.5%. Contracted sales of the Group, by geographical location, were mainly from Beijing, Langfang, Haikou, and Shantou, amounting to approximately RMB1,146.9 million, RMB918.0 million, RMB784.5 million and RMB 700.0 million, respectively, representing 22.2%, 17.7%, 15.2% and 13.5% of the Group's total contracted sales, respectively.

The following table sets out the geographic breakdown of the Group's contracted sales for the six months ended June 30, 2017 and 2016:

	For the Six Months Ended June 30,					
	2017 Contracted Sales *(RMB million)*	**2016 Contracted Sales** *(RMB million)*	**2017 GFA Sold** *(sq.m.)*	**2016 GFA Sold** *(sq.m.)*	**2017 Contracted ASP** *(RMB/sq.m.)*	**2016 Contracted ASP** *(RMB/sq.m.)*
Beijing						
Beijing Glory City	37.2	243.9	663	6,356	56,088.3	38,365.3
Beijing Fugui Garden	121.8	—	1,740	—	69,999.0	—
Beijing Glory Villa East	94.9	—	7,908	—	12,000.0	—
Beijing Glory Villa West	893.0	—	41,104	—	21,725.7	—
Haikou						
Haikuotiankong Glory City	496.8	788.2	30,052	53,982	16,530.4	14,601.5
Glory Riverview Garden	55.6	47.6	2,208	2,495	25,189.7	19,066.1
Haikou West Coast Glory	232.1	—	9,954	—	23,320.4	—
Wanning						
Wanning Glory City (Phase I)	80.7	226.7	9,317	33,105	8,666.3	6,847.3
Langfang						
Yongqing Glory City (Phases III to V)	918.0	3,596.6	50,281	389,080	18,257.3	9,243.9
Zhengzhou						
Zhengzhou Glory City (Phases I to VII)	59.4	482.6	3,251	78,138	18,275.0	6,176.8
Shenyang						
Shenyang Glory City (Phases II to IV)	447.9	278.7	64,940	42,722	6,897.4	6,522.4
Foshan						
Foshan Guohua New Capital	515.2	435.0	37,261	50,863	13,825.5	8,553.2
Foshan Glory Shengping Commercial Centre	45.9	—	1,046	—	43,866.2	—
Shantou						
Guan Haiju	328.8	820.0	21,548	67,209	15,258.4	12,201.2
Four Seasons Garden	158.4	—	21,291	—	7,438.0	—
Glory Garden (Phase II)	212.8	—	26,206	—	8,119.4	—
Suzhou						
Suzhou Glory Villa	428.8	—	12,946	—	33,119.0	—
Xi'an						
Glory Xi'an Financial Center	44.8	—	2,386	—	18,768.1	—
Total	**5,172.1**	**6,919.3**	**344,102**	**723,950**	**15,030.3**	**9,557.7**

Note:

Contracted sales shown in the table include sales of car parking spaces and GFA sold includes contracted GFA 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, 2017, the Group had completed a total GFA of 5,308,365 sq.m. and had land reserves with a total GFA of 8,195,468 sq.m., comprising (a) a total GFA of 627,957 sq.m. completed but remaining unsold, (b) a total GFA of 2,953,761 sq.m. under development, and (c) a total planned GFA of 4,613,750 sq.m. held for future development.

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, 2017, the Group had investment properties with a total GFA of 808,261 sq.m. in Beijing Fugui Garden, Beijing Glory City, Shenyang Glory City, Shantou Glory City, Eudemonia Palace, Beijing Hademen Center, Shenzhen•Nanshan and Foshan Glory Shengping Commercial Centre.

Properties Under Development and Properties Held for Future Development

The following table sets out a summary on the Group's projects in different phases under development and properties held for future development as at June 30, 2017:

			UNDER DEVELOPMENT			HELD FOR FUTURE DEVELOPMENT		
Project	**Project Type**	**Site Area**	**GFA Under Development**	**Saleable/ Rentable GFA**	**GFA Pre-sold**	**Planned GFA**	**GFA of Land Use Rights Certificates Not Yet Obtained**	**Ownership Interest**
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(%)*
Beijing								
1. Beijing Hademen Centre	Mixed-use	12,738	140,021	140,021	—	—	—	80.0
2. Beijing Glory Villa East	Residential	94,199	176,859	114,220	85,996	121,718	—	80.0
3. Beijing Glory Villa West	Residential	73,294	218,221	177,372	103,300	18.415	—	80.0
4. Daxing Yinghai	Residential	63,030	—	—	—	195,803	195,803	80.0
Haikou								
1. Hainan Yunlong	Mixed-use	1,084,162	—	—	—	768,844	—	72.0
Wanning								
1. Wanning Glory City (phases II to III)	Residential	143,560	—	—	—	200,955	—	80.0

Project	Project Type	Site Area (sq.m.)	UNDER DEVELOPMENT GFA Development (sq.m.)	Saleable/ Rentable GFA (sq.m.)	GFA Pre-sold (sq.m.)	HELD FOR FUTURE DEVELOPMENT Planned GFA (sq.m.)	GFA of Land Use Rights Certificates Not Yet Obtained (sq.m.)	Ownership Interest (%)
Langfang	Residential	663,218	470,853	381,837	137,696	710,006	—	80.0/100.0
1. Yongqing Glory City (Phases I (partial) to II, Phase IV (partial)								
Zhengzhou	Mixed-use	50,434	25,522	—	—	30,793	—	80.0
1. Zhengzhou Glory City (Phases VIII, School)								
Shenyang								
1. Shenyang Glory City (Phase III (partial), Phases V to VII)	Mixed-use	291,906	61,182	43,323	28,433	791,416	349,902	80.0
Foshan								
1. Foshan Guohua New Capital (Phase II)	Residential	56,529	240,932	226,267	34,540	—	—	44.0
2. Foshan Glory Shengping Commercial Centre	Mixed-use	90,231	352,974	92,349	1,046	—	—	80.0
3. Foshan Xiqiao	Residential	63,952	—	—	—	248,591	248,591	80.0
Xi'an								
1. Guorui • Xi'an Financial Center	Mixed-use	19,162	289,978	211,371	2,386	—	—	80.0
Shantou								
1. Shantou Glory City (Phases II)	Mixed-use	54,431	357,520	353,323	102,960	—	—	100.0
2. Shantou Glory Hospital	Hospital	100,001	—	—	—	360,154	—	100.0
3. Glory Garden (Phases II)(1)	Residential	14,482	77,977	67,546	26,206	—	—	80.0
4. Siji Garden(1)	Residential	42,155	205,008	183,700	21,291	—	—	80.0
Shenzhen								
1. Shenzhen • Nanshan	Commercial	20,163	42,763	42,763	—	132,237	—	80.0
Suzhou								
1. Suzhou Glory Villa	Mixed-use	74,196	240,295	184,948	12,946	2,981	—	80.0
Qidong								
1. Chongming Island	Residential	1,211,544	—	—	—	1,031,837	—	72.0
2. Butterfly Hotel	Hotel	64,000	53,656	—	—	—	—	100.0
Total		**4,287,387**	**2,953,761**	**2,219,040**	**556,800**	**4,613,750**	**794,296**	
Total Attributable GFA			**2,441,604**	**1,829,732**	**481,136**	**3,682,652**	**635,437**	

Note:

(1) Projects developed under the "Urban Redevelopment"

The following table sets out a summary of information of the Group's investment properties as at June 30, 2017:

Project	Types of Properties	Total GFA Held for Investment	Leasable GFA	Effective Leased GFA	Total Rental Income For the Six Months Ended June 30 2017	2016
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(RMB'000)*	
Beijing Glory City	Shopping mall	84,904	46,366	43,772		
	Offices	8,520	8,520	6,651		
	Car parking spaces	26,324	26,324	21,616	106,194	115,191
	Retail outlets	33,032	29,546	24,433		
	Siheyuan	7,219	7,219	2,871		
Eudemonia Palace	Car parking spaces	3,431	3,431	1,729		
Beijing Fugui Garden	Shopping mall	26,146	26,146	24,316	17,319	19,795
	Retail outlets	3,170	3,170	2,584		
Shenyang Glory City	Shopping mall	50,841	50,841	11,121	—	—
	Retail outlets	58,972	58,972	2,155		
Shantou Glory City	Specialized markets	62,398	62,398	59,140	16,922	10,678
Beijing Hademen Center*	Offices Shopping mall Car parking spaces	140,021				
Foshan Glory Shengping commercial center*	Retail outlets Car parking spaces	260,520				
Shenzhen•Nanshan*	Offices	42,763				
Total		**808,261**	**322,933**	**200,388**	**140,435**	**145,664**

* Projects currently under construction

Completed Properties

The following table sets out a summary on the Group's completed projects as at June 30, 2017:

Project	Project Type	Site Area (sq.m.)	Completed GFA (sq.m.)	GFA Available for Sale or use by us (sq.m.)	GFA Available for Sale (sq.m.)	GFA Held for Investment (sq.m.)	GFA Sold (sq.m.)	Other GFA (sq.m.)	Ownership Interest (%)
Beijing									
1. Beijing Fugui Garden	Mixed-use	87,075	507,857	48,042	3,463	29,316	421,374	9,125	91.0
2. Beijing Glory City	Mixed-use	117,473	881,590	62,922	15,478	159,999	640,489	18,180	80.0
3. Eudemonia Palace	Residential	14,464	33,102	3,431	—	3,431	24,931	1,309	80.0
Haikou									
1. Haikuotiankong Glory City	Mixed-use	141,375	800,154	258,750	112,521	—	505,324	36,080	80.0
2. Haidian Island Glory Garden	Residential	65,643	71,863	15,024	753	—	56,258	581	80.0
3. Glory Riverview Garden		36,634	21,658	16,940	16,940	—	3,633	1,085	80.0
4. Haikou West Coast Glory		34,121	21,971	9,241	9,241	—	11,449	1,281	80.0
Wanning									
1. Wanning Glory City (Phase I)	Residential	100,780	161,988	19,224	11,872	–	139,190	3,574	80.0
Langfang									
1. Yongqing Glory City (Phase I (partial), Phases III, Phase IV (partial), V)	Residential	650,148	714,356	94,242	18,211	—	606,276	13,838	80.0/100.0
Zhengzhou									
1. Zhengzhou Glory City (Phases I to VII)	Mixed-use	433,793	778,240	102,387	25,419	—	656,531	19,322	80.0
Shenyang									
1. Shenyang Glory City (Phases I and II, Phase III (partial), Phase IV)	Mixed-use	335,679	859,454	202,761	26,857	109,813	534,196	12,684	80.0
Foshan									
1. Foshan Guohua New Capital (Phase I)	Mixed-use	64,284	273,985	94,008	19,886	—	175,659	4,318	44.0
Shantou									
1. Shantou Glory City (Phase I)	Mixed-use	50,999	62,398	—	—	62,398	—	—	90.0
2. Glory Garden	Mixed-use	14,161	33,795	2,278	2,278	—	31,517	—	100.0
3. Yu Garden	Residential	8,292	25,767	—	—	—	25,767	—	100.0
4. Star Lake Residence	Residential	3,589	12,132	—	—	—	12,132	—	100.0
5. Yashi Garden	Residential	9,472	48,054	81	81	—	47,197	776	100.0
Total		**2,167,982**	**5,308,364**	**929,331**	**263,000**	**364,957**	**3,891,923**	**122,153**	
Total Attributable GFA		**1,761,244**	**4,296,378**	**726,089**	**205,046**	**301,430**	**3,169,218**	**99,642**	

Land Reserves

The following table sets out a summary of the Group's land reserves by geographic location as at June 30, 2017:

	Completed	Under Development	Future Development	Total Land Reserves	% of Total Land Reserves	Average land cost
	Saleable/ Rentable GFA Remaining Unsold	**GFA Under Development**	**Planned GFA[1]**	**Total GFA**		
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(%)*	*(RMB/sq.m.)*
Beijing	211,686	535,101	335,935	1,082,722	13.2	11,059.6
Haikou	139,457	—	768,844	908,301	11.1	1,685.9
Wanning	11,872	—	200,955	212,827	2.6	354.2
Langfang	18,211	470,855	710,007	1,199,073	14.7	352.5
Zhengzhou	25,419	25,522	30,793	81,734	1.0	405.3
Shenyang	136,669	61,182	791,416	989,267	12.1	906.1
Foshan	19,886	593,905	248,591	862,382	10.5	4,085.9
Xi'an	—	289,978	—	289,978	3.5	1,551.8
Shantou	64,757	640,504	360,154	1,065,415	13.0	1,082.7
Shenzhen	—	42,763	132,237	175,000	2.1	3,428.6
Suzhou	—	240,295	2,981	243,276	3.0	16,980.6
Qidong	—	53,656	1,031,837	1,085,493	13.2	1,354.7
Total	**627,957**	**2,953,761**	**4,613,750**	**8,195,468**	**100.0**	**3,204.4**

Note:

(1) Includes 216,523 sq.m. of planned GFA in respect of which the Group had received the confirmation letter on bidding for granting land use rights but had not yet signed the relevant land grant contract.

The following table sets out a summary of the Group's land reserves by type of properties as at June 30, 2017:

	Completed	Under Development	Future Development	Total Land Reserves	% of Total Land Reserves
	Saleable/ Rentable GFA Remaining Unsold	GFA Under Development	Planned GFA[1]	Total GFA	
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(%)*
Residential	114,868	1,386,045	2,827,200	4,328,113	52.7
Commercial for sale	126,139	420,761	678,596	1,225,496	15.0
Commercial held or intended to be held for investment	364,957	443,304	—	808,261	9.9
Hotel	—	88,092	104,529	192,621	2.4
Car parking spaces	21,993	445,080	313,601	780,674	9.5
Ancillary	—	116,748	300,951	417,699	5.1
Hospital	—	—	360,154	360,154	4.4
Others	—	53,731	28,719	82,450	1.0
Total	**627,957**	**2,953,761**	**4,613,750**	**8,195,468**	**100.0**

Note:

(1) Includes 216,523 s.q.m. of planned GFA in respect of which the Group had received the confirmation letter on bidding for granting land use rights but had not yet signed the relevant land grant contract.

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, redevelopment of shanty town and projects under the "Urban Redevelopment" policy in Beijing, Shantou, Chaozhou and Shenzhen.

Beijing

Since September 2007, the Group has undertaken a primary land development project in Beijing, namely, the West Qinian Street project, with a planned GFA of approximately 474,304 sq.m., comprising five land parcels. The site of West Qinian Street project is located on the west side of Qinian Street and is less than one kilometer from Tiananmen Square. As at June 30, 2017, the Group incurred development costs of approximately RMB1,294.8 million and has completed the primary land development of one of the five land parcels. Another land parcel is in the process of acceptance check by the Group. The West Qinian Street project is still currently under development.

Shantou

Pursuant to cooperation agreements with local self-governing organizations and enterprises under the "Urban Redevelopment" policy, the Group undertook the development of land parcels in Shantou, comprising four development projects with a total planned GFA of approximately 4.3 million sq.m. during the first half of 2014. The local self-governing organizations and enterprises have agreed to cooperate in development and construction of the relevant land parcels with the Group after the completion of the requisite government procedures under the relevant local regulation. The Group has completed a detailed regulatory plan for two of the development projects. The demolition work has been completed successfully and approval has been obtained from the relevant governmental authorities on transformation and distribution solutions and began to develop residential properties. As at June 30, 2017, the Group incurred aggregate development costs of approximately RMB526.5 million.

Chaozhou

During the first half of 2014, the Group undertook a primary land development project in Chaozhou, Guangdong Province, with a planned GFA of 2.9 million sq.m., namely, the Meilin Lake project. The Group has obtained the approval from the local government on preliminary land-use planning, completed preliminary work such as project establishment, project environment assessment, collection of evidence on land ownership and structures thereon (including buildings), and completed the preproclamation of the demolition of approximately 4,419 mu land. As at June 30, 2017, the Group incurred preliminary development costs of RMB9.4 million for this project to cover preliminary planning, design and surveying expenses. The Meilin Lake Project is still currently under development.

Shenzhen

In the first half of 2014, Shenzhen Dachaoshan entered into a cooperation agreement with Shenzhen Longgang Xikeng Co., Ltd. (深圳市龍崗區西坑股份有限公司) to carry out urban renewal of the Xikeng community. The planned construction area of the project was about 2.3 million square meters. The Group has completed the census work including the land ownership, resident population and building information in the Xikeng community, and the urban renewal planning research program. As at June 30, 2017, the development costs paid at the early stage in relation to this project was approximately RMB62.7 million.

Financial Review

Revenue

For the six months ended June 30, 2017, the Group's revenue was RMB2,181.9 million, representing a decrease of 40.3% as compared to the corresponding period of last year. This decrease was primarily due to the decreased revenue from property development.

Revenue from property development for the six months ended June 30, 2017 was RMB2,004.2 million, representing a decrease of 41.3% as compared to the corresponding period of last year. This decrease was primarily due to the uneven progress of project delivery and settlement during the six months ended June 30, 2017.

Gross Profit

For the six months ended June 30, 2017, the Group's gross profit was RMB995.7 million, representing a decrease of 33.7% as compared to the corresponding period of last year.

Gross profit of property development was RMB867.1 million, representing a decrease of 37.0% as compared to the corresponding period of last year. The decrease in the Group's gross profit of property development was primarily due to the uneven progress of delivery and settlement for the properties of the Group in the six months ended June 30, 2017. The gross profit margin of property development increased from 40.3% for the six months ended June 30, 2016 to 43.3% for the six months ended June 30, 2017.

Changes in Fair Value Gains on Investment Properties

The fair value gains on investment properties at the Group's level decreased by 6.7% from RMB465.6 million for the six months ended June 30, 2016 to RMB434.4 million for the six months ended June 30, 2017.

Other Gains and Losses

Other losses were RMB8.5 million for the six months ended June 30, 2016, while other gains were RMB40.8 million for the six months ended June 30, 2017, primarily due to foreign exchange gains.

Other Income

Other income increased by 32.4% from RMB7.7 million for the six months ended June 30, 2016 to RMB10.2 million for the six months ended June 30, 2017.

Distribution and Selling Expenses

Distribution and selling expenses decreased by 20.4% from RMB130.2 million for the six months ended June 30, 2016 to RMB103.7 million for the six months ended June 30, 2017, mainly due to the decrease in marketing promotion expenses of the Group.

Administrative Expenses

Administrative expenses increased by 25.4% from RMB142.2 million for the six months ended June 30, 2016 to RMB178.4 million for the six months ended June 30, 2017, primarily due to the Group's expansion of real estate sector and the increase in the remuneration and benefits of related persons.

Financing Costs

Financing costs increased by 5.5% from RMB75.8 million for the six months ended June 30, 2016 to RMB80.0 million for the six months ended June 30, 2017.

Income Tax Expenses

Income tax expenses decreased by 24.0% from RMB614.6 million for the six months ended June 30, 2016 to RMB467.3 million for the six months ended June 30, 2017, primarily due to the decrease of the profit before taxation. The PRC corporate income tax and land appreciation tax of the Group for the six months ended June 30, 2017 were RMB237.8 million and RMB229.5 million, respectively.

Profit and Total Comprehensive Income for the Period

As a result of the foregoing, the Group's profit and total comprehensive income for the period decreased from RMB1,000.4 million for the six months ended June 30, 2016 to RMB630.5 million for the six months ended June 30, 2017. The decrease in the Group's profit and total comprehensive income for the period was primarily due to the decrease in revenue from property development.

Liquidity, Financial and Capital Resources

Cash Position

As at June 30, 2017, the Group's cash, restricted bank deposits and bank balances were approximately RMB2,025.6 million, representing an increase of 33.2%, compared to RMB1,520.9 million as at December 31, 2016.

Net Operating Cash Flow

The Group recorded negative net operating cash flow in the amount of RMB3,894.2 million for the six months ended June 30, 2017, as compared to a negative net operating cash flow of RMB710.4 million for the six months ended June 30, 2016. The Group's negative net cash flow from operating activities was primarily due to the bid for a parcel in Yinghai Town, Daxing District, Beijing City in the first half of the year.

Borrowings

As at June 30, 2017, the Group had outstanding borrowings of RMB25,451.2 million, consisting of bank borrowings of RMB17,850.4 million, other borrowings for trust financing arrangements of RMB1,610.0 million, corporate bonds of RMB3,984.9 million and senior notes of RMB2,005.9 million.

As at June 30, 2017, the outstanding amount of the Group's borrowings from trust financing arrangements accounted for 6.3% of the balance of the Group's total bank and other borrowings.

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, 2017, the assets pledged to secure certain borrowings granted to the Group amounted to RMB29,626.0 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 the purchasers, but rely 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 bank receives 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, 2017, the Group's outstanding guarantees in respect of the mortgages of its customers amounted to RMB7,634.8 million.

Save as disclosed in this announcement, the Group had no other material contingent liabilities as at June 30, 2017.

Material Acquisition and Disposals and Significant Investments

Pursuant to a state-owned construction land use right grant contract signed on June 9, 2017 between an indirect subsidiary of the Company, Beijing Glory Xingye Real Estate Holding Limited* (北京國瑞興業房地產控股有限公司) ("**New Beijing Glory**"), and Beijing Municipal Planning and Land Resources Management

Committee, New Beijing Glory won the bid for the land use right of a parcel of land in Yinghai Town of Daxing District in Beijing City measuring a total of 63,029.6 sq.m. for a total consideration of approximately RMB3.91 billion. The Group plans to develop residential and office products on such parcel of land.

Pursuant to a state-owned construction land use right grant contract signed on April 10, 2017 between an indirect subsidiary of the Company, Foshan Glory Xingye Real Estate Limited* (佛山市國瑞興業地產有限公司) ("**Foshan Glory**"), and the Bureau of Land Resources and Urban Planning of Foshan, Foshan Glory won the bid for the land use right of a parcel of land in Xiqiao Town (西樵鎮) of Nanhai District (南海區) in Foshan City (佛山市) measuring a total of 63,951.5 sq.m. for a total consideration of approximately RMB1.72 billion. The Group has obtained the construction land planning permit to such parcel of land on July 24, 2017. The Group plans to develop residential housing on such parcel of land.

On June 28, 2017, Qidong Glory Properties Limited* (啟東市國瑞置業有限公司) ("**Qidong Glory**"), an indirect subsidiary of the Company, entered into an asset transfer agreement with a third party company to transfer the Butterfly Hotel in Huilong Town (滙龍鎮), Qidong City (啟東市) to Qidong Glory for a total consideration of RMB412.0 million. Butterfly Hotel covers an area of approximately 64,000.0 sq.m. with the construction area of approximately 53,656.0 sq.m. under development.

Save as disclosed in this announcement, the Group did not have any other material acquisition or disposal or significant investment during the Reporting Period.

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, if 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 the Company's prospectus dated June 23, 2014 (the "**Prospectus**") and the abovementioned 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

As at June 30, 2017, the Group had approximately 1,021 employees. For the six months ended June 30, 2017, the Group incurred employee costs of approximately RMB157.8 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, medical, maternity, occupational injury and unemployment benefit plans.

Interim Dividend

On August 28, 2017, the Board declared an interim dividend of HK7.52 cents per share in cash amounting to HK$333,849,000 (equivalent to RMB300,000,000) in aggregate ("**Interim Dividend**"). The Interim Dividend declared was expected to be distributed to qualifying Shareholders on or about Friday, September 29, 2017.

Closure of Register of Members

For the purpose of determining Shareholders who qualify for the Interim Dividend, the register of members of the Company will be closed from Monday, September 18, 2017 to Tuesday, September 19, 2017, both days inclusive. In order to qualify for the Interim Dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712—1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, September 15, 2017.

Use of Net Proceeds from Listing

The net proceeds from issue of new shares of the Company in its global offering and the partial exercise of over-allotment option (after deducting underwriting fees and related expenses) amounted to approximately HK$1,561.0 million. As of June 30, 2017, the Company had used approximately HK$150.0 million for the Company's general corporate and working capital purpose. The remaining of the net proceeds are applied in the manner consistent with that set out in the Prospectus.

CORPORATE GOVERNANCE PRACTICES AND OTHER INFORMATION

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

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Under the current organization structure of the Company, Mr. Zhang Zhangsun ("**Chairman Zhang**") is the chairman of the Board and the president of the Company. The roles of both chairman and president being performed by the same person deviates from the CG Code. Chairman Zhang has been overseeing the Group's strategic planning, development, operation and management since the Group was founded. The Company believes that the vesting of the roles of both chairman and president in Chairman Zhang is beneficial to the business operation of the Group and will not have negative influence on the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals. The Board currently comprises four executive Directors and three independent non-executive Directors, and therefore has a fairly strong independence element in its composition. 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, 2017. 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 during the six months ended June 30, 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended June 30, 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUBSEQUENT EVENTS

On July 18, 2017, an indirect subsidiary of the Company, New Beijing Glory formed a consortium with two other independent third-party real estate companies and won the bid for the land use right of a land parcel in Xitieying Village (西鐵營村) of Fengtai District (豐台區) in Beijing (北京市) measuring a total of approximately 65,649.87 sq.m. for a total consideration of approximately RMB7.87 billion. New Beijing Glory holds a shareholding ratio of 20%. The land parcel is used for residential and commercial development and 54% area of it is for the purpose of self-occupied residential use.

On August 8, 2017, an indirect subsidiary of the Company, New Beijing Glory formed a consortium with two other independent third-party real estate companies and won the bid for the land use right of a land parcel in Cuihu Science and Technology Zone（翠湖科技園） of Haidian District（海淀區）in Beijing（北京市）measuring a total of 82,336.42 sq.m. for a total consideration of RMB5.98 billion. New Beijing Glory holds a shareholding ratio of 35%. The land parcel is used for residential development and 36% area of it is for the purpose of self-occupied residential use.

AUDIT COMMITTEE

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

The Audit Committee has reviewed with the management and the Group's auditors, DTT, the accounting principles and policies adopted by the Company, as well as laws and regulations, and discussed internal control and financial reporting matters (including the review of the interim results for the six months ended June 30, 2017) of the Group. The Audit Committee considered that the interim results for the six months ended June 30, 2017 are in compliance with the applicable accounting principles and policies, laws and regulations, and the Company has made appropriate disclosures thereof.

PUBLICATION OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2017 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, 2017 containing all the information about the Company set out in this announcement of results for the six months ended June 30, 2017 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
Guorui Properties Limited
Zhang Zhangsun
Chairman

Beijing, the PRC, August 28, 2017

As at the date of this announcement, the board of directors of the Company comprises Mr. Zhang Zhangsun, Mr. Ge Weiguang, Ms. Ruan Wenjuan and Ms. Zhang Jin, as executive directors and Mr. Luo Zhenbang, Mr. Lai Siming and Ms. Chen Jingru, as independent non-executive directors.

* *For identification purposes only*